ALLIANCE BANK ISLAMIC BANK

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

ALLIANCE ISLAMIC BANK BERHAD
200701018870 (776882-V)
(Incorporated in Malaysia)

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ALLIANCE ISLAMIC BANK BERHAD
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DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of Islamic banking and finance business and the provision of related financial services. Islamic banking and finance business refers generally to the acceptance of deposits and granting of financing and all other activities allowed under the Islamic Financial Services Act, 2013 and the Shariah principles.

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

FINANCIAL RESULTS

	RM'000
Profit before taxation	11,504
Taxation	(4,788)
Net profit for the financial year	6,716

RESERVES AND PROVISIONS

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

DIVIDENDS

There were no dividend declared and paid since 31 March 2020 and the Directors do not propose any final dividend in respect of the financial year ended 31 March 2021.

ISSUE OF SHARES AND DEBENTURES

On 21 December 2020, the Bank allotted and issued 69,204,152 new ordinary shares at an issue price of RM2.89 per share to Alliance Bank Malaysia Berhad for a cash consideration of RM200,000,000 pursuant to approval received from Bank Negara Malaysia on 3 August 2020.

BAD AND DOUBTFUL FINANCING

Before the financial statements 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 financing and the making of allowance for doubtful financing and satisfied themselves that all known bad financing had been written off and adequate allowances have been made for doubtful financing.

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

CURRENT ASSETS

Before the financial statements 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 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 Bank misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

(i) any charge on the assets of the 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 Bank that 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 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 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 Bank, which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

(i) the results of the operations of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than disclosed in Note 42 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 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:

Datuk Wan Azhar Bin Wan Ahmad (Chairman)
Ibrahim Bin Hassan
Joel Kornreich
Dato' Ahmad Hisham bin Kamaruddin
Tuan Haji Rustam bin Mohd Idris

DIRECTORS' REMUNERATION

Details of directors' remuneration are set out in Note 33 to the financial statements.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during the 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 33 to the financial statements) by reason of a contract made by the Bank or its holding company or subsidiaries 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 holding company or subsidiaries of the holding company during the financial year.

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

The Bank recorded a net profit after tax ("NPAT") of RM6.7 million for the full year ended 31 March 2021, representing a decrease of RM67.5 million compared to the previous financial year. The lower profits were largely due to higher credit cost as a result of provisioning, mostly in the consumer portfolio.

Nevertheless, pre-provision operating profit ("PPOP") was up by 10.4%, mainly driven by net financing income growth and lower cost of funds. Net financing income improved by RM28.0 million or 9.4% year-on-year ("YOY"). Net profit margin ("NPM") was slightly lower at 2.30% due to cuts to Overnight Policy Rate ("OPR").

Better Financing Growth
Gross loans and advances stood at RM10.9 billion, recording an increase of 1.0% YOY driven by the small and medium enterprise ("SME") and consumer segments, growing by 10.8% and 0.4% respectively.

Other Operating Income
The Bank recorded lower other operating income of RM27.9 million, a decline of RM6.6 million or 19.1% YOY. This was due to a decrease in unit trust and trade fee income, mainly due to the challenging external environment.

Managing Operating Expenses
Operating expenses remained stable at RM129.5 million while cost-to-income ratio ("CIR") decreased by 2.3% to 36.5%. The Bank will continue to focus on cost-saving efforts as we navigate through the COVID-19 pandemic.

Asset Quality
The Bank's allowance for expected credit losses on financing, advances and other debts increased by RM108.8 million to RM213.9 million as compared to the previous financial year. Included in the allowance for expected credit losses on financing, advances and other debts were reserves that the Bank built up via management overlays amounting to RM123.6 million in anticipation of the economic impacts of COVID-19.

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

The Bank will continue to improve its control of credit cost by refining credit policies, tightening credit underwriting and increasing collection efforts. Financing loss coverage (including regulatory reserves) was at 114.6%.

Healthy Funding and Liquidity Position
We increased our CASA ratio from 31.9% to 46.0%. Total customer deposits stood at RM12.3 billion, increased by 3.8%. The Bank also continued to rationalise its deposits mix throughout FY2021 to optimise our cost of funds.

The Bank's liquidity coverage and financing-to-fund ratios remained healthy at 141.2% and 82.9%, respectively. We will continue to maintain ample liquidity ratios and ensure a sufficient liquidity buffer to mitigate any payment shocks resulting from the uncertainties caused by COVID-19.

Prioritising Capital Conservation
We will continue to prioritise capital conservation in order to support future business expansion, given the uncertainties caused by COVID-19. With the adoption of Bank Negara Malaysia's Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions and a capital injection of RM200.0 million from Alliance Bank Malaysia Berhad, we continued to maintain strong capital levels, with Common Equity Tier-1 ("CET 1") ratio at 15.0%, Tier-1 Capital ratio at 16.2% and total capital ratio at 18.8%, an improvement of 2.0%.

ECONOMIC OUTLOOK AND PROSPECTS FOR FYE 31 MARCH 2022

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

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

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

The Bank 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

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

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

(i) Acquiring more customers where the Bank intends to scale up in its core segments of SME and Consumer Banking by enhancing and equipping relationship managers with digital tools to serve high-value customers. The Bank will also focus on securing more customers via digital channels;

(ii) Capitalising on our Consumer and Business Banking franchises, whereby we will focus on accelerating cross-selling value propositions to our customers to increase market penetration and generate fee-based income; and

(iii) Enhancing productivity and efficiencies by streamlining processes, automating through digital tools/channels, centralising functions and improving branch productivity.

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

RATING BY EXTERNAL RATING AGENCY

The Bank is rated by Rating Agency Malaysia Berhad ("RAM"). Based on RAM's rating in November 2020, the Bank's short-term and long-term ratings are reaffirmed at P1 and A1 respectively. RAM has classified these rating categories as follows:

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

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

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.

AUDITOR'S REMUNERATION

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

SHARIAH COMMITTEE

The Shariah Committee for the financial year 2020/2021 consists of 5 members appointed by the Bank's Board of Directors. The primary roles and responsibilities of the Shariah Committee are as follows:-

(a) providing a decision or advice to the Bank on the application of any rulings of the BNM's Shariah Advisory Council ("SAC") or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the Bank;

(b) providing a decision or advice on matters which require a reference to be made to the SAC;

(c) providing a decision or advice on the operations, business, affairs and activities of the Bank which may trigger a Shariah non-compliance event;

(d) deliberating and affirming a Shariah non-compliance finding by any relevant functions;

(e) deciding on potential Shariah non-compliance event and endorsing measures for its rectification;

(f) endorsing Shariah related policies and framework before its being approved by the Board;

(g) approving procedures which complements policies and framework and product collaterals;

(h) reviewing the Bank's Value Based Intermediaries ("VBI") objectives and strategy to ensure they are in line with Shariah principles;

(i) assessing the works carried out by Shariah Review and Shariah Audit; and

(j) endorsing zakat computation and distribution.

ZAKAT OBLIGATION

The management of the Bank's zakat is governed by the Bank's Zakat Policy and Procedures. The Bank as an Islamic business entity computes zakat using Asset Growth Method at the rate of 2.575 percent based on Gregorian calendar. The zakat payment does not cover the zakat obligation by the depositors. The zakat computation is endorsed by the Shariah Committee. The payment of zakat to zakat authorities and eligible recipients is recommended and approved by Shariah Committee and the Board of Directors respectively.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 42 to the financial statements.

SUBSEQUENT EVENTS

The events subsequent to the end of the financial reporting period are disclosed in Note 43 to the financial statements.

AUDITORS

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

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

Datuk Wan Azhar Bin Wan Ahmad

Ibrahim Bin Hassan

Kuala Lumpur, Malaysia
3 June 2021

ALLIANCE ISLAMIC BANK BERHAD
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STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Datuk Wan Azhar Bin Wan Ahmad and Ibrahim Bin Hassan, being two of the Directors of Alliance Islamic Bank Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 14 to 102 are drawn up so as to give a true and fair view of the financial position of the Bank as at 31 March 2021 and financial performance 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.

Datuk Wan Azhar Bin Wan Ahmad
Kuala Lumpur, Malaysia
3 June 2021

Ibrahim Bin Hassan

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 Islamic Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 14 to 102 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,

SHARIAH COMMITTEE'S REPORT

In the name of Allah, The Most Gracious, The Most Merciful

In performing our roles and responsibilities in line with the Shariah Commitee Charter of Alliance Islamic Bank Berhad ("the Bank"), Bank Negara Malaysia's ("BNM")'s Shariah Governance Policy Document, as well as our letter of appointment, we are required to submit the following report:

We wish to state notwithstanding our report presented herein, the management of the Bank is responsible for ensuring that the Bank conducts its business in accordance with Shariah principles, and it is our responsibility to form an independent opinion based on our review on the Bank operations.

During the period under review we had convened fifteen Shariah Committee meetings during which we reviewed the principles and the contracts relating to the products, transactions and dealings entered into by the Bank as well as issues arising thereof which had been presented before us. In addition, during the period under review we also assessed the work carried out by the Shariah Review and Shariah Audit teams.

In our opinion:

(a) Nothing has come to Shariah Committee's attention that causes the Shariah Committee to believe that the operations, business, affairs and activities of the Bank involves any material Shariah non-compliances;

(b) In performing our role as espoused above we obtained all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give us reasonable assurance that the Bank has not violated Shariah principles;

(c) The contracts, transactions and dealings entered into by the Bank during the financial year ended 31 March 2021 that we have reviewed are in compliance with Shariah principles;

(d) The Bank carried out Shariah Review and Shariah Audit functions on a regular basis where we reviewed reports prepared thereof and examined on a test basis, each type of transaction, the relevant documentations and procedures adopted by the Bank to enable us to form an opinion as to whether the Bank has complied with Shariah principles and Shariah rulings issued by the Shariah Advisory Council ("SAC") of BNM, as well as Shariah Committee's decisions. We also noted that the incidences of non-compliances revealed arising from the reviews and audit conducted were tracked and monitored until closure;

(e) In the financial year under review, pursuant to the Bank's Zakat Policy and Procedures, the Bank has fulfilled its obligation to pay zakat on its business to the eligible recipients. The zakat amount was computed using Asset Growth method; and

(f) During the period under review, there were no Shariah non-compliance events reported to us.

In relation to the above, based on the information provided and disclosed to us, we do hereby confirm that, to the best of our knowledge, the business, operations and activities of the Bank for the year ended 31 March 2021 had been conducted in conformity with Shariah.

Signed on behalf of the Shariah Committee

Dr. Tuan Badrul Hisyam bin Tuan Soh
Chairman of the Shariah Committee

Professor Dr. Muhamad Rahimi bin Osman
Shariah Committee Member

Kuala Lumpur, Malaysia
3 June 2021

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF ALLIANCE ISLAMIC BANK BERHAD
(Incorporated in Malaysia)
200701018870 (776882-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Alliance Islamic Bank Berhad (“the Bank”) give a true and fair view of the financial position of the Bank as at 31 March 2021, and of its financial performance and its 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 Bank, which comprise the statement of financial position as at 31 March 2021, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 102.

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 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.

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 and Shariah Committee’s Report, but does not include the financial statements of the Bank and our auditors’ report thereon.

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

In preparing the financial statements of the Bank, the Directors are responsible for assessing 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 Bank or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF ALLIANCE ISLAMIC BANK BERHAD (CONTD.)
(Incorporated in Malaysia)
200701018870 (776882-V)

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 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 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 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 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 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 Bank to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Bank, including the disclosures, and whether the financial statements of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF ALLIANCE ISLAMIC BANK BERHAD (CONTD.)
(Incorporated in Malaysia)
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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	ONG CHING CHUAN
LLP0014401-LCA & AF 1146	02907/11/2021 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur
3 June 2021

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	2021 RM'000	2020 RM'000
ASSETS			
Cash and short-term funds	3	1,373,080	714,632
Financial investments at fair value through other comprehensive income	4	2,199,728	2,301,866
Financial investments at amortised cost	5	292,919	80,628
Financing and advances	6	10,636,498	10,673,613
Other assets	7	9,363	4,791
Statutory deposits with Bank Negara Malaysia	8	18,338	219,488
Tax recoverable		25,796	21,550
Right-of-use assets	9	640	136
Property, plant and equipment	10	174	236
Deferred tax assets	11	22,861	-
Intangible assets	12	920	825
TOTAL ASSETS		14,580,317	14,017,765
LIABILITIES AND EQUITY			
Deposits from customers	13	12,259,341	11,805,145
Deposits and placements of banks and other financial institutions	14	279,180	220,851
Obligations on securities sold under repurchase agreements	15	-	148,082
Recourse obligation on financing sold to Cagamas	16	350,400	500,642
Lease liabilities	17	661	119
Other liabilities	18	260,631	113,820
Deferred tax liabilities	11	-	1,688
Provision for zakat		847	1,245
Subordinated Sukuk	19	229,379	229,075
TOTAL LIABILITIES		13,380,439	13,020,667
Share capital	20	600,000	400,000
Reserves	21	599,878	597,098
TOTAL EQUITY		1,199,878	997,098
TOTAL LIABILITIES AND EQUITY		14,580,317	14,017,765
Restricted investment account	39	34,379	74,795
Total Islamic Banking asset		14,614,696	14,092,560
COMMITMENTS AND CONTINGENCIES	40	2,403,611	2,438,545

