



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



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## **DIRECTORS' REPORT**

The Directors present their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 March 2021.

## **PRINCIPAL ACTIVITIES**

The Bank is principally engaged in the investment banking business including Islamic banking business, provision of stock-broking services and related financial services. There have been no significant changes in the nature of these activities during the financial year.

## **FINANCIAL RESULTS**

	<u>GROUP</u> RM'000	<u>BANK</u> RM'000
Profit before taxation	64,694	64,599
Taxation	<u>(13,000)</u>	<u>(13,000)</u>
Net profit for the financial year	<u><u>51,694</u></u>	<u><u>51,599</u></u>

## **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.

## **DIVIDEND**

The amount of dividends declared and paid by the Bank since 31 March 2020 were as follows:

	<u>RM'000</u>
(i) A single tier interim dividend of 2.28 sen per share, on 365,000,000 shares in respect of the financial year ended 31 March 2020, was paid on 9 July 2020.	8,322
(ii) A single tier special dividend of 54.79 sen per share, on 365,000,000 shares in respect of the financial year ended 31 March 2021, was paid on 18 December 2020.	199,984
(iii) A single tier first interim dividend of 8.39 sen per share, on 365,000,000 shares in respect of the financial year ended 31 March 2021, was paid on 18 December 2020.	30,623
	<u><u>238,929</u></u>

Subsequent to the financial year end, on 31 May 2021, the Directors declared a single tier second interim dividend of 5.74 sen per share, on 365,000,000 ordinary shares amounting to approximately RM20,951,000 in respect of the financial year ended 31 March 2021. 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 new issue of shares and debentures during the financial year.

### **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**

As at the date of this report, there does not exist:

- (i) any charge on the assets of the Group and 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 and 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.

**ALLIANCE INVESTMENT BANK BERHAD**

**197401004393 (21605-D)**

(Incorporated in Malaysia)

**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 45 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:

Lee Ah Boon  
Mazidah Binti Abdul Malik  
Datin Ooi Swee Lian

**DIRECTORS' REMUNERATION**

Details of Directors' Remuneration are set out in Note 36 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 36 to the financial statements) by reason of a contract made by the Bank or its subsidiary or its holding company or subsidiary of the holding company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

**DIRECTORS' INTERESTS**

According to the Register of Directors' shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors in office at the end of the financial year had any interest in shares, share options and share grants in the Bank or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year.

## **ALLIANCE INVESTMENT BANK BERHAD**

**197401004393 (21605-D)**

(Incorporated in Malaysia)

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

#### Profitability

The Bank's net profit after taxation grew RM42.7 million year-on-year ("YOY") to RM51.7 million for the financial year ended 31 March 2021 due to higher other operating income from brokerage fees, gains from disposal of investments and lower credit cost.

In FY2021, the Bank's performance was mainly driven by extraordinary activity from the retail segment of our stockbroking business due to the volatility created by the COVID-19 pandemic. Average daily trading value was up by 139% YOY coupled with a significant increase in new accounts and reactivated dormant accounts. The Bank also witnessed an encouraging increase in the number of clients trading through digital channels during FY2021.

The uncertain economic conditions however affected our corporate advisory business as the execution of some of our mandates were delayed.

Pre-provision operating profit grew by 83.6% to RM64.1 million while our net interest margins improved by 46 bps to 2.58% as a result of faster re-pricing of deposits compared to assets following the series of overnight policy rate cuts.

#### Loans Growth

Gross loans and advances declined by 10.3% to RM263.4 million mainly due to corporate loans' repayment.

#### Higher Other Operating Income

Other operating income increased by RM37.3 million to RM74.4 million mainly due to higher brokerage fees in line with higher Bursa trading volume and higher investment income.

#### Operating Expenses

Operating Expenses increased by 11.5% or RM5.0 million from personnel cost and professional fees. Cost to income ratio was lower at 43.1%, an improvement of 12.4%.

#### Asset Quality

Credit cost has improved as compared to the last financial year where the Bank had taken an impairment for a RM25.0 million debt instrument and goodwill impairment of RM8.4 million.

#### Proactive Capital Management

Following the upstream dividend of RM230.0 million to the Group, both Total Capital and Common Equity Tier 1 continues to remain strong at 69.9% and 69.0% respectively as at 31 March 2021.

The Bank declared a second interim dividend of RM20.95 million for the financial year ended 31 March 2021.

**ALLIANCE INVESTMENT BANK BERHAD**

**197401004393 (21605-D)**

(Incorporated in Malaysia)

**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 the central bank 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 benefitted directly from these measures.

While BNM made a series of cuts to the OPR throughout 2020 to stimulate the economy, the Group does not expect any more cuts. Further cuts to the OPR would, however, impact the Group’s income.

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 FYE 31 MARCH 2022**

With the recovery in economic activity, average daily trading value is expected to remain healthy, although it will not be at the elevated levels seen during FY2021. This would nevertheless be positive for the Bank’s stockbroking business.

The economic rebound is also likely to spur more fund-raising which would be conducive for the capital markets business. Deals in our pipeline remain healthy and we expect to secure more mandates.

We will continue to prioritise the health and safety of our employees and our focus remains on helping our clients emerge from this challenging period on a better footing.

**ALLIANCE INVESTMENT BANK BERHAD****197401004393 (21605-D)**

(Incorporated in Malaysia)

**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.

**HOLDING COMPANY**

The holding company of the Bank is Alliance Bank Malaysia Berhad, a bank incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

**AUDITORS' REMUNERATION**

Details of auditors' remuneration are set out in Note 27 to the financial statements.

**SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

The significant events during the financial year are disclosed in Note 45 to the financial statements.

**SUBSEQUENT EVENTS**

The events subsequent to the end of the financial reporting period are disclosed in Note 46 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 resolution of the Directors.

Mazidah Binti Abdul Malik

Datin Ooi Swee Lian

Kuala Lumpur, Malaysia  
3 June 2021



**ALLIANCE INVESTMENT BANK BERHAD**

**197401004393 (21605-D)**

(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**

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

We, Mazidah Binti Abdul Malik and Datin Ooi Swee Lian, being two of the Directors of Alliance Investment Bank Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 12 to 113 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.

Mazidah Binti Abdul Malik

Datin Ooi Swee Lian

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 Investment Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 12 to 113 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,

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF ALLIANCE INVESTMENT BANK BERHAD**  
(Incorporated in Malaysia)  
Company No. 197401004393 (21605-D)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

Our opinion

In our opinion, the financial statements of Alliance Investment Bank 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 12 to 113.

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.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF ALLIANCE INVESTMENT BANK BERHAD**  
(Incorporated in Malaysia)  
Company No. 197401004393 (21605-D)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTD.)**

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of 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 of 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 MEMBER OF ALLIANCE INVESTMENT BANK BERHAD**  
(Incorporated in Malaysia)  
(Company No. 197401004393 (21605-D))

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTD.)**

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 of 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 and of 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.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF ALLIANCE INVESTMENT BANK BERHAD**  
(Incorporated in Malaysia)  
Company No. 197401004393 (21605-D)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTD.)**

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

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.

**OTHER MATTERS**

This report is made solely to the member of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

ONG CHING CHUAN  
02907/11/2021 J  
Chartered Accountant

Kuala Lumpur  
3 June 2021

**ALLIANCE INVESTMENT BANK BERHAD**  
**197401004393 (21605-D)**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2021**

	Note	<u>GROUP</u>		<u>BANK</u>	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>ASSETS</b>					
Cash and short-term funds	3	56,058	44,783	56,058	44,783
Amounts due from clients and brokers	4	105,041	51,165	105,041	51,165
Financial assets at fair value through profit or loss	5	70,194	64,392	70,194	64,392
Financial investments at fair value through other comprehensive income	6	921,075	1,381,815	921,075	1,381,815
Financial investments at amortised cost	7	16	16	16	16
Loans, advances and financing	8	262,747	292,575	262,747	292,575
Other assets	9	11,364	8,926	11,364	8,926
Tax recoverable		-	1,934	-	1,934
Statutory deposits with Bank Negara Malaysia	10	-	29,106	-	29,106
Investment in an associate	11	290	286	230	230
Investment in joint venture	12	994	903	394	394
Right-of-use assets	13	2,387	672	2,387	672
Property, plant and equipment	14	878	430	878	430
Intangible assets	16	22,332	24,578	24,892	27,138
<b>TOTAL ASSETS</b>		<u>1,453,376</u>	<u>1,901,581</u>	<u>1,455,276</u>	<u>1,903,576</u>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	17	338,287	485,007	338,287	485,007
Deposits and placements of banks and other financial institutions	18	528,128	692,678	528,128	692,678
Amounts due to clients and brokers	19	63,416	22,292	63,416	22,292
Lease liabilities	20	2,457	629	2,457	629
Other liabilities	21	51,622	35,468	51,622	35,468
Provision for taxation		761	-	761	-
Deferred tax liabilities	15	2,311	6,669	2,311	6,669
<b>TOTAL LIABILITIES</b>		<u>986,982</u>	<u>1,242,743</u>	<u>986,982</u>	<u>1,242,743</u>
Share capital	22	365,962	365,962	365,962	365,962
Reserves	23	100,432	292,876	102,332	294,871
<b>TOTAL EQUITY</b>		<u>466,394</u>	<u>658,838</u>	<u>468,294</u>	<u>660,833</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>1,453,376</u>	<u>1,901,581</u>	<u>1,455,276</u>	<u>1,903,576</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	40	<u>327,127</u>	<u>388,760</u>	<u>327,127</u>	<u>388,760</u>

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

**ALLIANCE INVESTMENT BANK BERHAD**  
**197401004393 (21605-D)**  
(Incorporated in Malaysia)

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

	Note	GROUP		BANK	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest income	24	53,889	79,601	53,889	79,601
Interest expense	25	(18,771)	(43,799)	(18,771)	(43,799)
Net interest income		35,118	35,802	35,118	35,802
Net income from Islamic banking business	47	6,567	6,659	6,567	6,659
		41,685	42,461	41,685	42,461
Fee and commission income	26	77,970	35,402	77,970	35,402
Fee and commission expense	26	(29,958)	(8,829)	(29,958)	(8,829)
Investment income	26	21,202	8,431	21,202	8,431
Other income	26	1,850	1,077	1,850	1,077
Other operating income	26	71,064	36,081	71,064	36,081
Net income		112,749	78,542	112,749	78,542
Other operating expenses	27	(48,603)	(43,599)	(48,603)	(43,599)
Operating profit before allowances		64,146	34,943	64,146	34,943
Write-back of expected credit losses on loans, advances and financing and other financial assets	28	290	115	290	115
Write-back of/(allowance for) expected credit losses on financial investments	29	163	(13,770)	163	(13,770)
Allowance for impairment losses on non-financial assets	30	-	(8,394)	-	(8,925)
Operating profit after allowances		64,599	12,894	64,599	12,363
Share of results in an associate	11	4	6	-	-
Share of results of joint venture	12	91	101	-	-
Profit before taxation		64,694	13,001	64,599	12,363
Taxation	31	(13,000)	(4,036)	(13,000)	(4,035)
Net profit for the financial year		51,694	8,965	51,599	8,328
<b>Net profit for the financial year</b> <b>attributable to:</b>					
Equity holder of the Bank		51,694	8,965	51,599	8,328
Earnings per share attributable to Equity holder of the Bank:					
- Basic/Diluted (sen)	32	14.16	2.46		

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

**ALLIANCE INVESTMENT BANK BERHAD**  
**197401004393 (21605-D)**  
(Incorporated in Malaysia)

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

	<u>GROUP</u>		<u>BANK</u>	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net profit for the financial year	51,694	8,965	51,599	8,328
<b>Other comprehensive (expense)/income:</b>				
Items that may be reclassified subsequently to profit or loss:				
Revaluation reserve on financial investments at fair value through other comprehensive income				
- Net gain from change in fair value	11,540	22,004	11,540	22,004
- Realised gain transferred to statements of income on disposal	(18,180)	(2,953)	(18,180)	(2,953)
- Transfer from/(to) deferred tax	1,594	(4,572)	1,594	(4,572)
- Changes in expected credit losses	(163)	(9,476)	(163)	(9,476)
Other comprehensive (expense)/income, net of tax	<u>(5,209)</u>	<u>5,003</u>	<u>(5,209)</u>	<u>5,003</u>
<b>Total comprehensive income for the financial year</b>	<u>46,485</u>	<u>13,968</u>	<u>46,390</u>	<u>13,331</u>
<b>Total comprehensive income for the financial year attributable to:</b>				
Equity holder of the Bank	<u>46,485</u>	<u>13,968</u>	<u>46,390</u>	<u>13,331</u>

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



**ALLIANCE INVESTMENT BANK BERHAD**  
**197401004393 (21605-D)**  
(Incorporated in Malaysia)

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

←-----Attributable to Equity holder of the Bank-----→

	<u>Ordinary shares</u>	<u>Regulatory reserves</u>	<u>FVOCI reserves</u>	<u>Retained profits</u>	<u>Total equity</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Group</u>					
At 1 April 2020	365,962	7,540	26,449	258,887	658,838
Net profit for the financial year	-	-	-	51,694	51,694
Other comprehensive expense	-	-	(5,209)	-	(5,209)
Total comprehensive (expense)/income	-	-	(5,209)	51,694	46,485
Transfer from regulatory reserves	-	(1,106)	-	1,106	-
Dividends paid	-	-	-	(238,929)	(238,929)
At 31 March 2021	365,962	6,434	21,240	72,758	466,394
At 1 April 2019					
As previously stated	365,962	8,539	21,446	250,537	646,484
Effects of adoption of MFRS 16	-	-	-	(61)	(61)
As restated	365,962	8,539	21,446	250,476	646,423
Net profit for the financial year	-	-	-	8,965	8,965
Other comprehensive income	-	-	5,003	-	5,003
Total comprehensive income	-	-	5,003	8,965	13,968
Transfer from regulatory reserves	-	(999)	-	999	-
Liquidation of subsidiaries	-	-	-	(1,553)	(1,553)
At 31 March 2020	365,962	7,540	26,449	258,887	658,838

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

**ALLIANCE INVESTMENT BANK BERHAD**  
**197401004393 (21605-D)**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021 (CONTD.)**

	←----- Non-distributable reserves -----→			Distributable reserves	
	<u>Ordinary shares</u>	<u>Regulatory reserves</u>	<u>FVOCI reserves</u>	<u>Retained profits</u>	<u>Total equity</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>					
At 1 April 2020	365,962	7,540	26,449	260,882	660,833
Net profit for the financial year	-	-	-	51,599	51,599
Other comprehensive expense	-	-	(5,209)	-	(5,209)
Total comprehensive (expense)/income	-	-	(5,209)	51,599	46,390
Transfer from regulatory reserves	-	(1,106)	-	1,106	-
Dividends paid	-	-	-	(238,929)	(238,929)
At 31 March 2021	365,962	6,434	21,240	74,658	468,294
At 1 April 2019					
As previously stated	365,962	8,539	21,446	251,616	647,563
Effects of adoption of MFRS 16	-	-	-	(61)	(61)
As restated	365,962	8,539	21,446	251,555	647,502
Net profit for the financial year	-	-	-	8,328	8,328
Other comprehensive income	-	-	5,003	-	5,003
Total comprehensive income	-	-	5,003	8,328	13,331
Transfer from regulatory reserves	-	(999)	-	999	-
At 31 March 2020	365,962	7,540	26,449	260,882	660,833

