



ALLIANCE BANK

The Preferred Bank of Business Owners

2021 ANNUAL REPORT

The Family Cafe
— since 1970 —



Corporate Profile

Alliance Bank Malaysia Berhad (Alliance Bank) was incorporated in Malaysia on 3 August 1982 under the name of Malaysian French Bank Berhad. In 1996, it assumed the name of Multi-Purpose Bank Berhad. Following the successful merger of seven financial institutions in January 2001, the Bank assumed its present name.

On 26 September 2017, the Bank was listed on the Official List of the Main Market of Bursa Malaysia Securities Berhad by assuming the listing status of its then holding company, Alliance Financial Group Berhad upon the completion of a corporate re-organisation exercise.

Today, Alliance Bank and its two principal subsidiaries, Alliance Investment Bank Berhad and Alliance Islamic Bank Berhad, is a dynamic, integrated financial services group offering banking and financial solutions through its consumer banking, SME banking, corporate and commercial banking, Islamic banking, investment banking, and stockbroking businesses.

The Bank provides fast, simple and responsive services that meet the needs of its customers via multi-pronged delivery channels which include retail branches, Privilege Banking Centres, Business Centres, and Investment Bank branches located nationwide, as well as mobile and Internet banking.

Features In This Annual Report



Indicates a page or note where more information can be found.



Indicates a website reference where more information can be found.



Our Annual Report, Accounts and other information about Alliance Bank Malaysia Berhad can be found at <https://www.alliancebank.com.my/annualreport2021>

Our Vision

The Preferred Bank of Business Owners

Our Mission

Building Alliances to Improve Lives

Our Brand Attributes

Innovative
Fast, Simple & Responsive
Aligned to Customers' Needs

Our Key Behaviours



Commit to Excellence



Take Ownership



Collaborate



Understand & Act



Innovate & Simplify

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CORPORATE INFORMATION

Board of Directors

Tan Sri Dato' Ahmad bin Mohd Don
Chairman, Independent Director

Lee Boon Huat
Senior Independent Director

Lee Ah Boon
Non-Independent Director

Datuk Wan Azhar bin Wan Ahmad
Independent Director

Ho Hon Cheong
Non-Independent Non-Executive Director

Tan Chian Khong
Independent Director

Susan Yuen Su Min
Independent Director

Lum Piew
Independent Director

Cheryl Khor Hui Peng
Independent Director

Executive Committee

Lee Ah Boon (Chairman)
Non-Independent Non-Executive Director

Datuk Wan Azhar bin Wan Ahmad
Independent Director

Lee Boon Huat
Senior Independent Director

Tan Chian Khong
Independent Director

Group Nomination & Remuneration Committee*

Susan Yuen Su Min (Chairman)
Independent Director

Tan Sri Dato' Ahmad bin Mohd Don
Independent Director

Datuk Wan Azhar bin Wan Ahmad
Independent Director

Lee Ah Boon
Non-Independent Non-Executive Director

Group Audit Committee*

Tan Chian Khong (Chairman)
Independent Director

Datuk Wan Azhar bin Wan Ahmad
Independent Director

Ho Hon Cheong
Non-Independent Director

Cheryl Khor Hui Peng
Independent Director

Group Risk Management Committee*

Lee Boon Huat (Chairman)
Senior Independent Director

Ho Hon Cheong
Non-Independent Non-Executive Director

Lum Piew
Independent Director

Tuan Haji Ibrahim bin Hassan
Independent Director of
Alliance Islamic Bank Berhad

Mazidah binti Abdul Malik
Independent Director of
Alliance Investment Bank Berhad

Group Sustainability Committee*

Susan Yuen Su Min (Chairman)
Independent Director

Cheryl Khor Hui Peng
Independent Director

Dato' Ahmad Hisham bin Kamaruddin
Independent Director of
Alliance Islamic Bank Berhad

Shariah Committee^

Dr. Tuan Badrul Hisyam bin Tuan Soh (Chairman)
Associate Professor Dr Badruddin bin Hj Ibrahim

Ustaz Ahmad Fauwaz bin Ali @ Fadzil

Tuan Haji Rustam bin Mohd Idris

Professor Dr. Muhamad Rahimi bin Osman

Group Chief Executive Officer

Joel Kornreich

Group Company Secretary

Lee Wei Yen
MAICSA 7001798 (SSM PC No. 202008002080)

Notes:

* Operate on a Group basis covering the Bank and its principal subsidiaries, namely Alliance Islamic Bank Berhad and Alliance Investment Bank Berhad.

^ Resides in Alliance Islamic Bank Berhad.

Registered Office

3rd Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia
Tel : 03-2604 3333
Fax : 03-2694 6200
Website : www.alliancebank.com.my
Email : enquiry@alliancefg.com

Registrar

ShareWorks Sdn Bhd
No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur, Malaysia
Tel : 03-6201 1120
Fax : 03-6201 3121

Auditors

PricewaterhouseCoopers PLT
Level 10, 1 Sentral, Jalan Rakyat
Kuala Lumpur Sentral
50706 Kuala Lumpur, Malaysia

Principal Banker

Alliance Bank Malaysia Berhad

Bursa Malaysia Stock Name/Code

ABMB/2488

International Securities Identification Number (ISIN)

MYL248800004

CORPORATE STRUCTURE

as at 30 June 2021



▲ **100%**

Alliance Islamic Bank Berhad
200701018870 (776882-V)

▲ **100%**

Alliance Investment Bank Berhad
197401004393 (21605-D)

⋮
▲ **51%**

AllianceDBS Research Sdn Bhd
198401015984 (128540-U)

▲ **100%**

Alliance Direct Marketing Sdn Bhd
197201001179 (12785-K)

▲ **100%**

AllianceGroup Nominees (Tempatan) Sdn Bhd
197801005218 (42234-H)

▲ **100%**

AllianceGroup Nominees (Asing) Sdn Bhd
199301018121 (272859-W)

▲ **100%**

Alliance Trustee Berhad*
199501030387 (359593-T)

▲ **100%**

Alliance Financial Group Berhad
196601000162 (6627-X)
(under members' voluntary winding up)

⋮
▲ **100%**

Kota Indrapura Development
Corporation Berhad
196301000435 (5275-A)
(under members' voluntary winding up)

* 20% shares are held by Alliance Bank Malaysia Berhad and the remaining 80% are held by its wholly owned subsidiaries namely, Alliance Investment Bank Berhad (20%), Alliance Direct Marketing Sdn Bhd (20%), AllianceGroup Nominees (Asing) Sdn Bhd (20%) and AllianceGroup Nominees (Tempatan) Sdn Bhd (20%).

PRODUCTS AND SERVICES

ALLIANCE BANK MALAYSIA BERHAD

PERSONAL BANKING

Digital Banking

Allianceonline Internet Banking (24x7 service availability)

- Account Overview
- Alliance SavePlus Account Opening
- Alliance XChange Account Opening
- Alliance XChange Fixed Deposit
- Bill Payment (JomPAY)
- Cheque Services
- Credit Card Balance Transfer & Fast Cash
- Credit Card Payment (Pay to Alliance Bank/Interbank/ DuitNow/GIRO)
- e-Fixed Deposit
- e-Fixed Deposit Gold
- e-Foreign Telegraphic Transfer/Foreign Remittance
- e-IPO
- e-Statement
- FPX Payment
- Fund Transfer (Pay to Alliance Bank/Interbank/ DuitNow/GIRO)
- Loan Payment (Pay to Alliance Bank/Interbank/ DuitNow/GIRO)
- Prepaid Reload
- EPF Transfer
- Cheque Services (Inquiry/Stop/Cheque Book Request)
- Transaction History
- View Direct Debit Mandate
- View Foreign Exchange Rates/e-Rates/Interest Rates

Allianceonline Mobile Banking (24x7 service availability)

- DuitNow QR
- Account Overview
- Alliance SavePlus Account Opening
- Bill Payment (JomPAY)
- Credit Card Payment (Pay to Alliance Bank/Interbank/ DuitNow/GIRO)
- e-Fixed Deposit
- Fund Transfer (Pay to Alliance Bank/Interbank/ DuitNow/GIRO)
- Loan Payment (Pay to Alliance Bank/Interbank/ DuitNow/GIRO)
- Mobile Secure Approval (MSA) & Mobile Security Code(MSC) Transaction Authorisation
- Prepaid Reload
- EPF Transfer
- Smart Reminder
- Transaction History
- Transaction Push Notification
- Live Chat
- e-KYC SavePlus Account Opening (available daily from 6am to 11pm)
- e-KYC Credit Card Application
- e-KYC Personal Loan/Financing Application
- Remote Banking: Wealth Management

Alliance Cash2Home (24x7 service availability)

- Account Overview
- Foreign Remittance
- Prepaid Reload
- Transaction History

Digital Personal Financing

- Alliance Bank Personal Financing Application

Wealth Management

Bancassurance

- Elite Cash Saver
- Elite Credit Shield
- Elite Income Saver
- Elite Legacy Builder
- Elite Life Guard
- Elite Max Saver
- Elite Kids Saver
- Fire/House Owner (Conventional & Takaful)
- Home Content
- Mortgage Level Term Assurance
- Mortgage Level Term Takaful
- Mortgage Reducing Term Assurance
- Mortgage Reducing Term Takaful
- Motor Insurance (Conventional & Takaful)
- Personal Accident
- Personal Loan – Group Credit Family Takaful
- Personal Loan Reducing Term Assurance
- Safe Deposit Box Insurance
- Travel Insurance
- Z-Alliance MediWise
- Z-Alliance Cyber Protect (Conventional & Takaful)
- Z-Alliance Youngstar Protect (Conventional & Takaful)
- Z-Alliance Comprehensive Home Safe (Conventional & Takaful)
- Z-Alliance Secure (Conventional & Takaful)
- Z-Alliance Safe Deposit Box
- Z-Alliance Travel (Conventional & Takaful)
- Z-Alliance Motor
- A-Alliance Homeowner Premier (Conventional & Takaful)

Deposits

- Alliance Buddy Account
- Alliance Fixed Deposit Gold
- Alliance Hybrid Account
- Alliance My eSaving Account
- Alliance Premium Hybrid Account
- Alliance SavePlus Account
- Alliance XChange Account (via allianceonline Internet Banking)
- Alliance XChange Fixed Deposit (via allianceonline Internet Banking)
- Basic Savings Account
- Current Account/Basic Current Account
- eFixed Deposit (via allianceonline Internet Banking)
- eFixed Deposit Gold (via allianceonline Internet Banking)
- Fixed Deposit
- Foreign Currency Current Account
- Foreign Currency Fixed Deposit
- Safe Deposit Box

6 PRODUCTS AND SERVICES (CONT'D)

Unit Trust

- Balanced Funds
- Bond Funds
- Equity Funds
- Money Market Funds

Retail Broking & Investment Lending

- Alliance One Invest stock trading platform for retail clients (available on web and mobile app)
- Dedicated Omni-Channels to serve our customers
 - Call and Trade through Alliance Bank's Share Trading Centres (STC), relationship managed and serviced by Equity Specialists
 - Daily research reports, stock trading ideas & Model Portfolio from AllianceDBS Research
 - Online share trading via Internet & Mobile
- Share Margin Financing
 - ESOS/IPO/Placement Financing Account
 - External Margin Account
 - Foreign Share Margin
 - Portfolio Financing Account
 - Share Margin + Trading 2-in-1 Account
- Share Trading Account
 - Cash Upfront Trading Account
 - Collateralised Trading Account
 - Flexi 7 Account (i.e.T+7 Trading Account)
 - Foreign Share Trading

Retail Securities

- Foreign Currency Retail Securities
- MYR-denominated Retail Securities

Structured Investment

- Basket Equity-Linked Knock-In Knock-Out Structured Investment
- Bonus Enhanced Equity-Linked Structured Investment
- CMS Spread Linked Structured Investment
- Dual Currency Investment
- Equity Linked Convertible Structured Investment
- Equity Linked Structured Investment
- Fund-Linked Structured Investment
- Interest-rate Linked Structured Investment
- Power Dual Currency Investment

Conventional Loans

- Alliance CashFirst Personal Loan
- Alliance Conventional Commercial Property Loan
- Alliance Conventional Home Loan
- Alliance ONE Account
- Overdraft against Property
- Overdraft against Fixed Deposit

Cards

Credit Cards

- Alliance Bank Basic Credit Card
- Alliance Bank Gold and Classic Credit Cards
- Alliance Bank Visa Platinum Credit Card
- Alliance Bank MasterCard Platinum Credit Card
- Alliance Bank Visa Infinite Credit Card
- Alliance Bank You:nique Rates Credit Card
- Alliance Bank You:nique Rebates Credit Card
- Alliance Bank You:nique Rewards Credit Card

Debit Cards

- Alliance EcoWorld Debit Card
- Alliance Hybrid AP Platinum Debit Card
- Alliance Hybrid PB Platinum Debit Card
- Alliance Hybrid Standard Debit Card
- Alliance My eSaving Debit Card

BUSINESS BANKING

SME

Bancassurance

- Business Credit Life Insurance/Refund of Premium (ROP)
- Business Protect
- General Insurance Products

Business Credit Card

- Alliance Business Platinum Credit Card
- Alliance Visa Infinite Business Credit Card

Cash Management

- Account Management (via Alliance BizSmart®)
 - Consolidated Account Overview
 - e-Statement
 - Tax Invoice/Merchant Report
 - Transaction History Download
- Alliance BizSmart® Mobile Application (24x7 service availability)
- Alliance BizSmart® Online Banking (24x7 service availability)
- Collection Management
 - Auto Debit Service
 - Biz-Xpress Card: With functions such as Deposit, Local Cash, Withdrawal, mydebit (local purchases) and overseas cash withdrawal via Cirrus network
 - JomPAY Collection
 - Payee Corporation Service (FPX Payment)
 - Direct Debit Service
- Deposit Account Offering
 - Business Current Account
 - Business eFD (via Alliance BizSmart®)
 - Business Fixed Deposit
 - Business Foreign Currency Current Account
 - Business Foreign Currency Fixed Deposit
- Liquidity Management
 - Auto Sweeping Service
 - Business Rewards Services
- Payment Management (via Alliance BizSmart®)
 - Bill Payment (JomPAY/Direct Bill)
 - Bulk Payment
 - Bulk Payment with Payment Advice
 - Business Current Account
 - Business Fixed Deposit
 - DuitNow/Instant Transfer
 - E-Dividend Payment
 - Foreign Telegraphic Transfer
 - Fund Transfer (Pay to Alliance Bank/Interbank GIRO/RENTAS)
 - MyGST Payment
 - Payroll (Salary/EPF/SOCSO/SOCSO-EIS/Monthly Contribution/PCB-LHDN Payment)
 - Prepaid Reload
 - Zakat Selangor

- Trade Finance (via Alliance BizSmart®)
 - Trade Finance Inquiry
 - Trade Limit Inquiry
 - Trade Advice Download
 - Trade Application
 - e-BA Application
 - e-TR Application

Credit Facilities

- Business Premises Financing
- Equipment Financing
- Foreign Exchange
- Oil Palm Plantation Financing
- Schemes promoted by CGC/BNM/Government
- SME Express Cash
- Working Capital Financing

Employee Account Opening

- Employee Account Opening for Foreign Workers (via Alliance Cash2Home)
- Employee Account Opening for Local and Foreign Workers (via BizSmart®)
- Employee Account Opening for Local Workers (via allianceonline Mobile Banking)

Trade Facilities

- Bank Guarantees (BGs)
- Bankers Acceptances
- Collection Bills
- Export Bills Purchased/Discounting
- Export Credit Refinancing
- Export LC Advising/Confirmation
- Export LC Negotiation
- Foreign Currency Trade Loan
- Letter of Credits
- Promissory Notes
- Shipping Guarantees
- Trust Receipts
- Vendor Financing

Corporate & Commercial

Business Credit Card

- Alliance Business Platinum Card
- Alliance Visa Infinite Business Credit Card

Cash Management

- Account Management (via Alliance BizSmart®)
 - Consolidated Account Overview
 - e-Statement
 - Tax Invoice/Merchant Report
 - Transaction History Download
- Alliance BizSmart® Online Banking (24x7 service availability)
- Alliance BizSmart® Mobile Application (24x7 service availability)
- Collection Management
 - Auto Debit Service
 - Bank Cheque Collection Service
 - Biz-Xpress Card: Deposit cum Withdrawal function via Self-Service Terminals (ATM/CDM/CES)
 - Cash Concentration Solution

- Cash in Transit
- Direct Debit Service
- JomPAY Collection
- Payee Corporation Service (FPX Payment)
- Deposit Account Offering
 - Business Current Account
 - Business eFD (via Alliance BizSmart®)
 - Business Fixed Deposit
 - Business Foreign Currency Current Account
 - Business Foreign Currency Fixed Deposit
- Liquidity Management
 - Auto Sweeping Service
 - Business Rewards Services
- Payment Management (via Alliance BizSmart®)
 - Bill Payment (JomPAY/Direct Bill)
 - Bulk Payment
 - Bulk Payment with Payment Advice
 - DuitNow/Instant Transfer
 - E-Dividend Payment
 - Foreign Telegraphic Transfer
 - Fund Transfer (Pay to Alliance Bank/Interbank GIRO/RENTAS)
 - MyGST Payment
 - Payroll (Salary/EPF/SOCISO/SOCISO-EIS/Monthly Contribution/PCB-LHDN Payment)
 - Prepaid Reload
 - Zakat Selangor
- Trade Finance (via Alliance BizSmart®)
 - Trade Finance Inquiry
 - Trade Limit Inquiry
 - Trade Advice Download
 - Trade Application
 - e-BA Application
 - e-TR Application

Credit Facilities

- Bridging Loan
- Business Premises Financing
- Foreign Currency Loan
- Syndicated Loan
- Term Loan
- Working Capital Financing

Foreign Exchange

Interest Rate Swap

Trade Facilities

- Bank Guarantees (BGs)
- Bankers Acceptances
- Collection Bills
- Export Bills Purchased/Discounting
- Export Credit Refinancing
- Export LC Advising/Confirmation
- Export LC Negotiation
- Foreign Currency Trade Loan
- Letter of Credits
- Promissory Notes
- Shipping Guarantees
- Trust Receipts
- Vendor Financing

8 PRODUCTS AND SERVICES (CONT'D)

FINANCIAL MARKETS

- Banker Acceptances
- Equity Linked Investments
- Foreign Exchange Transactions
- Hedging Solution
 - Cross-currency Swap
 - Currency options
 - Interest Rate Swap
- Money Market Deposit
- Negotiable Instrument of Deposit
- Structured Investments
 - FX Privileged Single/Double Par Forward Structured Investment
 - FX Bull/Bear Structured Investment
 - Bonus Enhanced Equity-Linked Structured Investment
 - CMS Spread Linked Structured Investment
 - CMS Spread Range Accrual Structured Investment
 - CMS Linked Inverse Floater Structured Investment
 - Non-principal Protected Interest Rate Structured Investment

ALLIANCE ISLAMIC BANK BERHAD

Alliance Cash2Home (24x7 service availability)

- Account Overview
- Foreign Remittance
- Prepaid Reload
- Transaction History

Bancatakaful

- Z-Alliance Secure PA Takaful
- Z-Alliance Travel Takaful
- Z-Alliance Home Safe Takaful
- Z-Alliance Home Owner Premier

Business Financing

- Business Premise Financing-i
- Cashline Facility-i
- Commodity Murabahah Revolving Credit-i
- Commodity Murabahah Term Financing-i
- Industrial Hire Purchase-i
- Revolving Credit Facility-i
- Schemes promoted by CGC/BNM/SME Corp/ Government

Cards

- Alliance Hybrid AP Platinum Debit Card-i
- Alliance Hybrid PB Platinum Debit Card-i
- Alliance Hybrid Standard Debit Card-i
- Alliance Junior Debit Card-i
- Alliance My eSavings Debit Card-i

Consumer Financing

- Alliance ONE Account
- Cashline Facility-i
- CashVantage Financing-i
- i-Wish Home Financing-i
- Term Financing-i

Deposits

- Alliance Hybrid Account-i
- Alliance My eSavings Account-i
- Alliance SavePlus Account-i
- Alliance Term Deposit-i
- allianceonline Banking
- Basic Current Account-i
- Basic Savings Account-i
- Current Account-i
- e-Alliance Term Deposit-i (via allianceonline)
- Alliance Junior Smart Saver-i
- Junior Smart Term Deposit-i
- Savings Account-i

Financial Markets

- IPRS Murabahah-i
- Islamic Acceptance of Bills
- Money Market Deposit-i
- Negotiable Islamic Deposits Certificate

Halal in One Programme

Trade Financing and Services

- Accepted Bills-i
- Bank Guarantee-i
- Export Bills for Collection-i
- Export Bills Negotiated-i
- Export Bills Purchased-i/Discounted-i
- Export Credit Refinancing-i (Pre-shipment/ Post-shipment)
- Export Letter of Credit-i (Advising/Confirmation/ Transferring)
- Import Bills for Collection-i
- Letter of Credit-i
- Murabahah Trust Receipt-i
- Murabahah Working Capital Financing-i
- Shipping Guarantee-i

Unit Trust

- ASNB Fixed Price Funds
- ASNB Variable Price Funds
- Islamic Balanced Funds
- Islamic Equity Funds

ALLIANCE INVESTMENT BANK BERHAD

Corporate Banking

- Credit Facilities
 - Bridging Loan
 - Foreign Currency Loan
 - Syndicated Loan
 - Term Loan
 - Working Capital Financing

- Trade Facilities
 - Bank Guarantees (BG)
 - Bankers Acceptances (BA)

Corporate Finance

- Independent Advice to Minority Shareholders for related party transactions, General Offers and General Offer Exemption
- Initial Public Offerings
 - Involving public issues of new securities and/or offers for sale of existing securities in companies seeking listing and quotation on the Main Market, the ACE Market and the LEAP Market of Bursa Malaysia Securities Berhad
- Merger, Takeover, Acquisition and Corporate Restructuring Advisory
- Other General Corporate Advisory such as bonus issue, share split and employee share option scheme
- Secondary Offerings
 - Involving raising of funds subsequent to the initial public offerings through rights issues, restricted issues, private placements and special issues of both equity and equity linked instruments

Debt Capital Markets

- Advisory and arrangement of Corporate Bonds and Sukuk (CBS) involving:
 - Asset Securitisation
 - Commercial Papers Programmes
 - Guaranteed bonds and sukuk
 - Medium Term Notes Programmes
 - Project Financing
 - Structured Financing
 - Unrated bonds and sukuk
- Arrangement of Syndicated Corporate Loans and Financing

Equity Syndication

- Book-Building/Accelerated Book-Building of Equity and Equity-Linked Instruments
- Primary and Secondary Private Placements of Equity and Equity-Linked Instruments
- Underwriting and Private Placements of Initial Public Offerings
- Underwriting and Private Placements of Real Estate Investment Trusts (REITs)
- Underwritings of Rights Issues

Financial Markets

- Cross-currency Swap
- Currency Options
- Hedging Solution
- Interest Rate Swap
- Money Market Deposit
- Negotiable Instrument of Deposit

Islamic Banking

- Islamic Accepted Bills
- Kafalah Bank Guarantee
- Murabahah Working Capital Financing

Stockbroking

Alliance Retail Broking

- Alliance One Invest stock trading platform for retail clients (available on web and mobile app)
- Corporate Action Services
- Dedicated Omni-Channels to serve our customers
 - Call and Trade through Alliance Investment Bank's Branches, relationship managed and serviced by Dealers' Representatives such as Dealers or Remisiers
 - Self Directed clients are supported by Centralised Dealing Team
 - Online share trading via Internet & Mobile
 - Daily research reports, stock trading ideas & Model Portfolio from AllianceDBS Research
- Share Margin Financing
- Share Trading Account
 - Cash Upfront Trading Account
 - Collateralised Trading Account
 - Flexi 7 Account (i.e. T+7 Trading Account)
 - Foreign Share Trading
- e-Services
 - Direct Credit
 - e-Dividend

Institutional Stockbroking

- Direct Market Access (DMA)
- Institutional Share Trading
- Inter-broke Services

ALLIANCEDBS RESEARCH SDN BHD

- Corporate Research
- Economic Research
- Equity Research
- Industry Research
- Investment Advisory Services

ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD

ALLIANCEGROUP NOMINEES (ASING) SDN BHD

FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 MARCH	2021	2020	2019	2018	2017
OPERATING RESULTS (RM MILLION)					
Net income	1,818	1,689	1,622	1,572	1,469
Profit before taxation	484	568	708	685	681
Net profit after taxation	359	424	538	493	512
KEY BALANCE SHEET DATA (RM MILLION)					
Total assets	60,721	60,975	56,521	53,938	54,089
Gross loans, advances and financing	44,147	43,668	42,730	40,307	39,336
Total liabilities	54,463	54,986	50,788	48,479	48,975
Deposits from customers	48,489	48,426	45,018	42,740	45,228
Paid-up capital	1,548	1,548	1,548	1,548	1,548
Shareholders' equity	6,258	5,989	5,733	5,460	5,114
Commitments and contingencies	30,367	36,972	24,182	22,641	26,494
SHARE INFORMATION AND VALUATIONS					
Share Information					
Earnings per share (sen)	23.2	27.4	34.7	31.9	33.5
Diluted earnings per share (sen)	23.2	27.4	34.7	31.9	33.5
Dividend per share (sen)	5.8	6.0	16.7	15.3	16.0
Net assets per share (RM)	4.04	3.87	3.70	3.53	3.30
Share price as at 31 March (RM)	2.65	1.90	4.09	4.37	4.08
Market capitalisation (RM million)	4,102	2,941	6,332	6,765	6,316
Share Valuations					
Dividend yield (%)	2.18	3.16	4.08	3.50	3.92
Dividend payout ratio (%)	25.0	21.9	48.1	48.0	48.4
Price to earnings multiple (times)	11.4	6.9	11.8	13.7	12.2
Price to book multiple (times)	0.7	0.5	1.1	1.2	1.2
FINANCIAL RATIOS (%)					
Profitability Ratios					
Net interest margin on average interest-earning assets	2.3	2.4	2.5	2.4	2.2
Net return on average equity	5.9	7.3	9.9	9.5	10.5
Net return on average assets	0.6	0.7	1.0	0.9	0.9
Net return on average risk-weighted assets	1.0	1.1	1.5	1.4	1.5
Cost to income ratio	44.1	47.8	47.8	50.5	47.1
Asset Quality Ratios					
Loan loss coverage	105.9 ¹	101.4 ¹	142.9 ¹	96.7 ¹	136.7 ¹
Gross impaired loans ratio	2.3	2.0	1.1	1.4	1.0
Net impaired loans ratio	1.7	1.3	0.6	1.0	0.6
Liquidity Ratios					
CASA ratio	47.0	37.4	35.5	37.3	34.2
Loan to Deposit ratio	91.0	90.2	94.9	94.3	87.0
Loan to Funds ratio	84.3	83.6	86.6	85.3	83.8
Capital Adequacy Ratios					
Common Equity Tier I (CET I) capital ratio	16.22	13.83	13.39	13.39	12.55
Tier I capital ratio	17.17	14.59	14.07	13.82	12.55
Total capital ratio	21.57	18.90	18.51	18.34	17.18

¹ Including Regulatory Reserves provision.

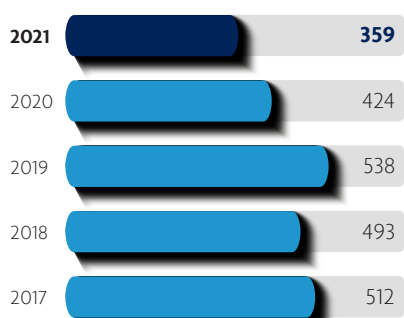
EARNINGS

BALANCE SHEET

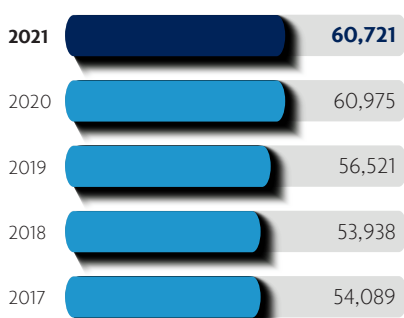
SHAREHOLDERS VALUE

Profit After Taxation

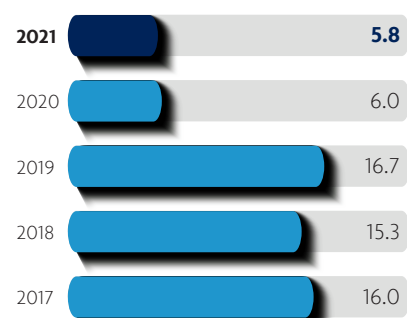
(RM million)

**Total Assets**

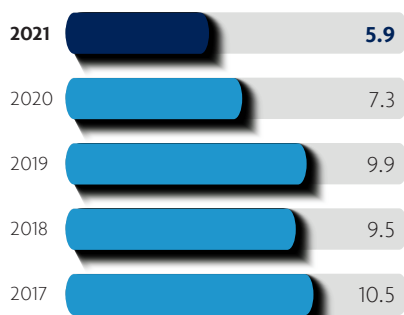
(RM million)

**Dividend Per Share**

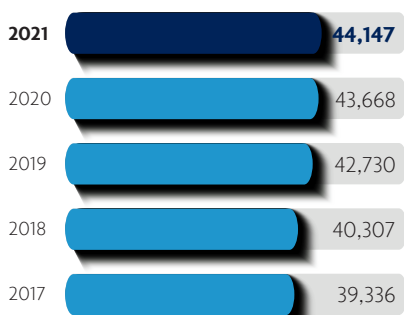
(Sen)

**Net Return on Average Equity**

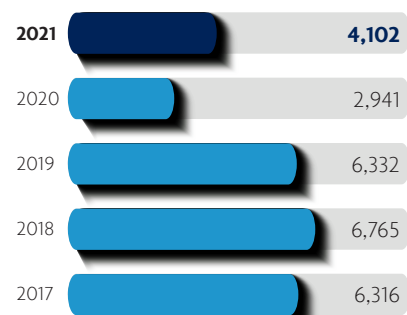
(%)

**Gross Loans, Advances and Financing**

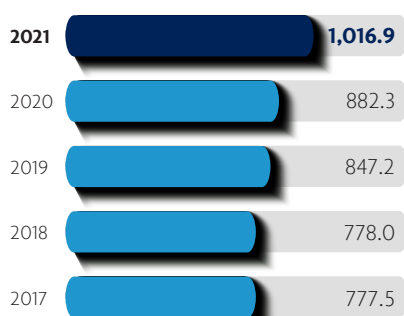
(RM million)

**Market Capitalisation**

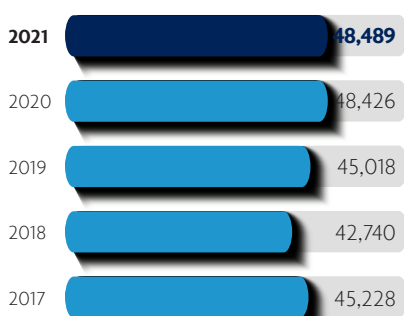
(RM million)

**Pre-provision Operating Profit**

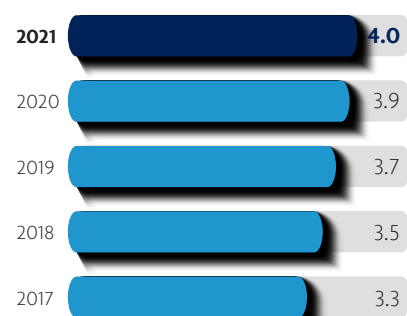
(RM million)

**Deposits from Customers**

(RM million)

**Net Assets Per Share**

(RM)



STATEMENT BY CHAIRMAN OF ALLIANCE BANK MALAYSIA BERHAD

Dear Shareholders,

It gives me great honour to present to you our Annual Report for the financial year ended 31 March 2021 (“FY2021”).

In 2020, Malaysia’s gross domestic product contracted by 5.6%. In response, the Malaysian government launched more than RM300 billion worth of economic stimulus packages. The central bank also introduced loan modifications and moratoria to ease the financial burden of Malaysians and cut overnight policy rates to stimulate the economy.

OUR FY2021 PRIORITIES

Managing the Impact of COVID-19

By the end of April 2021, the Bank had provided over RM5.5 billion in Payment Relief Assistance packages and RM1.4 billion in extended moratoria to our customers. We simplified the application process for SMEs, so that they could quickly obtain Bank Negara Malaysia’s Special Relief Facility. As a result, we were able to disburse over RM600 million from this facility.

We also undertook several initiatives to provide practical help to SMEs. These included our #SupportLokal Initiative, the BizSmart® Solution portal and the SocioBiz crowdfunding platform.

**AHMAD BIN
MOHD DON**
Chairman,
Alliance Bank
Malaysia Berhad



Accelerating Digitisation

We rolled out several innovative digital applications, for example, the Alliance BizSmart® mobile app and Alliance BizSmart® eTrade for business owners. In addition, we introduced the digital Know Your Customer (e-KYC) solution, which enables individuals to open and activate a savings account or obtain a credit card or personal loan conveniently anywhere and anytime via their own via mobile phone, without physically visiting a branch.

SHAREHOLDER VALUE CREATION

Despite the challenges of an unprecedented operating environment, we recorded improvements across key performance metrics. Our pre-provision operating profit increased by 15.3% year-on-year (“YOY”) to over RM1 billion for the first time. Our balance sheet remained healthy, and we further strengthened our capital levels from the preceding year.

Revenue increased by 7.6% YOY to RM1.8 billion. However, the challenges of the external environment have compressed our net interest margin.

We generated earnings per share of 23.2 sen and return on equity at 5.9%. Our net asset value per share was RM4.04. For FY2021, the Bank declared dividend of 5.79 sen, representing a dividend payout ratio of 25%.

The Bank remained vigilant in managing its credit risks throughout FY2021. We were more selective in acquiring new clients and focused on helping our existing customers weather the economic challenges.

CONSERVATIVE CAPITAL MANAGEMENT FOR FUTURE BUSINESS EXPANSION

The Bank maintained a strong capital position due to its conservative capital management. We have one of the strongest capital levels in the industry with Common Equity Tier-1 (“CET 1”) ratio at 16.2%, Tier-1 Capital ratio at 17.2% and total capital ratio at 21.6%.

In December 2020, Alliance Islamic Bank Berhad, a wholly-owned subsidiary of the Bank received a capital injection of RM200 million in new ordinary shares from the Bank. The Bank also successfully reissued RM1.2 billion of new Tier-2 Subordinated Medium Term Notes in October 2020. This was utilised to fully redeem our existing RM1.2 billion Tier-2 Subordinated Medium Term Notes at their earliest call dates.

The Bank will continue to prioritise capital conservation to support business expansion as we navigate the COVID-19 pandemic.

OUR GOVERNANCE

Since the beginning of the COVID-19 pandemic, the Board held all its meetings via video conferencing. We also increased the frequency of our meetings with Senior Management to manage the uncertainties of the situation.

In a nod to the health and safety concerns of the shareholders, the Bank held its 38th Annual General Meeting (“AGM”) on 19 August 2020 virtually. Given the continued uncertainties surrounding the COVID-19 pandemic, we will also hold our 39th AGM scheduled on 25 August 2021 virtually.

We welcomed Ms Cheryl Khor to the Board on 1 June 2021. She brings with her more than 23 years of experience covering financial, operational and internal audits, as well as governance, controls, sustainability and risk assessments across a broad range of industries. Her appointment to the Board brings us closer to achieving our gender diversity target of 30%.

INTEGRATED REPORTING

As part of our commitment to good governance practices, the Bank is taking its first step in adopting Integrated Reporting this year. Integrated Reporting enables us to better communicate how we generate value for our various stakeholders by including all aspects of our business, encompassing financial, manufactured, intellectual, human and social capitals.

In the next one year, we will align our reporting with the International Integrated Reporting Framework of the International Integrated Reporting Council (“IIRC”) to provide a clearer, more concise and transparent view of our business strategies.

STATEMENT BY CHAIRMAN OF ALLIANCE BANK MALAYSIA BERHAD (CONT'D)

In 2020, we set up a Group Sustainability Steering Committee to implement the Bank's sustainability strategies. Our environment, social and governance ("ESG") priorities are centred on the financial and social empowerment of our stakeholders, beginning with the business owner. We believe that our efforts to help business owners will lead to positive socio-economic impact on the wider community, i.e. their families, employees and customers.

THE YEAR AHEAD

Building on our strengths in the SME segment, we aim to be the "Preferred Bank of Business Owners". We believe that by helping SME businesses grow, we also improve the lives of their families, employees, customers and business partners.

Our key priorities for the new financial year will be to scale up our SME and Consumer segments, deepen customer engagement and improve efficiency. The Alliance Way, which is our differentiated customer engagement approach, will guide these priorities.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to extend our appreciation to the shareholders for their faith in us. I also extend our deepest appreciation to Bank Negara Malaysia, Securities Commission Malaysia, Bursa Malaysia Securities Berhad and other regulatory authorities for their support and guidance.

I would also like to record our deepest appreciation to our Management and staff, who have shown their resilience and dedication in managing the impact of the COVID-19 pandemic.

Finally, I thank our customers who rely on us to help them through these trying times. By continuing to build alliances, we will rise above the challenges this pandemic has brought and emerge stronger together.

AHMAD BIN MOHD DON

Chairman, Alliance Bank Malaysia Berhad

MANAGEMENT DISCUSSION & ANALYSIS

Dear Shareholders,

For the financial year ended 31 March 2021 (“FY2021”), we focused on helping our customers and employees manage the impact of the COVID-19 pandemic while carefully managing the associated risks. We also accelerated the roll out of innovative digital solutions to deliver better customer experience.



JOEL KORNREICH
Group Chief
Executive Officer

In FY2021, we registered strong pre-provision operating profit growth of 15.3% year-on-year (“YOY”) due to higher revenue and strict expense control. This is the first time we crossed the RM1 billion mark.

Revenue grew 7.6% YOY to RM1.82 billion. Despite the multiple Overnight Policy Rate (“OPR”) cuts, net interest income improved 2.8% YOY driven by lower funding cost from deposit mix optimisation. Non-interest income grew 24.8% YOY due to better treasury and investment income as well as higher wealth management and brokerage fees.

Our prudent expense management and improved revenue also resulted in better cost-to-income ratio of 44.1%.

CASA ratio improved to 47%, which is the highest in the industry. SME loans grew 6.4% YOY largely from government-assisted funds. We also took proactive action to mitigate risk in our corporate portfolio.

In addition, liquidity and capital positions remained strong. Liquidity coverage ratio was above industry average at 150%. Common Equity Tier-1, Tier-1 Capital and total capital ratios were at 16.2%, 17.2% and 21.6% respectively.

OUR MARKET ENVIRONMENT

The COVID-19 pandemic led to subdued business and consumer sentiments and a weaker economy. Malaysia’s gross domestic product (“GDP”) contracted 5.6% in 2020. The Malaysian government rolled out various stimulus packages such as the Special Relief Facility, Targeted Relief and Recovery Facility and Short Term Economic Recovery Plan (PENJANA) to mitigate the pandemic’s impact. The central bank also lowered the statutory reserve requirement, injecting higher liquidity into the financial system.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

OUR FY2021 PRIORITIES

Managing the Impact of COVID-19

In FY2021, our efforts centred on managing the impact of the pandemic on our customers and employees.

Financial Support

We reached out to individuals and business clients during the moratorium period to better understand their financial health. We divided our portfolios into different segments based on our initial understanding of customer risk and the industry they belong to or work in. We then contacted all customers and used a diagnostic tool to refine their understanding of each customer's situation and risk level. From this diagnostic exercise, we were able to take the appropriate actions to help our customers.

We provided over RM7 billion in loan modifications and extended moratoria. To make it easier for our customers to apply for relief assistances, we simplified the application process and launched a WhatsApp business account to respond to customer queries quickly.

For SMEs in particular, we disbursed more than RM600 million in Special Relief Fund and RM120 million in Targeted Relief and Recovery Facility provided by Bank Negara Malaysia.

Non-Financial Support

The Group also focused on providing practical assistance to business owners in various ways.

Our #SupportLokal initiative helped SMEs fast track the listing of their products and services on popular e-commerce sites such as Shopee and Pybli. We drove over 80,000 online visits to our SME clients' web-stores.

Our BizSmart® Solution portal provided business owners with relevant products and services (such as digital marketing and logistics) at preferred rates and training to help navigate the challenging market conditions. In FY2021, we signed up over 100 solutions partners. The platform was recognised for "Best Beyond Banking Service" at The Asian Banker's Excellence in Retail Financial Services Awards 2021 and two other awards at the Malaysia Technology Excellence Awards 2021.



Alliance Islamic Bank's Halal in One programme helped business owners with halal certification support, halal business advisory, and Shariah-compliant funding so that they can tap into the fast-growing halal industry.

Since 2013, the BizSmart® Challenge has empowered young entrepreneurs with coaching, mentoring and funding. Due to the COVID-19 pandemic, we adapted the programme to provide practical and immediate assistance in brand publicity to increase sales.

We also deployed close to RM800,000 to micro-SMEs requiring assistance via our SocioBiz's crowdfunding platform.

Accelerating Digitisation

Our digitally active base has almost doubled in the past three years because of our strong focus in introducing innovative digital solutions, improvements to our mobile apps and successful awareness campaigns.

Our Branch-in-a-Tablet initiative simplifies account opening at the branch. Individuals can open a savings account and activate their ATM, online and mobile banking access in as little as 15 minutes. For businesses, this is done in "1-day, 1-visit", a significant improvement on the classic two weeks, multiple visits and paperwork-intensive process. Today, more than 90% of our individual accounts and over 70% of our business accounts are opened digitally.

On lending, our digital Personal Loan now makes up 14% of total loan bookings. We recently introduced digital lending for SMEs, a fast and simple digital application for small-ticket loans of up to RM50,000 that provides approval-in-principle within 5 minutes.

In November 2020, we launched our e-KYC solution. This fully digital banking solution allows individuals to instantly open a savings account and apply for a credit card or personal loan from anywhere via our allianceonline mobile app. This solution was awarded “Excellence in Omni-Channel Customer Experience” at the Digital CX Awards 2021.



To enable our business clients to perform banking on the go, we launched the Alliance BizSmart® mobile app. We were also the first-in-market to allow Banker Acceptance and Trust Receipts applications via Alliance BizSmart® e-Trade. Through this platform, business owners no longer need to physically send their trade financing applications to the bank. Instead, they can submit and monitor their trade financing applications on the app. The platform now contributes over 30% of our trade transactions and was named the “Most Innovative Trade Finance Banking Product in Malaysia” by the Global Banking & Finance Review. We were also recognised as the “Best Trade Finance Bank in Malaysia”.



The Bank was named the “Best Digital Bank in Malaysia” by IDC at the Financial Insights Innovation Awards 2020. We were also the only Malaysian bank shortlisted for the “SME Bank of the Year: Supporting SME Customers in a Time of Crisis” award by Efma & Mastercard in 2020.



BUSINESS FUNDAMENTALS

Performance Highlights FY2021

In FY2021, the Group recorded revenue growth of 7.6% to RM1.8 billion. Our pre-provision operating profit grew by 15.3% to over RM1 billion due to strong revenue growth and strict expense management.

Despite the multiple Overnight Policy Rate (“OPR”) cuts in 2020, net interest income improved because of lower funding costs due to deposit optimisation.

We also reported growth in other operating income of 24.8% YOY to RM456.7 million, driven by treasury, investment income, wealth management and brokerage fees from strong retail investor interest in the stock market.

Net credit cost for the full financial year was 121.4 basis points (“bps”). This includes pre-emptive management overlay of 71.2 bps, to take into account the uncertainties from the pandemic impact. The overlay takes into account our assessment of risk related to sensitive sectors as well as observed behaviour such as the take up of loan modifications, including moratoria.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

Summarised Income Statement	FY2021 RM million	FY2020 RM million	Growth RM million	Growth %
Net Interest Income	1,016.6	980.8	35.8	3.7
Islamic Banking Income	378.5	377.9	0.6	0.2
Of which:				
<i>Net Profit Income</i>	344.3	342.7	1.6	0.5
<i>Other Operating Income</i>	34.2	35.2	(1.0)	(2.8)
Other Operating Income	422.4	330.6	91.8	27.8
Revenue	1,817.5	1,689.3	128.2	7.6
Other Operating Expenses	(800.6)	(807.0)	6.4	0.8
Pre-Provision Operating Profit	1,016.9	882.3	134.6	15.3
Allowance for Loans & Impairment	(533.0)	(314.5)	(218.5)	(69.5)
Share of Results of Joint Venture	0.1	0.1	0.0	0.0
Profit before Taxation	484.0	567.9 ¹	(83.9)	(14.8)
Taxation	(125.2)	(143.6) ¹	18.4	12.8
Net Profit after Taxation	358.8	424.3	(65.5)	(15.4)

Summarised Balance Sheet	FY2021 RM million	FY2020 RM million	Growth RM million	Growth %
Net Loans, Advances and Financing	43,233.5	43,110.0	123.5	0.3
Investment and Dealing Securities	12,933.1	12,315.9	617.2	5.0
Total Assets	60,721.2	60,975.5	(254.3)	(0.4)
Deposits from Customers	48,488.5	48,425.9	62.6	0.1
of which: CASA	22,799.7	18,131.1	4,668.6	25.7
Shareholders' Funds	6,257.8	5,989.0	268.8	4.5

PERFORMANCE BY BUSINESS SEGMENT

Consumer Banking

The consumer banking segment reported revenue of RM616 million. We recorded strong CASA growth of 34% YOY to RM10.7 billion due to robust sign-ups for the Alliance SavePlus Account. As a result, we had the best CASA ratio in the industry at 47%.

In FY2021, we focused on extending Payment Relief Assistance to help our customers impacted by the pandemic. To manage our credit risk, we were more selective in our new customer acquisition during this time.

Alliance ONE Account, our hassle-free secured loan consolidation service, grew 10.0% YOY. Share margin financing improved 42.1% YOY. As we intensified our digital marketing efforts, personal loans originating from digital channels contributed RM47.6 million, or about 14% of the total personal loan bookings.

¹ Figures were revised due to rounding purpose.

Our wealth revenue grew over 25% YOY to RM91 million, primarily driven by unit trust sales. To simplify our interactions with customers, we introduced a digital wealth platform that enables our relationship managers to carry out transactions remotely.

In addition, our brokerage fee income more than doubled to RM43.6 million (FY20: RM19.6 million).

FY2022 Outlook

In FY2022, we will continue to build scale in our consumer banking segment by intensifying customer acquisition. We will leverage our ecosystem partnerships, partner-in-sales programmes and digital marketing to reach more customers.

In wealth management, we will expand our product offerings and value propositions. In addition, we will equip our relationship managers with enhanced digital tools to provide more effective financial advice and a simpler process for our customers. We will also roll out more advisory hubs in high-potential locations to serve our customers better.

One key segment that we will increase our focus on is our SME business owner base. We want to serve both their business and personal banking needs, and aim to have a consumer banking relationship with 70% of them.

SME Banking

In FY2021, SME loans grew by 6.4% YOY driven by the take-up of BNM’s Special Relief Facility and Targeted Recovery and Relief Facility. Gross impaired loans remained stable at 1.2%. SME banking segment’s revenue was RM417.2 million.

During the year, we focused on helping our business clients sustain their business. Our relationship managers proactively engaged with all our clients to understand their financial situation. We then took the appropriate actions to help our clients based on their risk level and needs.

As at 31 March 2021, we provided over RM2 billion in loan modifications to our SME clients. Our proactive customer engagement approach resulted in our customer net promoter score improving from 25 in FY20 to 39 currently.

Our paperless “1-day, 1-visit” digital Business CASA opening was a significant improvement on the classic 2-week and multiple visits analogue process. We opened 70% of our business accounts digitally, of which 80% were completed on the same day and 65% within an hour. Despite the movement control order restrictions, we were able to open 14% more accounts this year.



MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

FY2022 Outlook

In the next five years, we aim to be a Top 4 SME bank in Malaysia by doubling our loan market share. To achieve this, we will continue to differentiate our SME value propositions and expand our acquisition channels.

We will focus on The Alliance Way to provide speed, simplicity, empathy, access to services and advice to our SME customers so that we will lead the market in client excellence. We will also expand our sales teams and leverage digital channels, both in marketing and fulfillment, to serve the SME segment.

LEVERAGING DIGITISATION TO SERVE SMALL SMES

In FY2022, we will establish a new business unit that will focus on digitally acquiring and serving smaller SME clients with an annual turnover of between RM500,000 and RM5 million.

We will provide fast and simple digital solutions to these small SMEs. For example, one can obtain a digital loan of up to RM50,000 without visiting any of our branches. These SMEs will also enjoy the convenience of our mobile banking solution that enables them to manage their transactions on the go. In addition, we provide access to business solutions such as e-commerce and logistics services through the BizSmart® Solution portal, to help them grow their business.

For customers that do not yet qualify for loans, we will provide financial advice on how to improve their credit profile.

Corporate, Commercial and Transaction Banking

In FY2021, the Corporate, Commercial & Transaction Banking reported revenue of RM462.1 million. Throughout the year, our relationship managers closely engaged with our clients to understand the changes in their business situation and provided assistance in the form of loan moratoria and modifications, particularly for sectors that were impacted the most by the pandemic.

Get a **business loan**
from as low as **5.88%* p.a.**
on Alliance Digital SME

- Only one document
(6 months of bank statements)
- No collateral
- 24 HOURS
24-hour disbursement upon approval*

ALLIANCE BANK

*Terms and conditions apply.

Given the physical movement restrictions, we launched a number of digital solutions that enabled our clients to transact conveniently without visiting our branches. In September, we launched Malaysia's first mobile trade financing submission platform, the BizSmart® e-Trade. Business owners can now submit their Bankers' Acceptance or Trust Receipts financing electronically via the BizSmart® Mobile app. Approved trade proceeds are credited into the customer's account within 24 hours. Currently, over 30% of our trade submissions were conducted via the platform.

The number of Alliance BizSmart® Online Banking users grew at an annualised rate of 13%, driven by the strong adoption of our BizSmart® Mobile app. The BizSmart® Mobile app introduced in June 2020 provides business owners with the convenience of account management, payments and collections on-the-go.

FY2022 Outlook

We will stay closely engaged with our business clients and provide them with the advisory and financial assistance to navigate the prevailing market uncertainties.

As part of our continued efforts to provide fast and convenient digital banking to our clients, we will enhance the functionalities of BizSmart® Mobile app and BizSmart® e-Trade to include obligatory statutory payments and foreign currency capabilities.

GROUP FINANCIAL MARKETS

Group Financial Markets (GFM) business activities comprise four core areas of funding and investment, trading and market making, client-based activities and asset-liability management.

The COVID-19 pandemic disrupted business operations and slowed global economic growth. In Malaysia, the multiple Overnight Policy Rate (“OPR”) cuts impacted our yield income.

We rebalanced our investment and trading portfolios by adopting a profit-taking strategy in our fair value through other comprehensive income (“FVOCI”) portfolio to mitigate the effects of the OPR cuts. The profits we took on FVOCI amounted to RM101 million. For FY2021, GFM recorded revenue of RM405.1 million compared to RM301.8 million in FY2020.

Liquidity and Funding

The Group maintained a healthy liquidity position for FY2021. Our liquidity Coverage Ratio was consistently above the regulatory threshold of 100% and net stable funding ratio at above 100%. The loan to fund ratio remains below 88%.

FY2022 Outlook

We anticipate FY2022 to be a year of recovery and that both fiscal and monetary policy will remain accommodative to promote growth. Our key priority is to maintain adequate capital and liquidity to support our business expansion. We will continue to provide investment opportunities to high net-worth customers looking to enhance their returns through our range of structured products.

INVESTMENT BANKING

The Group’s investment banking arm, Alliance Investment Bank Berhad (“AIBB”) provides stockbroking, corporate advisory, underwriting and placement of equity securities, corporate bonds and sukuk, loan syndication, as well as corporate banking and treasury services. We also offer equity research through AllianceDBS Research Sdn. Bhd, our 51%-owned joint venture with DBS Vickers Securities Pte Ltd.

In FY2021, AIBB’s net profit after tax grew RM42.7 million YOY to RM51.7 million as strong retail investor sentiment drove up non-interest income, particularly brokerage, to RM74.4 million from RM37.1 million recorded the previous year.

Stockbroking

The volatility in the Malaysian equity market in FY2021 led to an unprecedented surge in retail investor interest. Bursa Malaysia’s average daily trading value increased by 121% to RM4.86 billion, the highest ever recorded.

For AIBB, its average daily trading value increased by 139% YOY in tandem with a two-fold increase in both new accounts and reactivation of inactive accounts. As a result, AIBB’s stockbroking revenue increased by 84.2% YOY. The proportion of customers trading digitally also increased, making up 72% of AIBB’s turnover.

Corporate Advisory

In 2020, a total of RM104.6 billion was raised in the corporate bond and sukuk market (2019: RM132.8 billion). Meanwhile, in the equity markets, there were 18 new listings (2019: 30).

AIBB’s Debt Capital Markets team successfully raised RM1.2 billion for Alliance Bank Malaysia Berhad via the issuance of Tier-2 Subordinated Medium Term Notes in October 2020.

As for AIBB’s Corporate Finance team, they completed two IPOs in FY2021. These were Samaiden Group Berhad (SAMAIDEN 0223) on 15 October 2020 with an IPO market capitalisation of RM29.3 million and Aneka Jaringan Holdings Bhd (ANEKA 0226) on 20 October 2020 with an IPO market capitalisation of RM177.6 million. Both were listed on the ACE Market of Bursa Malaysia.

AIBB also completed seven advisory deals comprising a transfer of listing from the ACE Market to the Main Board, private placements, and mergers and acquisitions. AIBB also secured two additional IPO mandates in the same financial year.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)



RISK & COMPLIANCE

The Group has a comprehensive and robust system of risk management and internal controls to manage the Group's risks within an acceptable tolerance limit. We also have an on-going process to identify, evaluate and manage current and emerging risks.

The Group has in place a Risk Management Framework that governs the management of risks. It includes credit, market, liquidity, operational, technology, regulatory non-compliance, and shariah non-compliance, strategy, reputational and model risks.



More information on our risks and mitigation actions can be found in the Risk Management Report on page 82 and Statement on Risk Management and Internal Control on page 80 of this annual report.

Details of our governance enhancements can be found in the Corporate Governance Overview Statement on page 43 of this annual report.

ISLAMIC BANKING

The Islamic Banking segment, Alliance Islamic Bank Berhad ("AIS"), provides Shariah-compliant financing, deposits and transaction services to serve the needs of individuals and businesses.

In FY2021, AIS reported revenue of RM354.9 million. Pre-provision operating profit rose 10.4% on better financing income and strict cost management. Profit before tax was RM111.5 million. We maintained our balance sheet and pre-provision operating profit contribution to the Group at 22%. Our Halal in One programme contributed 18% to the Group Islamic SME's financing growth. Meanwhile, credit cost stood at 196.7 basis points. CASA balances improved by 49.9% YOY. Optimisation of our deposit mix led to an improved CASA ratio of 14.1% in FY2021.

FY2022 Outlook

In FY2022, AIS aims to grow its SME financing portfolio by more than doubling its Halal in One financing and supporting the Group SME's growth. AIS will diversify its wealth management offering to include more Environmental, Social & Governance ("ESG") Funds and Gold investment products. AIS will also launch new sustainability-based solutions such as solar panel financing for consumers and businesses.

OUTLOOK & PROSPECTS

In the year ahead, we expect the economy to recover as the COVID-19 vaccination programme roll out. The central bank anticipates gross domestic product ("GDP") growth to be between 6% and 7.5% in 2021.

The Bank aims to be the "Preferred Bank of Business Owners". By FY2025, we aspire to be a Top 4 SME Bank in Malaysia and achieve a return on equity of between 10% and 11%. We will also maintain our top position in customer net promoter score.

We have three key strategic priorities - to acquire more clients in the SME and consumer segments, deepen customer engagement and improve efficiencies.

To accelerate customer acquisition, we will commercialise our product innovations, expand our sales teams and digital channels, and extend our reach via strategic partnerships. Our Islamic Bank will play a key role here, especially around the new value propositions and the environment, social and governance (ESG) agenda.

Next, to deepen customer engagement, we will focus on serving the business and personal needs of business owners and their stakeholders. We will also enhance our various customer support channels (online/mobile banking, contact center) to improve speed and simplicity and embed the Alliance Way principles into our customer journeys.

Finally, we will transform, automate and streamline operations to drive greater productivity. We will keep our focus on our key portfolios and simplify our processes.

ACKNOWLEDGEMENTS

In closing, I thank the management team and employees who have dedicated their efforts to ensuring our success in navigating a challenging year. To the Board of Directors, thank you for your guidance, wisdom and valuable insights.

We are also grateful for the support given to us by the regulators, policymakers, corporate governance custodians, Bank Negara Malaysia, the Securities Commission Malaysia and Bursa Malaysia Securities Berhad.

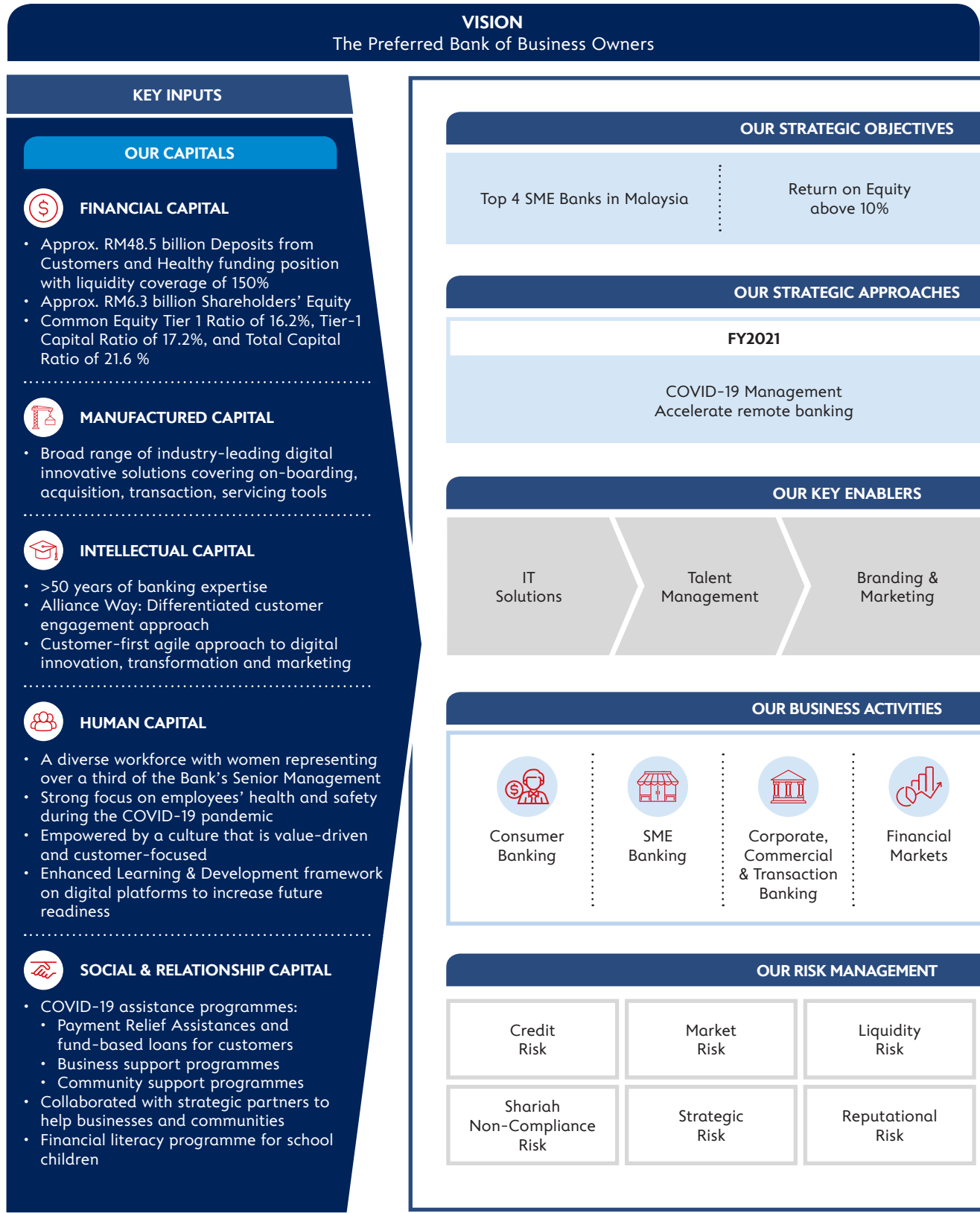
Last but not least, we truly appreciate our customers and business partners who continue to put their trust and faith in our ability to create value for all our stakeholders.

Thank you.

JOEL KORNREICH

Group Chief Executive Officer

VALUE CREATION BUSINESS MODEL


VALUES
Integrity
Openness
Transparency
Fairness & Consistency
Respect & Humility

MISSION
Building Alliances to Improve Lives

Top Net Promoter Score

FY2022 Onwards

Acquire more customers
Deepen customer engagement
Gain efficiencies

Capital Liquidity

Proactive Risk & Credit Management


Investment Banking


Islamic Banking

Operational & Technological Risk

Regulatory Non-Compliance Risk

Model Risk

Emerging Risk

OUR OUTPUTS AND OUTCOMES

 **FINANCIAL CAPITAL**

- Revenue grew by 7.6% year-on-year to RM1.82 billion
 - Net interest margin at 2.30%
- Pre-provision operating profit grew 15.3% year-on-year to over RM1 billion
- Net assets per share grew to RM4.04
- CASA Ratio at 47%, highest in the industry

 **MANUFACTURED CAPITAL**

- Launched several innovative digital propositions including e-KYC solution, Branch-in-a-Tablet and digital lending
 - Branch-in-Tablet account opening: Business CASA: More than 70%; consumer CASA: Over 90%
 - Digital Personal Loan accounts for 14% of total personal loan booking
- High penetration of our digital transaction platforms (Close to 70% transactions done digitally via allianceonline and Alliance BizSmart)
- First in Malaysia to offer mobile e-trade submission for Banker's Acceptance/Trust Receipts; >30% trade submission via BizSmart® e-Trade

 **INTELLECTUAL CAPITAL**

- High customer satisfaction
 - Sustained #1 rank in Net Promoter Score for banking industry
 - Top 3 in satisfaction score in the industry
- Won over 10 awards for digitisation efforts and supporting SMEs in the time of crisis

 **HUMAN CAPITAL**

- 94% employee retention rate
- 89% responded positively to COVID-19 health and safety measures instituted at the workplace
- Achieved 88% for Sustainable Engagement Index, above industry norms
- 50% of the workforce have completed core training programmes on digital platforms during year

 **SOCIAL & RELATIONSHIP CAPITAL**

- Provided targeted assistance of over RM7 billion through loan modification and moratoria
- Disbursed more than RM600 million in BNM Special Relief Fund and over RM120 million in Targeted Relief & Recovery Facility
- Supported the livelihood of various businesses and communities
- Reached out to more than 1,200 schools to promote financial literacy

KEY BEHAVIOURS

Commit to Excellence

Take Ownership

Collaborate

Understand & Act

Innovate & Simplify

SUSTAINABILITY STATEMENT



Signing the Memorandum of Understanding with Halnex Sdn. Bhd., Halal Development Corporation and Halal Street UK.

OUR SCOPE

This Sustainability Statement presents a view of the Bank’s Economic, Environmental and Social (“EES”) initiatives and outcomes that took place between 1 April 2020 and 31 March 2021. We have aligned the statement with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) on Sustainability Statements in Annual Reports published in 2016 and the second edition of Bursa Malaysia’s Sustainability Reporting Guide published in 2018.

Our corporate responsibility (“CR”) agenda is also aligned with Bank Negara Malaysia (“BNM”)’s requirements for financial institutions. Alliance Bank is a constituent of the FTSE4Good Bursa Malaysia Index (“FTSE4Good”).

APPROACH TO SUSTAINABILITY

We aim to contribute to the financial and social empowerment of our stakeholders, beginning with the business owner. The business owner’s footprint in the economy and social fabric of the country is vast. In 2019, small and medium enterprises (“SMEs”) contributed 38.9% to Malaysia’s gross domestic product (“GDP”) and provided employment to almost half of the working population¹. By serving the business owner, we create positive socio-economic impact in the wider community, i.e. their families, employees and customers.

¹ Small and Medium Enterprises (SMEs) Performance in 2019 – Department of Statistics Malaysia.