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

ALLIANCE ISLAMIC BANK BERHAD
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STATEMENT OF INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	Note	2021 RM'000	2020 RM'000
Income derived from investment of depositors' funds and others	22	606,543	649,099
Income derived from investment of shareholder's funds	23	56,405	58,470
Allowance for expected credit losses on financing, advances and other financial assets	24	(213,797)	(104,854)
Allowance for expected credit losses on financial investments	25	(78)	(223)
Total distributable income		449,073	602,492
Income attributable to the depositors and financial institutions	26	(308,059)	(374,098)
Total net income		141,014	228,394
Other operating expenses	27	(129,510)	(129,286)
Profit before taxation		11,504	99,108
Taxation	28	(4,788)	(24,882)
Net profit for the financial year		6,716	74,226
Net profit for the financial year attributable to:			
Equity holder of the Bank		6,716	74,226
Earnings per share attributable to Equity holder of the Bank - basic/diluted (sen)	29	1.8	21.5

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

ALLIANCE ISLAMIC BANK BERHAD
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	2021 RM'000	2020 RM'000
Net profit for the financial year	6,716	74,226
Other comprehensive (expense)/income:		
Items that may be reclassified subsequently to profit or loss:		
Revaluation reserve on financial investments at fair value through other comprehensive income ("FVOCI")		
- Net gain from change in fair values	5,125	33,800
- Realised gain transferred to statement of income on disposal	(10,277)	(7,362)
- Transfer from/(to) deferred tax	1,236	(6,345)
- Changes in expected credit losses	(20)	(2)
Other comprehensive (expense)/income, net of tax	(3,936)	20,091
Total comprehensive income for the financial year	2,780	94,317
Total comprehensive income for the financial year attributable to:		
Equity holder of the Bank	2,780	94,317

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

ALLIANCE ISLAMIC BANK BERHAD
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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	← Non-distributable reserves →			Distributable reserves	
	Ordinary shares RM'000	Regulatory reserves RM'000	FVOCI reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 April 2020	400,000	34,748	38,925	523,425	997,098
Net profit for the financial year	-	-	-	6,716	6,716
Other comprehensive expense	-	-	(3,936)	-	(3,936)
Total comprehensive (expense)/income	-	-	(3,936)	6,716	2,780
Transfer from regulatory reserves	-	(34,748)	-	34,748	-
Issue of ordinary shares	200,000	-	-	-	200,000
At 31 March 2021	600,000	-	34,989	564,889	1,199,878

	Ordinary shares RM'000	Regulatory reserves RM'000	FVOCI reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 April 2019					
As previously stated	400,000	9,060	18,834	522,931	950,825
Effects of adoption of MFRS 16	-	-	-	(13)	(13)
As restated	400,000	9,060	18,834	522,918	950,812
Net profit for the financial year	-	-	-	74,226	74,226
Other comprehensive income	-	-	20,091	-	20,091
Total comprehensive income	-	-	20,091	74,226	94,317
Transfer to regulatory reserves	-	25,688	-	(25,688)	-
Dividend paid (Note 30)	-	-	-	(48,031)	(48,031)
At 31 March 2020	400,000	34,748	38,925	523,425	997,098

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

ALLIANCE ISLAMIC BANK BERHAD
200701018870 (776882-V)
(Incorporated in Malaysia)

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

	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	11,504	99,108
Adjustments for:		
Accretion of discount less amortisation of premium of financial investments	(8,762)	(24,444)
Allowance for expected credit losses on financing and advances	183,774	102,564
Allowance for expected credit losses on other receivables	159	108
Allowance for expected credit losses on commitments and contingencies	18,646	448
Allowance for expected credit losses on financial investments	78	223
Amortisation of computer software	296	289
Depreciation of property, plant and equipment	85	112
Depreciation of right-of-use assets	264	273
Income from financial investments at amortised cost	(10,423)	(3,177)
Income from financial investments at fair value through other comprehensive income	(91,560)	(91,501)
Loss on sale of financial assets at fair value through profit and loss	-	931
Net gain from sale of financial investments at fair value through other comprehensive income	(7,224)	(7,642)
Profit expense on recourse obligation on financing sold to Cagamas	26,651	21,968
Profit expense on lease liabilities	23	16
Profit expense on subordinated sukuk	13,368	13,392
Profit expense on obligation on securities sold under repurchase agreements	-	99
Unrealised gain arising from financial assets at fair value through profit and loss	-	(177)
Zakat	(34)	655
Operating profit before working capital changes	136,845	113,245
Changes in working capital:		
Deposits from customers	454,196	1,872,244
Deposits and placements of banks and other financial institutions	58,329	(22,880)
Financial asset at fair value through profit and loss	-	(960)
Financing and advances	(146,657)	(1,469,299)
Obligations on securities sold under repurchase agreements	(148,082)	147,983
Other assets	(4,731)	(2,663)
Other liabilities	128,127	(139,256)
Statutory deposits with Bank Negara Malaysia	201,150	115,900
Cash generated from operating activities	679,177	614,314
Taxation paid	(32,347)	(35,919)
Zakat paid	(326)	(95)
Net cash generated from operating activities	646,504	578,300

ALLIANCE ISLAMIC BANK BERHAD
200701018870 (776882-V)
(Incorporated in Malaysia)

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

	2021 RM'000	2020 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Income from financial assets at fair value through profit and loss	-	206
Income from financial investments at amortised cost	8,214	2,324
Income from financial investments at fair value through other comprehensive income	92,509	93,777
Additional capital injection from holding company	200,000	-
Purchase of property, plant and equipment	(23)	(16)
Purchase of intangible assets	(391)	(217)
Purchase of:		
- financial investments at fair value through other comprehensive income	-	(570,233)
- financial investments at amortised cost	(292,389)	(80,000)
Redemption/disposal of:		
- financial investments at fair value through other comprehensive income	100,206	399,461
- financial investments at amortised cost	94,024	26,042
Net cash generated from/(used in) investing activities	202,150	(128,656)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(48,031)
Repayment of lease liabilities	(249)	(298)
Profit expense on recourse obligation on financing sold to Cagamas	(176,893)	(21,918)
Profit expense on subordinated sukuk	(13,064)	(13,172)
Net cash used in financing activities	(190,206)	(83,419)
Net change in cash and cash equivalents	658,448	366,225
Cash and cash equivalents at beginning of financial year	714,632	348,407
Cash and cash equivalents at end of financial year	1,373,080	714,632
Cash and cash equivalents comprise the following:		
Cash and short-term funds (Note 3)	1,373,080	714,632

STATEMENT 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:

	Recourse obligations on financing sold to Cagamas RM'000	Lease liabilities RM'000	Subordinated Sukuk RM'000
At 1 April 2020	500,642	119	229,075
Cash flow			
- Profit payment	(176,893)	-	(13,064)
- Repayment of lease liabilities	-	(249)	-
Non cash changes			
- Profit accrued	26,651	23	13,368
- Additions, remeasurement and termination of contracts	-	768	-
At 31 March 2021	350,400	661	229,379
At 1 April 2019			
As previously stated	500,592	-	228,855
Effects of adoption of MFRS 16	-	416	-
As restated	500,592	416	228,855
Cash flow			
- Profit payment	(21,918)	-	(13,172)
- Repayment of lease liabilities	-	(298)	-
Non cash changes			
- Profit accrued	21,968	16	13,392
- Additions, remeasurement and termination of contracts	-	(15)	-
At 31 March 2020	500,642	119	229,075

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Bank is principally engaged in all aspects of Islamic banking and finance business and the provision of related financial services. Islamic banking and finance business refers generally to the acceptance of deposits and granting of financing and all other activities allowed under the Islamic Financial Services Act 2013 and the Shariah principles.

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, 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 3 June 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

Malaysian Financial Reporting Standards ("MFRS") Framework

The financial statements of the Bank has 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 Bank has 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 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 amount 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 judgment in the process of applying the Bank's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements is on the measurement of allowance for expected credit losses ("ECL") for financial assets measured at amortised cost and at fair value through other comprehensive income. These are the 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

The sensitivity effect on the macroeconomic factor is further disclosed in Note 34(a)(vi).

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

- Significant increase in credit risk in Note 34(a)(iv)(a)
- Development of ECL models and assumption for the measurement of ECL
- Determining the number and relative weightings of forward-looking scenarios
- Establishing groups of similar financial assets for the purpose of measuring the ECL on collective basis

With the impact of COVID-19 pandemic, the Bank has also applied overlays and post model adjustments to determine a sufficient overall level of allowance of ECL as at 31 March 2021. The basis is further disclosed in Note 34(a)(ix).

Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Bank for the financial year beginning 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 Bank.

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

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

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

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 Bank but not yet effective

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 recognized.

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 Bank but not yet effective (contd.)

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

<u>Financial year beginning after 1 April 2022 (contd:)</u>

(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.

<u>Financial year beginning after 1 April 2023</u>

(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) Intangible Assets: 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 losses, 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 losses is in accordance with Note 2(g)(ii).

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 Bank, 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.

(c) 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 Bank 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 statement 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 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(g)(ii).

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%
Renovations	20%
Computer equipment	33.3%

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(d) Financial Assets

(i) Classification

The Bank classifies 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 statement of income or statement of other comprehensive income. 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 Bank.

(i) Financial assets at FVOCI comprise of:

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

(ii) The Bank classifies the following financial assets at FVTPL:

Debt investments that do not qualify for measurement at either amortised cost or fair value through comprehensive income.

(iii) The Bank classifies 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 profit on the principal outstanding.

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

(ii) Recognition and initial measurment

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

At initial recognition, the Bank measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in 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 profit ("SPPI").

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(d) Financial Assets (contd.)

(iii) Subsequent measurement

Debt instruments

There are three measurement categories into which the Bank classifies 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. Profit income from these financial assets is included in gross profit income using the effective 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 statement 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, interest profit and foreign exchange gains and losses which are recognised in statement of income.

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

(iii) FVTPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. 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 statement of income and presented net within other operating income in the period which it arises.

(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 Bank has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Bank is 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 statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount presented in the statement 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.

(f) Other Assets

Other receivables, deposits and amount due from related party included in other assets are carried at amortised cost using the effective yield method, less allowances for expected credit losses. 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.

(g) Impairment of Assets

(i) Impairment of financial assets

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

The Bank's financial assets that are subjected to the ECL model includes financial assets classified at amortised cost, debt instruments measured at FVOCI, financing commitments, financial guarantee contracts and other commitments.

(a) General 3-stage approach

At each reporting date, 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 ECL impairment model:

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

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

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

Measurement of ECL is set out in Note 34.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(g) Impairment of Assets (Contd.)

(i) Impairment of financial assets (contd.)

(b) Simplified approach for other receivables

The Bank applies 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 its low credit risk and non-maturity profile on due amount.

LGD deem to be in full at any point in time as accounts are short term repayment and forward looking element will not be considered.

(c) Write-off

The Bank writes-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 Bank may writes-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written-off will result in bad debt recoveries.

(ii) Impairment of non-financial assets

Other non-financial assets such as property, plant and equipment and computer software 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 statement 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 statement of income.

(h) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(h) Financial Liabilities (contd.)

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.

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

(i) Repurchase Agreements

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

Conversely, obligations on financial instruments sold under repurchase agreements are instruments which the Bank has 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.

(j) Bills and Acceptances Payable

Bills and acceptances payable represent the Bank's own bills and acceptances rediscounted and outstanding in the market.

(k) Subordinated Sukuk

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

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

(l) Provisions

Provisions are recognised when the Bank has 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 Bank expects 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.)

(m) Leases

Lease in which the Bank is 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 Bank (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Bank allocates 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 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 Bank considers 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 Bank reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Bank and affects whether the Bank is 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 Bank is 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.)

(m) Leases (contd.)

Lease in which the Bank is 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 Bank under residual value guarantees;
- The exercise price of a purchase and extension options if the Bank is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Bank exercising that option.

Lease payments are discounted using the profit rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in 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 statement of income over the lease period so as to produce a constant periodic rate of profit on the remaining balance of the liability for each period.

The Bank presents the lease liabilities as a separate line item in the statement of financial position. Profit expense on the lease liability is presented within the net profit income in statement 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 statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(n) Share Capital

(i) Classification

Ordinary shares with discretionary dividends are classified as equity.

(ii) Share issue costs

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

(iii) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owner of the Bank, excluding any costs of servicing equity other than ordinary shares; and
- 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 profit 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.

(o) Recognition of Financing Income

Finance income is recognised using effective profit rates, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financing or, where appropriate, a shorter period to the net carrying amount of the financing. When calculating the effective profit rate, the Bank estimates cash flows considering all contractual terms of the 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 profit rate, transaction costs and all other premiums or discounts.

Profit income and financing income are recognised in the statement of income for all profit-bearing assets on an accrual basis. Profit 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 financing where the value has been reduced as a result of impairment loss, financing income continues to be accrued using the rate of profit used to discount the future cash flows for the purposes of measuring the impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(p) Recognition of Fees and Other Income

Fee and commission income of the Bank is 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 statement 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, financing arrangement fees and commissions, management and participation fees, underwriting commissions, service charges on sale of unit trust funds. These fees constitute a single performance obligation.

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

Net gain or loss from disposal of financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income are recognised in 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 Financing Expenses

Finance cost and income attributable on deposits and borrowings of the Bank are recognised on an accrual basis.