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

**ALLIANCE INVESTMENT BANK BERHAD****197401004393 (21605-D)**

(Incorporated in Malaysia)

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

	<u>GROUP</u>		<u>BANK</u>	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	64,694	13,001	64,599	12,363
Adjustments for:				
Accretion of discount less amortisation of premium of financial investments	157	(1,288)	157	(1,288)
Depreciation of property, plant and equipment	836	352	836	352
Depreciation of right-of-use assets	1,058	1,089	1,058	1,089
Amortisation of computer software	1,143	1,209	1,143	1,209
Dividends received from financial assets at fair value through profit or loss	(550)	(1,750)	(550)	(1,750)
Property, plant and equipment written-off	4	3	4	3
Net gain from sale of financial investments at fair value through other comprehensive income	(14,850)	(2,953)	(14,850)	(2,953)
Net gain from sale of financial assets at fair value through profit or loss	-	(120)	-	(120)
Unrealised gain from revaluation of financial assets at fair value through profit or loss	(5,802)	(3,608)	(5,802)	(3,608)
(Write-back of)/allowance for expected credit losses on loans, advances and financing	(283)	107	(283)	107
Allowance for expected credit losses on other receivables	111	179	111	179
(Write-back of)/allowance for expected credit losses on amounts due from clients and brokers	(3)	3	(3)	3
(Write-back of)/allowance for expected credit losses on commitments and contingencies	(39)	75	(39)	75
(Write-back of)/allowance for expected credit losses on financial investments	(163)	13,770	(163)	13,770
Allowance for impairment losses on non-financial assets	-	8,394	-	8,925
Share of results of associate	(4)	(6)	-	-
Share of results of joint venture	(91)	(101)	-	-
Interest expense on lease liabilities	87	71	87	71
Interest income from financial investments at fair value through other comprehensive income	(40,862)	(52,051)	(40,862)	(52,051)
Interest income from financial investments at amortised cost	-	(1,121)	-	(1,121)
Operating profit/(loss) before working capital changes	5,443	(24,745)	5,443	(24,745)
Changes in working capital:				
Deposits from customers	(146,720)	(508,214)	(146,720)	(508,214)
Deposits and placements of banks and other financial institutions	(164,550)	302,684	(164,550)	302,684
Other liabilities	16,193	(18,025)	16,193	(17,641)
Deposits and placements with banks and other financial institutions	-	500	-	500
Financial assets at fair value through profit or loss	-	120	-	120
Loans, advances and financing	30,110	156,673	30,110	156,673
Other assets	(2,600)	(314)	(2,600)	(314)
Operating loss before working capital changes carried forward	(267,567)	(66,576)	(267,567)	(66,192)

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

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021 (CONTD.)**

	<u>GROUP</u>		<u>BANK</u>	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)</b>				
Operating loss before working capital				
changes brought forward	(267,567)	(66,576)	(267,567)	(66,192)
Amounts due from clients and brokers	(12,749)	(3,032)	(12,749)	(3,032)
Statutory deposits with Bank Negara Malaysia	29,106	14,890	29,106	14,890
Cash used in operations	(245,767)	(79,463)	(245,767)	(79,079)
Tax paid	(13,017)	(4,945)	(13,017)	(4,945)
Net cash used in operating activities	<u>(258,784)</u>	<u>(84,408)</u>	<u>(258,784)</u>	<u>(84,024)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(66)	(58)	(66)	(58)
Purchase of intangible assets	(119)	(542)	(119)	(542)
Purchase of:				
- financial investments at fair value through other comprehensive income	(57,444)	(272,432)	(57,444)	(272,432)
Redemption/disposal of:				
- financial investments at fair value through other comprehensive income	521,568	273,916	521,568	273,916
- financial investments at amortised cost	-	39,076	-	39,076
Net dividends received from financial investments at fair value through profit or loss	550	1,750	550	1,750
Interest income from financial investments at fair value through other comprehensive income	45,531	50,594	45,531	50,594
Interest received from financial investments at amortised cost	-	1,708	-	1,708
Net cash generated from investing activities	<u>510,020</u>	<u>94,012</u>	<u>510,020</u>	<u>94,012</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividend paid to holding company	(238,929)	-	(238,929)	-
Repayment of lease liabilities	(1,032)	(1,194)	(1,032)	(1,194)
Net cash used in financing activities	<u>(239,961)</u>	<u>(1,194)</u>	<u>(239,961)</u>	<u>(1,194)</u>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	11,275	8,410	11,275	8,794
<b>CASH AND CASH EQUIVALENTS</b>				
<b>AT BEGINNING OF FINANCIAL YEAR</b>	<u>44,783</u>	<u>36,373</u>	<u>44,783</u>	<u>35,989</u>
<b>CASH AND CASH EQUIVALENTS</b>				
<b>AT END OF FINANCIAL YEAR</b>	<u>56,058</u>	<u>44,783</u>	<u>56,058</u>	<u>44,783</u>
Cash and cash equivalents comprise the following:				
Cash and short-term funds (Note 3)	<u>56,058</u>	<u>44,783</u>	<u>56,058</u>	<u>44,783</u>

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

**ALLIANCE INVESTMENT BANK BERHAD**  
**197401004393 (21605-D)**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021 (CONTD.)**

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

	<u>Lease Liabilities</u>	
	2021	2020
	RM'000	RM'000
<u>GROUP/BANK</u>		
At 1 April	629	-
Effects of adoption of MFRS 16	-	1,828
As restated	<u>629</u>	<u>1,828</u>
Cash flow		
- Repayment of lease liabilities	(1,032)	(1,194)
Non cash changes		
- Interest accrued	87	71
- Additions, remeasurement and termination of contracts	<u>2,773</u>	<u>(76)</u>
At 31 March	<u><u>2,457</u></u>	<u><u>629</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021**

**1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION**

The Bank is principally engaged in the investment banking business including Islamic banking business, provision of stock-broking services and related financial services.

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

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 holding company of the Bank is Alliance Bank Malaysia Berhad, a bank incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

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 of 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.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

### **(a) Basis of Preparation (contd.)**

#### **Malaysian Financial Reporting Standards ("MFRS") Framework (contd.)**

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 16) - 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.
- (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 37 (a)(vi).

Some of the areas of significant judgements involved in the measurement of expected credit losses are detailed as follows:

- Significant increase in credit risk [Note 37 (a)(iv)(a)]
- Development of ECL models and assumption for the measurement of ECL
- Determining the number and relative weightings of forward-looking scenarios ECL
- Establishing groups of similar financial assets for the purpose of measuring the ECL on collective basis

#### **Standards, amendments to published standards and interpretations that are effective**

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and the Bank's for the financial year beginning on or after 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 the financial statements of the Group and the Bank.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

### **(a) Basis of Preparation (contd.)**

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

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

##### Financial year beginning after 1 April 2021

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

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

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

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

##### Financial year beginning after 1 April 2022

- (i) Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2018-2020"

It clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments shall be applied prospectively.

- (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.



## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

### **(a) Basis of Preparation (contd.)**

#### **Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (contd.)**

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

#### Financial year beginning after 1 April 2022 (contd.)

- (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.

#### 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.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

### **(b) Economic Entities in the Group**

#### **(i) Associates**

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

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

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

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

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 profit or loss. 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 profit or loss.

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 profit or loss where appropriate.

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

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

### **(b) Economic Entities in the Group (contd.)**

#### **(ii) 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 profit or loss, 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 profit or loss. 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 profit or loss.

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.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

### **(c) Investments in Joint Ventures and Associates in Separate Financial Statements**

In the Bank's separate financial statements, investments in 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(j)(ii)(b). On disposal of investments in joint ventures and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the statements of income.

### **(d) Intangible Assets**

#### **(i) Goodwill**

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

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

#### **(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(j)(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.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

### **(e) Property, Plant and Equipment and Depreciation**

Property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

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.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

### **(f) Financial Assets**

#### **(i) Classification**

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

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

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

#### **(i) Financial assets at FVOCI comprise of:**

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

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

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

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

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

The policy of the recognition of impairment is in accordance with Note 2(j)(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 profit or loss.

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

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

### **(f) Financial Assets (contd.)**

#### **(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.

##### **(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 and interest/profit income 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 statements of income and recognised in other operating income. Interest/profit income from these financial assets is included in gross interest income using the effective interest/profit.

##### **(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 profit and loss. 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 profit or loss as other operating income when the Group's and the Bank's right to receive payments is established.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

### **(f) Financial Assets (contd.)**

#### **(iv) De-recognition**

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

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

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

### **(g) 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.

### **(h) 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.

### **(i) 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.

### **(j) Impairment of Assets**

#### **(i) Impairment of financial assets**

The Group and the Bank assess on a forward looking basis the expected credit loss ("ECL") associated with its financial assets carried at amortised cost and at 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.



## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

### **(j) Impairment of Assets (contd.)**

#### **(i) Impairment of financial assets (contd.)**

##### **(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 judgementally impaired.

Measurement of ECL is set out in Note 37.

##### **(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 the accounts are short-term repayment and forward looking element will not be considered.

##### **(c) Write-off**

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

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

### **(j) Impairment of Assets (contd.)**

#### **(ii) Impairment of non-financial assets**

##### **(a) Goodwill/Intangible assets**

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

The recoverable amount is determined for each CGU based on its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment is recognised in the statements of comprehensive income when the carrying amount of the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the CGU. The total impairment is allocated, first, to reduce the carrying amount of goodwill or intangible assets allocated to the CGU and then to the other assets of the CGU on a pro-rata basis.

An impairment on goodwill is not reversed in subsequent periods. An impairment for other intangible assets is reversed if, and only if, there has been a change in the estimates used to determine the intangible asset's recoverable amount since the last impairment was recognised and such reversal is through the 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 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 (CONTD.)**

### **(k) 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.

### **(l) 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.

### **(m) 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.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

### **(n) 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.

#### **(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.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

### **(n) Leases (contd.)**

#### **Lease in which the Group and the Bank are a Lessee (contd.)**

##### **(iii) Lease Liabilities**

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

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

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

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

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

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

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

### **(o) 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.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

### **(o) Share Capital (contd.)**

#### **(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.

### **(p) 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 or, where appropriate, a shorter period to the net carrying amount of the loans/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/profit 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 income continues to be accrued using the rate of interest/profit used to discount the future cash flows for the purposes of measuring the impairment.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

### **(p) Revenue Recognition (contd.)**

#### **(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 and underwriting commissions. 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.

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 profit or loss upon disposal of securities, as the difference between net disposal proceeds and the carrying amount of the securities.

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

### **(q) 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.

### **(r) Foreign currencies**

#### **(i) Functional and presentation currency**

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

#### **(ii) Transactions and balances**

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

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

### **(r) Foreign currencies (contd.)**

#### **(ii) Transactions and balances (contd.)**

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 profit or loss, 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.

### **(s) Current and Deferred Income Tax**

Income tax on the profit or loss 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.

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.

### **(t) 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.



## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

### **(u) 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").

### **(v) 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.

### **(w) Financial Guarantee Contracts**

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.

**3. CASH AND SHORT-TERM FUNDS**

	<u>GROUP</u>		<u>BANK</u>	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash and balances with banks and other financial institutions	45,010	29,664	45,010	29,664
Money at call and deposit placements maturing within one month	11,048	15,119	11,048	15,119
	<u>56,058</u>	<u>44,783</u>	<u>56,058</u>	<u>44,783</u>

Included in the cash and short-term funds of the Group and the Bank are accounts held-in-trust for remisiers amounting to RM9,274,000 (2020: RM6,452,000).

**4. AMOUNTS DUE FROM CLIENTS AND BROKERS**

	<u>GROUP/BANK</u>	
	2021 RM'000	2020 RM'000
Due from clients	105,041	51,168
Less: Allowance for expected credit losses	-	(3)
	<u>105,041</u>	<u>51,165</u>

These represent amounts receivable 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.

The Group's and the Bank'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.

Movements in the allowance for expected credit losses are as follows:

<u>GROUP/BANK</u>	<u>Lifetime ECL</u>	
	2021 RM'000	2020 RM'000
At 1 April	3	839
(Write-back)/allowance made during the financial year (net)	(3)	3
Write-off during the financial year	-	(839)
At 31 March	<u>-</u>	<u>3</u>

As at 31 March 2021, the Group's and the Bank's gross exposure of amounts due from clients and brokers that are credit impaired is at RM Nil (2020: RM20,000).

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

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
<b>At fair value</b>		
<u>Unquoted securities:</u>		
Shares	70,194	64,392
Total financial assets at FVTPL	<u>70,194</u>	<u>64,392</u>

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

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
<b>At fair value - debt instruments</b>		
<u>Money market instruments:</u>		
Malaysian Government securities	95,086	206,333
Malaysian Government investment issues	199,551	326,011
Commercial papers	-	29,685
	<u>294,637</u>	<u>562,029</u>
<u>Unquoted securities:</u>		
Corporate bonds and sukuk	626,438	819,786
	<u>626,438</u>	<u>819,786</u>
Total financial investments at FVOCI	<u>921,075</u>	<u>1,381,815</u>

Movements in the allowance for expected credit losses are as follows:

	Lifetime ECL		Total
	12 months ECL (Stage 1)	Not-credit Impaired (Stage 2)	
	RM'000	RM'000	RM'000
<u>GROUP/BANK</u>			
At 1 April 2020	241	57	298
Transfer to Stage 1	17	(183)	(166)
Transfer to Stage 2	(17)	367	350
Financial assets derecognised other than write-off	(40)	-	(40)
Changes due to change in credit risk	(183)	(124)	(307)
Total (write-back from)/charge to income statement	<u>(223)</u>	<u>60</u>	<u>(163)</u>
At 31 March 2021	<u>18</u>	<u>117</u>	<u>135</u>

**6. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONTD.)**

Movements in allowance for expected credit losses are as follows: (contd.)