SUSTAINABILITY GOVERNANCE

Establishing a Group Sustainability Steering Committee

In FY2021, we established the Group Sustainability Steering Committee (“SSC”) to implement the Bank’s sustainability strategies, policies and processes. The Committee is led by the Group Chief Executive Officer. The Alternate Chairperson is Chief Executive Officer of Alliance Islamic Bank. The other committee members are:

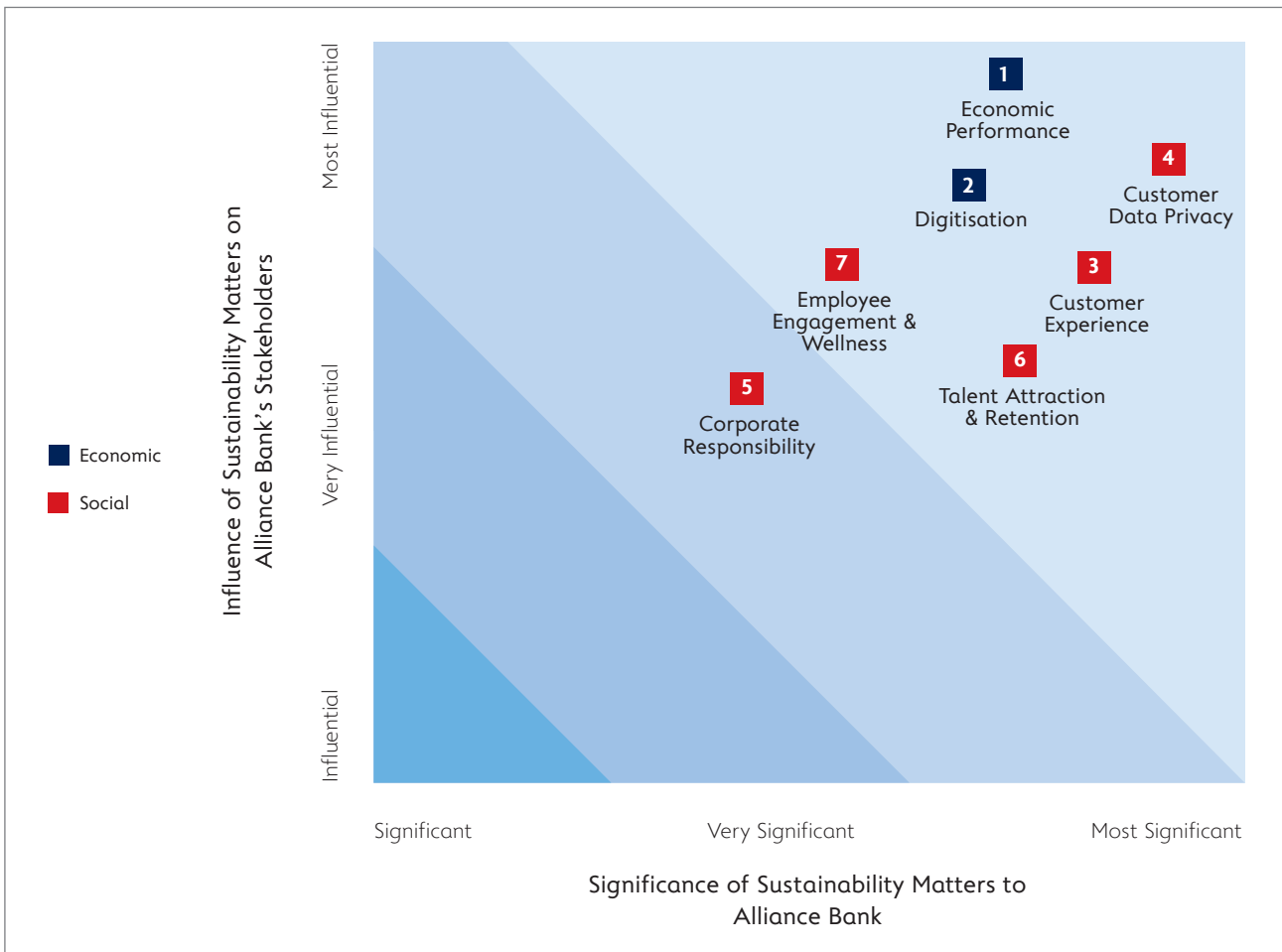
- Group Chief Risk Officer
- Group Chief Strategy & Marketing Officer
- Group Chief Financial Officer
- Group Chief Credit Officer
- Group Company Secretary
- Other executives from selected divisions relevant to the sustainability initiatives

The Group SSC reports the progress of the Bank’s sustainability initiatives to the Management Committee. The Board of Directors and the Management Committee are responsible for the governance of sustainability including setting the company’s sustainability strategies, priorities and targets.

MATERIALITY MATRIX

In 2018, we identified seven sustainability matters that are most relevant to the Bank and our stakeholders. These are economic performance, digitisation, customer experience, customer data privacy, corporate responsibility, talent attraction and retention, and employee engagement and wellness.

By identifying these material matters, we were able to prioritise the most critical issues to our stakeholders. This enabled us to address the risks and opportunities of each material matter to create sustainable value for our stakeholders.

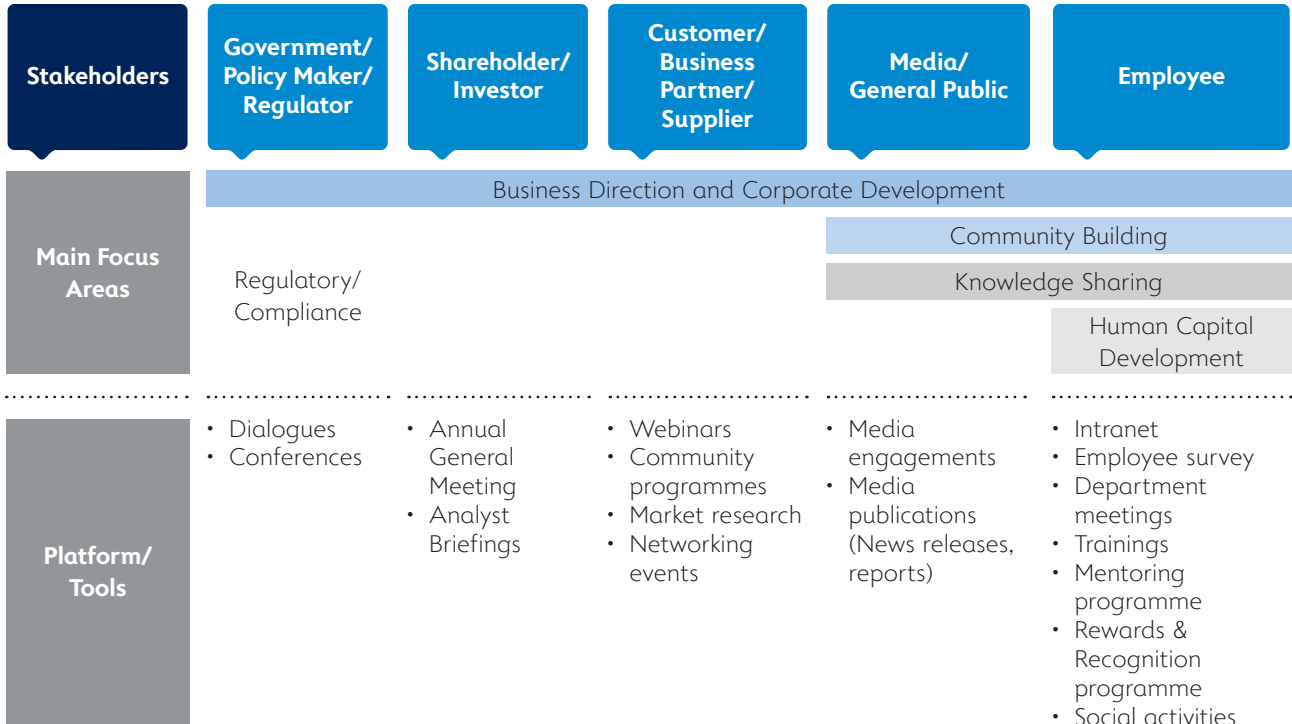


SUSTAINABILITY STATEMENT (CONT'D)

OUR STAKEHOLDER ENGAGEMENT

The Bank engages with its stakeholders through various channels to obtain feedback on its sustainability matters.

Stakeholder Mapping



THE THREE PILLARS OF SUSTAINABILITY

During the year, the Bank implemented various business support and community programmes through the three sustainability pillars of Economic, Environmental and Social.

A. ECONOMIC

We remain steadfast in our mission to improve the lives of the business owner and their stakeholders, i.e. family, employees and customers.

1. Stable Financial Operations

We reported pre-provision operating profit of over RM1 billion due to better revenue and disciplined cost management. Our liquidity coverage ratio was 150%, above the regulatory’s threshold of 100%. Common Equity Tier-1 ratio was 16.2%, Tier-1 Capital ratio at 17.2% and total capital ratio at 21.6%. Given the COVID-19 situation, we made the strategic

decision to be prudent in our dividend payout in order to prioritise capital conservation to support future business expansion.

The Bank regularly runs stress tests as part of its ongoing risk management and capital adequacy assessment. These stress tests are based on macro-economic variables, for example, impact from gross domestic product (GDP), unemployment and interest rate. In addition to the regular stress test variables, we also simulated the impact of the pandemic by assessing our exposure to highly affected sectors. The Bank is well positioned to absorb the simulated impact of the stress test from a capital, liquidity and profitability standpoint.

At the start of the year, we also formed a COVID-19 taskforce comprising senior management and business heads to decide on actions needed to help our employees and customers.

	FY2021 RM Million	FY2020 RM Million	FY2019 RM Million
Direct Economic Value Generated			
Revenue	1,817.5	1,689.3	1,622.1
Share of Results of Joint Venture	0.1	0.1	0.1
	1,817.6	1,689.4	1,622.2
Economic Value Distributed			
Employee wages and benefits	511.7	516.1	489.6
Community investments (administration expenses – donation)	2.6	3.7	2.6*
Distributions to Government – taxation and zakat	124.7	144.7	171.0
Operating costs (excluding personnel expenses and community investments)	198.4	202.3	229.1
Payments to providers of capital – cash dividends paid to shareholders	-	219.8	236.9
Net bad debts	533.0	314.5	139.2
	1,370.4	1,401.1	1,268.4
Economic Value Retained			
Depreciation and amortisation	88.4	83.8	53.5
Profits after Dividend	358.8	204.5	300.3
	447.2	288.3	353.8

* The updated figures for FY2019 incorporates community programmes, which were not previously accounted for.

2. Supporting SMEs

As a bank that is focused on helping SMEs succeed, we understand that most businesses have significant challenges during the pandemic. During the year, we stepped up our efforts to help SMEs weather the crisis, preserve jobs, and emerge stronger post-pandemic. Besides providing financial assistance to our clients, we also made available various non-financial solutions.

a. BizSmart® Solution

Launched in 2019, the BizSmart® Solution portal is a one-stop online business community portal that enables business owners to reach out to new customers and access relevant solutions and resources to manage their business more efficiently.

In FY2021, we signed up over 100 partners that offer solutions at preferred rates for services such as logistics, accounting and digital marketing. We also collaborated with Celcom Axiata Berhad to offer financing and connectivity solution packages; Bursa Malaysia to promote sustainability practices to small-cap enterprises; and Sunway Innovation Labs to provide mentorships, funding and financial literacy to entrepreneurs and students.

We also hosted and jointly organised over 45 complimentary webinar sessions and made available various resources such as business articles, webinars, market reports and training to upskill SMEs and their employees.

Through the BizSmart® Solution portal, our clients gained brand visibility among the business community, and we generated over 1,400 new business referrals for participating SMEs.



SUSTAINABILITY STATEMENT (CONT'D)

b. #SupportLokal

During the COVID-19 pandemic, the Bank's #SupportLokal initiative helped local businesses widen their customer reach by taking their business online. We fast-tracked the listing of their products and services on popular e-commerce sites through our partnerships with Shopee and Pybli. We also provided free digital branding and marketing support to showcase their products and services on our corporate website and social media channels. In addition, we offered local business owners e-learning tools such as webinars, and access to subject matter experts so they can sustain and scale up their online business. In FY2021, #SupportLokal helped drive over 80,000 traffic to the web stores of businesses.

c. Halal in One Programme

Alliance Islamic Bank's Halal in One programme provided end-to-end halal certification support, advisory, shariah-compliant funding and global market access to businesses seeking to expand their customer reach in the halal segment.

During the year, Alliance Islamic Bank collaborated with a number of partners such as:

- Yayasan Pembangunan Ekonomi Islam Malaysia (YaPEIM) listed the Bank's business clients as suppliers under YaPEIM's Food Bank programme. This mutually-beneficial ecosystem offered YaPEIM an additional supplier resource to purchase food and essential products at competitive rates for the marginalised communities. For the SMEs, the arrangement offers a new market opportunity to sell their products while helping communities-in-need.
- Halal Development Corporation and Halnex Sdn. Bhd. provided businesses with halal readiness assessments, training and opportunities to tap into the halal business network.
- Halal Street UK, a halal e-market place based in the United Kingdom, enabled Malaysian SMEs to list their products on either its business-to-consumer (B2C) or business-to-business (B2B) platforms to meet UK's halal market demands.

The Halal in One programme was named the "Critics' Choice Most Innovative SME Product Award" at the Islamic Retail Banking Awards 2020 by Cambridge IFA.

d. Alliance Bank-EcoWorld BizSmart® Challenge

Since 2013, the BizSmart® Challenge has provided business training, coaching, mentoring, networking, brand exposure and financing to young entrepreneurs. Over the years, we received over 1,700 submissions and empowered hundreds of business owners in their entrepreneurial journey.

In FY2021, the Bank adapted the Challenge to provide practical and immediate assistance to its Top 22 finalists. It offered business loans, tailored financial advice to the finalists and enrolled them onto its BizSmart® Solution portal. The Bank also utilised its marketing budget to drive online traffic to the finalists' business websites via digital advertising and marketing.

In addition, the Bank helped its finalists obtain halal certification under the Alliance Islamic Bank's Halal in One programme and provided guidance in the form of preparatory audit sessions, halal training and marketing.





3. Digitisation

a. The e-KYC Solution

In November 2020, we launched Malaysia’s first fully remote digital onboarding solution, the e-Know Your Customer (e-KYC) solution for individual account openings. It enables individuals to instantly open a savings account and apply for a credit card or personal loan from anywhere via the allianceonline mobile app without physically visiting a branch. The solution, accessible during and after banking hours, helps our customers save, spend and borrow remotely.

We also provide remote assistance options via a phone call or web chat so customers can get in touch with us if they need help during the onboarding process.

b. Branch-in-a-Tablet

The Branch-in-a-Tablet initiative enables individuals to open a savings account and activate their ATM card, online and mobile banking access using a tablet at the branch in as little as 15 minutes. For businesses, this is done in “1-day, 1-visit”, an improvement over the previous 2-week process of intensive paperwork and multiple visits. The solution also enables our officers to attend to our customers at any location of their choice outside the branch.

In FY2021, we opened over 90% of our individual accounts and more than 70% of our business accounts digitally. Last year, Alliance Bank was recognised as the “Best Digital Bank in Malaysia” at the Financial Insights Innovations Award for its Branch-in-a-Tablet initiative. IDC Financial Insights also recognised the Bank as one of the “20 Best Banks 2020 in Asia/Pacific”, for its use of technology to positively impact the business in three key areas: customer engagement, operational efficiency, and the creation of new business models. Alliance Bank was one of only two Malaysian banks named in the list in 2020.

The Branch-in-a-Tablet initiative also won the Silver award for “Branch Innovation of the Year” at the Asian Banking & Finance Retail Banking Awards 2020.

c. Digital Loan

The Bank’s digital Personal Loan application offers approval-in-principle in as little as 10 minutes and funds disbursed within 24 hours. In FY2021, 20% of the Bank’s total personal loan bookings comprised of digital Personal Loan applications.

We recently launched digital lending for SMEs, a fast and simple online application for small-ticket loans of up to RM50,000 to businesses. The solution provides approval-in-principle within 5 minutes. Funds are disbursed within 24 hours.

SUSTAINABILITY STATEMENT (CONT'D)



d. BizSmart® Mobile

In June 2020, the Bank launched the BizSmart® Mobile App to enable business owners to quickly and conveniently manage their business account, make payments and perform collections with just a few taps on the mobile phone without a physical token.

e. BizSmart® eTrade

The Alliance BizSmart® eTrade is Malaysia's first mobile trade financing submission platform that provides convenience, paperless, as well as fast approval and disbursement of funds into the customer's account. Business owners submit their Bankers' Acceptance or Trust Receipts financing electronically via the BizSmart® Mobile app without physically visiting the branch. Approved trade proceeds are credited into the customer's account within 24 hours of approval.

4. Procurement

The Bank also places high importance on good procurement practices. Its Procurement Policy and Standard Operating Procedures provide clear guidance on purchasing decisions to ensure fairness,

transparency and accountability. Our suppliers use our e-Procurement system to submit their cost quotations and tender submissions for various projects at the Bank. All our vendors and suppliers must comply with our Code of Conduct and Procurement Integrity terms as stipulated in Purchase Order terms and conditions. We also have a Tender Committee who reviews and manages the award process for contracts valued at above RM250,000.

B. ENVIRONMENTAL

1. Prohibitive Lending Policies

The Bank's credit policy prohibits lending to illegal business activities that cause environmental harm.

2. Reducing Carbon Footprint at the Workplace

a. Energy Management

To be more energy efficient, the Bank maintained optimised temperature setting at its Computer Room Air-Conditioning (CRAC) and replaced low-efficiency split unit air conditioners at the branches. The Bank also reduced energy consumption by progressively fitting LED lights at all its offices.

b. Use of Environmentally Friendly Materials

We installed eco-friendly materials in all our office renovations. The materials we used comply with US-based Leadership in Energy & Environmental Design (LEED), UL Environment's GREENGUARD Green Certified products, Australian-based GECA standards or equivalent certifications. Some of our split unit air conditioners use R410 refrigerant, a type of environmental friendly gas.

c. Reducing the Use of Paper

Our digitisation initiatives at the Bank helped reduce the use of paper in our offices. At the head office, print volume declined by 13% during the year. We continued to monitor the print volume through password control on the printers and send monthly reports to the respective heads of business for tracking purposes.

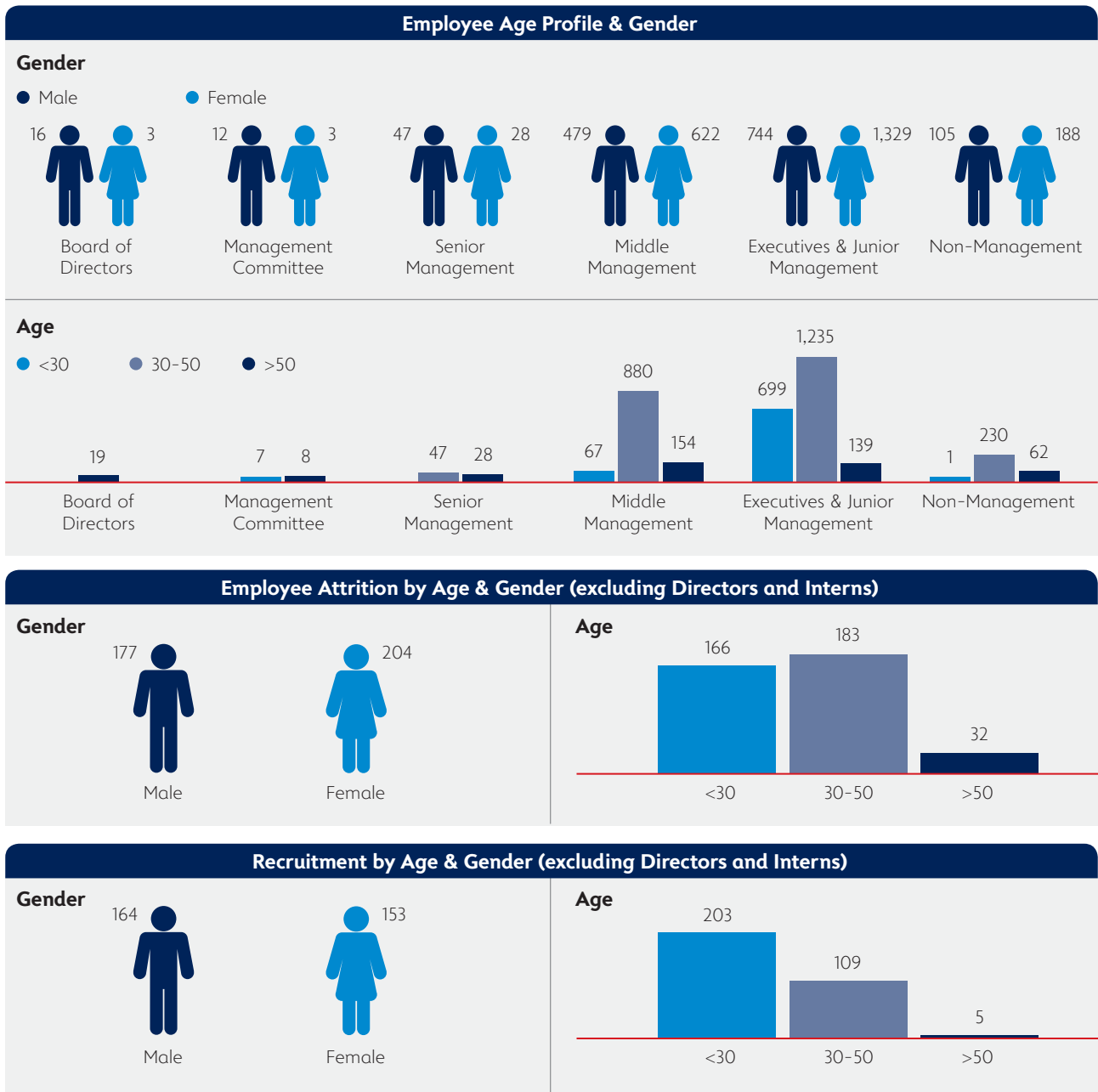
C. SOCIAL

1. Employees

The Bank is committed to equipping its people with the right skills, knowledge and tools to perform their roles effectively. We advocate open and transparent communication and promote a strong culture of appreciation at the workplace. To maintain a highly productive workplace, we promote a healthy work-life balance and foster continuous learning in our employees.

a. Our Workforce Composition

As at 31 March 2021, we have 3,573 employees. The Bank believes in the importance of a diverse workforce, equipped with different skill sets and experiences, to help achieve its business goals. Diversity and equal opportunities in a workforce promote creativity and stronger relationships among employees.



SUSTAINABILITY STATEMENT (CONT'D)

Workforce Diversity, Equal Opportunities and the Bar on Workplace Discrimination

In pursuit of diverse and equal gender participation, 61% of our workforce are women, of which 79% hold management positions (Senior Executives and above) while 18% are part of Senior Management (Senior Vice President and above). The representation of women on the Group's Board of Directors in FY2021 improved to 16%.

We promote mutual respect for our employees and applicants alike. We hire and promote based on merit and assess all candidates fairly. Employees are assessed based on behavioural and professional criteria for career progression. A diverse committee of senior management decide on promotions and monetary compensation. We do not discriminate against gender, nationality, race, religion, age or sexual-orientation.

Any complaints of discrimination are investigated thoroughly via the Bank's disciplinary processes and consequence management is applied accordingly.

Address Bullying and/or Harassment

The Bank has appropriate channels for internal and external stakeholders to report misconduct without fear of reprisals. It maintains a strong stance on whistle blowing and have included it as a reporting clause in all third-party contracts and agreements in all its business deals.

Our Whistle Blower Policy serves as a mechanism for employees to report misconduct without retaliation. The policy also identifies possible gaps and potential misalignment with the ethics and integrity of the Bank and some of its employees.

We continuously enhance and revise the policy to reflect and respond to industry and situational changes. The Whistle Blower Policy was last updated in March 2020, whereby harassment and discrimination were incorporated as possible subject matter of whistle blower complaints. The revised version of the policy also included other examples to assist staff in identifying such actions.

We instituted a robust mechanism to maintain the strictest of confidence for complaints made in good faith. Employees are made aware of the importance and availability of this platform during staff induction programmes, staff communications and in the Huddle letters.

The Bank has a Speak Up Statement available on its corporate website to enable external stakeholders to communicate any instances of unethical conduct, harassment, discrimination and unreasonable behaviours by all parties, with recourse to reporting channels both internally and externally. In FY2021, the Bank did not receive any complaints of this nature.

b. Employee Engagement & Wellness

During the year, the Bank carried out several employee engagement initiatives and wellness activities to improve employee satisfaction and promote higher productivity.

i. Voice of Employee

We conduct an annual employee engagement survey, the Voice of Employee ("VOE"), to gather constructive feedback from employees at all levels of the organisation. These feedback help us to design specific employee engagement initiatives to meet their needs.

Our Sustainable Engagement Index, which measured how engaged, enabled and energised our employees were, achieved a score of 88%. This score was above the Malaysian Financial Services and the Global High Performing norms.

We saw improvements in employee sentiment in a number of areas. Firstly, there was greater alignment among employees in the Bank's vision and mission with scores improving from 86% in FY2020 to 90% in FY2021. Secondly, employee sentiment on communication also improved to 87% in FY2021 (FY2020: 85%). Thirdly, 87% of employees responded that they felt safe, protected and experienced a strong sense of belonging with their teams. This was a new well-being index that we introduced this year to gauge employee sentiment on the mental, emotional and physical support they received.

These factors have led to our employees positively recommending the Bank as a business (NPS +6 points) and employer (NPS +3 points).

ii. Allies of Alliance Portal

Launched in 2017, the Allies of Alliance portal hosts an Idea Bank to encourage employees to contribute ideas to simplify processes or propose innovative solutions. These ideas are conveyed to the respective businesses to develop new product solutions, system enhancements, process improvements and employee engagement activities.

iii. Fit@Alliance

The Bank launched Fit@Alliance in 2017 to promote an active and healthy lifestyle, and practice of financial wellness, among employees.

Over the past year, we adapted the Fit@Alliance programme to deliver our programmes digitally. In partnership with Zurich Malaysia, we introduced a wellness mobile app to help our employees keep track of their daily physical activities, access educational health content and participate in fitness challenges that offer monetary rewards.

We also hosted various webinars with healthcare professionals on a wide range of wellness and health topics.

iv. Recreational and Sports Club

In FY2021, the Bank’s Recreational and Sports Club launched an in-house gym at the Bank’s headquarters to promote work-life balance and a healthy lifestyle. The Alliance Relaxation and Exercise Arena located on Level 15, or otherwise known as AREA 15, is well-equipped with treadmills, weights and a mini yoga studio.

v. Achieving Performance Workshops

We held several Achieving Performance Workshops to share the Bank’s focus for the financial year. This enabled our employees to align their individual performance goals to the overall priorities of the organisation.

vi. Other Engagement Initiatives

- **ManCo Appreciates You**

The “ManCo Appreciates You” is an intranet platform that enables the Management Committee (ManCo) to express their appreciation to employees for exemplary performance and behaviours that are aligned to the Bank’s core values.

- **Alliance Heroes**

The Alliance Heroes initiative is a peer-to-peer appreciation platform. Any employee may award an Alliance Hero digital badge to their colleague for actions that exemplify the Bank’s core values. The Alliance Hero platform is an extension of the “ManCo Appreciates You” initiative. More than 8,000 digital badges have been awarded since October 2019.

- **Engagement Champion Committee**

The Bank allocates an annual budget for divisional engagement initiatives. Each division has an Engagement Champion Committee comprising a group of employees nominated by their Divisional Heads. These Engagement Champion Committees organise their own team engagement activities and implement initiatives that address gaps identified through the Bank’s Voice of Employee surveys.

SUSTAINABILITY STATEMENT (CONT'D)

vii. Career Breaks

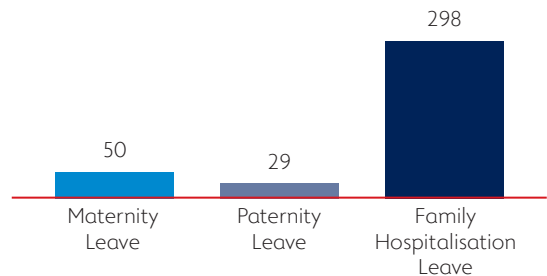
In addition to annual leave, the Bank offers other optional breaks to enable its employees to have a good work/family life balance.



We offer our employees the option of taking up a “Career Break” if they need an extended break from work for personal reasons. This option is exercised at the discretion of the Bank with the view of retaining talent in the long run. Employees who are on career break are assured the security of their job/position upon their return to the workforce.



The Bank provides maternity and paternity leave to its employees to cater for different familial responsibilities. Staff may also take days off to take care of their family members who are seriously ill or hospitalised.



c. Talent Development Programmes

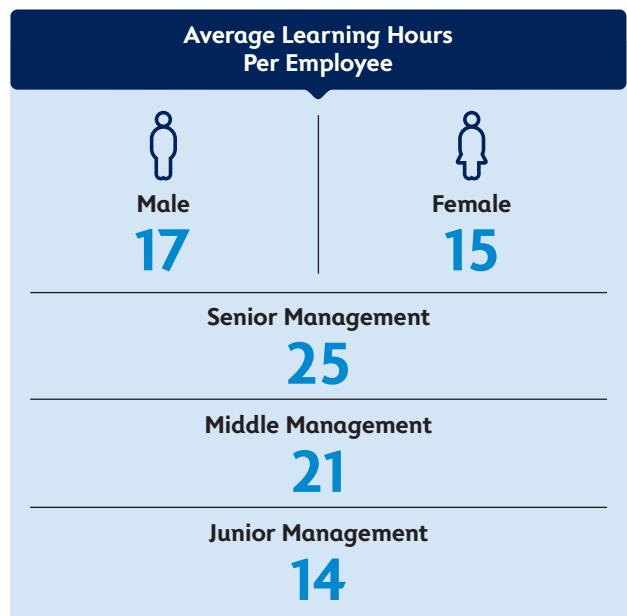
Career Development

The Bank offers its workforce various career advancement paths for professional growth. These include prioritising internal candidates for job vacancies, job rotations, promotion opportunities and participation in stretch assignments and projects.

During the year, the Bank invested more than RM5 million on employee training and development. We focused on five key learning priorities:

1. A systematic way of approaching customers
2. Harnessing digital to improve customer value proposition and scale up
3. Leveraging technology to streamline processes
4. Managers enabling their teams to succeed
5. Embedding strong governance

Our training modules were adapted digitally to enable our employees greater flexibility and accessibility to learn at their own pace. We also launched a Wealth Management online learning platform to equip employees with the requisite knowledge on Wealth products, services and trends. On average, each employee completed 16 learning hours during the year.



The Bank has several structured development programmes under its Alliance Bank Leadership Excellence (“ABLE”) Academy to nurture its talent pipeline. The ABLE Academy employs a blended learning approach that includes on-the-job learning experience, coaching, mentoring and structured long-term development programmes. This provides our employees opportunities to learn, participate in transformational projects and fast track their career. One example is the Management Trainee Programme.

Internship & Management Trainee Programme

In FY2021, the Bank facilitated 21 internship opportunities at the Bank for tertiary students. One area that has seen a surge in demand in the financial industry is data analytics. In response, the Bank designed a tailored Decision Management Structured Internship Programme that provided students with opportunities to apply their data analytics skills in a banking environment.

Our Management Trainee Programme helps young graduates obtain relevant banking experience, and leadership skills in the financial services sector. Now in its ninth cohort, we have improved our year-long programme to include topics such as the Industrial Revolution 4, Machine Learning, Artificial Intelligence and Robotic Process Automation. Since 2012, 220 management trainees have graduated from the programme.

2. Customers

a. Customer Satisfaction

The Bank applies net promoter score (NPS) to measure customer loyalty and the likelihood of them referring our products or services to their friends and family. We track our NPS across key customer touch points. A Customer Experience Council comprising officers from relevant business and support units meet once a month to identify areas for improvement and implement measures to address key customer issues.

This year, our NPS improvements were driven by our relationship managers’ proactiveness in engaging our customers to provide assistance during the pandemic. There were also improvements in customer satisfaction due to our enhanced digital solutions.

Measures to Keep Our Employees Safe during the COVID-19 Pandemic

In February 2020, even before the first movement control order (“MCO”) began, we initiated split operations for critical functions and continued to do so progressively with our non-critical workforce. We shortened our banking hours, temporarily closed branches with low traffic and implemented work-from-home or flexible work arrangements to keep our employees safe.

For most of FY2021, about 40% of our employees worked from home. We enhanced our IT infrastructure to enable our employees to work from home effectively. We improved the bandwidth at the Bank, configured over 300 notebooks, and purchased additional software licenses to enable remote work arrangements. In addition, we procured 180 video conferencing licenses (including equipment) to facilitate virtual meetings.

To keep our employees updated on pandemic-related developments at the Bank, we set up a COVID-19 Information Centre on the intranet and communicated using email and WhatsApp.

At the workplace, we adhered to the Standard Operating Procedures provided by the Ministry of Health. To protect the health of our customers and employees, we made available hand sanitisers at the entrances of our branches and offices and increased the frequency of cleaning and sanitisation at all our offices and branches. We provided our frontliners with

face masks and gloves and instituted contact tracing recording and temperature scanning at the entrances of our branches. At our offices, we implemented social distancing seating of at least 2-meter apart.

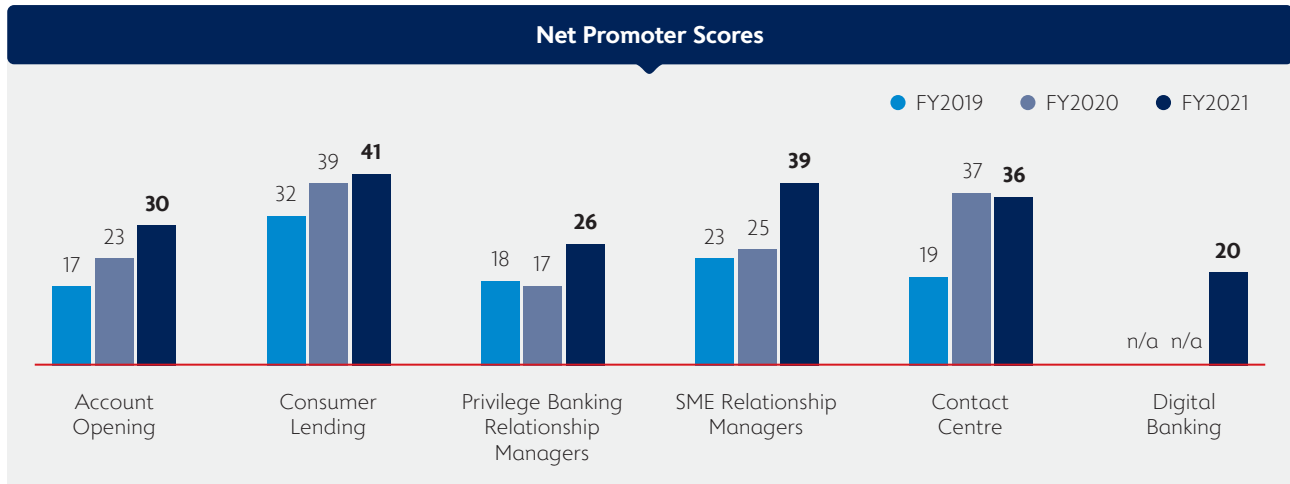
Visitors to the Bank were required to complete a health and travel declaration form and were only allowed entry into the Bank’s premises contingent on Management’s approval. We also instituted various control measures at the workplace. For example, employees were discouraged from visiting colleagues in other offices, floors or branches. This was to minimise the risk of in-office virus transmission.

We arranged for our employees to undergo COVID-19 RT-PCR tests at designated Alliance Bank premises and various health screening clinics throughout the country at no cost to our employees. To date, we have carried out approximately 700 COVID-19 RT-PCR tests.

The Bank tied up with local fitness companies to provide weekly tips on health and fitness. We also regularly published information on nutrition, mental and financial health.

We also provided a one-time subsidy and extended loan moratoria to selected groups of employees to help them with their financial situation, including COVID-19 protection coverage for their families.

SUSTAINABILITY STATEMENT (CONT'D)



In the Bank Negara Malaysia Customer Satisfaction Survey of 20 banks, Alliance Bank scored 87% for customer satisfaction and was ranked first with NPS of 53 (industry: 41).

b. Customer Data Privacy

The Bank’s Privacy and Data Management Policies govern the collection, use and management of customers’ personal data. It strictly complies with all relevant legislation including the Personal Data Protection Act 2010, Financial Services Act 2013 and the Islamic Financial Services Act 2013. All access to customer data (print or digital) is strictly restricted to authorised personnel only. All hardcopies are kept in locked cabinets in a secure location; printed materials that are no longer in use are destroyed according to procedure.

We continuously review and improve our cyber security infrastructure to protect our banking systems against unauthorised access, security breaches and information leaks. We regularly promote cyber-aware culture through frequent staff communication and mandatory e-Learning modules.

3. Community

a. Financial Literacy

i. AEIOU Financial Literacy Programme

The AEIOU financial literacy programme educates schoolchildren aged 9 to 12 years

on the importance of saving, making smart financial decisions and being prudent in spending. The Bank’s award-winning annual financial literacy initiative comprises three components - financial literacy education, Comic Challenge and e-Game Challenge.

In February 2021, the Bank launched the sixth season of the AEIOU programme with the theme “Saving for a Rainy Day: Preparation during a Crisis”. We digitised all learning materials and the Bank’s financial literacy roadshows were broadcasted virtually to safeguard the schoolchildren, teachers and parents.

For this sixth season, we aim to improve participation levels to 50,000 students compared to 32,000 and to reach out to 1,000 schools compared to 415 schools in the last season. To drive greater signups, we collaborated with SmartStudy from Korea to bring children’s favourite character, Pinkfong, to Malaysia.

The AEIOU Challenge offers a prize pool of over RM16,000 in cash and prizes for winners of the Comic and e-Game Challenge. The school with the most number of participants stand to win a cash prize of RM3,000 for their school development fund, while teachers who champion this programme in their respective schools will be rewarded up to RM6,000.



Proudly Presented By



Produced By



AEIOU Challenge is endorsed by Bank Negara Malaysia and affiliated with the Financial Education Network (FEN). The other partners of the programme are Faber-Castell and Limkokwing University of Creative Technology.

The AEIOU Challenge has reached almost 700,000 children nationwide since its launch in 2015. In total, the Bank has conducted close to 800 physical roadshows, including school briefings, and trained more than 620 teachers to empower them to conduct financial literacy workshops at their respective schools. Both the Comic Challenge and e-Game Challenge have collectively received over 67,000 submissions.

b. SocioBiz

SocioBiz, our crowdfunding platform by Alliance Islamic Bank that was launched in 2019, deploys social funds to help disadvantaged individuals start or expand a business, or learn a new skill to earn a sustainable livelihood. Since its inception, SocioBiz has helped raise funds for more than 20 campaigns benefitting marginalised individuals.

Alliance Islamic Bank collaborates with digital crowdfunding platform partner, Global Sadaqah, and other partners on the management of recipients and tracking the impact of these contributions.

In FY2021, we expanded our SocioBiz platform to help social enterprises sustain their business so they can continue to support marginalised communities.

Project	Amount Raised	Impact
Social Enterprise Sustainability Initiative (in collaboration with MaGIC, Citrine Capital and NGOhub)	RM219,420	<ul style="list-style-type: none"> Supported 11 social enterprises by purchasing and distributing 5,000 face masks, 2,000 hand sanitisers and 67,303 meals to communities in need. Sustained 67 low income employees The 11 social enterprises we supported were: <ul style="list-style-type: none"> Green Hero Pasar Grub Salad Bar by Phytopia Masala Wheels Halaman Nurani GoJob WormingUp The Asli Co. Batik Boutique Nazkids Komuniti Tukang Jahit
Campaign for Healthcare Frontliners (in collaboration with the Association of Islamic Banks in Malaysia (AIBIM))	RM105,085	Provided our healthcare frontliners with: <ul style="list-style-type: none"> 115 Isolation gowns 10 mobile stand monitor and wheelchairs 900 KN95 masks 3,240 meals 3 air purifying respirators

SUSTAINABILITY STATEMENT (CONT'D)



Donating essentials to YaPEIM's Food Bank

Community Support During the Pandemic

During the pandemic, the Bank contributed RM500,000 to MERCY Malaysia's COVID-19 Pandemic Fund. This contribution was a result of a wider collaboration between the Association of Banks Malaysia (ABM), of which the Bank is a member, and MERCY Malaysia which raised a total of RM10 million. This was to relieve some of the pressures faced by health professionals and communities impacted by the pandemic.

The MERCY Malaysia fund supported the Ministry of Health and the National Crisis Preparedness and Response Centre with supplies, logistics and mental health and psychosocial support. This included supplying personal protective equipment for frontliners, health supplies, medical ventilators as well as the distribution of food packs and hygiene kits to rural and urban poor communities. The fund has provided support to 550,000 recipients either directly or indirectly over nine months of intensive operations.

Other Ongoing SocioBiz Initiatives

i. Economic Empowerment Programme

The Economic Empowerment Programme supports 50 micro-entrepreneurs from the B40 segment with entrepreneurial and digital skills training and mentoring to help them improve their income. The programme commenced in December 2020 and is currently ongoing.

ii. Supporting Social Enterprises via SocioBiz (PENJANA Social Impact Matching (SIM) Grant)

This initiative helps social enterprises apply for the Social Impact Matching (SIM) Grant by PENJANA, administered by MaGIC. The SIM Grant will match every ringgit raised through the SocioBiz platform on a one-for-one basis subject to conditions being met. There are currently five social enterprises listed on the SocioBiz platform - Green Hero, Halaman Nurani, Klinik Kenit, Urban Farm Tech and WormingUp. A total of RM396,205³ has been raised so far.

³ As at 19 May 2021.

iii. *#BUYFORIMPACT Movement*

The #BUYFORIMPACT movement, launched by MaGIC in September 2020, aims to promote conscious buying behaviour and social innovation. Alliance Islamic Bank has committed to purchase its event gifts from the social enterprises participating in the movement.

Alliance Islamic Bank is also collaborating with Sols Energy Sdn. Bhd., a social enterprise, to provide free consultation and affordable solar panel purchase and installation to our employees.

iv. *Back-to-School Campaign & Feed to Educate Programme*

Alliance Islamic Bank collaborates with Charity Right to provide underprivileged families with school supplies and food under its Back-to-School Campaign. An essential part of the campaign is the “Feed to Educate” programme, an entrepreneurial initiative that helps parents and caregivers create sustainable income for the longer term. Alliance Islamic Bank contributed RM72,000 to the Feed to Educate programme to support 50 families from a school in Perlis.

c. Zakat Contributions

In FY2021, AIS contributed RM400,000 in zakat (Islamic tithes) to a number of beneficiaries. Some of the beneficiaries this year were identified by our strategic partner, Yayasan Kebajikan Negara. Due to the pandemic and floods this year, we also directed our contributions to the Negeri Sembilan Health Department and flood victims in Pahang, Kelantan, Terengganu and Johor.

In addition, we funded haemodialysis treatment for patients registered with Majlis Agama Islam Negeri Sembilan to receive treatment at Universiti Sains Islam Malaysia Healthcare Sdn. Bhd. Some of our contributions were also used to purchase food coupons for poor students under the Student Meal Project undertaken by the International Islamic University Malaysia for four months.

d. Do-Good-As-You-Go (“DGAYG”)

As part of its ongoing commitment to Value-based Intermediation, Alliance Islamic Bank introduced the DGAYG programme which allows customers to donate the profits from deposit accounts or set up recurring fund transfers to charities and causes supported on the SocioBiz platform.

Similar to our SocioBiz programme, Alliance Islamic Bank matches eligible contributions and channels the funds to the recipients via our programme partners. In return, contributors will receive a tax exemption receipt and can track the impact of their contributions via the SocioBiz platform.

CONCLUSION

We will continue to focus on creating value for our stakeholders in line with our mission of Building Alliances to Improve Lives.

In line with our commitment to provide transparent and accountable disclosures to our stakeholders, we will continue to monitor and report on the progress of our sustainability programmes.

FINANCIAL CALENDAR

for the financial year ended 31 March 2021

ACTIVITIES	DATE
Announcement of Financial Results	
First Financial Quarter ended 30 June 2020	27 August 2020
Second Financial Quarter ended 30 September 2020	27 November 2020
Third Financial Quarter ended 31 December 2020	26 February 2021
Fourth Financial Quarter ended 31 March 2021	31 May 2021
Dividend	
Interim Single Tier Dividend of 5.79 sen per share	
- Entitlement Date	17 June 2021
- Payment Date	30 June 2021
General Meetings	
Notice of 39th Annual General Meeting	26 July 2021
39th Annual General Meeting	25 August 2021

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Alliance Bank Malaysia Berhad (“Alliance Bank” or “the Bank”) firmly believes that good corporate governance is the foundation of a well-managed institution. The Board is fully committed to integrity and fair dealing in all its activities and has endeavoured to adopt the best practices of corporate governance in all areas of the Bank’s operations to enhance business prosperity and corporate accountability, with the ultimate objective of safeguarding the interests of all stakeholders and enhancing shareholder value.

This Corporate Governance Overview Statement sets out a summary of the Bank’s corporate governance practices during the financial year ended 31 March 2021 (“FY2021”) with reference to the following three (3) key principles of good corporate governance, in accordance with paragraph 15.25(l) of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“MMLR”) and paragraph 3.1A, Practice Note 9 of the Bursa Securities MMLR:

- (a) Board leadership and effectiveness;
- (b) Effective audit and risk management; and
- (c) Integrity in corporate reporting and meaningful relationships with stakeholders.

This overview statement serves to provide stakeholders with an understanding of the Bank’s commitment to corporate governance and how the Bank’s corporate governance practices support its ability to create long-term value for stakeholders. It is to be read in conjunction with the Corporate Governance Report, which is available on the Bank’s website at www.alliancebank.com.my.

BOARD LEADERSHIP AND EFFECTIVENESS

The Board’s Roles and Responsibilities

The Board holds overall responsibility for promoting the sustainable growth and financial soundness of the Bank and for ensuring reasonable standards of fair dealing, without undue influence from any party. This includes consideration of the long-term implications of the Board’s decisions on the Bank and its customers, officers and the general public.

The key responsibilities of the Board are set out below:

- (a) Approve the risk appetite, business plans and other initiatives that will, singularly or cumulatively, have a material impact on the Bank’s risk profile.

- (b) Oversee the selection, performance, remuneration and succession plans of the Group Chief Executive Officer (“Group CEO”), control function heads and other members of Senior Management, such that the Board is satisfied with the collective competence of Senior Management to effectively lead the operations of the Bank.
- (c) Oversee the implementation of the Bank’s governance framework and internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Bank’s operations.
- (d) Promote, together with Senior Management, a sound corporate culture within the Bank that reinforces ethical, prudent and professional behaviour.
- (e) Promote sustainability through appropriate environmental, social and governance considerations in the Bank’s business strategies.
- (f) Oversee and approve the recovery and resolution as well as business continuity plans for the Bank to restore its financial strength, and maintain or preserve critical operations and critical services when they come under stress.
- (g) Promote timely and effective communication between the Bank and regulators on matters affecting, or that may affect, the safety and soundness of the Bank.

The Board has adopted a Board Charter that sets out the mandate, responsibilities and procedures of the Board and the Board Committees, including matters reserved for the Board’s decision. The Board Charter is reviewed by the Board every two (2) years, or as and when necessary, in line with evolving corporate governance requirements and practices, to ensure its continued relevance.

The Board Charter was last reviewed and revised by the Board on 30 September 2020 and is available on the Bank’s corporate website at www.alliancebank.com.my.

Ethical Leadership by the Board

The Bank is guided by the Code of Conduct established by the Board, which outlines the conduct required of Board members and individual employees in discharging their duties in a professional, honest and ethical manner.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

In addition, the Board has set up a Conflict of Interest Policy for Directors to identify, disclose and manage any actual or potential conflicts of interest. The Conflict of Interest Policy for Directors was last reviewed by the Board on 28 October 2020.

The Code of Conduct and Conflict of Interest Policy for Directors are available on the Bank's website at www.alliancebank.com.my.

The Directors also adhere to the Code of Ethics for Company Directors established by the Companies Commission of Malaysia.

Operation of the Board

The Board schedules a minimum of ten (10) meetings a year to review progress reports from the Management as well as to consider business and other proposals that require the Board's approval. All Directors are informed of these scheduled Board meetings before the start of each year. Ad hoc Board meetings may be called to deliberate on and consider issues that require the Board's immediate consideration/decision.

At each scheduled Board meeting, the Group CEO and Group Chief Financial Officer provide regular progress reports on the business and financial performance of the Bank while the Heads of Business Divisions apprise the Board on the performance, strategic developments, business plans and initiatives of their respective divisions throughout the year.

The Board also receives regular updates on internal control, risk management, legal, compliance, internal audit, human resources, sustainability, governance and information technology-related matters.

There is an annual schedule of rolling agenda items to ensure that all matters are given due consideration and reviewed at the appropriate point in the financial and regulatory cycle. The flexibility of the schedule enables pressing matters to be dealt with in a timely manner when they arise.

Since the beginning of FY2021, in line with the implementation of the Movement Control Order by the government, as well as travel restrictions, social distancing and other measures to reduce the spread of COVID-19, all Board and Board Committee meetings during the financial year were held virtually through video conferencing.

The frequency of Board and Board Committee meetings was increased during the height of the COVID-19 pandemic to monitor and provide guidance to Management in dealing with the uncertainties and the additional requirements of the regulatory authorities.

The Chairman and Group CEO maintained frequent contact with each other and with the other Board members throughout the year outside of formal meetings (mainly through video calls).

The Board

Responsible for the overall conduct of the Bank's business, including our long-term success; setting our values, standards and strategic objectives; reviewing our performance and ensuring effective communication with stakeholders.

Chairman

- (a) Ensures that appropriate procedures are in place to govern the Board's processes.
- (b) Ensures that decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the Board and that Directors receive the relevant information on a timely basis.
- (c) Encourages healthy discussion and ensures the free expression and discussion of dissenting views.

Senior Independent Director

- (a) Acts as a sounding board to the Chairman.
- (b) Serves as an intermediary for other Directors when necessary.
- (c) Acts as the point of contact for shareholders and other stakeholders.

Non-Executive Directors

- (a) Contribute to developing our strategy.
- (b) Scrutinise and constructively challenge the performance of Management in the execution of our strategy.
- (c) Provide checks and balances and ensure that high standards of corporate governance are applied.

Group CEO

- (a) Develops the strategic direction of the Bank.
- (b) Ensures that the Bank's strategies and corporate policies are effectively implemented.
- (c) Ensures that Board decisions are implemented and Board directions are responded to.
- (d) Provides directions in the implementation of short and long-term business plans.
- (e) Provides strong leadership by effectively communicating a vision, management philosophy and business strategy to employees.
- (f) Keeps the Board fully informed on all important aspects of the Bank's operations and ensures that sufficient and adequate information is provided to Board members.
- (g) Ensures the day-to-day business affairs of the Bank are effectively managed.

Board Committees

The Board has established Board Committees to oversee the implementation of strategies and policies and maintain effective governance in the following areas: business decisions, audit, risk, compliance, remuneration, Board composition, succession planning and corporate governance.

The Board has four (4) Board Committees comprised solely of Non-Executive Directors, namely the Executive Committee ("EXCO"), Group Audit Committee ("Group AC"), Group Nomination & Remuneration Committee ("Group NRC") and Group Risk Management Committee ("Group RMC"). Among these Board Committees, the Group AC, Group NRC and Group RMC operate on a Group basis covering the Bank and its two (2) principal subsidiaries, namely Alliance Islamic Bank Berhad ("AIS") and Alliance Investment Bank Berhad ("AIBB") (collectively, "the Group").

Each Board Committee has agreed Terms of Reference, which are approved by the Board and reviewed every two (2) years or as and when necessary. Any proposed changes to the Terms of Reference of the Board Committees are subject to the approval of the Board. The Terms of Reference of the Group AC, Group NRC and Group RMC are available on the Bank's website at www.alliancebank.com.my.

The Chairman of each Board Committee reports to the Board on salient matters discussed at the respective Board Committee meetings.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

Leadership

EXCO

The EXCO supports the Board in credit matters. It reviews/vetoes loan/financing applications with total Group exposure that are above the defined threshold of the Group Management Credit Committee. It also reviews new/incremental AIS financing that exceeds the threshold of the AIS Management Credit Committee and makes recommendation(s) to the AIS Board.

In addition, the EXCO reviews and approves credit transactions/exposures with connected parties classified under Bank Negara Malaysia's ("BNM") Guidelines on Credit Transactions and Exposures with Connected Parties ("BNM/GP 6").

The EXCO also reviews strategic investments or divestments as well as the Bank's strategies and business plans for recommendation to the Board where applicable and oversees their implementation.

Group AC

The Group AC assists the Board in overseeing the Group's financial and reporting processes. It monitors the integrity of the financial statements and supervises both the internal and external audit processes and reports back to the Board. It reviews the effectiveness of the policies, procedures and systems in place that are related to, among others, operational risks, compliance and information technology and systems (including cybersecurity). It works closely with the Group RMC in connection with assessing the effectiveness of the risk management and internal control framework.

Group NRC

The Group NRC supports the Board in carrying out its functions in the following matters concerning the Board, Shariah Committee, Senior Management and Company Secretary:

- Appointments and removals;
- Composition of the Board;
- Performance evaluation and development; and
- Fit and proper assessments.

The Group NRC also actively oversees the design and operation of the Bank's remuneration system. It periodically reviews the remuneration of Directors on the Board, and whether the remuneration remains appropriate to each Director's contributions, taking into account the level of expertise, commitment and responsibilities undertaken.

The Terms of Reference of the Group NRC were last reviewed and revised by the Board on 30 July 2020.

Group RMC

The Group RMC oversees the Senior Management's activities in managing risks, which cover, among others, credit, market, operational, technology and other risks, as well as ensures compliance with regulations. This includes ensuring a sound risk strategy and that the risk management framework is functioning according to its purposes. It also actively promotes a consistent compliance, risk awareness and management culture within the Group. Its oversight role includes approving and deliberating on risk and compliance strategies, policies and methodologies and related matters.

Board Size, Composition, Tenure and Independence

As at 31 March 2021, the Board had eight (8) members, comprised entirely of Non-Executive Directors, six (6) of whom were Independent Directors.

The Board comprises high-calibre individuals with diverse experience, who collectively have the necessary skills, experience and qualifications to effectively manage the Bank and to discharge the responsibilities of the Board. The diverse business backgrounds of the Directors ensure good use of their different and wide-ranging skills, including regional as well as industry experience and other attributes.

The Board considers a strong element of independence among its members as vital for good corporate governance. Independent Directors of the Bank exercise independent judgement and participate in the deliberations of the Board objectively with no individual or small group of individuals dominating the Board's decision-making process. The number of Independent Directors, who make up more than 75% of the Board, well exceeds the requirement of BNM's Policy Document on Corporate Governance to have a majority of Independent Directors at all times, as well as the requirement laid down in the MMLR to have at least two (2) Directors or one-third of the Board consisting of Independent Directors.

The Board, through the Group NRC, assesses Independent Directors' independence annually. In the annual assessment of the Independent Directors of the Bank in FY2021, the Board was satisfied that each of the Independent Directors of the Bank continued to be independent and free from any business or other relationship that could interfere with the exercise of independent judgement or the ability to act in the best interest of the Bank and that each of them continued to fulfil the criteria set out in BNM's Policy Document on Corporate Governance, the MMLR and the Malaysian Code on Corporate Governance 2017.

The Bank has adopted a nine (9)-year policy for the tenure of Independent Directors and a twelve (12)-year policy for the tenure of Non-Independent Non-Executive Directors. As at the date of this Statement, none of the Bank's Independent Directors and Non-Independent Non-Executive Directors has served for a cumulative period of more than nine (9) years and twelve (12) years in the Group, respectively.

Board Gender Diversity

The Board has adopted a Board Gender Diversity Policy that provides that women candidates will be given priority consideration in the selection and recruitment process of identifying suitable candidates toward achieving the gender diversity target of 30% women's participation on the Board. While it is important to promote Board gender diversity, the normal selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board remain a priority. The Board Gender Diversity Policy was last reviewed by the Board on 30 July 2020.

The Board, through the Group NRC, has taken steps to ensure that female candidates are given priority consideration in the selection and recruitment process for Directors toward achieving the gender diversity target of 30% women's representation. As at the date of this report, the Board has two (2) female Directors making a total of two (2) female Directors or 22% women's participation on the Board. The Board will continue with its endeavour to meet the gender diversity target of 30% women's representation on the Board.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

Leadership – Board of Directors



TAN SRI DATO' AHMAD BIN MOHD DON

Chairman of the Board
 Independent Director of Alliance Bank Malaysia Berhad
 Member of the Group Nomination & Remuneration Committee

73	Male	Malaysian
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Date of Appointment to the Board of Alliance Bank Malaysia Berhad:
1 February 2017

Academic/Professional Qualifications:

- Graduate Degree Economics and Business (Summa cum laude), Aberystwyth University, United Kingdom
- Fellow of the Institute of Chartered Accountants in England and Wales
- Member of the Malaysian Institute of Certified Public Accountants

Tan Sri Dato' Ahmad bin Mohd Don is Chairman of Alliance Bank Malaysia Berhad's Board of Directors. He has extensive experience in finance and banking. His work experience covers various capacities with Pemas Securities Sdn Bhd, Permodalan Nasional Berhad, and Malayan Banking Berhad. He served as Group Managing Director and Chief Executive Officer of Malayan Banking Berhad from 1991 to 1994. Between May 1994 to August 1998, Tan Sri Dato' Ahmad was the Governor of Bank Negara Malaysia.

Tan Sri Dato' Ahmad is also the Chairman on the Board of Sunway REIT Management Sdn Bhd (manager of Sunway Real Estate Investment Trust listed on Bursa Malaysia), a Director on the Board of Malaysian Genomics Resource Centre Berhad (listed on Bursa Malaysia) and Medi Lifestyle Limited (formerly known as IEV Holdings Limited) (Singapore) (listed on the Singapore Stock Exchange).



LEE BOON HUAT

Senior Independent Director of Alliance Bank Malaysia Berhad
 Chairman of the Group Risk Management Committee
 Member of the Executive Committee

63	Male	Singaporean
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Date of Appointment to the Board of Alliance Bank Malaysia Berhad:
7 April 2015

Academic/Professional Qualifications:

- Bachelor of Business (Accounting), Western Australia Institute of Technology, Australia

Mr Lee Boon Huat has extensive experience in the financial services industry. He has served with the Monetary Authority of Singapore, Hong Kong and Shanghai Banking Corporation, Canadian Imperial Bank of Commerce and Chemical Bank. He held several posts at Standard Chartered Bank including Head of Global Markets (South East Asia), Head of Global Markets (Middle East), and Chief Operating Officer (South East Asia) from 1998 to 2012.

Mr Lee serves on the Boards of British and Malayan Trustees Limited, British and Malayan Holdings Limited (listed on the Singapore Stock Exchange), Technological and Commercial Joint-Stock Bank, Vietnam (listed on the Vietnam Stock Exchange), Techcom Capital Joint Stock Company, Techcom Securities Joint Stock Company and several other private corporations.



LEE AH BOON

Non-Independent Non-Executive Director of Alliance Bank Malaysia Berhad
 Chairman of the Board of Alliance Investment Bank Berhad
 Chairman of the Executive Committee
 Member of the Group Nomination & Remuneration Committee

70	Male	Singaporean
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Date of Appointment to the Board of Alliance Bank Malaysia Berhad:
18 April 2012

Academic/Professional Qualifications:

- Bachelor of Accounting (Honours), National University of Singapore

Mr Lee Ah Boon joined Citibank Singapore in 1990 and held various Consumer Banking roles including that of Chief Financial Officer, Senior Operations Officer, Head of Credit Card business and Business Manager. In 2005, he started up Citibank’s Consumer Business in China and returned to Singapore as Regional Operations Head of Citibank. He then moved to Barclays Bank in early 2009 as its International Technology Head for the Global Retail and Commercial Bank businesses.

In September 2010, Mr Lee left Barclays Bank and joined Fullerton Financial Holdings (International) Pte Ltd, a subsidiary of Temasek Holdings (Private) Limited, as its Chief Operating Officer. He remained for three years until his retirement in November 2013.

Mr Lee is the Chairman of Alliance Investment Bank Berhad. He is also an Advisor of Fullerton Financial Holdings (International) Pte Ltd.



DATUK WAN AZHAR BIN WAN AHMAD

Independent Director of Alliance Bank Malaysia Berhad
 Chairman of the Board of Alliance Islamic Bank Berhad
 Member of the Group Nomination & Remuneration Committee
 Member of the Group Audit Committee
 Member of the Executive Committee

62	Male	Malaysian
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Date of Appointment to the Board of Alliance Bank Malaysia Berhad:
7 April 2015

Academic/Professional Qualifications:

- Bachelor in Business Administration (Finance), University of Pacific, Stockton, CA, USA
- Master in Business Administration (International Business), National University San Diego, CA, USA

Datuk Wan Azhar bin Wan Ahmad was the Chief Executive Officer of Credit Guarantee Corporation Malaysia Berhad (CGC) from 1997 until his retirement in December 2014. He began his career in banking as a Loans Executive with the Hong Leong Banking Group in 1985 and left the bank as Head of Branches Operations in 1993. He then joined CGC as Head of Credit. In 1995, he was promoted to Assistant General Manager and subsequently to Chief Executive Officer in 1997. In 2000, he was appointed to the Board of Directors and assumed the role of Managing Director.

One of the highlights of his career was the transformation of CGC from a traditional credit guarantee provider into a market-driven and financially sustainable SME-support institution. He was instrumental in the set up of Credit Bureau Malaysia (CBM) where he held position as Chairman for six years from 2008 to 2014. On the international front, he was also Chairman of the Association of Development Financial Institutions for Asia Pacific region (ADFIAP) from 2012 to 2014.

Upon his retirement, he was appointed as Consultant to the World Bank in 2015 and undertook projects relating to SME financing in North Africa and the Middle East.

Datuk Wan Azhar is currently the Chairman of Alliance Islamic Bank Berhad and he also serves as Chairman of the Small Debt Resolution Committee (SDRC) at Bank Negara Malaysia.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

Leadership – Board of Directors



HO HON CHEONG

Non-Independent Non-Executive Director of Alliance Bank Malaysia Berhad
Member of the Group Audit Committee
Member of the Group Risk Management Committee

66	Male	Malaysian
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Date of Appointment to the Board of Alliance Bank Malaysia Berhad:
26 August 2015

Academic/Professional Qualifications:

- Bachelor of Engineering (Honours), University of Malaya
- Master of Business Administration in Finance and Accounting, McGill University, Canada

Mr Ho Hon Cheong began his banking career with Citibank Malaysia in 1981. Since then, he has held various senior positions with Citibank in Asia Pacific and the Middle East including Country Risk Officer of Citibank Malaysia, Pan Asia Corporate Head of Citibank Asia Pacific in Singapore, and Chief Executive Officer of Citibank Thailand. He also served as General Manager and Group Head of Corporate and Investment Banking with Saudi American Bank in Saudi Arabia.

In 2004, Mr Ho was appointed President Director and Chief Executive Officer of PT Bank International Indonesia Tbk. Thereafter he joined Temasek Holdings (Private) Limited in 2009. He returned to Indonesia in 2010 as the President Director and Chief Executive Officer of PT Bank Danamon Indonesia Tbk until his retirement in February 2015.

Mr Ho is a Director of AIA Singapore Pte Ltd and a Commissioner of PT Chandra Asri Petrochemical Tbk, which is listed on the Indonesia Stock Exchange. He is also the Non-Executive Chairman of Frasers Logistics and Commercial Trust, listed on the Singapore Stock Exchange.



TAN CHIAN KHONG

Independent Director of Alliance Bank Malaysia Berhad
Chairman of the Group Audit Committee
Member of the Executive Committee

65	Male	Singaporean
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Date of Appointment to the Board of Alliance Bank Malaysia Berhad:
26 September 2017

Academic/Professional Qualifications:

- Bachelor of Accountancy, National University of Singapore
- Master of Business Administration, University of South Australia
- Master of International Environmental Management, University of Adelaide, Australia
- Member of the American Institute of Certified Public Accountants
- Fellow of the Institute of Singapore Chartered Accountants and of CPA Australia

Mr Tan Chian Khong has 35 years of experience in the audit industry. He was a partner at Ernst & Young LLP from July 1996 till his retirement in June 2016.

Mr Tan currently holds directorships in a number of companies listed on the Singapore Stock Exchange namely, Banyan Tree Holdings Ltd, CSE Global Limited, Hong Leong Asia Ltd and The Straits Trading Company Ltd.

Mr Tan is a Board member of SMRT Corporation Ltd and the Casino Regulatory Authority of Singapore, a statutory board in Singapore. He is a member of Rules Change Panel of Energy Market Company Pte Ltd and volunteers as an Honorary Executive Director of Trailblazer Foundation Ltd.



SUSAN YUEN SU MIN

Independent Director of Alliance Bank Malaysia Berhad
 Chairman of the Group Nomination & Remuneration Committee
 Chairman of the Group Sustainability Committee

61	Female	Malaysian
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Date of Appointment to the Board of Alliance Bank Malaysia Berhad:
15 October 2018

Academic/Professional Qualifications:

- Bachelor of Computer Science (Honours), University of London, United Kingdom

Ms Susan Yuen Su Min has over 30 years of working experience in the banking industry. She has served in a number of banking establishments including Maybank and HSBC Malaysia. She was also previously attached to the National Bank of Abu Dhabi Malaysia Berhad (NBAD) where she was the Regional CEO Asia and Country CEO Malaysia from 2014 to 2018. Prior to joining NBAD, she served as CEO of ANZ Banking Group in Hong Kong from 2009 to 2014.