The method of allocation of income to the types of deposits is based on "the Framework on Rate of Return" issued by BNM. This Framework on Rate of Return (BNM/GP2-*i*) which is based on the return on assets concept, calculates the income on assets. The return on assets, after deducting incidental expenses and allowances for losses on financing and advances are distributed to the depositors using the weighted average method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(r) Foreign Currencies

(i) Functional and presentation currency

Items included in the financial statements 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.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale 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.

(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 profit or loss, 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 the comprehensive income or directly in equity, respectively.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(s) Current and Deferred Income Tax (contd.)

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 statement 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) Foreclosed Properties

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

(u) Cash and Cash Equivalents

Cash and cash equivalents as stated in the statement 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.

(v) 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 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 Bank pays 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 statement of comprehensive income as incurred. As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF").

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(w) Contingent Assets and Contingent Liabilities

The Bank does not recognise contingent assets and liabilities, 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 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 Bank. The Bank does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(x) Financial Guarantee Contracts

Financial guarantee contracts are contracts that require 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

	2021 RM'000	2020 RM'000
Cash and balances with banks and other financial institutions	36,477	14,584
Money at call and deposit placements maturing within one month	1,336,603	700,048
	1,373,080	714,632

4. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 RM'000	2020 RM'000
At fair value - debt instruments		
Money market instruments:		
Malaysian Government investment issues	982,411	1,016,589
	982,411	1,016,589
Unquoted securities:		
Sukuk	1,217,317	1,285,277
	1,217,317	1,285,277
	2,199,728	2,301,866

Movements in allowance for expected credit losses are as follows:

	12-Month ECL (Stage 1) 2021 RM'000	2020 RM'000
At 1 April	37	39
New financial assets originated or purchased	-	7
Financial assets derecognised other than write-off	(7)	(1)
Changes due to change in credit risk	(13)	(8)
Total write-back from income statement	(20)	(2)
At 31 March	17	37

5. FINANCIAL INVESTMENTS AT AMORTISED COST

	2021 RM'000	2020 RM'000
At amortised cost		
Money market instruments:		
Malaysian Government investment issues	212,469	-
	212,469	-
Unquoted securities:		
Sukuk	80,773	80,853
Allowance for expected credit losses	(323)	(225)
	80,450	80,628
	292,919	80,628

Movements in allowance for expected credit losses are as follows:

	12-Month ECL (Stage 1) 2021 RM'000	2020 RM'000
At 1 April	225	-
New financial assets originated or purchased	-	109
Changes due to change in credit risk	98	116
Total charge to income statement	98	225
At 31 March	323	225

6. FINANCING AND ADVANCES

By types and Shariah concepts:

	Notes	Bai` Bithaman Ajil RM'000	Tawarruq RM'000	Al-Ijarah Thumma Al-Bai`/ AITAB RM'000	Murabahah RM'000	Qard RM'000	Bai` Al-Dayn RM'000	Bai' `Inah RM'000	Total Financing and Advances RM'000
31 March 2021									
At amortised cost									
Cash line financing		21,183	1,364,764	-	-	9,419	-	-	1,395,366
Term financing									
- Housing financing		3,502,427	-	-	-	-	-	-	3,502,427
- Hire purchase receivables	(a)	-	-	160,546	-	-	-	-	160,546
- Other term financing		2,032,240	2,098,013	-	-	-	-	146,579	4,276,832
Bills receivables		-	-	-	30,835	-	-	-	30,835
Trust receipts		-	-	-	61,000	-	-	-	61,000
Claims on customers under acceptance credits		-	-	-	655,028	-	97,388	-	752,416
Staff financing (including financing to Directors of RM Nil)		15,369	-	-	-	-	-	-	15,369
Revolving credits	(b)	153,117	583,268	-	-	-	-	-	736,385
Gross financing and advances		5,724,336	4,046,045	160,546	746,863	9,419	97,388	146,579	10,931,176
Add : Sales commission and handling fees									45,248
Less: Allowance for expected credit losses on financing and advances									(339,926)
Total net financing and advances	(c)								10,636,498

6. FINANCING AND ADVANCES (CONTD.)

By types and Shariah concepts (contd.):

	Notes	Bai` Bithaman Ajil RM'000	Tawarruq RM'000	Al-Ijarah Thumma Al-Bai`/ AITAB RM'000	Murabahah RM'000	Qard RM'000	Bai` Al-Dayn RM'000	Bai` `Inah RM'000	Total Financing and Advances RM'000
31 March 2020									
At amortised cost									
Cash line financing		31,036	1,658,404	-	-	9,121	-	-	1,698,561
Term financing									
- Housing financing		3,419,778	-	-	-	-	-	-	3,419,778
- Hire purchase receivables	(a)	-	-	214,832	-	-	-	-	214,832
- Other term financing		1,890,964	1,816,986	-	-	-	-	171,694	3,879,644
Bills receivables		-	-	-	49,096	-	-	-	49,096
Trust receipts		-	-	-	54,216	-	-	-	54,216
Claims on customers under acceptance credits		-	-	-	687,009	-	111,683	-	798,692
Staff financing (including financing to Directors of RM Nil)		15,779	-	-	-	-	-	-	15,779
Revolving credits	(b)	210,845	478,513	-	-	-	-	-	689,358
Gross financing and advances		5,568,402	3,953,903	214,832	790,321	9,121	111,683	171,694	10,819,956
Add : Sales commission and handling fees									52,641
Less: Allowance for expected credit losses on financing and advances									(198,984)
Total net financing and advances									10,673,613

Notes:

(a) Included hire purchase receivables under Al-Ijarah Thumma Al-Bai` ("AITAB") which is the contract of lease ending transfer of ownership from the lessor to the lessee in the form of sale transaction, which may take place at the end of the Ijarah period or at any point of time during the period, subject to the agreed terms and conditions between the contracting parties.

(b) The total Financing and Advances under Bai' Bithaman Ajil ("BBA") includes Revolving Credit-i (Murabahah) which substantively adopts a BBA product structure.

(c) As at 31 March 2021, the modification loss net off the unwinding arising from the 6-month payment moratorium and Payment Relief Assistance amounting to RM35,946,000 for the Bank is netted off against the gross financing and advances balance.

6. FINANCING AND ADVANCES (CONTD.)

(i) Purpose and source of fund for Qard financing:

	2021 RM'000	2020 RM'000
At 1 April	9,121	5,124
Sources of Qard fund:		
- Shareholders' fund	7,667	13,089
Uses of Qard fund:		
- Purchase of landed property - Non-residential	(513)	-
- Personal use	(272)	(462)
- Working capital	(5,990)	(8,630)
- Other	(594)	-
At 31 March	9,419	9,121

(ii) By maturity structure:

	2021 RM'000	2020 RM'000
Within one year	3,009,379	3,345,242
One year to three years	413,495	354,037
Three years to five years	602,307	685,056
Over five years	6,905,995	6,435,621
Gross financing and advances	10,931,176	10,819,956

(iii) By type of customers:

	2021 RM'000	2020 RM'000
Domestic non-bank financial institutions	188,344	64,816
Domestic business enterprises		
- Small and medium enterprises	3,112,741	2,710,603
- Others	1,378,585	1,817,910
Individuals	6,149,459	6,123,563
Other domestic entities	22,342	24,507
Foreign entities	79,705	78,557
Gross financing and advances	10,931,176	10,819,956

(iv) By profit rate sensitivity:

	2021 RM'000	2020 RM'000
Fixed rate		
- Housing financing	21,694	24,161
- Hire purchase receivables	160,546	214,811
- Other fixed rate financing	2,080,693	2,142,414
Variable rate		
- Housing financing	3,489,155	3,404,507
- Other variable rate financing	5,179,088	5,034,063
Gross financing and advances	10,931,176	10,819,956

6. FINANCING AND ADVANCES (CONTD.)

(v) By economic purposes:

	2021 RM'000	2020 RM'000
Purchase of transport vehicles	139,514	188,433
Purchase of landed property	4,917,672	4,835,794
of which: - Residential	*3,569,008*	*3,494,678*
- Non-residential	*1,348,664*	*1,341,116*
Purchase of fixed assets excluding land and buildings	52,175	57,272
Personal use	2,591,889	2,604,777
Construction	102,824	96,629
Working capital	2,543,549	2,522,151
Others	583,553	514,900
Gross financing and advances	10,931,176	10,819,956

(vi) By economic sectors:

	2021 RM'000	2020 RM'000
Primary agriculture	407,696	396,825
Mining and quarrying	38,540	47,680
Manufacturing	1,158,867	1,149,925
Electricity, gas and water	2,170	649
Construction	259,435	277,987
Wholesale, retail trade, restaurants and hotels	1,530,989	1,500,755
Transport, storage and communication	143,355	175,991
Financing, insurance, real estate and business services	1,081,791	990,721
Community and recreation	77,769	73,942
Household	6,229,164	6,202,120
Others	1,400	3,361
Gross financing and advances	10,931,176	10,819,956

(vii) By geographical distribution:

	2021 RM'000	2020 RM'000
Northern region	975,765	968,397
Central region	7,270,717	7,363,319
Southern region	1,259,454	1,279,947
Sabah region	1,077,700	887,967
Sarawak region	347,540	320,326
Gross financing and advances	10,931,176	10,819,956

6. FINANCING AND ADVANCES (CONTD.)

(viii) Movements in credit impaired financing and advances ("impaired financing") under Stage 3

	2021 RM'000	2020 RM'000
At 1 April	232,569	106,925
Impaired during the financial year	318,798	331,156
Reclassified as unimpaired during the financial year	(133,063)	(104,984)
Recovered during the financial year	(12,279)	(12,048)
Financial assets derecognised other than write-off during the financial year	(48,458)	(35,961)
Amount written-off	(60,881)	(52,519)
At 31 March	296,686	232,569
Gross impaired financing ratio	2.71%	2.15%
Net impaired financing ratio	2.00%	1.47%

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 RM60,881,000 (2020: RM52,519,000) for the Bank. The Bank still seeks 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.

(ix) Credit impaired financing and advances by economic purposes:

	2021 RM'000	2020 RM'000
Purchase of transport vehicles	6,665	5,844
Purchase of landed property	152,362	116,660
of - Residential	*133,469*	*89,331*
- Non-residential	*18,893*	*27,329*
Purchase of fixed assets excluding land & buildings	357	352
Personal use	116,300	81,327
Working capital	18,010	25,738
Others	2,992	2,648
Gross impaired financing and advances	296,686	232,569

6. FINANCING AND ADVANCES (CONTD.)

(x) Credit impaired loans analysed by economic sectors:

	2021 RM'000	2020 RM'000
Primary agriculture	1,116	1,128
Manufacturing	3,534	7,901
Construction	12,711	14,170
Wholesale, retail trade, restaurants and hotels	20,668	31,689
Transport, storage and communication	505	2,048
Financing, insurance, real estate and business services	1,185	1,201
Household	256,967	174,432
Gross impaired financing and advances	296,686	232,569

(xi) Credit impaired financing and advances by geographical distribution:

	2021 RM'000	2020 RM'000
Northern region	25,489	24,885
Central region	220,773	173,305
Southern region	34,899	24,060
Sabah region	13,356	8,175
Sarawak region	2,169	2,144
Gross impaired financing and advances	296,686	232,569

6. FINANCING AND ADVANCES (CONTD.)

(xii) Movements in allowance for expected credit losses on financing and advances are as follows:

	12-month ECL (Stage 1) RM'000	Lifetime ECL Not-credit impaired (Stage 2) RM'000	Lifetime ECL Credit impaired (Stage 3) RM'000	Total RM'000
At 1 April 2020	32,177	92,092	74,715	198,984
Transfer to Stage 1	58,333	(104,503)	(1,985)	(48,155)
Transfer to Stage 2	(37,986)	181,563	(26,188)	117,389
Transfer to Stage 3	(132)	(67,161)	90,610	23,317
New financial assets originated or purchased	23,992	38,450	4,030	66,472
Financial assets derecognised other than write-off	(21,759)	(48,005)	(11,264)	(81,028)
Changes due to change in credit risk	21,937	91,330	(7,488)	105,779
	44,385	91,674	47,715	183,774
Unwinding of discount	-	-	(3,304)	(3,304)
Total charge to income statement	44,385	91,674	44,411	180,470
Write-off	-	(118)	(39,410)	(39,528)
At 31 March 2021	76,562	183,648	79,716	339,926
At 1 April 2019	23,032	69,895	45,583	138,510
Transfer to Stage 1	9,779	(49,268)	(550)	(40,039)
Transfer to Stage 2	(15,292)	88,314	(29,801)	43,221
Transfer to Stage 3	(17)	(53,130)	103,693	50,546
New financial assets originated or purchased	22,190	26,224	6,939	55,353
Financial assets derecognised other than write-off	(9,007)	(24,059)	(9,259)	(42,325)
Changes due to change in credit risk	1,495	34,637	(324)	35,808
	9,148	22,718	70,698	102,564
Unwinding of discount	-	-	(2,799)	(2,799)
Total charge to income statement	9,148	22,718	67,899	99,765
Write-off	(3)	(521)	(38,767)	(39,291)
At 31 March 2020	32,177	92,092	74,715	198,984

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

6. FINANCING AND ADVANCES (CONTD.)

(xii) Movements in allowance for expected credit losses on financing and advances are as follows: (contd.)