	Lifetime ECL		Lifetime ECL	Total RM'000
	12 months	Not-credit	Credit	
	ECL	Impaired	Impaired	
	(Stage 1)	(Stage 2)	(Stage 3)	
	RM'000	RM'000	RM'000	RM'000
<u>GROUP/BANK</u>				
At 1 April 2019	248	116	9,410	9,774
New financial assets originated or purchased	9	-	-	9
Financial assets derecognised other than write-off	(2)	-	-	(2)
Changes due to change in credit risk	(14)	(59)	-	(73)
Total write-back from income statement	(7)	(59)	-	(66)
Write-off	-	-	(9,410)	(9,410)
At 31 March 2020	<u>241</u>	<u>57</u>	<u>-</u>	<u>298</u>

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 FVOCI that are credit impaired are as follows:

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
At 1 April	-	9,410
Write-off during the financial year	-	(9,410)
At 31 March	<u>-</u>	<u>-</u>

**7. FINANCIAL INVESTMENTS AT AMORTISED COST**

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
<b>At amortised cost</b>		
<u>Unquoted securities:</u>		
Corporate bonds and sukuk	291	24,413
Less: Allowance for expected credit losses	(275)	(24,397)
	<u>16</u>	<u>16</u>
Total financial investments at amortised cost	<u>16</u>	<u>16</u>

**7. FINANCIAL INVESTMENTS AT AMORTISED COST (CONTD.)**

Movements in allowance for expected credit losses are as follows:

<u>GROUP/BANK</u>	12 months ECL	Lifetime ECL	Lifetime ECL	<u>Total</u>
	<u>(Stage 1)</u>	Not-credit	Credit	
	RM'000	Impaired	Impaired	
At 1 April 2020	-	-	24,397	24,397
New financial assets originated or purchased	-	-	196	196
Financial assets derecognised other than write-off during the financial year	-	-	(196)	(196)
Total charge to income statement	-	-	-	-
Write-off	-	-	(24,122)	(24,122)
At 31 March 2021	-	-	275	275
At 1 April 2019	-	270	12,899	13,169
Transfer to Stage 3	-	(826)	25,000	24,174
New financial assets originated or purchased	-	-	196	196
Financial assets derecognised other than write-off during the financial year	(3)	-	(196)	(199)
Changes due to change in credit risk	3	556	(10,894)	(10,335)
Total (write-back from)/charge to income statement	-	(270)	14,106	13,836
Write-off	-	-	(2,608)	(2,608)
At 31 March 2020	-	-	24,397	24,397

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:

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
At 1 April	24,413	17,271
New financial assets originated or purchased	196	-
Impaired during the financial year	-	25,000
Write-back during the financial year	-	(15,250)
Write-off during the financial year	(24,122)	(2,608)
Financial assets derecognised other than write-off	(196)	-
At 31 March	291	24,413

**8. LOANS, ADVANCES AND FINANCING**

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
<b>At amortised cost</b>		
Term loans	78,441	128,453
- Syndicated term loans	-	42,486
- Other term loans	78,441	85,967
Staff loans (Directors loan: RM Nil)	107	127
Revolving credits	8,008	8,008
Share margin financing	176,873	157,030
Gross loans, advances and financing	263,429	293,618
Less: Allowance for expected credit losses on loans, advances and financing	(682)	(1,043)
Total net loans, advances and financing	262,747	292,575

(i) By maturity structure:

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
Within one year	228,744	165,380
One year to three years	34,385	43,860
Three years to five years	101	41,589
Over five years	199	42,789
Gross loans, advances and financing	263,429	293,618

(ii) By type of customer:

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
Domestic business enterprises		
- Small and medium enterprises	3,964	4,585
- Others	106,456	153,687
Individuals	151,222	133,611
Other domestic entities	1,734	1,714
Foreign entities	53	21
Gross loans, advances and financing	263,429	293,618

(iii) By interest/profit rate sensitivity:

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
Fixed rate	2,154	1,223
Variable rate		
- Base lending rate plus	35,551	25,729
- Base rate plus	139,436	130,383
- Cost plus	86,288	136,283
Gross loans, advances and financing	263,429	293,618

**8. LOANS, ADVANCES AND FINANCING (CONTD.)**

(iv) By economic purposes:

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
Purchase of securities	176,871	157,030
Purchase of landed property	371	43,282
of which: - Residential	371	796
- Non-residential	-	42,486
Working capital	8,008	8,008
Others	78,179	85,298
Gross loans, advances and financing	263,429	293,618

(v) By economic sector:

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
Manufacturing	34,848	41,903
Construction	52,030	52,419
Financing, insurance, real estate and business services	23,543	21,463
Community, social and personal services	-	42,486
Household	151,274	133,632
Others	1,734	1,715
Gross loans, advances and financing	263,429	293,618

(vi) By geographical distribution:

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
Northern region	35,415	19,960
Central region	198,214	262,726
Southern region	29,800	10,932
Gross loans, advances and financing	263,429	293,618

**8. LOANS, ADVANCES AND FINANCING (CONTD.)**

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

	<u>GROUP/BANK</u>	
	2021 RM'000	2020 RM'000
At 1 April	428	553
Impaired during the financial year	131	231
Recovered during the financial year	(186)	(56)
Reclassified as unimpaired during the financial year	(32)	(171)
Financial assets derecognised other than write-off during the financial year	(81)	-
Amount written-off	(78)	(129)
At 31 March	<u>182</u>	<u>428</u>
Gross impaired loans ratio %	0.07%	0.15%
Net impaired loans ratio %	<u>0.07%</u>	<u>0.03%</u>

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 RM78,000 (2020: RM129,000) for the Group and the Bank. The Group and the Bank still seek to recover amounts that is legally owed in full, but which have been partially or fully written-off and are still subject to enforcement activity.

(viii) Credit impaired loans analysed by economic purposes:

	<u>GROUP/BANK</u>	
	2021 RM'000	2020 RM'000
Purchase of landed properties - Residential	182	428
Gross impaired loans	<u>182</u>	<u>428</u>

(ix) Credit impaired loans analysed by economic sectors:

	<u>GROUP/BANK</u>	
	2021 RM'000	2020 RM'000
Household	182	428
Gross impaired loans	<u>182</u>	<u>428</u>

(x) Credit impaired loans analysed by geographical distribution:

	<u>GROUP/BANK</u>	
	2021 RM'000	2020 RM'000
Central region	182	428
Gross impaired loans	<u>182</u>	<u>428</u>



**8. LOANS, ADVANCES AND FINANCING (CONTD.)**

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

<u>GROUP/BANK</u>	12 months ECL	Lifetime ECL	Lifetime ECL	<u>Total</u>
	<u>(Stage 1)</u>	<u>(Stage 2)</u>	<u>(Stage 3)</u>	
	RM'000	RM'000	RM'000	RM'000
At 1 April 2020	701	-	342	1,043
Transfer to Stage 2	(222)	787	-	565
Transfer to Stage 3	-	(2)	-	(2)
New financial assets originated or purchased	48	-	-	48
Financial assets derecognised other than write-off	(181)	-	(81)	(262)
Changes due to change in credit risk	(126)	(323)	(183)	(632)
Total (write-back from)/charge to income statement	(481)	462	(264)	(283)
Write-off	-	-	(78)	(78)
At 31 March 2021	<u>220</u>	<u>462</u>	<u>-</u>	<u>682</u>

Stage 1 expected credit losses ("ECL") for the Bank decreased by RM0.5 million as a result of loans, advances and financing migrated to Stage 2 and Stage 3 due to the deterioration in credit quality.

Stage 2 ECL increased by RM0.5 million, as a result of loans, advances and financing migrated from the above mentioned Stage 1 where increased in credit risk were observed on certain Business Banking customers. The increase was partly offset by repayment and movement in customer account balances during the financial year.

Stage 3 ECL for the Bank decreased by RM0.3 million, from loans, advances and financing accounts that were fully repaid or written off. The decrease was partly offset by the accounts migrated from Stage 1 and Stage 2.

Total ECL movements in 2021 is also affected by the changes in forward-looking economic inputs and increased pre-emptive overlay provision from the estimated impacts of the COVID-19 pandemic.

<u>GROUP/BANK</u>	12 months ECL	Lifetime ECL	Lifetime ECL	<u>Total</u>
	<u>(Stage 1)</u>	<u>(Stage 2)</u>	<u>(Stage 3)</u>	
	RM'000	RM'000	RM'000	RM'000
At 1 April 2019	512	-	552	1,064
Transfer to Stage 2	-	1	(103)	(102)
Transfer to Stage 3	-	(1)	-	(1)
New financial assets originated or purchased	97	-	-	97
Financial assets derecognised other than write-off	(107)	-	-	(107)
Changes due to change in credit risk	199	-	21	220
Total charge to/(write-back from) income statement	189	-	(82)	107
Write-off	-	-	(128)	(128)
At 31 March 2020	<u>701</u>	<u>-</u>	<u>342</u>	<u>1,043</u>

## 8. LOANS, ADVANCES AND FINANCING (CONTD.)

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

Stage 1 ECL for the Bank increased by RM0.2 million as a result of newly originated loans, advances and financing from the Business Banking segment.

Stage 2 ECL changes during the financial year are minimal.

Stage 3 ECL for the Bank decreased by RM0.2 million, from loans, advances and financing accounts that migrated to Stage 2 due to their improvement in credit quality, and accounts written off during the financial year.

Note:

The transfer between stages are inclusive of net remeasurement of allowances.

## 9. OTHER ASSETS

	<u>GROUP</u>		<u>BANK</u>	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Other receivables, deposits and prepayments	13,751	11,202	13,751	11,202
	<u>13,751</u>	<u>11,202</u>	<u>13,751</u>	<u>11,202</u>
Less: Allowance for expected credit losses on other receivables [Note (a)]	(2,387)	(2,276)	(2,387)	(2,276)
	<u>11,364</u>	<u>8,926</u>	<u>11,364</u>	<u>8,926</u>

Note:

- (a) Movements in the allowance for expected credit losses on other receivables as follows:

<u>GROUP/BANK</u>	<u>Lifetime ECL</u>	
	2021 RM'000	2020 RM'000
At 1 April	2,276	2,097
New financial assets originated or purchased	170	251
Financial assets derecognised other than write-off	(265)	(179)
Changes due to change in credit risk	206	107
Total charge to income statement	111	179
At 31 March	<u>2,387</u>	<u>2,276</u>

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 RM2,387,000 (2020: RM2,276,000).

## 10. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

Non-interest bearing statutory deposits for the Group and the Bank of RM Nil (2020: RM29,106,000) 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.

**11. INVESTMENT IN AN ASSOCIATE**

	<u>GROUP</u>		<u>BANK</u>	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unquoted shares				
At 1 April	286	280	230	230
Share of results	4	6	-	-
At 31 March	<u>290</u>	<u>286</u>	<u>230</u>	<u>230</u>
Represented by:				
Share of net tangible assets	<u>290</u>	<u>286</u>		

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

<u>Name</u>	<u>Principal activities</u>	<u>Effective/direct equity interest</u>	
		2021	2020
Alliance Trustee Berhad	Trustee services	20%	20%

Alliance Trustee Berhad is jointly held by the Bank and the following related companies:

	<u>Effective/direct equity interest</u>	
	2021	2020
Alliance Bank Malaysia Berhad	100%	100%
Alliance Direct Marketing Sdn. Bhd.	20%	20%
Alliance Group Nominees (Tempatan) Sdn. Bhd.	20%	20%
Alliance Group Nominees (Asing) Sdn. Bhd.	20%	20%

**11. INVESTMENT IN AN ASSOCIATE (CONTD.)**

	<u>GROUP</u>	
	2021	2020
	RM'000	RM'000
<b>Assets and Liabilities</b>		
<b>Current assets</b>		
Cash and short-term funds	208	193
Other current assets	1,146	1,144
<b>Total current assets</b>	<u>1,354</u>	<u>1,337</u>
Non-current assets	100	100
<b>Total assets</b>	<u>1,454</u>	<u>1,437</u>
<b>Current liabilities</b>		
Other current liabilities	6	7
<b>Total liabilities</b>	<u>6</u>	<u>7</u>
<b>Net assets</b>	<u>1,448</u>	<u>1,430</u>

The summarised statement of comprehensive income is as follows:

Revenue	30	43
Profit before tax for the financial year	24	37
Profit after tax for the financial year	<u>18</u>	<u>28</u>

Reconciliation of summarised financial information:

The above profit includes the following:

Taxation	<u>(6)</u>	<u>(9)</u>
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	<u>GROUP</u>	
	2021	2020
	RM'000	RM'000
<u>Net assets</u>		
At 1 April	1,430	1,402
Profit after tax for the financial year	18	28
At 31 March	<u>1,448</u>	<u>1,430</u>
Carrying value at 20% share of the equity interest of the associate	<u>290</u>	<u>286</u>

**12. INVESTMENT IN JOINT VENTURE**

	<u>GROUP</u>		<u>BANK</u>	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
At 1 April	903	802	394	394
Share of results	91	101	-	-
At 31 March	<u>994</u>	<u>903</u>	<u>394</u>	<u>394</u>
Represented by:				
Share of net tangible assets	<u>994</u>	<u>903</u>		

**12. INVESTMENT IN JOINT VENTURE (CONTD.)**

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

<u>Name</u>	<u>Principal activities</u>	<u>Effective equity interest</u>	
		2021	2020
AllianceDBS Research Sdn. Bhd.	Research and stock analysis	51%	51%

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

	<u>GROUP</u>	
	2021 RM'000	2020 RM'000
<b>Assets and Liabilities</b>		
<b>Current assets</b>		
Cash and short term funds	2,575	2,378
Other current assets	588	815
<b>Total current assets</b>	<u>3,163</u>	<u>3,193</u>
Non-current assets	650	430
<b>Total assets</b>	<u>3,813</u>	<u>3,623</u>
<b>Current liabilities</b>		
Other liabilities (non trade)	1,450	1,774
<b>Total current liabilities</b>	<u>1,450</u>	<u>1,774</u>
Non-current liabilities	414	78
<b>Total liabilities</b>	<u>1,864</u>	<u>1,852</u>
<b>Net assets</b>	<u>1,949</u>	<u>1,771</u>

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	<u>178</u>	<u>199</u>

The above profit includes the following:

Depreciation and amortisation	(23)	(28)
Taxation	<u>(57)</u>	<u>(65)</u>

Reconciliation of summarised financial information:

	<u>GROUP</u>	
	2021 RM'000	2020 RM'000
<u>Net assets</u>		
At 1 April	1,771	1,572
Profit for the financial year	178	199
At 31 March	<u>1,949</u>	<u>1,771</u>
Carrying value at 51% share of the equity interest of a joint venture	<u>994</u>	<u>903</u>

**13. RIGHT-OF-USE ASSETS**

<u>GROUP/BANK</u>	2021	2020
<u>Premises</u>	RM'000	RM'000
<b><u>Cost</u></b>		
At 1 April	3,381	-
Effects of adoption of MFRS 16	-	3,457
As restated	3,381	3,457
Addition	72	-
Remeasurement	2,701	(76)
At 31 March	6,154	3,381
<b><u>Accumulated Depreciation</u></b>		
At 1 April	2,709	-
Effects of adoption of MFRS 16	-	1,620
As restated	2,709	1,620
Charge for the financial year	1,058	1,089
At 31 March	3,767	2,709
<b>Net Carrying Amount</b>	<b>2,387</b>	<b>672</b>

**14. PROPERTY, PLANT AND EQUIPMENT**

<u>GROUP/BANK</u>	<u>Renovations</u>	<u>Office equipment and furniture</u>	<u>Computer equipment</u>	<u>Total</u>
2021	RM'000	RM'000	RM'000	RM'000
<b><u>Cost</u></b>				
At 1 April 2020	2,412	2,132	1,049	5,593
Additions	24	5	37	66
Transfer	-	-	1,851	1,851
Written-off	(14)	-	-	(14)
At 31 March 2021	2,422	2,137	2,937	7,496
<b><u>Accumulated Depreciation</u></b>				
At 1 April 2020	2,343	1,840	980	5,163
Charge for the financial year	52	147	637	836
Transfer	-	-	629	629
Written-off	(10)	-	-	(10)
At 31 March 2021	2,385	1,987	2,246	6,618
<b>Net Carrying Amount</b>	<b>37</b>	<b>150</b>	<b>691</b>	<b>878</b>

**14. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

<u>GROUP/BANK</u>	<u>Renovations and furniture</u>	<u>Office equipment</u>	<u>Computer equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
2020	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>Cost</u></b>					
At 1 April 2019	4,056	2,839	13,874	5	20,774
Additions	-	4	54	-	58
Written-off	(1,644)	(711)	(12,879)	(5)	(15,239)
At 31 March 2020	<u>2,412</u>	<u>2,132</u>	<u>1,049</u>	<u>-</u>	<u>5,593</u>
<b><u>Accumulated Depreciation</u></b>					
At 1 April 2019	3,862	2,391	13,789	5	20,047
Charge for the financial year	125	157	70	-	352
Written-off	(1,644)	(708)	(12,879)	(5)	(15,236)
At 31 March 2020	<u>2,343</u>	<u>1,840</u>	<u>980</u>	<u>-</u>	<u>5,163</u>
<b>Net Carrying Amount</b>	<u>69</u>	<u>292</u>	<u>69</u>	<u>-</u>	<u>430</u>