Ms Susan serves as an Independent Non-Executive Director on the Boards of Press Metal Aluminium Holdings Berhad (listed on Bursa Malaysia) and Chubb Insurance Malaysia Berhad.



LUM PIEW

Independent Director of Alliance Bank Malaysia Berhad

52	Male	Malaysian
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Date of Appointment to the Board of Alliance Bank Malaysia Berhad:
1 July 2020

Academic/Professional Qualifications:

- Bachelor of Science (Computer Science), National University of Singapore, Singapore

Mr Lum Piew has over 28 years of experience in the consulting and technology industry. He began his career as a consultant at Andersen Consulting (renamed to Accenture in 2001) in 1992. By 2004, he had risen through the ranks to become Managing Director in the Communications, Media and Technology industry group. His experience covers management consulting, systems integration, outsourcing, and digital transformation serving clients across telecommunications, media and internet companies. He held the position until his retirement in 2016.

Mr Lum is a Non-Independent Non-Executive Director of Cloudaron Group Berhad which is listed on Bursa Malaysia. He serves as Independent Director on the Boards of iCandy Interactive Limited (listed on the Australian Securities Exchange).

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

Leadership - Board of Directors



CHERYL KHOR HUI PENG

Independent Director of Alliance Bank Malaysia Berhad
Member of the Group Audit Committee
Member of the Group Sustainability Committee

47	Female	Malaysian
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Date of Appointment to the Board of Alliance Bank Malaysia Berhad:
1 June 2021

Academic/Professional Qualifications:

- Bachelor of Mathematics, University Putra Malaysia
- Member of the Malaysian Institute of Certified Public Accountants
- Member of the Malaysian Institute of Accountants
- Member of the Institute of Internal Auditors
- Member of the Malaysian Association of Risk and Insurance Management
- Faculty Member of the Institute of Corporate Directors Malaysia

Ms Cheryl Khor has more than 23 years of experience covering financial, operational and internal audits as well as governance, controls, sustainability, internal audit and risk assessments for clients across a broad range of industries.

She began her career in 1998 as a financial auditor and chartered accountant at Ernst & Young. Ms Cheryl Khor diversified her skill sets and breadth of experience when she joined Deloitte in 2013 where she led the Risk Advisory practice, complementing her chartered accountant experience with sustainability, governance and risk expertise. She was appointed as its Managing Director in 2014 and held the position until May 2021. Whilst in Deloitte, she held numerous leadership positions culminating her career as the Asia Pacific Accounting and Internal Control Leader and was also elected onto the Deloitte South East Asia Board of Directors.

Ms Cheryl Khor serves as an Independent Director on the Boards of Hong Leong Industries Berhad and VSTECs Berhad, both listed on Bursa Malaysia and Chubb Insurance Malaysia Berhad.



MAZIDAH BINTI ABDUL MALIK

Independent Director of Alliance Investment Bank Berhad
Member of the Group Risk Management Committee

62	Female	Malaysian
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Date of Appointment to the Board of Alliance Investment Bank Berhad:
18 January 2016

Academic/Professional Qualifications:

- Bachelor in Business Administration, Ohio University, USA
- Master of Law Executive (Banking Law), International Islamic University, Malaysia
- Certificate in Islamic Financial Planning, Islamic Banking and Finance Institute, Malaysia

Puan Mazidah Malik has over 30 years experience working with Bank Negara Malaysia. She has held various positions in the Bank in the areas of money market and liquidity management, foreign exchange reserves management, international relations, risk management, communications and central bank technical assistance, focusing on banking supervision and regulation, financial inclusion and Islamic Finance.

In 1994, she was appointed as the Representative Office in New York with a portfolio of managing US dollar reserves and establishing close contacts with the Federal Reserves Bank of New York, other central banks and Malaysia missions.

In 2001, she was assigned to Labuan Financial Services Authority (LOFSA) as Director, Corporate Affairs with the responsibility of promoting Labuan locally and internationally as a choice offshore jurisdiction. In 2006, Puan Mazidah was also part of the pioneer central bank team serving International Centre for Education in Islamic Finance (INCEIF) to undertake business development functions and promote INCEIF, specifically to Middle Eastern countries.

Puan Mazidah serves as an Independent Director on the Board of Prudential BSN Takaful Berhad.



DATIN OOI SWEE LIAN

Independent Director of Alliance Investment Bank Berhad

60	Female	Malaysian
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Date of Appointment to the Board of Alliance Investment Bank Berhad:
1 November 2018

Academic/Professional Qualifications:

- Bachelor of Economics (Honours) in Business Administration, University of Malaya

Datin Ooi Swee Lian has over 30 years of working experience in the banking industry including seven years overseas. She began her banking career in the Lending Division of Malayan Banking Berhad in 1983. In 1986, she went abroad and furthered her banking exposure with Llyods Bank, Hong Kong and Indover Asia Limited, Hong Kong.

Datin Ooi joined RHB Bank Berhad in 1994 and has held various senior positions in commercial/corporate and transaction banking. She was appointed as the Executive Vice President and Head of Group Business Banking and Transaction Banking in 2014, and held the position till December 2017.



TUAN HAJI IBRAHIM BIN HASSAN

Independent Director of Alliance Islamic Bank Berhad
 Member of the Group Risk Management Committee

65	Male	Malaysian
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Date of Appointment to the Board of Alliance Islamic Bank Berhad:
1 September 2016

Academic/Professional Qualifications:

- Bachelor of Economics (Hons), University of Malaya

Tuan Haji Ibrahim bin Hassan has over 30 years of banking experience. He was the Managing Director/Chief Executive Officer of RHB Islamic Bank Berhad from 2 September 2013 to 1 August 2016.

He began his illustrious career in the banking industry in the dealing rooms of three Maybank International Offices in Hong Kong, New York, and London for more than 10 years. Upon returning to Malaysia, he was instrumental in strengthening the treasury operations of the Maybank Group. He was subsequently appointed as the Chief Executive Officer of Maybank Discount from 1996 to 1998. Thereafter, he became the head of the market risk division where he developed the market risk management policies and model for the Maybank Group.

Tuan Haji Ibrahim was promoted as Head of International Banking in 2001 to oversee the operations of Maybank’s international branches and subsidiaries in 14 countries. In 2007, he was reassigned to lead a team to de-merge the operations of Maybank’s Islamic window operations into a separate full-fledged Islamic banking subsidiary of Maybank Group. He was appointed as Chief Executive Officer of Maybank Islamic when it began operations in January 2008. He was the president director of Maybank Syariah Indonesia, previously known as Maybank Indocorp, which commenced operations in October 2010.

Tuan Haji Ibrahim serves on the Board of AgroBank (Bank Pertanian Malaysia Berhad).

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

Leadership – Board of Directors



DATO' AHMAD HISHAM BIN KAMARUDDIN

Independent Director of Alliance Islamic Bank Berhad
Member of the Group Sustainability Committee

65	Male	Malaysian
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Date of Appointment to the Board of Alliance Islamic Bank Berhad:
15 February 2019

Academic/Professional Qualifications:

- Bachelor of Laws (LLB), University of Malaya

Dato' Ahmad Hisham bin Kamaruddin was the founding and senior partner of Messrs Hisham & Associates. His career spans over 36 years in various areas of law including banking law, commercial agreements, corporate law and extensive experience in corporate banking and finance, loan and securities documentations as well as corporate matters. He focuses on complex joint-venture agreements between Malaysian entities and foreign investors. His other areas of expertise include cross-border estate planning, intellectual property and aviation law.

Dato' Ahmad Hisham previously served as Tribunal President for the Consumer Court in Malaysia, Council Member of the Malaysia Competition Commission and Council Member of the Malaysian Heritage Council.

He is a Notary Public appointed by the Attorney General of Malaysia.



TUAN HAJI RUSTAM MOHD IDRIS

Independent Director of Alliance Islamic Bank Berhad
Member of the Shariah Committee

58	Male	Malaysian
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Date of Appointment to the Board of Alliance Islamic Bank Berhad:
3 February 2020

Academic/Professional Qualifications:

- Bachelor of Business Administration, Universiti Kebangsaan Malaysia
- Certificate in Islamic Law, International Islamic University

Tuan Haji Rustam was the former Deputy Director of the Islamic Banking and Takaful Department, Bank Negara Malaysia (BNM). He joined BNM in 1986 after graduating from Universiti Kebangsaan Malaysia. Tuan Haji Rustam was part of the team responsible in the development of Islamic banking in BNM since the early 1990s until 2018.

Given his strong affiliation and experience in Islamic finance, Tuan Haji Rustam has been regularly invited to share his experience, in particular on Islamic banking, at several international conferences, both in and outside Malaysia.

ADDITIONAL INFORMATION OF DIRECTORS OF ALLIANCE BANK MALAYSIA BERHAD

(i) Directors’ Interest in the shares of the Bank as at 31 March 2021

Save as disclosed below, none of the other Directors has any interest in the shares of the Bank as at 31 March 2021:

Name	Number of Alliance Bank shares			
	Direct	%	Indirect	%
Ho Hon Cheong	-	-	1,000 [^]	*

Notes:

* Negligible.

[^] Indirect interest in the Bank’s shares by virtue of Section 59(11)(c) of the Companies Act 2016.

(ii) Family relationship

None of the Directors has any family relationship with other Directors and/or major shareholders of the Bank.

(iii) Conflict of interests

None of the Directors has any personal pecuniary interests which are in conflict with the Bank or its subsidiaries.

(iv) List of convictions for offences and public sanction or penalty

None of the Directors has been convicted of any offences within the past five (5) years (other than traffic offences) nor has any public sanction or penalty been imposed by the relevant regulatory bodies during FY2021.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

Leadership – Senior Management



JOEL KORNEICH

Group Chief Executive Officer
Non-Independent Executive Director of Alliance Islamic Bank Berhad

55	Male	Belgian
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Joined: **1 January 2015**

Appointment to Current Position: **1 January 2015** (Group Chief Executive Officer),
10 October 2017 (Director of Alliance Islamic Bank Berhad)

Academic/Professional Qualifications:

- Master of Science in Business Engineering, *magna cum laude*, Solvay Business School, Brussels, Belgium

Mr Kornreich has over 30 years of experience in the financial services industry. Before joining Alliance Bank, he spent 20 years with Citigroup in various roles around the world. His last position with Citigroup was as Country Business Manager of Citibank Global Consumer Group, South Korea. Previously, he had served as the Chief Executive Officer for Spain, Belgium and Greece, and managed Citigroup's Consumer Banking businesses in Indonesia and Russia. Prior to this, Mr Kornreich was Citigroup's Marketing Director, and Head of Mortgages and Liabilities for Asia Pacific, as well as Retail Banking Head for Singapore.

Earlier in his career, he was with ABN AMRO Bank's Consumer Banking business as Head of Sales and Distribution for Asia, and Consumer Banking business manager for Indonesia and Hong Kong.

In his role as Group Chief Executive Officer, Mr Kornreich is responsible for developing the strategic direction of the Bank, and to ensure that the Bank's strategies and corporate policies are effectively implemented.

He also ensures that the Board's directions are implemented, and together with the Board, promote a sound corporate culture which reinforces ethical, prudent and professional behaviour.



KONG KIM YIHE

Group Chief Operating Officer

57	Male	Malaysian
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Joined: **23 March 2016**

Appointment to Current Position: **23 March 2016**

Academic/Professional Qualifications:

- Master of Business Administration, National University of Singapore
- Bachelor of Engineering (Hons), National University of Singapore
- Fellow, Life Management Institute, USA

Mr Kong has more than 30 years of experience in technology-related operations in the financial services industry. He previously served with CIMB Bank and Phileo Allied Bank. He has also worked in non-financial services sectors with a global IT company and a multinational insurance company. Prior to joining Alliance Bank, Mr Kong was the Group Chief Technology Officer of The Edge Media Group.

As Group Chief Operating Officer, Mr Kong oversees areas related to banking operations and information technology.



GAN PAI LI

Group Chief Consumer Banking Officer

49	Female	Malaysian
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Joined: **1 August 2019**
 Appointment to Current Position: **1 August 2019**

Academic/Professional Qualifications:

- Master of Business Administration, University of Manchester, UK
- Bachelor of Education (TESL), Universiti Malaya

Ms Gan joined Alliance Bank on 1 August 2019 to build and drive the next phase of growth for the Consumer Banking business. She has more than 20 years of financial services experience in the areas of retail and wholesale banking, private wealth, private equity, and mergers and acquisitions.

Prior to joining Alliance Bank, Ms Gan was the Group Chief Strategy and Transformation Officer of RHB Bank Berhad where she was a key advisor to the Group Managing Director in formulating the organisation’s strategic plans and execution of key initiatives in core business lines across various countries.

Before her tenure at RHB Bank, Ms Gan was the Senior Managing Director in Group Strategy and Strategic Investments at CIMB Investment Bank. At CIMB, she executed numerous mergers and acquisitions across Asia Pacific as part of the Group’s franchise expansion exercise.



ERNEST KWONG KAH WAH

Group Chief SME & Commercial Banking Officer

47	Male	Malaysian
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Joined: **10 November 2006**
 Appointment to Current Position: **1 June 2021**

Academic/Professional Qualifications:

- Bachelor of Arts in Business Administration (Hons) majoring in Finance, Universiti Utara Malaysia

Mr Kwong joined Alliance Bank as Head of Remedial Management before moving on to several other roles in credit, recovery and sales within the business banking segment. He has over 24 years of experience in the SME and Commercial segments at both local and international financial institutions. Prior to his current appointment, Mr Kwong was the Group Chief SME Banking Officer.

Mr Kwong was instrumental in revamping the Bank’s financial programmes, leading a team to assess the viability and relevance of SME programmes at every business life stage.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

Leadership - Senior Management



JEFF THAM KOK KUEN

Group Chief Corporate Banking & Business Development Officer

52	Male	Malaysian
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Joined: **6 July 2015**
 Appointment to Current Position: **1 June 2021**

Academic/Professional Qualifications:

- Bachelor of Business (Distinction), Curtin University of Technology, Australia

Mr Tham has 27 years of experience in the financial services industry. Prior to joining Alliance Bank, he was attached to HSBC Malaysia and UOB Malaysia. His previous experience covered various roles encompassing commercial and corporate banking, credit underwriting, trade services, and business management.

Mr Tham's current role includes driving the growth of corporate banking, trade finance and cash management, and building strategic partnerships to deliver better customer value.



TAN ENG KIANG

Group Chief Financial Markets Officer

57	Male	Malaysian
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Joined: **14 July 2014**
 Appointment to Current Position: **25 November 2014**

Academic/Professional Qualifications:

- Professional Qualification, Chartered Institute of Management Accountants, UK
- Chartered Banker, Asian Institute of Chartered Bankers (AICB)
- Diploma in Commerce, Tunku Abdul Rahman College, Malaysia

Mr Tan has more than 28 years of experience in financial markets. He has served at several large banking groups as well as an established regional bank performing various functions and roles including treasury operations, treasury sales, trading, investment and funding/liquidity management.

As Group Chief Financial Markets Officer, Mr Tan oversees four core financial market activities, namely funding/liquidity management and investment, trading, treasury sales, and asset/liability management for the entire Bank.



MICHAEL NG CHOW HON

Chief Executive Officer, Alliance Investment Bank Berhad

56	Male	Malaysian
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Joined: **4 March 2015**

Appointment to Current Position: **21 April 2020**

Academic/Professional Qualifications:

- Bachelor of Science in Business Administration and Finance, University of Wisconsin, USA

Mr Ng joined Alliance Investment Bank Berhad as Head of Debt Capital Markets in March 2015 before being appointed Chief Executive Officer in April 2020. He has over 30 years of experience in the banking industry, with a core focus on debt capital markets in several investment banks. Before joining Alliance Bank, he was Director of Debt Capital Markets at RHB Investment Bank.

As Chief Executive Officer, Mr Ng is responsible for the investment bank’s business direction and priorities. This includes driving the execution of business and operational strategies, with effective control functions to achieve financial and corporate objectives.



RIZAL IL-EHZAN FADIL AZIM

Chief Executive Officer, Alliance Islamic Bank Berhad

49	Male	Malaysian
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Joined: **12 November 2012**

Appointment to Current Position: **1 August 2017**

Academic/Professional Qualifications:

- Bachelor of Science (Hons), University of Warwick, UK

En Rizal’s career of over 25 years has spanned management consulting, banking, and insurance. He has served in senior strategy and finance roles at Hong Leong Islamic Bank and EONCAP Islamic Bank, after stints in The Boston Consulting Group and Bank Negara Malaysia.

En Rizal was the Deputy Chief Executive Officer and Senior Vice President, Strategy and Business Performance, before being appointed the Chief Executive Officer of Alliance Islamic Bank (AIS).

As Chief Executive Officer, En Rizal is responsible for driving profitable growth of the Group’s Islamic Banking business.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

Leadership – Senior Management



RONNIE ROYSTON FERNANDIZ

Group Chief Financial Officer

51

Male

Malaysian

Joined: **16 July 2020**

Appointment to Current Position: **16 July 2020**

Academic/Professional Qualifications:

- Chartered Accountant of the Malaysian Institute of Accountants (MIA)
- Certified Public Accountant of the Malaysian Institute of Certified Public Accountants (MICPA)
- Bachelor of Accounting (Hons), Universiti Malaya

Mr Fernandiz brings with him 27 years of working experience in both banking and professional services. He began his career as an auditor at Arthur Andersen/Ernst & Young before making the move to the Malaysia Industrial Development Finance. Prior to joining Alliance Bank, Mr Fernandiz was the Chief Financial Officer for Group Global Banking and Chief Financial Officer for International Business at Malayan Banking Berhad.

As the Group Chief Financial Officer of Alliance Bank, Mr Fernandiz oversees, manages and optimises the Bank's financial resources. He is responsible for the financial planning, forecasting and budgeting, management of financial liquidity and capital risks, accounting, and integrity of the Bank's financial and regulatory reporting.



DR AARON SUM WEI WERN

Group Chief Strategy and Marketing Officer

43

Male

Malaysian

Joined: **6 December 2010**

Appointment to Current Position: **10 August 2019**

Academic/Professional Qualifications:

- PhD in Engineering, University of Nottingham, UK
- Bachelor of Engineering, University of Manchester, UK

Dr Sum has more than 21 years of combined management consulting, research and industry experience. His key expertise is in business strategy, operating model design, customer experience, process optimisation and digital transformation. In his previous roles at Accenture and A.T. Kearney, Dr Sum worked on large-scale transformation programmes with banks across the ASEAN region.



PETER FONG SEOW LOONG

Group Chief Credit Officer

53	Male	Malaysian
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Joined: **10 February 2014**

Appointment to Current Position: **1 October 2014**

Academic/Professional Qualifications:

- Bachelor of Arts in Economics, University of Leicester, UK
- Chartered Banker, Chartered Banker Institute (UK)
- Chartered Banker, Asian Institute of Chartered Bankers (AICB)

Mr Fong initially joined Alliance Bank as Head, Group Corporate Credit. He has 31 years of experience in the local and regional banking industry.

Mr Fong began his career at HSBC Bank where he was involved in various banking functions including corporate risk, recovery, credit assessment, corporate policy and portfolio management. His stint at HSBC included two years at HSBC Hong Kong as Senior Manager, Asia Pacific Risk. Prior to joining Alliance Bank, Mr Fong was the Head of Wholesale Credit for a local financial institution, where he was responsible for its corporate, commercial and SME credit evaluation activities.

As Group Chief Credit Officer, Mr Fong oversees the areas of credit risk and approval. He is also responsible for early warning, remedial, collections and special assets for the Bank.



JACOB ABRAHAM

Group Chief Risk Officer

53	Male	Malaysian
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Joined: **15 April 2021**

Appointment to Current Position: **15 April 2021**

Academic/Professional Qualifications:

- Master of Business Administration, University of Liverpool, United Kingdom

Mr Jacob has more than 25 years of working experience in risk management. He began his career with BNY Mellon Bank, USA. Upon returning to Malaysia, he joined Aseambankers Berhad (now known as Maybank Investment Bank) as the Head of Risk Management. In 2001, Mr Jacob transferred to Maybank and took on various roles within the Group Risk Function, including serving as a member of the Risk Management Committee of the Board of Maybank Subsidiaries. His last position was as Chief Risk Officer for Group Global Banking of Maybank.

In his current role as Group Chief Risk Officer, Mr Jacob is responsible for the Group’s overall risk management functions covering the commercial bank, investment bank and Islamic bank. His areas of responsibility include establishing risk frameworks, policies and limits, as well as monitoring and reporting risk exposures for credit risk, operational risk, market risk and liquidity risk.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

Leadership - Senior Management



KHIM TAN PUEH KHIM

Group Chief Human Resource Officer

53 | Female | Malaysian

Joined: **11 September 2019**

Appointment to Current Position: **11 September 2019**

Academic/Professional Qualifications:

- Master of Business Administration, Victoria University, Australia
- Bachelor of Arts in Communication, Universiti Kebangsaan Malaysia
- Certified Professional Coach, International Coach Federation (ICF) Trained

Ms Tan has over 25 years of experience in Human Capital Management, specialising in talent management, leadership development, and organisational effectiveness. She has held senior roles encompassing the financial sector, international professional services, information technology, fast-moving consumer goods, and financial retailing across local and Asia-Pacific region.

In the course of her career, Ms Tan has served at local conglomerates and large multi-national companies including AIA Malaysia, British American Tobacco, PricewaterhouseCoopers, Maybank, and TA Enterprise.



SHAMITA ATPUTHARAJA

Acting Group Chief Internal Auditor

41 | Female | Malaysian

Joined: **19 January 2015**

Appointment to Current Position: **3 February 2021**

Academic/Professional Qualifications:

- Chartered Accountant (CA), Malaysian Institute of Accountants
- Association of Chartered Certified Accountants (ACCA)
- Chartered Banker, Chartered Banker Institute (UK) and Asian Institute of Chartered Bankers (AICB)
- Certification for Bank Auditors (CBA), AICB
- Certificate in Internal Auditing for Financial Institutions (CIAFIN), AICB

Ms Shamita has spent most of her 20 years of audit experience in the banking sector. She is also the Head of Business, Shared Services, Subsidiaries & Shariah Audit, Group Internal Audit. Prior to joining Alliance Bank, she was attached to the internal audit function of Kenanga Investment Bank Berhad and RHB Investment Bank Berhad.

As the Acting Group Chief Internal Auditor, Ms Shamita leads the Group Internal Audit to provide independent, objective assurance and consulting services. She reports functionally to the Group Audit Committee and administratively to the Group Chief Executive Officer.



JAMES TEH CHYE SEONG

Group Chief Compliance Officer

42	Male	Malaysian
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Joined: **1 November 2018**

Appointment to Current Position: **1 February 2019**

Academic/Professional Qualifications:

- Bachelor of Jurisprudence (Hons), Universiti Malaya

Mr Teh joined Alliance Bank as the Head of Business Compliance and Control for Group Consumer Banking. He has over 15 years of experience spanning various compliance and supervisory roles at several financial institutions and at a regulatory organisation.

Before his tenure at Alliance Bank, Mr Teh was attached to a locally based foreign bank, where he was responsible for the development and implementation of the overall compliance strategy and framework including policies, processes, programmes, tools, and controls.

Mr Teh heads the Group Compliance function, where he is responsible for the identification, assessment, monitoring, and reporting of compliance risk across the Group.



LEE WEI YEN

Group Company Secretary

56	Male	Malaysian
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Joined: **1 April 2004**

Appointment to Current Position: **1 December 2004**

Academic/Professional Qualifications:

- Master of Business Administration in Finance, Universiti Putra Malaysia
- Master of Advanced Business Practice, University of South Australia
- Associate Member, Malaysian Institute of Chartered Secretaries and Administrators

With over 30 years of experience in the corporate secretarial function, Mr Lee has a strong background in corporate actions of public listed companies and wide exposure in the management and financial services industry.

Mr Lee’s responsibilities as Group Company Secretary encompass providing counsel to the Board of Directors and Board Committees on governance matters. He ensures that the Group complies with the required corporate disclosure requirements, and that Board procedures are followed and all decisions by the Board adhere to applicable rules and regulations.

He facilitates the annual Board performance assessment process and the effective communication and flow of information between the Board and Senior Management. He also facilitates the induction of new Directors, and the continuous training and development of Directors.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

Leadership - Senior Management

Notes:

None of the Bank's Senior Management Team has:

- Any family relationship with any Directors and/or major shareholders of the Bank.
- Any personal pecuniary interests which are in conflict with the Bank or its subsidiaries.
- Any conviction of any offences within the past five (5) years (other than traffic offences) as at 31 March 2021.
- Any public sanction or penalty imposed upon him/her by the relevant regulatory bodies during FY2021.

Save as disclosed below, none of the other Senior Management has any interest in the shares of the Bank as at 31 March 2021:

Name	No. of Alliance Bank shares held as at 1 April 2020				No. of Alliance Bank shares held as at 31 March 2021			
	Direct	%	Indirect	%	Direct	%	Indirect	%
Aaron Sum Wei Wern	146,200	0.01	-	-	146,200	0.01	-	-
Ernest Kwong Kah Wah	122,300	0.01	-	-	122,300	0.01	-	-
Ronnie Royston Fernandiz	-	-	2,000 [#]	*	-	-	2,000	*
Lee Wei Yen	219,800	0.01	-	-	219,800	0.01	-	-
Peter Fong Seow Loong	69,500	*	-	-	69,500	*	-	-
Rizal IL-Ehzan Fadil Azim	47,500	*	-	-	47,500	*	-	-
Tan Eng Kiang	79,600	0.01	-	-	79,600	0.01	-	-

Notes:

[#] Shares held as at 16 July 2020 following his appointment as Group Chief Financial Officer on 16 July 2020

* Negligible

Effectiveness

New Appointment and Re-appointment of Directors

Any proposed appointment of new Directors or proposed re-appointment of Directors to the Board will be assessed by the Group NRC. The Group NRC is guided by the Group Board Succession Plan and the Board Gender Diversity Policy in identifying potential candidates for nomination as Directors. The Group Board Succession Plan comprises the guiding principles for effective succession planning as well as the procedures in ensuring a smooth transition in the Board's succession process as existing Directors leave the Board and new ones come on board.

The Group NRC identifies potential candidates for nomination as Directors from various sources, such as referrals from existing Directors or officers and the Directors Register maintained by the Financial Institutions Directors' Education ("FIDE") Forum and other leadership development and consulting organisations.

The Group Board Succession Plan was last reviewed and revised by the Board on 25 November 2020.

Assessment Criteria and Appointment Process for Board Candidates

The Group NRC takes into account the strategic directions of the Group and the Board Gender Diversity Policy when evaluating candidates to fill any Board vacancy. In assessing candidates for new Board appointments, the Group NRC considers the diversity of skills, knowledge and experience, as well as the gender of the candidates.

To ensure a candidate has the character, experience, integrity and competency to effectively discharge his/her role as a Director, the Group NRC assesses the candidates on the following criteria:

- (a) Not be disqualified under section 59(1) of the Financial Services Act 2013;
- (b) Comply with the fit and proper requirements of the Bank;
- (c) Not have any competing time commitments that impair his/her ability to discharge his/her duties effectively;
- (d) Not be an active politician;
- (e) Not be a partner of a firm that has been appointed as the external auditors of the Bank or any of the firm's officers directly involved in the engagement until at least three (3) years after: (i) he/she ceases to be an officer or partner of that firm; or (ii) the firm last served as an auditor of the Bank; and

- (f) Preferably, at a minimum, holds a degree qualification and/or other equivalent qualification(s) with at least five (5) years in a senior managerial position.

The Group NRC will, upon its assessment, submit its recommendation to the Board for approval. The final decision on the appointment of a candidate recommended by the Group NRC rests with the whole Board before the application is submitted to BNM for approval.

Board and Board Committee Meetings

Directors are required to attend at least 75% of all Board/Board Committee meetings held during each financial year. As a measure to reduce the spread of COVID-19, all Board and Board Committee meetings held during FY2021 were by way of video calls to limit face-to-face contact.

All Directors are supplied with information in a timely manner. The agenda for each Board/Board Committee meeting, together with detailed reports and proposal papers to be tabled, is circulated to the Directors for their prior reading well in advance of the date of the meeting. The Directors may request to be furnished with additional information for clarification. Relevant Senior Management Officers are invited to attend Board/Board Committee meetings to provide the Board/Board Committees with detailed explanations and clarifications on the proposals tabled to enable the Board/Board Committees to make informed decisions.

The Group has implemented paperless meetings where Board materials are uploaded to a secure Board portal that the Directors can access through their tablets or laptops. This initiative has made the process of creating, distributing and reviewing confidential Board materials more efficient and secure. It speeds up the process of dissemination of Board packs and removes the need for hard copy papers as part of the Group's corporate responsibility in managing its paper consumption to reduce the impact on the environment.

In total, the Board met sixteen (16) times during FY2021, including two (2) meetings to review and approve the Strategy and Budget of the Group.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

Effectiveness

All Directors have demonstrated that they are able to allocate sufficient time to the Bank in discharging their duties and responsibilities, and their commitment has been affirmed by their attendance at the Board and Board Committee meetings held during FY2021, as reflected below:

Directors	Designation/Independence	Alliance Bank Board	EXCO	Attendance Board Committee		
				Group AC	Group RMC	Group NRC
Tan Sri Dato' Ahmad Bin Mohd Don	Chairman, Independent Director	16/16	-	-	-	12/12
Lee Boon Huat	Senior Independent Director	16/16	14/14	-	24/24	-
Lee Ah Boon	Non-Independent Non-Executive Director	16/16	14/14	-	-	12/12
Datuk Wan Azhar bin Wan Ahmad	Independent Director	16/16	14/14	14/14	-	12/12
Ho Hon Cheong	Non-Independent Non-Executive Director	16/16	-	14/14	24/24	-
Thayaparan S. Sangarapillai ⁽¹⁾	Independent Director	6/7	-	9/9	7/7	-
Tan Chian Khong	Independent Director	16/16	14/14	13/14	-	-
Susan Yuen Su Min	Independent Director	16/16	-	-	-	12/12
Lum Piew ⁽²⁾	Independent Director	10/10	-	-	17/17	-
Tuan Haji Ibrahim bin Hassan	Independent Director of Alliance Islamic Bank Berhad	-	-	-	24/24	-
Mazidah binti Abdul Malik	Independent Director of Alliance Investment Bank Berhad	-	-	-	24/24	-

Notes:

⁽¹⁾ Retired from the Board on 19 August 2020

⁽²⁾ Appointed to the Board on 1 July 2020

WHAT THE BOARD DID IN FY2021

Board activities are structured to develop the Group’s strategy, to enable the Board to provide the necessary oversight and to support executive management on the delivery of the Group’s strategy within a transparent governance framework.

Amidst the COVID-19 pandemic in FY2021, the Board took on a highly active oversight role in support of the Management to ensure business continuity and to keep employees and customers safe.

Key Activities of the Board During FY2021	
Strategy	<ul style="list-style-type: none"> • Reviewed the strategy and key priorities of managing the impact of COVID-19. • Reviewed and approved the business strategies and business plans proposed by Management. • Reviewed and approved the annual budget and capital management plan. • Reviewed the Bank’s Digitisation Strategy. • Reviewed the development of the Group’s Sustainability Strategy.
People	<ul style="list-style-type: none"> • Appointment and re-appointment to the Board. • Appointment to/composition of Group Board Committees. • Designation of Senior Independent Director. • Reviewed Group Board Succession Plan. • Reviewed and approved human capital/training framework and policies. • Received monthly updates on movement of key Management staff. • Reviewed and assessed the fitness and propriety of Key Responsible Persons. • Reviewed and approved Group annual remuneration allocation and compensation proposals, including compensation for the Group CEO. • Reviewed and approved the Annual Board Development Plan.
Performance	<ul style="list-style-type: none"> • Reviewed business and financial performance against targets and objectives. • Reviewed and approved quarterly financial results, Annual Audited Financial Statements and Internal Capital Adequacy and Assessment Process (“ICAAP”) Reporting and Basel II Pillar 3 Report. • Reviewed and approved dividend proposals. • Reviewed and approved Group Corporate Scorecard and Group CEO Scorecard. • Assessed and approved Year-End Group Corporate Scorecard and Group CEO Scorecard performance. • Reviewed and approved the performance rating of the Group CEO. • Reviewed the results of the annual Board Effectiveness Assessment.
Governance	<ul style="list-style-type: none"> • Set up a COVID-19 Executive Committee and a Special COVID-19 Task Force with relevant governance structure to manage the post-moratorium effect during the COVID-19 pandemic. • Reviewed monthly Group Compliance and Group Integrated Risk Management reports. • Reviewed and approved the action plans and responses to BNM’s Composite Risk Rating and its quarterly progress updates. • Reviewed governance-related frameworks and policies. • Reviewed and approved regulatory reporting. • Received updates on identified thematic topics including sustainability awareness, risk management in technology, regulatory compliance risk, etc.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

Effectiveness

Key Activities of Board Committees During FY2021

EXCO

- Reviewed and approved an Interim Arrangement for quicker approval turnaround time to reschedule & restructure facilities/grant moratorium to corporate customers affected by the COVID-19 pandemic.
- Reviewed the list of rescheduled & restructured facilities and moratoria approved by Management under the Interim Arrangement for COVID-19.
- Reviewed/vetoed new/incremental loans/financing with total group exposures above the defined threshold approved by the Group Management Credit Committee and AIS Management Credit Committee.
- Reviewed and approved credit transactions/exposures with connected parties classified under BNM/GP 6 Guidelines.
- Reviewed watch list accounts that represented a significant increase in credit risk to the Bank.
- Reviewed and monitored the implementation progress of strategic projects.
- Reviewed significant early warning accounts and rescheduled & restructured accounts.
- Reviewed and ratified low-value personal consumption facilities granted to connected parties.
- Reviewed and approved the write-off of impaired loans.
- Considered and approved relocations/closures of bank branches to streamline branch footprint in locations.
- Reviewed and approved significant new investment agendas.
- Reviewed jointly with the Group AC the remedies and prevention plan for common audit findings.

Group AC

The Group AC's activities during FY2021 are summarised in the Group AC Report. More information can be found on pages 72 to 75.

Group NRC

- Reviewed the composition of the Board, Board Committees and principal subsidiaries' Boards.
- Reviewed the composition of the Boards as part of the Directors' Succession Planning process of the Group.
- Reviewed the succession plan of the Shariah Committee.
- Assessed and recommended to the Board new appointments/re-appointments of Directors, CEOs of the principal subsidiaries and Shariah Committee members including Fitness and Propriety Assessment.
- Assessed and recommended to the Board the re-election of Directors at the annual general meeting.
- Recommended to the Board the designation of the Senior Independent Director for the Bank.
- Assessed and approved new appointments and remuneration of Senior Management staff including Fitness and Propriety Assessment.
- Reviewed and recommended to the Board the results of the annual Board Effectiveness Assessment including the effectiveness of the Board as a whole, the Board Committees and the contributions of each individual Director, as well as the annual assessment of the overall effectiveness of the Shariah Committee and the contribution of each individual Shariah Committee member.
- Annual Fitness and Propriety Assessment of Key Responsible Persons where the Group NRC reviewed the fitness and propriety of the Directors, Group CEO of the Bank, CEOs of principal subsidiaries, Senior Management and Group Company Secretary as well as the independence of Independent Directors.
- Reviewed the remuneration for Non-Executive Directors.
- Assessed and recommended to the Board the performance score of the Group Corporate Scorecard.
- Reviewed and recommended to the Board the Annual Board Development Plan.
- Assessed and recommended to the Board the performance rating of the Group CEO.

- Reviewed and recommended to the Board compensation proposals, including the Group Bonus Pool, Annual Salary Review for employees and compensation for the Group CEO and CEOs of principal subsidiaries.
- Reviewed and approved the compensation for Senior Management and other Material Risk Takers as well as staff incentive schemes.
- Reviewed the Terms of Reference of the Group NRC to ensure its relevancy in line with governance development.

- Reviewed and recommended to the Board for approval the Group Human Capital strategies, frameworks and policies including the Enhanced Consequence Framework.
- Reviewed whistle-blower cases.
- Reviewed the Group CEO and his Direct Reports' (L2s) Succession and Development Plan.
- Reviewed the Board Gender Diversity Policy, Group's Policy on Fitness and Propriety, Conflict of Interest Policy for Directors and Group Board Succession Plan.

Group RMC

- Reviewed and assessed Top Risks for the Group and the Material Risk Assessment, inclusive of emerging risks arising from the COVID-19 pandemic.
- Reviewed and approved risk exposure parameters and risk management frameworks, policies, models, methodologies and product programmes. This included COVID-19-related policies such as the Payment Assistance Policy.
- Reviewed and approved stress test parameters and results. For 2020, this included multiple stress tests on the pandemic such as the Mini COVID-19 Stress Test, Internal Enhanced COVID-19 Stress Test and Industry-wide Bottom-up Stress Test.
- Reviewed and approved the operational risk Scenario Analysis, which was a case study on and lessons learnt from the COVID-19 pandemic.
- Reviewed various thematic reviews on credit portfolios, technology risks, etc.
- Provided risk clearance on digital initiatives such as eKYC solutions, fraud bureau services, customer onboarding, security controls/verifications of internet banking, etc.
- Reviewed and approved Basel II Pillar 3 Reports, ICAAP simulations and capital planning and issuance.
- Reviewed and approved Independent Model Validation Reports.
- Reviewed Independent Credit Review Reports.

- Reviewed and approved the Terms of Reference of risk committees.
- Reviewed and approved Group Compliance Review Plans.
- Reviewed and approved corrective action plans for BNM's Composite Risk Rating/regulatory audit issues, regulatory breaches and regulatory gaps analysis.
- Reviewed Group Technology Strategy and monitored the Key Strategic Projects for the Group.
- Ongoing monitoring of the Bank's health via Risk Management, Technology Risk and Compliance Dashboards, Compliance culture initiatives and Portfolio Quality Updates.
- Reviewed and monitored the implementation of the Group's Anti-Bribery and Corruption measures to ensure compliance with Section 17A of the Malaysian Anti-Corruption Commission Act 2009.
- Reviewed and approved the Anti-Bribery and Corruption Policy, Gifts & Entertainment Policy, Enhanced Consequence Management Framework and Group Compliance Frameworks and Policies.
- Reviewed and assessed the performance of the Group Chief Risk Officer and Group Chief Compliance Officer and approved their compensation.
- Assessed and approved the fitness and propriety of the Group Chief Risk Officer and Group Chief Compliance Officer.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

Effectiveness

Board Effectiveness Assessment

The Board recognises that it needs to continuously assess and improve its performance. This is achieved through the annual Board Effectiveness Assessment and ongoing Board development activities.

The Board has implemented an annual Board Effectiveness Assessment process carried out by the Group NRC to assess the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director.

Step 1: Completion of Comprehensive Questionnaire

<p>I. Assessment of the Board by Board Members</p>	<p>Each Director evaluates the performance of the Board as a whole by way of a Self-Assessment Questionnaire by Individual Board Members.</p> <p>The assessments are made against pre-established criteria in the following areas:</p> <ul style="list-style-type: none"> a. Board Composition/Structure; b. Board Process; c. Board Governance; and d. Major Responsibilities of the Board.
<p>II. Individual Director Self-Assessment</p>	<p>For individual Directors' assessments, Self-Assessment Forms by Individual Directors are completed individually by every Director.</p>
<p>III. Peer Assessment of Individual Directors</p>	<p>The performance of each Board member is also assessed by their fellow Board members based on similar criteria as the Individual Directors' Self-Assessment.</p>
<p>IV. Assessment of the Board Committees</p>	<p>Each member of the Board Committees completes the Self-Assessment Form in respect of the Board Committees in which he/she is a member. The effectiveness of the Board Committees is assessed against pre-established criteria in the following areas:</p> <ul style="list-style-type: none"> a. Committee Governance; and b. Accountability and Responsibilities.

Step 2: Reporting and Discussion with the Group NRC and the Board

The results of the annual Board Effectiveness Assessment of the Board as a whole, the Board Committees and the contribution of each individual Director are compiled for deliberation by the Group NRC, the respective Board Committees and the Board for improvement, where necessary.

For FY2021, the Board has deliberated on the results of the annual Board Effectiveness Assessment, including the required mix of skills and experience of the Directors, their fitness & propriety, the independence of the Independent Directors and the training programmes attended by the Directors, and is satisfied that the Board has fulfilled its duties and responsibilities for the proper stewardship of the Bank and that appropriate processes are in place to ensure that it performs its oversight role effectively.

One of the key improvement areas identified by the Board in the FY2021 annual Board Effectiveness Assessment exercise was the need to put in place a recovery and resolution plan for the Bank in FY2022.

The Group NRC has been tasked to follow up on this matter and other feedback from Board members as part of the Board's continuous improvement process.

The Board plans to engage an external consultant to perform the annual Board Effectiveness Assessment for FY2022 to assist with and lend objectivity to the annual Board assessment process.

Fitness and Propriety Assessment

The Board, through the Group NRC, assessed the fitness and propriety of the Directors in accordance with the Group’s Policy on Fitness and Propriety in conjunction with the annual Board Effectiveness Assessment exercise. All Directors are required to complete a Fitness & Propriety Declaration annually. The Fitness & Propriety Declarations by the Directors are verified against independent sources.

The Fitness and Propriety Policy of the Group was last reviewed and revised by the Board on 26 August 2020.

For FY2021, the Board was satisfied that each of the Directors had met the required standard of fitness and propriety.

Board Training and Development

The Board acknowledges the importance of continuous training for the Directors to gain insights and keep abreast of industry developments to further enhance their skills and knowledge in effectively discharging their roles and responsibilities. While the Directors are expected to have personal development skills to improve themselves, they are encouraged to attend a minimum of three (3) days of training programmes related to relevant areas within the financial year, taking into consideration emerging trends in the financial services industry. In addition, each Board Committee member is encouraged to attend a minimum of two (2) days of training programmes relevant to the respective areas of the Board Committees in each financial year to keep abreast of the latest industry developments.

The training needs of the Directors are assessed on a yearly basis by the Group NRC and a proposed Board Development Plan is recommended to the Board for approval. This is to ensure the Directors are accorded the appropriate training required.

The Bank has in place an in-house Directors’ Orientation Programme for newly appointed Directors to familiarise themselves with the Bank’s operations in addition to the regulatory mandatory training programmes such as the Mandatory Accreditation Programme of Bursa Securities, Financial Institutions Directors’ Education Core Programme and Islamic Finance for Board Programme. Upon appointment, a new Director will attend an

in-house orientation programme within three (3) months of the appointment where he/she will be briefed on operations and business strategies by the Senior Management to familiarise him/her with the Bank and the Group. Directors also receive guidance from the Group Company Secretary on the Bank’s governance framework and associated policies, as well as their duties as Directors of the Bank.

The Directors are provided with the opportunity to attend relevant training programmes on an ongoing basis in areas relating to Islamic banking, corporate governance, compliance, risk management, anti-money laundering, anti-bribery and corruption, climate change, strategic issues, cyber and emerging risks, sustainability and latest developments, innovations and disruptive technology in the financial services industry to keep abreast of the latest industry developments. All Directors are also regularly updated on new requirements affecting their responsibilities and are constantly reminded of their obligations.

In FY2021, the Directors attended various training programmes via webinars. The list of training programmes attended by the Directors is disclosed under Section B of the Corporate Governance Report, which is available on our website at www.alliancebank.com.my.

Remuneration

Board of Directors

The Bank’s Policy on Directors’ remuneration is disclosed under Practice 6.1 of Section A of the Corporate Governance Report, which is available on our website at www.alliancebank.com.my.

The details of the remuneration received/receivable by each Director of the Bank from the Bank and the Group in respect of FY2021 are disclosed on pages 206 to 207 of the 2021 Annual Report.

The remuneration of the Non-Executive Directors will be tabled to the shareholders of the Bank for approval at the forthcoming Annual General Meeting to be held on 25 August 2021.

Senior Management

The Bank’s Group Compensation Policy and employee performance management are disclosed under Section B of the Corporate Governance Report, which is available on our website at www.alliancebank.com.my.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

Audit and Risk Management

Directors' Responsibilities for the Preparation of the Annual Audited Financial Statements

Statements explaining the responsibilities of the Directors for the preparation of the Annual Audited Financial Statements for inclusion in the Annual Report can be found on page 92.

Risk Management and Internal Control Framework

The Board is ultimately responsible for the Bank's risk management and internal control framework. The Board, assisted by the Group RMC and Group AC, confirms that it monitors the Bank's risk management and internal control systems and carries out a review of their effectiveness, at least annually. The monitoring and review cover all material controls, including financial, operational and compliance controls.

Since the Bank is the Group's largest business and operates in the complex financial services sector, its risk management framework and internal control processes are key to those of the Group.

Further details of the Bank's Risk Management Framework and Internal Control System are explained in the Statement on Risk Management and Internal Control and Risk Management Report on pages 80 to 89.

Anti-Bribery and Corruption

The Group adopts a zero-tolerance stance toward any acts of bribery and corruption and is committed to acting professionally, fairly and with integrity in all business dealings and relationships.

To complement the existing Code of Conduct, the Group, in May 2020, established the Anti-Bribery and Corruption Policy, which outlines the key guiding principles and mitigating controls in place with regards to anti-bribery and corruption. The Policy is guided by the Guidelines on Adequate Procedures issued pursuant to Section 17A(5) of the Malaysian Anti-Corruption Commission Act 2009.

In line with the Group's commitment to this Anti-Bribery and Corruption Policy, the Group has also developed a Gifts and Entertainment Policy that outlines the broad standards of conduct in relation to giving or offering and receiving or accepting gifts and entertainment to and from external parties.

GROUP AUDIT COMMITTEE REPORT

CHAIRMAN

Tan Chian Khong

Independent Director

(Appointed as Chairman of the Group AC on 19 August 2020)

Thayaparan S. Sangarapillai

Independent Director

(Retired as Chairman of the Group AC on 19 August 2020 following his retirement from the Board)

MEMBERS

Datuk Wan Azhar Bin Wan Ahmad

Independent Director

Ho Hon Cheong

Non-Independent Non-Executive Director

Cheryl Khor Hui Peng

Independent Director

(Appointed as a member of the Group AC on 1 June 2021)

COMPOSITION AND TERMS OF REFERENCE

The Group AC, which comprises three (3) Independent Directors and one (1) Non-Independent Non-Executive Director, is in compliance with Paragraph 15.09(1)(a) and (b) of the Bursa Securities MMLR that states that the audit committee must be composed of no fewer than three (3) members and that all the audit committee members must be non-executive directors, with a majority of them being independent directors.

The Terms of Reference of the Group AC, which deal with its authority and duties, are available on the Bank's corporate website at www.alliancebank.com.my.

In the annual assessment of the effectiveness of the Board Committees for FY2021, the Board was satisfied that the Group AC and its members discharged their functions, duties and responsibilities in accordance with the Group AC's Terms of Reference to provide independent oversight of the Bank's internal and external audit functions and internal controls and in ensuring checks and balances within the Bank.

During FY2021, a total of fourteen (14) Group AC meetings were held including two (2) joint meetings with the Group RMC to ensure the effective exchange of information between the two (2) Board Committees.

The details of attendance of the Group AC members are as follows:

Name of Committee Members	Attendance	Percentage
Tan Chian Khong	13/14	93%
Datuk Wan Azhar bin Wan Ahmad	14/14	100%
Ho Hon Cheong	14/14	100%
Thayaparan S. Sangarapillai	9/9	100%

The Group AC meetings are also attended by the Group Chief Internal Auditor together with the Audit Department Heads, where necessary, while the attendance of other Management staff is by invitation depending on the matters deliberated on by the Group AC.

SUMMARY OF GROUP AC'S WORK

The Group AC is principally responsible for supporting the Board in ensuring that there is a reliable and transparent financial reporting process within the Bank and its principal subsidiaries. During FY2021, the Group AC carried out the following in discharging its functions, duties and responsibilities:

1. Financial Reporting

- Reviewed and discussed the unaudited quarterly consolidated financial results and the annual audited consolidated financial statements of the Bank and its subsidiaries (“the Group”) with the Management before recommending the same for approval by the Board. In reviewing the financial reporting of the Group, the Group AC discussed and made enquiries on, among others:
 - (i) Changes in or implementation of major accounting policy changes;
 - (ii) Significant matters highlighted, including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions and how these matters were addressed; and
 - (iii) Compliance with accounting standards and other legal requirements.

2. External Audit

- Reviewed the audit plan of the external auditors, which encompassed the detailed terms of the external auditors’ responsibilities and affirmation of their independence as external auditors, audit strategy, the engagement team, risk assessment, areas of audit emphasis for the financial year and additional disclosures in the auditors’ report, in line with the new and amended international standards on auditing, including disclosure on Key Audit Matters.
- Reviewed with the external auditors the results of their audit together with their recommendations and Management’s responses, as detailed in the following reports:
 - (i) Audit Report in respect of the Group Statutory Audit for the Financial Year Ended 31 March 2020;
 - (ii) Limited Review Report of the Group for the First Quarter Ended 30 June 2020; and
 - (iii) Limited Review Report of the Group for the Half-Year Ended 30 September 2020.
- Met three (3) times with the external auditors without the presence of Management for open discussions between the Group AC and external auditors on any issues of concern to the external auditors arising from their audits.
- Reviewed the non-audit services rendered by the external auditors and their proposed fees, taking into consideration the fees threshold established under the Group’s policy, to ensure that the external auditors’ independence and objectivity were not compromised.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

Audit and Risk Management

- The details of the statutory audit, audit-related and non-audit fees paid/payable to the external auditors, PricewaterhouseCoopers PLT, and its affiliates for FY2021 are set out below:

Description	RM'000	
	Bank	Group
Statutory audit and audit related services	1,970	2,554
Non-audit related services	449	532

The total non-audit fees incurred as a percentage of the total statutory audit and other audit-related services fees for the Group in respect of FY2021 was 20.8%.

- Assessed and satisfied itself with the performance, effectiveness and independence of the external auditors based on the criteria set out in BNM's Policy Document on External Auditor and recommended to the Board the re-appointment of the external auditors for the next financial year. Among the assessment criteria taken into account by the Group AC were:
 - Qualification criteria;
 - Level of knowledge, capabilities, experience and quality of previous work;
 - Level of engagement with the Board and Group AC;
 - Ability to provide constructive observations, implications and recommendations in areas that required improvements;
 - Appropriateness of audit approach and the effectiveness of audit planning;
 - Ability to perform the audit work within the time frame agreed upon;
 - Independence, objectivity and professional scepticism; and
 - Ability to demonstrate an unbiased stance when interpreting the standards/policies adopted by licensed institutions.

3. Internal Audit

- Reviewed with Group Internal Audit the internal audit plan to ensure the adequacy of scope, coverage and resources required to perform audits on the identified auditable areas.

- Met with the Group Chief Internal Auditor on 9 November 2020 and 21 January 2021 without the presence of Management for open discussion between the Group AC and Group Chief Internal Auditor on any issues of concern arising from internal audits.
- Reviewed and assessed the performance of the Group Chief Internal Auditor.
- Performed fitness and propriety assessment on the Group Chief Internal Auditor to ensure the fitness and propriety criteria set out in the Group Policy on Fitness and Propriety of Key Responsible Persons were met on a continuous basis.

4. Related Party Transactions

- Reviewed related party transactions entered into by the Bank and its subsidiaries, covering the nature and amount of the transactions, so as to ensure that related party transactions were undertaken on an arm's length basis, on normal commercial terms and on terms that were not more favourable to the related parties than those generally available to non-related parties.
- Reviewed audit reports on Related Party Transaction ("RPT") and Recurrent Related Party Transactions ("RRPTs") on a quarterly basis. The reports covered the aggregate consideration of RRPTs tracked against the limits of thresholds set to ensure proper reporting and disclosures in accordance with the requirements of the Bank's internal policy and the MMLR.

5. Other Work

- Reviewed the Audit Committee Report and the Statement on Risk Management and Internal Control for the Board's approval and inclusion in the Annual Report.

GROUP INTERNAL AUDIT FUNCTION

The Group Internal Audit's primary role is to assist the Group AC to discharge its duties and responsibilities by independently reviewing and reporting on the adequacy and effectiveness of the system of internal controls and the overall control environment.

The Group Internal Audit provides reasonable assurance that the system of internal controls continues to operate satisfactorily and effectively. The audits cover the review of the adequacy of risk management, operational controls, compliance with established procedures, guidelines and statutory requirements, quality of assets, application systems and management efficiency, among others.

The Group Internal Audit is headed by Ms Shamita Atputharaja (“Shamita”), the Acting Group Chief Internal Auditor. Shamita took over this role in February 2021. She has more than 20 years of external and internal audit experience. Shamita is an Association of Chartered Certified Accountants (“ACCA”)-qualified accountant, a Chartered Accountant with the Malaysian Institute of Accountants and a Chartered Banker with the Asian Institute of Chartered Bankers (“AICB”) and the Chartered Banker Institute (UK). Shamita has also completed the Certificate in Internal Auditing for Financial Institutions (“CIAFIN”) and Certification for Bank Auditors (“CBA”) from the AICB.

The Group Internal Audit function is guided by the Internal Audit Charter, which sets out its purpose, authority, scope, independence and responsibilities.

To maintain objectivity and independence, the Group Chief Internal Auditor is responsible to the Group AC and Board. The appointment, remuneration, performance appraisal, transfer and dismissal of the Group Chief Internal Auditor are to be decided by the Group AC. Group Internal Audit personnel do not have any authority over or responsibility for the activities they audit. They are required to report to the Group Chief Internal Auditor any situation in which a conflict of interest or bias is present or may reasonably be inferred. Assignments are allocated so that potential and actual conflicts and bias are avoided.

The Group Internal Audit’s processes and activities are governed by policies established by the Group AC and regulatory guidelines, as well as the International Standards for the Professional Practices Framework (“Standards”) issued by the Institute of Internal Auditors (“IIA”) Malaysia. In line with best practices, Group Internal Audit has adopted a risk-based approach that deploys audit resources to prioritised areas that have been assessed as having potentially higher risks.

Group Internal Audit also plays a consultative role in the development of major systems or projects to ensure that the necessary control features are incorporated. Group Internal Audit works collaboratively with Group Risk Management to evaluate the risk governance framework and risk management processes that are applied to ensure an acceptable level of risk exposure that is consistent with the risk management policy of the Group. Group Internal

Audit also works with the external auditors to resolve any control issues raised by them to ensure that significant issues are duly acted upon by Management.

Group Internal Audit continues with its initiatives to optimise the use of technology and increase the usage of data analytics tools to achieve audit effectiveness and efficiency. The upskilling of internal auditors through continuous learning and development remains a key focus. This is achieved through structured and formalised training programmes on themed subject matter as well as on-the-job exposure via intra-department resource pooling programmes, aimed at expanding the breadth of knowledge and experience of internal auditors as they build depth.

As at 31 March 2021, Group Internal Audit had 35 audit personnel. During FY2021, the Group Internal Audit function incurred costs amounting to RM8.43 million.

The activities undertaken by Group Internal Audit in FY2021 included:

1. Established the annual audit plan for FY2021, which included key focus areas and manpower requirements, using a risk-based approach and taking into consideration the Group’s business strategic plans, regulatory requirements and Management’s inputs.
2. Revised the audit plan during the half-year review of the plan to take into account changes in business environment, audit priorities and ad hoc requests from regulators.
3. Conducted audits as per the approved audit plan, as well as ad hoc reviews as requested by regulators or Management.
4. Attended meetings of the various management and working committees as a permanent invitee in a consultative capacity to provide independent feedback on internal control and governance aspects, such as the Group Operational & Technology Risk Management Committee, Executive Risk Management Committee, Joint Review Committee, Product Review Group and Product Operational Readiness Team.
5. Monitored and validated the completion of management action plans to address audit findings and reported to the Group AC on the status of overdue management action plans.
6. Involved as observers in major functional testing of the Business Continuity Plan and Disaster Recovery Plan to provide an independent evaluation of the test preparation and exercise performance.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

Shariah Committee

SHARIAH COMMITTEE OF ALLIANCE ISLAMIC BANK BERHAD

CHAIRMAN	MEMBERS
Dr Tuan Badrul Hisyam bin Tuan Soh (Appointed as Chairman of the Shariah Committee on 1 June 2021)	Ustaz Ahmad Fauwaz bin Ali @ Fadzil
Associate Professor Dr Badruddin bin Hj Ibrahim (Redesignated as a member of the Shariah Committee on 1 June 2021)	Tuan Haji Rustam bin Mohd Idris
	Professor Dr Muhamad Rahimi bin Osman

COMPOSITION AND TERMS OF REFERENCE

The Board of AIS has established a Shariah Committee that comprises five (5) members who have the necessary qualifications, knowledge, expertise and experience in the Islamic banking industry. Four (4) of the Shariah Committee members have the necessary qualification in Islamic Jurisprudence while one (1) member has a qualification in Business Administration and experience as a central banker.

The primary roles and responsibilities of the Shariah Committee are as follows:

- Providing decisions or advice to AIS on the application of any rulings of the BNM's Shariah Advisory Council ("SAC") or standards on Shariah matters that are applicable to the operations, business, affairs and activities of AIS.
- Providing decisions or advice on matters that require a reference to be made to the SAC.
- Providing decisions or advice on any operations, business, affairs and activities of AIS that may trigger a Shariah non-compliance event.
- Deliberating on and affirming a Shariah non-compliance finding by any relevant function.
- Endorsing rectification measures to address a Shariah non-compliance event.
- Endorsing Shariah-related policies and frameworks before they are approved by the Board.
- Approving procedures that complement policies and frameworks and product collaterals.
- Reviewing AIS' Value-Based Intermediaries' ("VBI") objectives and strategy to ensure they are in line with Shariah principles.
- Assessing the work carried out by Shariah Review and Shariah Audit.
- Endorsing zakat computation and distribution.

During FY2021, fifteen (15) meetings were held. The attendance of the members of the Shariah Committee was as follows:

Shariah Committee Members	Attendance	Percentage
Dr Tuan Badrul Hisyam bin Tuan Soh (Chairman)	15/15	100%
Associate Professor Dr Badruddin bin Hj Ibrahim	15/15	100%
Ustaz Ahmad Fauwaz bin Ali @ Fadzil	15/15	100%
Tuan Haji Rustam bin Mohd Idris	14/15	93%
Professor Dr Muhamad Rahimi bin Osman	14/15	93%

DR TUAN BADRUL HISYAM BIN TUAN SOH Chairman of the Shariah Committee

Dr Tuan Badrul Hisyam bin Tuan Soh was appointed as a Shariah Committee member on 1 April 2020 and was subsequently appointed as Chairman on 1 June 2021.

He holds a PhD (Law) from Newcastle University, the United Kingdom and a Master of Laws (LL.M) majoring in the Law of Islamic Banking & Finance from IIUM. He obtained his Bachelor of Arts (B.A.) in Shariah and Law from Umm Al-Qura University, Mecca. His interest in Islamic finance prompted him to pursue professional qualifications, and he obtained the certification of Shariah Advisor and Auditor ("CSAA") from AAOIFI Bahrain. He is also a registered Shariah Advisor with Securities Commission Malaysia.

His past experience as a Shariah Officer at the Securities Commission, CIMB and Al-Rajhi Bank has acquainted him with the nuts and bolts of Islamic finance, providing him with a sound knowledge of Islamic banking operations. He is also a member of the Shariah Committee of Bank Rakyat and a Shariah Advisor at MyEG Services Berhad.

Dr Tuan Badrul is currently a Shariah Consultant at ISRA Consulting, a leading Shariah consultancy and advisory firm under the auspices of BNM. He is also a Shariah legal counsel for wilayah-wilayah Persekutuan. Additionally, he is involved in voluntary work as the Secretary of the Cluster of Laws and Constitution at YADIM.

ASSOCIATE PROFESSOR DR. BADRUDDIN BIN HJ IBRAHIM Member of the Shariah Committee

Associate Professor Dr Badruddin bin Hj Ibrahim was appointed as a Shariah Committee member on 15 June 2009 and was subsequently appointed as Chairman, serving from 1 April 2015 to 31 May 2021. He currently serves as a lecturer at the Ahmad Ibrahim Kulliyah of Law, International Islamic University of Malaysia ("IIUM"). While he specialises in the Islamic Law of Trust and Islamic Law of Property, he is also experienced in Islamic Jurisprudence, Islamic Legal Maxim, Maqasid al-Shariah, Islamic Law of Transaction and Islamic Family Law, having taught such subjects at IIUM for over a decade.

As an academic in Shariah law, his main interests are in the area of Islamic wealth, where he has embarked on many research activities under IIUM, his most recent research project being "Transaction Involving Unlawful Wealth under Islamic Law". Much of his work has been presented publicly in academic institutions and conferences in Malaysia, the United Kingdom, Indonesia and Russia. In recent years, he has channelled his expertise and passion into organising a myriad of Islamic Law-related conferences, conventions and seminars.

He possesses a PhD in the Islamic Law of Trust and Islamic Law of Property from IIUM. He obtained his Masters and Degree in Shariah and Law from the International Islamic University of Islamabad, Pakistan.

USTAZ AHMAD FAUWAZ BIN ALI @ FADZIL Member of the Shariah Committee

Ustaz Ahmad Fauwaz bin Ali @ Fadzil was appointed as a Shariah Committee member on 1 April 2018. He is currently a Shariah Consultant at Telaga Biru Sdn Bhd.

He holds a Bachelor of Shariah from Al-Azhar University, Egypt and a Master of Shariah from the University of Malaya. He also trained in fatwa methodology at Dar al-Ifta al-Misriyyah, Egypt.

With Telaga Biru Sdn Bhd, he has served as the Chief Editor of a religious magazine and has authored contemporary books on fiqh. One of his books, entitled "Fiqh Wanita" (Islamic Jurisprudence for ladies), won the award for the best fiqh book from Yayasan Pembangunan Buku Negara. Given his forte in fatwa methodology, he conducts training for Shariah officers at Islamic financial institutions as well as state religious authorities. He also gives talks for local radio and television stations. Ustaz Fauwaz was attached to Kolej University Insaniah, Kedah prior to his involvement in publishing.

He is a member of Jawatankuasa Teknikal Undang-Undang Syarak dan Sivil, a committee established by Jabatan Kemajuan Islam Malaysia ("JAKIM") with the mandate of harmonising civil and Shariah laws in Malaysia.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

Shariah Committee

TUAN HAJI RUSTAM BIN MOHD IDRIS Member of the Shariah Committee

Tuan Haji Rustam bin Mohd Idris was appointed as a Shariah Committee member on 1 April 2020 and is a Board member of AIS. He is also a member of the Shariah Committee of YAPIEM and a director of YAPIEM Smart Ventures Sdn Bhd.

He holds a Bachelor of Business Administration from Universiti Kebangsaan Malaysia and a Certificate in Islamic Law from International Islamic University Malaysia.

Tuan Haji Rustam was the former Deputy Director of the Islamic Banking and Takaful Department, BNM. He joined BNM in 1986 after graduating from Universiti Kebangsaan Malaysia. Tuan Haji Rustam was part of the team responsible for the development of Islamic banking policies in BNM from the early 1990s until he retired from the central bank in 2018.

PROFESSOR DR. MUHAMAD RAHIMI BIN OSMAN Member of the Shariah Committee

Professor Dr Muhamad Rahimi bin Osman was appointed as a Shariah Committee member on 1 April 2020.

He holds a PhD (Law) from International Islamic University Malaysia ("IIUM"), a Master of Arts (M.A. in Islamic Economics) from the University of Yarmouk, Jordan and a Bachelor of Arts (B.A. in Shariah) from the University of Malaya. As a senior member of the academic staff at Universiti Teknologi MARA ("UiTM"), he held various leadership positions, namely as Dean of the Academy of Contemporary Islamic Studies ("ACIS"), Director of the Centre for Islamic Thought and Understanding ("CITU") and Director of the Zakat Research Institute of Malaysia ("IKaZ"). His passion for knowledge led to him rendering his services as a lecturer/professor at the same faculty after his retirement in late 2019.

With his vast knowledge of Shariah, he has ventured into a Shariah advisory role in Islamic financial institutions, where he provides his expertise to various institutions. He is currently the Chairman of the Shariah Advisory Body at Syarikat Takaful Malaysia Keluarga Berhad and at Syarikat Takaful Malaysia Am Berhad and Chairman of the Shariah Committee at Co-opbank Pertama ("CBP"). He was previously a Shariah Committee member at Hong Leong Islamic Bank and Hong Leong Tokyo Marine Takaful. In the Islamic capital market, he is a registered Shariah Advisor and is currently advising a state fund management firm, Amanah Saham Darul Iman ("ASDI"), and the Alliance Investment Bank Islamic Stockbroking Window.

INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

Ongoing engagement and communication with stakeholders build trust and understanding between the Bank and our stakeholders. The Bank endeavours to maintain constant and effective communication with stakeholders through timely and comprehensive announcements.

The Board regards the Annual General Meeting (“AGM”) as an opportunity to communicate directly with shareholders and encourages attendance and participation. The notice of AGM is despatched to shareholders, together with explanatory notes on items of special business (if any), at least 28 clear days prior to the meeting date. At the forthcoming 39th AGM to be held on 25 August 2021, no substantive resolutions or resolutions on related party transactions will be put forth for shareholders’ approval.