2021

Stage 1 expected credit losses ("ECL") for the Bank increased by RM44.4 million as a result of newly originated financing and advances mainly from residential mortgages segment, and the migration to Stage 1 from Stage 2 or Stage 3 due to the improvement in credit quality. The increase was partly offset by financing and advances that were fully repaid, having movement in the existing account balances during the financial year, accounts closed or migrated to Stage 2 or Stage 3 due to deterioration in credit quality.

Stage 2 ECL increased by RM91.6 million, as a result of financing and advances migrated from Stage 1 into Stage 2, which was mainly due to the increase in credit risk observed on certain segments of payment relief assistance ("PRA") such as Personal Financing and Mortgages. The increase was partly offset by repayment, and accounts migrated to Stage 3 due to deterioration in credit quality and migrated to Stage 1 as a result of improved credit quality.

Stage 3 ECL for the Bank increased by RM5.0 million, of which mainly from residential mortgages migrated from Stage 1 and Stage 2 due to their deterioration in credit quality. The increase was partly offset by financing and advances migration to Stage 1 and Stage 2 due to their improvement in credit quality, and accounts fully repaid or written off mainly from the personal financing segment.

Total ECL movements in 2021 is also affected by the changes in forward-looking economic inputs and increased pre-emptive overlay provisions from the estimated impacts of COVID-19 pandemic, as disclosed in Note 34(a)(ix).

2020

Stage 1 ECL for the Bank increase by RM9.1 million as a result of newly originated financing and advances mainly from personal financing segment, and the migration to Stage 1 from Stage 2 or Stage 3 due to the improvement in credit quality. The increased was partly offset financing and advances that were fully repaid, having movement in the existing account balances during the financial year, accounts closed or migrated to Stage 2 or Stage 3 due to deterioration in credit quality.

Stage 2 ECL increased by RM22.2 million, as a result of financing and advances migrated from Stage 1 into Stage 2, which was mainly due to the increase in credit risk observed on Personal Financing segment. The increase was partly offset by repayment, and accounts migrated to Stage 3 due to deterioration in credit quality and migrated to Stage 1 as a result of improved credit quality.

Stage 3 ECL for the Bank increase by RM29.1 million, of which mainly from residential mortgages and personal financing segments migrated from Stage 1 and Stage 2 due to their deterioration in credit quality. The increased was partly offset by financing and advances migration to Stage 1 and Stage 2 due to their improvement in credit quality, and accounts fully repaid or written off from the personal financing segment.

7. OTHER ASSETS

	2021 RM'000	2020 RM'000
Other receivables	8,968	4,406
Deposits	89	89
Prepayment	2,211	2,042
Amount due from related company	3	3
	11,271	6,540
Less:		
Allowance for expected credit losses on other receivables [Note (a)]	(1,908)	(1,749)
	9,363	4,791

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

	Lifetime ECL 2021 RM'000	Lifetime ECL 2020 RM'000
At 1 April	1,749	1,641
Changes due to change in credit risk	159	108
At 31 March	1,908	1,749

As at 31 March 2021, the Bank's gross exposure of other receivables that are under lifetime expected credit losses was at RM1,908,000 (2020: RM1,749,000).

8. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

Non-profit bearing statutory deposits for the Bank of RM18,338,000 (2020: RM219,488,000) is maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009, the amount of which are determined as a set percentage of total eligible liabilities.

9. RIGHT-OF-USE ASSETS

	Premises 2021 RM'000	Premises 2020 RM'000
COST		
At 1 April		
As previously stated	833	-
Effects of adoption of MFRS 16	-	848
As restated	833	848
Remeasurement	768	(15)
At 31 March	1,601	833
ACCUMULATED DEPRECIATION		
At 1 April		
As previously stated	697	-
Effects of adoption of MFRS 16	-	424
As restated	697	424
Charge for the financial year	264	273
At 31 March	961	697
NET CARRYING AMOUNT	640	136

10. PROPERTY, PLANT AND EQUIPMENT

	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Total RM'000
2021				
COST				
At 1 April 2020	1,159	78	159	1,396
Additions	-	-	23	23
At 31 March 2021	1,159	78	182	1,419
ACCUMULATED DEPRECIATION				
At 1 April 2020	976	47	137	1,160
Charge for the financial year	64	3	18	85
At 31 March 2021	1,040	50	155	1,245
NET CARRYING AMOUNT	119	28	27	174
2020				
COST				
At 1 April 2019	1,260	96	159	1,515
Additions	-	4	12	16
Written-off	(101)	(22)	(12)	(135)
At 31 March 2020	1,159	78	159	1,396
ACCUMULATED DEPRECIATION				
At 1 April 2019	987	65	131	1,183
Charge for the financial year	90	4	18	112
Written-off	(101)	(22)	(12)	(135)
At 31 March 2020	976	47	137	1,160
NET CARRYING AMOUNT	183	31	22	236

11. 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 statement of financial position after appropriate offsetting are as follows:

	2021 RM'000	2020 RM'000
Deferred tax assets, net	22,861	-
Deferred tax liabilities, net	-	1,688
	22,861	1,688

	2021 RM'000	2020 RM'000
Movements on deferred tax:		
At 1 April		
As previously stated	(1,688)	11,156
Effects of adoption of MFRS 16	-	4
As restated	(1,688)	11,160
Recognised in statement of income (Note 28)	23,313	(6,503)
Recognised in equity	1,236	(6,345)
At 31 March	22,861	(1,688)

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

	2021 RM'000	2020 RM'000
Deferred tax assets	33,937	10,592
Deferred tax liabilities	(11,076)	(12,280)
	22,861	(1,688)

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

Deferred tax assets/(liabilities)	Allowance for expected credit losses RM'000	Other liabilities RM'000	Leases RM'000	Financial investments at fair value through other comprehensive income RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 April 2020	5,702	4,888	2	(12,280)	-	(1,688)
Recognised in statement of income	23,991	(655)	9	-	(32)	23,313
Recognised in equity	-	-	-	1,236	-	1,236
At 31 March 2021	29,693	4,233	11	(11,044)	(32)	22,861
At 1 April 2019						
As previously stated	14,492	2,599	-	(5,935)	-	11,156
Effects of adoption of MFRS 16	-	-	4	-	-	4
As restated	14,492	2,599	4	(5,935)	-	11,160
Recognised in statement of income	(8,790)	2,289	(2)	-	-	(6,503)
Recognised in equity	-	-	-	(6,345)	-	(6,345)
At 31 March 2020	5,702	4,888	2	(12,280)	-	(1,688)

Note:
Other liabilities include provisions and deferred income.

12. INTANGIBLE ASSETS

	2021 RM'000	2020 RM'000
Computer software		
Cost		
At 1 April	2,389	2,172
Additions	391	217
At 31 March	2,780	2,389
Accumulated amortisation		
At 1 April	1,564	1,275
Charge for the financial year	296	289
At 31 March	1,860	1,564
Net carrying amount	920	825

13. DEPOSITS FROM CUSTOMERS

(i) By type of deposits:

	2021 RM'000	2020 RM'000
Demand deposits		
- Qard	5,199,203	3,422,562
Savings deposits		
- Qard	439,865	339,006
Term deposits		
- Commodity Murabahah	5,298,739	6,364,480
- Negotiable Islamic Debt Certificate Bai' Inah	198,957	512,193
- Money market deposits		
- Commodity Murabahah	1,005,008	1,043,198
- Other deposits		
- Mudharabah	66,707	77,304
- Wakalah	33,844	34,292
- Qard	17,018	12,110
	12,259,341	11,805,145

13. DEPOSITS FROM CUSTOMERS (CONTD.)

(ii) The maturity structure of term deposits are as follows:

	2021 RM'000	2020 RM'000
Due within six months	5,362,668	4,998,550
Six months to one year	615,153	1,985,271
One year to three years	454,446	854,103
Three years to five years	188,006	205,653
	6,620,273	8,043,577

(iii) By type of customers:

	2021 RM'000	2020 RM'000
Domestic financial institutions	187,404	501,083
Domestic non-bank financial institutions	1,389,218	881,043
Government and statutory bodies	2,127,711	1,889,921
Business enterprises	2,833,051	4,171,591
Individuals	5,451,478	4,145,593
Foreign entities	112,857	101,894
Others	157,622	114,020
	12,259,341	11,805,145

14. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2021 RM'000	2020 RM'000
Non-Mudharabah Fund		
Licensed investment banks	6,380	11,162
Bank Negara Malaysia	272,800	209,689
	279,180	220,851

15. OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	2021 RM'000	2020 RM'000
Amortised cost	-	148,082

16. RECOURSE OBLIGATION ON FINANCING SOLD TO CAGAMAS

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

17. LEASE LIABILITIES

	2021 RM'000	2020 RM'000
At 1 April		
As previously stated	119	-
Effects of adoption of MFRS 16	-	416
As restated	119	416
Profit expense	23	16
Lease payment	(249)	(298)
Remeasurement	768	(15)
At 31 March	661	119

The Bank leases premises. Rental contracts are typically made for the periods for 3 years. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Termination options are included in a number of leases across the Bank. Termination options are included, to provide a greater flexibility.

18. OTHER LIABILITIES

	2021 RM'000	2020 RM'000
Other payables	125,471	49,118
Bills payable	24,882	5,712
Clearing account	41,992	23,418
Sundry deposits	5,119	4,521
Provision and accruals	7,417	7,891
Amount due to holding company	32,354	17,871
Amount due to related company	297	835
Allowance for expected credit losses on commitments and contingencies [Note (a)]	23,099	4,454
	260,631	113,820

18. OTHER LIABILITIES (CONTD.)

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

	12-month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
At 1 April 2020	1,012	3,441	1	4,454
Transfer to Stage 1	472	(1,292)	-	(820)
Transfer to Stage 2	(172)	1,622	(2)	1,448
Transfer to Stage 3	-	(788)	1,621	833
New financial assets originated or purchased	667	439	-	1,106
Financial assets derecognised other than write-off	(407)	(1,109)	(1,618)	(3,134)
Changes due to change in credit risk	74	19,139	-	19,213
Other adjustments	1	(1)	-	-
	635	18,010	1	18,646
Unwinding of discount	-	-	(1)	(1)
Total charge to income statement	635	18,010	-	18,645
At 31 March 2021	1,647	21,451	1	23,099
At 1 April 2019	712	3,182	105	3,999
Transfer to Stage 1	445	(3,605)	-	(3,160)
Transfer to Stage 2	(204)	2,674	(1)	2,469
Transfer to Stage 3	(1)	-	4	3
New financial assets originated or purchased	321	1,840	-	2,161
Financial assets derecognised other than write-off	(205)	(811)	(105)	(1,121)
Changes due to change in credit risk	(57)	161	(9)	95
Other adjustments	1	-	-	1
	300	259	(111)	448
Unwinding of discount	-	-	7	7
Total charge to/(write-back from) income statement	300	259	(104)	455
At 31 March 2020	1,012	3,441	1	4,454

As at 31 March 2021, the Bank's gross exposures of commitments and contingencies that are credit impaired was at RM2,672,000 (2020: RM1,009,000).

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

19. SUBORDINATED SUKUK

	Note	2021 RM'000	2020 RM'000
Subordinated Sukuk			
RM130 million Subordinated Sukuk Murabahah	(a)	129,893	129,772
RM100 million Additional Tier I Sukuk Wakalah	(b)	99,486	99,303
		229,379	229,075

(a) RM130 million Subordinated Sukuk Murabahah

On 18 September 2017, the Bank issued RM130.0 million Subordinated Sukuk Murabahah ("Subordinated Sukuk") under the RM180.0 million Subordinated Sukuk Programme.

	2021 RM'000	2020 RM'000
At cost	130,000	130,000
Accumulated unamortised discount	(165)	(267)
Profit accrued	58	39
	129,893	129,772

The main features of the Subordinated Sukuk are as follows:

(i) Issue date: 29 September 2017

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

(iii) Maturity date: 29 September 2027

(iv) Coupon rate: 5.50% per annum, payable semi-annually in arrears

(v) Call date: 29 September 2022 and thereafter on every periodic payment date

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

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

19. SUBORDINATED SUKUK (CONTD.)

(b) RM100 million Additional Tier 1 Sukuk Wakalah

On 29 March 2019, the Bank issued RM100.0 million Islamic Additional Tier 1 Sukuk Wakalah ("AT1 Sukuk") of RM100.0 million in nominal value ("AT1 Sukuk Issuance") pursuant to Alliance Islamic's Sukuk Programme.

	2021 RM'000	2020 RM'000
At cost	100,000	100,000
Accumulated unamortised discount	(564)	(729)
Profit accrued	50	32
	99,486	99,303

The AT1 Sukuk has been assigned a long term rating of BBB1 by RAM Rating Services Berhad.

The main features of the AT1 Sukuk are as follows:

(i) Issue date: 29 March 2019

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

(iii) Maturity date: 29 March 2024

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

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

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

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

20. SHARE CAPITAL

	2021 Number of ordinary shares '000	2021 RM'000	2020 Number of ordinary shares '000	2020 RM'000
Ordinary shares issued and fully paid:				
At 1 April /31 March				
ordinary shares with no-par value	414,249	600,000	345,045	400,000

21. RESERVES

	Note	2021 RM'000	2020 RM'000
Non-distributable:			
Regulatory reserves	(a)	-	34,748
FVOCI reserves	(b)	34,989	38,925
		34,989	73,673
Distributable:			
Retained profits		564,889	523,425
		599,878	597,098

Notes:

(a) Regulatory reserves represent 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 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 expected credit losses on these investments.

22. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	2021 RM'000	2020 RM'000
Income derived from investment of :		
(i) Term deposits	363,885	435,183
(ii) Other deposits	242,658	213,916
	606,543	649,099

(i) Income derived from investment of term deposits:

	2021 RM'000	2020 RM'000
Finance income and hibah		
Financing and advances	277,681	335,838
Financial investments at fair value through other comprehensive income	50,257	56,277
Financial investments at amortised cost	5,721	1,954
Money at call and deposit placements with financial institutions	10,077	4,841
	343,736	398,910
Accretion of discount less amortisation of premium	4,809	15,034
Total finance income and hibah	348,545	413,944
Other operating income		
- Fee income	10,909	16,721
- Investment income	3,965	4,236
- Other income	466	282
	363,885	435,183

Notes:

(a) Included in financing income earned on financing and advances for the current financial year is financing accrued on impaired financing of the Bank amounting to RM2,021,000 (2020: RM1,717,000).

(b) During the financial year, the Bank granted an automatic moratorium on certain financing repayments/payments by individuals and SMEs for a period of six months from 1 April 2020. The Bank has also provided Payment Relief Assistance after the automatic moratorium ended. The automatic moratorium and Payment Relief Assistance were applicable to financing that are not in arrears exceeding 90 days and denominated in Malaysian Ringgit. This measure was to assist borrowers experiencing temporary financial constraints due to the COVID-19 pandemic. As a result of the payment moratorium, the Bank recognised a loss of RM19,731,000 arising from the modification of contractual cash flows of the financing.

The Bank also received a government financing scheme for the purpose of on lending/financing to SMEs at below market/concession rate. The lending/financing by the Bank is to provide support for SMEs in sustaining business operations, safeguard jobs and encourage domestic investments during the COVID-19 pandemic. The benefit arising from the government financing scheme amounting to RM21,447,000 for the Bank is applied to address the financial and accounting impact incurred for COVID-19 related relief measures.

22. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONTD.)

(ii) Income derived from investment of other deposits:

	2021 RM'000	2020 RM'000
Finance income and hibah		
Financing and advances	185,173	165,083
Financial investments at fair value through other comprehensive income	33,513	27,663
Financial investments at amortised cost	3,815	960
Money at call and deposit placements with financial institutions	6,720	2,380
	229,221	196,086
Accretion of discount less amortisation of premium	3,207	7,390
Total finance income and hibah	232,428	203,476
Other operating income		
- Fee income	7,275	8,220
- Investment income	2,644	2,082
- Other income	311	138
	242,658	213,916

Notes:

(a) Included in financing income earned on financing and advances for the current financial year is financing accrued on impaired financing of the Bank amounting to RM1,347,000 (2020: RM844,000).

(b) During the financial year, the Bank granted an automatic moratorium on certain financing repayments/payments by individuals and SMEs for a period of six months from 1 April 2020. The Bank has also provided Payment Relief Assistance after the automatic moratorium ended. The automatic moratorium and Payment Relief Assistance were applicable to financing that are not in arrears exceeding 90 days and denominated in Malaysian Ringgit. This measure was to assist borrowers experiencing temporary financial constraints due to the COVID-19 pandemic. As a result of the payment moratorium, the Bank recognised a loss of RM13,157,000 arising from the modification of contractual cash flows of the financing.

The Bank also received a government financing scheme for the purpose of on lending/financing to SMEs at below market/concession rate. The lending/financing by the Bank is to provide support for SMEs in sustaining business operations, safeguard jobs and encourage domestic investments during the COVID-19 pandemic. The benefit arising from the government financing scheme amounting to RM14,302,000 for the Bank is applied to address the financial and accounting impact incurred for COVID-19 related relief measures.

23. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS

	2021 RM'000	2020 RM'000
Finance income and hibah		
Financing and advances	43,042	45,122
Financial investments at fair value through other comprehensive income	7,790	7,561
Financial investments at amortised cost	887	263
Money at call and deposit placements with financial institutions	1,562	650
	53,281	53,596
Accretion of discount less amortisation of premium	746	2,020
Total finance income and hibah	54,027	55,616
Other operating income		
- Fee income	1,691	2,247
- Investment income	615	569
- Other income	72	38
	56,405	58,470

Notes:

(a) Included in financing income earned on financing and advances for the current financial year is financing accrued on impaired financing of the Bank amounting to RM313,000 (2020: RM231,000).

(b) During the financial year, the Bank granted an automatic moratorium on certain financing repayments/payments by individuals and SMEs for a period of six months from 1 April 2020. The Bank has also provided Payment Relief Assistance after the automatic moratorium ended. The automatic moratorium and Payment Relief Assistance were applicable to financing that are not in arrears exceeding 90 days and denominated in Malaysian Ringgit. This measure was to assist borrowers experiencing temporary financial constraints due to the COVID-19 pandemic. As a result of the payment moratorium, the Bank recognised a loss of RM3,058,000 arising from the modification of contractual cash flows of the financing.

The Bank also received a government financing scheme for the purpose of on lending/financing to SMEs at below market/concession rate. The lending/financing by the Bank is to provide support for SMEs in sustaining business operations, safeguard jobs and encourage domestic investments during the COVID-19 pandemic. The benefit arising from the government financing scheme amounting to RM3,325,000 for the Bank is applied to address the financial and accounting impact incurred for COVID-19 related relief measures.

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

	2021 RM'000	2020 RM'000
Allowance for expected credit losses on:		
(a) Financing and advances		
- Allowance made during the financial year	183,774	102,564
(b) Credit impaired on financing and advances		
- Recovered	(10,598)	(12,637)
- Written-off	21,816	14,371
(c) Commitments and contingencies on financing and advances		
- Allowance made during the financial year	18,646	448
	213,638	104,746
Allowance for expected credit losses on other receivables	159	108
	213,797	104,854

25. ALLOWANCE FOR EXPECTED CREDIT LOSSES ON FINANCIAL INVESTMENTS

	2021 RM'000	2020 RM'000
(Write-back of)/allowance for expected credit losses on:		
- Financial investments at fair value through other comprehensive income	(20)	(2)
- Financial investments at amortised cost	98	225
	78	223

26. INCOME ATTRIBUTABLE TO THE DEPOSITORS AND FINANCIAL INSTITUTIONS

	2021 RM'000	2020 RM'000
Deposits from customers:		
- Mudharabah fund	1,326	2,300
- Non-Mudharabah fund	262,806	331,781
Deposits and placements of banks and other financial institutions:		
- Mudharabah fund	-	99
- Non-Mudharabah fund	3,885	4,500
Financing sold to Cagamas	26,651	21,968
Other borrowings	-	42
Subordinated Sukuk Murabahah	13,368	13,392
Lease liabilities	23	16
	308,059	374,098

27. OTHER OPERATING EXPENSES

	2021 RM'000	2020 RM'000
Personnel costs		
- Salaries, allowances and bonuses	67,915	65,671
- Contribution to EPF	10,992	10,658
- Others	6,723	8,642
	85,630	84,971
Establishment costs		
- Depreciation on property, plant and equipment	85	112
- Depreciation on right-of-use assets	264	273
- Amortisation of computer software	296	289
- Rental	401	3,044
- Repairs and maintenance	1,811	1,784
- Water and electricity	1,152	1,191
- Information technology expenses	18,579	8,776
- Others [Note (a)]	5,422	10,816
	28,010	26,285
Marketing expenses		
- Promotion and advertisement	1,650	1,761
- Branding and publicity	2,455	3,486
- Others	343	812
	4,448	6,059
Administration and general expenses		
- Communication expenses	2,647	2,003
- Printing and stationeries	286	374
- Insurance	895	1,591
- Professional fees	5,356	4,855
- Others	2,238	3,148
	11,422	11,971
Total other operating expenses	129,510	129,286

Included in the other operating expenses are the Shariah Committee members' remuneration of RM392,000 (2020: RM328,000).

27. OTHER OPERATING EXPENSES (CONTD.)

The following represent a detailed breakdown of the Bank's share of the holding company's other operating expenses included within the Bank's total other operating expenses:

	2021 RM'000	2020 RM'000
Sharing of Other Operating Expenses		
Personnel costs		
- Salaries, allowances and bonuses	62,037	59,467
- Contribution to EPF	10,044	9,683
- Others	5,981	7,999
	78,062	77,149
Establishment costs		
- Rental	401	3,044
- Repairs and maintenance	1,789	1,761
- Water and electricity	1,129	1,165
- Information technology expenses	18,395	8,635
- Others [Note (a)]	5,422	10,798
	27,136	25,403
Marketing expenses		
- Promotion and advertisement	1,214	1,218
- Branding and publicity	1,700	2,318
- Others	341	784
	3,255	4,320
Administration and general		
- Communication expenses	1,498	1,243
- Printing and stationeries	225	305
- Professional fees	3,665	3,231
- Others	1,186	280
	6,574	5,059
Total sharing of other operating expenses	115,027	111,931

Note (a): Being substantially cross-charge amount for using the fixed assets of the holding company. This includes computer software, computer equipment and furniture and fittings.

Included in the other operating expenses are the following:

	2021 RM'000	2020 RM'000
Auditors' remuneration		
- statutory audit fees	140	140
- audit related services	89	170
- tax compliance works	14	14
- tax related services	13	12

28. TAXATION

	2021 RM'000	2020 RM'000
Income tax:		
Current financial year	28,097	33,084
Under/(over) provision in prior years	4	(14,705)
	28,101	18,379
Deferred tax (Note 11)		
Current financial year	(23,480)	(7,668)
Under provision in prior years	167	14,171
	(23,313)	6,503
	4,788	24,882

Income tax is calculated at the Malaysian statutory tax rate of 24% (2020: 24%) of 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 Bank is as follows:

	2021 RM'000	2020 RM'000
Profit before taxation	11,504	99,108
Taxation at Malaysian statutory tax rate of 24% (2020: 24%)	2,761	23,785
Expenses not deductible for tax purposes	1,856	1,631
Under/(over) provision of tax expense in prior years	171	(534)
Tax expense for the financial year	4,788	24,882

29. EARNINGS PER SHARE

Basic/diluted

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

	2021	2020
Net profit for the financial year attributable to equity holder of the Bank (RM'000)	6,716	74,226
Weighted average numbers of ordinary shares in issue ('000)	368,113	345,045
Basic/diluted earnings per share (sen)	1.8	21.5

30. DIVIDENDS

	Dividend in respect of financial year	
	2021	2020
	RM'000	RM'000
Recognised during the financial year:		
First interim dividend		
5.92 sen per share on 345,045,045 ordinary shares, declared in financial year ending 31 March 2020, was paid on 23 December 2019.	-	20,427
Second interim dividend		
8.00 sen per share on 345,045,045 ordinary shares, declared in financial year ending 31 March 2019, was paid on 20 June 2019.	-	27,604
	-	48,031

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

31. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

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

Relationship	**Related parties**
- Key management personnel	Key management personnel refer to those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including Executive Directors and Non-Executive Director of the Bank (including close members of their families). Other members of key management personnel of the Bank are the Business Support Heads who report directly to Chief Executive Officer (including close members of their families).
- Holding company	Alliance Bank Malaysia Berhad
- Related companies	Related companies refer to subsidiaries of Alliance Bank Malaysia Berhad.

31. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)

	2021 RM'000	2020 RM'000
(a) Transactions		
Profit income		
- key management personnel	-	24
Commission paid		
- related companies	6,929	13,649
Other operating income		
- related companies	38	38
Finance expenses		
- holding company	(14,837)	(33,815)
- related companies	(1,586)	(3,801)
- key management personnel	(192)	(102)
Other operating expenses		
- holding company (sharing of expenses)	(112,596)	(111,931)
Dividend paid		
- holding company	-	(48,031)
(b) Balances		
Financing and advances		
- key management personnel	1,900	1,431
Other assets		
- related companies	3	3
Deposits from customers		
- holding company	(260,683)	(501,083)
- key management personnel	(9,061)	(3,097)
Deposits and placements of banks and other financial institutions		
- related companies	(6,380)	(11,162)
Subordinated Sukuk		
- holding company	(130,059)	(130,039)
- related companies	-	(60,707)
Lease liabilities		
- holding company	(249)	(298)
Other liabilities		
- holding company	(32,354)	(17,871)
- related companies	(297)	(835)

31. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)

(c) Compensation of key management personnel

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

	2021 RM'000	2020 RM'000
CEO and other key management:		
- Salary and other remuneration	2,528	2,340
- Contribution to EPF	377	353
- Benefits-in-kind	2	1
	2,907	2,694
Non-executive Directors:		
- Fees Payable	485	409
- Allowances	130	84
	615	493
Included in the total key management personnel are:		
CEO and Non-executive Directors' remuneration, excluding past Non-executive Directors (Note 33)	1,850	1,545

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

	2021				2020			
	Number	Unrestricted RM'000	Number	Deferred RM'000	Number	Unrestricted RM'000	Number	Deferred RM'000
Fixed remuneration								
Cash		2,887		-		2,691		-
Variable remuneration								
Cash	4	515	1	120	4	383	1	113
		3,402		120		3,074		113

32. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	2021 RM'000	2020 RM'000
Outstanding credit exposures with connected parties	160,314	2,792
of which:		
Total credit exposure which is impaired or in default	-	-
Total credit exposures	15,453,640	14,883,620
Percentage of outstanding credit exposures to connected parties:		
- as a proportion of total credit exposures	1.04%	0.02%
- which is impaired or in default	0.00%	0.00%

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

Based on these guidelines, a connected party for Islamic Banks refers to the following:

(i) Directors of the Bank and their close relatives;

(ii) Controlling shareholder and his close relatives;

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

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

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

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

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

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

33. CEO, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION

Remuneration in aggregate for CEO, Directors and Shariah Committee members charged to the statement of income for the financial year are as follows:

	2021 RM'000	2020 RM'000
Chief Executive Officer:		
- Salary and other remuneration	775	720
- Bonuses	304	197
- Contribution to EPF	155	134
- Benefits-in-kind	1	1
	1,235	1,052
Non-executive Directors:		
- Fees payable	485	409
- Allowances	130	84
	615	493
Past Non-executive Director:		
- Fees payable	-	88
- Allowances	2	21
	2	109
Total Directors' remuneration	1,852	1,654
Shariah Committee members	392	330
	2,244	1,984

Note:

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

(b) Directors of the Bank are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising form acts committed in their capacity as Directors of the Bank, provided that such Directors have 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 Bank was RM1,000 (2020: RM4,000).

