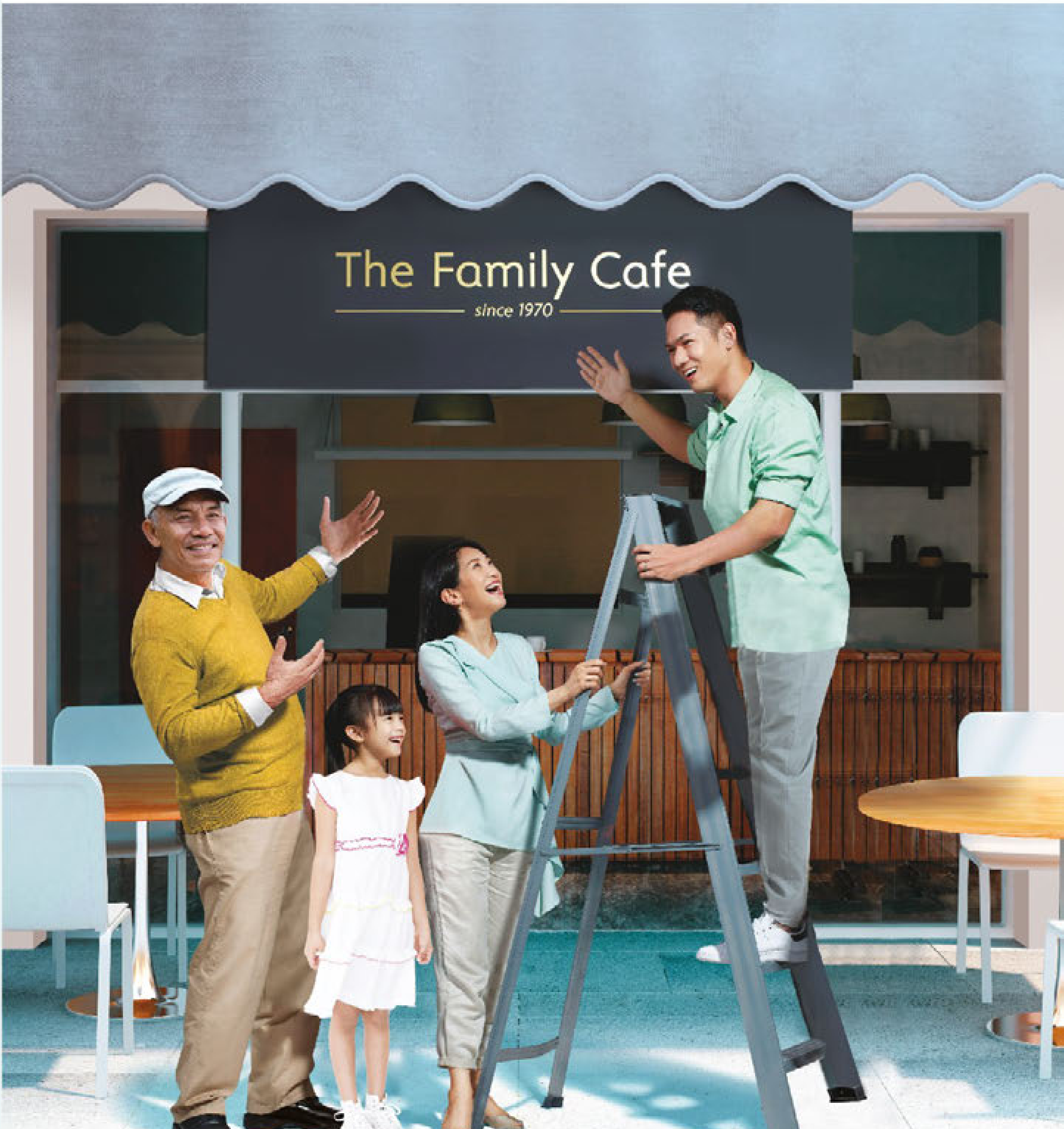
ALLIANCE BANK

REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021



ALLIANCE BANK

Alliance Bank Malaysia Berhad 198201008390 (88103-W)

04

FINANCIAL STATEMENTS

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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 1.4.2020	**Acquired**	**Sold**	**As at 31.3.2021**
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 **Tan Chian Khong**

Kuala Lumpur, Malaysia
3 June 2021

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

Tan Chian Khong

Kuala Lumpur, Malaysia
3 June 2021

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

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

Key audit matters (cont'd)

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

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

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

• Tested the design and operating effectiveness of the controls relating to:
- Governance over ECL model and methodology;
- Data used to determine the allowances for credit losses; and
- Calculation, review and approval of the ECL calculation.