The Investor Relations team engages with the financial community, stakeholders and other key constituencies of the Bank to provide consistent, accurate, transparent and timely information. Briefings for analysts are conducted every quarter in conjunction with the release of the quarterly financial results to facilitate consistent dialogue between the Bank’s key Senior Management and the investment community. The Bank also participates in virtual meetings and webinars to share the latest updates and pertinent information on the Bank’s progress with the investment community.

These platforms enable the investment community to express their views on the Bank’s performance and in turn, the Bank has the opportunity to manage investors’ expectations and strengthen their understanding of the Bank.

Shareholders, potential investors and members of the public can access the Bank’s corporate website at www.alliancebank.com.my for information on the Bank. There is a dedicated section for corporate governance on the Bank’s corporate website where information such as the Board Charter, Code of Conduct, Annual Reports, Minutes of General Meetings, Constitution, Conflicts of Interest Policy for Directors and Terms of Reference of the Board Committees is made available to the public. A corporate calendar of material events, such as entitlement and payment dates for dividend, all announcements made by the Bank to Bursa Securities, including quarterly results and dividend information, and presentation slides for analyst briefings are also available on the Bank’s corporate website under the Investor Relations section, for the benefit of the investing public.

The investing public can contact the Head of Investor Relations, Mr Tan Hong Ian, at 03-2604 3370 or investor_relations@alliancefg.com for any investor relations matters. Shareholders may also convey their concerns and enquiries to the Senior Independent Director, Mr Lee Boon Huat, as an alternative to the formal

channel of communication. All correspondence to the Senior Independent Director can be sent via email to id@alliancefg.com or by mail to the registered office of the Bank at 3rd Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.

Corporate Disclosure

The Board has established Corporate Disclosure Policies and Procedures (“CDPP”) to ensure that timely, consistent and fair disclosure of corporate information is provided to facilitate informed decision making by investors.

The objectives of the CDPP are:

- Raising the awareness of Directors, Management and employees on disclosure requirements and practices;
- Providing guidance in disseminating corporate information to, and in dealing with, investors, analysts, media representatives and the public; and
- Ensuring compliance with the disclosure obligations under the Bursa Securities MMLR and other applicable laws.

The Group Company Secretary, being the Corporate Disclosure Manager, serves as the primary contact person for all material corporate-related matters referenced in the CDPP. He oversees and coordinates the disclosure of material information to Bursa Securities.

The Chairman of the Bank and the Group CEO are the primary authorised spokespersons responsible for communicating Group information to the investing public. These primary authorised spokespersons may, from time to time, designate other officers (“designated officers”) of the Bank to speak on behalf of the Group or to respond to specific inquiries, where doing so will facilitate effective communication with the investing public.

The authorised spokespersons and designated officers are regularly reminded of their responsibility to exercise due diligence in making sure that the information to be disseminated to the investing public is accurate, clear, timely and complete, and that due care is observed when responding to analysts, the media and the investing public.

KEY FOCUS AREAS AND FUTURE PRIORITIES

The Board will continue its efforts to raise the bar in terms of the Bank’s corporate governance standards and instil a culture that promotes ethical conduct, transparency and sustainable value creation, with the ultimate objective of realising long-term shareholder value while taking into account the interests of other stakeholders.

This Corporate Governance Overview Statement was approved by the Board of Directors on 1 June 2021.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RESPONSIBILITY

The Board acknowledges its overall responsibility for the Group's system of risk management and internal controls, and for reviewing its adequacy and integrity. The system is designed to manage the Group's risks within an acceptable risk profile, rather than to totally avoid or eliminate the risks that are inherent to the Group's activities. It can therefore only provide a reasonable but not absolute assurance of effectiveness against material misstatement of financial/management information; or against financial losses and fraud. The preparation of this statement has been guided by the "Statement on Risk Management and Internal Controls: Guidelines for Directors of Listed Issuers" issued by Industry led Task Force.

The Board regularly receives and reviews reports on internal control; and is of the view that the system of internal controls that has been instituted throughout the Group is sound and adequate to safeguard the shareholders' investments and the Group's assets.

The Group has instituted an on-going process for identifying, evaluating and managing the significant risks faced by the Group. This process includes updating the system when there are changes to the business environment or regulatory guidelines. The process has been in place during the year under review and up to the date of approval of this statement; and is regularly reviewed by the Board. The role of Management is to implement the Board's policies, procedures and guidelines on risks and controls, to identify and evaluate the risks faced, and to design, operate and monitor a suitable system of internal controls to manage these risks.

The Board has extended the responsibilities of the Group Audit Committee ("GAC") to include the role of oversight on internal controls on behalf of the Board, including identifying risk areas and communicating critical risk issues to the Board. The GAC is supported by an independent Group Internal Audit function which reports directly to it. The internal auditors have performed their duties with impartiality, competency and due professional care.

RISK MANAGEMENT FRAMEWORK

The Board, through its Group Risk Management Committee ("GRMC") provides oversight on risk management strategies, methodologies, policies and guidelines, risk tolerance and other risk related matters of the Group. Approval of risk policies by the Board is obtained where necessitated by regulatory requirements. In addition, the GRMC also oversees the functions of management committees such as the Executive Risk Management Committee, Group Assets and Liabilities Management Committee and Group Operational and Technology Risk Management Committee, which assume the responsibility of monitoring specific areas of risks pertaining to the Group's business activities and implement various risk management policies and procedures. For further information on the Group's risk management framework, please refer to the Risk Management report on pages 82 to 89 of this Annual Report.

Major risks arising from the Group's day-to-day activities in the financial services industry comprise credit risk, liquidity risk, market risk and operational risk (including technology risk). For more information on the risks and relevant guidelines and policies, please refer to Note 44 under the Financial Statement.

SYSTEM OF INTERNAL CONTROLS

To ensure that a sound system of controls is in place, the Board has established primary processes in reviewing the adequacy and integrity of the system of internal controls. The primary processes include:

- Regular and comprehensive management reports are made available to the Board on a monthly basis, covering financial performance and key business indicators, which allow for effective monitoring of significant variances between actual performance against budgets and plans;
- Clearly defined delegation of responsibilities to committees of the Board and to Management including organisation structures and appropriate authority levels;

SYSTEM OF INTERNAL CONTROLS (CONT'D)

- An operational risk management framework, code of conduct, human resource policies and performance reward system to support business objectives, risk management and the system of internal control;
- An Information Technology Risk Management Framework and Data Management Policies and controls to manage information and cyber risks; supported by a Business Continuity Management Framework for contingencies;
- Regular updates of internal policies and procedures, to adapt to changing risk profiles and address operational concerns;
- Regular reviews of the Group's activities to assess the adequacy and effectiveness of the risk management and internal control system;
- Documentation and periodic assessment of controls and processes by all business and support units for managing key risks; and
- Regular senior management meetings to review, identify, discuss and resolve strategic, operational, financial and key management issues.

ASSESSMENT OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board, through the GRMC and GAC has assessed the adequacy and effectiveness of the risk management and internal control system. Based on the results of these reviews as well as the assurance it has received from the Group Chief Executive Officer and Group Chief Financial Officer, the Board is of the view that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

RISK MANAGEMENT

The Board and Management of Alliance Bank are committed towards ensuring that the Bank's corporate objectives are supported by a sound risk strategy with an effective risk management framework that is appropriate to the nature, scale and complexity of the Bank's activities.

BOARD RESPONSIBILITY

The Board is responsible for:

- a. Reviewing and approving the Bank's overall risk strategy, including the risk appetite and overseeing its implementation to support the sustainability of the Bank.
- b. Ensuring that the Bank establishes comprehensive risk management frameworks, policies, processes and infrastructure to manage risks arising from the Bank's business activities.

With these objectives, the Board has established specialized Committees to oversee and review major functional areas and ensure critical issues and relevant matters are appropriately addressed in a timely and strategic manner. While the Board has assigned these duties to these specialized Committees, the Board in the overall remains responsible and accountable for the policies and decisions recommended and approved by the Committees.

ROLES AND RESPONSIBILITIES OF THE GROUP RISK MANAGEMENT COMMITTEE (GRMC)

The scope of the GRMC focuses on risk-related and compliance-related frameworks, strategies, policies and methodologies. In line with the above scope, the GRMC is responsible for overseeing the risk management and compliance related subjects, as follows:

- a. Reviewing risk management strategies, policies and risk tolerance and ensure these are in alignment and compliance of regulations and requirements from Bank Negara Malaysia, and all other relevant authorities.
- b. Reviewing and assessing the adequacy of risk management framework, policies and controls, including Information Technology (IT) risk management matters, with regard to identifying, measuring, evaluating, monitoring, controlling and reporting on the extent to which these are operating effectively, prudently and in compliance with regulatory guidelines.
- c. Ensuring that appropriate infrastructure, resources and systems are in place for risk management and compliance functions; and ensuring that the staff responsible for implementing risk management

and compliance systems perform those duties independently of the Bank's risk-taking activities.

- d. Reviewing periodic reports on risk exposures, risk portfolio composition and risk management activities to ensure that these risk reports facilitate understanding; and determination of appropriate risk responses.
- e. Ensuring that the effectiveness of the Bank's overall management of compliance risk is evaluated at least annually, and that adequate time and priority is provided in the agenda to deliberate compliance issues, to ensure that such issues are resolved effectively and expeditiously.
- f. Supporting the Board in meeting regulatory expectations on risk management, as set out under BNM's policy document on Risk Governance and on Compliance.
- g. Assisting in the implementation of a sound remuneration framework that promotes a culture of prudent risk-taking, without prejudice to the tasks of the board remuneration committee.

To oversee the technology-related matters, which among other things include the following:

- a. Formulate long term strategic IT plans and ensure they support the Group's strategic business plans.
- b. Approve and monitor the performance of major IT initiatives and plans.
- c. Ensure the establishment of key performance indicators and service level agreements in measuring the performance of IT services delivered or received by the Group.

MANAGEMENT RESPONSIBILITY

Key responsibilities of the management are as follows:

- a. Formulating and implementing risk framework, risk strategy, risk appetite and risk management policies.
- b. Ensuring that business operations are aligned with the Bank's strategies and risk strategy.
- c. Ensuring that all relevant material risks and emerging risks are adequately identified, assessed and subsequently reported to the Board.
- d. Ensuring that the Executive Risk Management Committee (ERMC) oversees and advises the Management on the risk-related matters including risk policies, to support the sustainability of the Bank.

RISK MANAGEMENT FRAMEWORK

An efficient risk management framework is a prerequisite to establishing stakeholders’ confidence in the Bank. The Bank’s risk management framework recognises the diversity of the organisation’s activities by balancing the Board’s strong supervision with well-defined independent risk management functions within each business area. The Bank’s Risk Management Framework is embedded in our respective business activities in order to integrate risk-taking and decision-making with prudent risk management principles. It provides a structured approach for the Bank to form a consolidated and aggregated view of all risks identified at entity, business segment and product levels; and to manage these risks in a holistic manner alongside business objectives and compliance requirements.

The Bank’s Risk Management Framework is comprised of the following elements:



Risk Governance and Organisation

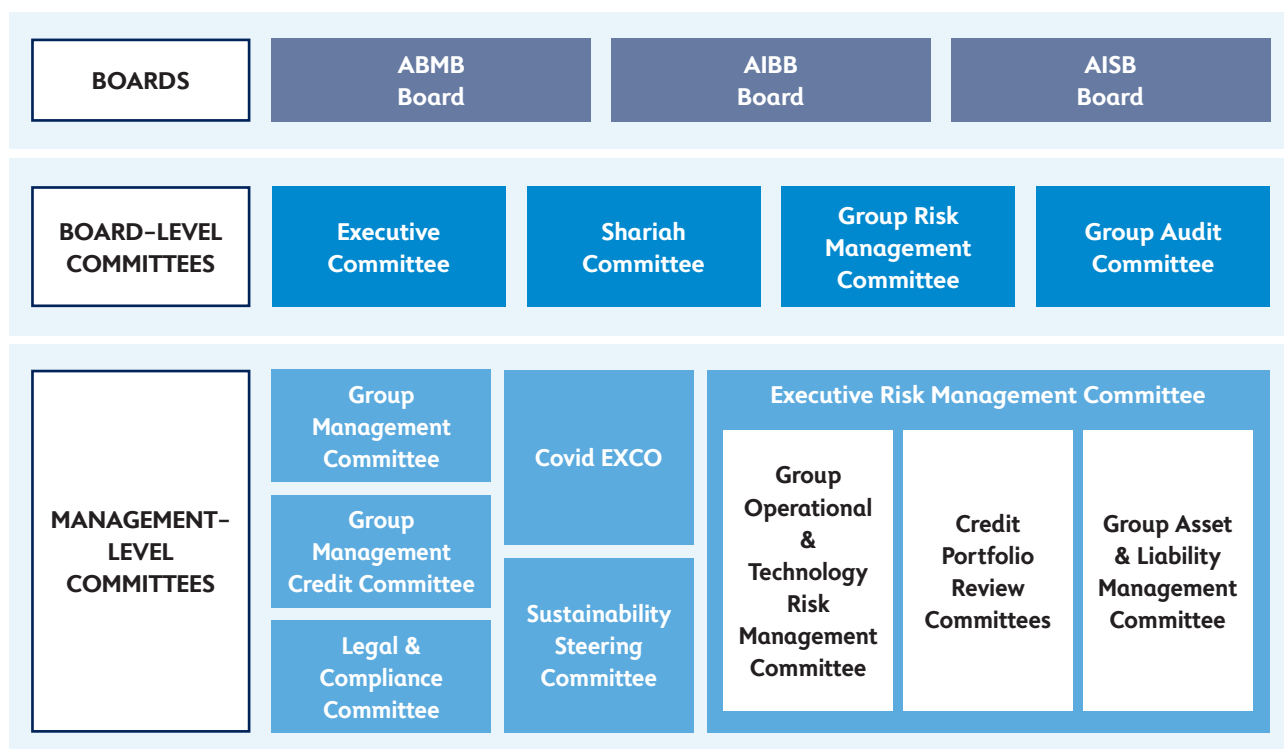
The Bank adopts the model of Three Lines of Defense in managing risks collectively based on their respective roles as reflected below:

Concept	Role	Functions
1 st Line of Defence	Risk-Taking	Business units are the primary owners of the risk, responsible for managing risks within the Bank’s business activities, aided by Business Support functions.
2 nd Line of Defence	Risk Control	<p>The risk control functions are represented by independent Risk Control Units, i.e. Group Risk Management, Group Compliance (inclusive of the Shariah Review Team).</p> <p>Group Compliance is responsible for developing and maintaining the Group Compliance Framework, compliance policies and procedures as well as reviewing the adequacy of the Bank’s internal controls and mitigation to manage compliance risk.</p> <p>Shariah Review Team under Group Compliance conducts review on the operations of Alliance Islamic Bank Berhad to ensure the products offered are in compliance with Shariah principles. Review results and non-compliances, if any, are reported to Alliance Islamic Bank Berhad’s Shariah Committee.</p>
3 rd Line of Defence	Risk Assurance	Group Internal Audit is responsible for conducting independent assessment and providing assurance on the adequacy and effectiveness of the Bank’s internal controls related to processes, risks and governance functions.

RISK MANAGEMENT (CONT'D)

Governance Structure

The governance structure adopted within the Group provides a transparent and effective system that promotes active involvement from the Board and senior management in the risk management process to ensure a uniform view of risk across the Group. The chart below illustrates the governance structure and committees responsible for effective governance and supervision over risk-related functions:



The Bank places high priority on the management of risk across our three banking entities. The Board is assisted by the Group Risk Management Committee (GRMC), to provide oversight on risk management and compliance policies, limits and parameters; as well as to ensure adequate infrastructure are in place for effective risk management and compliance practices.

The Board-level GRMC is assisted by the Management-level Executive Risk Management Committee (ERMC). The ERMC represents the central conduit for several other Management-level risk committees, as depicted above.

Risk Strategy

The Bank establishes appropriate risk governance, processes and controls in order to pursue its strategic business objectives with confidence, to protect its Balance Sheet and stakeholders’ interest; and to deliver sustainable profitability. While it may not be possible or feasible to eliminate all inherent risks within the Bank, a set of risk mitigation techniques have been established to reduce the impact of these risks.

The Bank seeks to accomplish its risk strategy by:

- ensuring that all identified material risks are adequately managed;
- establishing risk appetite parameters to manage Bank’s risk-taking activities;
- identifying and allocating clear roles and responsibilities for the control of risks within the Bank;
- avoiding unjustified risk concentrations;
- inculcating a prudent risk and compliance culture; and
- ensuring risk-based remuneration is applied to material risk-takers.

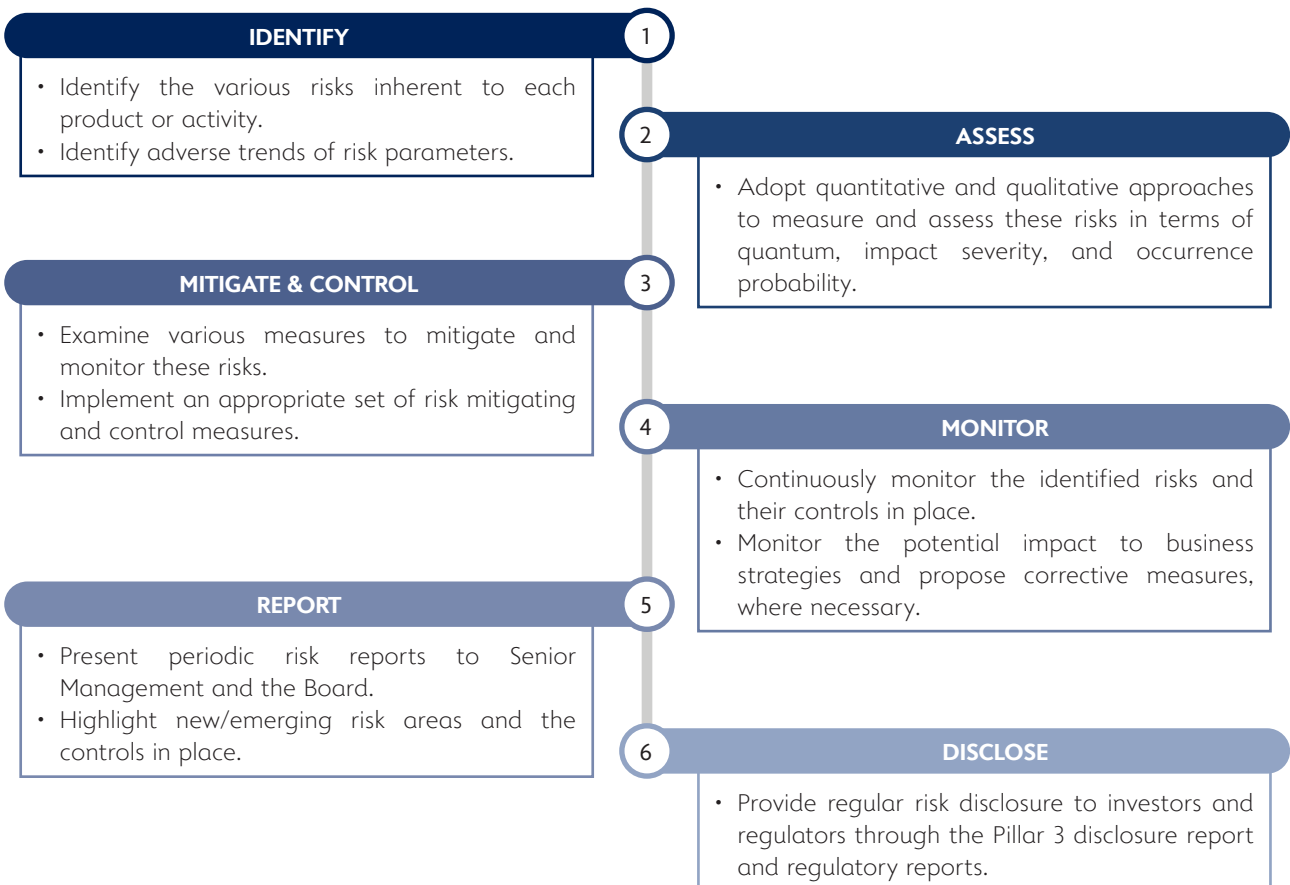
Risk Appetite

Risk Appetite describes the high-level risk parameters and thresholds the Bank is willing to assume in pursuit of its strategic business objectives. These high level thresholds are then cascaded, where appropriate, into more granular limits and targets across the various portfolios and business units.

The Bank strives for a balanced, sustainable growth by performing business activities in accordance with approved strategic plans, policies and limits; balancing between risks and rewards; and protecting the interest of our various stakeholders. These are supported by ensuring strong risk management practices, active liquidity management and a healthy capital position.

Risk Management Process

The Bank’s risk management process embeds the Bank’s culture and practices. It starts with risk identification, followed by risk assessment, risk mitigation and control, risk monitoring, risk reporting, escalation and disclosure, as illustrated below:



Risk Culture & Staff Development

Risk management is not merely confined to inanimate policies, procedures, limits and risk models. Effective risk management also requires a strong risk culture. Risk culture comprises a set of values and behaviours within the Bank that shapes our day-to-day activities and interactions.

Our Board members, senior management and staff are all ambassadors of the Bank’s risk culture. Hence, leadership, supervision, guidance, counselling and communication, represent key elements in shaping and cultivating a desirable risk culture. For example, the Bank convenes regular staff huddles, which serve as a reminder on the Bank’s vision, strategy, key behaviours and brand attributes. For added training effect, both good and bad examples are highlighted in our case studies.

RISK MANAGEMENT (CONT'D)

Adding to this, the Bank applies a variety of approaches, ranging from classroom sessions, external courses, on-the-job training and ad-hoc project-based assignments; to equip our staff with the right knowledge and skills to carry out their duties competently and professionally. Staff development is not merely confined to technical skills training; the Bank devotes much effort towards embedding risk culture and instilling our set of values in our employees, with emphasis on leadership, conduct/ethics and stakeholder-centricity.

Talent management and succession planning are also integral toward identifying and developing our next generation of supervisors and leaders. Additional leadership and skills competency training and development programmes have been designed; and applied to staff with potential.

The Bank employs a carrot-and-stick approach with regard to good vs. bad behaviour. For the former, we provide various benefits, rewards and incentives, whereas the latter is subject to the Bank's disciplinary and consequence management process.

Compliance Culture

The compliance culture of the Bank is driven with a strong tone from the top to ingrain the expected values and principles of conduct that shape the behaviour and attitude of employees at all levels of businesses and activities across the Bank. Compliance culture goes beyond complying with laws; we expect all staff to conduct their commitments with integrity and business ethics.

The Bank has instilled a compliance culture where the Board, Senior Management and every employee of the Bank are committed to adhering to relevant regulatory standards. This commitment is clearly demonstrated through establishing strong compliance policies and guidelines to ensure that compliance risks are effectively managed.

The Bank noted a satisfactory level of increase in compliance awareness amongst staff. Key initiatives that have been implemented to promote compliance awareness are:

- Encouraging staff to report any situation that exposes the Bank to compliance risk;
- Raising compliance awareness through staff communication, team huddles and online quiz.
- Ensuring robust compliance monitoring;
- Introduction of self-raise concept on risk, control and compliance issues that are tracked at management committee;
- Enhancement of staff performance scorecard (i.e. KPI) with emphasis on governance and risk control; and
- Compliance-related e-learning modules such as AML/CFT, PDPA and Anti-Bribery & Corruption (AB&C).

The Bank strives to ensure compliance to regulatory requirements and business ethics to maintain a high standard of professionalism in business conduct at all times.

Group Compliance Framework

The Framework is to ensure effective management of compliance risks in a structured manner with the aim of inculcating a stronger compliance culture and ensuring consistency in management of compliance risks across the Group.

The key principles outlined in the Framework are as follows:

- a. The Board and Senior Management are responsible to oversee and ensure the effective management of the Group's compliance risks;
- b. Compliance is the responsibility of all employees within the Group;
- c. The Group should hold itself to high standards in carrying on business, and at all times, observe both the spirit and the letter of the laws and regulations.

Risk Management Techniques

The Risk Management Framework defines the Bank's key risk activities according to risk categories. To manage identified risks, Framework and Policies are put in place and various risk management techniques and tools are used. The table below provides examples of some of these techniques/tools:

Risk Category	Risk Definition	Risk Management Techniques/Tools
Credit Risk	The risk of loss due to failure by customers/counterparties to fulfil their financial or contractual obligations, when due.	<ul style="list-style-type: none"> • Credit risk management framework, strategy, policies & procedures • Risk Acceptance Criteria • Financing/product programmes • Product/portfolio risk limits, triggers and parameters • Credit concentration limits • Credit ratings/scorecards • Credit authorisation • Risk dashboards • Early Warning triggers and Watch Lists • Risk-based pricing • Stress tests • Thematic/portfolio reviews • Independent credit reviews
Market Risk	The risk of loss arising from volatile changes in market variables such as interest rates, profit rates, foreign exchange rates, equity prices and commodity prices.	<ul style="list-style-type: none"> • Market risk management framework and policies • Risk measurement/valuation tools • Product/portfolio risk limits • Risk Sensitivity limits and Value-at-Risk limits • Stress testing & simulations • Risk dashboards
Liquidity Risk	<ul style="list-style-type: none"> • The risk of loss resulting from the Bank's inability to meet its financial obligations, when due. • Risk of incurring losses when attempting to liquidate assets, due to market disruptions and/or illiquid market situations. 	<ul style="list-style-type: none"> • Liquidity risk management framework and policies • Liquidity risk limits and triggers • Liquidity stress testing & simulations • Contingency funding plan • Deposit concentration monitoring & reporting
Operational and Technology Risk	The risk of loss resulting from failures of processes, people and systems; or from external events.	<ul style="list-style-type: none"> • Operational risk management framework and policies • IT risk management framework and policies • Risk and Control Self-Assessment • Control Self-Assessment • Key Risk Indicators • Loss Event Data collection • Scenario Analysis • Business Continuity Plan/Drills • Risk dashboards
Regulatory Non-Compliance Risk	The risk of loss or imposition of penalties, fines, or other liabilities arising from breaches of applicable laws, regulations, or contractual obligations.	<ul style="list-style-type: none"> • Compliance framework, Legal manual and AML/CFT policy • Group-wide education and programme on compliance and risk awareness
Shariah Non-Compliance Risk	The risk of loss arising from failure to comply with Shariah rules and principles.	<ul style="list-style-type: none"> • Shariah governance framework • Shariah non-compliance monitoring and reporting • Independent Shariah compliance reviews
Strategic Risk	The risk of loss arising from adopting the wrong business strategy, failure to properly execute business strategies, or failure to effectively respond to changes in the industry/economy.	<ul style="list-style-type: none"> • Strategic risk management framework • Annual strategy and budget setting exercise • Capital management framework and initiatives • Stress tests/Reverse stress tests • Strategic project initiatives • Business reviews and production meetings

RISK MANAGEMENT (CONT'D)

Risk Category	Risk Definition	Risk Management Techniques/Tools
Reputational Risk	The risk of loss arising from negative perception by customers, counterparties, shareholders and other relevant key stakeholders.	<ul style="list-style-type: none"> • Reputational Risk Management Framework • Code of Conduct guidelines • Corporate risk rating exercise • Managing investor relations • Corporate Social Responsibility programmes
Model Risk	The risk of loss arising from inappropriate reliance on risk models.	<ul style="list-style-type: none"> • Independent Model Validation Framework • Back-testing and independent model validation exercises

EMERGING/EVOLVING RISK

The Bank identifies the emerging/evolving risks in order to assess risk trends that may have significant impact on the Bank’s business strategies and earnings.

Pandemic Risk

The outbreak of the COVID-19 pandemic in early 2020 initially began as a health crisis that later brought about an unprecedented economic crisis. Most economies globally were confronted by both supply and demand shocks following the measures imposed to contain the pandemic. Global production, demand and travel activities were severely disrupted, while heightened risk aversion among global investors led to financial market volatility. Substantial policy stimuli introduced by many economies, however, partially mitigated the economic impact of the pandemic.

Malaysia was similarly affected by the pandemic. Widespread containment measures, international border closures and the consequent weak external demand environment exerted a large drag on domestic economic activity. Containment measures in the form of movement control orders and standard operating procedures (SOPs), while necessary to contain the spread of the virus, constrained domestic production and spending. Consequently, labour market conditions weakened considerably. Fiscal stimulus measures, alongside monetary and financial measures, however, provided support to the economy. Overall, Malaysia’s GDP growth contracted by 5.6% in 2020 (2019: +4.3%). Meanwhile, inflationary pressures were muted with average headline inflation turning negative for the year at -1.2% (2019: +0.7%) due mainly to the substantially lower global oil prices during the year. However, Malaysia was not experiencing deflation as the decline in prices was neither persistent nor broad-based.

The Bank identifies sectors and customers who may be vulnerable to the economic impact brought about by the COVID-19 outbreak followed by the Movement Control Order. Customers who have been adversely impacted by the pandemic are entitled to apply for relief in the form of deferment to loans repayment, restructuring, rescheduling, or a combination of reliefs. In line with the government’s economic stimulus package, the Bank has

put in place, timely relief programmes for SME’s where necessary. The loans under the relief programme will be released in accordance to criteria set by BNM, to our customers whose businesses have been adversely affected by COVID-19. The Bank is committed to playing an effective role to facilitate smooth functioning of the nation’s financial system during these crucial times.

Operationally, the Bank had implemented various safety and health measures such as work-from-home to reduce travelling and unwarranted contact in public places, distribution of face masks and sanitizers, travel advisory, staff communication on health awareness, temperature screening and regular sanitisation of public areas. In respect of business continuity, the Bank had tested its business continuity plan and initiated split operations for essential/critical services in accordance to BNM’s guidelines. There is also regular monitoring and updates to senior management.

Regulatory non-Compliance Risk

Banks operate under a highly regulated environment, with stringent regulatory and supervisory requirements, particularly in the areas of effective governance, risk management, liquidity management as well as technology risk. Failure to meet regulatory compliance would attract punitive action, including monetary fines. The Bank reviews policies, procedures and risk practices periodically to ensure effective compliance with the evolving regulatory landscape. Furthermore, the Bank monitors industry and regulatory developments in order to identify potential consequential impact to the Bank.

Conduct Risk

In recent years, a greater emphasis has been placed on ensuring that customers are treated fairly. Banks are expected to embed a culture of customer-centricity; to reduce the risk of wrong-doing arising from conduct risk.

Examples of conduct risk, includes the following:

- Mis-selling unsuitable products to customers, potentially leading to bad customer experience.
- Pursuit of rapid growth/staff remuneration at the expense of customers’ needs and fiduciary duties.
- Insider trading, information leakage and market abuse.

In our context, the Bank continues to emphasize on ethical business and compliance culture. We review our business conduct, activities and governing policies to ensure compliance with the “spirit of the law”, beyond mere adherence to regulatory requirements.

Economic Headwinds

Economic headwinds largely attributable to geopolitical and economic developments, may negatively impact the Bank’s earnings. In our effort to safeguard our shareholders and depositors, the Bank continuously monitors the development of international and domestic economic conditions, reviews the health of our various financing portfolios in response to the economic developments both internationally and locally; and provides updates to Senior Management and the Board. In addition, the Bank also reviews and aligns its business strategies to address other challenges faced.

Technology Risk

Technology being a crucial enabler in realising the Bank’s Digital Strategies requires safeguards against both internal and external threats which are in a constant state of evolution. Technology and Cybersecurity risks have continued to be under increased scrutiny in the last few years and this has required increased governance and oversight at the Senior Management and Board levels. The industry continues to see cooperation within the banking community in combating against these threats, in particular cyber fraud.

The Risk Management in Technology (RMiT) policy document initially issued by Bank Negara Malaysia in 2019, and subsequently enhanced in 2020, sets the benchmark in managing Technology and Cybersecurity risk within the banking industry. To this effect, Alliance Bank has continued to enhance its controls driven by the Technology Risk Management Framework which resonates with the RMiT policy to ensure that technology and cyber risks are appropriately identified, assessed, managed and reported. These controls ensure confidentiality, integrity and availability of information, which ultimately translates into a resilient and robust IT infrastructure to support business needs.

The COVID-19 pandemic and the implementation of Movement Control Order (MCO) in the past year have posed unexpected challenges to the business environment within the industry. Traditional contingency plans and measures designed under the Bank’s existing Business Continuity Plans (BCP) have required enhancements to ensure continuity in a pandemic environment. The Bank has been sensitive to the well-being of staff and has implemented social distancing measures which are aligned with the government’s directives. Work-From-Home (WFH) arrangements and remote working locations have been implemented with technological capabilities

which enable effective remote working. In addition to the existing controls in place, the Bank has been continuously assessing the technology and operational risks, and has enhanced technology controls to mitigate the risks of remote working. The Bank’s Digital Strategies also take these into consideration to ensure that customers continue to be served during the pandemic.

The Bank continuously performs risk assessments of its IT systems and infrastructure to assess the susceptibility to emerging Cyber threats and attacks. These risk assessments include identifying the threat of IT system failures that could disrupt the banking business operations, and to assess the resilience of the Bank’s IT infrastructure.

Raising staff awareness on technology risk is carried out through our continuous education programmes, encompassing Information Risk and Cyber Security. The education programmes are conducted through classroom style trainings and via our e-Learning modules. The Bank has also kept the Board and Senior Management members informed on emerging Cyber Security risks and threats, to ensure they are kept abreast of the Bank’s resiliency and plan to mitigate these threats. Additionally, alerts on Cyber threats and guidance for online banking safe practices are disseminated to customers via various communication channels.

Environmental and Social Risk

In pursuit of delivering business goals, banks are now put in the spotlight on the way businesses are run in tandem with the pursuit of financial goals, with greater attention focused on the impact to the environment and society at large. The underlying themes/principles shall focus on sustainable business practices, conservation of scarce resources and generating benefits to society and future generations.

The Bank had established a Sustainable Steering Committee to govern the sustainability direction of the Bank. The Committee oversees all sustainability matters and overall implementation of sustainability strategies, policies and management processes. The sustainability strategies cover the following focus areas:

- Sustainability Framework
- Sustainability reporting
- Portfolio baselining
- New sustainable business

During the Financial Year, the Bank had completed a Sustainability Framework to incorporate the principles of environmental and social responsibility plus good governance across our various activities. The framework is also anchored against recent regulatory discussion on Climate Change and Principle-based Taxonomy. The Bank will update and enhance the framework to incorporate the developments of the sustainability strategies.

ADDITIONAL COMPLIANCE INFORMATION

1. Utilisation of Proceeds Raised from Corporate Proposals

During the financial year ended 31 March 2021, the Bank has issued RM1.2 billion Basel III-compliant Tier 2 Subordinated Medium Term Notes (Sub-MTN) under its existing RM2.0 billion Sub-MTN Programme on 27 October 2020.

The proceeds raised from the issuance were used to redeem the existing Sub-MTNs of RM1.2 billion at their earliest call dates comprising a RM900.0 million tranche and a RM300.0 million tranche on 27 October 2020 and 18 December 2020 respectively.

2. Policy and Procedures on Related Party Transactions

The Bank has established an internal policy and procedures on Related Party Transactions (RPTs) and recurrent RPTs to ensure all RPTs are undertaken on an arm's length basis and on normal commercial terms not more favourable to the related parties than those generally available to the non-related parties.

Generally, a comparison of the terms offered by the related party with at least three non-related parties providing similar services/products will be made, taking into consideration stipulated criteria such as pricing/cost, quality of service/product, level of efficiency, etc. to establish whether the terms offered by the related party are fair and reasonable and in the commercial interests of the Bank and comparable with those offered by the non-related parties.

The Group Audit Committee assisted by Group Internal Audit reviews all RPTs and Recurrent RPTs where the amounts of consideration in aggregate for a 12-month period equal to or exceed the minimum threshold set by the Board before recommending to the Board for approval, if thought fit.

3. Credit Transactions and Exposures with Connected Parties Policy

Bank Negara Malaysia Guidelines on Credit Transactions and Exposures with Connected Parties (BNM Guidelines) outlines standards and guidelines for banking institutions to extend credit in the ordinary course of business to connected parties which are of good credit standing, while ensuring an appropriate level of prudence based on sound credit risk management practices.

The Bank has established an internal policy on credit transactions and exposures with connected parties to ensure the connected parties do not inappropriately benefit from such transactions to the detriment of the Bank, and that such transactions are in compliance with BNM Guidelines.

4. Material Contracts Involving Directors or Major Shareholders

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Bank and/or its subsidiaries involving the interests of the Directors, Group Chief Executive Officer and major shareholders, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.



ALLIANCE BANK

Alliance Bank Malaysia Berhad 198201008390 (88103-W)

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More on this subject:

<https://www.alliancebank.com.my/annualreport2021>

STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

for preparation 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 2021.

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 as set out in Note 13 to the financial statements, consist of 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	483,988	643,383
Taxation	(125,203)	(106,593)
Net profit for the financial year	358,785	536,790

Net profit for the financial year ended 31 March 2021 of the Bank includes dividend income from a wholly owned subsidiary amounting to RM238,929,000.

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

There were no dividend declared and paid since 31 March 2020.

Subsequent to the financial year end, on 31 May 2021, the Directors declared a single tier interim dividend of 5.79 sen per share, on 1,548,105,929 ordinary shares amounting to approximately RM89,635,000 in respect of current financial year. The accompanying financial statements do not reflect this dividend. The dividend will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2022.

The Directors do not propose any final dividend in respect of the financial year ended 31 March 2021.

ISSUE OF SHARES AND DEBENTURES

There were no issuance of shares in the Bank during the financial year.

During the financial year, the Group and the Bank made various issuances and redemptions of debt securities, as disclosed in Note 27 to the financial statements.

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 other than those disclosed in Note 52 to the financial statements; 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.

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 Boon Huat

Lee Ah Boon

Datuk Wan Azhar Bin Wan Ahmad

Ho Hon Cheong

Tan Chian Khong

Susan Yuen Su Min

Lum Piew (appointed on 1 July 2020)

Cheryl Khor Hui Peng (appointed on 1 June 2021)

Thayaparan S. Sangarapillai (retired on 19 August 2020)

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' REPORT (CONT'D)

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 31.3.2021
	As at 1.4.2020	Acquired	Sold	
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.

BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2021

Profitability

The Group's net profit after taxation was RM358.8 million for the full year ended 31 March 2021. The decline was RM65.5 million or 15.4% year-on-year ("YOY"). The lower profits were largely due to higher credit cost as a result of provisioning, mostly in the consumer portfolio.

Nevertheless, pre-provision operating profit ("PPOP") was up by 15.3%, mainly driven by net financing income growth, lower cost of funds and tighter cost management. Net income improved by RM128.2 million or 7.6% YOY. Net interest margin ("NIM") came in lower at 2.30%, mainly due to Overnight Policy Rate ("OPR") cuts.

Loans Grew Marginally

Gross loans and advances stood at RM44.1 billion, recording an increase of 1.1% YOY driven by the small and medium enterprise ("SME") and consumer segments, growing by 6.4% and 0.4% respectively.

Other Operating Income Continues to Improve

The Group recorded other operating income of RM456.7 million, higher by RM90.9 million or 24.8% YOY despite the challenging external environment. The higher revenue came from higher treasury and investment income, helped by increases in bond prices and brokerage and wealth management income.

Managing Operating Expenses

Operating expenses decreased by RM6.4 million or 0.8%, mainly due to our initiatives in managing marketing, administrative and compensation costs. The cost-to-income ratio ("CIR") decreased by 3.7% to 44.1%. The Group will continue to focus on cost-saving efforts as we navigate through the COVID-19 pandemic.

Asset Quality

The Group's allowance for expected credit losses on loans, advances, financing and other debts increased by RM218.5 million or 69.5% to RM533.0 million as compared to the previous financial year. Included in the allowance for expected credit losses on loans, advances, financing and other debts were reserves that the Group built up via management overlays amounting to RM312.7 million in anticipation of the impacts of COVID-19 on the economy. As a result, the Group recorded a net credit cost of 121.4 bps.

BUSINESS REVIEW FOR FINANCIAL YEAR ENDED (“FYE”) 31 MARCH 2021 (CONT’D)

Asset Quality (cont’d)

We enhanced our credit risk framework in each line of business by stratifying customers according to risk levels and prioritising customer calls or visits. We also provided Payment Relief Assistance programmes to help borrowers while managing the Group’s credit risk. In addition, the Group continued to help its customers through the three-month extended moratorium for those who lost their sources of income.

The Group will continue to improve its control of credit cost by refining credit policies, tightening credit underwriting and increasing collection efforts. Loan loss coverage (including regulatory reserves) was at 105.9%.

Healthy Funding and Liquidity Position

The Group’s customer-based funding stood at RM48.7 billion. We were able to maintain a high current account/savings account (“CASA”) ratio of 47.0%, driven by Alliance SavePlus and Alliance@Work. We will continue to grow CASA through Alliance SavePlus and garner CASA balances from businesses and their employees under the Alliance@Work channel.

The Group’s liquidity coverage and loans-to-funds ratios stood at 150.0% and 84.3% respectively. The Group will continue to maintain ample liquidity ratios and ensure a sufficient liquidity buffer to mitigate any payment shocks resulting from the uncertainties caused by COVID-19.

Proactive Capital Management

Our conservative capital management approach resulted in the Group maintaining a robust capital position. Our capital ratios were boosted by 1.2%, due to a transitional arrangement since December 2020 to recognize stage 1 and 2 expected credit losses as CET 1. We maintained one of the strongest capital levels in the industry, with Common Equity Tier-1 (CET 1) ratio at 16.2%, Tier-1 Capital ratio at 17.2% and total capital ratio at 21.6%.

The Group will continue to prioritise capital conservation in order to support business expansion as we navigate through the COVID-19 pandemic. On 21 December 2020, Alliance Islamic Bank Berhad received a capital injection of RM200 million in the form of new ordinary shares from Alliance Bank Malaysia Berhad. The Bank has also reissued RM1.2 billion of new Tier-2 Subordinated Medium Term Notes successfully on 27 October 2020, which was utilised to fully redeem all our existing Tier-2 Subordinated Medium Term Notes.

The Group declared an interim dividend of RM89.6 million for the financial year ended 31 March 2021.

Performance by business segment and subsidiary

The Group’s business segments comprise Consumer Banking, Business Banking, Financial Markets and Investment Banking.

The Group Consumer Banking segment recorded a loss before tax of RM139.7 million due to the build up of allowances for expected credit losses related to the economic impact of COVID-19 on our more vulnerable customers. Net income was higher by RM7.6 million or 1.2%. Net interest income increased by RM1.0 million while other operating income increased by RM6.6 million. Operating expenses decreased by RM4.4 million or 1.1%. Allowances for expected credit losses were higher by RM159.1 million largely due to management overlays amounting to RM240.6 million. The segment assets stood at RM22.1 billion.

The Group Business Banking segment, comprising corporate, commercial and SME banking, recorded a profit before tax of RM272.8 million, which was 16.4% lower than the previous financial year. Net income increased by RM0.6 million or 0.1% YOY mainly due to higher net interest income. Operating expenses decreased by RM7.7 million or 2.5%. Allowances for expected credit losses were higher by RM61.8 million. Segment assets registered a growth of RM1.9 billion or 7.4%.

DIRECTORS' REPORT (CONT'D)

Performance by business segment and subsidiary (cont'd)

Profit before tax in the Group Financial Markets segment increased by 43.2% or RM106.2 million YOY to RM352.3 million. Net income was higher by RM103.2 million or 34.2% YOY due to gains from the bond portfolio. Operating expenses decreased by RM2.6 million or 4.7% YOY. Segment assets stood at RM11.5 billion.

The Investment Banking segment recorded a profit before tax of RM12.7 million due to higher brokerage income.

The Islamic Banking segment which consist of Consumer Banking, Business Banking and Financial Markets, recorded a net profit after taxation of RM6.7 million, representing a decrease of RM67.5 million compared to the previous financial year due to the build up of allowances for expected credit losses related to the economic impact of COVID-19 on our more vulnerable customers. Net income was higher by RM21.4 million or 6.4%. Net profit income increased by RM28.0 million while other operating income decreased by RM6.6 million. Operating expenses increased by RM0.2 million or 0.2%. Allowances for expected credit losses were higher by RM108.8 million largely due to management overlays amounting to RM123.6 million. The total assets stood at RM14.6 billion.

ECONOMIC OUTLOOK AND PROSPECTS FOR FYE 31 MARCH 2022

For 2021, Bank Negara Malaysia ("BNM") forecasts Malaysia's gross domestic product ("GDP") growth to range between 6.0% and 7.5%, compared to a contraction of 5.6% in the preceding year. The growth will be mainly due to the low base effect from the preceding year and nascent economic recovery as economic and trade activities return to pre-pandemic levels.

We also expect the roll-out of the COVID-19 vaccination programme in Malaysia and around the world to help boost consumer and business confidence in the year ahead.

Additionally, the Government and Bank Negara Malaysia have been progressively rolling out various stimulus measures to aid affected businesses and support the people's well-being. Since January 2020, the Malaysian government has announced six stimulus packages with a cumulative fiscal value to date of RM340 billion. More than 20 million people and 2.4 million businesses have benefited directly from these measures.

The Group anticipates external demand to sustain growth in 2021, supported by higher foreign demand for electrical & electronic products and the stronger crude and palm oil prices since late 2020 to drive up export value.

BUSINESS OUTLOOK FOR NEXT FINANCIAL YEAR

Given the ongoing impact of the COVID-19 pandemic, the Group will continue to prioritise customer engagement to address asset quality concerns. Meanwhile, it will support targeted customers that remain affected by the pandemic. The Group will also continue managing its loan portfolio with tighter credit underwriting.

Notwithstanding the above, the Group will focus on growing the business via the following three key focus areas:

- (i) Acquiring more customers where the Group intends to scale up in its core segments of SME and Consumer Banking by enhancing and equipping relationship managers with digital tools to serve high-value customers. The Group will also focus on securing more customers via digital channels;
- (ii) Capitalising on our Consumer and Business Banking franchises, whereby we will focus on accelerating cross-selling value propositions to our customers to increase market penetration and generate fee-based income; and
- (iii) Enhancing productivity and efficiencies by streamlining processes, automating through digital tools/channels, centralising functions and improving branch productivity.

With these focus areas, and the Group's continuing effort to apply prudent management practices, the Group expects to deliver sustainable returns to our shareholders while strengthening our market presence.

RATING BY EXTERNAL RATING AGENCY

The Bank is rated by Rating Agency Malaysia Berhad (“RAM”). Based on RAM’s rating in November 2020, 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.

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 52 to the financial statements.

SUBSEQUENT EVENTS

The events subsequent to the end of the financial reporting period are disclosed in Note 53 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), 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

Kuala Lumpur, Malaysia
3 June 2021

Tan Chian Khong

STATEMENT BY DIRECTORS

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

We, Ahmad Bin Mohd Don and Tan Chian Khong, 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 108 to 274 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 2021 and financial performance of the Group and of the Bank for the financial year ended 31 March 2021 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

Kuala Lumpur, Malaysia
3 June 2021

Tan Chian Khong

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Ronnie Royston Fernandiz, 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 108 to 274 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 Ronnie Royston Fernandiz
at Kuala Lumpur in the Federal Territory on
3 June 2021

Ronnie Royston Fernandiz
MIA Membership No. (CA 13837)

Before me,

Kapt (B) Mohammad Sanusi bin Samsudin
Commissioner for Oaths

Kuala Lumpur, Malaysia
3 June 2021

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 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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 2021 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 financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 108 to 274.

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’ International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and 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 the 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	
<p>Refer to accounting policy 2(a)(ii), 2(k)(i) and Notes 10 and 35 of the Financial Statements of the Group and the Bank.</p> <p>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.</p> <p>In particular, the significant judgements in applying the accounting requirements for measuring ECL include the following:</p> <ul style="list-style-type: none"> • 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. 	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

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
Allowance for impairment on loans, advances and financing (cont'd)	
<p>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 in the measurement of ECL. These are explained further in the critical accounting estimates and judgement in Note 2(a)(ii).</p> <p>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).</p>	<p>To determine the appropriateness of models implemented by the Group, we have:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> - 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, 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 the reasonableness of the overlay adjustment to the ECL; and • Assessed whether the disclosures in the financial statements appropriately reflect the Group’s credit risk exposures. <p>Based on the procedures performed, we did not find any material exceptions to the Group’s assessment on impairment of loans, advances and financing.</p>

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	
<p>Refer to accounting policy 2(a)(i), 2(k)(ii)(a) and Note 18 of the Financial Statements of the Group and the Bank.</p> <p>Management performed annual impairment assessment on goodwill.</p> <p>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.</p> <p>As disclosed in Note 18(b), management has also considered the impact of the COVID-19 pandemic on the Group’s future revenue and specifically to estimate the expected cash flows from the CGUs.</p> <p>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”).</p> <p>In particular, we focused on the following key assumptions that requires significant judgement, for each CGU:</p> <ul style="list-style-type: none"> • The annual growth rates in the cash flow projections; • The terminal growth rate; and • The discount rate. 	<p>We tested management’s impairment assessment of goodwill as follows:</p> <ul style="list-style-type: none"> • 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 risks 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. <p>Based on the evidence obtained, we found that the assumptions used by management in the value-in-use calculation were within a reasonable range.</p>

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 the:

- (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 Committee 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.

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

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

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

- (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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)**Auditors' responsibilities for the audit of the financial statements (cont'd)**

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

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

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

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 & AF 1146)

Chartered Accountants

Kuala Lumpur

3 June 2021

ONG CHING CHUAN

02907/11/2021 J

Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2021

	Note	GROUP		BANK	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
ASSETS					
Cash and short-term funds	3	3,088,245	3,119,214	1,779,243	2,488,527
Deposits and placements with banks and other financial institutions	4	41,477	-	41,477	-
Amounts due from clients and brokers	5	105,041	51,165	-	-
Financial assets at fair value through profit or loss	6	237,922	650,114	167,728	585,722
Financial investments at fair value through other comprehensive income	7	10,424,669	11,544,507	7,303,866	8,426,778
Financial investments at amortised cost	8	2,270,504	121,299	2,294,765	170,405
Derivative financial assets	9	153,735	436,910	153,735	436,910
Loans, advances and financing	10	43,233,506	43,110,007	32,395,127	32,207,545
Other assets	11	293,653	262,622	349,416	266,770
Tax recoverable		44,357	70,834	9,600	38,789
Statutory deposits	12	88,012	949,049	69,574	700,355
Investments in subsidiaries	13	-	-	1,109,102	909,102
Investment in joint venture	14	994	903	-	-
Right-of-use assets	15	120,457	129,139	120,439	129,077
Property, plant and equipment	16	57,264	64,486	55,930	63,448
Deferred tax assets	17	130,100	28,125	95,200	14,074
Intangible assets	18	431,259	437,086	329,004	332,680
TOTAL ASSETS		60,721,195	60,975,460	46,274,206	46,770,182
LIABILITIES AND EQUITY					
Deposits from customers	19	48,488,513	48,425,852	36,150,316	36,702,989
Deposits and placements of banks and other financial institutions	20	1,392,652	1,543,646	659,377	733,564
Amounts due to clients and brokers	21	63,416	22,292	-	-
Financial liabilities designated at fair value through profit or loss	22	472,695	427,085	472,695	427,085
Obligations on securities sold under repurchase agreements	23	-	369,469	-	221,387
Derivative financial liabilities	9	149,410	348,877	149,410	348,877
Recourse obligations on loans and financing sold to Cagamas	24	650,499	800,695	300,100	300,053
Lease liabilities	25	123,494	130,223	123,475	130,150
Other liabilities	26	1,546,070	1,388,066	1,322,169	1,253,186
Provision for taxation		760	-	-	-
Provision for zakat		848	1,245	-	-
Deferred tax liabilities	17	2,333	8,379	-	-
Subordinated obligations	27	1,572,718	1,520,637	1,471,978	1,480,254
TOTAL LIABILITIES		54,463,408	54,986,466	40,649,520	41,597,545
Share capital	28	1,548,106	1,548,106	1,548,106	1,548,106
Reserves	29	4,709,681	4,440,888	4,076,580	3,624,531
TOTAL EQUITY		6,257,787	5,988,994	5,624,686	5,172,637
TOTAL LIABILITIES AND EQUITY		60,721,195	60,975,460	46,274,206	46,770,182
COMMITMENTS AND CONTINGENCIES	46	30,367,400	36,971,704	27,636,885	34,144,629
Net assets per share attributable to equity holders of the Bank (RM)		4.04	3.87		

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

STATEMENTS OF INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	Note	GROUP		BANK	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest income	30	1,793,421	2,069,887	1,743,871	2,019,369
Interest expense	31	(776,765)	(1,089,053)	(760,356)	(1,046,424)
Net interest income		1,016,656	980,834	983,515	972,945
Net income from Islamic banking business	32	378,500	377,896	-	-
		1,395,156	1,358,730	983,515	972,945
Fee and commission income		313,957	283,272	236,609	248,493
Fee and commission expense		(111,623)	(87,118)	(81,665)	(78,700)
Investment income		248,559	87,565	469,340	126,885
Other (expense)/income		(28,482)	46,871	(28,545)	48,012
Other operating income	33	422,411	330,590	595,739	344,690
Net income		1,817,567	1,689,320	1,579,254	1,317,635
Other operating expenses	34	(800,658)	(807,019)	(616,515)	(621,229)
Operating profit before allowances		1,016,909	882,301	962,739	696,406
Allowance for expected credit losses on loans, advances and financing and other financial assets	35	(532,916)	(273,234)	(319,409)	(168,495)
(Allowance for)/write-back of expected credit losses on financial investments	36	(96)	(36,997)	53	(22,996)
Allowance for impairment losses on non-financial assets	37	-	(4,317)	-	(306)
Operating profit after allowances		483,897	567,753	643,383	504,609
Share of results of joint venture	14	91	101	-	-
Profit before taxation		483,988	567,854	643,383	504,609
Taxation	38	(125,203)	(143,591)	(106,593)	(115,471)
Net profit for the financial year		358,785	424,263	536,790	389,138
Net profit for the financial year attributable to: Equity holders of the Bank		358,785	424,263	536,790	389,138
Earnings per share attributable to: Equity holders of the Bank	39				
- Basic (sen)		23.2	27.4		
- Diluted (sen)		23.2	27.4		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net profit for the financial year	358,785	424,263	536,790	389,138
Other comprehensive (expense)/income: Items that may be reclassified subsequently to profit or loss:				
Revaluation reserve on financial investments at fair value through other comprehensive income				
- Net (loss)/gain from change in fair values	(17,029)	112,932	(35,487)	71,196
- Realised gain transferred to statements of income on disposal	(101,357)	(17,634)	(75,953)	(14,402)
- Transfer from/(to) deferred tax	28,413	(22,872)	26,746	(13,631)
- Changes in expected credit losses	(19)	(9,627)	(47)	(160)
Other comprehensive (expense)/income, net of tax	(89,992)	62,799	(84,741)	43,003
Total comprehensive income for the financial year	268,793	487,062	452,049	432,141
Total comprehensive income for the financial year attributable to:				
Equity holders of the Bank	268,793	487,062	452,049	432,141

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

GROUP	← Attributable to Equity holders of the Bank →					Total equity RM'000
	Ordinary shares RM'000	Regulatory reserves RM'000	Capital reserves RM'000	FVOCI reserves RM'000	Retained profits RM'000	
At 1 April 2020	1,548,106	224,579	100,150	141,312	3,974,847	5,988,994
Net profit for the financial year	-	-	-	-	358,785	358,785
Other comprehensive expense	-	-	-	(89,992)	-	(89,992)
Total comprehensive (expense)/income	-	-	-	(89,992)	358,785	268,793
Transfer from regulatory reserves	-	(138,139)	-	-	138,139	-
At 31 March 2021	1,548,106	86,440	100,150	51,320	4,471,771	6,257,787
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	-	-	-	-	(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 (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

BANK	← Non-distributable reserves →				Distributable reserves	Total equity RM'000
	Ordinary shares RM'000	Regulatory reserves RM'000	Capital reserves RM'000	FVOCI reserves RM'000	Retained profits RM'000	
At 1 April 2020	1,548,106	182,292	15,515	79,834	3,346,890	5,172,637
Net profit for the financial year	-	-	-	-	536,790	536,790
Other comprehensive expense	-	-	-	(84,741)	-	(84,741)
Total comprehensive (expense)/income	-	-	-	(84,741)	536,790	452,049
Transfer from regulatory reserves	-	(102,286)	-	-	102,286	-
At 31 March 2021	1,548,106	80,006	15,515	(4,907)	3,985,966	5,624,686
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	-	-	-	-	(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

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	483,988	567,854	643,383	504,609
Adjustments for:				
Accretion of discount less amortisation of premium of financial investments	(11,125)	(83,215)	(11,282)	(83,950)
Allowance for expected credit losses on loans, advances and financing	485,776	286,760	302,286	184,092
Allowance for/(write-back of) expected credit losses on commitments and contingencies	25,108	(8,076)	6,502	(8,599)
Allowance for/(write-back of) expected credit losses on financial investments	96	36,997	(53)	22,996
(Write-back of)/allowance for expected credit losses on amounts due from clients and brokers	(3)	3	-	-
Allowance for expected credit losses on other receivables	2,086	3,827	1,815	3,539
Allowance for/(write-back of) expected credit losses on short-term funds	19	(37)	19	(37)
Allowance for expected credit losses on deposits and placements with banks	4	-	4	-
Allowance for impairment losses on non-financial assets	-	4,317	-	306
Amortisation of computer software	41,558	36,864	40,120	35,366
Depreciation of property, plant and equipment	21,479	22,661	20,470	22,110
Depreciation of right-of-use assets	25,363	24,259	25,319	24,213
Dividends from financial assets at fair value through profit or loss	(1,480)	(4,419)	(931)	(2,668)
Dividends from subsidiaries	-	-	(238,929)	(48,031)
Interest expense on lease liabilities	6,741	6,577	6,738	6,572
Interest expense on subordinated obligations	76,971	84,538	77,248	84,732
Interest expense on recourse obligation on loans and financing sold to Cagamas	13,591	13,627	13,591	13,627
Interest income from financial investments at amortised cost	(38,640)	(6,818)	(45,790)	(12,866)
Interest income from financial investments at fair value through other comprehensive income	(320,203)	(318,454)	(286,130)	(292,218)
Computer software written-off	-	4,399	-	4,399
Gain on disposal of property, plant and equipment	-	(5,319)	-	(5,319)
Property, plant and equipment written-off	85	174	81	104
Net gain from sale of financial assets at fair value through profit or loss	(10,405)	(15,481)	(10,405)	(15,361)
Net gain from sale of financial investments at fair value through other comprehensive income	(87,750)	(17,634)	(75,953)	(14,402)
Cash flow from operating activities carried forward	713,259	633,404	468,103	423,214

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)				
Cash flow from operating activities brought forward	713,259	633,404	468,103	423,214
Net loss/(gain) from sale of other investments	5	(5)	5	(5)
Unrealised loss/(gain) arising from derivative instruments	74,657	(63,991)	74,657	(63,991)
Unrealised gain arising from financial assets at fair value through profit or loss	(30,121)	(23,207)	(24,319)	(19,599)
Unrealised (gain)/loss arising from financial liabilities designated at fair value through profit or loss	(7,042)	11,742	(7,042)	11,742
Share of results of joint venture	(91)	(101)	-	-
Zakat	(34)	655	-	-
Cash flow from operating activities before working capital changes	750,633	558,497	511,404	351,361
Changes in working capital:				
Amounts due from clients and brokers	(12,752)	(3,029)	-	-
Deposits from customers	62,661	3,408,220	(552,673)	1,720,127
Deposits and placements of banks and other financial institutions	(150,994)	684,938	(74,187)	388,729
Deposits and placements with banks and other financial institutions	(41,481)	500	(41,481)	-
Financial assets at fair value through profit or loss	440,518	(388,929)	440,518	(389,048)
Financial liabilities designated at fair value through profit or loss	52,652	(363,080)	52,652	(363,080)
Loans, advances and financing	(609,276)	(1,076,422)	(489,868)	231,340
Other assets	(33,180)	(68,945)	(84,028)	48,856
Other liabilities	132,896	(350,683)	59,591	(315,151)
Obligations on securities sold under repurchase agreements	(369,469)	369,469	(221,387)	221,387
Statutory deposits	861,037	572,543	630,781	441,753
Cash generated from operating activities	1,083,245	3,343,079	231,322	2,336,274
Taxation paid	(174,609)	(158,537)	(128,894)	(118,809)
Zakat paid	(326)	(95)	-	-
Net cash generated from operating activities	908,310	3,184,447	102,428	2,217,465

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends from subsidiaries	-	-	238,929	48,031
Dividends from financial assets at fair value through profit or loss	1,480	4,419	931	2,668
Capital injection into subsidiaries	-	-	(200,000)	-
Interest received from financial assets at fair value through profit or loss	12,200	7,943	12,200	7,943
Interest received from financial investments at fair value through other comprehensive income	332,181	312,289	293,593	285,523
Interest received from financial investments at amortised costs	19,942	8,311	29,281	14,645
Interest received/(paid) for derivative instruments	9,051	(26,145)	9,051	(26,145)
Capital returned from a subsidiary	-	-	-	80,000
Purchase of computer software	(36,953)	(49,705)	(36,444)	(48,947)
Purchase of property, plant and equipment	(13,145)	(26,854)	(13,058)	(26,514)
Proceeds from disposal of property, plant and equipment	25	6,101	25	6,101
Purchase of:				
- financial investments at fair value through other comprehensive income	(3,970,475)	(5,056,202)	(3,913,031)	(4,213,537)
- financial investments at amortised cost	(2,426,730)	(100,000)	(2,078,053)	(20,000)
Redemption/disposal of:				
- financial investments at fair value through other comprehensive income	5,029,031	3,095,935	4,974,480	2,714,366
- financial investments at amortised cost	323,396	262,767	-	223,690
Net cash used in investing activities	(719,997)	(1,561,141)	(682,096)	(952,176)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid to shareholders of the company	-	(219,831)	-	(219,831)
Interest paid on subordinated obligations	(84,890)	(84,123)	(85,524)	(84,058)
Interest paid on recourse obligation on loans and financing sold to Cagamas	(13,787)	(13,601)	(13,544)	(13,650)
Repayment of lease liabilities	(30,605)	(31,271)	(30,548)	(31,218)
Proceeds from issuance of subordinated notes	60,000	40,000	-	-
Repayment of recourse obligations on loans and financing sold to Cagamas	(150,000)	-	-	-
Net cash used in financing activities	(219,282)	(308,826)	(129,616)	(348,757)

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES (CONT'D)				
Net change in cash and cash equivalents	(30,969)	1,314,480	(709,284)	916,532
Cash and cash equivalents at beginning of financial year	3,119,214	1,804,734	2,488,527	1,571,995
Cash and cash equivalents at end of financial year	3,088,245	3,119,214	1,779,243	2,488,527
Cash and cash equivalents comprise the following:				
Cash and short-term funds (Note 3)	3,088,245	3,119,214	1,779,243	2,488,527

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

GROUP	Recourse obligations on loans and financing sold to Cagamas RM'000	Lease liabilities RM'000	Subordinated obligations RM'000
At 1 April 2020	800,695	130,223	1,520,637
Cash flow			
- (Redemption)/issuance	(150,000)	-	60,000
- Interest payment	(13,787)	-	(84,890)
- Repayment of lease liabilities	-	(30,605)	-
Non cash changes			
- Interest accrued	13,591	6,741	76,971
- Additions, remeasurement and termination of contracts	-	17,135	-
At 31 March 2021	650,499	123,494	1,572,718
At 1 April 2019			
As previously reported	800,669	-	1,480,222
Effects of adoption of MFRS 16	-	144,571	-
As restated	800,669	144,571	1,480,222
Cash flow			
- Issuance	-	-	40,000
- Interest payment	(13,601)	-	(84,123)
- Repayment of lease liabilities	-	(31,271)	-
Non cash changes			
- Interest accrued	13,627	6,577	84,538
- Additions, remeasurement and termination of contracts	-	10,346	-
At 31 March 2020	800,695	130,223	1,520,637

A reconciliation of liabilities from financing activities to the statements of financial position and statements of cash flows as follows: (cont'd)

BANK	Recourse obligations on loans and financing sold to Cagamas RM'000	Lease liabilities RM'000	Subordinated obligations RM'000
At 1 April 2020	300,053	130,150	1,480,254
Cash flow			
- Interest payment	(13,544)	-	(85,524)
- Repayment of lease liabilities	-	(30,548)	-
Non cash changes			
- Interest accrued	13,591	6,738	77,248
- Additions, remeasurement and termination of contracts	-	17,135	-
At 31 March 2021	300,100	123,475	1,471,978
At 1 April 2019			
As previously reported	300,076	-	1,479,580
Effects of adoption of MFRS 16	-	144,423	-
As restated	300,076	144,423	1,479,580
Cash flow			
- Interest payment	(13,650)	-	(84,058)
- Repayment of lease liabilities	-	(31,218)	-
Non cash changes			
- Interest accrued	13,627	6,572	84,732
- Additions, remeasurement and termination of contracts	-	10,373	-
At 31 March 2020	300,053	130,150	1,480,254

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2021

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 3 June 2021.