33. CEO, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (CONTD.)

The total remuneration of the CEO, Directors and Shariah Committee members of the Bank are as follows:

BANK 2021	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees payable RM'000	Allowances RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer:							
Rizal IL-Ehzan Bin Fadil Azim	775	304	155	-	-	1	1,235
	775	304	155	-	-	1	1,235
Non-executive Directors:							
Datuk Wan Azhar bin Wan Ahmad	-	-	-	180	21	-	201
Ibrahim bin Hassan	-	-	-	125	60	-	185
Dato' Ahmad Hisham bin Kamaruddin	-	-	-	90	25	-	115
Tuan Haji Rustam bin Mohd Idris	-	-	-	90	24	-	114
	-	-	-	485	130	-	615
Past Non-executive Director:							
Hj Md Ali bin Md Sarif	-	-	-	-	2	-	2
	-	-	-	-	2	-	2
Total Directors' remuneration	775	304	155	485	132	1	1,852
Shariah Committee Members:							
Assoc. Prof. Dr. Badruddin bin Hj Ibrahim	-	-	-	72	16	-	88
Ustaz Ahmad Fauwaz Bin Ali @ Fadzil	-	-	-	60	16	-	76
Tuan Badrul Hisyam bin Tuan Soh	-	-	-	60	14	-	74
Muhamad Rahimi bin Osman	-	-	-	60	14	-	74
Tuan Haji Rustam bin Mohd Idris	-	-	-	60	14	-	74
Hj Md Ali bin Md Sarif	-	-	-	-	2	-	2
Ustaz Zaharudin bin Muhammad	-	-	-	-	2	-	2
Dr. Azrul Azlan bin Iskandar Mirza	-	-	-	-	2	-	2
	-	-	-	312	80	-	392
	775	304	155	797	212	1	2,244

33. CEO, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (CONTD.)

The total remuneration of the CEO, Directors and Shariah Committee members of the Bank are as follows (contd.):

BANK 2020	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees payable RM'000	Allowances RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer:							
Rizal IL-Ehzan Bin Fadil Azim	720	197	134	-	-	1	1,052
	720	197	134	-	-	1	1,052
Non-executive Directors:							
Datuk Wan Azhar bin Wan Ahmad	-	-	-	180	20	-	200
Ibrahim bin Hassan	-	-	-	125	38	-	163
Dato' Ahmad Hisham bin Kamaruddin	-	-	-	90	24	-	114
Tuan Haji Rustam bin Mohd Idris	-	-	-	14	2	-	16
	-	-	-	409	84	-	493
Past Non-executive Director:							
Hj Md Ali bin Md Sarif	-	-	-	88	21	-	109
	-	-	-	88	21	-	109
Total Directors' remuneration	720	197	134	497	105	1	1,654
Shariah Committee Members:							
Assoc. Prof. Dr. Badruddin bin Hj Ibrahim	-	-	-	60	11	-	71
Ustaz Zaharudin bin Muhammad	-	-	-	54	11	-	65
Dr. Azrul Azlan bin Iskandar Mirza	-	-	-	54	11	-	65
Ustaz Ahmad Fauwaz Bin Ali @ Fadzil	-	-	-	54	11	-	65
Hj Md Ali bin Md Sarif	-	-	-	54	10	-	64
	-	-	-	276	54	-	330
	720	197	134	773	159	1	1,984

34. FINANCIAL RISK MANAGEMENT POLICIES

The Bank 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 Bank 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 the Bank conducts business in a responsible manner, to achieve sustainable growth for the Bank's balance sheet and capital.

The Bank manages risk within clearly defined guidelines that are approved by the Board of Directors. In addition, the Board of Directors of the Bank 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 Bank 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 Bank's borrowers or counterparties to fulfil their contractual obligations to repay their financing or settle commitments.

Credit risk arises from financing, advances, investment in securities amongst others. The amount of credit exposure is represented by the carrying amount of financing, advances and investment securitites in the statement of financial position. The financing activities in the Bank are guided by the Bank's Credit Risk Management Framework, in line with regulatory guidelines and best practices.

Credit risk also arises from financial transactions with counterparties (including interbank money market activities and debt instruments), of which the amount of credit exposure in respect of these instruments are equal to the carrying amount of these assets in the statement 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.

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(i) Maximum exposure to credit risk

The following table presents 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 similiar 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.

	2021 RM'000	2020 RM'000
Credit risk exposure: on-balance sheet		
Cash and short-term funds (exclude cash in hand)	1,373,080	714,632
Financial investments at fair value through other comprehensive income	2,199,728	2,301,866
Financial investments at amortised cost	292,919	80,628
Financing and advances (exclude sales commission and handling fees)	10,591,250	10,620,972
Statutory deposits with BNM	18,338	219,488
Other assets (exclude prepayment)	7,152	2,749
Total on-balance sheet	14,482,467	13,940,335
Credit risk exposure: off-balance sheet		
Financial guarantees	176,571	211,862
Credit related commitments and contingencies	2,227,040	2,226,683
Total off-balance sheet	2,403,611	2,438,545
Total maximum exposure	16,886,078	16,378,880

34. 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.

2021	Government and Central Bank RM'000	Financial, Takaful, Business Services and Real Estate RM'000	Transport, Storage and Communication RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	1,373,080	-	-	-	-	-	-	1,373,080
Financial investments at fair value through other comprehensive income	364,769	656,544	683,019	54,838	440,558	-	-	2,199,728
Financial investments at amortised cost	20,831	80,450	160,851	-	30,787	-	-	292,919
Financing and advances (exclude sales commission and handling fees)	-	1,073,699	142,284	3,101,550	223,078	5,973,508	77,131	10,591,250
Statutory deposits with BNM	18,338	-	-	-	-	-	-	18,338
Other assets (exclude prepayment)	-	-	-	-	-	-	7,152	7,152
	1,777,018	1,810,693	986,154	3,156,388	694,423	5,973,508	84,283	14,482,467
Financial guarantees	-	92,015	5,117	57,478	21,861	22	78	176,571
Credit related commitments and contingencies	-	204,846	33,869	1,500,078	155,472	324,728	8,047	2,227,040
	-	296,861	38,986	1,557,556	177,333	324,750	8,125	2,403,611
Total credit risk	1,777,018	2,107,554	1,025,140	4,713,944	871,756	6,298,258	92,408	16,886,078

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(ii) Credit risk concentrations (contd.)

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. (contd.)

2020	Government and Central Bank RM'000	Financial, Takaful, Business Services and Real Estate RM'000	Transport, Storage and Communication RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	714,632	-	-	-	-	-	-	714,632
Financial investments at fair value through other comprehensive income	1,016,589	817,819	364,252	34,632	68,574	-	-	2,301,866
Financial investments at amortised cost	-	80,628	-	-	-	-	-	80,628
Financing and advances (exclude sales commission and handling fees)	-	984,954	173,213	3,060,372	262,288	6,063,908	76,237	10,620,972
Statutory deposits with BNM	219,488	-	-	-	-	-	-	219,488
Other assets (exclude prepayment)	-	-	-	-	-	-	2,749	2,749
	1,950,709	1,883,401	537,465	3,095,004	330,862	6,063,908	78,986	13,940,335
Financial guarantees	-	105,719	5,142	74,364	26,415	22	200	211,862
Credit related commitments and contingencies	-	177,953	12,305	1,299,000	132,390	597,812	7,223	2,226,683
	-	283,672	17,447	1,373,364	158,805	597,834	7,423	2,438,545
Total credit risk	1,950,709	2,167,073	554,912	4,468,368	489,667	6,661,742	86,409	16,378,880

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(iii) Collaterals

The main types of collateral obtained by the Bank are as follows:
- Where property is provided as collateral, legal charged over the title;
- For hire purchase, ownership right over the vehicles or equipment; and
- For other financing, charges over business assets such as premises, financial/trade receivables or deposits.

	2021 RM'000	2020 RM'000
Gross financing and advances	10,931,176	10,819,956
Less: Allowance for expected credit losses	(339,926)	(198,984)
Net financing and advances	10,591,250	10,620,972
Percentage of collateral held for financing and advances	71.2%	69.7%

(iv) Credit Risk Measurement

The Bank adopts the following key judgements and assumptions in the computation of Expected Credit Loss ("ECL"):

(a) Definition of significant increase in credit risk

The Bank considers the probability of default upon initial recognition of 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 Bank compares the risk of a default occurring on the 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;
- Exposure modified placed under Agensi Kaunseling dan Pengurusan Kredit ("AKPK") status;
- Exposure being monitored under watch list; 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:

<u>Quantitative criteria:</u>
A financial asset is classified as credit impaired when the counterparty fails to make contractual payment.

34. 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 upon the contractual amortisation amount up to the point prior to the default event. Repayments are then assumed to cease, with only profit accrued on the outstanding balance from this point. Since the non-retail portfolio contains a variety of products with different profit 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 as a percentage 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 is used to forecast the lifetime PD and PD at any given time within the lifetime horizon. This is based upon historic default data using a chain ladder methodology to construct a lifetime default emergence curve.

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(iv) Credit Risk Measurement (contd.)

(c) Measurement of Expected Credit Loss ("ECL") (contd.)

Loss given default ("LGD")

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

(d) Forward-looking information

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

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

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

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

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

The forward looking estimates was adjusted as below:

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

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(iv) Credit Risk Measurement (contd.)

(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 Bank sometimes renegotiates or otherwise modifies the contractual cash flows of financing to customers. When this happens, 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 Bank recalculates the gross carrying amount based on the revised cash flow of the financial asset and recognises a modification gain or loss in the statement of income. The new gross carrying amount is recalculated by discounting the modified cash flow at the original effective profit rate. The Bank monitors 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 Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

If the terms are substantially different from the original terms, the Bank derecognised the original financial asset and recognised a new asset and recalculates a new effective 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 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.

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit Quality

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

Credit Quality	Credit Grading		Definition
	Scorecard	Customer Rating	
Low	Low risk score	1 - 12 (AAA to BB)	Borrowers with good capacity to meet financial commitments.
Medium	Medium risk score	13 -16 (BB- to B-)	Borrower which is in a fairly acceptable capacity to meet financial commitments.
High	High risk score	17 - 19 (CC+ to CC-)	Borrower which is in 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 judmentally impaired due to lack of capacity to fulfil financial commitments.

Other financial assets are categorised in the following manner:

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

Other assets are classified based on days-past-due ("DPD") under simplified model approach.

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit Quality

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

2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)				
Sovereign/government backed	1,373,080	-	-	1,373,080
Gross carrying amount	1,373,080	-	-	1,373,080
Expected credit losses	-	-	-	-
Net carrying amount	1,373,080	-	-	1,373,080
Financial investments at fair value through other comprehensive income				
Investment graded	665,447	-	-	665,447
Sovereign/government backed	1,534,281	-	-	1,534,281
Gross carrying amount	2,199,728	-	-	2,199,728
Expected credit losses [Note (a)]	(17)	-	-	(17)
Financial investments at amortised cost				
Sovereign/government backed	212,469	-	-	212,469
Unrated	80,773	-	-	80,773
Gross carrying amount	293,242	-	-	293,242
Expected credit losses	(323)	-	-	(323)
Net carrying amount	292,919	-	-	292,919
Financing and advances				
Low	5,710,105	198,863	-	5,908,968
Medium	2,859,522	514,175	-	3,373,697
High	425,041	350,592	-	775,633
Unrated	367,467	208,725	-	576,192
Credit impaired	-	-	296,686	296,686
Gross carrying amount	9,362,135	1,272,355	296,686	10,931,176
Expected credit losses	(76,562)	(183,648)	(79,716)	(339,926)
Net carrying amount	9,285,573	1,088,707	216,970	10,591,250
Statutory deposits with BNM				
Sovereign/government backed	18,338	-	-	18,338
Gross carrying amount	18,338	-	-	18,338
Expected credit losses	-	-	-	-
Net carrying amount	18,338	-	-	18,338

Note (a): The expected credit losses is recognised in reserve 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.