**15. 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:

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
Deferred tax liabilities, net	<u>(2,311)</u>	<u>(6,669)</u>
	<u>(2,311)</u>	<u>(6,669)</u>

Movements on deferred tax:

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
At 1 April		
As previously stated	(6,669)	(2,164)
Effects of adoption of MFRS 16	-	19
As restated	<u>(6,669)</u>	<u>(2,145)</u>
Recognised in statements of income (Note 31)	2,764	48
Recognised in equity	1,594	(4,572)
At 31 March	<u>(2,311)</u>	<u>(6,669)</u>

**15. DEFERRED TAX (CONTD.)**

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

	<u>GROUP/BANK</u>	
	2021 RM'000	2020 RM'000
Deferred tax assets	4,490	1,847
Deferred tax liabilities	(6,801)	(8,516)
	<u>(2,311)</u>	<u>(6,669)</u>

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

<u>GROUP/BANK</u>	Allowance for expected credit losses	Other liabilities	Leases	Financial investments at fair value through other comprehensive income	Property, plant and equipment	Total
<u>Deferred tax assets/ (liabilities)</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2020	115	1,721	11	(8,259)	(257)	(6,669)
Recognised in statements of income	10	2,606	27	-	121	2,764
Recognised in equity	-	-	-	1,594	-	1,594
At 31 March 2021	<u>125</u>	<u>4,327</u>	<u>38</u>	<u>(6,665)</u>	<u>(136)</u>	<u>(2,311)</u>

GROUP/BANK

At 1 April 2019

Effects of adoption of MFRS 16	223	1,585	-	(3,687)	(285)	(2,164)
As restated	-	-	19	-	-	19
	<u>223</u>	<u>1,585</u>	<u>19</u>	<u>(3,687)</u>	<u>(285)</u>	<u>(2,145)</u>
Recognised in statements of income	(108)	136	(8)	-	28	48
Recognised in equity	-	-	-	(4,572)	-	(4,572)
At 31 March 2020	<u>115</u>	<u>1,721</u>	<u>11</u>	<u>(8,259)</u>	<u>(257)</u>	<u>(6,669)</u>

Note: Other liabilities include provisions and deferred income.



**16. INTANGIBLE ASSETS**

	<u>GROUP</u>		<u>BANK</u>	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<u>Goodwill</u>				
Cost:				
At 1 April/31 March	63,870	63,870	71,760	71,760
Accumulated impairment losses:				
At 1 April	(43,148)	(34,754)	(48,478)	(39,553)
Impairment made during the financial year	-	(8,394)	-	(8,925)
At 31 March	(43,148)	(43,148)	(48,478)	(48,478)
Net carrying amount	20,722	20,722	23,282	23,282
<u>Computer software</u>				
Cost:				
At 1 April	9,946	10,145	9,946	10,145
Additions	119	542	119	542
Transfer	(1,851)	-	(1,851)	-
Written-off	-	(741)	-	(741)
At 31 March	8,214	9,946	8,214	9,946
Accumulated amortisation:				
At 1 April	(6,090)	(5,622)	(6,090)	(5,622)
Charge for the financial year	(1,143)	(1,209)	(1,143)	(1,209)
Transfer	629	-	629	-
Written-off	-	741	-	741
At 31 March	(6,604)	(6,090)	(6,604)	(6,090)
Net carrying amount	1,610	3,856	1,610	3,856
Total carrying amount	22,332	24,578	24,892	27,138

Note:

Computer software includes work in progress of RM Nil (2020: RM207,000) for the Group and the Bank which is not amortised until ready for use.

**(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:

	<u>GROUP</u>		<u>BANK</u>	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Financial markets	20,722	20,722	23,282	23,282
	20,722	20,722	23,282	23,282

**16. INTANGIBLE ASSETS (CONTD.)**

**(a) Impairment test on Goodwill (contd.)**

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 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:

	<u>GROUP</u>	
	2021	2020
	%	%
Financial markets	8.42	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 impact of COVID-19 pandemic where the revenue was lower.

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 all CGUs.

(iii) Impairment

There is no impairment on the goodwill for the Group and the Bank during the financial year. (2020: RM8,394,000 and RM8,925,000)

**(b) Sensitivity to changes in assumptions**

Management is of a view that changes in any of 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 rate at 1.22% or the discount rate at 11.56% for Financial Market CGU which resulted in a breakeven point between the carrying amount and recoverable amount.

**17. DEPOSITS FROM CUSTOMERS**

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
Fixed deposits	208,244	277,025
Money market deposits	130,043	207,982
	<u>338,287</u>	<u>485,007</u>

**17. DEPOSITS FROM CUSTOMERS (CONTD.)**

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

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
Due within six months	338,287	485,007

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

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
Business enterprises	132,867	213,747
Domestic non-bank financial institutions	205,420	271,260
	<u>338,287</u>	<u>485,007</u>

**18. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
Licensed banks	187,966	442,541
Licensed investment banks	340,162	250,137
	<u>528,128</u>	<u>692,678</u>

**19. AMOUNTS DUE TO CLIENTS AND BROKERS**

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
Due to clients	57,554	18,133
Due to brokers	5,862	4,159
	<u>63,416</u>	<u>22,292</u>

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 and the Bank's normal trade credit terms for trade payable for non-margin client is two (2) market days according to Bursa's FDSS trading rules.

Following the issuance of FRSIC Consensus 18, the Group and the Bank no longer recognises trust monies balances in the statement of financial position, as the Group and the Bank do 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 and the Bank amounting to RM123,393,000 (2020: RM100,252,000) have been excluded accordingly.

**20. LEASE LIABILITIES**

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
At 1 April	629	-
Effects of adoption of MFRS 16	-	1,828
As restated	629	1,828
Additions	72	-
Interest expense	87	71
Lease payment	(1,032)	(1,194)
Remeasurement	2,701	(76)
At 31 March	2,457	629

Note:

The Group and the Bank lease premises. Rental contracts are typically made for the periods range from 2 to 3 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.

**21. OTHER LIABILITIES**

	Note	<u>GROUP/BANK</u>	
		2021	2020
		RM'000	RM'000
Other payables		25,484	21,799
Provision and accruals		16,629	6,723
Remisier's accounts		9,274	6,452
Amount due to joint venture	(a)	129	138
Amount due to other related company	(a)	3	3
Amount due to holding company	(a)	43	254
Allowance for expected credit losses on commitments and contingencies	(b)	60	99
		51,622	35,468

**21. OTHER LIABILITIES (CONTD.)**

Note:

- (a) The amount due to joint venture, other related companies and holding company are unsecured, interest free and repayable upon demand.
- (b) Movements in the allowance for expected credit losses on commitments and contingencies are as follows:

<u>GROUP/BANK</u>	12 months ECL	Lifetime ECL	<u>Total</u> RM'000
	<u>(Stage 1)</u>	Non-credit Impaired <u>(Stage 2)</u>	
	RM'000	RM'000	
At 1 April 2020	99	-	99
Transfer to Stage 2	(7)	36	29
New financial assets originated or purchased	1	-	1
Financial assets derecognised other than write-off	(8)	-	(8)
Changes due to change in credit risk	(67)	6	(61)
Total (write-back from)/charge to income statement	(81)	42	(39)
At 31 March 2021	18	42	60
<u>GROUP/BANK</u>			
At 1 April 2019	24	-	24
New financial assets originated or purchased	34	-	34
Financial assets derecognised other than write-off	(3)	-	(3)
Changes due to change in credit risk	44	-	44
Total charge to income statement	75	-	75
At 31 March 2020	99	-	99

Note:

The transfer between stages are inclusive of net remeasurement of allowances.

**22. SHARE CAPITAL**

	<u>GROUP/BANK</u>			
	<u>2021</u>		<u>2020</u>	
	Number of ordinary shares '000	RM'000	Number of ordinary shares '000	RM'000
Ordinary shares issued: At 1 April/31 March	365,000	365,962	365,000	365,962

### 23. RESERVES

	Note	<u>GROUP</u>		<u>BANK</u>	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<u>Non-distributable:</u>					
Regulatory reserves	(a)	6,434	7,540	6,434	7,540
FVOCI reserves	(b)	21,240	26,449	21,240	26,449
		<u>27,674</u>	<u>33,989</u>	<u>27,674</u>	<u>33,989</u>
<u>Distributable:</u>					
Retained profits		72,758	258,887	74,658	260,882
		<u>100,432</u>	<u>292,876</u>	<u>102,332</u>	<u>294,871</u>

Notes:

- (a) Regulatory reserves represent the Group's and the Bank's compliance with BNM Revised Policy Documents in Financial Reporting and Financial Reporting for Islamic Banking Institutions effective 1 January 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) 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 statement of income upon disposal and the cumulative allowance for credit losses on debt instruments.

### 24. INTEREST INCOME

	<u>GROUP/BANK</u>	
	2021 RM'000	2020 RM'000
Loans, advances and financing	13,117	24,983
Money at call and deposit placements with financial institutions	67	158
Financial investments at fair value through other comprehensive income	40,862	52,051
Financial investments at amortised cost	-	1,121
	<u>54,046</u>	<u>78,313</u>
Accretion of discount less amortisation of premium (net)	(157)	1,288
	<u>53,889</u>	<u>79,601</u>

### 25. INTEREST EXPENSE

	<u>GROUP/BANK</u>	
	2021 RM'000	2020 RM'000
Deposits and placements of banks and other financial institutions	10,197	19,558
Deposits from customers	8,487	24,170
Lease liabilities	87	71
	<u>18,771</u>	<u>43,799</u>

**26. OTHER OPERATING INCOME**

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
(a) <u>Fee and commission income:</u>		
Brokerage fees	69,187	26,558
Corporate advisory fees	3,719	4,202
Guarantee fees	26	26
Arrangement and related fees	1,846	1,670
Processing fees	845	380
Service charges and fees	863	361
Underwriting commissions and placement fees	1,484	2,205
	<u>77,970</u>	<u>35,402</u>
(b) <u>Fee and commission expense:</u>		
Brokerage fees expense	(29,958)	(8,829)
(c) <u>Investment income:</u>		
Gain arising from sale/redemption of:		
- Financial assets at fair value through profit or loss	-	120
- Financial investments at fair value through other comprehensive income	14,850	2,953
Unrealised gain from revaluation of:		
- Financial assets at fair value through profit or loss	5,802	3,608
Gross dividend income from:		
- Financial assets at fair value through profit or loss	550	1,750
	<u>21,202</u>	<u>8,431</u>
(d) <u>Other income:</u>		
Foreign exchange gain	1,006	369
Others	844	708
	<u>1,850</u>	<u>1,077</u>
Total other operating income	<u>71,064</u>	<u>36,081</u>

**27. OTHER OPERATING EXPENSES**

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
<u>Personnel costs</u>		
- Salaries, allowances and bonuses	18,078	20,607
- Contribution to EPF	2,953	3,288
- Others	8,989	2,973
	<u>30,020</u>	<u>26,868</u>
 <u>Establishment costs</u>		
- Depreciation of property, plant and equipment	836	352
- Depreciation of right-of-use assets	1,058	1,089
- Amortisation of computer software	1,143	1,209
- Rental	43	320
- Water and electricity	428	560
- Repairs and maintenance	199	177
- Information technology expenses	5,180	4,748
- Others	489	1,508
	<u>9,376</u>	<u>9,963</u>
 <u>Marketing expenses</u>		
- Advertisement and publicity	381	552
- Research cost	1,326	1,629
- Others	120	331
	<u>1,827</u>	<u>2,512</u>
 <u>Administration and general expenses</u>		
- Communication expenses	592	422
- Printing and stationeries	52	56
- Professional fees	2,874	1,923
- Others	3,862	1,855
	<u>7,380</u>	<u>4,256</u>
Total other operating expenses	<u><u>48,603</u></u>	<u><u>43,599</u></u>
 Included in the other operating expenses are the following:		
 <u>Auditors' remuneration</u>		
- statutory audit fees	254	256
- audit related services	79	79
- tax compliance fees	36	36
- tax related fees	20	17
Property, plant and equipment written-off	<u>4</u>	<u>3</u>



**28. WRITE-BACK OF EXPECTED CREDIT LOSSES ON LOANS, ADVANCES AND FINANCING AND OTHER FINANCIAL ASSETS**

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
(Write-back of)/allowance for expected credit losses on		
(a) Loan, advances and financing		
- (Write-back)/allowance made during the financial year	(283)	107
(b) Credit impaired loans, advances and financing		
- Recovered during the financial year	(76)	(536)
- Write-off during the financial year	-	57
(c) Commitment and contingencies on loans, advances and financing		
- (Write-back)/allowance made during the financial year	(39)	75
	<u>(398)</u>	<u>(297)</u>
(Write-back of)/allowance for expected credit losses on:		
(a) Other receivables	111	179
(b) Amounts due from clients and brokers	(3)	3
	<u>(290)</u>	<u>(115)</u>

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

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
(a) Financial investments at fair value through other comprehensive income		
- Write-back during the financial year	(163)	(66)
(b) Financial investments at amortised cost		
- Allowance made during the financial year	-	13,836
	<u>(163)</u>	<u>13,770</u>

**30. ALLOWANCE FOR IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS**

	<u>GROUP</u>		<u>BANK</u>	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Intangible assets - goodwill	<u>-</u>	<u>8,394</u>	<u>-</u>	<u>8,925</u>

**31. TAXATION**

	<u>GROUP</u>		<u>BANK</u>	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Income Tax				
Current financial year	16,720	4,352	16,720	4,351
Over provision in prior years	(956)	(268)	(956)	(268)
	<u>15,764</u>	<u>4,084</u>	<u>15,764</u>	<u>4,083</u>
Deferred tax (Note 15)				
Current financial year	(2,784)	(180)	(2,784)	(180)
Under provision in prior years	20	132	20	132
	<u>(2,764)</u>	<u>(48)</u>	<u>(2,764)</u>	<u>(48)</u>
	<u>13,000</u>	<u>4,036</u>	<u>13,000</u>	<u>4,035</u>

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:

	<u>GROUP</u>		<u>BANK</u>	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit before taxation	<u>64,694</u>	<u>13,001</u>	<u>64,599</u>	<u>12,363</u>
Taxation at Malaysian statutory tax rate of 24% (2020: 24%)	15,527	3,120	15,504	2,967
Income not subject to tax	(1,714)	(1,311)	(1,691)	(1,286)
Expenses not deductible for tax purposes	123	2,363	123	2,490
Over provision of tax expense in prior year	(936)	(136)	(936)	(136)
Tax expense for the financial year	<u>13,000</u>	<u>4,036</u>	<u>13,000</u>	<u>4,035</u>

### 32. EARNINGS PER SHARE

#### Basic/Diluted

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

	<u>GROUP</u>	
	2021	2020
	RM'000	RM'000
Net profit attributable to Equity holder of the Bank	<u>51,694</u>	<u>8,965</u>
	2021	2020
	'000	'000
Numbers of ordinary shares in issued	<u>365,000</u>	<u>365,000</u>
	2021	2020
	Sen	Sen
Basic/diluted earnings per share	<u>14.16</u>	<u>2.46</u>

### 33. DIVIDEND

	2021	2020
	RM'000	RM'000
Dividends on ordinary shares:		
An interim dividend of 2.28 sen per share, on 365,000,000 ordinary shares declared in financial year ended 31 March 2020, was paid on 9 July 2020.	8,322	-
Special dividend of 54.79 sen per share, on 365,000,000 ordinary shares declared in financial year ended 31 March 2021, was paid on 18 December 2020.	199,984	-
First interim dividend of 8.39 sen per share, on 365,000,000 ordinary shares declared in financial year ended 31 March 2021, was paid on 18 December 2020.	30,623	-
	<u>238,929</u>	<u>-</u>

Subsequent to the financial year end, on 31 May 2021, the Directors declared a single tier second interim dividend of 5.74 sen per share, on 365,000,000 ordinary shares amounting to approximately RM20,951,000 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.