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)

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: (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 methodology and assumptions including any forecasts of future economic conditions are continued to be monitored and reviewed.

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

With the impact of COVID-19 pandemic, the Group and the Bank have also applied overlays and post model adjustments to determine a sufficient overall level of allowance of ECL as at 31 March 2021. The basis is further disclosed in Note 44(a)(ix).

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 2020 are as follows:

- Amendments to MFRS 3 "Definition of a Business"
- Amendments to MFRS 101 "Presentation of Financial Statements" and MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors"
- Amendments to the Conceptual Framework for Financial Reporting
- Amendments to MFRS 9, MFRS 139 and MFRS 7 "Interest Rate Benchmark Reform"
- Amendments to MFRS 16 "COVID-19 Related Rent Concessions"

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of Preparation (cont'd)

Standards, amendments to published standards and interpretations that are effective (cont'd)

The COVID-19 pandemic and movement restrictions have caused a significant impact to the global economy as well as Malaysia.

In order to mitigate the weaker economy outlook, the Malaysian government has implemented several relief measures to help stimulate the economy. Bank Negara Malaysia ("BNM") have also taken proactive steps to address the economic and market disruptions.

The Group and the Bank have actively participated in the initiatives and programmes to ensure that the affected customers have sufficient support and keeps the markets functioning. The Group and the Bank will continuously monitor the current situation closely and continue to assess the impact of COVID-19 pandemic.

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 2021

- (i) Interest rate benchmark reform-Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)

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

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

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

Financial year beginning after 1 April 2022

- (i) Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2018 - 2020"

It clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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)

Financial year beginning after 1 April 2022 (cont'd)

(ii) Reference to the Conceptual Framework (Amendments to MFRS 3 “Business Combinations”)

The amendments replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 “Provisions, Contingent Liabilities and Contingent Assets” and IC Interpretation 21 “Levies” when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

The amendments shall be applied prospectively.

(iii) Property, Plant and Equipment – Proceeds before Intended Use (Amendments to MFRS 116 “Property, Plant and Equipment”)

The amendments prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

The amendments shall be applied prospectively.

(iv) Onerous Contracts – Cost of Fulfilling a Contract (Amendments to MFRS 137 “Provisions, Contingent Liabilities and Contingent Assets”)

The amendments clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

The amendments shall be applied prospectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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)

Financial year beginning after 1 April 2023

- (i) Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 “Presentation of Financial Statements”)

The amendments clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), conversion option that is not an equity instrument as defined in MFRS 132 “Financial Instruments: Presentation” is considered in the current or non-current classification of the convertible instrument.

The amendments shall be applied prospectively.

(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 the 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(i) Subsidiaries (cont'd)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(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 statements of income, 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(e) Property, Plant and Equipment and Depreciation (cont'd)

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 intended 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial Assets (cont'd)

(i) Classification (cont'd)

(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 measure 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").

(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 statement of income and presented in other operating income. Impairment losses are presented as separate line item in the statements of income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(f) Financial Assets (cont'd)

(iii) Subsequent measurement (cont'd)

Debt instruments (cont'd)

(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 other comprehensive income, 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 other comprehensive income is reclassified from equity to statement 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 measure 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(ii) Cash flow hedge (cont'd)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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 losses (“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 measures 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:

- (i) 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).
- (ii) 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).
- (iii) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(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 pretax 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 statement 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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 other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in statements of profit, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Leases (cont'd)

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

(ii) Right-of-use Assets ("ROU")

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.

(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 statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(q) Leases (cont'd)

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

(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 basis 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.

(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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

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 estimates 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(s) Revenue Recognition (cont'd)

(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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Foreign currencies (cont'd)

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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").

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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.

3. CASH AND SHORT-TERM FUNDS

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash and balances with banks and other financial institutions	696,292	726,270	643,202	697,898
Money at call and deposit placements maturing within one month	2,391,973	2,392,945	1,136,061	1,790,630
	3,088,265	3,119,215	1,779,263	2,488,528
Less: Allowance for expected credit losses	(20)	(1)	(20)	(1)
	3,088,245	3,119,214	1,779,243	2,488,527

Included in the cash and short-term funds of the Group are accounts held-in-trust for remisers amounting to RM9,274,000 (2020: RM6,452,000).

Movements in allowance for expected credit losses are as follows:

GROUP/BANK	12-Month ECL (Stage 1) RM'000	Total RM'000
At 1 April 2020	1	1
New financial assets originated or purchased	133	133
Financial assets derecognised other than write-off	(113)	(113)
Other adjustments	(1)	(1)
Total charge to income statement	19	19
At 31 March 2021	20	20
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

4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Licensed banks	41,481	-	41,481	-
Less: Allowance for expected credit losses	(4)	-	(4)	-
	41,477	-	41,477	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (CONT'D)

GROUP/BANK	12-Month ECL	Total
	(Stage 1) RM'000	RM'000
At 1 April 2020	-	-
New financial assets originated or purchased	46	46
Financial assets derecognised other than write-off	(42)	(42)
Total charge to income statement	4	4
At 31 March 2021	4	4

5. AMOUNTS DUE FROM CLIENTS AND BROKERS

	GROUP	
	2021 RM'000	2020 RM'000
Due from clients	105,041	51,168
Less: Allowance for expected credit losses	-	(3)
	105,041	51,165

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.

Alliance Investment Bank Berhad's normal trade credit terms for non-margin clients is two (2) market days in accordance with 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:

GROUP	Lifetime ECL	
	2021 RM'000	2020 RM'000
At 1 April	3	839
(Write-back)/allowance made during the financial year	(3)	3
Write-off during the financial year	-	(839)
At 31 March	-	3

As at 31 March 2021, the Group's gross exposure of amounts due from clients and brokers that are credit impaired was at RM Nil (2020: RM20,000).

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

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At fair value				
<u>Money market instrument:</u>				
Malaysian Government securities	10,036	281,147	10,036	281,147
Malaysian Government investment issues	3,210	156,782	3,210	156,782
	13,246	437,929	13,246	437,929
<u>Unquoted securities:</u>				
Shares	224,676	202,160	154,482	137,768
Corporate bonds and sukuk	-	10,025	-	10,025
	224,676	212,185	154,482	147,793
Total financial assets at FVTPL	237,922	650,114	167,728	585,722

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

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At fair value – debt instruments				
<u>Money market instruments:</u>				
Malaysian Government securities	2,007,478	2,629,580	1,912,391	2,423,247
Malaysian Government investment issues	3,471,755	3,678,013	2,289,793	2,335,412
Negotiable instruments of deposits	-	-	-	505,225
Commercial papers	-	169,217	-	139,532
	5,479,233	6,476,810	4,202,184	5,403,416
<u>Quoted securities:</u>				
Shares	15	5	15	5
<u>Unquoted securities:</u>				
Corporate bonds and sukuk	4,945,421	5,067,692	3,101,667	3,023,357
	4,945,421	5,067,692	3,101,667	3,023,357
Total financial investments at FVOCI	10,424,669	11,544,507	7,303,866	8,426,778

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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

Movements in allowance for expected credit losses are as follows:

GROUP	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
At 1 April 2020	138	208	-	346
Transfer to Stage 1	40	(337)	-	(297)
Transfer to Stage 2	(40)	677	-	637
New financial investments originated or purchased	14	-	-	14
Financial investments derecognised other than write-off	(19)	(5)	-	(24)
Changes due to change in credit risk	(37)	(312)	-	(349)
Total (write-back from)/charge to income statement	(42)	23	-	(19)
At 31 March 2021	96	231	-	327
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)

BANK	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
At 1 April 2020	71	151	-	222
Transfer to Stage 1	23	(154)	-	(131)
Transfer to Stage 2	(23)	310	-	287
New financial investments originated or purchased	14	-	-	14
Financial investments derecognised other than write-off	(7)	(5)	-	(12)
Changes due to change in credit risk	(17)	(188)	-	(205)
Total write-back from income statement	(10)	(37)	-	(47)
At 31 March 2021	61	114	-	175
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

Note:

The transfer between stages are inclusive of net remeasurement of allowances.

The Group’s movement on gross exposure of financial investments at FVOCI that are credit impaired are as follows:

	GROUP	
	2021 RM’000	2020 RM’000
At 1 April	-	9,409
Write-off during the financial year	-	(9,409)
At 31 March	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

8. FINANCIAL INVESTMENTS AT AMORTISED COST

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At amortised cost				
<i>Money market instruments:</i>				
Malaysian Government securities	289,741	-	289,741	-
Malaysian Government investment issues	1,859,678	-	1,647,210	-
Negotiable instruments of deposits	-	-	187,404	-
	2,149,419	-	2,124,355	-
<i>Unquoted securities:</i>				
Corporate bonds and sukuk	122,338	170,681	171,332	195,455
Allowance for expected credit losses	(1,253)	(49,382)	(922)	(25,050)
	121,085	121,299	170,410	170,405
Total financial investments at amortised cost	2,270,504	121,299	2,294,765	170,405

Movements in allowance for expected credit losses are as follows:

GROUP	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
	At 1 April 2020	308	-	49,074
New financial investments originated or purchased	-	-	569	569
Financial investments derecognised other than write-off	-	-	(569)	(569)
Changes due to change in credit risk	115	-	-	115
Total charge to income statement	115	-	-	115
Write-off	-	-	(48,244)	(48,244)
At 31 March 2021	423	-	830	1,253
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

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

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

BANK	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
At 1 April 2020	372	-	24,678	25,050
New financial investments originated or purchased	-	-	373	373
Financial investments derecognised other than write-off	-	-	(373)	(373)
Changes due to change in credit risk	(6)	-	-	(6)
Total write-back from income statement	(6)	-	-	(6)
Write-off	-	-	(24,122)	(24,122)
At 31 March 2021	366	-	556	922
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

Note:

The transfer between stages are inclusive of net remeasurement of allowances.

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		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 April	49,090	18,565	24,678	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	(48,244)	(2,608)	(24,122)	-
At 31 March	846	49,090	556	24,678

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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.

GROUP/BANK	Contract/ Notional Amount RM'000	2021		Contract/ Notional Amount RM'000	2020	
		Fair Value Assets RM'000	Fair Value Liabilities RM'000		Fair Value Assets RM'000	Fair Value Liabilities RM'000
Trading Derivatives						
Foreign exchange contracts:						
- Currency forwards	3,582,112	47,952	(12,873)	2,947,345	79,795	(16,168)
- Currency swaps	5,173,549	12,471	(38,235)	10,249,592	129,672	(121,419)
- Currency spots	125,653	234	(84)	40,337	146	(102)
- Currency options	179,982	271	(55)	170,504	302	(392)
Interest rate related contracts:						
- Interest rate swaps	7,575,493	79,784	(50,355)	8,973,080	101,352	(62,213)
- Interest rate options	-	-	-	150,000	1,441	-
Equity related contracts:						
- Options	510,044	13,023	(47,808)	952,938	124,202	(148,583)
Total derivative assets/(liabilities)	17,146,833	153,735	(149,410)	23,483,796	436,910	(348,877)

10. LOANS, ADVANCES AND FINANCING

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At amortised cost				
Overdrafts	3,431,705	4,310,148	2,036,340	2,611,587
Term loans/financing				
- Housing loans/financing	14,074,492	14,215,071	10,572,066	10,795,294
- Syndicated term loans/financing	318,900	387,090	318,900	344,603
- Hire purchase receivables	616,512	794,286	455,966	579,454
- Other term loans/financing	18,195,036	16,484,532	13,839,763	12,518,922
Bills receivables	483,030	544,009	452,195	494,913
Trust receipts	286,407	234,538	225,407	180,322
Claims on customers under acceptance credits	2,969,016	3,198,311	2,216,600	2,399,619
Staff loans (Loans to Directors: RM Nil)	19,463	20,799	3,987	4,893
Credit/charge card receivables	513,331	591,475	513,331	591,475
Revolving credits	1,902,028	1,914,081	1,157,634	1,216,715
Share margin financing	1,337,422	974,005	1,160,548	816,975
Gross loans, advances and financing	44,147,342	43,668,345	32,952,737	32,554,772
Add: Sales commissions and handling fees	93,370	100,930	108,989	112,016
Less: Allowance for expected credit losses on loans, advances and financing	(1,007,206)	(659,268)	(666,599)	(459,243)
Total net loans, advances and financing	43,233,506	43,110,007	32,395,127	32,207,545

Note:

- (a) 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 RM34,379,000 as at 31 March 2021 (2020: RM74,795,000).
- (b) As at 31 March 2021, the modification loss net off unwinding arising from the 6-month payment moratorium and Payment Relief Assistance amounting to RM68,319,000 and RM32,373,000 for the Group and the Bank respectively is netted off against the gross loans, advances and financing balance.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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

(i) By maturity structure:

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Within one year	11,166,171	12,002,775	7,928,048	8,492,153
One year to three years	1,719,702	1,818,830	1,271,822	1,420,933
Three years to five years	3,116,175	2,566,390	2,513,766	1,839,745
Over five years	28,145,294	27,280,350	21,239,101	20,801,941
Gross loans, advances and financing	44,147,342	43,668,345	32,952,737	32,554,772

(ii) By type of customer:

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Domestic banking institutions	-	7	-	7
Domestic non-bank financial institutions	662,237	378,014	473,893	313,198
Domestic business enterprises				
- Small and medium enterprises	13,947,747	12,028,450	10,831,042	9,313,262
- Others	6,139,562	7,920,797	4,654,521	5,949,200
Government and statutory bodies	58,149	61,158	58,149	61,158
Individuals	22,674,971	22,586,345	16,374,290	16,329,172
Other domestic entities	26,155	28,176	2,079	1,955
Foreign entities	638,521	665,398	558,763	586,820
Gross loans, advances and financing	44,147,342	43,668,345	32,952,737	32,554,772

(iii) By interest/profit rate sensitivity:

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fixed rate				
- Housing loans/financing	26,509	29,878	4,815	5,717
- Hire purchase receivables	604,335	779,425	443,788	564,614
- Other fixed rate loans/financing	7,022,940	6,491,640	4,940,093	4,348,004
Variable rate				
- Base lending rate plus	24,074,135	24,771,256	19,597,887	20,145,220
- Base rate plus	8,515,744	7,296,462	5,086,299	4,293,863
- Cost plus	3,903,679	4,299,684	2,879,855	3,197,354
Gross loans, advances and financing	44,147,342	43,668,345	32,952,737	32,554,772

10. LOANS, ADVANCES AND FINANCING (CONTD)

(iv) By economic purposes:

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Purchase of securities	1,492,946	1,075,829	1,316,073	918,799
Purchase of transport vehicles	451,486	591,753	311,972	403,320
Purchase of landed property	21,934,318	22,253,657	17,016,276	17,374,582
<i>of which: - Residential</i>	14,920,966	15,139,741	11,351,588	11,644,268
<i>- Non-residential</i>	7,013,352	7,113,916	5,664,688	5,730,314
Purchase of fixed assets excluding land and buildings	263,770	310,707	211,595	253,435
Personal use	5,710,480	5,596,799	3,118,591	2,992,022
Credit card	513,332	591,475	513,332	591,475
Construction	954,464	917,764	851,640	821,135
Working capital	9,920,052	9,834,498	7,368,494	7,304,339
Others	2,906,494	2,495,863	2,244,764	1,895,665
Gross loans, advances and financing	44,147,342	43,668,345	32,952,737	32,554,772

(v) By economic sectors:

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Primary agriculture	1,197,847	1,182,797	790,151	785,972
Mining and quarrying	234,646	217,775	196,106	170,095
Manufacturing	4,840,945	4,649,052	3,647,230	3,457,224
Electricity, gas and water	31,632	64,751	29,462	64,102
Construction	1,412,197	1,450,390	1,100,732	1,119,984
Wholesale, retail trade, restaurants and hotels	7,272,701	7,205,291	5,741,712	5,704,536
Transport, storage and communication	714,287	734,344	570,932	558,353
Financing, insurance, real estate and business services	4,755,068	4,526,853	3,649,734	3,514,669
Community, social and personal services	366,379	365,025	288,610	248,597
Household	23,313,491	23,241,404	16,933,053	16,905,652
Others	8,149	30,663	5,015	25,588
Gross loans, advances and financing	44,147,342	43,668,345	32,952,737	32,554,772

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

(vi) By geographical distribution:

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Northern region	3,184,084	3,201,596	2,172,904	2,213,240
Central region	31,220,193	31,069,178	23,751,261	23,443,133
Southern region	5,457,765	5,398,941	4,168,512	4,108,062
Sabah region	3,171,129	2,935,679	2,093,429	2,047,712
Sarawak region	1,114,171	1,062,951	766,631	742,625
Gross loans, advances and financing	44,147,342	43,668,345	32,952,737	32,554,772

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

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 April	871,340	476,602	638,343	369,124
Impaired during the financial year	962,546	1,170,873	643,618	839,485
Recovered during the financial year	(47,121)	(76,964)	(34,657)	(64,860)
Reclassified as unimpaired during the financial year	(439,787)	(441,903)	(306,693)	(336,748)
Financial assets derecognised other than write-off during the financial year	(127,162)	(100,252)	(78,622)	(64,291)
Amount written-off	(187,380)	(157,016)	(126,421)	(104,367)
At 31 March	1,032,436	871,340	735,568	638,343
Gross impaired loans ratio	2.34%	2.00%	2.23%	1.96%
Net impaired loans ratio	1.72%	1.33%	1.64%	1.30%

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 RM187,380,000 and RM126,421,000 (2020: RM157,016,000 and RM104,367,000) 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.

10. LOANS, ADVANCES AND FINANCING (CONTD)

(viii) Credit impaired loans analysed by economic purposes:

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Purchase of transport vehicles	24,162	24,748	17,497	18,904
Purchase of landed property	574,055	443,777	421,511	326,689
<i>of which: - Residential</i>	453,817	364,862	320,166	275,103
<i>- Non-residential</i>	120,238	78,915	101,345	51,586
Purchase of fixed assets excluding land and buildings	12,664	22,100	12,307	21,748
Personal use	269,955	194,075	153,655	112,748
Credit card	8,530	11,153	8,530	11,153
Construction	8,102	8,120	8,102	8,120
Working capital	84,288	131,961	66,278	106,223
Others	50,680	35,406	47,688	32,758
Gross impaired loans	1,032,436	871,340	735,568	638,343

(ix) Credit impaired loans analysed by economic sectors:

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Primary agriculture	1,133	1,706	17	578
Mining and quarrying	1,373	1,478	1,373	1,478
Manufacturing	63,974	76,982	60,440	69,081
Construction	32,416	48,823	19,705	34,653
Wholesale, retail trade, restaurants and hotels	87,927	112,821	67,258	81,132
Transport, storage and communication	4,683	6,138	4,179	4,090
Financing, insurance, real estate and business services	74,203	30,232	73,017	29,031
Community, social and personal services	3,109	3,101	3,109	3,101
Household	762,451	588,904	505,303	414,044
Others	1,167	1,155	1,167	1,155
Gross impaired loans	1,032,436	871,340	735,568	638,343

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

(x) Credit impaired loans by geographical distribution:

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Northern region	77,759	85,202	52,270	60,317
Central region	764,325	623,066	543,371	449,333
Southern region	142,789	118,968	107,890	94,908
Sabah region	37,812	32,649	24,456	24,474
Sarawak region	9,751	11,455	7,581	9,311
Gross impaired loans	1,032,436	871,340	735,568	638,343

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

GROUP	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
At 1 April 2020	96,553	269,287	293,428	659,268
Transfer to Stage 1	153,279	(303,936)	(4,481)	(155,138)
Transfer to Stage 2	(101,032)	483,008	(76,882)	305,094
Transfer to Stage 3	(738)	(158,088)	233,223	74,397
New financial assets originated or purchased	77,896	178,021	15,316	271,233
Financial assets derecognised other than write-off	(64,721)	(189,434)	(35,550)	(289,705)
Changes due to change in credit risk	69,812	220,087	(9,933)	279,966
Other adjustment	(21)	(37)	(13)	(71)
	134,475	229,621	121,680	485,776
Unwinding of discount	-	-	(7,853)	(7,853)
Total charge to income statement	134,475	229,621	113,827	477,923
Write-off	(3)	(132)	(129,850)	(129,985)
At 31 March 2021	231,025	498,776	277,405	1,007,206

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)

GROUP	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
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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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)

BANK	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
At 1 April 2020	63,677	177,196	218,370	459,243
Transfer to Stage 1	94,945	(199,432)	(2,495)	(106,982)
Transfer to Stage 2	(62,825)	300,659	(50,694)	187,140
Transfer to Stage 3	(606)	(90,925)	142,613	51,082
New financial assets originated or purchased	53,856	139,571	11,287	204,714
Financial assets derecognised other than write-off	(42,782)	(141,429)	(24,205)	(208,416)
Changes due to change in credit risk	48,000	129,081	(2,262)	174,819
Other adjustment	(21)	(37)	(13)	(71)
	90,567	137,488	74,231	302,286
Unwinding of discount	-	-	(4,550)	(4,550)
Total charge to income statement	90,567	137,488	69,681	297,736
Write-off	(3)	(15)	(90,362)	(90,380)
At 31 March 2021	154,241	314,669	197,689	666,599
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

Note:

The transfer between stages are inclusive of net remeasurement of allowances.

10. LOANS, ADVANCES AND FINANCING (CONTD)

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

2021

Stage 1 expected credit losses (“ECL”) for the Group increased by RM134.5 million as a result of newly originated loans, advances and financing, and the migration to Stage 1 from Stage 2 or Stage 3 due to the improvement in credit quality. The increase was partly offset by loans, advances and financing that were fully repaid, having movement in the existing account balances during the financial year, accounts closed or migrated to Stage 2 or Stage 3 due to deterioration in credit quality.

Stage 2 ECL increased by RM229.5 million, as a result of loans, advances and financing migrated from Stage 1 into Stage 2, which were mainly due to the increase in credit risk observed on certain segments of payment relief assistance (“PRA”) such as Personal Loans/Financing and Mortgages. The increase was partly offset by repayment, and accounts migrated to Stage 3 due to deterioration in credit quality and migrated to Stage 1 as a result of improved credit quality.

Stage 3 ECL for the Group decreased by RM16.0 million, from loans, advances and financing due to written off mainly from personal loans/financing segment and migration of Stage 3 to Stage 1 or Stage 2 due to improvement in credit quality or account fully repaid. The decrease was partly offset by the accounts migrated to Stage 3 from Stage 1 and Stage 2 as a result of deterioration in credit quality.

Total ECL movements in 2021 is also affected by the changes in forward-looking economic inputs and increased pre-emptive overlay provisions from the estimated impacts of the COVID-19 pandemic, as disclosed in Note 44(a)(ix).

2020

Stage 1 ECL for the Group increased by RM23.9 million as a result of newly originated loans, advances and financing, and the migration to Stage 1 from Stage 2 or Stage 3 due to the improvement in credit quality. The increase was partly offset loans, advances and financing that were fully repaid, having movement in the existing account balances during the financial year, accounts closed or migrated to Stage 2 or Stage 3 due to deterioration in credit quality.

Stage 2 ECL increased by RM56.8 million, as a result of loans, advances and financing migrated from Stage 1 into Stage 2, which was mainly due to the increase in credit risk observed on Personal Loans/Financing segment. The increase was partly offset by repayment, and accounts migrated to Stage 3 due to deterioration in credit quality and migrated to Stage 1 as a result of improved credit quality.

Stage 3 ECL for the Group increased by RM76.0 million, from loans, advances and financing that were migrated from Stage 1 and Stage 2 due to their deterioration in credit quality. The increase was partly offset by the account fully repaid or written off mainly from the personal loans/financing segment.

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11. OTHER ASSETS

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Other receivables	98,079	65,827	120,168	50,114
Collateral pledged for derivative transactions	61,381	137,005	61,381	136,767
Settlement account	128,658	56,352	128,658	56,352
Deposits	8,834	8,984	8,210	8,330
Prepayment	36,788	32,495	33,220	29,361
Amounts due from subsidiaries [Note (a)]	-	-	32,397	18,680
Amount due from joint venture [Note (a)]	194	171	323	309
	333,934	300,834	384,357	299,913
Allowance for expected credit losses on other receivables [Note (b)]	(40,281)	(38,212)	(34,941)	(33,143)
	293,653	262,622	349,416	266,770

Note:

(a) Amounts due from subsidiaries and joint venture

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-interest bearing	194	171	32,720	18,989

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

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

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Lifetime ECL				
At 1 April	38,212	34,385	33,143	29,604
New financial assets originated or purchased	170	299	-	-
Financial assets derecognised other than write-off	(265)	(179)	-	-
Changes due to change in credit risk	2,181	3,707	1,815	3,539
Total charge to income statement	2,086	3,827	1,815	3,539
Write-off	(17)	-	(17)	-
At 31 March	40,281	38,212	34,941	33,143

As at 31 March 2021, the Group and the Bank's gross exposure of other receivables that are under lifetime expected credit losses was at RM40,281,000 and RM34,941,000 (2020: RM38,212,000 and RM33,143,000) respectively.

12. STATUTORY DEPOSITS

- (a) Non-interest bearing statutory deposits for the Group and the Bank of RM87,912,000 and RM69,574,000 (2020: RM948,949,000 and RM700,355,000) 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 (2020: 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	
	2021 RM'000	2020 RM'000
Unquoted shares, at cost		
At 1 April	909,102	989,102
Subscription of ordinary shares in subsidiaries	200,000	-
Return of capital from a subsidiary	-	(80,000)
At 31 March	1,109,102	909,102

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

Name	Principal activities	Effective equity interest	
		2021 %	2020 %
Alliance Investment Bank Berhad	Investment banking business including Islamic banking, provision of stockbroking services and related financial services	100	100
Alliance Islamic Bank Berhad [Note (b)]	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
<i>Subsidiaries of Alliance Financial Group Berhad</i>			
Kota Indrapura Development (under members' voluntary winding up)	Dormant	100	100

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Note:

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

Name	Effective equity interest	
	2021 %	2020 %
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) On 21 December 2020, the Bank has subscribed for 69,204,152 ordinary shares at an issue price of RM2.89 per share amounting to RM200,000,000 issued by its wholly owned subsidiary Alliance Islamic Bank Berhad.

14. INVESTMENT IN JOINT VENTURE

	GROUP	
	2021 RM'000	2020 RM'000
Unquoted shares		
At 1 April	903	802
Share of results	91	101
At 31 March	994	903
Represented by:		
Share of net tangible assets	994	903

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

Name	Principal activities	Effective equity interest	
		2021 %	2020 %
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. INVESTMENT IN JOINT VENTURE (CONTD)

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

	GROUP	
	2021 RM'000	2020 RM'000
Assets and Liabilities		
Current assets		
Cash and short-term funds	2,575	2,378
Other current assets	588	815
Total current assets	3,163	3,193
Non-current assets	650	430
Total assets	3,813	3,623
Current liabilities		
Other liabilities (non-trade)	1,450	1,774
Total current liabilities	1,450	1,774
Non-current liabilities	414	78
Total liabilities	1,864	1,852
Net assets	1,949	1,771
The summarised statement of comprehensive income is as follows:		
Revenue	4,998	6,096
Profit before tax for the financial year	235	264
Profit after tax for the financial year	178	199
The above profit includes the following:		
Depreciation and amortisation	(23)	(28)
Taxation	(57)	(66)
Reconciliation of summarised financial information:		
<u>Net assets</u>		
At 1 April	1,771	1,572
Profit for the financial year	178	199
At 31 March	1,949	1,771
Carrying value at 51% share of the equity interest of a joint venture	994	903

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15. RIGHT-OF-USE ASSETS

GROUP 2021	Premises RM'000	Leasehold land RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost						
At 1 April 2020	192,080	13,523	2,957	5,663	796	215,019
Additions	2,529	-	-	1,472	-	4,001
Remeasurement	12,680	-	-	-	-	12,680
At 31 March 2021	207,289	13,523	2,957	7,135	796	231,700
Accumulated depreciation						
At 1 April 2020	78,253	4,375	986	2,096	133	85,843
Charge for the financial year	22,859	137	986	1,185	196	25,363
At 31 March 2021	101,112	4,512	1,972	3,281	329	111,206
Accumulated impairment losses						
At 1 April 2020/ 31 March 2021	-	37	-	-	-	37
Net carrying amount	106,177	8,974	985	3,854	467	120,457

15. RIGHT-OF-USE ASSETS (CONTD)

GROUP 2020	Premises RM'000	Leasehold land RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost						
At 1 April 2019						
As previously stated	-	-	-	-	-	-
Effects of adoption of MFRS 16	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	(7,416)	-	-	-	-	(7,416)
At 31 March 2020	192,080	13,523	2,957	5,663	796	215,019
Accumulated depreciation						
At 1 April 2019						
As previously stated	-	-	-	-	-	-
Effects of adoption of MFRS 16	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	(4,944)	-	-	-	-	(4,944)
At 31 March 2020	78,253	4,375	986	2,096	133	85,843
Accumulated impairment losses						
At 1 April 2019						
As previously stated	-	-	-	-	-	-
Effects of adoption of MFRS 16	-	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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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

BANK 2021	Premises RM'000	Leasehold land RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost						
At 1 April 2020	191,876	13,523	2,957	5,663	796	214,815
Additions	2,529	-	-	1,472	-	4,001
Remeasurement	12,680	-	-	-	-	12,680
At 31 March 2021	207,085	13,523	2,957	7,135	796	231,496
Accumulated depreciation						
At 1 April 2020	78,111	4,375	986	2,096	133	85,701
Charge for the financial year	22,815	137	986	1,185	196	25,319
At 31 March 2021	100,926	4,512	1,972	3,281	329	111,020
Accumulated impairment losses						
At 1 April 2020/ 31 March 2021	-	37	-	-	-	37
Net carrying amount	106,159	8,974	985	3,854	467	120,439

15. RIGHT-OF-USE ASSETS (CONTD)

BANK 2020	Premises RM'000	Leasehold land RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost						
At 1 April 2019						
As previously stated	-	-	-	-	-	-
Effects of adoption of MFRS 16	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	(7,416)	-	-	-	-	(7,416)
At 31 March 2020	191,876	13,523	2,957	5,663	796	214,815
Accumulated depreciation						
At 1 April 2019						
As previously stated	-	-	-	-	-	-
Effects of adoption of MFRS 16	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	(4,944)	-	-	-	-	(4,944)
At 31 March 2020	78,111	4,375	986	2,096	133	85,701
Accumulated impairment losses						
At 1 April 2019						
As previously stated	-	-	-	-	-	-
Effects of adoption of MFRS 16	-	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)

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16. PROPERTY, PLANT AND EQUIPMENT

GROUP 2021	Freehold land 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
Cost							
At 1 April 2020	1,953	27,826	130,420	58,432	53,529	856	273,016
Additions	-	-	417	1,393	11,335	-	13,145
Transfer	-	-	(2,233)	2,233	1,851	-	1,851
Disposals	-	-	(25)	-	(2)	(2)	(29)
Written-off	-	-	(123)	(57)	(82)	-	(262)
At 31 March 2021	1,953	27,826	128,456	62,001	66,631	854	287,721
Accumulated depreciation							
At 1 April 2020	-	11,751	117,729	41,656	37,037	332	208,505
Charge for the financial year	-	557	2,899	5,944	11,941	138	21,479
Transfer	-	-	-	-	629	-	629
Disposals	-	-	-	-	(2)	(2)	(4)
Written-off	-	-	(92)	(8)	(77)	-	(177)
At 31 March 2021	-	12,308	120,536	47,592	49,528	468	230,432
Accumulated impairment losses							
At 1 April 2020/31 March 2021	-	25	-	-	-	-	25
Net carrying amount	1,953	15,493	7,920	14,409	17,103	386	57,264

16. PROPERTY, PLANT AND EQUIPMENT (CONTD)

GROUP 2020	Freehold land RM'000	← Leasehold land →		Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
		50 years or more RM'000	Less than 50 years RM'000						
Cost									
At 1 April 2019	1,953	11,673	1,850	29,373	125,784	56,755	77,435	870	305,693
As previously stated									
Effects of adoption of MFRS 16	-	(11,673)	(1,850)	-	-	-	-	-	(13,523)
As restated	1,953	-	-	29,373	125,784	56,755	77,435	870	292,170
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	-	-	27,826	130,420	58,432	53,529	856	273,016
Accumulated depreciation									
At 1 April 2019	-	3,195	1,043	11,959	118,926	40,408	59,395	208	235,134
As previously stated									
Effects of adoption of MFRS 16	-	(3,195)	(1,043)	-	-	-	-	-	(4,238)
As restated	-	-	-	11,959	118,926	40,408	59,395	208	230,896
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	-	-	-	11,751	117,729	41,656	37,037	332	208,505
Accumulated impairment losses									
At 1 April 2019	-	37	-	25	-	-	-	-	62
As previously stated									
Effects of adoption of MFRS 16	-	(37)	-	-	-	-	-	-	(37)
As restated	-	-	-	25	-	-	-	-	25
At 31 March 2020	-	-	-	25	-	-	-	-	25
Net carrying amount	1,953	-	-	16,050	12,691	16,776	16,492	524	64,486

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

BANK 2021	Freehold land 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
Cost							
At 1 April 2020	1,953	27,826	128,086	59,915	61,324	935	280,039
Additions	-	-	392	1,391	11,275	-	13,058
Transfer	-	-	(2,233)	2,233	-	-	-
Disposals	-	-	(25)	-	(2)	(2)	(29)
Written-off	-	-	(109)	(57)	(82)	-	(248)
At 31 March 2021	1,953	27,826	126,111	63,482	72,515	933	292,820
Accumulated depreciation							
At 1 April 2020	-	11,751	115,977	43,621	44,845	372	216,566
Charge for the financial year	-	557	2,695	5,794	11,286	138	20,470
Disposals	-	-	-	-	(2)	(2)	(4)
Written-off	-	-	(82)	(8)	(77)	-	(167)
At 31 March 2021	-	12,308	118,590	49,407	56,052	508	236,865
Accumulated impairment losses							
At 1 April 2020/31 March 2021	-	25	-	-	-	-	25
Net carrying amount	1,953	15,493	7,521	14,075	16,463	425	55,930

16. PROPERTY, PLANT AND EQUIPMENT (CONTD)

BANK 2020	Freehold land RM'000	← Leasehold land →		Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
		50 years or more RM'000	Less than 50 years RM'000						
Cost									
At 1 April 2019	1,953	11,673	1,850	29,373	121,888	57,513	72,406	944	297,600
As previously stated									
Effects of adoption of MFRS 16	-	(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	-	3,195	1,043	11,959	115,717	41,803	54,400	243	228,360
As previously stated									
Effects of adoption of MFRS 16	-	(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	-	37	-	25	-	-	-	-	62
As previously stated									
Effects of adoption of MFRS 16	-	(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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deferred tax assets, net	130,100	28,125	95,200	14,074
Deferred tax liabilities, net	(2,333)	(8,379)	-	-
	127,767	19,746	95,200	14,074

Movements on deferred tax:

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 April				
As previously stated	19,746	70,809	14,074	50,116
Effects of adoption of MFRS 16	-	3,008	-	3,004
As restated	19,746	73,817	14,074	53,120
Recognised in statements of income	79,608	(31,199)	54,380	(25,415)
Recognised in equity	28,413	(22,872)	26,746	(13,631)
At 31 March	127,767	19,746	95,200	14,074

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

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deferred tax assets	154,706	70,931	105,690	45,451
Deferred tax liabilities	(26,939)	(51,185)	(10,490)	(31,377)
	127,767	19,746	95,200	14,074

17. DEFERRED TAX (CONTD)

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

	Unabsorbed tax losses and capital allowances RM'000	Allowance for expected credit losses RM'000	Other liabilities RM'000	Leases 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)							
GROUP							
At 1 April 2020	2	15,734	52,334	2,861	(44,516)	(6,669)	19,746
Recognised in statements of income	2	63,277	20,126	370	-	(4,167)	79,608
Recognised in equity	-	-	-	-	28,413	-	28,413
At 31 March 2021	4	79,011	72,460	3,231	(16,103)	(10,836)	127,767
At 1 April 2019	-	46,878	48,994	-	(21,644)	(3,419)	70,809
Effects of adoption of MFRS 16	-	-	-	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)

31 MARCH 2021

17. DEFERRED TAX (CONT'D)

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

	Allowance for expected credit losses RM'000	Other liabilities RM'000	Leases 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)						
BANK						
At 1 April 2020	9,916	32,668	2,867	(25,142)	(6,235)	14,074
Recognised in statements of income	39,276	19,029	330	-	(4,255)	54,380
Recognised in equity	-	-	-	26,746	-	26,746
At 31 March 2021	49,192	51,697	3,197	1,604	(10,490)	95,200
At 1 April 2019	32,163	32,423	-	(11,511)	(2,959)	50,116
Effects of adoption of MFRS 16	-	-	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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Goodwill				
Cost:				
At 1 April/ 31 March	301,997	301,997	186,272	186,272
Impairment:				
At 1 April	16,349	12,032	351	45
Impaired during the financial year	-	4,317	-	306
At 31 March	16,349	16,349	351	351
Net carrying amount	285,648	285,648	185,921	185,921
Computer software				
Cost:				
At 1 April	349,264	307,213	338,657	296,622
Additions	36,953	49,705	36,444	48,947
Transfer	(1,851)	-	-	-
Written-off	-	(7,654)	-	(6,912)
At 31 March	384,366	349,264	375,101	338,657
Accumulated amortisation:				
At 1 April	197,826	164,217	191,898	159,045
Charge for the financial year	41,558	36,864	40,120	35,366
Transfer	(629)	-	-	-
Written-off	-	(3,255)	-	(2,513)
At 31 March	238,755	197,826	232,018	191,898
Net carrying amount	145,611	151,438	143,083	146,759
Total carrying amount	431,259	437,086	329,004	332,680

Note:

Computer software of the Group and the Bank includes work in progress of RM34,228,000 and RM34,086,000 (2020: RM44,430,000 and RM43,979,000) respectively which is not amortised until ready for use.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 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
	285,648	285,648	185,921	185,921

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	
	2021 %	2020 %
Consumer banking	9.53	7.87
Business banking	9.54	7.91
Financial markets	8.40	5.51

(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 25bps for financial year 2022; and
- Lower revenue by 3% 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% (2020: 4.0%), 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

There were no impairment on the goodwill for the Group and the Bank during the financial year. (2020: RM4,317,000 and RM306,000).

(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.

Sensitivity analysis was performed by stressing the terminal growth rates ranging at -3.3% to -9.3% or the discount rates ranging between 16.7% to 20.1% which resulted in a breakeven point between the carrying amount and recoverable amount for the CGUs.

19. DEPOSITS FROM CUSTOMERS

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Demand deposits	20,606,556	16,336,793	15,447,892	12,940,524
Savings deposits	2,193,143	1,794,343	1,753,279	1,455,337
Fixed/investment deposits	22,421,659	26,860,214	16,821,977	20,127,431
Money market deposits	2,885,258	3,091,717	1,756,823	1,848,021
Negotiable instruments of deposits	381,897	342,785	370,345	331,676
	48,488,513	48,425,852	36,150,316	36,702,989

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

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Due within six months	20,632,259	21,708,936	14,962,791	16,266,375
Six months to one year	4,517,179	7,853,476	3,902,026	5,868,205
One year to three years	529,542	619,982	75,096	165,879
Three years to five years	9,834	112,322	9,232	6,669
	25,688,814	30,294,716	18,949,145	22,307,128

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

19. DEPOSITS FROM CUSTOMERS (CONT'D)

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

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Domestic financial institutions	423,503	346,226	469,651	378,170
Domestic non-bank financial institutions	4,001,957	2,867,100	2,433,197	1,749,057
Government and statutory bodies	3,782,518	4,553,365	1,654,808	2,663,444
Business enterprises	15,474,724	17,528,515	12,508,806	13,143,178
Individuals	23,097,231	21,637,127	17,645,753	17,491,535
Foreign entities	842,730	813,970	729,873	712,076
Others	865,850	679,549	708,228	565,529
	48,488,513	48,425,852	36,150,316	36,702,989

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Licensed banks	122,576	814,332	2,263	464,076
Licensed investment banks	340,162	250,137	-	-
Bank Negara Malaysia	929,914	479,177	657,114	269,488
	1,392,652	1,543,646	659,377	733,564

Included as part of Deposit and Placement of Banks and Other Financial Institutions is government financing scheme received by the Group and the Bank amounting to RM771,385,000 and RM601,385,000 respectively for the purpose of SMEs lending at a below market/concession rate.

21. AMOUNTS DUE TO CLIENTS AND BROKERS

	GROUP	
	2021 RM'000	2020 RM'000
Due to clients	57,554	18,133
Due to brokers	5,862	4,159
	63,416	22,292

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 statement 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 RM123,393,000 (2020: RM100,252,000) 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	
	2021	2020
	RM'000	RM'000
Structured investments	504,651	451,999
Fair value changes arising from designation at fair value through profit or loss	(31,956)	(24,914)
	472,695	427,085

The carrying amount of financial liabilities designated at fair value of the Group and the Bank at 31 March 2021 were lower than the contractual amount at maturity for the structured investments by RM31,956,000 (2020: RM24,914,000).

23. OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	GROUP		BANK	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	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 undertakes 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)

31 MARCH 2021

25. LEASE LIABILITIES

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 April				
As previously stated	130,223	-	130,150	-
Effects of adoption of MFRS 16	-	144,571	-	144,423
As restated	130,223	144,571	130,150	144,423
Additions	4,001	19,090	4,001	19,090
Termination of contracts	-	(2,472)	-	(2,472)
Interest expense	6,741	6,577	6,738	6,572
Lease payment	(30,605)	(31,271)	(30,548)	(31,218)
Transfer to income statement	454	-	454	-
Remeasurement	12,680	(6,272)	12,680	(6,245)
At 31 March	123,494	130,223	123,475	130,150

Note:

Short-term lease expenses, low value leases expenses that are not included in lease liabilities for the Group and the Bank are as follows:

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Short-term leases expenses				
(included in establishment expense)	1,067	3,317	1,067	3,317
Income from subleasing ROU assets	151	196	1,854	2,316

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 RM122,675,000 (2020: 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Other payables	728,404	433,803	621,643	355,982
Bills payable	162,447	118,840	137,565	113,128
Collateral pledged for derivative transactions	27,810	82,766	27,810	82,766
Settlement account	9,925	15,226	9,925	15,226
Clearing account	179,949	97,244	137,906	73,638
Sundry deposits	50,909	51,136	45,791	46,615
Provision and accruals	171,309	127,500	150,153	115,285
Remisiers accounts	9,274	6,453	-	-
Structured investments	156,700	430,759	156,700	430,759
Amounts due to subsidiaries	-	-	8,491	-
Allowance for expected credit losses on commitments and contingencies [Note (a)]	49,343	24,339	26,185	19,787
	1,546,070	1,388,066	1,322,169	1,253,186

Note:

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

GROUP	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
At 1 April 2020	8,582	10,996	4,761	24,339
Transfer to Stage 1	2,730	(7,701)	(101)	(5,072)
Transfer to Stage 2	(1,293)	12,385	(100)	10,992
Transfer to Stage 3	-	(1,143)	2,745	1,602
New financial assets originated or purchased	3,557	4,498	-	8,055
Financial assets derecognised other than write-off	(3,130)	(5,193)	(3,478)	(11,801)
Changes due to change in credit risk	(715)	22,674	(614)	21,345
Other adjustments	(9)	(4)	-	(13)
	1,140	25,516	(1,548)	25,108
Unwinding of discount	-	-	(104)	(104)
Total charge to/(write-back from) income statement	1,140	25,516	(1,652)	25,004
At 31 March 2021	9,722	36,512	3,109	49,343

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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26. OTHER LIABILITIES (CONT'D)

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

GROUP	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
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

BANK	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
At 1 April 2020	7,471	7,555	4,761	19,787
Transfer to Stage 1	2,258	(6,408)	(101)	(4,251)
Transfer to Stage 2	(1,115)	10,727	(98)	9,514
Transfer to Stage 3	-	(355)	1,125	770
New financial assets originated or purchased	2,891	4,059	-	6,950
Financial assets derecognised other than write-off	(2,717)	(4,084)	(1,860)	(8,661)
Changes due to change in credit risk	(723)	3,529	(614)	2,192
Other adjustments	(9)	(3)	-	(12)
	585	7,465	(1,548)	6,502
Unwinding of discount	-	-	(104)	(104)
Total charge to/(write-back from) income statement	585	7,465	(1,652)	6,398
At 31 March 2021	8,056	15,020	3,109	26,185

26. OTHER LIABILITIES (CONTD)

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

BANK	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
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

Note:

- (a) As at 31 March 2021, the Group's and the Bank's gross exposure of commitments and contingencies that are credit impaired was at RM14,824,000 and RM12,152,000 (2020: RM8,829,000 and RM7,820,000) respectively.
- (b) The transfer between stages are inclusive of net remeasurement of allowances.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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27. SUBORDINATED OBLIGATIONS

	Note	GROUP		BANK	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 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	-	921,748
RM300 million Sub-MTNs	(b)	-	304,876	-	304,823
RM400 million Sub-MTNs	(c)	405,232	-	404,709	-
RM350 million Sub-MTNs	(d)	355,684	-	355,684	-
RM450 million Sub-MTNs	(e)	457,789	-	457,789	-
RM150 million Additional Tier I Capital Securities	(f)	153,572	153,568	153,405	153,308
RM100 million Additional Tier I Capital Securities	(g)	100,391	100,375	100,391	100,375
RM100 million Additional Tier I Sukuk Wakalah	(h)	100,050	40,013	-	-
		1,572,718	1,520,637	1,471,978	1,480,254

(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		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At cost	-	900,000	-	900,000
Accumulated unaccreted discount	-	(171)	-	(228)
Interest accrued	-	21,976	-	21,976
	-	921,805	-	921,748

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

27. SUBORDINATED OBLIGATIONS (CONTD)

(a) RM900 million Sub-MTNs (cont'd)

(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.

The Bank has fully redeemed its RM900 million Sub-MTNs on 27 October 2020.

(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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At cost	-	300,000	-	300,000
Accumulated unaccreted discount	-	-	-	(53)
Interest accrued	-	4,876	-	4,876
	-	304,876	-	304,823

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.

The Bank has fully redeemed its RM300 million Sub-MTNs on 18 December 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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27. SUBORDINATED OBLIGATIONS (CONT'D)

(c) RM400 million Sub-MTNs

On 27 October 2020, the Bank issued RM400 million Sub-MTNs under the RM2.0 billion Sub-MTN Programme.

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At cost	400,000	-	400,000	-
Accumulated unaccrued discount	(923)	-	(1,446)	-
Interest accrued	6,155	-	6,155	-
	405,232	-	404,709	-

The Sub-MTNs have been assigned a long term rating of A2 by RAM Rating Services Berhad.

The coupon rate for the Sub-MTNs is fixed at 3.60% per annum, payable semi-annually throughout the entire tenure.

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

- (i) Issue date: 27 October 2020
- (ii) Tenure of the facility/issue: 10 years from the issue date and callable five (5) years after issue date
- (iii) Maturity date: 25 October 2030
- (iv) Interest rate/coupon: 3.60% per annum, payable semi-annually in arrears
- (v) Call date: 27 October 2025 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 (CONTD)

(d) RM350 million Sub-MTNs

On 27 October 2020, the Bank issued RM350 million Sub-MTNs under the RM2.0 billion Sub-MTN Programme.

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At cost	350,000	-	350,000	-
Interest accrued	5,684	-	5,684	-
	355,684	-	355,684	-

The Sub-MTNs have been assigned a long term rating of A2 by RAM Rating Services Berhad.

The coupon rate for the Sub-MTNs is fixed at 3.80% per annum, payable semi-annually throughout the entire tenure.

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

- (i) Issue date: 27 October 2020
- (ii) Tenure of the facility/issue: 12 years from the issue date and callable seven (7) years after issue date
- (iii) Maturity date: 27 October 2032
- (iv) Interest rate/coupon: 3.80% per annum, payable semi-annually in arrears
- (v) Call date: 27 October 2027 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)

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27. SUBORDINATED OBLIGATIONS (CONT'D)

(e) RM450 million Sub-MTNs

On 27 October 2020, the Bank issued RM450 million Sub-MTNs under the RM2.0 billion Sub-MTN Programme.

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At cost	450,000	-	450,000	-
Interest accrued	7,789	-	7,789	-
	457,789	-	457,789	-

The Sub-MTNs have been assigned a long term rating of A2 by RAM Rating Services Berhad.

The coupon rate for the Sub-MTNs is fixed at 4.05% per annum, payable semi-annually throughout the entire tenure.

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

- (i) Issue date: 27 October 2020
- (ii) Tenure of the facility/issue: 15 years from the issue date and callable ten (10) years after issue date
- (iii) Maturity date: 26 October 2035
- (iv) Interest rate/coupon: 4.05% per annum, payable semi-annually in arrears
- (v) Call date: 28 October 2030 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 (CONTD)

- (f) RM150 million Additional Tier 1 Capital Securities

On 8 November 2017, the Bank issued RM150 million Additional Tier 1 Capital Securities under the RM1.0 billion Additional Tier 1 Capital Securities Programme.

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At cost	150,000	150,000	150,000	150,000
Accumulated unaccreted discount	(101)	(156)	(268)	(416)
Interest accrued	3,673	3,724	3,673	3,724
	153,572	153,568	153,405	153,308

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: Perpetual 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.

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27. SUBORDINATED OBLIGATIONS (CONT'D)

(g) RM100 million Additional Tier 1 Capital Securities

On 8 March 2019, the Bank issued RM100 million Additional Tier 1 Capital Securities under the RM1.0 billion Additional Tier 1 Capital Securities Programme.

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At cost	100,000	100,000	100,000	100,000
Interest accrued	391	375	391	375
	100,391	100,375	100,391	100,375

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: Perpetual 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.

27. SUBORDINATED OBLIGATIONS (CONTD)

(h) RM100 million Additional Tier 1 Sukuk Wakalah

On 29 March 2019, Alliance Islamic Bank Berhad, a wholly-owned subsidiary of the Bank issued RM100.0 million Islamic Additional Tier 1 Sukuk Wakalah (“AT1 Sukuk”) of RM100.0 million in nominal value (“AT1 Sukuk Issuance”) pursuant to Alliance Islamic’s Sukuk Programme.

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At cost	100,000	40,000	-	-
Interest accrued	50	13	-	-
	100,050	40,013	-	-

The AT1 Sukuk has been assigned a long term rating of BBB1 by RAM Rating Services Berhad.

The main features of the capital securities are as follows:

- (i) Issue date: 29 March 2019
- (ii) Tenure of the facility/issue: Perpetual Non-callable five (5) years
- (iii) Maturity date: 29 March 2024
- (iv) Coupon rate: 5.95% per annum, payable semi-annually
- (v) Call date: 29 March 2024 and thereafter on every distribution payment date
- (vi) 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.
- (vii) Upon the occurrence 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

GROUP/BANK	2021		2020	
	Number of ordinary shares '000	RM'000	Number of ordinary shares '000	RM'000
Ordinary shares issued and fully paid: At 1 April/31 March	1,548,106	1,548,106	1,548,106	1,548,106

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29. RESERVES

	Note	GROUP		BANK	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<u>Non-distributable:</u>					
Regulatory reserves	(a)	86,440	224,579	80,006	182,292
Capital reserves	(b)	100,150	100,150	15,515	15,515
FVOCI reserves	(c)	51,320	141,312	(4,907)	79,834
		237,910	466,041	90,614	277,641
<u>Distributable:</u>					
Retained profits		4,471,771	3,974,847	3,985,966	3,346,890
		4,709,681	4,440,888	4,076,580	3,624,531

Note:

- (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.

30. INTEREST INCOME

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Loans, advances and financing	1,392,203	1,647,131	1,367,348	1,614,037
Money at call and deposit placements with financial institutions	30,612	13,905	32,683	15,934
Financial investments at fair value through other comprehensive income	320,203	318,454	286,130	292,218
Financial investments at amortised cost	38,640	6,818	45,790	12,866
Others	638	364	638	364
	1,782,296	1,986,672	1,732,589	1,935,419
Accretion of discount less amortisation of premium	11,125	83,215	11,282	83,950
	1,793,421	2,069,887	1,743,871	2,019,369

30. INTEREST INCOME (CONTD)

Note:

- (a) 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 RM6,590,000 (2020: RM7,055,000).
- (b) During the financial year, the Group and the Bank granted an automatic moratorium on certain financing repayments/payments (except for credit card balances), by individuals and SMEs for a period of six months from 1 April 2020. In addition, the Group and the Bank also granted Payment Relief Assistance after the automatic moratorium ended. The automatic moratorium and Payment Relief Assistance were applicable to financing that are not in arrears exceeding 90 days and denominated in Malaysian Ringgit. This measure was to assist borrowers experiencing temporary financial constraints due to the COVID-19 pandemic. As a result of the payment moratorium, the Group and the Bank recognised a modification loss of RM32,373,000 arising from the modification of contractual cash flows of the financing.

The Group and the Bank also received a government financing scheme for the purpose of on lending/financing to SMEs at below market/concession rate. The lending/financing by the Group and the Bank is to provide support for SMEs in sustaining business operations, safeguard jobs and encourage domestic investments during the COVID-19 pandemic. The benefit arising from the government financing scheme amounting to RM37,944,000 for the Group and the Bank respectively are applied to address the financial and accounting impact incurred for COVID-19 related relief measures.

31. INTEREST EXPENSE

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deposits and placements of banks and other financial institutions	18,013	33,178	9,647	14,977
Deposits from customers	653,548	946,241	645,231	921,624
Recourse obligations on loans and financing sold to Cagamas	13,591	13,627	13,591	13,627
Subordinated obligations	76,971	84,538	77,248	84,732
Lease liabilities	6,741	6,577	6,738	6,572
Others	7,901	4,892	7,901	4,892
	776,765	1,089,053	760,356	1,046,424

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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32. NET INCOME FROM ISLAMIC BANKING BUSINESS

	GROUP	
	2021 RM'000	2020 RM'000
Income derived from investment of depositors' funds and others	607,850	647,244
Income derived from investment of Islamic Banking funds	63,093	64,966
Income attributable to the depositors and financial institutions	(292,443)	(334,314)
	378,500	377,896

Note:

- (a) 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.
- (b) During the financial year, the Group granted an automatic moratorium on certain financing repayments/payments, by individuals and SMEs for a period of six months from 1 April 2020. In addition, the Group also granted Payment Relief Assistance after the automatic moratorium ended. The automatic moratorium and Payment Relief Assistance were applicable to financing that are not in arrears exceeding 90 days and denominated in Malaysian Ringgit. This measure was to assist borrowers experiencing temporary financial constraints due to the COVID-19 pandemic. As a result of the payment moratorium, the Group recognised a modification loss of RM35,946,000 arising from the modification of contractual cash flows of the financing.

The Group also received a government financing scheme for the purpose of on lending/financing to SMEs at below market/concession rate. The lending/financing by the Group is to provide support for SMEs in sustaining business operations, safeguard jobs and encourage domestic investments during the COVID-19 pandemic. The benefit arising from the government financing scheme amounting to RM39,074,000 is applied to address the financial and accounting impact incurred for COVID-19 related relief measures.

33. OTHER OPERATING INCOME

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(a) <u>Fee and commission income:</u>				
Commissions	99,845	93,500	99,845	93,500
Service charges and fees	26,287	29,837	25,234	29,290
Corporate advisory fees	3,718	3,502	-	-
Underwriting commissions	1,484	2,205	-	-
Brokerage fees	69,186	26,558	-	-
Guarantee fees	13,738	14,704	13,711	14,678
Processing fees	4,417	9,604	2,540	7,710
Commitment fees	18,899	17,544	18,899	17,500
Cards related income	68,380	79,815	68,380	79,815
Other fee income	8,003	6,003	8,000	6,000
	313,957	283,272	236,609	248,493

33. OTHER OPERATING INCOME (CONTD)

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(b) <u>Fee and commission expense:</u>				
Commissions expense	(2,574)	(5,223)	(2,574)	(5,634)
Service charges and fees expense	(1,417)	(1,025)	(1,417)	(1,025)
Brokerage fees expense	(30,024)	(8,859)	(66)	(30)
Guarantee fees expense	(11,322)	(4,405)	(11,322)	(4,405)
Cards related expense	(66,286)	(67,606)	(66,286)	(67,606)
	(111,623)	(87,118)	(81,665)	(78,700)
(c) <u>Investment income:</u>				
Realised gain/(loss) arising from sale/redemption of:				
- Financial assets at fair value through profit or loss	10,405	15,481	10,405	15,361
- Financial investments at fair value through other comprehensive income	87,750	17,634	75,953	14,402
- Derivative instruments	186,423	(25,430)	186,423	(25,430)
- Other investments	(5)	5	(5)	5
Marked-to-market revaluation gain/(loss):				
- Financial assets at fair value through profit or loss	30,121	23,207	24,319	19,599
- Derivative instruments	(74,657)	63,991	(74,657)	63,991
- Financial liabilities designated at fair value through profit or loss	7,042	(11,742)	7,042	(11,742)
Gross dividend income from:				
- Financial assets at fair value through profit or loss	1,480	4,419	931	2,668
- Subsidiaries	-	-	238,929	48,031
	248,559	87,565	469,340	126,885
(d) <u>Other (expense)/income:</u>				
Foreign exchange (loss)/gain	(44,362)	22,712	(45,368)	22,343
Rental income	151	196	1,854	2,316
Gain on disposal of property, plant and equipment	-	5,319	-	5,319
Others	15,729	18,644	14,969	18,034
	(28,482)	46,871	(28,545)	48,012
Total other operating income	422,411	330,590	595,739	344,690

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34. OTHER OPERATING EXPENSES

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	396,117	398,200	297,234	302,135
- Contribution to EPF	64,150	64,472	48,426	49,103
- Others	51,390	53,402	35,268	41,224
	511,657	516,074	380,928	392,462
<u>Establishment costs</u>				
- Depreciation of property, plant and equipment	21,479	22,661	20,470	22,110
- Depreciation of right-of-use assets	25,363	24,259	25,319	24,213
- Amortisation of computer software	41,558	36,864	40,120	35,366
- Rental of premises	2,017	1,872	1,734	1,126
- Water and electricity	6,790	7,782	5,031	5,785
- Repairs and maintenance	10,154	9,969	7,988	7,868
- Information technology expenses	65,022	69,434	38,977	51,048
- Others	10,847	10,680	7,183	658
	183,230	183,521	146,822	148,174
<u>Marketing expenses</u>				
- Promotion and advertisement	15,509	11,489	13,682	9,339
- Branding and publicity	8,503	12,071	5,794	8,267
- Others	4,478	7,719	2,720	5,081
	28,490	31,279	22,196	22,687
<u>Administration and general expenses</u>				
- Communication expenses	13,107	10,835	9,718	8,113
- Printing and stationery	1,812	2,352	1,407	1,823
- Insurance	5,943	11,682	5,048	10,091
- Professional fees	36,072	27,472	28,426	20,666
- Others	20,347	23,804	21,970	17,213
	77,281	76,145	66,569	57,906
Total other operating expenses	800,658	807,019	616,515	621,229

Included in the other operating expenses are the following:

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Auditors' remuneration				
- statutory audit fees	1,999	1,763	1,583	1,345
- audit related fees	555	678	387	428
- tax compliance fees	106	106	56	56
- tax related services	426	360	393	331
Hire of equipment	1,176	1,434	1,176	1,434
Property, plant and equipment written-off	85	174	81	104
Computer software written-off	-	4,399	-	4,399

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

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Allowance for expected credit losses on:				
(a) Loans, advances and financing				
- Allowance made during the financial year	485,776	286,760	302,286	184,092
(b) Credit impaired loans, advances and financing				
- Recovered	(39,347)	(46,063)	(28,672)	(32,889)
- Written-off	59,273	36,820	37,455	22,389
(c) Commitments and contingencies on loans, advances and financing				
- Allowance made/(write-back) during the financial year	25,108	(8,076)	6,502	(8,599)
	530,810	269,441	317,571	164,993
Allowance for/(write-back of) expected credit losses on:				
- Amounts due from clients and brokers	(3)	3	-	-
- Other receivables	2,086	3,827	1,815	3,539
- Cash and short-term funds	19	(37)	19	(37)
- Deposits and placements with banks and other financial institutions	4	-	4	-
	532,916	273,234	319,409	168,495

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

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(a) Financial investments at fair value through other comprehensive income				
- Write-back during the financial year	(19)	(218)	(47)	(160)
(b) Financial investments at amortised cost				
- Allowance made/(write-back) during the financial year	115	37,215	(6)	23,156
	96	36,997	(53)	22,996

37. ALLOWANCE FOR IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Intangible assets - Goodwill	-	4,317	-	306

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38. TAXATION

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Income tax:				
Current financial year	200,992	159,856	156,207	122,548
Real property gain tax	-	183	-	183
Under/(over) provision in prior years	3,819	(47,647)	4,766	(32,675)
	204,811	112,392	160,973	90,056
Deferred tax (Note 17)				
Current financial year	(81,688)	(16,488)	(56,277)	(7,718)
Under provision in prior years	2,080	47,687	1,897	33,133
	(79,608)	31,199	(54,380)	25,415
	125,203	143,591	106,593	115,471

Income tax is calculated at the Malaysian statutory tax rate of 24% (2020: 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		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit before taxation	483,988	567,854	643,383	504,609
Taxation at Malaysian statutory tax rate of 24% (2020: 24%)	116,157	136,285	154,412	121,106
Income not subject to tax	(6,783)	(6,621)	(62,413)	(16,838)
Expenses not deductible for tax purposes	9,930	13,704	7,931	10,562
Real property gain tax	-	183	-	183
Under provision of tax expense in prior years	5,899	40	6,663	458
Tax expense for the financial year	125,203	143,591	106,593	115,471

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	
	2021	2020	2021	2020
Profit for the year attributable to equity holders of the Bank (RM'000)	358,785	424,263	536,790	389,138
Weighted average numbers of ordinary shares in issue ('000)	1,548,106	1,548,106	1,548,106	1,548,106
Basic earnings per share (sen)	23.2	27.4	34.7	25.1

(b) Diluted

For the purpose of calculating diluted earnings 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 2021 and 31 March 2020 respectively. As a result, the dilutive earnings per share equal to basic earnings per share for financial year ended 31 March 2021 and 31 March 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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40. DIVIDENDS

Dividends on Ordinary Shares:

	Dividend recognised during the financial year			
	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
First interim dividend				
6.0 sen per share, on 1,548,105,929 ordinary shares, declared in financial year ended 31 March 2020, was paid on 30 December 2019 to the shareholders.	-	92,886	-	92,886
Second interim dividend				
8.2 sen per share, on 1,548,105,929 ordinary shares, declared in financial year ended 31 March 2019, was paid on 27 June 2019 to the shareholders.	-	126,945	-	126,945
	-	219,831	-	219,831

Subsequent to the financial year end, on 31 May 2021, the Directors declared an interim dividend of 5.79 sen per share, on 1,548,105,929 ordinary shares amounting to approximately RM89,635,000 in respect of current financial year. The accompanying financial statements do not reflect this dividend. The dividend will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2022.

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.

41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD)

Significant related party transactions and balances as follows:

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(a) <u>Transactions</u>				
Interest income				
- subsidiaries	-	-	16,964	35,168
- key management personnel	14	43	14	19
Dividend income				
- subsidiaries	-	-	238,929	48,031
Management fees				
- subsidiaries	-	-	190	185
Rental income				
- subsidiaries	-	-	1,702	2,120
- joint venture	151	196	151	196
Other income				
- subsidiaries	-	-	-	17
Other operating expenses recharged				
- subsidiaries	-	-	123,533	124,833
- joint venture	149	149	149	149
Interest expenses				
- subsidiaries	-	-	(28)	(40)
- joint venture	(39)	(55)	-	-
- key management personnel	(421)	(627)	(230)	(525)
- substantial shareholders	(1)	(2)	(1)	(2)
Other operating expenses				
- subsidiaries	-	-	(9,540)	(507)
- joint venture/other related company [Note (a)]	(2,152)	(2,696)	(902)	(1,159)
Commission paid				
- subsidiaries	-	-	(21,466)	(20,322)

Note:

(a) The Group and the Bank have paid RM2,414,000 and RM1,023,000 (2020: RM2,614,000 and RM1,124,000) respectively 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) Other than transactions with joint venture company, all intercompany transactions are conducted in Malaysia.