• Assessed and tested the significant modelling assumptions;

• Assessed and considered reasonableness of forward-looking forecasts assumptions. In assessing the appropriateness of management's forecast economic conditions after taking into consideration the impacts of the COVID-19 pandemic, 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.

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

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

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

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

Key audit matters (cont'd)

Key audit matters	How our audit addressed the key audit matters
Impairment testing of goodwill	
Refer to accounting policy 2(a)(i), 2(k)(ii)(a) and Note 18 of the Financial Statements of the Group and the Bank. Management performed annual impairment assessment on goodwill. The recoverable amount of each cash generating units ("CGU") of which goodwill has been allocated was determined based on the value-in-use method. The value-in-use was determined using cash flow projections based on the financial budget and business plans approved by the Board of Directors, each of which is dependent on significant management judgement and can be influenced by management bias. As disclosed in Note 18(b), management has also considered the impact of the COVID-19 pandemic on the Group's future revenue and specifically to estimate the expected cash flows from the CGUs. Management performed sensitivity analysis over their cash flow forecast to factor in the impact of a decline in the global economy, the loan moratorium to customers and the potential reduction in overnight policy rate ("OPR"). In particular, we focused on the following key assumptions that requires significant judgement, for each CGU: • The annual growth rates in the cash flow projections; • The terminal growth rate; and • The discount rate.	We tested management's impairment assessment of goodwill as follows: • Compared the cash flows projection of each CGU to approved budgets and business plans for each CGU. • Compared historical cash flows projections to actual results of each CGU to assess the reasonableness of forecasting. • Assessed the reasonableness of the annual growth rates used in the cash flow projections of each CGU. • Assessed the reasonableness of the applied discount rates by comparing to external and industry information. The applied discount rates reflect the specific 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. Based on the evidence obtained, we found that the assumptions used by management in the value-in-use calculation were within a reasonable range.

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

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises 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

ONG CHING CHUAN
02907/11/2021 J
Chartered Accountant

Kuala Lumpur
3 June 2021

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2021

		GROUP		BANK	
	Note	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 2021 RM'000	GROUP 2020 RM'000	BANK 2021 RM'000	BANK 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:	39				
Equity holders of the Bank					
- 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

	← Attributable to Equity holders of the Bank →					
GROUP	**Ordinary shares RM'000**	**Regulatory reserves RM'000**	**Capital reserves RM'000**	**FVOCI reserves RM'000**	**Retained profits RM'000**	**Total equity RM'000**
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	Ordinary shares RM'000	← Non-distributable reserves → Regulatory reserves RM'000	Capital reserves RM'000	FVOCI reserves RM'000	Distributable reserves Retained profits RM'000	Total equity 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.

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:

<u>Financial year beginning after 1 April 2021</u>

(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.

<u>Financial year beginning after 1 April 2022</u>

(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.

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.

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 (CONT'D)

(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.

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 (CONT'D)

(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 (CONT'D)

(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.

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.

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 (CONT'D)

(k) Impairment of Assets (cont'd)

(ii) Impairment of non-financial assets

(a) Goodwill/Intangible assets

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

The recoverable amount is determined for each CGU based on its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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.

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 (CONT'D)

(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.

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 (CONT'D)

(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.

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 (CONT'D)

(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.

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").