### 34. 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 Bank are as follows:

<b>Relationship</b>	<b>Related parties</b>
- 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 of the Bank, directly or indirectly, including Executive Directors and Non-Executive Directors of the Group and of the Bank (including close members of their families). Other members of key management personnel of the Group and of the Bank are the Business Support Heads who report directly to Chief Executive Officer or to the Board Committees (including close members of their families).
- Holding company	Holding company of the Bank as disclosed in Note 39.
- Other related companies	Related companies of the Bank as disclosed in Note 39.
- Associate	Associate of the Bank as disclosed in Note 11.
- Joint venture	Joint venture of the Bank as disclosed in Note 12.

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
<b>(a) Transactions</b>		
Interest income		
- other related companies	2,484	3,801
Other income		
- holding company	300	807
Interest expenses		
- holding company	(2,133)	(1,353)
- other related companies	(141)	(279)
- joint venture	(39)	(55)

**34. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)**

	<u>GROUP/BANK</u>	
	2021 RM'000	2020 RM'000
<b>(a) Transactions (contd.)</b>		
Dividend paid		
- holding company	(238,929)	-
Overhead expenses		
- holding company	(9,649)	(11,517)
- other related companies	(38)	(38)
- joint venture [Note]	(1,251)	(1,537)
Rental expenses		
- holding company	-	(142)
<b>(b) Balances</b>		
Money at call and deposit placements with financial institutions		
- holding company	46,215	29,073
Deposits and placements with banks and other financial institutions		
- other related companies	6,380	11,162
Investment in securities		
- other related companies	-	60,707
Deposits from customers		
- other related companies	(23,633)	(33,339)
- joint venture	(2,102)	(2,202)
Deposits and placements of banks and other financial institutions		
- holding company	(67,653)	(92,286)
Other liabilities		
- holding company	(43)	(254)
- other related companies	(3)	(3)
- joint venture	(129)	(138)
Lease liabilities		
- holding company	(1,135)	(1,141)

**Note:**

The Group and the Bank have paid RM1,391,000 (2020: RM1,490,000) to the joint venture for the research services provided, where it was jointly held by the Bank and DBS Vickers Securities Pte. Ltd., a company incorporated in Singapore.

**34. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)**

**(c) Compensation of key management personnel**

Remuneration of Chief Executive Officer ("CEO") and Non-executive Directors excluding past Directors for the year are as follows:

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
CEO and other key management:		
Short-term employee benefits		
- Salary and other remuneration	3,664	5,712
- Contribution to EPF	571	851
- Benefits-in-kind	12	55
	<u>4,247</u>	<u>6,618</u>
Non-executive Directors:		
Short-term employee benefits		
- Fees payable	395	333
- Allowances	112	92
	<u>507</u>	<u>425</u>
Included in the total key management personnel are:		
CEO and Non-executive Directors' remuneration excluding past CEO and non-executive Directors (Note 36)	<u>1,422</u>	<u>2,611</u>

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

<u>GROUP/BANK</u>	<u>2021</u>				<u>2020</u>			
	<u>Number</u>	<u>Unrestricted</u> RM'000	<u>Number</u>	<u>Deferred</u> RM'000	<u>Number</u>	<u>Unrestricted</u> RM'000	<u>Number</u>	<u>Deferred</u> RM'000
<u>Fixed remuneration</u>								
Cash		3,952		-		5,218		-
		<u>3,952</u>		<u>-</u>		<u>5,218</u>		<u>-</u>
<u>Variable remuneration</u>								
Cash	7	776	3	26	7	1,497	4	328
		<u>776</u>		<u>26</u>		<u>1,497</u>		<u>328</u>
Total fixed & variable remuneration		<u>4,728</u>		<u>26</u>		<u>6,715</u>		<u>328</u>

**35. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES**

	GROUP/BANK	
	2021	2020
	RM'000	RM'000
Outstanding credit exposures with connected parties	<u>19,691</u>	<u>-</u>
of which:		
Total credit exposure which is impaired or default	<u>-</u>	<u>-</u>
Total credit exposures	<u>1,503,165</u>	<u>1,910,813</u>
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	<u>1.31%</u>	<u>0.00%</u>
- which is impaired or in default	<u>-</u>	<u>-</u>

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with para 9.1 of Bank Negara Malaysia's received 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 relative;
- (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.

**36. CEO AND DIRECTORS' REMUNERATION**

Remuneration in aggregate for CEO/Non-executive Directors charged to the statement of income for the year is as follows:

	<u>GROUP/BANK</u>	
	2021 RM'000	2020 RM'000
Chief Executive Officer		
- Salary and other remuneration	551	1,522
- Bonuses	244	352
- Contribution to EPF	117	269
- Benefits-in-kind	3	43
	915	2,186
Non-executive Directors		
- Fees payable	395	333
- Allowances	112	92
	507	425
Past CEO		
- Salary and other remuneration	235	-
- Bonuses	700	-
- Contribution to EPF	118	-
- Benefits-in-kind	3	-
	1,056	-
Past Director		
- Fees payable	-	135
- Allowances	-	20
	-	155
	<u>2,478</u>	<u>2,766</u>
Total Directors' remuneration excluding benefits-in-kind	<u>2,472</u>	<u>2,723</u>

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) 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 Directors 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 is RM4,000 (2020: RM4,000).



**36. CEO AND DIRECTORS' REMUNERATION (CONTD.)**

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

<u>GROUP/BANK</u>	Salary and other remuneration		Contribution to EPF	Fees Payable	Allowances	Benefits-in-kind	Total
	RM'000	Bonuses RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2021</u>							
<u>Chief Executive Officer:</u>							
Ng Chow Hon	551	244	117	-	-	3	915
	551	244	117	-	-	3	915
<u>Non-executive Directors:</u>							
Lee Ah Boon	-	-	-	180	24	-	204
Mazidah Binti Abdul Malik	-	-	-	125	62	-	187
Datin Ooi Swee Lian	-	-	-	90	26	-	116
	-	-	-	395	112	-	507
<u>Past Chief Executive Officer:</u>							
Mahesh s/o Shri Pranlal Rupawalla	235	700	118	-	-	3	1,056
	235	700	118	-	-	3	1,056
Total CEO and Directors' remuneration	786	944	235	395	112	6	2,478

<u>GROUP/BANK</u>	Salary and other remuneration		Contribution to EPF	Fees Payable	Allowances	Benefits-in-kind	Total
	RM'000	Bonuses RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2020</u>							
<u>Chief Executive Officer:</u>							
Mahesh s/o Shri Pranlal Rupawalla	1,522	352	269	-	-	43	2,186
	1,522	352	269	-	-	43	2,186
<u>Non-executive Directors:</u>							
Lee Ah Boon	-	-	-	118	21	-	139
Mazidah Binti Abdul Malik	-	-	-	125	47	-	172
Datin Ooi Swee Lian	-	-	-	90	24	-	114
	-	-	-	333	92	-	425
<u>Past Director:</u>							
Kung Beng Hong	-	-	-	124	16	-	140
Dato' Yeoh Beow Tit	-	-	-	11	4	-	15
	-	-	-	135	20	-	155
Total CEO and Directors' remuneration	1,522	352	269	468	112	43	2,766

### **37. 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 40 to the financial statements.

#### **(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.

**37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**

**(a) Credit Risk (contd.)**

**(i) Maximum exposure to credit risk (contd.)**

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
<b>Credit risk exposure: on-balance sheet</b>		
Cash and short-term funds (exclude cash in hand)	56,058	44,783
Amounts due from clients and brokers	105,041	51,165
Financial investments at fair value through other comprehensive income	921,075	1,381,815
Financial investments at amortised cost	16	16
Loans, advances and financing	262,747	292,575
Statutory deposits with Bank Negara Malaysia	-	29,106
Other assets (exclude prepayment)	10,007	7,874
	<u>1,354,944</u>	<u>1,807,334</u>
<b>Credit risk exposure: off-balance sheet</b>		
Credit related commitments and contingencies	<u>327,127</u>	<u>388,760</u>
Total off-balance sheet	<u>327,127</u>	<u>388,760</u>
Total maximum exposure	<u><u>1,682,071</u></u>	<u><u>2,196,094</u></u>

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(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.

<u>GROUP/BANK</u>	<u>Government and Central Bank</u>	<u>Financial, Insurance, Business Services and Real Estate</u>	<u>Transport, Storage and Communication Services</u>	<u>Agriculture, Manufacturing, Wholesale &amp; Retail Trade</u>	<u>Construction</u>	<u>Household</u>	<u>Others</u>	<u>Total</u>
2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds (exclude cash in hand)	43	56,015	-	-	-	-	-	56,058
Amounts due from clients and brokers	-	-	-	-	-	-	105,041	105,041
Financial investments at fair value through other comprehensive income (exclude equity securities)	201,627	230,413	384,378	47,159	57,498	-	-	921,075
Financial investments at amortised cost	-	16	-	-	-	-	-	16
Loans, advances and financing	-	23,514	-	34,658	51,568	151,274	1,733	262,747
Other assets (exclude prepayment)	-	-	-	-	-	-	10,007	10,007
<b>Total on-balance sheet</b>	<b>201,670</b>	<b>309,958</b>	<b>384,378</b>	<b>81,817</b>	<b>109,066</b>	<b>151,274</b>	<b>116,781</b>	<b>1,354,944</b>
Credit related commitments and contingencies	-	53,510	-	2,012	21,638	244,700	5,267	327,127
Total off-balance sheet	-	53,510	-	2,012	21,638	244,700	5,267	327,127
<b>Total credit risk</b>	<b>201,670</b>	<b>363,468</b>	<b>384,378</b>	<b>83,829</b>	<b>130,704</b>	<b>395,974</b>	<b>122,048</b>	<b>1,682,071</b>
<u>GROUP/BANK</u>								
2020								
Cash and short-term funds (exclude cash in hand)	39	44,744	-	-	-	-	-	44,783
Amounts due from clients and brokers	-	-	-	-	-	-	51,165	51,165
Financial investments at fair value through other comprehensive income (exclude equity securities)	532,344	509,225	205,185	78,204	56,857	-	-	1,381,815
Financial investments at amortised cost	-	16	-	-	-	-	-	16
Loans, advances and financing	-	21,443	-	41,743	52,234	133,105	44,050	292,575
Statutory deposits with Bank Negara Malaysia	29,106	-	-	-	-	-	-	29,106
Other assets (exclude prepayment)	-	-	-	-	-	-	7,874	7,874
<b>Total on-balance sheet</b>	<b>561,489</b>	<b>575,428</b>	<b>205,185</b>	<b>119,947</b>	<b>109,091</b>	<b>133,105</b>	<b>103,089</b>	<b>1,807,334</b>
Credit related commitments and contingencies	-	101,688	-	1,614	21,284	258,887	5,287	388,760
Total off-balance sheet	-	101,688	-	1,614	21,284	258,887	5,287	388,760
<b>Total credit risk</b>	<b>561,489</b>	<b>677,116</b>	<b>205,185</b>	<b>121,561</b>	<b>130,375</b>	<b>391,992</b>	<b>108,376</b>	<b>2,196,094</b>

**37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**

**(a) Credit Risk (contd.)**

**(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 right over the vehicles or equipment financed; and
- For other loans/financing, charges over business assets such as premises, financial/trade receivables or deposits.

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
Gross loans, advances and financing	263,429	293,618
Less: Allowance for expected credit losses	(682)	(1,043)
Net loans, advances and financing	<u>262,747</u>	<u>292,575</u>
Percentage of collateral held for loans, advances and financing	<u>71.6%</u>	<u>68.4%</u>

**(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 reschedule 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 asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

Quantitative criteria:

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

### **37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**

#### **(a) Credit Risk (contd.)**

##### **(iv) Credit risk measurement (contd.)**

##### **(b) Definition of credit impaired financial assets (contd.)**

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 Expected Credit Loss ("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 on 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 was based on historic default data using a chain ladder methodology to construct a lifetime default emergence curve.

##### **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.

### 37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

#### (a) Credit Risk (contd.)

##### (iv) Credit risk measurement (contd.)

##### (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 projected optimistic or positive economic outlook or forecast.
- Negative Case - based upon 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 macroeconomic trends.

The forward looking estimates was adjusted as below:

<u>MEV</u> (% Year on Year)	Weighted Average Forecast		
	2023 %	2022 %	2021 %
GDP Growth Rate	4.1	5.3	5.0
Producer Price Index	2.3	3.7	2.0
Consumer Price Index	2.3	2.9	2.5
Credit Consumption	2.1	1.7	1.1
Unemployment Rates	3.6	3.8	4.5
House Price Index	3.6	3.9	1.0

##### (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 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 flows 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.

**37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**

**(a) Credit Risk (contd.)**

**(iv) Credit risk measurement (contd.)**

**(f) Modification of financial assets (contd.)**

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.

**(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:

<u>Credit Quality</u>	<u>Credit Grading</u>		<u>Definition</u>
	<u>Scorecard</u>	<u>Customer Rating</u>	
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 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:

<u>Credit Quality</u>	<u>Credit Grading</u>	<u>Definition</u>
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.



**37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**

**(a) Credit Risk (contd.)**

**(v) Credit quality (contd.)**

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

<u>GROUP/BANK</u> 2021	<u>Stage 1</u> RM'000	<u>Stage 2</u> RM'000	<u>Stage 3</u> RM'000	<u>Total</u> RM'000
<u>Cash and short-term funds</u>				
<u>(exclude cash in hand)</u>				
Investment graded	6,380	-	-	6,380
Sovereign/Government backed	43	-	-	43
Unrated	49,635	-	-	49,635
Net carrying amount	<u>56,058</u>	<u>-</u>	<u>-</u>	<u>56,058</u>
<u>Financial investments at fair value through other comprehensive income</u>				
<u>(exclude equity securities)</u>				
Investment graded	239,258	66,768	-	306,026
Sovereign/Government backed	615,049	-	-	615,049
Gross carrying amount	<u>854,307</u>	<u>66,768</u>	<u>-</u>	<u>921,075</u>
Expected credit losses [Note (a)]	<u>(18)</u>	<u>(117)</u>	<u>-</u>	<u>(135)</u>
<u>Financial investments at amortised cost</u>				
Credit Impaired	-	-	291	291
Gross carrying amount	-	-	291	291
Expected credit losses	-	-	(275)	(275)
Net carrying amount	<u>-</u>	<u>-</u>	<u>16</u>	<u>16</u>
<u>Loans, advances and financing</u>				
Low	216,236	-	-	216,236
Medium	-	46,823	-	46,823
Unrated	188	-	-	188
Credit Impaired	-	-	182	182
Gross carrying amount	<u>216,424</u>	<u>46,823</u>	<u>182</u>	<u>263,429</u>
Expected credit losses	<u>(220)</u>	<u>(462)</u>	<u>-</u>	<u>(682)</u>
Net carrying amount	<u>216,204</u>	<u>46,361</u>	<u>182</u>	<u>262,747</u>
<u>Credit related commitment and contingencies</u>				
Low	304,736	-	-	304,736
Medium	1,050	1,341	-	2,391
Unrated	20,000	-	-	20,000
Gross carrying amount	<u>325,786</u>	<u>1,341</u>	<u>-</u>	<u>327,127</u>
Expected credit losses	<u>(18)</u>	<u>(42)</u>	<u>-</u>	<u>(60)</u>

Note (a): 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.