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

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

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(b) Balances				
Financial investments at fair value through other comprehensive income				
- subsidiaries	-	-	-	501,083
Financial investments at amortised cost				
- subsidiaries	-	-	130,059	130,039
Loans, advances and financing				
- key management personnel	2,676	2,122	776	691
Money at call and deposit placements with financial institutions				
- subsidiaries	-	-	67,653	92,286
Other assets				
- subsidiaries	-	-	32,397	18,680
- joint venture	194	171	323	309
Deposits from customers				
- subsidiaries	-	-	(173,410)	(32,865)
- joint venture	(2,575)	(2,221)	(472)	(18)
- key management personnel	(23,602)	(12,837)	(14,541)	(9,739)
- substantial shareholders	(709)	(697)	(709)	(697)
Financial liabilities designated at fair value through profit or loss				
- key management personnel	(100)	(1,430)	(100)	(1,430)
Other liabilities				
- subsidiaries	-	-	(8,491)	(300)
- joint venture	(129)	-	-	-

41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD)

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

(c) Compensation of key management personnel

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

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CEOs and other Key Management:				
- Salary and other remuneration	26,562	29,978	24,688	27,187
- Contribution to EPF	3,797	4,183	3,526	3,780
- Benefits-in-kind	104	291	100	247
	30,463	34,452	28,314	31,214
Non-executive Directors:				
- Fees payable	2,475	2,412	1,595	1,670
- Allowances	715	642	474	466
- Benefits-in-kind	31	31	31	31
	3,221	3,085	2,100	2,167
Included in the total key management personnel are: CEOs and Non-executive Directors' remuneration, excluding past CEO and non-executive Directors (Note 43)	12,106	12,581	8,835	8,425

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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 (cont'd)

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

Group	Number	2021		Number	Deferred RM'000	2020		Number	Deferred RM'000
		Unrestricted RM'000	Number			Unrestricted RM'000	Number		
<u>Fixed remuneration</u>									
Cash		23,801			-	25,711			-
<u>Variable remuneration</u>									
Cash	18	6,670	19	3,213	22	6,652	19	5,174	
		30,471		3,213		32,363		5,174	

Bank	Number	2021		Number	Deferred RM'000	2020		Number	Deferred RM'000
		Unrestricted RM'000	Number			Unrestricted RM'000	Number		
<u>Fixed remuneration</u>									
Cash		21,199			-	22,456			-
<u>Variable remuneration</u>									
Cash	16	6,122	17	3,093	20	6,103	17	4,822	
		27,321		3,093		28,559		4,822	

42. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	BANK	
	2021	2020
	RM'000	RM'000
Outstanding credit exposures with connected parties	329,573	11,378
of which:		
Total credit exposure which is impaired or in default	206	241
Total credit exposures	48,187,666	48,581,617
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	0.68%	0.02%
- 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.

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43. CEOs AND DIRECTORS' REMUNERATION

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

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Chief Executive Officers:				
- Salary and other remuneration	5,774	6,411	4,448	4,169
- Bonuses	1,928	1,772	1,380	1,223
- Contribution to EPF	1,093	1,163	821	760
- Benefits-in-kind	90	150	86	106
	8,885	9,496	6,735	6,258
Non-executive Directors:				
- Fees payable	2,475	2,412	1,595	1,670
- Allowances	715	642	474	466
- Benefits-in-kind	31	31	31	31
	3,221	3,085	2,100	2,167
	12,106	12,581	8,835	8,425
Past Chief Executive Officer:				
- Salary and other remuneration	235	-	-	-
- Bonuses	700	-	-	-
- Contribution to EPF	118	-	-	-
- Benefits-in-kind	3	-	-	-
	1,056	-	-	-
Past Non-executive Directors:				
- Fees payable	74	381	74	158
- Allowances	37	101	35	60
	111	482	109	218
	1,167	482	109	218
	13,273	13,063	8,944	8,643
Total CEOs and Directors' remuneration excluding benefits-in-kind	13,149	12,882	8,827	8,506

Note:

- (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 RM87,000 (2020: RM92,000 and RM84,000) respectively.

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:

GROUP 2021	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees payable RM'000	Allowances RM'000	Benefits- in-kind RM'000	Total RM'000
<u>Chief Executive Officers:</u>							
Joel Kornreich	4,448	1,380	821	-	-	86	6,735
Ng Chow Hon	551	244	117	-	-	3	915
Rizal IL-Ehzan Bin Fadil Azim	775	304	155	-	-	1	1,235
	5,774	1,928	1,093	-	-	90	8,885
<u>Non-executive Directors:</u>							
Tan Sri Dato' Ahmad Bin Mohd Don	-	-	-	285	41	31	357
Lee Ah Boon	-	-	-	385	86	-	471
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	405	100	-	505
Lee Boon Huat	-	-	-	205	80	-	285
Ho Hon Cheong	-	-	-	190	75	-	265
Tan Chian Khong	-	-	-	199	60	-	259
Susan Yuen Su Min	-	-	-	170	41	-	211
Lum Piew	-	-	-	116	35	-	151
Datin Ooi Swee Lian	-	-	-	90	26	-	116
Mazidah Binti Abdul Malik	-	-	-	125	62	-	187
Dato' Ahmad Hisham Bin Kamaruddin	-	-	-	90	25	-	115
Ibrahim Bin Hassan	-	-	-	125	60	-	185
Tuan Haji Rustam bin Mohd Idris	-	-	-	90	24	-	114
	-	-	-	2,475	715	31	3,221
<u>Past Chief Executive Officer:</u>							
Mahesh s/o Shri Pranlal Rupawalla	235	700	118	-	-	3	1,056
	235	700	118	-	-	3	1,056
<u>Past Non-executive Directors:</u>							
Hj Md Ali bin Md Sarif	-	-	-	-	2	-	2
Thayaparan S Sangarapillai	-	-	-	74	35	-	109
	-	-	-	74	37	-	111
Total CEOs and Directors' remuneration	6,009	2,628	1,211	2,549	752	124	13,273

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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 2020	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees payable RM'000	Allowances RM'000	Benefits- in-kind RM'000	Total RM'000
<u>Chief Executive Officers:</u>							
Joel Kornreich	4,169	1,223	760	-	-	106	6,258
Mahesh s/o Shri Prantlal 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
<u>Non-executive Directors:</u>							
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
Thayqaran 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
<u>Past Non-executive Directors:</u>							
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 CEO and Directors of the Group and the Bank are as follows: (cont'd)

BANK 2021	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees payable RM'000	Allowances RM'000	Benefits- in-kind RM'000	Total RM'000
<u>Chief Executive Officer:</u>							
Joel Kornreich	4,448	1,380	821	-	-	86	6,735
	4,448	1,380	821	-	-	86	6,735
<u>Non-executive Directors:</u>							
Tan Sri Dato' Ahmad Bin Mohd Don	-	-	-	285	41	31	357
Lee Ah Boon	-	-	-	205	62	-	267
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	225	80	-	305
Lee Boon Huat	-	-	-	205	80	-	285
Ho Hon Cheong	-	-	-	190	75	-	265
Tan Chian Khong	-	-	-	199	60	-	259
Susan Yuen Su Min	-	-	-	170	41	-	211
Lum Piew	-	-	-	116	35	-	151
	-	-	-	1,595	474	31	2,100
<u>Past Non-executive Directors:</u>							
Thayaparan S Sangarapillai	-	-	-	74	35	-	109
	-	-	-	74	35	-	109
Total CEO and Directors' remuneration	4,448	1,380	821	1,669	509	117	8,944

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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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: (cont'd)

BANK 2020	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees payable RM'000	Allowances RM'000	Benefits- in-kind RM'000	Total RM'000
<u>Chief Executive Officer:</u>							
Joel Kornreich	4,169	1,223	760	-	-	106	6,258
	4,169	1,223	760	-	-	106	6,258
<u>Non-executive Directors:</u>							
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
<u>Past Non-executive Directors:</u>							
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

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 46 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Credit risk exposure: on-balance sheet				
Cash and short-term funds (exclude cash in hand)	2,767,605	2,585,762	1,458,603	1,955,075
Deposits and placements with banks and other financial institutions	41,477	-	41,477	-
Amounts due from clients and brokers	105,041	51,165	-	-
Financial assets at fair value through profit or loss (exclude equity securities)	13,246	447,954	13,246	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	10,424,654	11,544,502	7,303,851	8,426,773
Financial investments at amortised cost	2,270,504	121,299	2,294,765	170,405
Derivative financial assets	153,735	436,910	153,735	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	43,140,136	43,009,077	32,286,138	32,095,529
Statutory deposits	88,012	949,049	69,574	700,355
Other assets (exclude prepayment)	256,865	230,127	316,196	237,409
	59,261,275	59,375,845	43,937,585	44,470,410
Credit risk exposure: off-balance sheet				
Financial guarantees	686,519	939,774	509,947	728,140
Credit related commitments and contingencies	12,534,048	12,548,134	9,980,105	9,932,693
	13,220,567	13,487,908	10,490,052	10,660,833
Total maximum exposure	72,481,842	72,863,753	54,427,637	55,131,243

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 2021	Financial, Insurance, Business Services and Real Estate						Construction RM'000	Household RM'000	Others RM'000	Total RM'000
	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 and Retail Trade RM'000	Construction RM'000	Household RM'000				
Cash and short-term funds (exclude cash in hand)	2,405,723	361,882	-	-	-	-	-	-	-	2,767,605
Deposits and placements with banks and other financial institutions	-	41,477	-	-	-	-	-	-	-	41,477
Amounts due from clients and brokers	-	-	-	-	-	-	-	105,041	-	105,041
Financial assets at fair value through profit or loss (exclude equity securities)	13,246	-	-	-	-	-	-	-	-	13,246
Financial investments at fair value through other comprehensive income (exclude equity securities)	3,659,990	2,664,134	2,702,952	443,069	954,509	-	-	-	-	10,424,654
Financial investments at amortised cost	472,725	100,576	1,316,188	-	360,507	-	-	20,508	60,347	2,270,504
Derivative financial assets	-	93,388	-	-	-	-	-	-	-	153,735
Loans, advances and financing (exclude sales commissions and handling fees)	-	4,719,184	704,285	13,334,176	1,314,799	22,699,491	368,201	-	-	43,140,136
Statutory deposits	88,012	-	-	-	-	-	-	-	-	88,012
Other assets (exclude prepayment)	-	194	-	-	-	-	-	256,671	-	256,865
	6,639,696	7,980,835	4,723,425	13,777,245	2,629,815	22,699,491	810,768	810,768	59,261,275	
Financial guarantees	-	187,314	12,302	406,717	67,079	5,050	8,057	-	-	686,519
Credit related commitments and contingencies	20,800	1,339,628	129,927	5,456,519	1,581,149	3,896,996	109,029	-	-	12,534,048
	20,800	1,526,942	142,229	5,863,236	1,648,228	3,902,046	117,086	117,086	13,220,567	
Total credit risk	6,660,496	9,507,777	4,865,654	19,640,481	4,278,043	26,601,537	927,854	927,854	72,481,842	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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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 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 and 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)

BANK 2021	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 and 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)	1,032,600	426,003	-	-	-	-	-	1,458,603
Deposits and placements with banks and other financial institutions	-	41,477	-	-	-	-	-	41,477
Financial assets at fair value through profit or loss (exclude equity securities)	13,246	-	-	-	-	-	-	13,246
Financial investments at fair value through other comprehensive income (exclude equity securities)	3,093,593	1,777,177	1,635,555	341,073	456,453	-	-	7,303,851
Financial investments at amortised cost	451,894	337,306	1,155,336	-	329,721	-	20,508	2,294,765
Derivative financial assets	-	93,388	-	-	-	-	60,347	153,735
Loans, advances and financing (exclude sales commissions and handling fees)	-	3,621,970	562,001	10,197,968	1,040,154	16,574,709	289,336	32,286,138
Statutory deposits	69,574	-	-	-	-	-	-	69,574
Other assets (exclude prepayment)	-	323	-	-	-	-	315,873	316,196
	4,660,907	6,297,644	3,352,892	10,539,041	1,826,328	16,574,709	686,064	43,937,585
Financial guarantees	-	95,299	7,185	349,239	45,217	5,028	7,979	509,947
Credit related commitments and contingencies	20,800	1,081,272	96,058	3,954,429	1,404,039	3,327,567	95,940	9,980,105
	20,800	1,176,571	103,243	4,303,668	1,449,256	3,332,595	103,919	10,490,052
Total credit risk	4,681,707	7,474,215	3,456,135	14,842,709	3,275,584	19,907,304	789,983	54,427,637

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31 MARCH 2021

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	Financial, Insurance, Business and Services and Real Estate						Total RM'000	
	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 and Retail Trade RM'000	Construction RM'000	Household RM'000		Others 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)

(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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Gross loans, advances and financing	44,147,342	43,668,345	32,952,737	32,554,772
Less: Allowance for expected credit losses	(1,007,206)	(659,268)	(666,599)	(459,243)
Net loans, advances and financing	43,140,136	43,009,077	32,286,138	32,095,529
Percentage of collateral held for loans, advances and financing	73.0%	71.6%	73.7%	72.2%

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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.

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 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:

MEV (% Year on Year)	Weighted Average Forecast		
	2023 %	2022 %	2021 %
GDP Growth Rate	4.1	5.3	5.0
Producer Price Index	2.3	3.7	2.0
Consumer Price Index	2.3	2.9	2.5
Credit Consumption	2.1	1.7	1.1
Unemployment Rates	3.6	3.8	4.5
House Price Index	3.6	3.9	1.0

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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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 statement 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 statement of income as gain or loss on derecognition.

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 commitment and contingencies by the below categories:

Credit Quality	Credit Grading Scorecard	Customer Rating	Definition
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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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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 2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>Cash and short-term funds</u> <u>(exclude cash in hand)</u>				
Investment graded	358,289	-	-	358,289
Non-investment graded	81	-	-	81
Sovereign/Government backed	2,405,723	-	-	2,405,723
Unrated	3,532	-	-	3,532
Gross carrying amount	2,767,625	-	-	2,767,625
Expected credit losses	(20)	-	-	(20)
Net carrying amount	2,767,605	-	-	2,767,605
<u>Deposits and placements with</u> <u>banks and other financial institutions</u>				
Investment graded	41,481	-	-	41,481
Gross carrying amount	41,481	-	-	41,481
Expected credit losses	(4)	-	-	(4)
Net carrying amount	41,477	-	-	41,477
<u>Financial investments at fair value</u> <u>through other comprehensive</u> <u>income (exclude equity securities)</u>				
Investment graded	2,705,294	169,938	-	2,875,232
Sovereign/Government backed	7,549,422	-	-	7,549,422
Gross carrying amount	10,254,716	169,938	-	10,424,654
Expected credit losses [Note]	(96)	(231)	-	(327)
<u>Financial investments at</u> <u>amortised cost</u>				
Sovereign/Government backed	2,149,419	-	-	2,149,419
Unrated	121,492	-	-	121,492
Credit impaired	-	-	846	846
Gross carrying amount	2,270,911	-	846	2,271,757
Expected credit losses	(423)	-	(830)	(1,253)
Net carrying amount	2,270,488	-	16	2,270,504

Note:

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

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

GROUP 2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>Loans, advances and financing</u>				
Low	26,262,872	830,978	-	27,093,850
Medium	9,246,201	2,615,624	-	11,861,825
High	1,561,657	1,254,371	-	2,816,028
Unrated	903,605	439,598	-	1,343,203
Credit impaired	-	-	1,032,436	1,032,436
Gross carrying amount	37,974,335	5,140,571	1,032,436	44,147,342
Expected credit losses	(231,025)	(498,776)	(277,405)	(1,007,206)
Net carrying amount	37,743,310	4,641,795	755,031	43,140,136
<u>Statutory deposit</u>				
Sovereign/Government backed	88,012	-	-	88,012
Gross carrying amount	88,012	-	-	88,012
Expected credit losses	-	-	-	-
Net carrying amount	88,012	-	-	88,012
<u>Credit related commitments and contingencies</u>				
Low	9,089,370	472,442	-	9,561,812
Medium	2,261,265	723,741	-	2,985,006
High	133,188	57,289	-	190,477
Unrated	466,710	1,737	-	468,447
Credit impaired	-	-	14,825	14,825
Gross carrying amount	11,950,533	1,255,209	14,825	13,220,567
Expected credit losses	(9,722)	(36,512)	(3,109)	(49,343)
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
<u>Amounts due from clients and brokers</u>				
Gross carrying amount	104,929	112	-	105,041
Expected credit losses	-	-	-	-
Net carrying amount	104,929	112	-	105,041
<u>Other assets (exclude prepayment)</u>				
Gross carrying amount		256,865	40,281	297,146
Expected credit losses		-	(40,281)	(40,281)
Net carrying amount		256,865	-	256,865

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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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
<u>Cash and short-term funds</u> (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
<u>Financial investments at fair value</u> 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]	(138)	(208)	-	(346)
<u>Financial investments at</u> <u>amortised cost</u>				
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
<u>Loans, advances and financing</u>				
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:

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

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
<u>Statutory deposit</u>				
Sovereign/Government backed	949,049	-	-	949,049
Gross carrying amount	949,049	-	-	949,049
Expected credit losses	-	-	-	-
Net carrying amount	949,049	-	-	949,049
<u>Credit related commitments and contingencies</u>				
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
<u>Amounts due from clients and brokers</u>				
Gross carrying amount	50,710	455	3	51,168
Expected credit losses	-	-	(3)	(3)
Net carrying amount	50,710	455	-	51,165
<u>Other assets (exclude prepayment)</u>				
Gross carrying amount		230,127	38,212	268,339
Expected credit losses		-	(38,212)	(38,212)
Net carrying amount		230,127	-	230,127

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

BANK 2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>Cash and short-term funds</u> (exclude cash in hand)				
Investment graded	425,943	-	-	425,943
Non-investment graded	81	-	-	81
Sovereign/Government backed	1,032,600	-	-	1,032,600
Gross carrying amount	1,458,624	-	-	1,458,624
Expected credit losses	(20)	-	-	(20)
Net carrying amount	1,458,604	-	-	1,458,604
<u>Deposits and placements with banks</u> <u>and other financial institutions</u>				
Investment graded	41,481	-	-	41,481
Gross carrying amount	41,481	-	-	41,481
Expected credit losses	(4)	-	-	(4)
Net carrying amount	41,477	-	-	41,477
<u>Financial investments at fair value</u> <u>through other comprehensive</u> <u>income (exclude equity securities)</u>				
Investment graded	1,800,589	103,170	-	1,903,759
Sovereign/Government backed	5,400,092	-	-	5,400,092
Gross carrying amount	7,200,681	103,170	-	7,303,851
Expected credit losses [Note]	(61)	(114)	-	(175)
<u>Financial investments at</u> <u>amortised cost</u>				
Investment graded	317,463	-	-	317,463
Sovereign/Government backed	1,936,950	-	-	1,936,950
Unrated	40,718	-	-	40,718
Credit impaired	-	-	556	556
Gross carrying amount	2,295,131	-	556	2,295,687
Expected credit losses	(366)	-	(556)	(922)
Net carrying amount	2,294,765	-	-	2,294,765

Note:

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

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

BANK 2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>Loans, advances and financing</u>				
Low	20,336,530	632,116	-	20,968,646
Medium	6,386,680	2,054,626	-	8,441,306
High	1,136,616	903,779	-	2,040,395
Unrated	535,950	230,872	-	766,822
Credit impaired	-	-	735,568	735,568
Gross carrying amount	28,395,776	3,821,393	735,568	32,952,737
Expected credit losses	(154,241)	(314,669)	(197,689)	(666,599)
Net carrying amount	28,241,535	3,506,724	537,879	32,286,138
<u>Statutory deposit</u>				
Sovereign/Government backed	69,574	-	-	69,574
Gross carrying amount	69,574	-	-	69,574
Expected credit losses	-	-	-	-
Net carrying amount	69,574	-	-	69,574
<u>Credit related commitments and contingencies</u>				
Low	7,269,185	408,729	-	7,677,914
Medium	1,664,946	567,913	-	2,232,859
High	98,180	34,148	-	132,328
Unrated	433,064	1,735	-	434,799
Credit impaired	-	-	12,152	12,152
Gross carrying amount	9,465,375	1,012,525	12,152	10,490,052
Expected credit losses	(8,056)	(15,020)	(3,109)	(26,185)
Simplified Approach				
<u>Other assets (exclude prepayment)</u>				
Gross carrying amount	316,197	34,941	-	351,138
Expected credit losses	-	(34,941)	-	(34,941)
Net carrying amount	316,197	-	-	316,197

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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
<u>Cash and short-term funds</u> (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
<u>Financial investments at fair value</u> <u>through other comprehensive</u> <u>income (exclude equity securities)</u>				
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]	(71)	(151)	-	(222)
<u>Financial investments at</u> <u>amortised cost</u>				
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:

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

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
<u>Loans, advances and financing</u>				
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
<u>Statutory deposit</u>				
Sovereign/Government backed	700,355	-	-	700,355
Gross carrying amount	700,355	-	-	700,355
Expected credit losses	-	-	-	-
Net carrying amount	700,355	-	-	700,355
<u>Credit related commitments and contingencies</u>				
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
<u>Other assets (exclude prepayment)</u>				
Gross carrying amount		237,409	33,143	270,552
Expected credit losses		-	(33,143)	(33,143)
Net carrying amount		237,409	-	237,409

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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:

2021 Measurement variables		GROUP		BANK	
		+	-	+	-
		RM'000	RM'000	RM'000	RM'000
Retail	MEV Change (%)				
House price index	9.2	(22,179)	35,274	(12,948)	21,635
Consumption credit	132.1	5,022	(5,065)	3,109	(3,161)
Consumer price index	4.0	7,162	(8,331)	4,506	(5,683)
Unemployment rate	13.8	6,215	(6,347)	3,730	(3,858)
Non-retail	Percentage Point Change (%)				
GDP growth	4.0	(11,034)	23,971	(7,964)	17,031
2020					
Measurement variables		GROUP		BANK	
		+	-	+	-
		RM'000	RM'000	RM'000	RM'000
Retail	MEV Change (%)				
House price index	9.8	(17,003)	30,744	(11,414)	21,370
Consumption credit	114.1	8,714	(8,614)	6,955	(6,910)
Consumer price index	4.2	5,346	(5,570)	2,385	(2,592)
Unemployment rate	7.5	4,238	(4,296)	2,986	(3,018)
Non-retail	Percentage Point Change (%)				
GDP growth	2.7	(6,669)	23,628	(5,166)	18,212

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(viii) COVID-19 customer relief and support measures (cont'd)

The table below summarised the status for borrowers that were under relief and support measures for retail and non-retail customers as at 31 March 2021: (cont'd)

	Retail			Non-Retail		
	Mortgage RM'000	Hire purchase RM'000	Personal financing RM'000	Total RM'000	Total RM'000	Total RM'000
BANK						
Total payment moratoriums, repayment assistance, rescheduling and restructuring ("R&R") granted	10,212,781	41,852	804,251	11,058,884	8,378,633	19,437,517
Resume payment	9,592,313	32,150	705,080	10,329,543	8,044,029	18,373,572
Missed payment	620,468	9,702	99,171	729,341	334,604	1,063,945
As a percentage of total:						
Resume payment	94%	77%	88%	93%	96%	95%
Missed payment	6%	23%	12%	7%	4%	5%
	100%	100%	100%	100%	100%	100%

(ix) Overlays and adjustments for expected credit losses ("ECL") amid COVID-19 environment

As the current MFRS 9 models are not expected to generate levels of ECL with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECLs for the year ended and as at 31 March 2021.

These overlays and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults when the various relief and support measures are expiring in 2021.

The overlays and post-model adjustments involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward looking assessment for ECL estimation purposes.

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(ix) Overlays and adjustments for expected credit losses (“ECL”) amid COVID-19 environment (cont'd)

The borrowers and customers who have received repayment support remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 status. The overlays and post-model adjustments were generally made at portfolio level in determining the sufficient level of ECL.

The adjusted downside scenario assumes a continuous restrictive economic environment due to COVID-19, the impact of these post-model adjustments were estimated at portfolio level, remain outside the core MFRS 9 process and amounted to RM312,724,000 and RM189,141,000 as at 31 March 2021 for the Group and the Bank respectively.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

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

GROUP 2021	Non-trading book					Non-interest/ profit sensitive		Trading book RM'000	Total RM'000
	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	RM'000		
Assets									
Cash and short-term funds	2,429,446	-	-	-	-	-	658,799	-	3,088,245
Deposits and placements with banks and other financial institutions	-	41,481	-	-	-	-	(4)*	-	41,477
Amounts due from clients and brokers	6,180	-	-	-	-	-	98,861	-	105,041
Financial assets at fair value through profit or loss	-	-	-	-	-	-	224,676	13,246	237,922
Financial investments at fair value through other comprehensive income	400,615	60,306	130,854	442,607	4,099,927	5,187,169	103,191	-	10,424,669
Financial investments at amortised cost	10,000	-	100,000	-	1,620,670	519,952	19,882	-	2,270,504
Derivative financial assets	-	-	-	-	-	-	-	153,735	153,735
Loans, advances and financing	37,382,840	1,426,931	700,926	109,852	2,155,721	1,356,278	100,958**	-	43,233,506
Other financial assets***	-	-	-	-	-	34,265	310,612	-	344,877
Total financial assets	40,229,081	1,528,718	931,780	552,459	7,876,318	7,097,664	1,516,975	166,981	59,899,976

Note:

* Expected credit losses for deposits and placements with banks and other financial institutions are classified under the non-interest/profit sensitive column.

** Impaired loans/financing and expected credit losses 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	Non-trading book					Non-interest/profit sensitive		Trading book	Total
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	interest/profit sensitive		
2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities									
Deposits from customers	17,746,421	5,202,350	5,006,169	4,461,356	15,663,894	-	408,323	-	48,488,513
Deposits and placements of banks and other financial institutions	475,052	32,611	52,290	89,804	126,234	615,069	1,592	-	1,392,652
Financial liabilities designated at fair value through profit or loss	774	1,131	30,417	95,686	343,709	-	978	-	472,695
Amounts due to clients and brokers	-	-	-	-	-	-	63,416	-	63,416
Derivative financial liabilities	-	-	-	-	-	-	-	149,410	149,410
Recourse obligations on loans and financing sold to Cagamas	-	-	-	-	650,042	-	457	-	650,499
Lease liabilities	2,801	3,232	6,621	13,911	64,237	32,692	-	-	123,494
Subordinated obligations	-	-	-	-	748,977	800,000	23,741	-	1,572,718
Other financial liabilities	92,982	18,403	31,962	12,816	-	89,068	1,129,530	-	1,374,761
Total financial liabilities	18,318,030	5,257,727	5,127,459	4,673,573	17,597,093	1,536,829	1,628,037	149,410	54,288,158
On-balance sheet interest sensitivity gap	21,911,051	(3,729,009)	(4,195,679)	(4,121,114)	(9,720,775)	5,560,835	(111,062)	17,571	5,611,818

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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					Non- interest/ profit sensitive		Trading book RM'000	Total RM'000
	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	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

Note:

* Impaired loans/financing and expected credit losses 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 2020	← Non-trading book					→ Non-interest/profit sensitive			Trading book RM'000	Total RM'000
	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		
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	
Lease liabilities	3,073	5,019	7,422	12,524	76,309	25,876	-	-	130,223	
Subordinated obligations	-	-	-	1,199,829	289,844	-	30,964	-	1,520,637	
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	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

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

BANK 2021	← Non-trading book					Non- interest/ profit sensitive			Trading book RM'000	Total RM'000
	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	RM'000	RM'000		
Assets										
Cash and short-term funds	1,155,415	-	-	-	-	-	623,828	-	-	1,779,243
Deposits and placements with banks and other financial institutions	-	41,481	-	-	-	-	(4)*	-	-	41,477
Financial assets at fair value through profit or loss	-	-	-	-	-	-	154,482	13,246	-	167,728
Financial investments at fair value through other comprehensive income	315,462	55,287	130,854	234,567	2,480,518	4,013,954	73,224	-	-	7,303,866
Financial investments at amortised cost	10,000	-	20,000	-	1,593,771	654,075	16,919	-	-	2,294,765
Derivative financial assets	-	-	-	-	-	-	-	153,735	-	153,735
Loans, advances and financing	28,386,373	1,060,213	500,428	91,044	1,535,309	660,054	161,706**	-	-	32,395,127
Other financial assets***	-	-	-	-	-	72,788	312,982	-	-	385,770
Total financial assets	29,867,250	1,156,981	651,282	325,611	5,609,598	5,400,871	1,343,137	166,981	-	44,521,711

Note:

- * Expected credit losses for deposits and placements with banks and other financial institutions are classified under the non-interest/profit sensitive column.
- ** Impaired loans/financing and expected credit losses 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 2021	← Non-trading book					Non- interest/ profit sensitive			Trading book RM'000	Total RM'000
	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	RM'000	RM'000		
Liabilities										
Deposits from customers	13,575,441	3,776,785	3,604,825	3,860,360	11,148,778	-	184,127	-	-	36,150,316
Deposits and placements of banks and other financial institutions	9,870	18,902	33,264	48,874	52,873	495,024	570	-	-	659,377
Financial liabilities designated at fair value through profit or loss	774	1,131	30,417	95,686	343,709	-	978	-	-	472,695
Derivative financial liabilities	-	-	-	-	-	-	-	-	149,410	149,410
Recourse obligations on loans and financing sold to Cagamas	-	-	-	-	300,024	-	76	-	-	300,100
Lease liabilities	2,797	3,222	6,616	13,911	64,236	32,693	-	-	-	123,475
Subordinated obligations	-	-	-	-	648,286	800,000	23,692	-	-	1,471,978
Other financial liabilities	92,982	18,403	31,962	12,816	-	77,802	938,051	-	-	1,172,016
Total financial liabilities	13,681,864	3,818,443	3,707,084	4,031,647	12,557,906	1,405,519	1,147,494	149,410	40,499,367	
On-balance sheet interest sensitivity gap	16,185,386	(2,661,462)	(3,055,802)	(3,706,036)	(6,948,308)	3,995,352	195,643	17,571	4,022,344	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

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

BANK 2020	Up to 1 month RM'000	Non-trading book				Non- interest/ profit sensitive		Trading book RM'000	Total 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	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

Note:

* Impaired loans/financing and expected credit losses 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					Non- interest/ profit sensitive			Trading book RM'000	Total RM'000
	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	RM'000	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	
Lease liabilities	3,068	5,008	7,407	12,497	76,292	25,878	-	-	130,150	
Subordinated obligations	-	-	-	1,199,719	249,584	-	30,951	-	1,480,254	
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	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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 2021	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	296,600	1,802	3,700	1,104	2,133	5,724	311,063
Deposits and placements with banks and other financial institutions	41,481	-	-	-	-	-	41,481
Amounts due from clients and brokers	-	-	-	-	-	31	31
Loans, advances and financing	405,210	-	2,521	210	-	286	408,227
Other financial assets	11,874	-	-	12	389	-	12,275
Total financial assets	755,165	1,802	6,221	1,326	2,522	6,041	773,077
Liabilities							
Deposits from customers	478,062	30,894	33,074	164,783	79,040	34,417	820,270
Deposits and placements of banks and other financial institutions	49	-	-	-	-	2,215	2,264
Amounts due to clients and brokers	1,032	-	-	4	2	81	1,119
Other financial liabilities	18,922	1,640	28,905	34,545	83	5,441	89,536
Total financial liabilities	498,065	32,534	61,979	199,332	79,125	42,154	913,189
On-balance sheet open position	257,100	(30,732)	(55,758)	(198,006)	(76,603)	(36,113)	(140,112)
Off-balance sheet open position	(208,614)	31,289	68,847	185,429	47,171	42,852	166,974
Net open position	48,486	557	13,089	(12,577)	(29,432)	6,739	26,862

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(ii) Foreign exchange risk (cont'd)

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. (cont'd)

BANK 2021	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	295,420	1,802	3,700	1,093	2,128	5,635	309,778
Deposits and placements with banks and other financial institutions	41,481	-	-	-	-	-	41,481
Loans, advances and financing	405,210	-	2,521	210	-	286	408,227
Other financial assets	11,874	-	-	12	389	-	12,275
Total financial assets	753,985	1,802	6,221	1,315	2,517	5,921	771,761
Liabilities							
Deposits from customers	478,062	30,894	33,074	164,783	79,040	34,417	820,270
Deposits and placements of banks and other financial institutions	49	-	-	-	-	2,215	2,264
Other financial liabilities	18,820	1,567	28,905	34,544	83	5,440	89,359
Total financial liabilities	496,931	32,461	61,979	199,327	79,123	42,072	911,893
On-balance sheet open position	257,054	(30,659)	(55,758)	(198,012)	(76,606)	(36,151)	(140,132)
Off-balance sheet open position	(208,614)	31,289	68,847	185,429	47,171	42,852	166,974
Net open position	48,440	630	13,089	(12,583)	(29,435)	6,701	26,842

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(ii) Foreign exchange risk (cont'd)

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. (cont'd)

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)

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 2021	Balance RM'000	Average for the year RM'000	Minimum RM'000	Maximum RM'000
FX related derivatives	(561)	(630)	(398)	(1,010)
Government securities	(45,400)	(60,589)	(45,400)	(70,273)
Private debt securities	(13,922)	(19,045)	(13,922)	(23,913)
BANK 2021				
FX related derivatives	(561)	(630)	(398)	(1,010)
Government securities	(37,114)	(45,272)	(37,114)	(55,890)
Private debt securities	(11,565)	(14,169)	(10,292)	(19,303)
GROUP 2020				
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)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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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 shock based on standard scenario as outlined in BNM's Rate of Return Risk in the Banking Book guideline issued on 30 June 2020 to across all maturities applied on the Group's and the Bank's interest sensitivity gap as at reporting date.

	2021 GROUP		2021 BANK	
	- 200 bps Increase/(Decrease) RM'000	+ 200 bps RM'000	- 200 bps Increase/(Decrease) RM'000	+ 200 bps RM'000
Impact on net profit after tax	(198,563)	198,563	(149,807)	149,807
Impact on equity	810,926	(694,329)	607,955	(515,908)

	2020 GROUP		2020 BANK	
	- 100 bps Increase/(Decrease) RM'000	+ 100 bps RM'000	- 100 bps Increase/(Decrease) RM'000	+ 100 bps 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)

Note:

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.

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 Policy 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)

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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 2021	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	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	3,088,245	-	-	-	-	-	3,088,245
Deposits and placements with banks and other financial institutions	-	41,477	-	-	-	-	41,477
Amounts due from clients and brokers	105,041	-	-	-	-	-	105,041
Financial assets at fair value through profit or loss	-	-	103	-	13,143	224,676	237,922
Financial investments at fair value through other comprehensive income	436,387	105,088	153,477	442,607	9,287,110	-	10,424,669
Financial investments at amortised cost	21,421	5,520	3,348	16	2,240,199	-	2,270,504
Loans, advances and financing	7,627,827	2,022,900	885,044	332,939	32,364,796	-	43,233,506
Other financial and non-financial assets	123,028	27,136	42,745	15,790	125,128	986,004	1,319,831
Total assets	11,401,949	2,202,121	1,084,717	791,352	44,030,376	1,210,680	60,721,195
Liabilities							
Deposits from customers	33,148,278	5,255,736	5,018,833	4,473,623	592,043	-	48,488,513
Deposits and placements of banks and other financial institutions	475,527	32,611	53,406	89,804	741,304	-	1,392,652
Financial liabilities designated at fair value through profit or loss	774	1,131	30,493	95,817	344,480	-	472,695
Amounts due to clients and brokers	63,416	-	-	-	-	-	63,416
Recourse obligations on loans and financing sold to Cagamas	-	456	-	-	650,043	-	650,499
Lease liabilities	2,801	3,232	6,621	13,911	96,929	-	123,494
Subordinated obligations	19,628	3,673	440	-	1,548,977	-	1,572,718
Other financial and non-financial liabilities	494,902	39,507	71,808	37,905	402,236	653,063	1,699,421
Total liabilities	34,205,326	5,336,346	5,181,601	4,711,060	4,376,012	653,063	54,463,408
Net maturity mismatch	(22,803,377)	(3,134,225)	(4,096,884)	(3,919,708)	39,654,364	557,617	6,257,787

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 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	No specific maturity 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 fair value through profit or loss	169	2,474	1,222	2	444,087	202,160	650,114
Financial investments at fair value through other comprehensive income	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	146,828	60,543	69,100	104,283	154,384	1,844,016	2,379,154
Total assets	12,052,655	2,814,438	1,191,077	792,915	42,078,199	2,046,176	60,975,460
Liabilities							
Deposits from customers	27,648,020	5,883,973	6,287,236	7,744,155	862,468	-	48,425,852
Deposits and placements of banks and other financial institutions	874,921	220,040	43,095	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
Lease liabilities	3,073	5,018	7,422	12,524	102,186	-	130,223
Subordinated obligations	21,976	8,600	388	1,199,829	289,844	-	1,520,637
Other financial and non-financial liabilities	368,645	42,762	42,333	360,666	395,779	536,382	1,746,567
Total liabilities	28,968,760	6,500,732	6,380,498	9,564,454	3,035,640	536,382	54,986,466
Net maturity mismatch	(16,916,105)	(3,686,294)	(5,189,421)	(8,771,539)	39,042,559	1,509,794	5,988,994

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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 2021	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	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	1,779,243	-	-	-	-	-	1,779,243
Deposits and placements of banks and other financial institutions	-	41,477	-	-	-	-	41,477
Financial assets at fair value through profit or loss	-	-	103	-	13,143	154,482	167,728
Financial investments at fair value through other comprehensive income	341,455	87,897	145,460	234,567	6,494,487	-	7,303,866
Financial investments at amortised cost	19,548	5,162	2,577	-	2,267,478	-	2,294,765
Loans, advances and financing Other financial and non-financial assets	5,327,836	1,475,936	648,204	309,133	24,634,018	-	32,395,127
	155,215	27,047	42,320	15,722	161,738	1,889,958	2,292,000
Total assets	7,623,297	1,637,519	838,664	559,422	33,570,864	2,044,440	46,274,206
Liabilities							
Deposits from customers	24,728,820	3,813,318	3,625,822	3,900,256	82,100	-	36,150,316
Deposits and placements of bank and other financial institutions	9,870	18,902	33,834	48,874	547,897	-	659,377
Financial liabilities designated at fair value through profit or loss	774	1,131	30,493	95,817	344,480	-	472,695
Recourse obligations on loans and financing sold to Cagamas	-	76	-	-	300,024	-	300,100
Lease liabilities	2,796	3,222	6,616	13,911	96,930	-	123,475
Subordinated obligations	18,182	3,673	391	-	1,449,732	-	1,471,978
Other financial and non-financial liabilities	403,705	39,246	71,308	34,887	325,016	597,417	1,471,579
Total liabilities	25,164,147	3,879,568	3,768,464	4,093,745	3,146,179	597,417	40,649,520
Net maturity mismatch	(17,540,850)	(2,242,049)	(2,929,800)	(3,534,323)	30,424,685	1,447,023	5,624,686

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	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	2,488,527	-	-	-	-	-	2,488,527
Financial assets at fair value through profit or loss	169	2,474	1,222	2	444,087	137,768	585,722
Financial investments at fair value through other comprehensive income	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 Other financial and non-financial assets	5,907,813	1,544,429	616,949	177,851	23,960,503	-	32,207,545
	149,495	60,456	68,977	104,214	152,642	2,355,421	2,891,205
Total assets	8,705,051	2,035,335	927,144	508,583	32,100,880	2,493,189	46,770,182
Liabilities							
Deposits from customers	21,786,523	3,809,094	5,071,355	5,852,976	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
Lease liabilities	3,068	5,008	7,408	12,497	102,169	-	130,150
Subordinated obligations	21,976	8,600	375	1,199,719	249,584	-	1,480,254
Other financial and non-financial liabilities	314,021	42,665	42,224	358,162	367,218	477,773	1,602,063
Total liabilities	22,624,780	4,071,369	5,148,633	7,489,629	1,785,361	477,773	41,597,545
Net maturity mismatch	(13,919,729)	(2,036,034)	(4,221,489)	(6,981,046)	30,315,519	2,015,416	5,172,637

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	No specific maturity	Total
2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non derivative financial liabilities								
Deposits from customers	33,153,484	5,278,934	5,079,911	4,583,588	551,124	-	-	48,647,041
Deposits and placements of banks and other financial institutions	652,577	32,926	53,587	94,127	719,949	-	-	1,553,166
Amounts due to clients and brokers	63,416	-	-	-	-	-	-	63,416
Financial liabilities designated at fair value through profit or loss	2,033	1,778	47,123	102,650	369,315	-	-	522,899
Recourse obligations on loans and financing sold to Cagamas	-	7,189	7,189	14,267	664,047	-	-	692,692
Lease liabilities	3,505	4,492	8,618	17,603	79,638	46,280	-	160,136
Subordinated obligations	22,900	4,675	5,999	33,601	964,756	917,825	-	1,949,756
Other financial liabilities	482,567	19,625	33,719	20,330	336,377	-	653,451	1,546,069
	34,380,482	5,349,619	5,236,146	4,866,166	3,685,206	964,105	653,451	55,135,175
Items not recognised in the statements of financial position								
Financial guarantees	23,628	89,338	97,927	318,567	157,039	20	-	686,519
Credit related commitments and contingencies	11,078,573	97,952	65,919	87,145	1,195,679	8,780	-	12,534,048
	11,102,201	187,290	163,846	405,712	1,352,718	8,800	-	13,220,567
Derivatives financial liabilities								
Derivatives settled on a net basis	(2,403)	(4,150)	(6,076)	(10,402)	(15,567)	(60)	-	(38,658)
Interest rate derivatives and equity option	(2,403)	(4,150)	(6,076)	(10,402)	(15,567)	(60)	-	(38,658)
Net outflow								
Derivatives settled on a gross basis	4,719	15,181	19,295	2,701	5,923	3,428	-	51,247
Outflow	(5,488)	(12,930)	(27,546)	(4,487)	(2,417)	(8,061)	-	(60,929)
Inflow	(769)	2,251	(8,251)	(1,786)	3,506	(4,633)	-	(9,682)

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 amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities. (cont'd)

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	No specific maturity RM'000	Total RM'000
Non derivative financial liabilities								
Deposits from customers	28,007,650	5,580,417	6,418,479	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 Cogamas	-	8,853	8,890	167,681	692,830	-	-	878,254
Lease liabilities	3,271	5,387	7,955	13,289	90,158	37,283	-	157,343
Subordinated obligations	25,662	13,173	5,966	1,244,816	298,869	-	-	1,588,486
Other financial liabilities	315,041	915	1,389	249,835	292,883	-	528,004	1,388,067
	29,289,423	6,171,413	6,507,395	9,852,404	2,493,477	412,590	528,004	55,254,706
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	(635)	(2,183)	(2,694)	(4,531)	(16,816)	(80)	-	(26,939)
Interest rate derivatives and equity option	(635)	(2,183)	(2,694)	(4,531)	(16,816)	(80)	-	(26,939)
Net outflow								
Derivatives settled on a gross basis	2,365,455	1,321,519	1,011,248	119,535	478,788	-	-	5,296,545
Outflow	(2,314,989)	(1,279,958)	(979,749)	(116,415)	(466,854)	-	-	(5,157,965)
Inflow	50,466	41,561	31,499	3,120	11,934	-	-	138,580

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

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 amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities. (cont'd)

BANK	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	No specific maturity RM'000	Total RM'000
Non derivative financial liabilities								
Deposits from customers	24,732,908	3,829,707	3,655,575	3,949,231	84,922	-	-	36,252,343
Deposits and placements of banks and other financial institutions	122,817	19,079	33,540	49,841	531,299	-	-	756,576
Financial liabilities designated at fair value through profit or loss	2,033	1,778	47,123	102,650	369,315	-	-	522,899
Recourse obligations on loans and financing sold to Cagamas	-	3,426	3,426	6,740	310,264	-	-	323,856
Lease liabilities	3,378	4,348	8,245	16,891	77,504	46,280	-	156,646
Subordinated obligations	22,900	4,675	2,999	30,651	853,403	917,825	-	1,832,453
Other financial liabilities	394,852	19,364	33,219	18,160	259,157	-	597,417	1,322,169
	25,278,888	3,882,377	3,784,127	4,174,164	2,485,864	964,105	597,417	41,166,942
<u>Items not recognised in the statements of financial position</u>								
Financial guarantees	22,069	76,283	83,477	199,602	128,496	20	-	509,947
Credit related commitments and contingencies	8,753,758	80,305	60,243	75,893	1,001,798	8,108	-	9,980,105
	8,775,827	156,588	143,720	275,495	1,130,294	8,128	-	10,490,052
Derivatives financial liabilities								
Derivatives settled on a net basis	(2,403)	(4,150)	(6,076)	(10,402)	(15,567)	(60)	-	(38,658)
Interest rate derivatives and equity option	(2,403)	(4,150)	(6,076)	(10,402)	(15,567)	(60)	-	(38,658)
Net outflow								
Derivatives settled on a gross basis	4,719	15,181	19,295	2,701	5,923	3,428	-	51,247
Outflow	(5,488)	(12,930)	(27,546)	(4,487)	(2,417)	(8,061)	-	(60,929)
Inflow	(769)	2,251	(8,251)	(1,786)	3,506	(4,633)	-	(9,682)

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 amounts 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	No specific maturity 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
Recurring obligations on loans and financing sold to Cagamas	-	3,388	3,426	6,739	323,845	-	-	337,398
Lease liabilities	3,149	5,144	7,700	13,204	90,097	37,283	-	156,577
Subordinated obligations	25,662	13,173	2,983	1,241,865	286,175	-	-	1,569,858
Other financial liabilities	260,417	818	1,281	248,576	264,323	-	477,772	1,253,187
	22,593,531	4,071,261	5,212,636	7,611,909	1,341,190	412,590	477,772	41,720,889
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	(635)	(2,183)	(2,694)	(4,531)	(16,816)	(80)	-	(26,939)
Interest rate derivatives and equity option	(635)	(2,183)	(2,694)	(4,531)	(16,816)	(80)	-	(26,939)
Net outflow								
Derivatives settled on a gross basis	2,365,455	1,321,519	1,011,248	119,535	478,788	-	-	5,296,545
Outflow	(2,314,989)	(1,279,958)	(979,749)	(116,415)	(466,854)	-	-	(5,157,965)
Inflow	50,466	41,561	31,499	3,120	11,934	-	-	138,580

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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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Capital expenditure:				
Authorised and contracted for	35,091	34,828	34,318	33,693
Authorised but not contracted for	144,786	129,187	142,833	127,230
	179,877	164,015	177,151	160,923

The capital commitments mainly consist of computer software and property, plant and equipment.

46. 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes [Note (a)]	687,790	814,317	511,039	622,481
Transaction-related contingent items [Note (a)]	554,612	621,684	492,119	559,957
Short-term self-liquidating trade-related contingencies	145,128	130,924	119,337	110,898
Forward assets purchase	20,800	-	20,800	-
Obligations under an on-going underwriting agreement	20,000	51,150	-	-
Irrevocable commitments to extend credit:				
- maturity exceeding one year	867,310	1,239,933	711,536	871,143
- maturity not exceeding one year	9,625,561	9,273,334	7,335,855	7,139,788
Unutilised credit card lines	1,299,366	1,356,566	1,299,366	1,356,566
	13,220,567	13,487,908	10,490,052	10,660,833
<u>Derivative financial instruments [Note (b)]</u>				
Foreign exchange related contracts:				
- one year or less	7,718,029	12,470,667	7,718,029	12,470,667
- over one year to three years	681,661	621,349	681,661	621,349
- over three years	661,606	315,762	661,606	315,762
Interest rate related contracts:				
- one year or less	2,099,218	3,505,421	2,099,218	3,505,421
- over one year to three years	3,984,245	3,386,675	3,984,245	3,386,675
- over three years	1,492,030	2,230,984	1,492,030	2,230,984
Equity related contracts:				
- one year or less	295,184	533,770	295,184	533,770
- over one year to three years	214,860	273,868	214,860	273,868
- over three years	-	145,300	-	145,300
	17,146,833	23,483,796	17,146,833	23,483,796
	30,367,400	36,971,704	27,636,885	34,144,629

Note:

- (a) Included in direct credit substitutes and transaction-related contingent item are financial guarantee contracts of RM686,519,000 and RM509,947,000 (2020: RM939,774,000 and RM728,140,000) 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 assets and derivatives financial liabilities. The fair value of derivatives are disclosed under Note 9.

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47. 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 Group and the Bank have adopted the transitional arrangements on provisions for expected credit losses in accordance with Bank Negara Malaysia's Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions effective on 9 December 2020.

This allows the Group and the Bank to add back a portion of Stage 1 ("S1") and Stage 2 ("S2") provisions with an "add-back factor", to the Common Equity Tier I ("CET I") capital from Financial Year 2021 to Financial Year 2024.

The capital adequacy ratios with and without transitional arrangements for the Group and the Bank are as follows:

	GROUP		BANK	
	2021	2020	2021	2020
(i) With transitional arrangements				
<u>Before deducting proposed dividends</u>				
CET I capital ratio	16.463%	-	15.654%	-
Tier I capital ratio	17.418%	-	16.566%	-
Total capital ratio	21.816%	-	21.549%	-
<u>After deducting proposed dividends</u>				
CET I capital ratio	16.218%	-	15.327%	-
Tier I capital ratio	17.173%	-	16.238%	-
Total capital ratio	21.571%	-	21.222%	-
(ii) Without transitional arrangements				
<u>Before deducting proposed dividends</u>				
CET I capital ratio	15.232%	13.826%	14.646%	12.899%
Tier I capital ratio	16.187%	14.593%	15.557%	13.771%
Total capital ratio	20.588%	18.902%	20.582%	18.634%
<u>After deducting proposed dividends</u>				
CET I capital ratio	14.987%	13.826%	14.318%	12.899%
Tier I capital ratio	15.942%	14.593%	15.230%	13.771%
Total capital ratio	20.343%	18.902%	20.255%	18.634%

47. 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CET I Capital				
Paid-up share capital	1,548,106	1,548,106	1,548,106	1,548,106
Retained profits	4,471,771	3,974,847	3,985,966	3,346,890
Regulatory reserves	86,440	224,579	80,006	182,292
FVOCI reserves	50,993	140,966	(5,082)	79,612
Capital reserves	100,150	100,150	15,515	15,515
	6,257,460	5,988,648	5,624,511	5,172,415
(Less)/add: Regulatory adjustments				
- Goodwill and other intangibles	(431,259)	(437,086)	(329,004)	(332,680)
- Deferred tax assets	(130,100)	(28,125)	(95,200)	(14,074)
- 55% of FVOCI reserves	(28,046)	(77,531)	-	(43,787)
- Regulatory reserves	(86,440)	(224,579)	(80,006)	(182,292)
- Investment in subsidiaries, associate and joint venture	(994)	(903)	(1,109,102)	(909,102)
- Transitional arrangements	451,004	-	276,161	-
Total CET I Capital	6,031,625	5,220,424	4,287,360	3,690,480
Additional Tier I Capital Securities	349,899	289,844	249,732	249,584
Total Additional Tier I Capital	349,899	289,844	249,732	249,584
Total Tier I Capital	6,381,524	5,510,268	4,537,092	3,940,064
Tier II Capital				
Subordinated obligations	1,199,077	1,199,829	1,198,554	1,199,719
Expected credit losses and regulatory reserves	412,255	427,020	296,396	321,754
Less: Regulatory adjustments				
- Investment in Tier II capital instruments	-	-	(130,000)	(130,000)
Total Tier II Capital	1,611,332	1,626,849	1,364,950	1,391,473
Total Capital	7,992,856	7,137,117	5,902,042	5,331,537

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47. CAPITAL ADEQUACY (CONT'D)

(b) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category are as follows:

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Credit risk	33,065,592	34,161,647	24,611,480	25,740,333
Market risk	322,652	472,308	322,331	472,308
Operational risk	3,249,393	3,125,054	2,454,737	2,398,815
Total RWA and capital requirements	36,637,637	37,759,009	27,388,548	28,611,456

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	
	2021	2020	2021	2020
(i) With transitional arrangements				
<u>Before deducting proposed dividends</u>				
CET I capital ratio	15.035%	-	72.580%	-
Tier I capital ratio	16.158%	-	72.580%	-
Total capital ratio	18.783%	-	73.506%	-
<u>After deducting proposed dividends</u>				
CET I capital ratio	15.035%	-	69.000%	-
Tier I capital ratio	16.158%	-	69.000%	-
Total capital ratio	18.783%	-	69.926%	-
(ii) Without transitional arrangements				
<u>Before deducting proposed dividends</u>				
CET I capital ratio	13.065%	10.507%	72.550%	98.737%
Tier I capital ratio	14.188%	11.617%	72.550%	98.737%
Total capital ratio	16.813%	14.233%	73.476%	99.682%
<u>After deducting proposed dividends</u>				
CET I capital ratio	13.065%	10.507%	68.970%	97.246%
Tier I capital ratio	14.188%	11.617%	68.970%	97.246%
Total capital ratio	16.813%	14.233%	69.896%	98.190%

48. 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.

49. 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)

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49. 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.

49. FAIR VALUE MEASUREMENTS (CONT'D)

(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 2021	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Assets</u>				
Financial assets at FVTPL				
- Money market instruments	-	13,246	-	13,246
- Unquoted securities	-	-	224,676	224,676
Financial investments at FVOCI				
- Money market instruments	-	5,479,233	-	5,479,233
- Quoted securities in Malaysia	15	-	-	15
- Unquoted securities	-	4,945,421	-	4,945,421
Derivative financial assets	-	153,735	-	153,735
<u>Liabilities</u>				
Financial liabilities designated at fair value through profit or loss	-	472,695	-	472,695
Derivative financial liabilities	-	149,410	-	149,410

GROUP 2020	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Assets</u>				
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
<u>Liabilities</u>				
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)

31 MARCH 2021

49. 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 2021	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Assets</u>				
Financial assets at FVTPL				
- Money market instruments	-	13,246	-	13,246
- Unquoted securities	-	-	154,482	154,482
Financial investments at FVOCI				
- Money market instruments	-	4,202,184	-	4,202,184
- Quoted securities in Malaysia	15	-	-	15
- Unquoted securities	-	3,101,667	-	3,101,667
Derivative financial assets	-	153,735	-	153,735
<u>Liabilities</u>				
Financial liabilities designated at fair value through profit or loss	-	472,695	-	472,695
Derivative financial liabilities	-	149,410	-	149,410

BANK 2020	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Assets</u>				
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
<u>Liabilities</u>				
Financial liabilities designated at fair value through profit or loss	-	427,085	-	427,085
Derivative financial liabilities	-	348,877	-	348,877

There were no transfers between levels of the fair value hierarchy for the Group and the Bank during the financial year ended 31 March 2021 and 31 March 2020.

49. FAIR VALUE MEASUREMENTS (CONT'D)

(b) Financial instruments measured at fair value and the fair value hierarchy (cont'd)

The table below outlines the reconciliation of movements in Level 3 financial instruments:

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 April	202,160	187,517	137,768	126,733
Distribution on liquidating shares	(243)	(106)	(243)	(106)
Total gains recognised in statement of income				
(i) Revaluation gain from financial assets at FVTPL	22,759	14,749	16,957	11,141
At 31 March	224,676	202,160	154,482	137,768

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.

Qualitative information about the fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value assets		Valuation techniques	Unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
	2021 RM'000	2020 RM'000			
<u>GROUP</u>					
Financial assets at FVTPL					
Unquoted securities	224,676	202,160	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value
<u>BANK</u>					
Financial assets at FVTPL					
Unquoted securities	154,482	137,768	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

49. 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 statement 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 2021	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
Financial assets					
Financial investments at amortised cost	-	2,282,032	-	2,282,032	2,270,504
Loans, advances and financing	-	-	43,478,542	43,478,542	43,233,506
Financial liabilities					
Deposits from customers	-	48,495,974	-	48,495,974	48,488,513
Deposits and placements of banks and other financial institutions	-	1,430,191	-	1,430,191	1,392,652
Recourse obligations on loans and financing sold to Cagamas	-	660,614	-	660,614	650,499
Subordinated obligations	-	1,548,917	-	1,548,917	1,572,718
GROUP 2020	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total 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

49. FAIR VALUE MEASUREMENTS (CONT'D)

(c) Fair values of financial instruments not carried at fair value (cont'd)

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 statement 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. (cont'd)

BANK 2021	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
Financial assets					
Financial investments at amortised cost	-	2,304,497	-	2,304,497	2,294,765
Loans, advances and financing	-	-	32,602,057	32,602,057	32,395,127
Financial liabilities					
Deposits from customers	-	36,150,620	-	36,150,620	36,150,316
Deposits and placements of banks and other financial institutions	-	745,260	-	745,260	659,377
Recourse obligations on loans and financing sold to Cagamas	-	311,328	-	311,328	300,100
Subordinated obligations	-	1,448,286	-	1,448,286	1,471,978

BANK 2020	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total 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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

49. 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.

50. 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 statement 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 statement 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	Cash collateral received RM'000	Net amount RM'000
GROUP 2021						
Derivative financial assets	153,735	-	153,735	(49,769)	(27,810)	76,156
Amounts due from clients and brokers	193,562	(88,521)	105,041	-	-	105,041
Total	347,297	(88,521)	258,776	(49,769)	(27,810)	181,197
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
BANK 2021						
Derivative financial assets	153,735	-	153,735	(49,769)	(27,810)	76,156
BANK 2020						
Derivative financial assets	436,910	-	436,910	(105,271)	(82,765)	248,874

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

50. 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		
				Financial instruments RM'000	Cash collateral pledged RM'000	Net amount RM'000
GROUP 2021						
Derivative financial liabilities	149,410	-	149,410	(49,769)	(61,381)	38,260
Amounts due to clients and brokers	151,937	(88,521)	63,416	-	-	63,416
Total	301,347	(88,521)	212,826	(49,769)	(61,381)	101,676
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
BANK 2021						
Derivative financial liabilities	149,410	-	149,410	(49,769)	(61,381)	38,260
BANK 2020						
Derivative financial liabilities	348,877	-	348,877	(105,271)	(136,766)	106,840

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.

51. 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 alternative distribution channels, trustee services and head office.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 MARCH 2021

52. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 21 December 2020, the Bank has subscribed for 69,204,152 ordinary shares at an issue price of RM2.89 per share amounting to RM200,000,000 issued by its wholly owned subsidiary Alliance Islamic Bank Berhad.
- (b) The details relating to issuance and redemption of subordinated obligations of the Group and of the Bank are disclosed in Note 27.
- (c) The World Health Organisation declared the outbreak of Coronavirus disease ("COVID-19") as a global pandemic in March 2020. The direct and indirect effects of the COVID-19 outbreak have impacted the global economy, markets and the Group's and the Bank's counterparties and clients.

The COVID-19 effects have a material impact on the Group's and the Bank's results of operations. In particular, the process to determine expected credit losses ("ECL") requires numerous estimates and assumptions, some of which require a high degree of judgement. Changes in the estimates and assumptions can result in significant changes in ECL. The Group and the Bank are not able to predict the COVID-19's potential future direct or indirect effects other than as disclosed in Note 44(a)(ix). However, the Group and the Bank are taking actions to mitigate the impact, and will continue to closely monitor the impact and the related risks as they evolve.

53. SUBSEQUENT EVENTS

There were no material events subsequent to the end of the financial year that require disclosure or adjustment.



ALLIANCE BANK

Alliance Bank Malaysia Berhad 198201008390 (88103-W)

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BASEL II PILLAR 3 REPORT DISCLOSURE

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

OVERVIEW

Bank Negara Malaysia's ("BNM") guidelines on capital adequacy require Alliance Bank Malaysia Berhad ("the Bank") and its subsidiaries ("the Group") to maintain an adequate level of capital to withstand potential losses arising from its operations. BNM's capital adequacy guidelines cover 3 main aspects:

- (a) Pillar 1 - covers the calculation of risk-weighted assets for credit risk, market risk and operational risk.
- (b) Pillar 2 - involves assessment of other risks (e.g. interest rate risk in the banking book, liquidity risk and concentration risk) not covered under Pillar 1. This promotes adoption of forward-looking approaches to capital management and stress testing/risk simulation techniques.
- (c) Pillar 3 - covers disclosure and external communication of risk and capital information by banks.

The Group maintains a strong capital base to support its current activities and future growth, to meet regulatory capital requirements at all times and to buffer against potential losses.

To ensure that risks and returns are appropriately balanced, the Group has implemented a Group-wide Integrated Risk Management Framework, with guidelines for identifying, measuring, and managing risks. This process includes quantifying and aggregating various risks in order to ensure the Group and each entity has sufficient capital to cushion unexpected losses and remain solvent.

In summary, the capital management process involves the following:

- (i) Monitoring of regulatory capital and ensuring that the minimum regulatory requirements and approved internal ratios are adhered to;
- (ii) Estimation of capital requirements based on ongoing forecasting and budgeting process; and
- (iii) Regular reporting of regulatory and internal capital ratios to senior management and the Board.

In addition, the Group's capital adequacy under extreme but plausible stress scenarios are periodically assessed via a Group-wide stress test exercise. The results of the stress tests are reported to senior management, to provide them with an assessment of the financial impact of such events on the Group's earnings and capital.

The Group's Pillar 3 Disclosure is governed by the Bank's Pillar 3 Disclosure. This policy outlines the minimum disclosure standards, approach for determining the appropriateness of information disclosed and the internal controls over the disclosure process.

1.0 SCOPE OF APPLICATION

The Pillar 3 Disclosure was prepared on a consolidated basis comprises information on Alliance Bank Malaysia Berhad (“the Bank”), its subsidiaries, associate companies and joint venture. The Group offers Conventional and Islamic banking services. The latter includes accepting deposits and providing financing under Shariah principles via the Bank’s wholly-owned subsidiary, Alliance Islamic Bank Berhad.

The basis of consolidation for the use of regulatory capital purposes is similar to that for financial accounting purposes. Investments in subsidiaries, associate companies and joint venture are deducted from regulatory capital.

There were no significant restrictions or other major impediments on transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiaries of the Group as at the financial year end.

The capital adequacy information was computed in accordance with BNM’s Capital Adequacy Framework. The Group has adopted the Standardised Approach for credit risk and market risk; and the Basic Indicator Approach for operational risk.

2.0 CAPITAL

In managing its capital, the Group’s objectives are:

- (i) To maintain sufficient capital to meet the regulatory capital requirements as set forth by BNM;
- (ii) To maintain sufficient capital to support the Group’s risk appetite and facilitate future business growth; and
- (iii) 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 above the regulatory requirements, while balancing shareholders’ desire for sustainable returns and prudential standards.

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 tests are to facilitate the formulation of contingency plan(s) where warranted. The results of the stress tests are tabled to the Group Risk Management Committee (“GRMC”) for approval.

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

2.0 CAPITAL (CONTD)

2.1 Capital Adequacy Ratios

Effective from 25 March 2020, the Group and the Bank are allowed to drawdown the Capital Conservation Buffer ("CCB") of 2.5% to manage the impact of the COVID-19 outbreak. However, BNM expects the Group and the Bank to rebuild this buffer after 31 December 2020 and to meet the minimum regulatory requirements by 30 September 2021. As at reporting date, the Group and the Bank continued to maintain CCB of 2.5%.

The Group and the Bank have adopted the transitional arrangements on provisions for expected credit losses in accordance with Bank Negara Malaysia's Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions effective on 9 December 2020. This allow the Group and the Bank to add back a portion of Stage 1 ("S1") and Stage 2 ("S2") provisions with an "add-back factor", to the Common Equity Tier I ("CET I") capital from Financial Year 2021 to Financial Year 2024.

(a) The capital adequacy ratios with and without transitional arrangements of the Group and the Bank are as follows:

	GROUP		BANK	
	2021	2020	2021	2020
(i) With transitional arrangements				
<u>Before deducting proposed dividends</u>				
CET I capital ratio	16.463%	-	15.654%	-
Tier I capital ratio	17.418%	-	16.566%	-
Total capital ratio	21.816%	-	21.549%	-
<u>After deducting proposed dividends</u>				
CET I capital ratio	16.218%	-	15.327%	-
Tier I capital ratio	17.173%	-	16.238%	-
Total capital ratio	21.571%	-	21.222%	-
(ii) Without transitional arrangements				
<u>Before deducting proposed dividends</u>				
CET I capital ratio	15.232%	13.826%	14.646%	12.899%
Tier I capital ratio	16.187%	14.593%	15.557%	13.771%
Total capital ratio	20.588%	18.902%	20.582%	18.634%
<u>After deducting proposed dividends</u>				
CET I capital ratio	14.987%	13.826%	14.318%	12.899%
Tier I capital ratio	15.942%	14.593%	15.230%	13.771%
Total capital ratio	20.343%	18.902%	20.255%	18.634%

2.0 CAPITAL (CONTD)

2.1 Capital Adequacy Ratios (cont'd)

(b) The capital adequacy ratios of the banking subsidiaries are as follows:

	ALLIANCE ISLAMIC BANK BERHAD		ALLIANCE INVESTMENT BANK BERHAD	
	2021	2020	2021	2020
(i) With transitional arrangements				
<u>Before deducting proposed dividends</u>				
CET I capital ratio	15.035%	-	72.580%	-
Tier I capital ratio	16.158%	-	72.580%	-
Total capital ratio	18.783%	-	73.506%	-
<u>After deducting proposed dividends</u>				
CET I capital ratio	15.035%	-	69.000%	-
Tier I capital ratio	16.158%	-	69.000%	-
Total capital ratio	18.783%	-	69.926%	-
(ii) Without transitional arrangements				
<u>Before deducting proposed dividends</u>				
CET I capital ratio	13.065%	10.507%	72.550%	98.737%
Tier I capital ratio	14.188%	11.617%	72.550%	98.737%
Total capital ratio	16.813%	14.233%	73.476%	99.682%
<u>After deducting proposed dividends</u>				
CET I capital ratio	13.065%	10.507%	68.970%	97.246%
Tier I capital ratio	14.188%	11.617%	68.970%	97.246%
Total capital ratio	16.813%	14.233%	69.896%	98.190%

The Group's and the Bank's capital ratios comply with the prescribed capital adequacy ratios under BNM's Capital Adequacy Framework.