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit Quality

2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Credit related commitments and contingencies				
Low	1,515,449	63,713	-	1,579,162
Medium	595,268	154,488	-	749,756
High	35,008	23,141	-	58,149
Unrated	13,871	1	-	13,872
Credit impaired	-	-	2,672	2,672
Gross carrying amount	2,159,596	241,343	2,672	2,403,611
Expected credit losses	(1,647)	(21,451)	(1)	(23,099)

Simplified Approach	Current RM'000	More than 90 days past due RM'000	Total RM'000
Other assets (exclude prepayment)			
Gross carrying amount	7,152	1,908	9,060
Expected credit losses	-	(1,908)	(1,908)
Net carrying amount	7,152	-	7,152

2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)				
Sovereign/government backed	714,632	-	-	714,632
Gross carrying amount	714,632	-	-	714,632
Expected credit losses	-	-	-	-
Net carrying amount	714,632	-	-	714,632
Financial investments at fair value through other comprehensive income				
Investment graded	798,750	-	-	798,750
Sovereign/government backed	1,503,116	-	-	1,503,116
Gross carrying amount	2,301,866	-	-	2,301,866
Expected credit losses [Note (a)]	(37)	-	-	(37)

Note (a): The expected credit losses is recognised in reserve 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.

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit Quality

2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financial investments at fair value amortised cost				
Unrated	80,853	-	-	80,853
Gross carrying amount	80,853	-	-	80,853
Expected credit losses	(225)	-	-	(225)
Net carrying amount	80,628	-	-	80,628
Financing and advances				
Low	5,583,157	124,541	-	5,707,698
Medium	3,278,691	423,313	-	3,702,004
High	371,351	432,468	-	803,819
Unrated	232,480	141,386	-	373,866
Credit impaired	-	-	232,569	232,569
Gross carrying amount	9,465,679	1,121,708	232,569	10,819,956
Expected credit losses	(32,177)	(92,092)	(74,715)	(198,984)
Net carrying amount	9,433,502	1,029,616	157,854	10,620,972
Statutory deposits with BNM				
Sovereign/government backed	219,488	-	-	219,488
Gross carrying amount	219,488	-	-	219,488
Expected credit losses	-	-	-	-
Net carrying amount	219,488	-	-	219,488
Credit related commitments and contingencies				
Low	1,455,658	15,176	-	1,470,834
Medium	620,724	137,784	-	758,508
High	42,307	3,935	-	46,242
Unrated	161,452	500	-	161,952
Credit impaired	-	-	1,009	1,009
Gross carrying amount	2,280,141	157,395	1,009	2,438,545
Expected credit losses	(1,012)	(3,441)	(1)	(4,454)

Simplified Approach	Current RM'000	More than 90 days past due RM'000	Total RM'000
Other assets (exclude prepayment)			
Gross carrying amount	2,749	1,749	4,498
Expected credit losses	-	(1,749)	(1,749)
Net carrying amount	2,749	-	2,749

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(vi) Sensitivity test

The Bank has performed 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 Bank.

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

2021

Measurement variables		+	-
Retail	MEV Change (%)	RM'000	RM'000
House price index	9.2	(9,231)	13,639
Consumption credit	132.1	1,913	(1,904)
Consumer price index	4.0	2,656	(2,648)
Unemployment rate	13.8	2,486	(2,489)
Non-retail	Percentage Point Change (%)		
GDP growth	4.0	(3,022)	7,007

2020

Measurement variables		+	-
Retail	MEV Change (%)	RM'000	RM'000
House price index	9.8	(5,589)	9,374
Consumption credit	114	1,759	(1,704)
Consumer price index	4.2	2,960	(2,979)
Unemployment rate	7.5	1,252	(1,278)
Non-retail	Percentage Point Change (%)		
GDP growth	2.7	(1,471)	5,373

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(vii) Exposures to COVID-19 impacted sectors

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

	2021 RM'000
Retail and wholesale/trading	2,455,303
Accommodation	151,754
Travel agencies/tourism	31,178
Airline/aviation	14,999
Food and beverage services/restaurants	78,460
	2,731,694

(viii) COVID-19 customer relief and support measures

The table below summarised the status for borrowers that were under relief and support measures for retail and non-retail customers as at 31 March 2021:

	Retail				Non-Retail	
	Mortgage RM'000	Hire purchase RM'000	Personal financing RM'000	Total RM'000	Total RM'000	Total RM'000
Total payment moratoriums, repayment assistance, rescheduling and restructuring ("R&R") granted:	3,453,850	82,746	958,113	4,494,709	1,979,316	6,474,025
Resume payment	3,143,766	64,847	847,986	4,056,599	1,901,356	5,957,955
Missed payment	310,084	17,899	110,127	438,110	77,960	516,070
As a percentage of total:						
Resume payment	91%	78%	89%	90%	96%	92%
Missed payment	9%	22%	11%	10%	4%	8%
	100%	100%	100%	100%	100%	100%

(ix) Overlays and adjustments for expected credit losses ("ECL") amid COVID-19 environment

As the current MFRS 9 models are not expected to generate levels of ECL with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECLs for the year ended and as at 31 March 2021.

These overlays and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults when the various relief and support measures are expiring in 2021.

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(ix) Overlays and adjustments for expected credit losses ("ECL") amid COVID-19 environment (contd.)

The overlays and post-model adjustments involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward looking assessment for ECL estimation purposes.

The borrowers and customers who have received repayment support remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 status. The overlays and post-model adjustments were generally made at portfolio level in determining the sufficient level of ECL.

The adjusted downside scenario assumes a continuous restrictive economic environment due to COVID-19 with a gradual recovery, the impact of these post-model adjustments were estimated at portfolio level, remain outside the core MFRS 9 process and amount to RM123,583,000 as at 31 March 2021.

(b) Market Risk

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

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

(i) Profit rate risk

As a subset of market risk, profit rate risk refers to the volatility in net profit income as a result of changes in profit rate of return and shifts in the composition of the assets and liabilities. Rate of return risk is managed through profit rate sensitivity analysis. The sensitivity in net profit income from 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 Bank's 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 rates of return on the market value of securities are monitored closely and mark-to-market valuations are regularly reported to Management.

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of profit rates on its financial position and cash flows. The effects of changes in the levels of 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 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.

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

(i) Profit rate risk (contd.)

2021	Non-Trading Book: Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Total RM'000
Assets								
Cash and short-term funds	1,336,250	-	-	-	-	-	36,830	1,373,080
Financial investment at fair value through other comprehensive income	35,061	5,020	-	157,574	1,223,550	758,161	20,362	2,199,728
Financial investment at amortised cost	-	-	80,000	-	156,899	53,281	2,739	292,919
Financing and advances	8,732,738	366,718	200,498	18,808	620,347	696,182	1,207*	10,636,498
Other financial assets**	-	-	-	-	2,014	4,560	18,916	25,490
Total financial assets	10,104,049	371,738	280,498	176,382	2,002,810	1,512,184	80,054	14,527,715
Liabilities								
Deposits from customers	4,360,528	1,411,628	1,401,399	600,997	4,228,326	187,404	69,059	12,259,341
Deposits and placements of banks and other financial institutions	11,563	13,709	19,026	40,930	73,361	120,044	547	279,180
Recourse obligation on financing sold to Cagamas	-	-	-	-	350,019	-	381	350,400
Lease liabilities	22	19	68	138	414	-	-	661
Subordinated Sukuk	-	-	-	-	229,271	-	108	229,379
Other financial liabilities	-	-	-	-	-	55,977	197,237	253,214
Total financial liabilities	4,372,113	1,425,356	1,420,493	642,065	4,881,391	363,425	267,332	13,372,175
On-balance sheet profit sensitivity gap	5,731,936	(1,053,618)	(1,139,995)	(465,683)	(2,878,581)	1,148,759	(187,278)	1,155,540

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

(i) Profit rate risk (contd.)

	Non-Trading Book							
2020	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Total RM'000
Assets								
Cash and short-term funds	700,000	-	-	-	-	-	14,632	714,632
Financial investment at fair value through other comprehensive income	5,001	55,117	50,197	181,974	1,268,129	720,137	21,311	2,301,866
Financial investment at amortised cost	-	-	80,000	-	-	-	628	80,628
Financing and advances	8,580,296	473,997	117,515	27,783	678,167	710,262	85,593 *	10,673,613
Other financial assets**	-	-	-	-	-	-	222,237	222,237
Total financial assets	9,285,297	529,114	247,712	209,757	1,946,296	1,430,399	344,401	13,992,976
Liabilities								
Deposits from customers	3,540,018	1,909,938	1,230,849	1,967,626	3,062,180	-	94,534	11,805,145
Deposits and placements of banks and other financial institutions	16,540	5,471	15,070	30,993	151,997	-	780	220,851
Obligation on securities sold under repurchase agreements	-	147,983	-	-	-	-	99	148,082
Recourse obligation on financing sold to Cagamas	-	-	-	150,012	350,017	-	613	500,642
Lease liabilities	18	38	63	-	-	-	-	119
Subordinated Sukuk	-	-	-	-	229,003	-	72	229,075
Other financial liabilities	-	-	-	-	-	-	105,929	105,929
Total financial liabilities	3,556,576	2,063,430	1,245,982	2,148,631	3,793,197	-	202,027	13,009,843
On-balance sheet profit sensitivity gap	5,728,721	(1,534,316)	(998,270)	(1,938,874)	(1,846,901)	1,430,399	142,374	983,133

* Impaired financing and expected credit losses of the Bank are classified under the non-profit sensitive column.
** Includes statutory deposits and other assets

34. 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 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 liabilities and net open position by currency as at the end of the financial reporting date, which are mainly in US Dollars and Pound Sterling. The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Bank.

	US Dollars RM'000	**Pound Sterling RM'000**	**Total RM'000**
2021			
Liabilities			
Other financial liabilities	82	74	156
Total liabilities	82	74	156
On-balance sheet open position	(82)	(74)	(156)
Net open position	(82)	(74)	(156)

(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 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 Bank's VaR profile by financial instrument types for the Trading Portfolio:

	Balance RM'000	Average for the year RM'000	Minimum RM'000	Maximum RM'000
2021				
Government securities	(6,089)	(10,916)	(6,089)	(12,662)
Private debt securities	(1,437)	(2,829)	(1,437)	(3,304)
2020				
Government securities	(9,212)	(3,650)	(2,450)	(9,212)
Private debt securities	(3,273)	(1,239)	(773)	(3,273)

(iv) Rate of Return Risk in the banking book

The following tables present the Bank's projected sensitivity shock based on standard scenario as outlined in BNM's Rate of Return Risk in the Banking Book guildeline issued on 30 June 2020 to across all maturities applied on the Bank's profit sensitivity gap as at reporting date.

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

(iv) Rate of Return Risk in the banking book (contd.)

	2021	
	- 200 bps	**+ 200 bps**
	Increase/(decrease)	
	RM'000	RM'000
Impact on net profit after tax	(56,014)	56,014
Impact on equity	140,194	(123,319)

	2020	
	- 100 bps	**+ 100 bps**
	Increase/(decrease)	
	RM'000	RM'000
Impact on net profit after tax	(22,620)	22,620
Impact on equity	65,989	(62,231)

(v) Other risk measures

(i) Stress test

Stress testing is normally used by banks to gauge their potential vulnerability to exceptional but plausible events. The Bank 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 Bank'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 Bank'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 Bank'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 Bank's profitability and capital levels.

(ii) Sensitivity analysis

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

(c) Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet financial commitments when due.

The Bank's liquidity risk profile is managed using liquidity risk management strategies set in the Liquidity Risk Management Policy. Liquidity Risk Measures are monitored against approved thresholds by GALCO and GRMC. A contingency funding plan is also established by the 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.

34. 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 Bank. The table below provides analysis of assets and liabilities into relevant maturity terms based on remaining contractual maturities:

2021	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	1,373,080	-	-	-	-	-	1,373,080
Financial investment at fair value through other comprehensive income	41,299	14,136	5,008	157,574	1,981,711	-	2,199,728
Financial investments at amortised cost	1,873	358	830	-	289,858	-	292,919
Financing and advances	2,146,242	533,371	236,840	23,807	7,696,238	-	10,636,498
Other financial and non-financial assets	299	89	425	68	7,735	69,476	78,092
Total assets	3,562,793	547,954	243,103	181,449	9,975,542	69,476	14,580,317
Liabilities							
Deposits from customers	8,169,646	1,427,414	1,409,592	615,067	637,622	-	12,259,341
Deposits and placements of banks and other financial institutions	11,563	13,709	19,572	40,930	193,406	-	279,180
Recourse obligation on financing sold to Cagamas	-	381	-	-	350,019	-	350,400
Lease liabilities	22	19	68	138	414	-	661
Subordinated Sukuk	-	-	108	-	229,271	-	229,379
Other financial and non-financial liabilities	102,736	220	500	3,019	121,892	33,111	261,478
Total liabilities	8,283,967	1,441,743	1,429,840	659,154	1,532,624	33,111	13,380,439
Net maturity mismatch	(4,721,174)	(893,789)	(1,186,737)	(477,705)	8,442,918	36,365	1,199,878

34. 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 Bank. The table below provides analysis of assets and liabilities into relevant maturity terms based on remaining contractual maturities: (contd.)