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 remisiers 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 (Stage 1) RM'000	Total 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:

	Lifetime ECL	
GROUP	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				
Money market instrument:				
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
Unquoted securities:				
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				
Money market instruments:				
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
Quoted securities:				
Shares	**15**	5	**15**	5
Unquoted securities:				
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)

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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	GROUP 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)

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8. FINANCIAL INVESTMENTS AT AMORTISED COST

	GROUP 2021 RM'000	GROUP 2020 RM'000	BANK 2021 RM'000	BANK 2020 RM'000
At amortised cost				
Money market instruments:				
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**	-
Unquoted securities:				
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**	**49,382**
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)

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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.

	2021			2020		
	Contract/ Notional	Fair Value		Contract/ Notional	Fair Value	
GROUP/BANK	Amount RM'000	Assets RM'000	Liabilities RM'000	Amount RM'000	Assets RM'000	Liabilities RM'000
Trading Derivatives						
Foreign exchange contracts:						
- Currency forwards	**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)

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

(i) By maturity structure:

	GROUP 2021 RM'000	GROUP 2020 RM'000	BANK 2021 RM'000	BANK 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 2021 RM'000	GROUP 2020 RM'000	BANK 2021 RM'000	BANK 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 2021 RM'000	GROUP 2020 RM'000	BANK 2021 RM'000	BANK 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 (CONT'D)

(iv) By economic purposes:

	GROUP 2021 RM'000	GROUP 2020 RM'000	BANK 2021 RM'000	BANK 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
of which: - Residential	***14,920,966***	*15,139,741*	***11,351,588***	*11,644,268*
- Non-residential	***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 2021 RM'000	GROUP 2020 RM'000	BANK 2021 RM'000	BANK 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

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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 (CONT'D)

(viii) Credit impaired loans analysed by economic purposes:

	GROUP 2021 RM'000	GROUP 2020 RM'000	BANK 2021 RM'000	BANK 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
of which: - Residential	***453,817***	364,862	***320,166***	275,103
- Non-residential	***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 2021 RM'000	GROUP 2020 RM'000	BANK 2021 RM'000	BANK 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

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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

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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 (CONT'D)

(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 %	Effective equity interest 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
Subsidiaries of Alliance Financial Group Berhad			
Kota Indrapura Development (under members' voluntary winding up)	Dormant	**100**	100

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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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 (CONT'D)

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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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 (CONT'D)

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 (CONT'D)

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

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 (CONT'D)

GROUP 2020	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land Less than 50 years RM'000	Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost									
At 1 April 2019									
As previously stated	1,953	11,673	1,850	29,373	125,784	56,755	77,435	870	305,693
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									
As previously stated	-	3,195	1,043	11,959	118,926	40,408	59,395	208	235,134
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									
As previously stated	-	37	-	25	-	-	-	-	62
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

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 (CONT'D)

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

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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 (CONT'D)

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

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 2021 RM'000	GROUP 2020 RM'000	BANK 2021 RM'000	BANK 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.

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

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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 RM'000	**2020 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 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 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)

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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 2021 RM'000	GROUP 2020 RM'000	BANK 2021 RM'000	BANK 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**

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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 (CONT'D)

(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 2021 RM'000	GROUP 2020 RM'000	BANK 2021 RM'000	BANK 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 2021 RM'000	GROUP 2020 RM'000	BANK 2021 RM'000	BANK 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 (CONT'D)

(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.

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 unaccreted 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 (CONT'D)

(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 (CONT'D)

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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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 (CONT'D)

(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

	2021		2020	
GROUP/BANK	**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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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29. RESERVES

	Note	GROUP 2021 RM'000	GROUP 2020 RM'000	BANK 2021 RM'000	BANK 2020 RM'000
Non-distributable:					
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
Distributable:					
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 2021 RM'000	GROUP 2020 RM'000	BANK 2021 RM'000	BANK 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 (CONT'D)

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) Fee and commission income:				
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 (CONT'D)

		GROUP		BANK	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(b)	Fee and commission expense:				
	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)	Investment income:				
	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)	Other (expense)/income:				
	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
Personnel costs				
- 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
Establishment costs				
- 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
Marketing expenses				
- 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
Administration and general expenses				
- 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.