**37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**

**(a) Credit Risk (contd.)**

**(v) Credit quality (contd.)**

<u>Simplified Approach</u>	Current to less than 16 days <u>past due</u> RM'000	16 days to 30 days <u>past due</u> RM'000	More than 30 days <u>past due</u> RM'000	<u>Total</u> RM'000
<u>GROUP/BANK</u>				
2021				
<u>Amounts due from clients and brokers</u>				
Gross carrying amount	104,929	112	-	105,041
Expected credit losses	-	-	-	-
Net carrying amount	<u>104,929</u>	<u>112</u>	<u>-</u>	<u>105,041</u>
			More than 90 days <u>past due</u>	<u>Total</u>
		<u>Current</u> RM'000	RM'000	RM'000
<u>Other assets (exclude prepayment)</u>				
Gross carrying amount		10,007	2,387	12,394
Expected credit losses		-	(2,387)	(2,387)
Net carrying amount		<u>10,007</u>	<u>-</u>	<u>10,007</u>
<u>GROUP/BANK</u>				
2020				
	<u>Stage 1</u> RM'000	<u>Stage 2</u> RM'000	<u>Stage 3</u> RM'000	<u>Total</u> RM'000
<u>Cash and short-term funds</u> <u>(exclude cash in hand)</u>				
Investment graded	11,161	-	-	11,161
Sovereign/Government backed	39	-	-	39
Unrated	33,583	-	-	33,583
Net carrying amount	<u>44,783</u>	<u>-</u>	<u>-</u>	<u>44,783</u>
<u>Financial investments at fair value through</u> <u>other comprehensive income</u> <u>(exclude equity securities)</u>				
Investment graded	515,509	15,381	-	530,890
Sovereign/Government backed	850,925	-	-	850,925
Gross carrying amount	<u>1,366,434</u>	<u>15,381</u>	<u>-</u>	<u>1,381,815</u>
Expected credit losses [Note (a)]	<u>(241)</u>	<u>(57)</u>	<u>-</u>	<u>(298)</u>
<u>Financial investments at amortised cost</u>				
Credit Impaired	-	-	24,413	24,413
Gross carrying amount	-	-	24,413	24,413
Expected credit losses	-	-	(24,397)	(24,397)
Net carrying amount	<u>-</u>	<u>-</u>	<u>16</u>	<u>16</u>

Note (a): 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.

**37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**

**(a) Credit Risk (contd.)**

**(v) Credit quality (contd.)**

The following table shows an analysis of the credit quality by stages and the allowance for credit losses of the financial assets: (contd.)

<u>GROUP/BANK</u> 2020	<u>Stage 1</u> RM'000	<u>Stage 2</u> RM'000	<u>Stage 3</u> RM'000	<u>Total</u> RM'000
<u>Loans, advances and financing</u>				
Low	292,822	-	-	292,822
Unrated	364	4	-	368
Credit Impaired	-	-	428	428
Gross carrying amount	293,186	4	428	293,618
Expected credit losses	(701)	-	(342)	(1,043)
Net carrying amount	292,485	4	86	292,575
<u>Statutory deposits with</u> <u>Bank Negara Malaysia</u>				
Sovereign/Government backed	29,106	-	-	29,106
Net carrying amount	29,106	-	-	29,106
<u>Credit related commitment and</u> <u>contingencies</u>				
Low	336,035	-	-	336,035
Medium	1,575	-	-	1,575
Unrated	51,150	-	-	51,150
Gross carrying amount	388,760	-	-	388,760
Expected credit losses	(99)	-	-	(99)
<u>Simplified Approach</u>				
	Current to less than 16 days <u>past due</u> RM'000	16 days to 30 days <u>past due</u> RM'000	More than 30 days <u>past due</u> RM'000	<u>Total</u> RM'000
<u>Amounts due from clients and brokers</u>				
Gross carrying amount	50,710	455	3	51,168
Expected credit losses	-	-	(3)	(3)
Net carrying amount	50,710	455	-	51,165
<u>Other assets (exclude prepayment)</u>				
Gross carrying amount		Current RM'000	More than 90 days <u>past due</u> RM'000	<u>Total</u> RM'000
Expected credit losses		7,874	2,276	10,150
Net carrying amount		-	(2,276)	(2,276)
		7,874	-	7,874

**37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**

**(a) Credit Risk (contd.)**

**(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:

<b>GROUP/BANK</b>				
2021			+	-
<u>Measurement variables</u>	<u>Percentage Point Change (%)</u>		RM'000	RM'000
<u>Non-retail</u>				
GDP Growth	4.0		(48)	(68)
2020			+	-
<u>Measurement variables</u>	<u>Percentage Point Change (%)</u>		RM'000	RM'000
<u>Non-retail</u>				
GDP Growth	2.7		(32)	43

**(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 in 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, sensitivity limits, loss limits and regular revaluation of positions versus market prices, 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 amounts due from clients and brokers. The risk is controlled by application of credit approvals, limits and monitoring procedures.

**(i) Interest/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 market 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 outcome 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.

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

(i) Interest rate/profit rate risk

GROUP/BANK	Non-trading book						Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000					
2021										
<b>Assets</b>										
Cash and short-term funds	55,454	-	-	-	-	-	604	-	56,058	
Amounts due from clients and brokers	6,180	-	-	-	-	-	98,861	-	105,041	
Financial assets at fair value through profit or loss	-	-	-	-	-	-	70,194	-	70,194	
Financial assets at fair value through other comprehensive income	50,092	-	-	50,466	395,859	415,053	9,605	-	921,075	
Financial investments at amortised cost	-	-	-	-	-	-	16	-	16	
Loans, advances and financing	263,728	-	-	-	65	42	(1,088) *	-	262,747	
Other financial assets **	-	-	-	-	-	-	10,007	-	10,007	
<b>Total financial assets</b>	<b>375,454</b>	<b>-</b>	<b>-</b>	<b>50,466</b>	<b>395,924</b>	<b>415,095</b>	<b>188,199</b>	<b>-</b>	<b>1,425,138</b>	
<b>Liabilities</b>										
Deposits from customers	322,857	15,000	-	-	-	-	430	-	338,287	
Deposits and placements of banks and other financial institutions	527,650	-	-	-	-	-	478	-	528,128	
Amounts due to clients and brokers	-	-	-	-	-	-	63,416	-	63,416	
Lease liabilities	90	95	263	504	1,505	-	-	-	2,457	
Other financial liabilities	-	-	-	-	-	-	34,993	-	34,993	
<b>Total financial liabilities</b>	<b>850,597</b>	<b>15,095</b>	<b>263</b>	<b>504</b>	<b>1,505</b>	<b>-</b>	<b>99,317</b>	<b>-</b>	<b>967,281</b>	
On-balance sheet profit sensitivity gap	(475,143)	(15,095)	(263)	49,962	394,419	415,095	88,882	-	457,857	

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

(i) Interest rate/profit rate risk (contd.)

GROUP/BANK	Non-trading book						Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000					
2020										
<b>Assets</b>										
Cash and short-term funds	44,165	-	-	-	-	-	618	-	44,783	
Amounts due from clients and brokers	2,926	-	-	-	-	-	48,239	-	51,165	
Financial assets at fair value through profit or loss	-	-	-	-	-	-	64,392	-	64,392	
Financial assets at fair value through other comprehensive income	35,009	75,114	44,762	50,304	600,168	562,184	14,274	-	1,381,815	
Financial investments at amortised cost	-	-	-	-	-	-	16	-	16	
Loans, advances and financing	293,388	-	-	-	27	100	(940) *	-	292,575	
Other financial assets **	-	-	-	-	-	-	36,980	-	36,980	
<b>Total financial assets</b>	<b>375,488</b>	<b>75,114</b>	<b>44,762</b>	<b>50,304</b>	<b>600,195</b>	<b>562,284</b>	<b>163,579</b>	<b>-</b>	<b>1,871,726</b>	
<b>Liabilities</b>										
Deposits from customers	484,098	-	-	-	-	-	909	-	485,007	
Deposits and placements of banks and other financial institutions	492,280	200,000	-	-	-	-	398	-	692,678	
Amounts due to clients and brokers	-	-	-	-	-	-	22,292	-	22,292	
Lease liabilities	84	168	258	69	50	-	-	-	629	
Other financial liabilities	-	-	-	-	-	-	28,745	-	28,745	
<b>Total financial liabilities</b>	<b>976,462</b>	<b>200,168</b>	<b>258</b>	<b>69</b>	<b>50</b>	<b>-</b>	<b>52,344</b>	<b>-</b>	<b>1,229,351</b>	
On-balance sheet profit sensitivity gap	(600,974)	(125,054)	44,504	50,235	600,145	562,284	111,235	-	642,375	

Note:

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

\*\* Includes statutory deposits and other assets.

**37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**

**(b) Market Risk (contd.)**

**(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 and Hong Kong Dollars. The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Group and the Bank.

<u>GROUP/BANK</u>	<b>US Dollars</b>	<b>Hong Kong</b>	<b>Total</b>
2021	<b>RM'000</b>	<b>Dollars</b>	<b>RM'000</b>
<b>Assets</b>			
Cash and short-term funds	1,180	89	1,269
Amount due from clients and brokers	-	31	31
<b>Total financial assets</b>	<b>1,180</b>	<b>120</b>	<b>1,300</b>
<b>Liabilities</b>			
Amounts due to clients and brokers	1,032	81	1,113
Other financial liabilities	20	1	21
<b>Total financial liabilities</b>	<b>1,052</b>	<b>82</b>	<b>1,134</b>
On-balance sheet open position	128	38	166
<b>Net open position</b>	<b>128</b>	<b>38</b>	<b>166</b>

<u>GROUP/BANK</u>	<b>Hong Kong</b>	<b>Total</b>
2020	<b>Dollars</b>	<b>RM'000</b>
<b>Assets</b>		
Cash and short-term funds	3	3
Amounts due from clients and brokers	41	41
<b>Total financial assets</b>	<b>44</b>	<b>44</b>
<b>Liabilities</b>		
Amounts due to clients and brokers	21	21
<b>Total financial liabilities</b>	<b>21</b>	<b>21</b>
On-balance sheet open position	23	23
<b>Net open position</b>	<b>23</b>	<b>23</b>

**37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**

**(b) Market Risk (contd.)**

**(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:

<u>GROUP/BANK</u>	<u>Balance</u> RM'000	<u>Average</u> <u>for the year</u> RM'000	<u>Minimum</u> RM'000	<u>Maximum</u> RM'000
2021				
Government securities	(2,197)	(4,401)	(2,197)	(5,332)
Private debt securities	<u>(920)</u>	<u>(2,046)</u>	<u>(920)</u>	<u>(2,709)</u>
2020				
Government securities	(5,114)	(2,314)	(1,558)	(5,114)
Private debt securities	<u>(2,613)</u>	<u>(1,014)</u>	<u>(617)</u>	<u>(2,613)</u>

**(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.

	<b>2021</b>		<b>2020</b>	
	<b>GROUP/BANK</b>	<b>GROUP/BANK</b>	<b>GROUP/BANK</b>	<b>GROUP/BANK</b>
	<b>- 200 bps</b>	<b>+ 200 bps</b>	<b>- 100 bps</b>	<b>+ 100 bps</b>
	<b>Increase/(Decrease)</b>		<b>Increase/(Decrease)</b>	
	RM'000	RM'000	RM'000	RM'000
<b>Impact on net profit after tax</b>	<u>7,220</u>	<u>(7,220)</u>	<u>5,053</u>	<u>(5,053)</u>
<b>Impact on equity</b>	<u>62,777</u>	<u>(55,102)</u>	<u>42,989</u>	<u>(39,847)</u>



### **37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**

#### **(b) Market Risk (contd.)**

##### **Other risk measures**

#### **(v) 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.

#### **(vi) 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 to meet financial commitments when due.

The Group's and the Bank's liquidity risk profile are 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.

**37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**

**(c) Liquidity risk (contd.)**

**(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:

	Up to <u>1 month</u> RM'000	>1-3 <u>months</u> RM'000	>3-6 <u>months</u> RM'000	>6-12 <u>months</u> RM'000	≥1 year <u>RM'000</u>	No specific <u>maturity</u> RM'000	<u>Total</u> RM'000
<b>GROUP</b>							
2021							
<b>Assets</b>							
Cash and short-term funds	56,058	-	-	-	-	-	56,058
Amounts due from clients and brokers	105,041	-	-	-	-	-	105,041
Financial assets at fair value through profit or loss	-	-	-	-	-	70,194	70,194
Financial assets at fair value through other comprehensive income	53,634	3,054	3,009	50,466	810,912	-	921,075
Financial investments at amortised cost	-	-	-	16	-	-	16
Loans, advances and financing	228,207	-	-	-	34,540	-	262,747
Other financial and non-financial assets	43	-	-	-	1,358	36,844	38,245
<b>Total assets</b>	<b>442,983</b>	<b>3,054</b>	<b>3,009</b>	<b>50,482</b>	<b>846,810</b>	<b>107,038</b>	<b>1,453,376</b>
<b>Liabilities</b>							
Deposits from customers	323,284	15,003	-	-	-	-	338,287
Deposits and placements of banks and other financial institutions	528,128	-	-	-	-	-	528,128
Amounts due to clients and brokers	63,416	-	-	-	-	-	63,416
Lease liabilities	90	95	263	504	1,505	-	2,457
Other financial and non-financial liabilities	29,773	-	-	-	21	24,900	54,694
<b>Total liabilities</b>	<b>944,691</b>	<b>15,098</b>	<b>263</b>	<b>504</b>	<b>1,526</b>	<b>24,900</b>	<b>986,982</b>
<b>Net maturity mismatch</b>	<b>(501,708)</b>	<b>(12,044)</b>	<b>2,746</b>	<b>49,978</b>	<b>845,284</b>	<b>82,138</b>	<b>466,394</b>

**37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**

**(c) Liquidity risk (contd.)**

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

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: (contd.)