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

2.0 CAPITAL (CONTD)

2.2 Capital Structure

The following tables present the components of CET I, Tier I and Tier II capital.

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<u>CET I Capital/Tier 1 Capital</u>				
Paid-up share capital	1,548,106	1,548,106	1,548,106	1,548,106
Retained profits	4,471,771	3,974,847	3,985,966	3,346,890
Regulatory reserves (Note 2)	86,440	224,579	80,006	182,292
Financial investments at fair value through other comprehensive income ("FVOCI") reserves	50,993	140,966	(5,082)	79,612
Capital reserves	100,150	100,150	15,515	15,515
	6,257,460	5,988,648	5,624,511	5,172,415
(Less)/add: Regulatory adjustments				
- Goodwill and other intangibles	(431,259)	(437,086)	(329,004)	(332,680)
- Deferred tax assets	(130,100)	(28,125)	(95,200)	(14,074)
- 55% of FVOCI reserves	(28,046)	(77,531)	-	(43,787)
- Regulatory reserves (Note 2)	(86,440)	(224,579)	(80,006)	(182,292)
- Investment in subsidiaries, associate and joint venture	(994)	(903)	(1,109,102)	(909,102)
- Transitional arrangements	451,004	-	276,161	-
Total CET I capital	6,031,625	5,220,424	4,287,360	3,690,480
Additional Tier 1 Capital Securities	349,899	289,844	249,732	249,584
Total Additional Tier 1 Capital	349,899	289,844	249,732	249,584
Total Tier I Capital	6,381,524	5,510,268	4,537,092	3,940,064
<u>Tier II Capital</u>				
Subordinated obligations	1,199,077	1,199,829	1,198,554	1,199,719
Expected credit losses and regulatory reserves (Note 1 & Note 2)	412,255	427,020	296,396	321,754
Less: Regulatory adjustments				
- Investment in Tier II capital instruments	-	-	(130,000)	(130,000)
Total Tier II Capital	1,611,332	1,626,849	1,364,950	1,391,473
Total Capital	7,992,856	7,137,117	5,902,042	5,331,537

Note 1: Expected credit losses for S1 and S2 only.

Note 2: The Bank maintained its prudent stand in relation of maintaining the regulatory reserves to preserve the potential deterioration of credit quality, taking into consideration of this unprecedented pandemic impact and the economic slowdown.

2.0 CAPITAL (CONTD)

2.3 Risk-Weighted Assets (“RWA”) and Capital Requirements

Regulatory Capital Requirements

The following tables present the minimum regulatory capital requirements of the Group and the Bank:

GROUP 2021 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	10,122,388	10,122,388	-	-
Public sector entities	817,768	817,768	57,876	4,630
Banks, Development Financial Institutions (“DFIs”) and Multilateral Development Banks	631,456	631,456	141,563	11,325
Insurance companies, securities firms and fund managers	6,284	6,284	6,077	486
Corporates	19,977,037	18,656,375	14,581,901	1,166,552
Regulatory retail	10,635,671	9,690,282	7,352,897	588,232
Residential mortgages	16,603,585	16,594,047	6,581,212	526,497
Higher risk assets	5,998	5,994	8,990	719
Other assets	1,013,569	1,013,569	692,930	55,434
Defaulted exposures	756,160	754,327	757,615	60,609
Total on-balance sheet exposures	60,569,916	58,292,490	30,181,061	2,414,484
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,638,735	3,084,997	2,680,348	214,428
Derivative financial instruments	495,459	495,459	201,071	16,086
Defaulted exposures	2,130	2,125	3,112	249
Total off-balance sheet exposures	4,136,324	3,582,581	2,884,531	230,763
Total on and off-balance sheet exposures	64,706,240	61,875,071	33,065,592	2,645,247
(ii) <u>Market Risk (Note 4.0)</u>				
Interest rate risk	17,983,281	(17,935,086)	252,425	20,194
Foreign exchange risk	69,779	(42,917)	69,927	5,594
Option risk	18,053,060	(17,978,003)	300	24
Total			322,652	25,812
(iii) <u>Operational Risk</u>				
Operational Risk	-	-	3,249,393	259,951
Total	64,706,240	61,875,071	36,637,637	2,931,010

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

2.0 CAPITAL (CONTD)

2.3 Risk-Weighted Assets ("RWA") and Capital Requirements (cont'd)

Regulatory Capital Requirements (cont'd)

The following tables present the minimum regulatory capital requirements of the Group and the Bank: (cont'd)

BANK 2021 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	7,241,310	7,241,310	-	-
Public sector entities	312,291	312,291	19,746	1,580
Banks, DFIs and Multilateral Development Banks	940,828	940,828	271,999	21,760
Insurance companies, securities firms and fund managers	2,535	2,535	2,328	186
Corporates	14,817,564	13,676,450	10,931,204	874,496
Regulatory retail	8,092,353	7,290,730	5,389,239	431,139
Residential mortgages	11,916,912	11,907,641	4,525,487	362,039
Higher risk assets	5,100	5,096	7,644	612
Other assets	942,752	942,752	622,113	49,769
Defaulted exposures	539,010	537,709	561,963	44,957
Total on-balance sheet exposures	44,810,655	42,857,342	22,331,723	1,786,538
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	2,880,297	2,411,176	2,076,379	166,110
Derivative financial instruments	495,459	495,459	201,071	16,086
Defaulted exposures	1,585	1,580	2,307	185
Total off-balance sheet exposures	3,377,341	2,908,215	2,279,757	182,381
Total on and off-balance sheet exposures	48,187,996	45,765,557	24,611,480	1,968,919
(ii) <u>Market Risk (Note 4.0)</u>				
Interest rate risk	17,983,281	(17,935,086)	252,425	20,194
Foreign exchange risk	69,613	(42,771)	69,606	5,568
Option risk	18,052,894	(17,977,857)	300	24
Total			322,331	25,786
(iii) <u>Operational Risk</u>				
Operational Risk	-	-	2,454,737	196,379
Total	48,187,996	45,765,557	27,388,548	2,191,084

2.0 CAPITAL (CONTD)

2.3 Risk-Weighted Assets (“RWA”) and Capital Requirements

Regulatory Capital Requirements

The following tables present the minimum regulatory capital requirements of the Group and the Bank: (cont'd)

GROUP 2020 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	9,409,103	9,409,103	-	-
Public sector entities Banks, DFIs and Multilateral Development Banks	691,368	691,368	138,273	11,062
Insurance companies, securities firms and fund managers	620,046	620,046	128,440	10,275
Corporates	14,870	14,870	14,870	1,190
Regulatory retail	20,583,524	19,156,000	15,246,603	1,219,728
Residential mortgages	9,933,347	9,324,614	7,398,375	591,870
Higher risk assets	16,789,019	16,779,130	6,520,758	521,661
Other assets	5,672	5,668	8,501	680
Defaulted exposures	1,291,944	1,291,944	758,493	60,679
	579,637	578,198	557,724	44,618
Total on-balance sheet exposures	59,918,530	57,870,941	30,772,037	2,461,763
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,918,895	3,405,404	2,999,358	239,949
Derivative financial instruments	829,742	829,742	389,154	31,132
Defaulted exposures	747	742	1,098	88
Total off-balance sheet exposures	4,749,384	4,235,888	3,389,610	271,169
Total on and off-balance sheet exposures	64,667,914	62,106,829	34,161,647	2,732,932
(ii) Market Risk (Note 4.0)				
Interest rate risk			374,470	29,958
Foreign exchange risk	24,637,343	(24,078,252)	97,125	7,770
	17,508	(97,129)		
Option risk	24,654,851	(24,175,381)	713	57
Total			472,308	37,785
(iii) Operational Risk				
	-	-	3,125,054	250,004
Total	64,667,914	62,106,829	37,759,009	3,020,721

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

2.0 CAPITAL (CONTD)

2.3 Risk-Weighted Assets ("RWA") and Capital Requirements

Regulatory Capital Requirements

The following tables present the minimum regulatory capital requirements of the Group and the Bank: (cont'd)

BANK 2020 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	6,896,805	6,896,805	-	-
Public sector entities	239,371	239,371	47,874	3,830
Banks, DFIs and Multilateral Development Banks	1,182,409	1,182,409	390,093	31,207
Insurance companies, securities firms and fund managers	8,008	8,008	8,008	641
Corporates	15,113,912	13,985,139	11,499,187	919,935
Regulatory retail	7,424,239	6,892,810	5,366,560	429,325
Residential mortgages	12,180,706	12,171,122	4,560,056	364,804
Higher risk assets	5,451	5,446	8,170	654
Other assets	1,223,138	1,223,138	689,686	55,175
Defaulted exposures	421,576	421,119	416,251	33,300
Total on-balance sheet exposures	44,695,615	43,025,367	22,985,885	1,838,871
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,055,715	2,639,204	2,364,494	189,160
Derivative financial instruments	829,742	829,742	389,154	31,132
Defaulted exposures	545	540	800	64
Total off-balance sheet exposures	3,886,002	3,469,486	2,754,448	220,356
Total on and off-balance sheet exposures	48,581,617	46,494,853	25,740,333	2,059,227
(ii) Market Risk (Note 4.0)				
	Long Position	Short Position		
Interest rate risk	24,637,343	(24,078,252)	374,470	29,958
Foreign exchange risk	17,486	(97,129)	97,125	7,770
	24,654,829	(24,175,381)		
Option risk			713	57
Total			472,308	37,785
(iii) Operational Risk			2,398,815	191,905
Total	48,581,617	46,494,853	28,611,456	2,288,917

Note:

Under Islamic banking, the Group does not use Profit-sharing Investment Account ("PSIA") as a risk absorbent mechanism.

The Group and the Bank do not have exposure to any Large Exposure Risk for equity holdings as specified under BNM's Guidelines on Investment in Shares, Interest-in-Shares and Collective Investment Schemes.

3.0 CREDIT RISK

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

Credit Risk Management

The Board, via the GRMC, established a Credit Risk Management Framework ("CRMF") which outlines the broad principles for managing credit risk of the Group.

Credit approval is under the purview of the Executive Committee, Group Management Credit Committee and Credit Underwriters, depending on the size and complexity of the loans.

Retail loans are subject to portfolio reviews and corporate loans are subject to periodic individual borrower or group reviews. The Portfolio Review Committee for the respective lines of business, assisted by embedded risk units, helps to manage the portfolio quality. The process also ensures alignment of business strategy with the Bank's risk appetite.

Potential problem loans or issues on portfolio are identified through our Early Warning Framework and thematic reviews, where applicable. Recovery of impaired loans are carried out internally or through authorised agents.

The Portfolio Review Committees for the respective lines of business, assisted by embedded risk units, helps to manage the portfolio quality. Portfolio risk reports are reviewed and action plans are formulated to manage identified risks.

Entity level Risk Dashboards are escalated to the Executive Risk Management Committee (Senior Management Level), GRMC (Board Level) and the Board for deliberation and strategic direction.

Group Risk Management is responsible for assessing the adequacy and effectiveness of the risk management framework, policies and guidelines. Embedded risk units are responsible for monitoring business activities and ensuring that they are carried out within the approved policies and business models.

Stress testing is used to identify potential vulnerable risk areas of the Bank's portfolios to stress events and assess the impact to earnings and capital. Stress tests are performed using a variety of market and economic assumptions to assess possible vulnerability and to formulate effective mitigation actions when required. Sensitivity analysis are conducted to assess potential effect of individual risk factors.

Group Internal Audit reviews the Bank's credit processes regularly and recommends corrective measures or enhancements. These reviews provide senior management with assurance that the policies, processes and guidelines are adhered to.

Impaired Loans and Provisions

Past due accounts are loan accounts with any payment of principal and/or interest due and not paid, but are not classified as impaired. Loans are classified as impaired if the mandatory impairment thresholds are exceeded or judgmentally impaired when there are reasonable grounds to believe that the borrower may not be able to repay the entire loan amount.

Provisions for expected credit losses are carried out based on the MFRS9 approach, loans with defined risk characteristics are transferred to Stage 2 and provisions are estimated based on potential losses for the remaining lifetime of the exposures. Impaired loans are classified as Stage 3 under MFRS9. Loans that are not classified as Stage 2 or 3 will remain in Stage 1 where provisions will be estimated based on probability of default over the next 12 months.

Please refer to Note 2(k)(i) of the audited financial statements for accounting policies on impairment of financial assets.

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures

(a) Geographical Distribution

The following tables represent the Group's and the Bank's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the branch is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment, where appropriate:

GROUP 2021	Geographical region						Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Outside Malaysia RM'000	
Cash and short-term funds (exclude cash in hand)	-	2,748,208	-	-	-	19,417	2,767,625
Deposits and placements with banks and other financial institutions	-	41,481	-	-	-	-	41,481
Amounts due from clients and brokers	22,108	75,700	7,233	-	-	-	105,041
Financial assets at fair value through profit or loss (exclude equity securities)	-	13,246	-	-	-	-	13,246
Financial investments at fair value through other comprehensive income (exclude equity securities)	-	10,424,654	-	-	-	-	10,424,654
Financial investments at amortised cost	-	2,270,927	-	-	-	-	2,270,927
Derivative financial assets	-	153,735	-	-	-	-	153,735
Loans, advances and financing (exclude sales commissions and handling fees)	3,148,817	31,028,629	5,418,154	3,164,458	1,109,880	-	43,869,938
Statutory deposits with Bank Negara Malaysia	-	88,012	-	-	-	-	88,012
Total on-balance sheet	3,170,925	46,844,592	5,425,387	3,164,458	1,109,880	19,417	59,734,659
Contingent liabilities	75,834	1,111,791	85,226	72,275	42,403	-	1,387,529
Commitments	1,325,928	7,901,302	1,291,634	868,272	445,902	-	11,833,038
Total off-balance sheet	1,401,762	9,013,093	1,376,860	940,547	488,305	-	13,220,567
Total credit exposure	4,572,687	55,857,685	6,802,247	4,105,005	1,598,185	19,417	72,955,226

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures (cont'd)

(a) Geographical Distribution (cont'd)

The following tables represent the Group's and the Bank's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the branch is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment, where appropriate: (cont'd)

BANK 2021	Geographical region						Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Outside Malaysia RM'000	
Cash and short-term funds (exclude cash in hand)	-	1,439,207	-	-	-	19,417	1,458,624
Deposits and placements with banks and other financial institutions	-	41,481	-	-	-	-	41,481
Financial assets at fair value through profit or loss (exclude equity securities)	-	13,246	-	-	-	-	13,246
Financial investments at fair value through other comprehensive income (exclude equity securities)	-	7,303,851	-	-	-	-	7,303,851
Financial investments at amortised cost	-	2,295,132	-	-	-	-	2,295,132
Derivative financial assets	-	153,735	-	-	-	-	153,735
Loans, advances and financing (exclude sales commissions and handling fees)	2,148,651	23,615,076	4,139,629	2,088,939	762,754	-	32,755,049
Statutory deposits with Bank Negara Malaysia	-	69,574	-	-	-	-	69,574
Total on-balance sheet	2,148,651	34,931,302	4,139,629	2,088,939	762,754	19,417	44,090,692
Contingent liabilities	58,264	892,153	66,099	66,664	39,315	-	1,122,495
Commitments	844,580	6,578,858	937,232	667,441	339,446	-	9,367,557
Total off-balance sheet	902,844	7,471,011	1,003,331	734,105	378,761	-	10,490,052
Total credit exposure	3,051,495	42,402,313	5,142,960	2,823,044	1,141,515	19,417	54,580,744

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures (cont'd)

(a) Geographical Distribution (cont'd)

The following tables represent the Group's and the Bank's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the branch is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment, where appropriate: (cont'd)

GROUP 2020	Geographical region						Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Outside Malaysia RM'000	
Cash and short-term funds (exclude cash in hand)	-	2,579,019	-	-	-	6,743	2,585,762
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-
Amounts due from clients and brokers	10,906	36,558	3,701	-	-	-	51,165
Financial assets at fair value through profit or loss (exclude equity securities)	-	447,954	-	-	-	-	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	-	11,544,502	-	-	-	-	11,544,502
Financial investments at amortised cost	-	121,607	-	-	-	-	121,607
Derivative financial assets	-	436,910	-	-	-	-	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	3,161,881	30,874,283	5,351,408	2,929,864	1,057,482	-	43,374,918
Statutory deposits with Bank Negara Malaysia	-	949,049	-	-	-	-	949,049
Total on-balance sheet	3,172,787	46,989,882	5,355,109	2,929,864	1,057,482	6,743	59,511,867
Contingent liabilities	101,232	1,239,731	82,469	101,020	42,473	-	1,566,925
Commitments	1,294,000	8,090,803	1,363,831	710,777	461,572	-	11,920,983
Total off-balance sheet	1,395,232	9,330,534	1,446,300	811,797	504,045	-	13,487,908
Total credit exposure	4,568,019	56,320,416	6,801,409	3,741,661	1,561,527	6,743	72,999,775

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures (cont'd)

(a) Geographical Distribution (cont'd)

The following tables represent the Group's and the Bank's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the branch is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment, where appropriate: (cont'd)

BANK 2020	Geographical region						Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Outside Malaysia RM'000	
Cash and short-term funds (exclude cash in hand)	-	1,948,332	-	-	-	6,743	1,955,075
Financial assets at fair value through profit or loss (exclude equity securities)	-	447,954	-	-	-	-	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	-	8,426,773	-	-	-	-	8,426,773
Financial investments at amortised cost	-	170,777	-	-	-	-	170,777
Derivative financial assets	-	436,910	-	-	-	-	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	2,184,597	23,300,250	4,070,243	2,043,579	737,733	-	32,336,402
Statutory deposits with Bank Negara Malaysia	-	700,355	-	-	-	-	700,355
Total on-balance sheet	2,184,597	35,431,351	4,070,243	2,043,579	737,733	6,743	44,474,246
Contingent liabilities	87,233	1,010,729	59,916	95,172	40,286	-	1,293,336
Commitments	816,450	6,675,442	982,760	548,676	344,169	-	9,367,497
Total off-balance sheet	903,683	7,686,171	1,042,676	643,848	384,455	-	10,660,833
Total credit exposure	3,088,280	43,117,522	5,112,919	2,687,427	1,122,188	6,743	55,135,079

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures (cont'd)

(b) Industry Distribution

The following tables represent the Group's and the Bank's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged:

GROUP 2021	Government & Central Bank		Financial, Insurance, Business Services & Real Estate		Transport, Storage & Communication		Agriculture, Manufacturing, Wholesale & Retail Trade		Construction RM'000	Household RM'000	Others RM'000	Total RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000				
Cash and short-term funds (exclude cash in hand)	2,405,723	361,902	-	-	-	-	-	-	-	-	-	2,767,625
Deposits and placements with banks and other financial institutions	-	41,481	-	-	-	-	-	-	-	-	-	41,481
Amounts due from clients and brokers	-	-	-	-	-	-	-	-	-	-	105,041	105,041
Financial assets at fair value through profit or loss (exclude equity securities)	13,246	-	-	-	-	-	-	-	-	-	-	13,246
Financial investments at fair value through other comprehensive income (exclude equity securities)	3,659,989	2,664,134	2,702,953	443,069	954,509	-	-	-	-	-	-	10,424,654
Financial investments at amortised cost	472,725	100,980	1,316,187	-	360,507	-	-	-	-	-	20,528	2,270,927
Derivative financial assets	-	93,388	-	-	-	-	-	-	-	-	60,347	153,735
Loans, advances and financing (exclude sales commissions and handling fees)	-	4,747,204	710,901	13,501,216	1,386,066	23,151,801	372,750	43,869,938	-	-	-	43,869,938
Statutory deposits with Bank Negara Malaysia	88,012	-	-	-	-	-	-	-	-	-	-	88,012
Total on-balance sheet	6,639,695	8,009,089	4,730,041	13,944,285	2,701,082	23,151,801	558,666	59,734,659	2,767,625	1,387,529	11,833,038	11,833,038
Contingent liabilities	-	299,037	18,065	636,861	413,716	5,050	14,800	1,387,529	-	-	-	1,387,529
Commitments	20,800	1,227,680	124,164	5,226,376	1,234,511	3,896,995	102,512	11,833,038	-	-	-	11,833,038
Total off-balance sheet	20,800	1,526,717	142,229	5,863,237	1,648,227	3,902,045	117,312	13,220,567	117,312	13,220,567	13,220,567	13,220,567
Total credit risk	6,660,495	9,535,806	4,872,270	19,807,522	4,349,309	27,053,846	675,978	72,955,226	675,978	72,955,226	72,955,226	72,955,226

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures (cont'd)

(b) Industry Distribution (cont'd)

The following tables represent the Group's and the Bank's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged: (cont'd)

BANK 2021	Government & Central Bank		Financial, Insurance, Business Services & Real Estate		Transport, Storage & Communication		Agriculture, Manufacturing, Wholesale & Retail Trade		Household		Others		Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds (exclude cash in hand)	1,032,600	426,024	-	-	-	-	-	-	-	-	-	-	1,458,624
Deposits and placements with banks and other financial institutions	-	41,481	-	-	-	-	-	-	-	-	-	-	41,481
Financial assets at fair value through profit or loss (exclude equity securities)	13,246	-	-	-	-	-	-	-	-	-	-	-	13,246
Financial investments at fair value through other comprehensive income (exclude equity securities)	3,093,593	1,777,177	1,635,555	341,073	456,453	-	-	-	-	-	-	-	7,303,851
Financial investments at amortised cost	451,894	337,653	1,155,336	-	329,721	-	-	-	-	-	-	-	2,295,132
Derivative financial assets	-	93,388	-	-	-	-	-	-	-	-	-	-	153,735
Loans, advances and financing (exclude sales commissions and handling fees)	-	3,642,129	567,932	10,336,568	1,086,610	16,829,961	291,849	32,755,049	-	-	-	-	69,574
Statutory deposits with Bank Negara Malaysia	69,574	-	-	-	-	-	-	-	-	-	-	-	69,574
Total on-balance sheet	4,660,907	6,317,852	3,358,823	10,677,641	1,872,784	16,829,961	372,724	44,090,692	372,724	16,829,961	372,724	14,638	1,122,495
Contingent liabilities	-	188,209	12,493	538,298	363,829	5,028	89,281	9,367,557	-	-	-	-	-
Commitments	20,800	988,361	90,750	3,765,371	1,085,428	3,327,566	89,281	9,367,557	-	-	-	-	-
Total off-balance sheet	20,800	1,176,570	103,243	4,303,669	1,449,257	3,332,594	103,919	10,490,052	103,919	3,332,594	103,919	10,490,052	10,490,052
Total credit risk	4,681,707	7,494,422	3,462,066	14,981,310	3,322,041	20,162,555	476,643	54,580,744	476,643	20,162,555	476,643	10,490,052	54,580,744

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures (cont'd)

(b) Industry Distribution (cont'd)

The following tables represent the Group's and the Bank's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged: (cont'd)

GROUP 2020	Government & Central Bank		Financial, Insurance, Business Services & Real Estate		Transport, Storage & Communication		Agriculture, Manufacturing, Wholesale & Retail Trade		Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
Cash and short-term funds (exclude cash in hand)	2,152,462	433,300	-	-	-	-	-	-	-	-	2,585,762
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-	-	-
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	-	101,076	-	-	-	-	-	-	-	20,531	121,607
Derivative financial assets	33,426	199,579	-	-	-	-	-	-	-	203,905	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	-	4,517,619	729,312	13,224,820	1,412,148	23,097,057	393,962	-	-	-	43,374,918
Statutory deposits with Bank Negara Malaysia	949,049	-	-	-	-	-	-	-	-	-	949,049
Total on-balance sheet	9,880,460	8,383,609	2,296,929	13,538,131	1,646,118	23,097,057	669,563	-	669,563	59,511,867	156,692,518
Contingent liabilities	-	307,344	47,493	681,207	508,518	5,921	16,442	-	-	-	1,566,925
Commitments	-	1,067,092	111,798	5,121,523	1,167,882	4,336,335	116,353	-	-	-	11,920,983
Total off-balance sheet	-	1,374,436	159,291	5,802,730	1,676,400	4,342,256	132,795	-	-	132,795	13,487,908
Total credit risk	9,880,460	9,758,045	2,456,220	19,340,861	3,322,518	27,439,313	802,358	-	802,358	72,999,775	170,189,743

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures (cont'd)

(b) Industry Distribution (cont'd)

The following tables represent the Group's and the Bank's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged: (cont'd)

BANK 2020	Government & Central Bank		Financial, Insurance, Business Services & Real Estate		Transport, Storage & Communication		Agriculture, Manufacturing, Wholesale & Retail Trade		Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
Cash and short-term funds (exclude cash in hand)	1,437,791	517,284	-	-	-	-	-	-	-	-	1,955,075
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-	-	-
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	-	150,246	-	-	-	-	-	-	-	20,531	170,777
Derivative financial assets	33,426	199,579	-	-	-	-	-	-	-	203,905	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	-	3,505,767	555,358	10,098,255	1,094,274	16,810,288	272,460	-	-	-	32,336,402
Statutory deposits with Bank Negara Malaysia	700,355	-	-	-	-	-	-	-	-	-	700,355
Total on-balance sheet	7,368,162	6,743,820	1,553,538	10,298,729	1,202,813	16,810,288	496,896	44,474,246	1,293,336	9,367,497	10,660,833
Contingent liabilities	-	185,596	42,241	593,365	450,067	5,899	16,168	-	-	-	1,293,336
Commitments	-	803,707	99,603	3,834,387	1,046,245	3,479,637	103,918	-	-	-	9,367,497
Total off-balance sheet	-	989,303	141,844	4,427,752	1,496,312	3,485,536	120,086	10,660,833	616,982	55,135,079	55,135,079
Total credit risk	7,368,162	7,733,123	1,695,382	14,726,481	2,699,125	20,295,824	616,982	55,135,079	616,982	55,135,079	55,135,079

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures (cont'd)

(c) Residual Contractual Maturity

The following tables represent the residual contractual maturity for major types of gross credit exposure for on-balance sheet financial assets of the Group and the Bank:

GROUP 2021	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year Year RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	2,767,625	-	-	-	-	2,767,625
Deposits and placements with banks and other financial institutions	-	41,481	-	-	-	41,481
Amounts due from clients and brokers	105,041	-	-	-	-	105,041
Financial assets at fair value through profit or loss (exclude equity securities)	-	-	-	-	13,246	13,246
Financial investments at fair value through other comprehensive income (exclude equity securities)	407,653	61,106	131,811	446,123	9,377,961	10,424,654
Financial investments at amortised cost	10,262	-	-	16	2,260,649	2,270,927
Derivative financial assets	8,980	17,888	31,658	15,334	79,875	153,735
Loans, advances and financing (exclude sales commissions and handling fees)	7,793,227	2,054,074	910,181	333,529	32,778,927	43,869,938
Statutory deposits with Bank Negara Malaysia	-	-	-	-	88,012	88,012
Total on-balance sheet exposure	11,092,788	2,174,549	1,073,650	795,002	44,598,670	59,734,659

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures (cont'd)

(c) Residual Contractual Maturity (cont'd)

The following tables represent the residual contractual maturity for major types of gross credit exposure for on-balance sheet financial assets of the Group and the Bank: (cont'd)

BANK 2021	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year Year RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	1,458,624	-	-	-	-	1,458,624
Deposits and placements with banks and other financial institutions	-	41,481	-	-	-	41,481
Financial assets at fair value through profit or loss (exclude equity securities)	-	-	-	-	13,246	13,246
Financial investments at fair value through other comprehensive income (exclude equity securities)	321,000	56,006	131,811	236,523	6,558,511	7,303,851
Financial investments at amortised cost	10,261	-	-	-	2,284,871	2,295,132
Derivative financial assets	8,980	17,888	31,658	15,334	79,875	153,735
Loans, advances and financing (exclude sales commissions and handling fees)	5,400,749	1,498,762	670,636	309,106	24,875,796	32,755,049
Statutory deposits with Bank Negara Malaysia	-	-	-	-	69,574	69,574
Total on-balance sheet exposure	7,199,614	1,614,137	834,105	560,963	33,881,873	44,090,692

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures (cont'd)

(c) Residual Contractual Maturity (cont'd)

The following tables represent the residual contractual maturity for major types of gross credit exposure for on-balance sheet financial assets of the Group and the Bank: (cont'd)

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 Year RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	2,585,762	-	-	-	-	2,585,762
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-
Amounts due from clients and brokers	51,165	-	-	-	-	51,165
Financial assets at fair value through profit or loss (exclude equity securities)	-	-	-	2	447,952	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	172,324	532,002	317,104	464,092	10,058,980	11,544,502
Financial investments at amortised cost	-	-	-	16	121,591	121,607
Derivative financial assets	76,325	53,116	60,838	103,827	142,804	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	8,600,960	2,197,009	781,874	230,668	31,564,407	43,374,918
Statutory deposits with Bank Negara Malaysia	-	-	-	-	949,049	949,049
Total on-balance sheet exposure	11,486,536	2,782,127	1,159,816	798,605	43,284,783	59,511,867

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures (cont'd)

(c) Residual Contractual Maturity (cont'd)

The following tables represent the residual contractual maturity for major types of gross credit exposure for on-balance sheet financial assets of the Group and the Bank: (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 Year RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	1,955,075	-	-	-	-	1,955,075
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-
Financial assets at fair value through profit or loss (exclude equity securities)	-	-	-	2	447,952	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	131,528	399,860	221,729	230,243	7,443,413	8,426,773
Financial investments at amortised cost	-	-	-	-	170,777	170,777
Derivative financial assets	76,325	53,116	60,838	103,827	142,804	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	5,967,999	1,559,464	621,672	178,300	24,008,967	32,336,402
Statutory deposits with Bank Negara Malaysia	-	-	-	-	700,355	700,355
Total on-balance sheet exposure	8,130,927	2,012,440	904,239	512,372	32,914,268	44,474,246

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

3.0 CREDIT RISK (CONT'D)

3.2 Past Due but Not Impaired Loans, Advances and Financing Analysis

Past due but not impaired loans, advances and financing are loans where the customers have failed to make a principal and/or interest payment when contractually due, and include loans which are due one or more days after the contractual due date but not more than 3 months. Under MFRS9, exposures more than 30 days past due are transferred to Stage 2. For loans that are structured to pay principal and/or interest at quarterly interval or longer, a default of payment will trigger an impairment.

Past due but not impaired loans, advances and financing analysed by sector:

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Financial, insurance & business services and real estate	60,655	158,176	49,423	129,408
Transport, storage & communication	18,288	37,851	15,795	33,643
Agriculture, manufacturing, wholesale & retail trade	287,091	1,345,067	216,475	1,075,631
Construction	212,783	335,890	153,623	245,883
Household	1,015,998	1,618,582	667,359	1,028,837
Others	1,151	38,168	1,144	13,783
	1,595,966	3,533,734	1,103,819	2,527,185

Past due but not impaired loans, advances and financing analysed by significant geographical areas:

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Northern region	100,942	294,640	61,820	214,750
Central region	1,226,567	2,555,013	869,734	1,821,590
Southern region	157,342	430,123	113,578	303,884
Sabah region	95,584	192,336	45,755	133,145
Sarawak region	15,531	61,622	12,932	53,816
	1,595,966	3,533,734	1,103,819	2,527,185

3.0 CREDIT RISK (CONT'D)

3.3 Impaired Loans, Advances and Financing and Allowance for Expected Credit Losses Analysis

Impaired loans, advances and financing are exposures where the customers have failed to make a principal and/or interest payment for more than 3 months. In addition, where customers are deemed incapable of continuing repayment obligations, the exposures will be judgmentally impaired. Where exposures are restructured or rescheduled due to increase in credit risk, the exposures are also classified as impaired.

Impaired loans, advances and financing analysed by sectors:

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Financial, insurance & business services and real estate	74,203	30,230	73,017	29,030
Transport, storage & communication	4,683	6,135	4,179	4,088
Agriculture, manufacturing, wholesale & retail trade	154,405	192,991	129,087	152,272
Construction	32,416	48,822	19,705	34,653
Household	762,451	588,904	505,303	414,043
Others	4,278	4,258	4,277	4,257
	1,032,436	871,340	735,568	638,343

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

3.0 CREDIT RISK (CONT'D)

3.3 Impaired Loans, Advances and Financing and Allowance for Expected Credit Losses Analysis (cont'd)

Allowance for expected credit losses on loans, advances and financing analysed by sectors:

GROUP	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit impaired (Stage 2) RM'000	Lifetime ECL Credit impaired (Stage 3) RM'000	ECL charged/ (write-back) for the year (net) RM'000	Stage 3 write-off for the year RM'000
2021					
Financial, insurance & business services and real estate	10,297	17,723	7,865	(241)	(611)
Transport, storage & communication	3,254	3,362	3,383	224	(2,073)
Agriculture, manufacturing, wholesale & retail trade	50,344	116,695	76,543	19,531	(37,811)
Construction	2,938	68,329	26,132	1,628	(13,829)
Household	162,606	289,704	161,694	100,356	(75,521)
Others	1,586	2,963	1,788	182	(5)
	231,025	498,776	277,405	121,680	(129,850)
BANK					
2021					
Financial, insurance & business services and real estate	7,593	12,565	7,607	(191)	(611)
Transport, storage & communication	2,988	2,943	2,996	167	(365)
Agriculture, manufacturing, wholesale & retail trade	40,368	98,232	68,080	18,293	(34,007)
Construction	2,335	44,121	14,124	(1,037)	(10,708)
Household	99,531	155,721	103,095	56,817	(44,666)
Others	1,426	1,087	1,787	182	(5)
	154,241	314,669	197,689	74,231	(90,362)

3.0 CREDIT RISK (CONT'D)

3.3 Impaired Loans, Advances and Financing and Allowance for Expected Credit Losses Analysis (cont'd)

Allowance for expected credit losses on loans, advances and financing analysed by sectors: (cont'd)

GROUP	12 months ECL	Lifetime ECL	Lifetime ECL	ECL	Stage 3
2020	(Stage 1)	Not-credit	Credit	charged/	write-off
	(RM'000)	impaired	impaired	for the	for the year
		(Stage 2)	(Stage 3)	year (net)	for the year
		(RM'000)	(RM'000)	(RM'000)	(RM'000)
Financial, insurance & business services and real estate	5,962	16,634	9,235	3,959	(1,028)
Transport, storage & communication	1,824	3,837	5,033	2,190	(383)
Agriculture, manufacturing, wholesale & retail trade	30,706	88,028	94,844	36,270	(16,132)
Construction	2,854	16,624	38,242	13,543	(417)
Household	54,415	142,702	144,348	149,145	(101,018)
Others	792	1,462	1,726	(161)	(595)
	96,553	269,287	293,428	204,946	(119,573)
BANK					
2020					
Financial, insurance & business services and real estate	4,527	12,614	8,902	3,877	(1,023)
Transport, storage & communication	1,661	3,259	2,995	434	(363)
Agriculture, manufacturing, wholesale & retail trade	23,866	70,418	83,674	34,330	(13,738)
Construction	2,146	13,981	25,710	7,491	(290)
Household	30,921	76,442	95,364	88,358	(64,670)
Others	556	482	1,725	(161)	(595)
	63,677	177,196	218,370	134,329	(80,679)

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

3.0 CREDIT RISK (CONT'D)

3.3 Impaired Loans, Advances and Financing and Allowance for Expected Credit Losses Analysis (cont'd)

Impaired loans, advances and financing analysed by significant geographical areas:

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Northern region	77,759	85,202	52,270	60,317
Central region	764,325	623,066	543,371	449,333
Southern region	142,789	118,968	107,890	94,908
Sabah region	37,812	32,649	24,456	24,474
Sarawak region	9,751	11,455	7,581	9,311
	1,032,436	871,340	735,568	638,343

Allowance for expected credit losses on financing and advances analysed by significant geographical areas:

GROUP 2021	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit impaired (Stage 2) RM'000	Lifetime ECL Credit impaired (Stage 3) RM'000
	Northern region	21,409	30,947
Central region	167,174	387,962	191,565
Southern region	24,970	47,568	39,611
Sabah region	13,147	27,450	6,670
Sarawak region	4,325	4,849	4,291
	231,025	498,776	277,405
BANK 2021			
Northern region	15,373	21,196	24,253
Central region	110,068	239,613	136,186
Southern region	16,727	30,883	28,883
Sabah region	8,674	19,104	4,490
Sarawak region	3,399	3,873	3,877
	154,241	314,669	197,689

3.0 CREDIT RISK (CONT'D)

3.3 Impaired Loans, Advances and Financing and Allowance for Expected Credit Losses Analysis (cont'd)

Allowance for expected credit losses on financing and advances analysed by significant geographical areas:
(cont'd)

GROUP	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000
2020			
Northern region	9,813	22,862	39,715
Central region	70,575	192,653	194,895
Southern region	9,782	30,035	47,533
Sabah region	4,081	18,414	5,815
Sarawak region	2,302	5,323	5,470
	96,553	269,287	293,428
BANK			
2020			
Northern region	5,833	15,713	28,643
Central region	46,695	127,073	142,883
Southern region	6,634	15,424	37,819
Sabah region	2,697	14,215	4,133
Sarawak region	1,818	4,771	4,892
	63,677	177,196	218,370

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

3.0 CREDIT RISK (CONT'D)

3.3 Impaired Loans, Advances and Financing and Allowance for Expected Credit Losses Analysis (cont'd)

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

GROUP	12 months 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
At 1 April 2020	96,553	269,287	293,428	659,268
Transfer to Stage 1	153,279	(303,936)	(4,481)	(155,138)
Transfer to Stage 2	(101,032)	483,008	(76,882)	305,094
Transfer to Stage 3	(738)	(158,088)	233,223	74,397
New financial assets originated or purchased	77,896	178,021	15,316	271,233
Financial assets derecognised other than write-off	(64,721)	(189,434)	(35,550)	(289,705)
Changes due to change in credit risk	69,812	220,087	(9,933)	279,966
Other adjustments	(21)	(37)	(13)	(71)
	134,475	229,621	121,680	485,776
Unwinding of discount	-	-	(7,853)	(7,853)
Total charge to income statement	134,475	229,621	113,827	477,923
Write-off	(3)	(132)	(129,850)	(129,985)
At 31 March 2021	231,025	498,776	277,405	1,007,206
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 adjustments	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

Note:

The transfer between stages are inclusive of net remeasurement of allowances.

3.0 CREDIT RISK (CONT'D)

3.3 Impaired Loans, Advances and Financing and Allowance for Expected Credit Losses Analysis (cont'd)

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

BANK	12 months 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
At 1 April 2020	63,677	177,196	218,370	459,243
Transfer to Stage 1	94,945	(199,432)	(2,495)	(106,982)
Transfer to Stage 2	(62,825)	300,659	(50,694)	187,140
Transfer to Stage 3	(606)	(90,925)	142,613	51,082
New financial assets originated or purchased	53,856	139,571	11,287	204,714
Financial assets derecognised other than write-off	(42,782)	(141,429)	(24,205)	(208,416)
Changes due to change in credit risk	48,000	129,081	(2,262)	174,819
Other adjustments	(21)	(37)	(13)	(71)
	90,567	137,488	74,231	302,286
Unwinding of discount	-	-	(4,550)	(4,550)
Total charge to income statement	90,567	137,488	69,681	297,736
Write-off	(3)	(15)	(90,362)	(90,380)
At 31 March 2021	154,241	314,669	197,689	666,599
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 adjustments	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

Note:

The transfer between stages are inclusive of net remeasurement of allowances.

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

3.0 CREDIT RISK (CONT'D)

3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd)

For the purpose of determining counterparty risk-weights, the Group uses external credit assessments from Rating Agency Malaysia (“RAM”), Malaysian Rating Corporation (“MARC”), Standard and Poor’s (“S&P”), Moody’s, Fitch, and Rating and Investment (“R&I”). In the context of the Group’s portfolio, external credit assessments are mainly applicable to banks/financial institutions and rated corporations. The Group follows the process prescribed under BNM’s Capital Adequacy Framework to map the ratings to the relevant risk-weights. The ratings are monitored and updated regularly to ensure that the latest and most appropriate risk-weights are applied in the capital computation.

The following tables show the rated credit exposures according to ratings by approved Eligible Credit Assessment Institutions (“ECAIs”):

GROUP 2021

Exposure Class	Ratings by Approved ECAIs *					Total
	Moody's	Aaa to Aa3 /P-1	A1 to A3 /P-2	Baa1 to Ba3 /P-3	B1 to C / Others	Unrated
	S&P	AAA to AA- /A-1	A+ to A- /A-2	BBB+ to BB- /A-3	B+ to D / Others	Unrated
	Fitch	AAA to AA- /F1+, F1	A+ to A- /A-2	BBB+ to BB- /F3	B+ to D	Unrated
	RAM	AAA to AA3 /P-1	A+ to A3 /P-2	BBB1+ to BB3 /P-3	B to D /NP	Unrated
	MARC	AAA to AA- /MARC-1	A+ to A- /MARC-2	BBB+ to BB- /MARC-3	B+ to D /MARC-4	Unrated
	R&I (Note 1)	AAA to AA- /a-1+, a-1	A+ to A- /a-2	BBB+ to BB- /a-3	B+ to D /b, c	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures						
(i) Exposures risk-weighted using Sovereigns and Central Banks rating						
Public Sector Entities	-	528,387	-	-	-	528,387
Sovereigns and Central Banks (See Note 2)	-	10,143,188	-	-	-	10,143,188
Corporates	-	1,536,728	-	-	-	1,536,728
Banks, DFIs and Multilateral Development Banks	-	5,074	-	-	-	5,074
Total	-	12,213,377	-	-	-	12,213,377
(ii) Exposures risk-weighted using Banking Institutions long-term rating						
Banks, DFIs and Multilateral Development Banks	499,125	285,218	4,200	-	192,127	980,670
Exposures risk-weighted using Banking Institutions short-term rating						
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
Total	499,125	285,218	4,200	-	192,127	980,670
(iii) Exposures risk-weighted using Corporate long-term rating						
Public Sector Entities	46,381	-	-	-	351,517	397,898
Corporates	2,981,540	48,638	-	-	17,853,753	20,883,931
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	28,848	28,848
Exposures risk-weighted using Corporate short-term rating						
Public Sector Entities	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
Total	3,027,921	48,638	-	-	18,234,118	21,310,677

3.0 CREDIT RISK (CONT'D)

3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd)

The following tables show the rated credit exposures according to ratings by approved ECAIs: (cont'd)

**BANK
2021**

Exposure Class	Ratings by Approved ECAIs *					Total
	Moody's	Aaa to Aa3 /P-1	A1 to A3 /P-2	Baa1 to Ba3 /P-3	B1 to C / Others	Unrated
	S&P	AAA to AA- /A-1	A+ to A- /A-2	BBB+ to BB- /A-3	B+ to D / Others	Unrated
	Fitch	AAA to AA- /F1+, F1	A+ to A- /A-2	BBB+ to BB- /F3	B+ to D	Unrated
	RAM	AAA to AA3 /P-1	A+ to A3 /P-2	BBB1+ to BB3 /P-3	B to D /NP	Unrated
	MARC	AAA to AA- /MARC-1	A+ to A- /MARC-2	BBB+ to BB- /MARC-3	B+ to D /MARC-4	Unrated
	R&I (Note 1)	AAA to AA- /a-1+, a-1	A+ to A- /a-2	BBB+ to BB- /a-3	B+ to D /b, c	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures						
(i) Exposures risk-weighted using Sovereigns and Central Banks rating						
Public Sector Entities	-	213,559	-	-	-	213,559
Sovereigns and Central Banks (See Note 2)	-	7,262,110	-	-	-	7,262,110
Corporates	-	984,348	-	-	-	984,348
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
Total	-	8,460,017	-	-	-	8,460,017
(ii) Exposures risk-weighted using Banking Institutions long-term rating						
Banks, DFIs and Multilateral Development Banks	493,396	614,831	4,200	-	182,671	1,295,098
Exposures risk-weighted using Banking Institutions short-term rating						
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
Total	493,396	614,831	4,200	-	182,671	1,295,098
(iii) Exposures risk-weighted using Corporate long-term rating						
Public Sector Entities	30,714	-	-	-	170,539	201,253
Corporates	2,046,259	33,359	-	-	13,609,141	15,688,759
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	21,079	21,079
Exposures risk-weighted using Corporate short-term rating						
Public Sector Entities	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
Total	2,076,973	33,359	-	-	13,800,759	15,911,091

3.0 CREDIT RISK (CONT'D)

3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd)

The following tables show the rated credit exposures according to ratings by approved ECAIs: (cont'd)

**BANK
2020**

Exposure Class	Ratings by Approved ECAIs *					Total
	Moody's	Aaa to Aa3 /P-1	A1 to A3 /P-2	Baa1 to Ba3 /P-3	B1 to C / Others	Unrated
	S&P	AAA to AA- /A-1	A+ to A- /A-2	BBB+ to BB- /A-3	B+ to D / Others	Unrated
	Fitch	AAA to AA- /F1+, F1	A+ to A- /A-2	BBB+ to BB- /F3	B+ to D	Unrated
	RAM	AAA to AA3 /P-1	A+ to A3 /P-2	BBB1+ to BB3 /P-3	B to D /NP	Unrated
	MARC	AAA to AA- /MARC-1	A+ to A- /MARC-2	BBB+ to BB- /MARC-3	B+ to D /MARC-4	Unrated
	R&I (Note 1)	AAA to AA- /a-1+, a-1	A+ to A- /a-2	BBB+ to BB- /a-3	B+ to D /b, c	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures						
(i) Exposures risk-weighted using Sovereigns and Central Banks rating						
Public Sector Entities	-	108,114	-	-	-	108,114
Sovereigns and Central Banks (See Note 2)	-	6,947,043	-	-	-	6,947,043
Corporates	-	957,161	-	-	-	957,161
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
Total	-	8,012,318	-	-	-	8,012,318
(ii) Exposures risk-weighted using Banking Institutions long-term rating						
Banks, DFIs and Multilateral Development Banks	600,299	957,106	487	-	75,809	1,633,701
Exposures risk-weighted using Banking Institutions short-term rating						
Banks, DFIs and Multilateral Development Banks	39,549	-	-	-	-	39,549
Total	639,848	957,106	487	-	75,809	1,673,250
(iii) Exposures risk-weighted using Corporate long-term rating						
Public Sector Entities	30,897	-	-	-	200,890	231,787
Corporates	1,780,409	48,955	-	-	14,545,019	16,374,383
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	8,844	8,844
Exposures risk-weighted using Corporate short-term rating						
Public Sector Entities	-	-	-	-	-	-
Corporates	99,983	-	-	-	-	99,983
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
Total	1,911,289	48,955	-	-	14,754,753	16,714,997

Note 1: "R&I" rating is not recognised for Islamic debt securities.

Note 2: The Federal Government and Central Bank of Malaysia are accorded 0% risk weight as provided under the Capital Adequacy Framework.

*Upper Range = Long Term Rating, Lower Range = Short Term Rating

Note:

There is no outstanding securitisation contract in the Bank that requires disclosure of ratings and short-term rating of securitisation by approved ECAIs.

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

3.0 CREDIT RISK (CONT'D)

3.5 Credit Risk Mitigation ("CRM")

As a practical approach towards mitigating credit risk, the Group accepts a wide range of collaterals. Main types of collateral acceptable to the Group include cash, guarantees, commercial and residential real estate, and physical collateral/financial collateral, e.g. motor vehicles or shares. Guarantees are accepted only when the financial standing of the guarantors have been ascertained.

However, for capital computation purposes, the BNM guidelines apply more restrictive rules on collaterals that qualify as credit risk mitigants. As a result, not all of the collaterals accepted by the Group can be used to reduce our capital adequacy requirement.

The following tables represent the Group's/Bank's credit exposure including off-balance sheet items under the standardised approach, the total exposure (after, where applicable, eligible netting benefits) that is covered by eligible guarantees and credit derivatives; and eligible collateral after haircuts, allowed under the Capital Adequacy Framework.

GROUP 2021 Exposure Class	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives (Note 1) RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	10,122,388	-	-	-
Public sector entities	817,768	-	-	-
Banks, DFIs and Multilateral Development Banks	631,456	-	-	-
Insurance companies, securities firms and fund managers	6,284	259	-	-
Corporates	19,977,037	172,367	1,320,662	-
Regulatory retail	10,635,671	586,151	945,389	-
Residential mortgages	16,603,585	629	9,538	-
Higher risk assets	5,998	-	4	-
Other assets	1,013,569	-	-	-
Defaulted exposures	756,160	1,267	1,833	-
Total on-balance sheet exposures	60,569,916	760,673	2,277,426	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	4,134,194	275	553,738	-
Defaulted exposures	2,130	-	5	-
Total off-balance sheet exposures	4,136,324	275	553,743	-
Total on and off-balance sheet exposures	64,706,240	760,948	2,831,169	-

Note 1: The Exposures covered by guarantees/credit derivative refers to the exposures guaranteed by eligible guarantor.

3.0 CREDIT RISK (CONT'D)

3.5 Credit Risk Mitigation ("CRM") (cont'd)

BANK 2021 Exposure Class	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives (Note 1) RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	7,241,310	-	-	-
Public sector entities	312,291	-	-	-
Banks, DFIs and Multilateral Development Banks	940,828	-	-	-
Insurance companies, securities firms and fund managers	2,535	259	-	-
Corporates	14,817,564	146,138	1,141,114	-
Regulatory retail	8,092,353	532,271	801,623	-
Residential mortgages	11,916,912	571	9,271	-
Higher risk assets	5,100	-	4	-
Other assets	942,752	-	-	-
Defaulted exposures	539,010	1,267	1,301	-
Total on-balance sheet exposures	44,810,655	680,506	1,953,313	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,375,756	275	469,121	-
Defaulted exposures	1,585	-	5	-
Total off-balance sheet exposures	3,377,341	275	469,126	-
Total on and off-balance sheet exposures	48,187,996	680,781	2,422,439	-

Note 1: The Exposures covered by guarantees/credit derivative refers to the exposures guaranteed by eligible guarantor.

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

3.0 CREDIT RISK (CONT'D)

3.5 Credit Risk Mitigation ("CRM") (cont'd)

GROUP 2020 Exposure Class	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	9,409,103	-	-	-
Public sector entities	691,368	-	-	-
Banks, DFIs and Multilateral Development Banks	620,046	-	-	-
Insurance companies, securities firms and fund managers	14,870	-	-	-
Corporates	20,583,524	-	1,427,524	-
Regulatory retail	9,933,347	-	608,733	-
Residential mortgages	16,789,019	-	9,889	-
Higher risk assets	5,672	-	4	-
Other assets	1,291,944	-	-	-
Defaulted exposures	579,637	-	1,439	-
Total on-balance sheet exposures	59,918,530	-	2,047,589	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	4,748,637	-	513,491	-
Defaulted exposures	747	-	5	-
Total off-balance sheet exposures	4,749,384	-	513,496	-
Total on and off-balance sheet exposures	64,667,914	-	2,561,085	-

3.0 CREDIT RISK (CONT'D)

3.5 Credit Risk Mitigation ("CRM") (cont'd)

GROUP 2020 Exposure Class	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	6,896,805	-	-	-
Public sector entities	239,371	-	-	-
Banks, DFIs and Multilateral Development Banks	1,182,409	-	-	-
Insurance companies, securities firms and fund managers	8,008	-	-	-
Corporates	15,113,912	-	1,128,773	-
Regulatory retail	7,424,239	-	531,429	-
Residential mortgages	12,180,706	-	9,584	-
Higher risk assets	5,451	-	5	-
Other assets	1,223,138	-	-	-
Defaulted exposures	421,576	-	457	-
Total on-balance sheet exposures	44,695,615	-	1,670,248	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,885,457	-	416,511	-
Defaulted exposures	545	-	5	-
Total off-balance sheet exposures	3,886,002	-	416,516	-
Total on and off-balance sheet exposures	48,581,617	-	2,086,764	-

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

3.0 CREDIT RISK (CONT'D)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk

Counterparty Credit Risk (“CCR”) is the risk that the counterparty to a transaction involving financial instruments such as foreign exchange and derivatives, defaults before the final settlement of the transaction’s cash flows. Unlike a loan where the credit risk is unilateral i.e. only the lending bank faces the risk of loss, CCR on derivatives creates bilateral risk of loss. This means either party of the transaction can incur losses depending on the market value of the derivative, which can vary over time with the movement of underlying market factors.

For derivatives, the Group is not exposed to credit risk for the full face value of the contracts. The CCR is limited to the potential cost of replacing the cash-flow if the counterparty defaults. As such, the credit equivalent amount will depend, inter alia, on the maturity of the contract and on the volatility of the rates underlying that type of instrument.

Derivatives are mainly utilised for hedging purposes with minimal trading exposures. CCR arising from the derivatives is managed via counterparty limits, which is set based on the counterparty’s size and credit rating. These limits are monitored daily by Group Risk Management.

CCR is further mitigated via netting agreements, e.g. under the International Swaps and Derivatives Association (“ISDA”) master agreement. The ISDA agreement contractually binds both parties to apply close-out netting across all outstanding transactions covered by this agreement should either party default or other such predetermined credit events occur.

CCR is measured via the current exposure method whereby the credit equivalent exposure for derivatives is the sum of the positive mark-to-market exposure plus the potential future exposure which is equivalent to an add-on factor multiplied by the notional amount. The add-on factors are as stipulated by BNM.

3.0 CREDIT RISK (CONT'D)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

The off-balance sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows:

GROUP 2021	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	687,790	-	687,790	602,424
Transaction-related contingent items	554,612	-	275,113	176,464
Short-term self-liquidating trade-related contingencies	145,128	-	29,026	24,654
Forward asset purchase	20,800	-	20,800	-
Obligations under an on-going underwriting agreement	20,000	-	10,000	10,000
Irrevocable commitments to extend credit:				
- maturity exceeding 1 year	867,310	-	433,151	303,857
- maturity not exceeding 1 year	9,625,561	-	1,925,112	1,365,327
Unutilised credit card lines	1,299,366	-	259,873	200,734
	13,220,567	-	3,640,865	2,683,460
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- one year or less	7,718,029	50,451	133,091	45,375
- over one year to three years	681,661	2,417	47,467	32,489
- over three years	661,606	8,061	73,516	36,832
Interest rate related contracts:				
- one year or less	2,099,218	11,054	14,569	4,508
- over one year to three years	3,984,245	52,302	110,926	37,059
- over three years	1,492,030	16,428	67,968	20,746
Equity related contracts:				
- one year or less	295,184	12,355	30,209	20,333
- over one year to three years	214,860	667	17,713	3,729
- over three years	-	-	-	-
	17,146,833	153,735	495,459	201,071
	30,367,400	153,735	4,136,324	2,884,531

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

3.0 CREDIT RISK (CONT'D)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

BANK 2021	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	511,039	-	511,039	434,180
Transaction-related contingent items	492,119	-	243,867	155,287
Short-term self-liquidating trade-related contingencies	119,337	-	23,867	19,768
Forward asset purchase	20,800	-	20,800	-
Obligations under an on-going underwriting agreement	-	-	-	-
Irrevocable commitments to extend credit:				
- maturity exceeding 1 year	711,536	-	355,265	248,901
- maturity not exceeding 1 year	7,335,855	-	1,467,171	1,020,082
Unutilised credit card lines	1,299,366	-	259,873	200,468
	10,490,052	-	2,881,882	2,078,686
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- one year or less	7,718,029	50,451	133,091	45,375
- over one year to three years	681,661	2,417	47,467	32,489
- over three years	661,606	8,061	73,516	36,832
Interest rate related contracts:				
- one year or less	2,099,218	11,054	14,569	4,508
- over one year to three years	3,984,245	52,302	110,926	37,059
- over three years	1,492,030	16,428	67,968	20,746
Equity related contracts:				
- one year or less	295,184	12,355	30,209	20,333
- over one year to three years	214,860	667	17,713	3,729
- over three years	-	-	-	-
	17,146,833	153,735	495,459	201,071
	27,636,885	153,735	3,377,341	2,279,757

3.0 CREDIT RISK (CONT'D)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

GROUP 2020	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	814,317	-	814,317	727,430
Transaction-related contingent items	621,684	-	308,011	219,703
Short-term self-liquidating trade-related contingencies	130,924	-	26,185	22,599
Forward asset purchase	-	-	-	-
Obligations under an on-going underwriting agreement	51,150	-	25,575	25,575
Irrevocable commitments to extend credit:				
- maturity exceeding 1 year	1,239,933	-	619,574	459,805
- maturity not exceeding 1 year	9,273,334	-	1,854,667	1,335,023
Unutilised credit card lines	1,356,566	-	271,313	210,321
	13,487,908	-	3,919,642	3,000,456
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- one year or less	12,470,667	195,374	321,999	89,529
- over one year to three years	621,349	11,435	52,881	39,633
- over three years	315,762	3,106	33,001	21,621
Interest rate related contracts:				
- one year or less	3,505,421	6,113	10,496	2,460
- over one year to three years	3,386,675	43,874	93,269	28,991
- over three years	2,230,984	49,133	125,429	44,342
Equity related contracts:				
- one year or less	533,770	91,660	123,686	110,910
- over one year to three years	273,868	32,542	54,451	45,912
- over three years	145,300	-	14,530	5,756
	23,483,796	433,237	829,742	389,154
	36,971,704	433,237	4,749,384	3,389,610

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

3.0 CREDIT RISK (CONT'D)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

BANK 2020	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	622,481	-	622,481	552,127
Transaction-related contingent items	559,957	-	277,147	200,759
Short-term self-liquidating trade-related contingencies	110,898	-	22,180	19,110
Forward asset purchase	-	-	-	-
Obligations under an on-going underwriting agreement	-	-	-	-
Irrevocable commitments to extend credit:				
- maturity exceeding 1 year	871,143	-	435,182	345,761
- maturity not exceeding 1 year	7,139,788	-	1,427,957	1,037,216
Unutilised credit card lines	1,356,566	-	271,313	210,321
	10,660,833	-	3,056,260	2,365,294
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- one year or less	12,470,667	195,374	321,999	89,529
- over one year to three years	621,349	11,435	52,881	39,633
- over three years	315,762	3,106	33,001	21,621
Interest rate related contracts:				
- one year or less	3,505,421	6,113	10,496	2,460
- over one year to three years	3,386,675	43,874	93,269	28,991
- over three years	2,230,984	49,133	125,429	44,342
Equity related contracts:				
- one year or less	533,770	91,660	123,686	110,910
- over one year to three years	273,868	32,542	54,451	45,912
- over three years	145,300	-	14,530	5,756
	23,483,796	433,237	829,742	389,154
	34,144,629	433,237	3,886,002	2,754,448

4.0 MARKET RISK

Market Risk is defined as the risk of losses in on-balance sheet and off-balance sheet positions arising from movements in market prices.

Market Risk Management

The Board, via the Group Risk Management Committee (“GRMC”) provides oversight on market risk management activities. Its responsibilities include reviewing and approving risk management policies, risk exposures and limits whilst ensuring the necessary infrastructure and resources are in place.

At senior management level, the Group Assets and Liabilities Management Committee (“GALCO”) manages the Group’s market risk by reviewing and recommending market risk frameworks and policies; ensuring that market risk limits and parameters are within the approved thresholds; and aligning market risk management with business strategy and planning.

Organisationally, market risks are managed collectively via the Three Lines of Defence concept. Group Financial Markets, as the risk taking unit assumes ownership of the risk and manages the risk within the approved policies, risk limits and parameters as set by the GRMC or GALCO. The risk control function is undertaken by Group Risk Management which provides independent monitoring, valuation and reporting of the market exposures. This is supplemented by periodic review by Group Internal Audit.

For the Group, market risk is managed on an integrated approach which involves the following processes:

- (i) Identification of market risk in new products and changes in risk profiles of existing exposures.
- (ii) Assessment of the type and magnitude of market risks which takes into account the activity and market role undertaken.
- (iii) Adoption of various market risk measurement tools and techniques to quantify market risk exposures.
- (iv) Scheduled and exception reporting on market risk exposures.

Market risk exists in the Group’s activities in fixed income securities, foreign exchange and financial derivatives, which are transacted primarily by Group Financial Markets (treasury) department. Trading positions are held intentionally for short-term resale and with the intent of benefiting from actual or expected short-term price movements while banking book positions are held until maturity or as available-for-sale. Hence, these positions are susceptible to market movements.

These exposures are governed by approved policies, risk limits and parameters which are set vis-a-vis the Group’s risk appetite and strategy. Besides that, treasury activities are monitored and reported independently by Group Market Risk on a daily basis. Any limit breaches or exceptions are reported to GALCO, Executive Risk Management Committee (“ERM”) and GRMC.

Hedging Policies and Strategies

The Group had established a hedging policy which outlines the broad principles and policies governing hedging activities by the Group. Generally, the Group enters into hedges to manage or reduce risk exposures. All hedging strategies are approved by the GALCO and monitored independently by Group Market Risk Management. Further, all hedging strategies are designated upfront and recorded separately under the hedging portfolios. Hedging positions and effectiveness, if any, are monitored and reported monthly to senior management.

Market risk capital charge

For the Group, the market risk charge is computed on the standardised approach and the capital charges are mainly on the fixed income securities, foreign exchange and financial derivatives portfolios if any.

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

4.0 MARKET RISK (CONT'D)

Regulatory capital requirements

The risk-weighted assets and capital requirements for the various categories of risk under market risk are as follows:

	GROUP		BANK	
	Risk-Weighted Assets RM'000	Capital Requirements RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
2021				
Interest rate risk				
- General interest rate risk	252,425	20,194	252,425	20,194
- Specific interest rate risk	-	-	-	-
	252,425	20,194	252,425	20,194
Foreign exchange risk	69,927	5,594	69,606	5,568
Option risk	300	24	300	24
	322,652	25,812	322,331	25,786
2020				
Interest rate risk				
- General interest rate risk	364,445	29,156	364,445	29,156
- Specific interest rate risk	10,025	802	10,025	802
	374,470	29,958	374,470	29,958
Foreign exchange risk	97,125	7,770	97,125	7,770
Option risk	713	57	713	57
	472,308	37,785	472,308	37,785

5.0 OPERATIONAL 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. It includes legal risk but excludes strategic and reputation risks.

Operational Risk Management

Management, escalation and reporting of operational risks are instituted through the Group Operational and Technology Risk Management Committee (“GOTRC”), Executive Risk Management Committee (“ERMC”), Group Risk Management Committee (“GRMC”) as well as the Board.

The Board, via the GRMC provides oversight on operational risk management activities.

At senior management level, GOTRC manages the day-to-day operational risk exposures. The roles and responsibilities of GOTRC include:

- (i) Providing strategic guidance on operational issues and monitor implementation of Operational Risk Management (“ORM”) framework.
- (ii) Reviewing and monitoring operational risk issues, reports and action plans.
- (iii) Evaluating and agree on initiatives to strengthen operational processes or infrastructure.
- (iv) Promoting risk awareness and operational risk management culture.

The Group practices operational risk management as outlined in the ORM Framework, in accordance with Basel and regulatory guidelines. The Group applies operational risk tools and methodologies in the identification, assessment, measurement, control and monitoring of operational risks. Other efforts by the Group include the ORM awareness training which is given to all staff, and regular business continuity and disaster recovery plans.

The Group adopts the Basic Indicator Approach for computation of operational Risk-Weighted Asset (“RWA”).

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

6.0 EQUITY EXPOSURES IN BANKING BOOK

The Group and the Bank holds equity positions in the banking book as a result of debt to equity conversion, for social-economic purposes, or to maintain strategic relationships. All equities are held at fair value. For quoted equities, fair value is estimated based on quoted or observable market price at the end of the reporting period. For unquoted equities, the fair value is estimated using approved valuation techniques.

Any gains and losses arising from the returns and changes in fair value of these equities holdings are reflected in the revaluation reserve and statement of income accordingly.

The following table shows the equity exposures in banking book:

	GROUP		BANK	
	Gross credit exposures RM'000	Risk-weighted assets RM'000	Gross credit exposures RM'000	Risk-weighted assets RM'000
2021				
Publicly traded				
Holding of equity investments	15	15	15	15
Privately held				
For socio-economic purposes	224,673	224,673	154,479	154,479
Not for socio-economic purposes	3	5	3	5
	224,691	224,693	154,497	154,499
2020				
Publicly traded				
Holding of equity investments	5	5	5	5
Privately held				
For socio-economic purposes	202,157	202,157	137,765	137,765
Not for socio-economic purposes	3	4	3	4
	202,165	202,166	137,773	137,774

6.0 EQUITY EXPOSURES IN BANKING BOOK (CONT'D)

Gains and losses on equity exposures in the banking book

The table below present the gains and losses on equity exposures in banking book:

	GROUP		BANK	
	31 March 2021 RM'000	31 March 2020 RM'000	31 March 2021 RM'000	31 March 2020 RM'000
Unrealised gains/(losses) recognised in revaluation reserve				
- Publicly traded equity investments	10	(3)	10	(3)
	10	(3)	10	(3)
Unrealised gains recognised in statement of income				
- Privately held equity investments	22,759	14,749	16,957	11,141
	22,759	14,749	16,957	11,141

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

7.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK

Interest rate risk/rate of return risk in the banking book (“IRR/RORBB”) is the risk that occurs when movements in interest rates affect a banking organization’s earnings or economic value. Changes in interest rate/profit rate affects the Group’s earnings by altering interest rate-sensitive income and expenses, affecting its net interest income (“NII”). It also affects the underlying value of banking assets, liabilities and off-balance sheet instruments as the present value of future cash flows change when interest rate/profit rate change.