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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 (CONT'D)

Significant related party transactions and balances as follows:

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(a) Transactions				
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 (CONT'D)

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

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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	2021 Number	2021 Unrestricted RM'000	2021 Number	2021 Deferred RM'000	2020 Number	2020 Unrestricted RM'000	2020 Number	2020 Deferred RM'000
Fixed remuneration								
Cash		**23,801**		**-**		25,711		-
Variable remuneration								
Cash	**18**	**6,670**	**19**	**3,213**	22	6,652	19	5,174
		30,471		**3,213**		32,363		5,174

Bank	2021 Number	2021 Unrestricted RM'000	2021 Number	2021 Deferred RM'000	2020 Number	2020 Unrestricted RM'000	2020 Number	2020 Deferred RM'000
Fixed remuneration								
Cash		**21,199**		**-**		22,456		-
Variable remuneration								
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 RM'000	**2020 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
Chief Executive Officers:							
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
Non-executive Directors:							
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
Past Chief Executive Officer:							
Mahesh s/o Shri Pranlal Rupawalla	235	700	118	–	–	3	1,056
	235	700	118	–	–	3	1,056
Past Non-executive Directors:							
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

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

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

The total remuneration (including benefits-in-kind) of the 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
Chief Executive Officer:							
Joel Kornreich	4,448	1,380	821	–	–	86	6,735
	4,448	1,380	821	–	–	86	6,735
Non-executive Directors:							
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
Past Non-executive Directors:							
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

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
Chief Executive Officer:							
Joel Kornreich	4,169	1 ,223	760	-	-	106	6,258
	4,169	1 ,223	760	-	-	106	6,258
Non-executive Directors:							
Tan Sri Dato' Ahmad Bin Mohd Don	-	-	-	285	44	31	360
Lee Ah Boon	-	-	-	205	62	-	267
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	225	81	-	306
Lee Boon Huat	-	-	-	205	59	-	264
Ho Hon Cheong	-	-	-	190	60	-	250
Thayaparan S Sangarapillai	-	-	-	205	62	-	267
Tan Chian Khong	-	-	-	190	57	-	247
Susan Yuen Su Min	-	-	-	165	41	-	206
	-	-	-	1,670	466	31	2,167
Past Non-executive Directors:							
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.

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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	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)	2,405,723	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	2,270,504
Derivative financial assets	-	93,388	-	-	-	-	60,347	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	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	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	72,481,842

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

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations (cont'd)

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

BANK 2020	Government and Central Bank RM'000	Financial, Insurance, Business Services and Real Estate RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale 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)	1,437,791	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:

<u>Quantitative criteria:</u>

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:

	Weighted Average Forecast		
MEV	**2023**	**2022**	**2021**
(% Year on Year)	**%**	**%**	**%**
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)

31 MARCH 2021

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

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)

31 MARCH 2021

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
Cash and short-term funds (exclude cash in hand)				
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
Deposits and placements with banks and other financial institutions				
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
Financial investments at fair value through other comprehensive income (exclude equity securities)				
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)
Financial investments at amortised cost				
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
Loans, advances and financing				
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
Statutory deposit				
Sovereign/Government backed	88,012	–	–	88,012
Gross carrying amount	88,012	–	–	88,012
Expected credit losses	–	–	–	–
Net carrying amount	88,012	–	–	88,012
Credit related commitments and contingencies				
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
Amounts due from clients and brokers				
Gross carrying amount	104,929	112	–	105,041
Expected credit losses	–	–	–	–
Net carrying amount	104,929	112	–	105,041

	Current RM'000	More than 90 days past due RM'000	Total RM'000
Other assets (exclude prepayment)			
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)

31 MARCH 2021

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

Note:

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

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

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

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
Cash and short-term funds (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
Deposits and placements with banks and other financial institutions				
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
Financial investments at fair value through other comprehensive income (exclude equity securities)				
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)
Financial investments at amortised cost				
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
Loans, advances and financing				
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
Statutory deposit				
Sovereign/Government backed	69,574	–	–	69,574
Gross carrying amount	69,574	–	–	69,574
Expected credit losses	–	–	–	–
Net carrying amount	69,574	–	–	69,574
Credit related commitments and contingencies				
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	Current RM'000	More than 90 days past due RM'000	Total RM'000
Other assets (exclude prepayment)			
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
Cash and short-term funds (exclude cash in hand)				
Investment graded	517,216	-	-	517,216
Non-investment graded	69	-	-	69
Sovereign/Government backed	1,437,791	-	-	1,437,791
Gross carrying amount	1,955,076	-	-	1,955,076
Expected credit losses	(1)	-	-	(1)
Net carrying amount	1,955,075	-	-	1,955,075
Financial investments at fair value through other comprehensive income (exclude equity securities)				
Investment graded	2,553,884	48,955	-	2,602,839
Sovereign/Government backed	5,823,934	-	-	5,823,934
Gross carrying amount	8,377,818	48,955	-	8,426,773
Expected credit losses [Note]	(71)	(151)	-	(222)
Financial investments at amortised cost				
Investment graded	130,039	-	-	130,039
Unrated	40,738	-	-	40,738
Credit impaired	-	-	24,678	24,678
Gross carrying amount	170,777	-	24,678	195,455
Expected credit losses	(372)	-	(24,678)	(25,050)
Net carrying amount	170,405	-	-	170,405

Note:

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

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

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(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 + RM'000	GROUP – RM'000	BANK + RM'000	BANK – 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 + RM'000	GROUP – RM'000	BANK + RM'000	BANK – 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

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(vii) Exposures to COVID-19 impacted sectors

The table below outlines the loans, advances and financing (net of impairment) by industry sectors identified as directly vulnerable and affected by COVID-19 pandemic for the Group and the Bank:

	GROUP 2021 RM'000	BANK 2021 RM'000
Retail and wholesale/trading	9,604,378	7,149,075
Accommodation	692,488	540,734
Travel agencies/tourism	52,582	21,404
Airline/aviation	19,874	4,875
Food and beverage services/restaurants	351,767	273,307
	10,721,089	7,989,395

(viii) COVID-19 customer relief and support measures

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:

	Retail				Non-Retail	
	Mortgage RM'000	Hire purchase RM'000	Personal financing RM'000	Total RM'000	Total RM'000	Total RM'000
GROUP						
Total payment moratoriums, repayment assistance, rescheduling and restructuring ("R&R") granted	13,666,631	124,597	1,762,365	15,553,593	10,357,949	25,911,542
Resume payment	12,736,079	96,996	1,553,067	14,386,142	9,945,385	24,331,527
Missed payment	930,552	27,601	209,298	1,167,451	412,564	1,580,015
As a percentage of total:						
Resume payment	93%	78%	88%	92%	96%	94%
Missed payment	7%	22%	12%	8%	4%	6%
	100%	100%	100%	100%	100%	100%

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.

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 Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Assets									
Cash and short-term funds	2,429,446	-	-	-	-	-	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 2021	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities									
Deposits from customers	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

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

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

	Non-trading book								
GROUP 2020	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-6 months RM'000**	**>6-12 months RM'000**	**>1-5 years RM'000**	**Over 5 years RM'000**	**Non-interest/ profit sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
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 Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities									
Deposits from customers	15,720,132	5,474,085	6,243,931	7,801,674	12,717,934	-	468,096	-	48,425,852
Deposits and placements of banks and other financial institutions	874,477	219,828	41,315	97,015	307,225	1,350	2,436	-	1,543,646
Financial liabilities designated at fair value through profit or loss	4,172	2	13,141	32,644	9,155	364,651	3,320	-	427,085
Amounts due to clients and brokers	-	-	-	-	-	-	22,292	-	22,292
Obligation on securities sold under repurchase agreements	29,753	339,418	-	-	-	-	298	-	369,469
Derivative financial liabilities	-	-	-	-	-	-	-	348,877	348,877
Recourse obligations on loans and financing sold to Cagamas	-	-	-	150,012	650,032	-	651	-	800,695
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

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 Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Assets									
Cash and short-term funds	1,155,415	-	-	-	-	-	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 Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities									
Deposits from customers	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