2020	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	714,632	-	-	-	-	-	714,632
Financial investment at fair value through other comprehensive income	10,308	65,990	55,329	181,974	1,988,265	-	2,301,866
Financial investments at amortised cost	-	-	853	-	79,775	-	80,628
Financing and advances	2,453,399	633,449	159,080	51,969	7,375,716	-	10,673,613
Other financial and non-financial assets	336	88	123	68	1,735	244,676	247,026
Total assets	3,178,675	699,527	215,385	234,011	9,445,491	244,676	14,017,765
Liabilities							
Deposits from customers	5,643,678	1,874,981	1,249,261	1,984,128	1,053,097	-	11,805,145
Deposits and placements of banks and other financial institutions	16,542	5,471	15,848	30,993	151,997	-	220,851
Obligation on securities sold under repurchase agreements	-	148,082	-	-	-	-	148,082
Recourse obligation on financing sold to Cagamas	-	613	-	150,012	350,017	-	500,642
Lease liabilities	18	38	63	-	-	-	119
Subordinated Sukuk	-	-	72	-	229,003	-	229,075
Other financial and non-financial liabilities	50,425	96	108	2,505	28,547	35,072	116,753
Total liabilities	5,710,663	2,029,281	1,265,352	2,167,638	1,812,661	35,072	13,020,667
Net maturity mismatch	(2,531,988)	(1,329,754)	(1,049,967)	(1,933,627)	7,632,830	209,604	997,098

34. 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 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.

2021	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	8,169,159	1,434,179	1,424,336	634,357	466,203	232,500	-	12,360,734
Deposits and placements with banks and other financial institutions	69,061	13,846	20,047	44,287	188,651	-	-	335,892
Recourse obligation on financing sold to Cagamas	-	3,764	3,764	7,528	353,783	-	-	368,839
Lease liabilities	26	26	77	153	460	-	-	742
Subordinated Sukuk	-	-	6,604	6,496	244,792	-	-	257,892
Other financial liabilities	102,737	220	500	2,171	121,892	-	33,111	260,631
	8,340,983	1,452,035	1,455,328	694,992	1,375,781	232,500	33,111	13,584,730
Items not recognised in the statement of financial position								
Financial guarantees	1,560	13,055	14,449	118,964	28,543	-	-	176,571
Credit related commitments and contingencies	2,000,303	17,648	5,675	11,252	191,490	672	-	2,227,040
	2,001,863	30,703	20,124	130,216	220,033	672	-	2,403,611
Total financial liabilities	10,342,846	1,482,738	1,475,452	825,208	1,595,814	233,172	33,111	15,988,341

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

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

The table below presents the cash flows payable by 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. (contd.)

2020	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	5,794,957	1,742,317	1,274,773	2,052,021	1,116,112	-	-	11,980,180
Deposits and placements with banks and other financial institutions	17,324	5,471	15,070	30,993	151,997	-	-	220,855
Obligation on securities sold under repurchase agreements	-	148,082	-	-	-	-	-	148,082
Recourse obligation on financing sold to Cagamas	-	5,464	5,464	160,941	368,985	-	-	540,854
Lease liabilities	24	49	49	-	-			122
Subordinated Sukuk	-	-	6,568	6,496	257,624	-	-	270,688
Other financial liabilities	50,425	96	108	1,259	28,549	-	33,383	113,820
	5,862,730	1,901,479	1,302,032	2,251,710	1,923,267	-	33,383	13,274,601
Items not recognised in the statement of financial position								
Financial guarantees	22,190	17,761	12,919	137,385	21,607	-	-	211,862
Credit related commitments and contingencies	1,801,050	2,204	7,587	6,921	408,534	387	-	2,226,683
	1,823,240	19,965	20,506	144,306	430,141	387	-	2,438,545
Total financial liabilities	7,685,970	1,921,444	1,322,538	2,396,016	2,353,408	387	33,383	15,713,146

34 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 which arises from the Bank'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 Bank while the line of businesses 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 Bank, determining control gaps, assessing potential loss and enhancing controls to mitigate the risks.

The main activities undertaken by 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 Bank applies the Basic Indicator Approach for operational risk capital charge computation.

35. CAPITAL COMMITMENTS

	2021 RM'000	2020 RM'000
Capital expenditure:		
Authorised and contracted for	756	1,012
Authorised and not contracted for	469	496
	1,225	1,508

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

36. 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 member companies in Alliance Bank Malaysia Berhad.

37. CAPITAL ADEQUACY

The capital adequacy ratios of the Bank is computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks. 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 Bank is computed using the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk.

The Bank has 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 Bank to add back a portion of Stage 1 ("S1") and Stage 2 ("S2") provisions with an “add-back factor”, to the Common Equity Tier 1 ("CET 1") capital from Financial Year 2021 to Financial Year 2024.

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

	2021	2020
(i) With transitional arrangements		
CET 1 capital ratio	15.035%	-
Tier 1 capital ratio	16.158%	-
Total capital ratio	18.783%	-
(ii) Without transitional arrangements		
CET 1 capital ratio	13.065%	10.507%
Tier 1 capital ratio	14.188%	11.617%
Total capital ratio	16.813%	14.233%

(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:

	2021 RM'000	2020 RM'000
CET I Capital		
Paid-up share capital	600,000	400,000
Retained profits	564,889	523,425
Regulatory reserves	-	34,748
FVOCI reserves	34,972	38,888
	1,199,861	997,061
(Less)/add: Regulatory adjustments		
- Intangible assets	(920)	(825)
- Deferred tax assets	(22,861)	-
- 55% of FVOCI reserves	(19,234)	(21,388)
- Regulatory reserves	-	(34,748)
- Transitional arrangements	174,436	-
Total CET I Capital	1,331,282	940,100
Additional Tier 1 Sukuk Wakalah	99,436	99,271
Total Additional Tier 1 Capital	99,436	99,271
Total Tier I Capital	1,430,718	1,039,371

37. CAPITAL ADEQUACY (CONTD.)

(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: (contd.)

	2021 RM'000	2020 RM'000
Tier II Capital		
Subordinated Sukuk Murabahah	129,834	129,733
Expected credit losses and regulatory reserves	102,543	104,399
Total Tier II Capital	232,377	234,132
Total Capital	1,663,095	1,273,503

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

	2021 RM'000	2020 RM'000
Credit risk	8,203,348	8,351,930
Market risk	155	-
Operational risk	650,846	595,399
Total RWA and capital requirements	8,854,349	8,947,329

Detailed information on the above risk exposure is presented in the Bank's Pillar 3 Report.

38. CAPITAL

The capital management of Alliance Islamic Bank Berhad is under the purview of Alliance Bank Group's ("the Group") capital management with the objectives:

- to maintain sufficient capital resources to meet the regulatory capital requirements as set forth by Bank Negara Malaysia;
- to maintain sufficient capital resources to support the Group's risk appetite and to enable future business growth; and
- to meet the expectations of key stakeholders, including shareholders, investors, regulators and rating agencies.

In line with this, the 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 Bank carries out stress testing to estimate the potential impact of extreme, but plausible, events on the Bank's earnings, balance sheet and capital. The results of the stress test are to facilitate the formation of action plan(s) in advance if the stress test reveals that the Group's capital will be adversely affected. The results of the stress test are tabled to the Group Risk Management Committee for approval.

The Bank's regulatory capital is determined under Bank Negara Malaysia's Capital Adequacy Framework and their capital ratio complied with the prescribed capital adequacy ratios.

39. RESTRICTED INVESTMENT ACCOUNT

The Bank has entered into an arrangement on Commodity Murabahah Term Financing ("CMTF") with Alliance Bank Malaysia Berhad ("ABMB"), the holding company of the Bank, where ABMB will provide the funds, while the assets are managed by the Bank (as the Wakeel or agent) based on the Wakalah principle. The risk and rewards of the underlying assets are recognised and borne by ABMB. Hence, the underlying assets and allowances for expected credit losses are recognised and accounted for by ABMB.

(i) The details of the Restricted Investment Account ("RIA") financing are as follows:

	2021 RM'000	2020 RM'000
RIA		
Financing and advances	34,379	74,795

	2021 RM'000	2020 RM'000
Total RWA for Credit Risk	35,208	75,593

(ii) Movement in the RIA

	2021 RM'000	2020 RM'000
At 1 April	74,795	179,795
Funding inflows/outflows		
Repayment during the year	(40,416)	(105,000)
At 31 March	34,379	74,795
Investment assets		
Term financing	200,000	200,000

(iii) The average rate of return of the RIA is at 3.67% (2020: 4.82%) with tenure of five years.

40. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

The notional amounts of the commitments and contingencies of the Bank are as follows:

	2021 RM'000	2020 RM'000
Credit-related exposures		
Direct credit substitutes	176,751	191,836
Transaction-related contingent items	61,668	60,380
Short-term self-liquidating trade-related contingencies	25,790	20,026
Irrevocable commitments to extend credit:		
- maturity exceeding one year	154,433	367,450
- maturity not exceeding one year	1,984,969	1,798,853
	2,403,611	2,438,545

Included in direct credit substitutes and transaction-related contingent items are financial guarantee contract of RM176,571,000 (2020: RM211,862,000).

41. 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 levels 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 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.

41. FAIR VALUE MEASUREMENTS (CONTD.)

(a) Determination of fair value and the fair value hierarchy (contd.)

(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 Bank then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include government securities, corporate private debt securities, corporate notes and repurchase agreements.

(iii) Financial instruments in Level 3

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 discounted cash flows, and other appropriate valuation models.

(b) Financial instruments measured at fair value and the fair value hierarchy

The following tables show 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:

	Level 1	Level 2	Level 3	Total
2021	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial investment at fair value through other comprehensive income				
- Money Market Instruments	-	982,411	-	982,411
- Unquoted Securities	-	1,217,317	-	1,217,317
2020				
Financial assets				
Financial investment at fair value through other comprehensive income				
- Money Market Instruments	-	1,016,589	-	1,016,589
- Unquoted Securities	-	1,285,277	-	1,285,277

There were no transfers between Level 1 and 2 of the fair value hierarchy for the Bank during the financial year ended 31 March 2021 and 31 March 2020.

41. 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 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.

	Fair value				Carrying
	Level 1	Level 2	Level 3	Total	amount
2021	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Financial investments at amortised cost	-	294,715	-	294,715	292,919
Financing and advances	-	-	10,673,921	10,673,921	10,636,498
Financial liabilities					
Deposits from customers	-	12,266,498	-	12,266,498	12,259,341
Deposits and placements of banks and other financial institutions	-	240,277	-	240,277	279,180
Recourse obligation on financing sold to Cagamas	-	349,287	-	349,287	350,400
Subordinated Sukuk	-	229,271	-	229,271	229,379
2020					
Financial assets					
Financial investments at amortised cost	-	80,685	-	80,685	80,628
Financing and advances	-	-	10,927,011	10,927,011	10,673,613
Financial liabilities					
Deposits from customers	-	11,812,485	-	11,812,485	11,805,145
Deposits and placements of banks and other financial institutions	-	213,571	-	213,571	220,851
Obligations on securities sold under repurchase agreements	-	148,082	-	148,082	148,082
Recourse obligation on financing sold to Cagamas	-	540,826	-	540,826	500,642
Subordinated Sukuk	-	229,003	-	229,003	229,075

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

(i) Financing investments at amortised cost

The fair values are estimated based on quoted or observable market prices at the end of the reporting period. Where such quoted or observable market prices are not available, the fair values are estimated using pricing models or discounted cash flow techniques. Where discounted cash flow technique is used, the expected future cash flows are discounted using prevailing market rates for a similar instrument at the end of the reporting period.

41. 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: (contd.)

(ii) Financing and advances

The fair values of fixed rate financing with remaining maturity of less than one year and variable rate financing are estimated to approximate their carrying values. For fixed rate 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 reporting period offered to new borrowers with similar credit profiles. In respect of impaired financing, the fair values represented by their carrying values, net of impairment allowances, being the expected recoverable amount.

(iii) Deposits from customers, deposits and placements of banks and other financial institutions

The fair values of deposit liabilities payable on demand (demand and savings deposits), or deposits with maturity of less than one year are estimated to approximate their carrying amounts. The fair values of investment accounts 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 islamic debt certificate, the fair values are estimated based on quoted or observable market prices as at the end of the reporting period. Where such quoted or observable market prices are not available, the fair values of negotiable instruments of deposits are estimated using the discounted cash flow technique.

(iv) Obligations on securities sold under repurchase agreements

The estimated fair value of obligations on securities sold under repurchase agreements with maturities of less than six months approximate the carrying value.

(v) Recourse obligations on financing sold to Cagamas

The fair values of recourse obligations on financing sold to Cagamas are determined based on the discounted cash flows of future instalment payments at applicable prevailing Cagamas rates as at the end of the reporting period.

(vi) Subordinated Sukuk

The fair value of the subordinated sukuk is estimated based on the discounted cash flows techniques using the current yield curve appropriate for the remaining term to maturity.

42. 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 Bank’s counterparties and clients.

The COVID-19 effects have a material impact on 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 Bank is not able to predict the COVID-19’s potential future direct or indirect effects other than as disclosed in Note 34(a)(ix). However, the Bank is taking actions to mitigate the impact, and will continue to closely monitor the impact and the related risks as they evolve.

43. SUBSEQUENT EVENTS

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