	Up to <u>1 month</u> RM'000	>1-3 <u>months</u> RM'000	>3-6 <u>months</u> RM'000	>6-12 <u>months</u> RM'000	>1 year <u>RM'000</u>	No specific <u>maturity</u> RM'000	<u>Total</u> RM'000
<b>GROUP</b>							
2020							
<b>Assets</b>							
Cash and short-term funds	44,783	-	-	-	-	-	44,783
Amounts due from clients and brokers	51,165	-	-	-	-	-	51,165
Financial assets at fair value through profit or loss	-	-	-	-	-	64,392	64,392
Financial assets at fair value through other comprehensive income	40,871	79,681	48,607	50,304	1,162,352	-	1,381,815
Financial investments at amortised cost	-	-	-	16	-	-	16
Loans, advances and financing	164,821	-	-	-	127,754	-	292,575
Other financial and non-financial assets	72	-	-	-	1,052	65,711	66,835
<b>Total assets</b>	<b>301,712</b>	<b>79,681</b>	<b>48,607</b>	<b>50,320</b>	<b>1,291,158</b>	<b>130,103</b>	<b>1,901,581</b>
<b>Liabilities</b>							
Deposits from customers	485,007	-	-	-	-	-	485,007
Deposits and placements of banks and other financial institutions	492,466	200,212	-	-	-	-	692,678
Amounts due to clients and brokers	22,292	-	-	-	-	-	22,292
Lease liabilities	83	168	259	69	50	-	629
Other financial and non-financial liabilities	23,212	-	-	-	3	18,922	42,137
<b>Total liabilities</b>	<b>1,023,060</b>	<b>200,380</b>	<b>259</b>	<b>69</b>	<b>53</b>	<b>18,922</b>	<b>1,242,743</b>
<b>Net maturity mismatch</b>	<b>(721,348)</b>	<b>(120,699)</b>	<b>48,348</b>	<b>50,251</b>	<b>1,291,105</b>	<b>111,181</b>	<b>658,838</b>

**37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**

**(c) Liquidity risk (contd.)**

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

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: (contd.)

	Up to <u>1 month</u> RM'000	>1-3 <u>months</u> RM'000	>3-6 <u>months</u> RM'000	>6-12 <u>months</u> RM'000	>1 year RM'000	No specific <u>maturity</u> RM'000	<u>Total</u> RM'000
<b>BANK</b>							
2021							
<b>Assets</b>							
Cash and short-term funds	56,058	-	-	-	-	-	56,058
Amounts due from clients and brokers	105,041	-	-	-	-	-	105,041
Financial assets at fair value through profit or loss	-	-	-	-	-	70,194	70,194
Financial assets at fair value through other comprehensive income	53,634	3,054	3,009	50,466	810,912	-	921,075
Financial investments at amortised cost	-	-	-	16	-	-	16
Loans, advances and financing	228,207	-	-	-	34,540	-	262,747
Other financial and non-financial assets	43	-	-	-	1,358	38,744	40,145
<b>Total assets</b>	<b>442,983</b>	<b>3,054</b>	<b>3,009</b>	<b>50,482</b>	<b>846,810</b>	<b>108,938</b>	<b>1,455,276</b>
<b>Liabilities</b>							
Deposits from customers	323,284	15,003	-	-	-	-	338,287
Deposits and placements of banks and other financial institutions	528,128	-	-	-	-	-	528,128
Amounts due to clients and brokers	63,416	-	-	-	-	-	63,416
Lease Liabilities	90	95	263	504	1,505	-	2,457
Other financial and non-financial liabilities	29,773	-	-	-	21	24,900	54,694
<b>Total liabilities</b>	<b>944,691</b>	<b>15,098</b>	<b>263</b>	<b>504</b>	<b>1,526</b>	<b>24,900</b>	<b>986,982</b>
<b>Net maturity mismatch</b>	<b>(501,708)</b>	<b>(12,044)</b>	<b>2,746</b>	<b>49,978</b>	<b>845,284</b>	<b>84,038</b>	<b>468,294</b>

**37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**

**(c) Liquidity risk (contd.)**

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

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: (contd.)

	Up to <u>1 month</u> RM'000	>1-3 <u>months</u> RM'000	>3-6 <u>months</u> RM'000	>6-12 <u>months</u> RM'000	>1 year <u>RM'000</u>	No specific <u>maturity</u> RM'000	<u>Total</u> RM'000
<b>BANK</b>							
2020							
<b>Assets</b>							
Cash and short-term funds	44,783	-	-	-	-	-	44,783
Amounts due from clients and brokers	51,165	-	-	-	-	-	51,165
Financial assets at fair value through profit or loss	-	-	-	-	-	64,392	64,392
Financial assets at fair value through other comprehensive income	40,871	79,681	48,607	50,304	1,162,352	-	1,381,815
Financial investments at amortised cost	-	-	-	16	-	-	16
Loans, advances and financing	164,821	-	-	-	127,754	-	292,575
Other financial and non-financial assets	72	-	-	-	1,052	67,706	68,830
<b>Total assets</b>	<b>301,712</b>	<b>79,681</b>	<b>48,607</b>	<b>50,320</b>	<b>1,291,158</b>	<b>132,098</b>	<b>1,903,576</b>
<b>Liabilities</b>							
Deposits from customers	485,007	-	-	-	-	-	485,007
Deposits and placements of banks and other financial institutions	492,466	200,212	-	-	-	-	692,678
Amounts due to clients and brokers	22,292	-	-	-	-	-	22,292
Lease liabilities	83	168	259	69	50	-	629
Other financial and non-financial liabilities	23,212	-	-	-	3	18,922	42,137
<b>Total liabilities</b>	<b>1,023,060</b>	<b>200,380</b>	<b>259</b>	<b>69</b>	<b>53</b>	<b>18,922</b>	<b>1,242,743</b>
<b>Net maturity mismatch</b>	<b>(721,348)</b>	<b>(120,699)</b>	<b>48,348</b>	<b>50,251</b>	<b>1,291,105</b>	<b>113,176</b>	<b>660,833</b>

**37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**

**(c) Liquidity risk (contd.)**

**(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 amount disclosed in the table are the contractual undiscounted cash flows of all financial liabilities.

<u>GROUP/BANK</u>	<u>Up to 1 month</u>	<u>&gt;1-3 months</u>	<u>&gt;3-6 months</u>	<u>&gt;6-12 months</u>	<u>&gt;1-5 years</u>	<u>Over 5 years</u>	<u>No specific maturity</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2021								
<b>Liabilities</b>								
Deposits from customers	323,473	15,048	-	-	-	-	-	338,521
Deposits and placements of banks and other financial institutions	528,353	-	-	-	-	-	-	528,353
Amounts due to clients and brokers	63,416	-	-	-	-	-	-	63,416
Lease liabilities	102	118	296	559	1,673	-	-	2,748
Other financial liabilities	26,290	-	-	-	21	-	25,311	51,622
<b>Total financial liabilities</b>	<b>941,634</b>	<b>15,166</b>	<b>296</b>	<b>559</b>	<b>1,694</b>	<b>-</b>	<b>25,311</b>	<b>984,660</b>

**Credit risk exposure of off-balance sheet**

Credit related commitments and contingencies	324,736	-	-	-	2,391	-	-	327,127
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<u>GROUP/BANK</u>	<u>Up to 1 month</u>	<u>&gt;1-3 months</u>	<u>&gt;3-6 months</u>	<u>&gt;6-12 months</u>	<u>&gt;1-5 years</u>	<u>Over 5 years</u>	<u>No specific maturity</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2020								
<b>Liabilities</b>								
Deposits from customers	485,244	-	-	-	-	-	-	485,244
Deposits and placements of banks and other financial institutions	492,626	201,129	-	-	-	-	-	693,755
Amounts due to clients and brokers	22,292	-	-	-	-	-	-	22,292
Lease liabilities	98	195	207	85	60	-	-	645
Other financial liabilities	23,212	-	-	-	3	-	12,253	35,468
<b>Total financial liabilities</b>	<b>1,023,472</b>	<b>201,324</b>	<b>207</b>	<b>85</b>	<b>63</b>	<b>-</b>	<b>12,253</b>	<b>1,237,404</b>

**Credit risk exposure of off-balance sheet**

Credit related commitments and contingencies	335,219	-	-	-	53,541	-	-	388,760
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**37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**

**(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 arises which 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 Control 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.

**38. CAPITAL COMMITMENTS**

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
Capital expenditure:		
Authorised and contracted for	7	112
Authorised and not contracted for	1,484	1,462
	<u>1,491</u>	<u>1,574</u>

The capital commitments mainly consist of computer software and property, plant and equipment.

**39. HOLDING AND RELATED COMPANIES**

The holding company of the Bank is Alliance Bank Malaysia Berhad, a bank incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

Related companies in these financial statements refer to subsidiaries of Alliance Bank Malaysia Berhad.

#### 40. 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 and their related counterparty credit risk of the Group and the Bank are as follows:

	2021	2020
	Principal	Principal
	<u>Amount</u>	<u>Amount</u>
<u>GROUP/BANK</u>	RM'000	RM'000
<u>Credit-related exposures</u>		
Transaction-related contingent items	1,050	1,575
Obligations under an on-going underwriting agreement	20,000	51,150
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	304,736	334,694
- maturity exceeding one year	1,341	1,341
Total	<u>327,127</u>	<u>388,760</u>

#### 41. 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 also adopted the transitional arrangements on provisions for expected credit losses in accordance with Bank Negara Malaysia's Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions effective on 9 December 2020.

This allow the Group and the Bank to add back a portion of Stage 1 ("S1") and Stage 2 ("S2") provisions with an "add-back factor", to the 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:

	<u>GROUP</u>		<u>BANK</u>	
	2021	2020	2021	2020
<b>(i) With transitional arrangements:</b>				
<u>Before deducting proposed dividends</u>				
CET I capital ratio	72.608%	-	72.580%	-
Tier I capital ratio	72.608%	-	72.580%	-
Total capital ratio	73.534%	-	73.506%	-
<u>After deducting proposed dividends</u>				
CET I capital ratio	69.026%	-	69.000%	-
Tier I capital ratio	69.026%	-	69.000%	-
Total capital ratio	69.953%	-	69.926%	-



**41. CAPITAL ADEQUACY (CONTD.)**

The capital adequacy ratios with and without transitional arrangements for the Group and the Bank are as follows: (contd.)

	<u>GROUP</u>		<u>BANK</u>	
	2021	2020	2021	2020
<b>(ii) Without transitional arrangements:</b>				
<u>Before deducting proposed dividends</u>				
CET I capital ratio	72.578%	98.780%	72.550%	98.737%
Tier I capital ratio	72.578%	98.780%	72.550%	98.737%
Total capital ratio	73.504%	99.725%	73.476%	99.682%
<u>After deducting proposed dividends</u>				
CET I capital ratio	68.997%	97.288%	68.970%	97.246%
Tier I capital ratio	68.997%	97.288%	68.970%	97.246%
Total capital ratio	69.923%	98.233%	69.896%	98.190%

(a) Components of Common Equity Tier I ("CET I"), Tier I and Tier II capital under the Capital Adequacy Framework with transitional arrangements are as follows:

	<u>GROUP</u>		<u>BANK</u>	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
<b><u>CET I Capital</u></b>				
Paid-up share capital	365,962	365,962	365,962	365,962
Retained profits	72,758	258,887	74,658	260,882
FVOCI reserves	21,105	26,151	21,105	26,151
Regulatory reserves	6,434	7,540	6,434	7,540
	<u>466,259</u>	<u>658,540</u>	<u>468,159</u>	<u>660,535</u>
(Less)/add: Regulatory adjustments				
- Goodwill and other intangibles	(22,332)	(24,578)	(24,892)	(27,138)
- 55% of FVOCI reserve	(11,608)	(14,383)	(11,608)	(14,383)
- Investment in associate and joint venture	(1,284)	(1,189)	(624)	(624)
- Regulatory reserves	(6,434)	(7,540)	(6,434)	(7,540)
- Additional Tier 1 Sukuk Wakalah	-	(60,000)	-	(60,000)
- Transitional arrangements	175	-	175	-
Total CET I Capital/Total Tier I Capital	<u>424,776</u>	<u>550,850</u>	<u>424,776</u>	<u>550,850</u>
<b><u>Tier II Capital</u></b>				
Expected credit losses and regulatory reserve	5,421	5,269	5,421	5,269
Total Tier II Capital	<u>5,421</u>	<u>5,269</u>	<u>5,421</u>	<u>5,269</u>
<b>Total Capital</b>	<u><u>430,197</u></u>	<u><u>556,119</u></u>	<u><u>430,197</u></u>	<u><u>556,119</u></u>

**41. CAPITAL ADEQUACY (CONTD.)**

(b) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category are as follows:

	<u>GROUP</u>		<u>BANK</u>	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Credit risk	433,700	421,514	433,700	421,514
Market risk	174	22	174	22
Operational risk	151,155	136,115	151,379	136,358
Total RWA and capital requirements	<u>585,029</u>	<u>557,651</u>	<u>585,253</u>	<u>557,894</u>

Detail information on risk exposure above is presented in the Bank's Pillar 3 report.

**42. CAPITAL**

In managing its capital, the Group's and the Bank's objectives are:

- to maintain sufficient capital resources to meet the regulatory capital requirements as set forth by BNM,
- to maintain sufficient capital resources to support the Group's and the Bank'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 and the Bank 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 and the Bank carries out stress testing to estimate the potential impact of extreme, but plausible, events on the Group's and the Bank's earnings, balance sheet and capital. The results of the stress tests are to facilitate the formulation of action plan(s) in advance if the stress tests reveal that the Group's and the Bank'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 BNM's Capital Adequacy Framework and their capital ratios complied with the prescribed capital adequacy ratios.

#### **43. 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.

##### **(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 and corporate notes.

##### **(iii) Financial instruments in Level 3**

The Group and the Bank classifies 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 asset, net asset value, discounted cash flows, and other appropriate valuation models. These includes private equity investments.

**43. FAIR VALUE MEASUREMENTS (CONTD.)**

**(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:

<u>GROUP/BANK</u> 2021	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<b>Financial Assets</b>				
Financial assets at FVTPL				
- Unquoted securities	-	-	70,194	70,194
Financial investments at FVOCI				
- Money market instruments	-	294,637	-	294,637
- Unquoted securities	-	626,438	-	626,438

<u>GROUP/BANK</u> 2020				
<b>Financial Assets</b>				
Financial assets at FVTPL				
- Unquoted securities	-	-	64,392	64,392
Financial investments at FVOCI				
- Money market instruments	-	562,029	-	562,029
- Unquoted securities	-	819,786	-	819,786

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.

Reconciliation of movements in Level 3 financial instruments:

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
At 1 April	64,392	60,784
Statement of income		
- Unrealised gain from revaluation	5,802	3,608
At 31 March	70,194	64,392

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.

<u>Description</u>	<u>Fair value assets</u>		<u>Valuation techniques</u>	<u>Unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
	2021 RM'000	2020 RM'000			
<u>GROUP/BANK</u>					
Unquoted securities	70,194	64,392	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value

**43. FAIR VALUE MEASUREMENTS (CONTD.)**

**(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.

<u>GROUP/BANK</u>	Fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	
2021	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Financial assets</b>					
Financial investments at amortised cost	-	16	-	16	16
Loans, advances and financing	-	-	263,430	263,430	262,747
<b>Financial liabilities</b>					
Deposits and placements of banks and other financial institutions	-	518,688	-	518,688	528,128
<u>GROUP/BANK</u>	Fair value				Carrying amount
2020	Level 1	Level 2	Level 3	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Financial assets</b>					
Financial investments at amortised cost	-	16	-	16	16
Loans, advances and financing	-	-	293,275	293,275	292,575
<b>Financial liabilities</b>					
Deposits and placements of banks and other financial institutions	-	674,993	-	674,993	692,678

Note: The fair value of the other assets and other liabilities, which are considered short term in nature, are estimated to be approximately their carrying values.

#### **43. FAIR VALUE MEASUREMENTS (CONTD.)**

##### **(c) Fair values of financial instruments not carried at fair value (contd.)**

The methods and assumptions used in estimating the fair values of financial instruments are as follows:

(i) Financial investments 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, 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.