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

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

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

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 Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities									
Deposits from customers	12,081,242	3,764,614	5,013,733	5,834,048	9,750,122	-	259,230	-	36,702,989
Deposits and placements of banks and other financial institutions	469,096	14,357	26,245	66,022	155,229	1,350	1,265	-	733,564
Financial liabilities designated at fair value through profit or loss	4,172	2	13,141	32,644	9,155	364,651	3,320	-	427,085
Obligation on securities sold under repurchase agreements	29,753	191,435	-	-	-	-	199	-	221,387
Derivative financial liabilities	-	-	-	-	-	-	-	348,877	348,877
Recourse obligations on loans and financing sold to Cagamas	-	-	-	-	300,015	-	38	-	300,053
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)

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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)

31 MARCH 2021

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)

31 MARCH 2021

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	+ 200 bps	– 200 bps	+ 200 bps
	Increase/(Decrease)		Increase/(Decrease)	
	RM'000	RM'000	RM'000	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	+ 100 bps	– 100 bps	+ 100 bps
	Increase/(Decrease)		Increase/(Decrease)	
	RM'000	RM'000	RM'000	RM'000
Impact on net profit after tax	(92,381)	92,381	(74,680)	74,680
Impact on equity	341,414	(320,278)	234,503	(232,620)

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

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	5,327,836	1,475,936	648,204	309,133	24,634,018	–	32,395,127
Other financial and non-financial assets	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	5,907,813	1,544,429	616,949	177,851	23,960,503	-	32,207,545
Other financial and non-financial assets	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

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 2021	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	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								
Interest rate derivatives and equity option	(2,403)	(4,150)	(6,076)	(10,402)	(15,567)	(60)	-	(38,658)
Net outflow	(2,403)	(4,150)	(6,076)	(10,402)	(15,567)	(60)	-	(38,658)
Derivatives settled on a gross basis								
Outflow	4,719	15,181	19,295	2,701	5,923	3,428	-	51,247
Inflow	(5,488)	(12,930)	(27,546)	(4,487)	(2,417)	(8,061)	-	(60,929)
	(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 Cagamas	-	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								
Interest rate derivatives and equity option	(635)	(2,183)	(2,694)	(4,531)	(16,816)	(80)	-	(26,939)
Net outflow	(635)	(2,183)	(2,694)	(4,531)	(16,816)	(80)	-	(26,939)
Derivatives settled on a gross basis								
Outflow	2,365,455	1,321,519	1,011,248	119,535	478,788	-	-	5,296,545
Inflow	(2,314,989)	(1,279,958)	(979,749)	(116,415)	(466,854)	-	-	(5,157,965)
	50,466	41,561	31,499	3,120	11,934	-	-	138,580

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (cont'd)

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

The table below presents the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities. (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	>1-5 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
Items not recognised in the statements of financial position								
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								
Interest rate derivatives and equity option	(2,403)	(4,150)	(6,076)	(10,402)	(15,567)	(60)	-	(38,658)
Net outflow	(2,403)	(4,150)	(6,076)	(10,402)	(15,567)	(60)	-	(38,658)
Derivatives settled on a gross basis								
Outflow	4,719	15,181	19,295	2,701	5,923	3,428	-	51,247
Inflow	(5,488)	(12,930)	(27,546)	(4,487)	(2,417)	(8,061)	-	(60,929)
	(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
Recourse 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								
Interest rate derivatives and equity option	(635)	(2,183)	(2,694)	(4,531)	(16,816)	(80)	-	(26,939)
Net outflow	(635)	(2,183)	(2,694)	(4,531)	(16,816)	(80)	-	(26,939)
Derivatives settled on a gross basis								
Outflow	2,365,455	1,321,519	1,011,248	119,535	478,788	-	-	5,296,545
Inflow	(2,314,989)	(1,279,958)	(979,749)	(116,415)	(466,854)	-	-	(5,157,965)
	50,466	41,561	31,499	3,120	11,934	-	-	138,580