Risk Governance

IRR/RORBB is managed collectively by GALCO, Group Financial Markets, Group Finance and Group Risk Management. Each of the above parties has clearly defined roles and responsibilities to provide oversight and manage IRR/RORBB within the defined framework and structure as approved by the GRMC/Board. GALCO assumes the overall responsibility in managing IRR/RORBB by setting the directions, strategy and risk limits/parameters for the Bank/Group. Group Financial Markets is tasked to execute the approved strategy by managing the assets/liabilities as well as the funding and liquidity needs of the Bank/Group where the Group and its entities have operated above the minimum regulatory requirements for Liquidity Coverage Ratio (“LCR”) and Net Stable Funding Ratio (“NSFR”). Group Finance and Group Risk Management provide support in respect of risk monitoring and reporting of the banking book exposures; and ensuring regulatory as well as accounting requirements are met.

IRR/RORBB Management

The guiding principles in managing IRR/RORBB include:

- (i) Adopting a prudent approach to manage IRR/RORBB in ways that commensurate with the Group’s size and business activities. This is achieved via establishing robust IRR/RORBB policies, measures and strategies which is complemented by regular monitoring and reporting.
- (ii) Checking to ensure that IRR/RORBB are accurately measured and any mismatches identified, reviewed and reported monthly to GALCO.
- (iii) Setting of proper gapping limits and the limits monitored closely.
- (iv) Practicing comprehensive IRR/RORBB reporting and review process, with aggregated information and supporting details to facilitate assessment of the Group’s sensitivity to changes in market conditions.

The Bank uses a range of tools, including the following primary measures to quantify and monitor IRR/RORBB:

- (i) Repricing gap analysis to measure interest rate/profit rate from the earnings perspective i.e. impact of interest rate/profit rate changes to earnings in the short-term.
- (ii) Net interest income/profit income simulation to assess the impact of interest rate/profit rate changes on short term earnings volatility.
- (iii) Economic value (“EV”) simulations which measures the asset-liability impact of adverse interest rate/profit rate movements on the economic value of the Bank’s capital.

Group Risk Management performs independent monitoring of the interest rate/profit rate benchmarks to ensure compliance. Any exceptions are reported and appropriate remedial actions are taken, where necessary. Schedule reporting via risk dashboards are provided to senior management, GRMC and Board. The risk dashboards provide a gauge on the IRR/RORBB of the Group.

The Group is guided by BNM’s guidelines and Basel standards on management of IRR/RORBB.

7.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (CONTD)

The following tables present the Group's and the Bank's projected sensitivity shock based on standard scenario as outlined in BNM's Reporting Requirements for Interest Rate/Rate of Return Risk in the Banking Book Policy Document issued on 30 June 2020 across all maturities applied on the Group's and the Bank's interest sensitivity gap as at reporting date.

GROUP 2021	MYR RM'000	USD RM'000	SGD RM'000	Others FCY RM'000	Total RM'000
Impact on Net Interest Income ("NII")					
Parallel 200 bps up	255,429	9,984	(697)	(3,450)	261,266
Parallel 200 bps down	(255,429)	(9,984)	697	3,450	(261,266)
Impact on Economic Value ("EV")					
Parallel 200 bps up	(595,827)	7,302	1,152	4,144	(583,229)
Parallel 200 bps down	595,827	(7,302)	(1,152)	(4,144)	583,229
Steeper	(687,285)	(3,191)	(400)	(2,050)	(692,926)
Flattener	566,974	4,834	573	2,982	575,363
Short Rate Up	(109,478)	7,382	835	4,406	(96,855)
Short Rate Down	109,478	(7,382)	(835)	(4,406)	96,855
BANK 2021					
	MYR RM'000	USD RM'000	SGD RM'000	Others FCY RM'000	Total RM'000
Impact on Net Interest Income ("NII")					
Parallel 200 bps up	191,301	9,961	(697)	(3,452)	197,113
Parallel 200 bps down	(191,301)	(9,961)	697	3,452	(197,113)
Impact on Economic Value ("EV")					
Parallel 200 bps up	(453,614)	7,303	1,152	4,144	(441,015)
Parallel 200 bps down	453,614	(7,303)	(1,152)	(4,144)	441,015
Steeper	(522,235)	(3,192)	(400)	(2,050)	(527,877)
Flattener	433,626	4,835	573	2,982	442,016
Short Rate Up	(82,922)	7,383	835	4,406	(70,298)
Short Rate Down	82,922	(7,383)	(835)	(4,406)	70,298

The reported amounts do not capture the impact of business growth or of management actions as the impact is based on the balance sheet as at reporting date. In reality, Group Asset and Liability Committee ("GALCO") seeks to proactively change the profit attributable to interest rate risk to minimise losses and maximise revenue.

Actual dates may differ from contractual dates for both financing and deposit owing to prepayments/premature withdrawals. When possible and material, financing prepayments and deposit premature withdrawals are generally estimated based on past statistics and trends. The impact on Net Interest Income ("NII") and Economic Value ("EV") are measured on a monthly basis for the Bank and quarterly for the Group, both of which are reported to GALCO and the Group Risk Management Committee.

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

7.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (CONT'D)

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 + 100 bps RM'000	Bank + 100 bps RM'000
Impact on Net Interest Income ("NII")		
Ringgit Malaysia	121,554	98,263
Impact on Economic Value ("EV")		
Ringgit Malaysia	(230,134)	(137,755)

Note:

The foreign currency impact on NII/EV are considered insignificant as the exposure is less than 5% of the respective total Banking Book assets and liabilities.

8.0 SHARIAH GOVERNANCE DISCLOSURES

Shariah Non-Compliance Risk arises from the risk of failure to comply with Shariah rules and principles as determined by Shariah Advisory Council of Bank Negara Malaysia and Alliance Islamic Bank's (AIS) Shariah Committee. To manage the risks, AIS has adopted the following guiding principles:

- (i) A sound Shariah Compliance Framework which governs the operations of AIS and outlines the roles of key functionalities within AIS, including but not limited to the Shariah risk management process. This is in line with the Shariah Governance policy document issued by BNM.
- (ii) The Board of Directors, assisted by the Shariah Committee and Senior Management, provides oversight on Shariah compliance aspects of AIS' overall operations. This amongst others include:
 - Oversight and implementation of the Shariah Compliance Framework.
 - Regular review of Shariah non-compliant income and issues.
 - Addressing Shariah non-compliance findings.
 - Ensuring compliance with regulatory and internal requirements including disclosures.
- (iii) Appointment of a qualified Shariah Committee member who also serves as AIS' Board member; serving as a 'bridge' between the Board and the Shariah Committee.
- (iv) Ongoing Shariah reviews and training to raise risk awareness and ensure compliance to Shariah rules and principles. This includes:
 - Regular assessment on Shariah compliance in the activities and operations of AIS. The findings of the review are reported to the Shariah Committee for deliberation and decision.
 - Performing research and studies on Shariah issues, including providing day-to-day Shariah advice and consultancy to relevant parties.
 - Conducting Shariah-related training and ongoing engagement with relevant parties to raise awareness on Shariah non-compliance risk.
- (v) Escalation and reporting processes of Shariah non-compliant income and issues governed through designated escalation channels, which include the Board and the Shariah Committee.
- (vi) Periodic engagement between the Board and the Shariah Committee to discuss on Shariah research, Shariah compliance and scholar's view on Islamic banking activities.

Shariah Non-Compliant Income And Events

During the financial period, there were no Shariah non-compliance events detected from the ongoing reviews of the AIS's operational processes.

LIST OF PROPERTIES

as at 31 March 2021

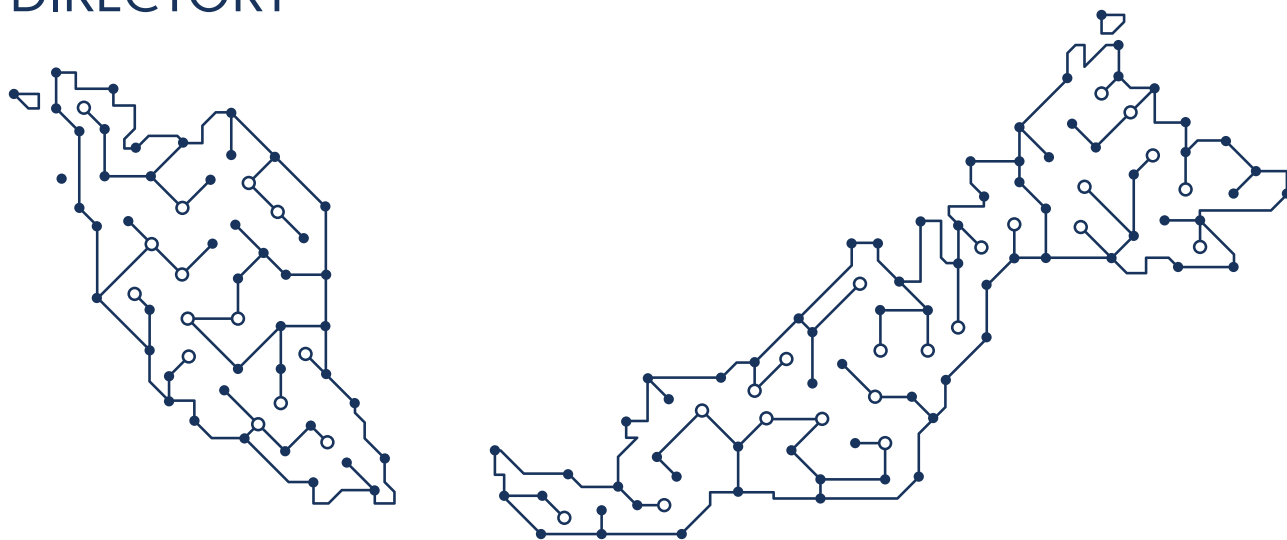
No	Location	Current Use	Year of Purchase ¹	Tenure	Remaining Lease Period (Expiry Year)	Age of Property (Years) ²	Built-Up Area (Sq Ft) ³	Net Book Value (RM'000) ⁴
1.	1, Jalan Tembaga SD5/2A Bandar Sri Damansara 52100 Kepong, Kuala Lumpur	Alliance Bank's branch/office premises	1991	Freehold	-	28	9,179	651
2.	150 - 152, Jalan Cerdas Taman Connaught 56000 Kuala Lumpur	Alliance Bank's branch/office premises	1997	Leasehold 99 years	57 years 2078	42	11,704	2,069
3.	43 & 45, Jalan Bunga Tanjung 6A Taman Putra 68000 Ampang, Selangor	Alliance Bank's branch/office premises	1998	Leasehold 99 years	60 years 2081	39	8,120	1,036
4.	1960 E & F, Jalan Stadium 05100 Alor Setar, Kedah	Alliance Bank's branch/office premises	1979	Leasehold 60 years	18 years 2039	42	4,537	309
5.	Ground & Mezzanine Floor Wisma Malvest 20 & 20A Jalan Tun Dr Awang Sungai Nibong Kecil 11900 Bayan Lepas, Pulau Pinang	Alliance Bank's branch/office premises	1994	Freehold	-	27	6,103	1,482
6.	70 & 71, Block 10 Jalan Laksamana Cheng Ho 93200 Kuching, Sarawak	Alliance Bank's branch/office premises	2007	Leasehold 60 years	48 years 2069	15	9,405	1,869
7.	B-400, Jalan Beserah 25300 Kuantan, Pahang	Alliance Bank's branch/office premises	1996	Freehold	-	30	6,688	327
8.	LG134/LG135/G128/F89 Holiday Plaza Jalan Dato Sulaiman 80250 Johor Bharu, Johor	Alliance Bank's branch/office premises	1984	Freehold	-	37	5,414	723
9.	Lot 1 & 3, Jalan Permas Jaya 10/2 Bandar Baru Permas Jaya 81750 Johor Bahru, Johor	Alliance Bank's branch/office premises	1994	Freehold	-	28	24,334	1,265
10.	3 & 5, Jalan Bentara 1 Tun Aminah 81300 Johor Bahru, Johor	Alliance Bank's branch/office premises	1996	Freehold	-	38	5,412	765
11.	Unit 01-G & 01-1, Seremban City Jalan Tunku Munawir 70000 Seremban Negeri Sembilan	Alliance Bank's branch/office premises	1997	Freehold	-	22	7,277	1,315
12.	101 & 103, Jalan Melaka Raya 24 Taman Melaka Raya 75000 Melaka	Alliance Bank's branch/office premises	1995	Leasehold 99 years	73 years 2094	24	8,640	505
13.	Lot 7 & 9, Block D Nountun Industrial Estate 89350 Inanam Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1995	Leasehold 999 years	902 years 2923	21	7,495	827

No	Location	Current Use	Year of Purchase ¹	Tenure	Remaining Lease Period (Expiry Year)	Age of Property (Years) ²	Built-Up Area (Sq Ft) ³	Net Book Value (RM'000) ⁴
14.	Lot 4-6, Block K Sinsuran Complex 88000 Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1980	Leasehold 99 years	50 years 2071	43	13,979	323
15.	Lot 1086, Jalan Utara W.D.T. 127 91009 Tawau, Sabah	Alliance Bank's branch/office premises	1981	Leasehold 99 years	39 years 2060	58	14,948	408
16.	Lot 8, Block A Beaufort Jaya Commercial Centre 89808 Beaufort, Sabah	Alliance Bank's branch/office premises	1984	Leasehold 999 years	880 years 2901	35	4,500	197
17.	Lot 1, Block C Mile 4 1/2 Jalan Utara Bandar Kim Fung 90307 Sandakan, Sabah	Alliance Bank's branch/office premises	1992	Leasehold 99 years	59 years 2080	36	4,800	346
18.	1 & 2, Block A, Jalan Jungkat Pangie Light Industrial Complex 89909 Tenom, Sabah	Alliance Bank's branch/office premises	1993	Leasehold 999 years	903 years 2924	27	7,085	257
19.	17, 19 & 21, Jalan USJ 9/5N, USJ 9 47620 Subang Jaya, Selangor	Alliance Bank's branch/office premises	1996	Freehold	-	25	12,864	1,958
20.	59-61, Jalan Tiga 90702 Sandakan, Sabah	Alliance Bank's branch/office premises	1963	Leasehold 999 years	868 years 2889	63	9,900	636
21.	MPWPL U 0072 & 0073 Jalan Merdeka 87008 Labuan	Alliance Bank's branch/office premises	1979	Leasehold 99 years	36,42 years 2057, 2063	55 55	5,800	566
22.	84, Jalan Gaya 88000 Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1985	Leasehold 999 years	861 years 2882	63	10,040	1,625
23.	45, Jalan Sungai Besi Indah 1/21 43300 Balakong, Selangor	Alliance Bank's branch/office premises	2001	Leasehold 99 years	70 years 2091	20	9,706	1,186
24.	3, Jalan SS 15/2A Wisma Projass (3 Alliance) 47500 Subang Jaya, Selangor	Alliance Bank's branch/office premises	2005	Freehold	-	36	35,926	5,780

Notes:

- ¹ The Year of Purchase is based on Sale & Purchase Agreement. In the event that Sale & Purchase Agreement is not available, it is based on the date of registration of ownership specified in the title document
- ² The Age of Property is based on Certificate of Fitness for Occupation. In the event that the Certificate of Fitness for Occupation is not available, it is based on the issuance date of the title document
- ³ The Built-Up Area is based on the valuation report conducted in May 2019
- ⁴ Net Book Value as at 31 March 2021 (information as provided by Group Finance)

DIRECTORY



ALLIANCE BANK

ALLIANCE BANK MALAYSIA BERHAD

HEAD OFFICE

3rd Floor, Menara Multi-Purpose, Capital Square
No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur
Tel : 03-2604 3333 Fax : 03-2694 6200

www.alliancebank.com.my



**ALLIANCE
ISLAMIC BANK**

ALLIANCE ISLAMIC BANK BERHAD

HEAD OFFICE

22nd Floor, Menara Multi-Purpose, Capital Square
No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur
Tel : 03-2604 3333 Fax : 03-2698 4691

www.alliancebank.com.my/islamic/home

BRANCHES

KEDAH

Alor Setar

1960 E & F, Jalan Stadium
05100 Alor Setar, Kedah
Tel : 04-731 0744
Fax : 04-733 8055

Lunas, Kulim

888 & 889, Jalan Aman
Taman Sejahtera
09600 Lunas, Kulim, Kedah
Tel : 04-484 3275/76/78
Fax : 04-484 3277

Sejati Indah, Sungai Petani

Ground Floor, Wisma Uni-Green
18, Jalan Permatang Gedong
Taman Sejati Indah
08000 Sungai Petani, Kedah
Tel : 04-431 1673/81
04-431 2139
Fax : 04-431 1687

PULAU PINANG

Beach Street

Ground Floor, Bangunan Barkath
21, Beach Street
10300 Georgetown, Pulau Pinang
Tel : 04-262 8100
Fax : 04-261 3300

Bukit Mertajam

Ground & 1st Floor
Wisma Ng Ah Yan
42, Lebuhr Nangka 2
Taman Mutiara
14000 Bukit Mertajam, Pulau Pinang
Tel : 04-530 3130
Fax : 04-530 7433

Butterworth

4105-4107, Jalan Bagan Luar
12000 Butterworth, Pulau Pinang
Tel : 04-331 4863/64
Fax : 04-323 2824

Sungai Nibong Kecil

Ground & Mezzanine Floor
Wisma Malvest, 20 & 20A
Jalan Tun Dr Awang
Sungai Nibong Kecil
11900 Bayan Lepas, Pulau Pinang
Tel : 04-642 5918
Fax : 04-642 5924

PERAK

Ipoh

40 & 42, Persiaran Greenhill
30450 Ipoh, Perak
Tel : 05-241 2342
05-241 2346/8
Fax : 05-241 2355

Sitiawan

23 & 24, Jalan Raja Omar
Taman Selamat
32000 Sitiawan, Perak
Tel : 05-691 1212/13
Fax : 05-691 7975

SELANGOR

Aman Suria Damansara

J-G-23 & J-G-25, Block J
Jalan PJU 1/43, PJU1
Aman Suria Damansara
47301 Petaling Jaya, Selangor
Tel : 03-5516 9988
Fax : 03-7880 4299

SELANGOR (cont'd)

Ampang Point

Ground & Mezzanine Floor
65, Jalan Mamanda 9
Ampang Point
Taman Dato Ahmad Razali
68000 Ampang, Selangor
Tel : 03-5516 9988
Fax : 03-4252 3877

Balakong

45, Jalan Sungai Besi Indah 1/21
Taman Sungai Besi Indah
43300 Seri Kembangan, Selangor
Tel : 03-2604 3221
Fax : 03-8948 9530

Bandar Bukit Tinggi

56, Lorong Batu Nilam 4B
Bandar Bukit Tinggi
41200 Klang, Selangor
Tel : 03-5516 9988
Fax : 03-3324 3311

Bandar Puteri Puchong

11 & 13, Jalan Puteri 2/1
Bandar Puteri Puchong
47100 Puchong, Selangor
Tel : 03-5516 9988
Fax : 03-8063 2711

CP Tower, Petaling Jaya

Unit 1-2, CP Tower
11, Jalan 16/11
46350 Petaling Jaya, Selangor
Tel : 03-5516 9988
Fax : 03-7957 3360

Damansara Uptown

Unit 102 & 103
Level 1, Uptown 2
2, Jalan SS21/37
Damansara Uptown
47400 Petaling Jaya, Selangor
Tel : 03-5516 9988
Fax : 03-7660 9799

Kajang

Lot 4 & 5, Jalan Jeloh 3
Off Jalan Bukit
43000 Kajang, Selangor
Tel : 03-5516 9988
Fax : 03-8733 5415

Klang

Ground Floor
1, Lorong Kasawari 4B
Taman Eng Ann
41150 Klang, Selangor
Tel : 03-5516 9988
Fax : 03-3345 3733

Kota Damansara

7-G & 9-G, Jalan PJU 5/20
Pusat Perdagangan Kota Damansara
PJU 5 Kota Damansara
47810 Petaling Jaya, Selangor
Tel : 03-5516 9988
Fax : 03-6142 8732

Pandan Indah

Ground & Mezzanine Floor
11 & 13, Jalan Pandan Indah 4/34
Pandan Indah, 55100 Selangor
Tel : 03-5516 9988
Fax : 03-4296 4107

Puchong Jaya

11, Jalan Kenari 5
Bandar Puchong Jaya
47100 Puchong Jaya, Selangor
Tel : 03-5516 9988
Fax : 03-8075 9200

Rawang

71, Jalan Bandar Rawang 2
Bandar Baru Rawang
48000 Rawang, Selangor
Tel : 03-5516 9988
Fax : 03-6091 7922

Seri Kembangan

31-1 & 31-2
Jalan Serdang Perdana 2/1
Taman Serdang Perdana
43300 Seri Kembangan, Selangor
Tel : 03-5516 9988
Fax : 03-8941 6620

Shah Alam

Ground & 1st Floor
2, Jalan Murni 25/61
Taman Sri Muda, Seksyen 25
40400 Shah Alam, Selangor
Tel : 03-5516 9988
Fax : 03-5121 9373

Sri Damansara

1, Jalan Tembaga SD 5/2A
Bandar Sri Damansara
52100 Selangor
Tel : 03-5516 9988
Fax : 03-6272 1732

SS2, Petaling Jaya

55, Jalan SS2/55
47300 Petaling Jaya, Selangor
Tel : 03-5516 9988
Fax : 03-7874 0973

Subang Jaya

3 Alliance
3, Jalan SS15/2A
47500 Subang Jaya, Selangor
Tel : 03-5516 9988
Fax : 03-5634 1128

Taman Putra

43-45, Jalan Bunga Tanjung 6A
Taman Putra
68000 Ampang, Selangor
Tel : 03-5516 9988
Fax : 03-4296 1250

USJ, Subang Jaya

Ground Floor
17, 19 & 21, Jalan USJ 9/5N
47620 UEP Subang Jaya, Selangor
Tel : 03-5516 9988
Fax : 03-8023 4379

KUALA LUMPUR

Bangsar

No. 1, Jalan Telawi 5
Bangsar Baru
59100 Kuala Lumpur
Tel : 03-5516 9988
Fax : 03-2284 9616

Capital Square

Ground Floor
Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-5516 9988
Fax : 03-2694 6867

GTower, Jalan Tun Razak

Lot No. G-06, Ground Floor
GTower, No. 199, Jalan Tun Razak
50400 Kuala Lumpur
Tel : 03-5516 9988
Fax : 03-2168 8390

Jalan Ipoh

41 & 43, Jalan Sultan Azlan Shah
51200 Kuala Lumpur
Tel : 03-5516 9988
Fax : 03-4041 3868

Star Boulevard KLCC

Unit SR3-G, Ground Floor
No. 1, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : 03-2070 8752
Fax : 03-2070 4900

DIRECTORY (CONT'D)

KUALA LUMPUR (cont'd)

Kepong

Ground Floor, 52, Jalan Prima
Vista Magna, Metro Prima Kepong
52100 Kuala Lumpur
Tel : 03-5516 9988
Fax : 03-6257 9996

Kuchai Entrepreneurs Park

1, Jalan 1/116B
Kuchai Entrepreneurs Park
58200 Kuala Lumpur
Tel : 03-5516 9988
Fax : 03-7981 6486

Mid Valley

15-G & 15-1
The Boulevard Offices
Mid Valley City
Lingkar Syed Putra
59200 Kuala Lumpur
Tel : 03-5516 9988
Fax : 03-2282 4430

Mont'Kiara

Unit A-0G-02, Block A
Plaza Mont'Kiara
2, Jalan Kiara, Mont'Kiara
50480 Kuala Lumpur
Tel : 03-5516 9988
Fax : 03-6201 2607

Segambut

Ground Floor
22, Wisma Sin Hoh Huat
Persiaran Segambut Tengah
51200 Kuala Lumpur
Tel : 03-5516 9988
Fax : 03-6257 6186

Selayang

71 & 73, Jalan 2/3A
Pusat Bandar Utara Selayang
KM 12, Jalan Ipoh
68100 Batu Caves, Kuala Lumpur
Tel : 03-5516 9988
Fax : 03-6135 1787

Setapak

No. D-1-2, D-2-2 & D-3-2
StarParc Point
Taman Danau Ibu Kota
Jalan Genting Klang, Setapak
53300 Kuala Lumpur
Tel : 03-5516 9988
Fax : 03-4143 9568

Taman Connaught

150-152, Jalan Cerdas
Taman Connaught
56000 Kuala Lumpur
Tel : 03-5516 9988
Fax : 03-9102 3740

Taman Maluri

254 & 254A, Jalan Mahkota
Taman Maluri, Cheras
55100 Kuala Lumpur
Tel : 03-5516 9988
Fax : 03-9283 1397

Taman Tun Dr Ismail

No. 6-3-0 & 6-3-1
Sinaran TTDI
Jalan Tun Mohd Fuad 3
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel : 03-5516 9988
Fax : 03-7729 8237

PUTRAJAYA

Putrajaya

Ground Floor, Menara Ikhlas
(Boulevard Plaza)
No. 17, Persiaran Perdana
Presint 3
62100 Putrajaya
Wilayah Persekutuan Putrajaya
Tel : 03-5516 9988
Fax : 03-8889 1799

JOHOR

Batu Pahat

Ground, 1st & 2nd Floor
2 & 4, Jalan Kundang 3
Taman Bukit Pasir
83000 Batu Pahat, Johor
Tel : 07-431 4088
Fax : 07-434 0033

Bukit Bakri, Muar

88, Jalan Tepi Pasar
Bukit Bakri
84200 Muar, Johor
Tel : 06-986 7633
Fax : 06-986 6721

Holiday Plaza, Johor Bahru

Unit G128, Holiday Plaza
Jalan Dato Sulaiman
Century Garden
80250 Johor Bahru, Johor
Tel : 07-331 1200
Fax : 07-331 1207

Johor Jaya

50 & 52, Jalan Dedap 13
Taman Johor Jaya
81100 Johor Bahru, Johor
Tel : 07-353 5388
Fax : 07-355 7377

Kelapa Sawit, Kulai

16 & 17, Jalan Susur Satu
Kelapa Sawit
81030 Kulai, Johor
Tel : 07-652 3704/5/7
Fax : 07-652 3706

Kluang

No. 73, Ground Floor
Jalan Rambutan
86000 Kluang, Johor
Tel : 07-772 9911
Fax : 07-772 6611

Permas Jaya

1 & 3, Jalan Permas Jaya 10/2
Bandar Baru Permas Jaya
81750 Johor Bahru, Johor
Tel : 07-386 2480
Fax : 07-386 2478

Segamat

No. 109A & 109B
Jalan Genuang
85000 Segamat, Johor
Tel : 07-931 1170
Fax : 07-931 2727

Taman Molek

1 & 1-01, Jalan Molek 1/29
Taman Molek
81100 Johor Bahru, Johor
Tel : 07-355 6577
Fax : 07-355 4677

Taman Nusa Bestari

1-G & 1-01, Jalan Bestari 6/2
Taman Nusa Bestari
81300 Skudai, Johor
Tel : 07-237 8301
Fax : 07-237 8621

Taman Pelangi

Ground Floor, Shoptlot Nos. 1 & 3
Jalan Perang, Taman Pelangi
80400 Johor Bahru, Johor
Tel : 07-333 2064
Fax : 07-333 7411

JOHOR (cont'd)

Tun Aminah

3 & 5, Jalan Bentara 1
Taman Ungku Tun Aminah
81300 Skudai, Johor
Tel : 07-554 0031
Fax : 07-554 2494

MELAKA

Melaka

101 & 103
Jalan Melaka Raya 24
Taman Melaka Raya
75000 Melaka
Tel : 06-284 9249/
06-281 1777
Fax : 06-284 9248

NEGERI SEMBILAN

Seremban

1G & 1-1, Seremban City Centre
Jalan Tuanku Munawir
70000 Seremban, Negeri Sembilan
Tel : 06-762 5610/21
Fax : 06-762 5612

PAHANG

Kuantan

B400, Jalan Beserah
25300 Kuantan, Pahang
Tel : 03-5516 9988
Fax : 09-567 9044

TERENGGANU

Kuala Terengganu

Ground & Mezzanine Floor
Wisma Kam Choon
101, Jalan Kampong Tiong
20100 Kuala Terengganu
Terengganu
Tel : 03-5516 9988
Fax : 09-623 6379

SABAH

Bandar Kim Fung, Sandakan

Lot 1, Block C, Bandar Kim Fung
Mile 4 1/2, Jalan Utara P.O. Box 163
Post Office, Mile 1 1/2, Jalan Utara
90307 Sandakan, Sabah
Tel : 089-275 020/21
Fax : 089-275 027

Beaufort

Lot B, Block A, Beaufort Jaya
Commercial Centre, P.O. Box 220
89808 Beaufort, Sabah
Tel : 087-211 721
Fax : 087-212 392

Donggongan

Wisma PPS
Donggongan New Township
W.D.T. No. 56
80509 Penampang, Sabah
Tel : 088-713 411/2
088-718 980
Fax : 088-718 634

Federal House, Kingfisher's Park, KK (Service Centre)

Aras 1, Blok A
Kompleks Pentadbiran Kerajaan
Persekutuan Sabah, Jalan UMS
88400 Kota Kinabalu, Sabah
Tel : 088-484 718
Fax : 088-484 712

Inanam, Kota Kinabalu

Ground, 1st & 2nd Floor
Lot 7 & 9, Block D
Nountun Industrial Estate
88450 Inanam, Kota Kinabalu
Sabah

Tel : 088-435 761
Fax : 088-435 770

Jalan Gaya

82 & 84, Jalan Gaya
88000 Kota Kinabalu, Sabah
Tel : 088-251 177
Fax : 088-223 629

Keningau

Lot No. 1, Block B-8
Jalan Arusap
89000 Keningau, Sabah
Tel : 087-330 301
Fax : 087-330 294

Kota Marudu

Shoplot No. 8, Block E
Sedco Shophouses
P.O. Box 260
89108 Kota Marudu, Sabah
Tel : 088-661 104
Fax : 088-661 106

Kundasang

Shoplot No. 6, Block B
Sedco Shophouses
P.O. Box 152
89308 Ranau, Sabah
Tel : 088-889 679
Fax : 088-889 676

Lahad Datu

Grand Future Complex
MDLD 4709, Lot 1
Jalan Kastam Lama
91000 Lahad Datu, Sabah
Tel : 089-883 911/5
Fax : 089-883 916

Sandakan

59-61 Block 20
Jalan Tiga, Bandar Sandakan
90000 Sandakan, Sabah
Tel : 089-275 193
Fax : 089-271 641

Sinsuran

Lot 4, 5 & 6, Block K
Sinsuran Complex
88000 Kota Kinabalu, Sabah
Tel : 088-237 762/
088-237 763
Fax : 088-212 511

Tambunan

Lot 1, Block B
SEDCO Shophouses
89650 Tambunan, Sabah
Tel : 087-771 171
Fax : 087-771 157

Tawau

1086, Jalan Utara, W.D.T. 127
91009 Tawau, Sabah
Tel : 089-776 000
Fax : 089-763 287

Tenom

Ground & Mezzanine Floor
Shoplot Nos 1 & 2, Block A
Pangie Light Industrial Complex
Jalan Jungkat, Tenom New Township
P.O. Box 379
89909 Tenom, Sabah
Tel : 087-737 757
Fax : 087-737 762

SARAWAK

Bintulu

No. 24, Bintulu Parkcity Commerce
Square
Phase 1, Jalan Tun Ahmad Zaidi
97000 Bintulu, Sarawak
Tel : 086-318 626
Fax : 086-318 621

DIRECTORY (CONT'D)

SARAWAK (cont'd)

Kuching

178, Jalan Chan Chin Ann
93100 Kuching, Sarawak
Tel : 082-258 960
082-235 611
082-257 129
Fax : 082-233 312

Laksamana

70 & 71, Block 10
Jalan Laksamana Cheng Ho
93200 Kuching, Sarawak
Tel : 082-230 888
Fax : 082-235 567

Miri

Ground & 1st Floor
Lot 353, Block 7
Miri Concession Land District
(Pelita Commercial Centre)
Jalan Miri Pujut
98000 Miri, Sarawak
Tel : 085-427 535
Fax : 085-425 362

Sibu

Ground Floor
32, Jalan Bako
Brooke Drive 3
96000 Sibu, Sarawak
Tel : 084-317 628
Fax : 084-317 148

LABUAN

Labuan

MPWPL U 0072 & 0073
Jalan Merdeka, P.O. Box 396
87008 Labuan FT
Tel : 087-412 826
Fax : 087-415 446



ALLIANCE
INVESTMENT BANK

ALLIANCE INVESTMENT BANK BERHAD

(A participating organisation of Bursa Malaysia Securities Berhad)

HEAD OFFICE

19th Floor, Menara Multi-Purpose, Capital Square
No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur
Tel : 03-2604 3333 Fax : 03-2692 8787

www.allianceinvestmentbank.com.my

BRANCHES

KEDAH

Alor Setar

Lot T-30, 2nd Floor
Wisma PKNK
Jalan Sultan Badlishah
05000 Alor Setar, Kedah
Tel : 04-731 7088
Fax : 04-731 8428

PULAU PINANG

Pulau Pinang

Ground & Mezzanine Floor
Bangunan Barkath
21, Lebuhr Pantai
10300 Pulau Pinang
Tel : 04-261 1688
Fax : 04-261 6363

KUALA LUMPUR

Kuala Lumpur

17th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-2604 3333
Fax : 03-2697 2929

JOHOR

Kluang

No. 73, Ground Floor
Jalan Rambutan
86000 Kluang, Johor
Tel : 07-771 7922
Fax : 07-777 1079

PAHANG

Kuantan

Ground, Mezzanine & 1st Floor
B-400, Jalan Beserah
25300 Kuantan, Pahang
Tel : 09-566 0800
Fax : 09-566 0801

TERENGGANU

Kuala Terengganu

Ground & Mezzanine Floor
Wisma Kam Choon
101, Jalan Kampong Tiong
20100 Kuala Terengganu
Terengganu
Tel : 09-631 7922
Fax : 09-631 3255



ALLIANCECEDBS
RESEARCH

ALLIANCECEDBS RESEARCH SDN BHD

HEAD OFFICE

19th Floor, Menara Multi-Purpose, Capital Square
No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur
Tel : 03-2604 3333

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ALLIANCE TRUSTEE

ALLIANCE TRUSTEE BERHAD

HEAD OFFICE

18th Floor, Menara Multi-Purpose, Capital Square
No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur
Tel : 03-2604 3333 Fax : 03-2698 0393

ANALYSIS OF SHAREHOLDINGS

as at 30 June 2021

Class of securities	:	Ordinary shares
Issued and paid-up share capital	:	RM1,548,105,929
Voting rights	:	One vote per ordinary share

Shareholdings Distribution Schedule

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Less than 100	2,059	7.59	36,960	*
100 – 1,000	5,868	21.63	4,472,339	0.29
1,001 – 10,000	14,325	52.80	63,545,061	4.10
10,001 – 100,000	4,313	15.90	130,086,154	8.40
100,001 – less than 5% of issued shares	563	2.08	730,170,300	47.17
5% and above of issued shares	2	*	619,795,115	40.04
Total	27,130	100	1,548,105,929	100.00

Note:

* Negligible

Thirty (30) Largest Shareholders

Name	No. of Shares Held	% of Issued Shares
1. CIMB GROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR DBS BANK LTD (SFS)	449,857,775	29.06
2. CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	169,937,940	10.98
3. GLOBAL SUCCESS NETWORK SDN BHD	74,232,000	4.80
4. FOCUS ASIA STRATEGIES LTD.	73,528,700	4.75
5. MEDIMETRO (M) SDN BHD	56,000,000	3.62
6. FIELDS EQUITY MANAGEMENT LTD	31,470,900	2.03
7. CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD.	26,664,700	1.72
8. EDEN ENGINEERING SDN BHD	19,700,000	1.27
9. CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AFFIN-HWG)	17,122,600	1.11
10. HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	15,988,717	1.03
11. KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	15,804,500	1.02
12. CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	15,081,300	0.97
13. MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	15,044,700	0.97
14. HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	13,556,753	0.88

ANALYSIS OF SHAREHOLDINGS (CONT'D)

as at 30 June 2021

Name	No. of Shares Held	% of Issued Shares
15. CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	12,072,600	0.78
16. CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FUND	11,726,900	0.76
17. CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	10,841,900	0.70
18. HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)	9,500,000	0.61
19. CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR NORGES BANK (FI 17)	9,294,651	0.60
20. CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)	9,092,900	0.59
21. CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	7,651,700	0.49
22. DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS SMALL-CAP FUND	7,261,600	0.47
23. CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AMUNDI)	7,109,300	0.46
24. CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	6,732,038	0.43
25. CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 3)	6,278,000	0.41
26. CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (PRINCIPAL EQITS)	5,958,200	0.38
27. CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND J724 FOR SPDR S&P EMERGING MARKETS ETF	5,876,000	0.38
28. CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	4,654,500	0.30
29. CARTABAN NOMINEES (ASING) SDN BHD BCSL CLIENT AC PB CAYMAN CLIENTS	4,593,347	0.30
30. HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD FIDUCIARY TRUST COMPANY INSTITUTIONAL TOTAL INTERNATIONAL STOCK MARKET INDEX TRUST II	4,527,900	0.29
Total	1,117,629,500	72.19

SUBSTANTIAL SHAREHOLDERS

as at 30 June 2021

Name of Substantial Shareholder	No. of Ordinary Shares					
	Direct Interest	% of Issued Shares	Indirect Interest	% of Issued Shares	Total	% of Issued Shares
Vertical Theme Sdn Bhd	449,857,775	29.06	-	-	449,857,775	29.06
Langkah Bahagia Sdn Bhd	-	-	449,857,775 ¹	29.06	449,857,775	29.06
Duxton Investments Pte Ltd	-	-	449,857,775 ¹	29.06	449,857,775	29.06
Ong Beng Seng	-	-	449,857,775 ²	29.06	449,857,775	29.06
Ong Tiong Sin	-	-	449,857,775 ²	29.06	449,857,775	29.06
Seow Lun Hoo	-	-	449,857,775 ²	29.06	449,857,775	29.06
Fullerton Financial Holdings Pte Ltd	-	-	449,857,775 ³	29.06	449,857,775	29.06
Fullerton Management Pte Ltd	-	-	449,857,775 ⁴	29.06	449,857,775	29.06
Temasek Holdings (Private) Limited	-	-	449,857,775 ⁵	29.06	449,857,775	29.06
Singapore Minister for Finance	-	-	449,857,775 ⁶	29.06	449,857,775	29.06
Employees Provident Fund Board	214,014,440	13.82	-	-	214,014,440	13.82

Notes:

¹ Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Vertical Theme Sdn Bhd.

² Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Langkah Bahagia Sdn Bhd.

³ Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Duxton Investments Pte Ltd.

⁴ Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Fullerton Financial Holdings Pte Ltd.

⁵ Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Fullerton Management Pte Ltd.

⁶ Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Temasek Holdings (Private) Limited.

DIRECTORS' SHAREHOLDINGS

as at 30 June 2021

Save as disclosed below, none of the other Directors has any interest in the shares of the Bank or in any of the Bank's related corporation as at 30 June 2021:

Name	No. of Alliance Bank shares held			
	Direct	%	Indirect	%
Ho Hon Cheong	-	-	1,000 [^]	*

Notes:

* Negligible

[^] Indirect interest in the Bank shares by virtue of Section 59(1)(c) of the Companies Act 2016

SENIOR MANAGEMENT'S SHAREHOLDINGS

AS AT 30 JUNE 2021

Save as disclosed below, the Group Chief Executive Officer and none of the other Senior Management have any interest in the shares of the Bank or in any of the Bank's related corporation as at 30 June 2021:

Name	No. of Alliance Bank shares held			
	Direct	%	Indirect	%
Aaron Sum Wei Wern	146,200	0.01	-	-
Ernest Kwong Kah Wah	122,300	0.01	-	-
Ronnie Royston Fernandez	-	-	2,000	*
Lee Wei Yen	219,800	0.01	-	-
Peter Fong Seow Loong	69,500	*	-	-
Rizal IL-Ehzan Fadil Azim	47,500	*	-	-
Tan Eng Kiang	79,600	0.01	-	-

Note:

* *Negligible*

NOTICE OF 39TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 39th Annual General Meeting (“AGM”) of Alliance Bank Malaysia Berhad (“the Bank”) will be held as a virtual meeting through live streaming and online remote voting from the broadcast venue at the Agate and Sapphire Room, 20th Floor, Menara Multi-Purpose, Capital Square, 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur on Wednesday, 25 August 2021 at 3.00 p.m. to transact the following businesses:

AGENDA

As Ordinary Business

- | | | |
|----|---|--|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 March 2021 together with the Reports of the Directors and Auditors thereon. | |
| 2. | To re-elect the following Directors who retire by rotation pursuant to Article 87 of the Bank’s Constitution:
(i) Mr Tan Chian Khong
(ii) Ms Susan Yuen Su Min | Ordinary Resolution 1
Ordinary Resolution 2 |
| 3. | To re-elect Ms Cheryl Khor Hui Peng who retires pursuant to Article 93 of the Bank’s Constitution. | Ordinary Resolution 3 |
| 4. | To approve the payment of Directors’ fees and Board Committees’ fees to the Non-Executive Directors from the 39th AGM to the next AGM of the Bank. | Ordinary Resolution 4 |
| 5. | To approve the payment of Directors’ benefits (other than Directors’ fees and Board Committees’ fees) to eligible Non-Executive Directors up to an amount of RM1,200,000 from the 39th AGM to the next AGM of the Bank. | Ordinary Resolution 5 |
| 6. | To re-appoint PricewaterhouseCoopers PLT as Auditors of the Bank and to authorise the Directors to fix their remuneration. | Ordinary Resolution 6 |
| 7. | To transact any other business for which due notice shall have been given in accordance with the Bank’s Constitution and/or the Companies Act 2016. | |

BY ORDER OF THE BOARD

LEE WEI YEN

MAICSA 7001798 (SSM PC No. 202008002080)

Group Company Secretary

Kuala Lumpur
26 July 2021

NOTICE OF 39TH ANNUAL GENERAL MEETING (CONT'D)

Notes:

1. Virtual AGM

- 1.1 As part of the measures of the Bank to curb the spread of COVID-19, the 39th AGM of the Bank will be conducted on a virtual basis through live streaming and online remote voting via the Remote Participation and Voting ("RPV") facilities at <https://alliancebank.vote2u.app/> Please follow the procedures provided in the **Administrative Details** for the 39th AGM to register, participate and vote remotely via the RPV facilities.
- 1.2 The broadcast venue of the 39th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 and Article 66 of the Bank's Constitution which require the Chairman of the meeting to be present at the main venue of the meeting. **No shareholders and proxies from the public shall be physically present at the broadcast venue.**

2. Proxy

- 2.1 A Member entitled to attend, participate, speak and vote at the meeting is entitled to appoint a proxy or proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Bank.
- 2.2 Where a Member who is an Exempt Authorised Nominee that holds ordinary shares in the Bank for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies that the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- 2.3 A Member other than an Exempt Authorised Nominee shall be entitled to appoint not more than two (2) proxies to attend, participate, speak and vote at the same meeting.
- 2.4 Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
- 2.5 If the appointer is a corporation, the Form of Proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.
- 2.6 To be valid, the duly completed Form of Proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited at the office of our Share Registrar, ShareWorks Sdn Bhd at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur or lodged electronically at <https://alliancebank.vote2u.app/> (applicable to individual Members only) not less than forty-eight (48) hours before the time set for holding the meeting.
- 2.7 By submitting the duly executed Form of Proxy, the Member and his/her proxy(ies) consent to the Bank (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purposes of 39th AGM and any adjournment thereof.
- 2.8 A Member whose name appears on the Record of Depositors as at 16 August 2021 shall be regarded as a member entitled to attend, participate, speak and vote at the meeting or appoint a proxy or proxies to attend, participate, speak and vote in his/her stead.

3. Voting by Poll

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the 39th AGM of the Bank shall be put to the vote by way of a poll.

4. Audited Financial Statements for the financial year ended 31 March 2021

This Agenda item is laid before the 39th AGM pursuant to Section 340(1)(a) of the Companies Act 2016, and does not require a formal approval of the shareholders. As such, it is meant for discussion only and will not be put forward for voting.

5. Ordinary Resolutions 1, 2 and 3 – Re-election of Directors

Pursuant to Article 87 of the Bank's Constitution, Mr Ho Hon Cheong, Mr Tan Chian Khong and Ms Susan Yuen Su Min retire by rotation and are eligible for re-election at the 39th AGM.

Both Mr Tan Chian Khong and Ms Susan Yuen Su Min have offered themselves for re-election at the 39th AGM. Shareholders' approval is sought for the re-election of Mr Tan Chian Khong and Ms Susan Yuen Su Min under Ordinary Resolution 1 and Ordinary Resolution 2 respectively.

Mr Ho Hon Cheong has expressed his intention not to seek re-election. Hence, he will retire as a Director of the Bank at the conclusion of the 39th AGM.

Ms Cheryl Khor Hui Peng, who was appointed as a Director of the Bank on 1 June 2021, retires pursuant to Article 93 of the Bank's Constitution and being eligible, has offered herself for re-election. Shareholders' approval is sought for the re-election of Ms Cheryl Khor under Ordinary Resolution 3.

The profiles of Directors seeking re-election are set out in the Statement Accompanying the Notice of 39th AGM.

6. Ordinary Resolutions 4 and 5 – Non-Executive Directors' Fees and Benefits

(i) Ordinary Resolution 4 – Payment of Directors' fees and Board Committees' fees from the 39th AGM to the next AGM

Shareholders' approval is sought for the proposed payment of Directors' and Board Committees' fees to Non-Executive Directors of the Bank from the 39th AGM to the next AGM based on the current fee structure below. If the proposed Ordinary Resolution 4 is passed at the 39th AGM, the payment of Directors' and Board Committees' fees will be made to the Non-Executive Directors on a quarterly basis after they have rendered their services to the Bank throughout the relevant period.

<u>Annual Directors' Fees</u>	
- Non-Executive Chairman	RM250,000
- Non-Executive Director	RM120,000
<u>Annual Board Committees' Fees</u>	
- Chairman	RM50,000
- Member	RM35,000

(ii) Ordinary Resolution 5 – Payment of Directors' benefits (other than Directors' fees and Board Committees' fees)

The Directors' benefits (other than Directors' fees and Board Committees' fees) comprise sitting allowances and other benefits for Non-Executive Directors, as set out below:

- (a) Sitting allowance – RM1,500 per meeting.
- (b) Any Non-Executive Director, including the Board Chairman, who retires from the Board upon completion of his/her term of service will be granted a retirement farewell gift of his/her choice for a value of up to RM10,000.
- (c) Other benefits include company car and driver allowance (for Chairman only), insurance coverage and other claimable benefits.

The total amount of Directors' benefits (other than Directors' fees and Board Committees' fees) payable to the Non-Executive Directors from the 39th AGM to the next AGM of the Bank is estimated based on various factors, including the estimated number of meetings for the Board and Board Committees during the period.

7. Ordinary Resolution 6 – Re-appointment of Auditors

Group Audit Committee ("Group AC") had, at its meeting held on 26 April 2021 assessed the performance and quality of audit services provided by PricewaterhouseCoopers PLT ("PwC") as well as its independence and objectivity taking into account Management's assessment on the criteria as prescribed by Bank Negara Malaysia in its Policy Document on External Auditor and was satisfied that PwC had met all the relevant criteria. Accordingly, the Group AC had recommended the re-appointment of PwC as the external auditors of the Bank for the financial year ending 31 March 2022.

The Board of Directors had, at its meeting held on 27 April 2021 approved the re-appointment of PwC as external auditors of the Bank as recommended by the Group AC.

Shareholders' approval is sought under Ordinary Resolution 6 for the re-appointment of PwC and the authority for the Directors to fix their remuneration in respect of the financial year ending 31 March 2022.

STATEMENT ACCOMPANYING NOTICE OF 39TH ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements)

- (i) No individual (other than the Directors standing for re-election) is standing for election as a Director at the 39th AGM of the Bank.
- (ii) The profiles of the Directors who are standing for re-election at the 39th AGM are set out below:

(a) Mr Tan Chian Khong

Independent Director
Chairman of the Group Audit Committee
Member of the Executive Committee
Singaporean/Male/Aged 65

Date of Appointment to the Board:

26 September 2017

Academic/Professional Qualifications:

- Bachelor of Accountancy, National University of Singapore
- Master of Business Administration, University of South Australia
- Master of International Environmental Management, University of Adelaide, Australia
- Member of the American Institute of Certified Public Accountants
- Fellow of the Institute of Singapore Chartered Accountants and of CPA Australia

Mr Tan Chian Khong has 35 years of experience in the audit industry. He was a partner at Ernst & Young LLP from July 1996 until his retirement in June 2016.

Mr Tan currently holds directorships in a number of companies listed on the Singapore Stock Exchange namely, Banyan Tree Holdings Ltd, CSE Global Limited, Hong Leong Asia Ltd and The Straits Trading Company Ltd.

Mr Tan is a Board member of SMRT Corporation Ltd and the Casino Regulatory Authority of Singapore, a statutory board in Singapore. He is a member of Rules Change Panel of Energy Market Company Pte Ltd and volunteers as an Honorary Executive Director of Trailblazer Foundation Ltd.

(b) Ms Susan Yuen Su Min

Independent Director
Chairman of the Group Nomination & Remuneration Committee
Chairman of the Group Sustainability Committee
Malaysian/Female/Aged 61

Date of Appointment to the Board:

15 October 2018

Academic/Professional Qualifications:

- Bachelor of Computer Science (Honours), University of London, United Kingdom

Ms Susan Yuen Su Min has over 30 years of working experience in the banking industry. She has served in a number of banking establishments including

Maybank and HSBC Malaysia. She was also previously attached to the National Bank of Abu Dhabi Malaysia Berhad (NBAD) where she was the Regional CEO Asia and Country CEO Malaysia from 2014 to 2018. Prior to joining NBAD, she served as CEO of ANZ Banking Group in Hong Kong from 2009 to 2014.

Ms Susan Yuen serves as an Independent Director on the Boards of Press Metal Aluminium Holdings Berhad (listed on Bursa Malaysia) and Chubb Insurance Malaysia Berhad.

(c) Ms Cheryl Khor Hui Peng

Independent Director
Member of the Group Audit Committee
Member of the Group Sustainability Committee
Malaysian/Female/Aged 47

Date of Appointment to the Board:

1 June 2021

Academic/Professional Qualifications:

- Bachelor of Mathematics, University Putra Malaysia
- Member of the Malaysian Institute of Certified Public Accountants
- Member of the Malaysian Institute of Accountants
- Member of the Institute of Internal Auditors
- Member of the Malaysian Association of Risk and Insurance Management
- Faculty Member of the Institute of Corporate Directors Malaysia

Ms Cheryl Khor has more than 23 years of experience covering financial, operational and internal audits as well as governance, controls, sustainability, internal audit and risk assessments for clients across a broad range of industries.

She began her career in 1998 as a financial auditor and chartered accountant at Ernst & Young. Ms Cheryl Khor diversified her skill sets and breadth of experience when she joined Deloitte in 2013 where she led the Risk Advisory practice, complementing her chartered accountant experience with sustainability, governance and risk expertise. She was appointed as its Managing Director in 2014 and held the position until 2021. Whilst in Deloitte, she held numerous leadership positions culminating her career as the Asia Pacific Accounting and Internal Control Leader and was also elected onto the Deloitte South East Asia Board of Directors.

Ms Cheryl Khor serves as an Independent Director on the Boards of Hong Leong Industries Berhad and VSTECs Berhad, both listed on Bursa Malaysia and Chubb Insurance Malaysia Berhad.

ADMINISTRATIVE DETAILS - THE 39TH ANNUAL GENERAL MEETING

Date and Time of Meeting	: Wednesday, 25 August 2021 at 3.00 p.m.
Remote Participation and Voting Platform	: https://alliancebank.vote2u.app/
Domain Registration Number with MYNIC	: D6A471702
Broadcast Venue	: Agate and Sapphire Room 20th Floor, Menara Multi-Purpose Capital Square 8 Jalan Munshi Abdullah 50100 Kuala Lumpur

As part of the measures to curb the spread of COVID-19, the 39th Annual General Meeting (“AGM”) of Alliance Bank Malaysia Berhad (“the Bank”) will be held virtually through live streaming and online remote voting using the **Vote2U** online platform at **<https://alliancebank.vote2u.app/>**

Entitlement to Participate and Vote Remotely

A shareholder whose name appears in the Record of Depositors as at **16 August 2021** shall be regarded as a shareholder entitled to participate and vote at the 39th AGM or appoint a proxy or proxies to participate and vote in his/her stead, without physically being present at the Broadcast Venue.

PROCEDURES TO PARTICIPATE AND VOTE AT THE 39TH AGM

Kindly note that the quality of the live streaming is highly dependent on the bandwidth and stability of the internet connection of shareholders and proxies.

To participate in the 39th AGM, please follow the procedures summarised below:

Step 1 – Before the Day of the 39th AGM

A. REGISTRATION AS USER (for first-time registration only)

Note: If you have already signed up with Vote2U previously, you may proceed to Step 2.

- | | |
|---|--|
| <ul style="list-style-type: none"> i. Shareholders to register with Vote2U online <ul style="list-style-type: none"> • Individual Shareholders | <ul style="list-style-type: none"> a. Access website at https://alliancebank.vote2u.app/ b. Click the <<Sign Up>> button to sign up as a user. c. Read and indicate your acceptance of the “Privacy Policy” and “Terms & Conditions” on the small box <input type="checkbox"/>. Then click the <<Next>> button. d. Fill in your details [(i) ensure email address is valid, & (ii) create your own password]. Then click the <<Continue>> button. e. Upload your MyKAD (front only) (for Malaysians) or Passport (for non-Malaysians). Then click the <<Submit>> button. f. Your registration will be verified and an email notification will be provided. |
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ADMINISTRATIVE DETAILS

- THE 39TH ANNUAL GENERAL MEETING (CONT'D)

B. REGISTRATION OF PROXY

- | | |
|---|--|
| <p>i. Electronic lodgement of Proxy Form (e-Proxy) no later than Monday, 23 August 2021 at 3.00 p.m.</p> <ul style="list-style-type: none"> Individual Shareholders | <p>a. Individual shareholders to log in with the email address and password that you have registered with Vote2U.</p> <p>b. Select the General Meeting event.</p> <p>c. Scroll down and click the <<Register a Proxy>> button.</p> <p>d. Read and indicate your acceptance of the “Declarations” on the small box <input type="checkbox"/>. Then click the <<Next>> button.</p> <p>e. Select/add your Central Depository System (“CDS”) account number and number of shares.</p> <p>f. Click the <<Appoint Proxy>> button.</p> <p>g. Complete the details of your Proxy(ies).</p> <p>h. Indicate your voting instructions should you prefer to do so.</p> <p>i. Thereafter, click the <<Submit>> button.</p> <p>j. After verification, the Proxy(ies) will receive an email notification with temporary credentials, i.e. remote access user ID and password, to log in to Vote2U if registration is approved.</p> |
|---|--|

Note:

You need to register as a user before you can register a Proxy and submit the e-Proxy form. Please refer to Section “A: Registration As User” above to register as a user.

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| <p>ii. Submit Proxy Form (hardcopy) no later than Monday, 23 August 2021 at 3.00 p.m.</p> <ul style="list-style-type: none"> Individual Shareholders; Corporate Shareholders; Authorised Nominee; and Exempt Authorised Nominee | <p>a. Complete the following details on the hardcopy of the Proxy Form:</p> <ul style="list-style-type: none"> Name of the Proxy(ies)/Corporate Representative. MyKAD (for Malaysians)/Passport (for non-Malaysians) number of the Proxy(ies). Email address and telephone number of the Proxy(ies)/Corporate Representative. <p>b. Enclose the following documents with the original Proxy Form:</p> <ul style="list-style-type: none"> A copy of the Proxy(ies’)/Corporate Representative’s MyKAD (for Malaysians)/Passport (for non-Malaysians). A copy of the Certificate of Appointment of Corporate Representative [applicable to Corporate Shareholders only]. <p>c. Deposit the original Proxy Form and the abovementioned documents at the address stated on the Proxy Form.</p> <p>d. After verification, the Proxy(ies) will receive an email notification with temporary credentials, i.e. remote access user ID and password, to log in to Vote2U from ShareWorks Sdn Bhd if registration is approved.</p> |
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C. REVOCATION OF PROXY

- | | |
|---|--|
| <p>i. Revoke a Proxy electronically</p> <ul style="list-style-type: none"> Individual Shareholders who have appointed Proxy(ies) through e-Proxy | <p>a. Log in to Vote2U using your registered email address and password.</p> <p>b. Select the General Meeting event.</p> <p>c. Scroll down and click the <<Revoke a Proxy>> button.</p> |
|---|--|

<p>ii. Revoke a Proxy</p> <ul style="list-style-type: none"> • Individual Shareholders; • Corporate Shareholders; • Authorised Nominee; and • Exempt Authorised Nominee; who has/have appointed Proxy(ies) using hardcopy of Proxy Form 	<p>Please contact our Share Registrar, ShareWorks Sdn Bhd, to revoke the appointment of your Proxy(ies), the contact details for which are provided in the Enquiry Section below.</p>
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Step 2 – On the Day of the 39th AGM

1. Log in to <https://alliancebank.vote2u.app/> with your registered email address and password with Vote2U.
2. For a Proxy, log in with the temporary credentials in the email that you have received from Vote2U.
3. Vote2U will be opened for log in starting from **2.00 p.m. on Wednesday, 25 August 2021**, i.e. one (1) hour before the commencement of the 39th AGM.
4. When you log in, click the General Meeting event box. On the main page, you will be able to access the following:

Description	Procedures
<p>i. Watch Live Streaming</p>	<p>Click the <<Watch Live>> button to view the live streaming.</p>
<p>ii. Ask Questions (real-time)</p>	<p>a. Click the <<Ask Question>> button to pose question(s).</p> <p>b. Type in your question and click the <<Submit>> button.</p> <p><u>Note:</u> The Chairman of the meeting/Board of Directors will endeavour to respond to questions submitted by remote shareholders and proxies during the 39th AGM. Should there be any time constraints, the responses will be emailed to you at the earliest practicable time after the 39th AGM.</p>
<p>iii. Remote Voting</p>	<p>a. On the main page, scroll down and click the <<Confirm Details & Start Voting>> button.</p> <p>b. To vote, select your voting choice from the options provided. A confirmation screen will appear to show your selected vote. Click the <<Next>> button to continue voting for all resolutions.</p> <p>c. After you have completed voting, a Voting Summary page will appear to show all the resolutions with your voting choices. Click the <<Confirm>> button to submit your vote.</p> <p><u>Notes:</u></p> <ul style="list-style-type: none"> - You can proceed to vote on the resolutions and submit your votes at any time from the commencement of the 39th AGM at 3.00 p.m. until the end of the voting session, which will be announced by the Chairman of the meeting. - Once you have confirmed and submitted your votes, you will not be able to change your voting choices.
<p>iv. View Voting Results</p>	<p>On the main page, scroll down and click the <<View Voting Results>> button.</p>
<p>v. End of Meeting</p>	<p>a. Upon the announcement by the Chairman of the meeting of the conclusion of the Meeting, the live streaming will be terminated.</p> <p>b. You may log out from Vote2U.</p>

ADMINISTRATIVE DETAILS

- THE 39TH ANNUAL GENERAL MEETING (CONT'D)

ADDITIONAL INFORMATION

Poll Voting

Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, voting at the General Meeting will be conducted by way of a poll. The Bank's share registrar, ShareWorks Sdn Bhd, has been appointed as the Poll Administrator to conduct the polling and BDO Consulting Sdn Bhd has been appointed as the Independent Scrutineer to verify the results of the poll.

Broadcast Venue

The Broadcast Venue is the place where the broadcast will take place to transmit or air the 39th AGM online.

In accordance with the Securities Commission's Guidance and FAQs on the Conduct of General Meetings for Listed Issuers dated 1 June 2021, only essential individuals are permitted to be physically present at the Broadcast Venue for a virtual general meeting and all shareholders shall participate in the meeting online. ***In this regard, no shareholders and proxies shall be physically present nor allowed to enter the Broadcast Venue.***

No Recording or Photography of the 39th AGM Proceedings

No recording or photography of the 39th AGM proceedings is allowed without the prior written permission of the Bank.

No e-Voucher, Gift or Food Voucher

There will be no e-Voucher, gift or food voucher for shareholders and proxies who participate at the 39th AGM.

Enquiry

For any enquiry relating to the 39th AGM of the Bank, please contact our Share Registrar, ShareWorks Sdn Bhd, during office hours (8:30 a.m. to 5:30 p.m.) from Monday to Friday (except for public holidays):

Telephone No. : 03-6201 1120 / 03-6201 7126 / 03-6201 7127

Email : ir@shareworks.com.my

For any enquiry relating to the Vote2U online platform or if you encounter any issues with the login process or need further clarification on the steps to connect to the live streaming and online voting, please contact Vote2U online platform's helpdesk during office hours (8:30 a.m. to 5:30 p.m.) from Monday to Friday:

Telephone No. : 03-7664 8521 / 03-7664 8520

Email : vote2u@agmostudio.com



ALLIANCE BANK

Alliance Bank Malaysia Berhad 198201008390 (88103-W)

FORM OF PROXY

CDS Account No.	No. of Shares Held

I/We (full name in block letters) _____

NRIC No./Passport No./Company Registration No. _____

of _____

telephone no. _____ email address _____

being a Member of ALLIANCE BANK MALAYSIA BERHAD, hereby appoint _____

_____ NRIC No./Passport No. _____

of _____

telephone no. _____ email address _____

and/or failing him/her, _____ NRIC No./Passport No. _____

of _____

telephone no. _____ email address _____

as my/our proxy/proxies to vote for me/us on my/our behalf at the 39th Annual General Meeting ("AGM") of the Bank, to be held as a virtual meeting through live streaming and online remote voting from the broadcast venue at the Agate and Sapphire Room, 20th Floor, Menara Multi-Purpose, Capital Square, 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur on Wednesday, 25 August 2021 at 3.00 p.m. adjournment thereof.

NO	RESOLUTIONS	*FOR	*AGAINST
1.	Re-election of Mr Tan Chian Khong as Director		
2.	Re-election of Ms Susan Yuen Su Min as Director		
3.	Re-election of Ms Cheryl Khor Hui Peng as Director		
4.	Approval of payment of Directors' fees and Board Committees' fees from the 39th AGM to the next AGM of the Bank		
5.	Approval of payment of Directors' benefits (other than Directors' fees and Board Committees' fees) to eligible Non-Executive Directors from the 39th AGM to the next AGM of the Bank		
6.	Re-appointment of PricewaterhouseCoopers PLT as Auditors of the Bank and granting authority to the Directors to fix their remuneration		

* Please indicate with an "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy(ies) will vote or abstain at his/her/their discretion.

As witness my/our hand(s) this _____ day of _____ 2021.

Signature of Member

Shareholding represented by Proxy	
Proxy 1	%
Proxy 2	%
Total	%

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Notes:

1. The broadcast venue of the 39th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 and Article 66 of the Bank's Constitution, which require the Chairman of the meeting to be present at the main venue of the meeting. **No shareholders and proxies from the public shall be physically present at the broadcast venue.**
2. A Member entitled to attend, participate, speak and vote at the meeting is entitled to appoint a proxy or proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a Member of the Bank.
3. Where a Member is an Exempt Authorised Nominee that holds ordinary shares in the Bank for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies that the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
4. A Member other than an Exempt Authorised Nominee shall be entitled to appoint not more than two (2) proxies to attend, participate, speak and vote at the same meeting.
5. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
6. If the appointer is a corporation, the Form of Proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.
7. To be valid, the duly completed Form of Proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the office of our Share Registrar, ShareWorks Sdn Bhd, at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur or lodged electronically at <https://alliancebank.vote2u.app/> (applicable to individual Members only) not less than forty-eight (48) hours before the time set for holding the meeting.
8. By submitting the duly executed Form of Proxy, the Member and his/her proxy(ies) consent to the Bank (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purposes of the 39th AGM and any adjournment thereof.
9. A Member whose name appears in the General Meeting Record of Depositors as at 16 August 2021 shall be regarded as a Member entitled to attend, participate, speak and vote at the meeting or appoint a proxy or proxies to attend, participate, speak and vote in his/her stead.

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Affix Stamp

The Share Registrar of
ALLIANCE BANK MALAYSIA BERHAD

SHAREWORKS SDN BHD
No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur

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[@AllianceBankMalaysia](https://www.instagram.com/AllianceBankMalaysia)



Alliance Bank Malaysia Berhad

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