#### **44. 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.

**44. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD.)**

**(a) Financial assets**

	Gross amounts of recognised financial assets <u>RM'000</u>	Gross amounts of recognised financial liabilities set off in the statements of financial position <u>RM'000</u>	Net amounts of financial assets presented in the statements of financial position <u>RM'000</u>
<u>GROUP/BANK</u>			
2021			
Amounts due from clients and brokers	193,562	(88,521)	105,041
Total	<u>193,562</u>	<u>(88,521)</u>	<u>105,041</u>
<u>GROUP/BANK</u>			
2020			
Amounts due from clients and brokers	84,014	(32,849)	51,165
Total	<u>84,014</u>	<u>(32,849)</u>	<u>51,165</u>

**(b) Financial liabilities**

	Gross amounts of recognised financial liabilities <u>RM'000</u>	Gross amounts of recognised financial assets set off in the statements of financial position <u>RM'000</u>	Net amounts of financial liabilities presented in the statements of financial position <u>RM'000</u>
<u>GROUP/BANK</u>			
2021			
Amounts due to clients and brokers	151,937	(88,521)	63,416
Total	<u>151,937</u>	<u>(88,521)</u>	<u>63,416</u>
<u>GROUP/BANK</u>			
2020			
Amounts due to clients and brokers	55,141	(32,849)	22,292
Total	<u>55,141</u>	<u>(32,849)</u>	<u>22,292</u>

There were no enforceable master netting arrangements or similar arrangements between the Bank and the counterparty that allows for net settlement of financial assets and liabilities.

**45. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR**

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. 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.

**46. SUBSEQUENT EVENTS**

There were no material events subsequent to the end of the financial year that require disclosure or adjustment.



**47. ISLAMIC BANKING BUSINESS**

**STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2021**

		<u>GROUP/BANK</u>	
	Note	2021 RM'000	2020 RM'000
<b>ASSETS</b>			
Cash and short-term funds	(a)	6,404	11,176
Financial investments at fair value through other comprehensive income	(b)	73,447	107,472
Other assets	(c)	14	4,768
Deferred tax assets	(d)	36	-
<b>Total Assets</b>		<u>79,901</u>	<u>123,416</u>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>			
Provision for taxation		5,465	3,839
Other liabilities		132	-
Deferred tax liabilities	(d)	-	237
<b>Total Liabilities</b>		<u>5,597</u>	<u>4,076</u>
Islamic Banking Funds		56,000	56,000
Reserves		18,304	63,340
		<u>74,304</u>	<u>119,340</u>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>		<u>79,901</u>	<u>123,416</u>

**47. ISLAMIC BANKING BUSINESS (CONTD.)**

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

	Note	<u>GROUP/BANK</u>	
		2021 RM'000	2020 RM'000
Income derived from investment of Islamic banking funds	(e)	<u>6,567</u>	<u>6,663</u>
<b>Total distributable/net income</b>		<u>6,567</u>	<u>6,663</u>
Income attributable to the depositors and financial institutions	(f)	<u>-</u>	<u>(4)</u>
<b>Total net income</b>		<u>6,567</u>	<u>6,659</u>
Other operating expenses	(g)	(2)	(12)
Allowance for expected credit losses on financial investments	(h)	<u>211</u>	<u>(211)</u>
<b>Profit before taxation</b>		<u>6,776</u>	<u>6,436</u>
Taxation	(i)	<u>(1,626)</u>	<u>(1,545)</u>
<b>Net profit for the financial year</b>		<u><u>5,150</u></u>	<u><u>4,891</u></u>
<b>Other comprehensive income:</b>			
Items that may be reclassified subsequently to profit or loss:			
Revaluation reserve on financial investments at fair value through other comprehensive income			
- Net gain from change in fair value		2,194	1,994
- Realised gain transferred to statement of income on disposal		(3,330)	(1,003)
- Transfer to deferred tax		273	(238)
- Changes in expected credit losses		<u>(211)</u>	<u>211</u>
Other comprehensive income, net of tax		<u>(1,074)</u>	<u>964</u>
<b>Total comprehensive income for the financial year</b>		<u><u>4,076</u></u>	<u><u>5,855</u></u>

Net income from Islamic banking business stated in the consolidated statement of income is derived from:

Income derived from investment of Islamic banking funds	6,567	6,663
Income attributable to the depositors and financial institutions	<u>-</u>	<u>(4)</u>
	<u><u>6,567</u></u>	<u><u>6,659</u></u>

**47. ISLAMIC BANKING BUSINESS (CONTD.)**

**STATEMENT OF CHANGES IN ISLAMIC BANKING FUNDS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021**

	Non-distributable reserves			Distributable reserves	
	Funds allocated from Head Office (HO)	Regulatory reserves	FVOCI reserves	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>GROUP/BANK</u></b>					
At 1 April 2020	56,000	48	960	62,332	119,340
Net profit for the financial year	-	-	-	5,150	5,150
Other comprehensive income	-	-	(1,074)	-	(1,074)
Total comprehensive income	-	-	(1,074)	5,150	4,076
Transfer from regulatory reserves	-	(48)	-	48	-
Dividends paid	-	-	-	(49,112)	(49,112)
At 31 March 2021	56,000	-	(114)	18,418	74,304
At 1 April 2019	56,000	-	(4)	57,489	113,485
Net profit for the financial year	-	-	-	4,891	4,891
Other comprehensive income	-	-	964	-	964
Total comprehensive income	-	-	964	4,891	5,855
Transfer to regulatory reserves	-	48	-	(48)	-
At 31 March 2020	56,000	48	960	62,332	119,340

**47. ISLAMIC BANKING BUSINESS (CONTD.)**

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

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	6,776	6,436
Adjustments for:-		
Accretion of discount less amortisation of premium of securities	252	(106)
Income from financial investments at fair value through other comprehensive income	(5,922)	(6,311)
Allowance for expected credit losses on financial investments	(211)	211
Operating profit before working capital changes	<u>895</u>	<u>230</u>
Changes in working capital:		
Other assets	4,754	(12)
Other liabilities	132	-
Net cash generated from operating activities	<u>5,781</u>	<u>218</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial investments at fair value through other comprehensive income (net of proceeds from disposal)	36,380	5,851
Income from financial investments at fair value through other comprehensive income	2,179	5,080
Net cash generated from investing activities	<u>38,559</u>	<u>10,931</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid to holding company	(49,112)	-
Net cash used in financing activity	<u>(49,112)</u>	<u>-</u>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	(4,772)	11,149
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	<u>11,176</u>	<u>27</u>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<u><u>6,404</u></u>	<u><u>11,176</u></u>
Cash and cash equivalents comprise the following:		
Cash and short term funds	<u><u>6,404</u></u>	<u><u>11,176</u></u>

**47. ISLAMIC BANKING BUSINESS (CONTD.)**

**(a) Cash and short-term funds**

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
Cash and balances with banks and other financial institutions	23	15
Money at call and deposit placements maturing within one month	6,381	11,161
	<u>6,404</u>	<u>11,176</u>

**(b) Financial investments at fair value through other comprehensive income ("FVOCI")**

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
<b>At fair value</b>		
<u>Money market instruments:</u>		
Malaysian Government investment issues	63,554	10,995
	<u>63,554</u>	<u>10,995</u>
<u>Unquoted securities:</u>		
Sukuk	9,893	96,477
	<u>9,893</u>	<u>96,477</u>
Total financial investments at fair value through other comprehensive income	<u>73,447</u>	<u>107,472</u>

Movements in allowance for expected credit losses are as follows:

	12 months ECL (Stage 1)	
	2021	2020
	RM'000	RM'000
<u>GROUP/BANK</u>		
At 1 April	211	-
Financial assets derecognised other than write-off	(35)	-
Changes due to change in credit risk	(176)	55
Other adjustments	-	156
Total (write-back)/charge to income statement	<u>(211)</u>	<u>211</u>
At 31 March	<u>-</u>	<u>211</u>

**(c) Other assets**

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
Other debtors, deposits and prepayments	<u>14</u>	<u>4,768</u>

**47. ISLAMIC BANKING BUSINESS (CONTD.)**

**(d) Deferred tax**

	<u>GROUP/BANK</u>	
	2021 RM'000	2020 RM'000
Deferred tax assets, net	36	-
Deferred tax liabilities, net	-	(237)
	<u>36</u>	<u>(237)</u>

  

	<u>GROUP/BANK</u>	
	2021 RM'000	2020 RM'000
At 1 April	(237)	1
Recognised in equity	273	(238)
At 31 March	<u>36</u>	<u>(237)</u>

  

<u>GROUP/BANK</u>	<u>GROUP/BANK</u>	
	2021 RM'000	2020 RM'000
Deferred tax (liabilities)/assets		
At 1 April 2020	(237)	(237)
Recognised in equity	273	273
At 31 March 2021	<u>36</u>	<u>36</u>
At 1 April 2019	1	1
Recognised in equity	(238)	(238)
At 31 March 2020	<u>(237)</u>	<u>(237)</u>

	<u>GROUP/BANK</u>	
	2021 RM'000	2020 RM'000
Financial investments at fair value through other comprehensive income		
At 1 April 2020	(237)	(237)
Recognised in equity	273	273
At 31 March 2021	<u>36</u>	<u>36</u>
At 1 April 2019	1	1
Recognised in equity	(238)	(238)
At 31 March 2020	<u>(237)</u>	<u>(237)</u>

**(e) Income derived from investment of islamic banking funds**

	<u>GROUP/BANK</u>	
	2021 RM'000	2020 RM'000
<b>Finance income and hibah</b>		
Financial investments at fair value through other comprehensive income	2,592	5,308
Money at call and deposit with financial institutions	897	246
	<u>3,489</u>	<u>5,554</u>
Accretion of discount less amortisation of premium (net)	(252)	106
Total finance income and hibah	3,237	5,660
Investment income	3,330	1,003
	<u>6,567</u>	<u>6,663</u>

**47. ISLAMIC BANKING BUSINESS (CONTD.)**

**(f) Income attributable to depositors and financial institutions**

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
Deposits and placements of banks and other financial institutions		
- Non-Mudharabah Fund	-	4
	<u>-</u>	<u>4</u>

**(g) Other operating expenses**

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
<u>Administration and general expenses</u>		
- Others	2	12
Total operating expenses	<u>2</u>	<u>12</u>

**(h) Allowance for expected credit losses on financial investments**

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
Financial investments at fair value through other comprehensive income		
- Allowance made during the financial year	(211)	211
	<u>(211)</u>	<u>211</u>

**(i) Taxation**

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
Income tax:		
Current year	1,626	1,545
	<u>1,626</u>	<u>1,545</u>

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

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
Profit before taxation	<u>6,776</u>	<u>6,436</u>
Taxation at Malaysian statutory tax rate of 24% (2020: 24%)	<u>1,626</u>	<u>1,545</u>
Tax expense for the year	<u>1,626</u>	<u>1,545</u>

**47. ISLAMIC BANKING BUSINESS (CONTD.)**

**(j) Profit Rate Risk**

The following tables indicate the effective profit rates at the end of reporting period and the periods in which the financial instruments re-price or mature, whichever is earlier.

<u>GROUP/BANK</u>	<u>Up to 1 month</u>	<u>&gt;1-3 months</u>	<u>&gt;3-6 months</u>	<u>&gt;6-12 months</u>	<u>&gt;1-5 years</u>	<u>Over 5 years</u>	<u>Non-profit sensitive</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2021								
<b>Assets</b>								
Cash and short-term funds	6,380	-	-	-	-	-	24	6,404
Financial investments at fair value through other comprehensive income	-	-	-	-	10,465	62,292	690	73,447
Other financial assets	-	-	-	-	-	-	14	14
<b>Total financial assets</b>	<b>6,380</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,465</b>	<b>62,292</b>	<b>728</b>	<b>79,865</b>
<b>Liabilities</b>								
Other financial liabilities	-	-	-	-	-	-	132	132
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>132</b>	<b>132</b>
On-balance sheet profit sensitivity gap	6,380	-	-	-	10,465	62,292	596	79,733



**47. ISLAMIC BANKING BUSINESS (CONTD.)**

**(j) Profit Rate Risk (contd.)**

The following tables indicate the effective profit rates at the end of reporting period and the periods in which the financial instruments re-price or mature, whichever is earlier. (contd.)

<u>GROUP/BANK</u>	<u>Up to 1 month</u>	<u>&gt;1-3 months</u>	<u>&gt;3-6 months</u>	<u>&gt;6-12 months</u>	<u>&gt;1-5 years</u>	<u>Over 5 years</u>	<u>Non-profit sensitive</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2020								
<b>Assets</b>								
Cash and short-term funds	11,160	-	-	-	-	-	16	11,176
Financial investments at fair value through other comprehensive income	-	-	-	-	81,132	26,063	277	107,472
Other financial assets	-	-	-	-	-	-	4,768	4,768
<b>Total financial assets</b>	<b>11,160</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81,132</b>	<b>26,063</b>	<b>5,061</b>	<b>123,416</b>
<b>Liabilities</b>								
Other financial liabilities	-	-	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
On-balance sheet profit sensitivity gap	11,160	-	-	-	81,132	26,063	5,061	123,416

**47. ISLAMIC BANKING BUSINESS (CONTD.)**

**(k) 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 Bank has also adopted the transitional arrangements on provisions for expected credit losses in accordance with Bank Negara Malaysia's Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions effective on 9 December 2020.

This allow the Group and the Bank to add back a portion of Stage 1 ("S1") and Stage 2 ("S2") provisions with an "add-back factor", to the CET I capital from Financial Year 2021 to Financial Year 2024.

The capital adequacy ratios with and without transitional arrangements for the Group and Bank are as follows:

	<u>GROUP/BANK</u>	
	2021	2020
<b>With and without transitional arrangements:</b>		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	776.781%	272.347%
Tier I capital ratio	776.781%	272.347%
Total capital ratio	776.781%	273.076%
<u>After deducting proposed dividends</u>		
CET I capital ratio	767.231%	249.652%
Tier I capital ratio	767.231%	249.652%
Total capital ratio	767.231%	250.381%

**47. ISLAMIC BANKING BUSINESS (CONTD.)**

**(k) Capital Adequacy (contd.)**

- (i) Components of Common Equity Tier I ("CET I"), Tier I and Tier II capital under the Capital Adequacy Framework with transitional arrangements are as follows:

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
<b><u>CET I Capital</u></b>		
Funds allocated from Head Office	56,000	56,000
Retained profits	18,418	62,332
FVOCI reserves	(114)	749
Regulatory reserves	-	48
	<u>74,304</u>	<u>119,129</u>
Less: Regulatory adjustments		
- 55% of FVOCI reserves	-	(412)
- Deferred tax assets	(36)	-
- Regulatory reserves	-	(48)
- Additional Tier 1 Sukuk Wakalah	-	(60,000)
Total CET I Capital/Total Tier I Capital	<u>74,268</u>	<u>58,669</u>
<b><u>Tier II Capital</u></b>		
Expected credit losses	-	157
<b>Total Capital Base</b>	<u>74,268</u>	<u>58,826</u>

- (ii) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category are as follows:

	<u>GROUP/BANK</u>	
	2021	2020
	RM'000	RM'000
Credit risk	1,291	12,560
Operational risk	8,270	8,982
Total RWA and capital requirements	<u>9,561</u>	<u>21,542</u>