44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(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
Credit-related exposures				
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
Derivative financial instruments [Note (b)]				
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				
	Before deducting proposed dividends				
	CET I capital ratio	**16.463%**	-	**15.654%**	-
	Tier I capital ratio	**17.418%**	-	**16.566%**	-
	Total capital ratio	**21.816%**	-	**21.549%**	-
	After deducting proposed dividends				
	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				
	Before deducting proposed dividends				
	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%
	After deducting proposed dividends				
	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				
Before deducting proposed dividends				
CET I capital ratio	**15.035%**	-	**72.580%**	-
Tier I capital ratio	**16.158%**	-	**72.580%**	-
Total capital ratio	**18.783%**	-	**73.506%**	-
After deducting proposed dividends				
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				
Before deducting proposed dividends				
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%
After deducting proposed dividends				
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.

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
Assets				
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
Liabilities				
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
Assets				
Financial assets at FVTPL				
- Money market instruments	-	437,929	-	437,929
- Unquoted securities	-	10,025	202,160	212,185
Financial investments at FVOCI				
- Money market instruments	-	6,476,810	-	6,476,810
- Quoted securities in Malaysia	5	-	-	5
- Unquoted securities	-	5,067,692	-	5,067,692
Derivative financial assets	-	436,910	-	436,910
Liabilities				
Financial liabilities designated at fair value through profit or loss	-	427,085	-	427,085
Derivative financial liabilities	-	348,877	-	348,877

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
Assets				
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
Liabilities				
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
Assets				
Financial assets at FVTPL				
- Money market instruments	-	437,929	-	437,929
- Unquoted securities	-	10,025	137,768	147,793
Financial investments at FVOCI				
- Money market instruments	-	5,403,416	-	5,403,416
- Quoted securities in Malaysia	5	-	-	5
- Unquoted securities	-	3,023,357	-	3,023,357
Derivative financial assets	-	436,910	-	436,910
Liabilities				
Financial liabilities designated at fair value through profit or loss	-	427,085	-	427,085
Derivative financial liabilities	-	348,877	-	348,877

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 2021 RM'000	Fair value assets 2020 RM'000	Valuation techniques	Unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
GROUP					
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
BANK					
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)

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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 Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Financial assets					
Financial investments at amortised cost	**–**	**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 Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Financial assets					
Financial investments at amortised cost	-	129,877	-	129,877	121,299
Loans, advances and financing	-	-	43,767,606	43,767,606	43,110,007
Financial liabilities					
Deposits from customers	-	48,434,373	-	48,434,373	48,425,852
Deposits and placements of banks and other financial institutions	-	1,511,244	-	1,511,244	1,543,646
Obligations on securities sold under repurchase agreements	-	369,469	-	369,469	369,469
Recourse obligations on loans and financing sold to Cagamas	-	858,516	-	858,516	800,695
Subordinated obligations	-	1,489,614	-	1,489,614	1,520,637

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 Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Financial assets					
Financial investments at amortised cost	–	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 Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Financial assets					
Financial investments at amortised cost	-	178,925	-	178,925	170,405
Loans, advances and financing	-	-	32,611,046	32,611,046	32,207,545
Financial liabilities					
Deposits from customers	-	36,704,170	-	36,704,170	36,702,989
Deposits and placements of banks and other financial institutions	-	726,128	-	726,128	733,564
Obligations on securities sold under repurchase agreements	-	221,387	-	221,387	221,387
Recourse obligations on loans and financing sold to Cagamas	-	317,690	-	317,690	300,053
Subordinated obligations	-	1,449,303	-	1,449,303	1,480,254

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	Related amounts not set off in the statements of financial position: 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		Net amount RM'000
				Financial instruments RM'000	Cash collateral pledged 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.

51. SEGMENT INFORMATION (CONT'D)

Group As at 31 March 2021	Consumer Banking RM'000	Business Banking RM'000	Financial Markets RM'000	Stockbroking and Corporate Advisory RM'000	Others RM'000	Total Operations RM'000	Inter-segment Elimination RM'000	Total RM'000
Net interest income								
- External income	316,343	436,632	258,542	7,184	76	1,018,777	(2,121)	1,016,656
- inter-segment	21,807	41,058	(59,521)	(3,344)	-	-	-	-
	338,150	477,690	199,021	3,840	76	1,018,777	(2,121)	1,016,656
Net income from Islamic banking business	165,601	125,908	69,861	-	86	361,456	17,044	378,500
Other operating income	112,321	128,101	135,925	49,563	20,376	446,286	(23,875)	422,411
Net income	616,072	731,699	404,807	53,403	20,538	1,826,519	(8,952)	1,817,567
Other operating expenses	(338,029)	(266,219)	(44,274)	(37,714)	(36,095)	(722,331)	10,073	(712,258)
Depreciation and amortisation	(40,360)	(37,473)	(8,704)	(3,024)	(411)	(89,972)	1,572	(88,400)
Operating profit/(loss) before allowance	237,683	428,007	351,829	12,665	(15,968)	1,014,216	2,693	1,016,909
(Allowance for)/write-back of expected credit losses on loans, advances and financing and other financial assets	(377,335)	(155,978)	247	150	-	(532,916)	-	(532,916)
Write-back of/(allowance for) expected credit losses on financial assets	-	753	250	(130)	(735)	138	(234)	(96)
Segment results	(139,652)	272,782	352,326	12,685	(16,703)	481,438	2,459	483,897
Share of results of joint venture								91
Taxation								(125,203)
Net profit for the financial year								358,785
Segment assets	22,054,323	27,449,428	11,474,860	359,446	440,154	61,778,211	(1,720,990)	60,057,221
Reconciliation of segment assets to consolidated assets:								
Investment in joint venture								994
Property, plant and equipment								57,264
Tax recoverable and deferred tax assets								174,457
Intangible assets								431,259
Total assets								60,721,195

51. SEGMENT INFORMATION (CONT'D)

Group As at 31 March 2020	Consumer Banking RM'000	Business Banking RM'000	Financial Markets RM'000	Stockbroking and Corporate Advisory RM'000	Others RM'000	Total Operations RM'000	Inter-segment Elimination RM'000	Total RM'000
Net interest income								
- External income	397,303	370,302	228,099	13,043	281	1,009,028	(28,194)	980,834
- inter-segment	(50,798)	81,828	(23,099)	(7,931)	-	-	-	-
	346,505	452,130	205,000	5,112	281	1,009,028	(28,194)	980,834
Net income from Islamic banking business	160,735	117,754	61,477	-	165	340,131	37,765	377,896
Other operating income	101,271	161,209	35,096	27,385	22,978	347,939	(17,349)	330,590
Net income	608,511	731,093	301,573	32,497	23,424	1,697,098	(7,778)	1,689,320
Other operating expenses	(343,113)	(276,305)	(47,969)	(38,062)	(18,101)	(723,550)	315	(723,235)
Depreciation and amortisation	(39,656)	(35,105)	(7,593)	(2,633)	(492)	(85,479)	1,695	(83,784)
Operating profit/(loss) before allowance	225,742	419,683	246,011	(8,198)	4,831	888,069	(5,768)	882,301
(Allowance for)/write-back of expected credit losses on loans, advances and financing and other financial assets	(218,220)	(54,807)	152	(360)	1	(273,234)	-	(273,234)
(Allowance for)/write-back of expected credit losses on financial assets	-	(38,584)	(74)	936	735	(36,987)	(10)	(36,997)
Allowance for impairment losses on non-financial assets	-	-	-	(9,230)	-	(9,230)	4,913	(4,317)
Segment results	7,522	326,292	246,089	(16,852)	5,567	568,618	(865)	567,753
Share of results of joint venture								101
Taxation								(143,591)
Net profit for the financial year								424,263
Segment assets	24,115,445	25,558,326	12,242,497	269,954	47,365	62,233,587	(1,859,561)	60,374,026
Reconciliation of segment assets to consolidated assets:								
Investment in joint venture								903
Property, plant and equipment								64,486
Tax recoverable and deferred tax assets								98,959
Intangible assets								437,086
Total assets								60,975,460

52. 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.

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