



ALLIANCE BANK

# REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022



**ALLIANCE BANK MALAYSIA BERHAD**  
**198201008390 (88103-W)**  
(Incorporated in Malaysia)

<b>CONTENTS</b>	<b>PAGE(S)</b>
Directors' Report	1 - 7
Statement by Directors	8
Statutory Declaration	8
Independent Auditors' Report	9 - 14
Statements of Financial Position	15
Statements of Income	16
Statements of Comprehensive Income	17
Statements of Changes in Equity	18 - 19
Statements of Cash Flows	20 - 24
Notes to the Financial Statements	25 - 175

**ALLIANCE BANK MALAYSIA BERHAD****198201008390 (88103-W)**

(Incorporated in Malaysia)

**DIRECTORS' REPORT**

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 March 2022.

**PRINCIPAL ACTIVITIES**

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

The principal activities of the subsidiaries, as set out in Note 13 to the financial statements, consist of Islamic Banking, and investment banking including stockbroking services, nominees services, investment advisory services and related financial services.

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

**FINANCIAL RESULTS**

	<u>GROUP</u> RM'000	<u>BANK</u> RM'000
Profit before taxation	827,361	656,509
Taxation	<u>(254,544)</u>	<u>(192,293)</u>
Net profit for the financial year	<u><u>572,817</u></u>	<u><u>464,216</u></u>

**RESERVES AND PROVISIONS**

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

**DIVIDENDS**

The amounts of dividends declared and paid by the Group and the Bank since 31 March 2021 were as follows:

	RM'000
(i) A single tier interim dividend of 5.79 sen per share, on 1,548,105,929 ordinary shares in respect of the financial year ended 31 March 2021, was paid on 30 June 2021.	89,635
(ii) A single tier first interim dividend of 8.30 sen per share, on 1,548,105,929 ordinary shares in respect of the financial year ending 31 March 2022, was paid on 30 December 2021.	128,493
	<u><u>218,128</u></u>

Subsequent to the financial year end, the Directors declared a single tier second interim dividend of 10.20 sen per share, on 1,548,105,929 ordinary shares amounting to approximately RM157,907,000 in respect of the current financial year. The accompanying financial statements do not reflect this dividend. The dividend will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2023.

The Directors do not propose any final dividend in respect of the financial year ended 31 March 2022.

## **ISSUE OF SHARES AND DEBENTURES**

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

## **BAD AND DOUBTFUL DEBTS**

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

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

## **CURRENT ASSETS**

Before the financial statements of the Group and of the Bank were prepared, the Directors took reasonable steps to ascertain that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business, had been written down to an amount which the current assets might be expected so to realise.

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

## **VALUATION METHOD**

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

## **CONTINGENT AND OTHER LIABILITIES**

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

- (i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group or of the Bank which has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Group or of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or of the Bank to meet their obligations as and when they fall due.

## **CHANGE OF CIRCUMSTANCES**

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Bank, which would render any amount stated in the financial statements misleading.

## ALLIANCE BANK MALAYSIA BERHAD

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### ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

- (i) the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in Note 51 to the financial statements; and
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.

### DIRECTORS

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

Tan Sri Dato' Ahmad Bin Mohd Don (Chairman)  
Lee Boon Huat  
Lee Ah Boon  
Datuk Wan Azhar Bin Wan Ahmad  
Tan Chian Khong  
Susan Yuen Su Min  
Lum Piew  
Cheryl Khor Hui Peng  
Wong Yuen Weng Ernest (appointed on 1 September 2021)  
Ho Hon Cheong (retired on 25 August 2021)

### DIRECTORS' REMUNERATION

Details of Directors' Remuneration are set out in Note 42 to the financial statements.

### DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than benefits shown under Directors' Remuneration in Note 42 to the financial statements) by reason of a contract made by the Bank or its subsidiary with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

### DIRECTORS' INTERESTS

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

	Number of ordinary shares			As at 31.3.2022/ date of retirement
	As at 1.4.2021	Acquired	Sold	
Ho Hon Cheong (retired on 25 August 2021)	1,000*	-	-	1,000*

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

## **BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2022**

### Profitability

The Group's net profit after taxation (taking into consideration the impact of Cukai Makmur as announced in the Budget 2022) was RM572.8 million for the full year ended 31 March 2022, an increase of RM214.0 million or 59.7% year-on-year ("YOY"). The higher profits were largely due to higher revenue from net interest income and lower allowance for expected credit losses.

Net interest income improved by RM119.4 million or 8.8% YOY. Net interest margin ("NIM") came in higher at 2.53% (FY2021: 2.30%).

### Loan Growth

The Group's loans, advances and financing increased by 4.6% driven by the small and medium enterprise ("SME") and commercial segments, both grew by 12.4% respectively.

### Other Operating Income

The Group recorded other operating income of RM387.4 million, lower by RM69.3 million or 15.2% YOY. The decrease was due to lower treasury and investment income, lower income from brokerage and service charges was offset by higher wealth management fees.

### Managing Operating Expenses

Operating expenses increased by RM22.3 million or 2.8%, mainly from investments in the sales force, the expansion of the collections team, higher professional fees and establishment costs. The cost-to-income ratio ("CIR") remained stable at 44.1% (FY2021: 44.1%). The Group will continue to be vigilant on managing the cost in the coming financial year.

### Asset Quality

The Group's allowance for expected credit losses on loans, advances, financing and other financial assets stood at RM217.4 million. Given the impact of the COVID-19 pandemic on the economy, included in the allowance for expected credit losses on loans, advances, financing and other financial assets were reserves that the Group continued to build up via management overlays amounting to RM137.3 million. The net credit cost was at 48.1bps (FY2021: 121.4bps). Loan loss coverage (including regulatory reserves) was at 141.5% (FY2021: 105.9%).

The Group will continue to be vigilant in its implementation of the credit risk framework in each line of business by stratifying customers according to risk levels, and prioritising customer calls or visits and its control of credit cost by refining credit policies, tightening credit underwriting and increasing collection efforts.

### Healthy Funding and Liquidity Position

The Group maintained a high current account/savings account ("CASA") ratio of 48.9%. Its customer-based funding stood at RM49.1 billion. Through our funding strategy, the Group's liquidity coverage and loans-to-funds ratios stood at 155.1% and 87.2% respectively. The Group will continue to maintain ample liquidity ratios and ensure sufficient liquidity buffers.

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**BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2022 (CONTD.)**

Proactive Capital Management

Our conservative capital management approach resulted in the Group maintaining a robust capital position. We continue to maintain one of the strongest capital levels in the industry, with Common Equity Tier-1 (CET 1) ratio at 16.0%, Tier-1 Capital ratio at 16.9% and Total Capital Ratio at 21.0%.

The Group declared a second interim dividend of 10.20 per share in respect of the financial year ended 31 March 2022.

**Performance by business segment and subsidiary**

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

The Group Consumer Banking segment recorded a profit before tax of RM14.7 million, an increase of RM154.4 million YOY. Net income was lower by RM39.5 million or 6.4% mainly due to net interest income decreased by RM43.4 million while other operating income increased by RM3.9 million. Operating expenses remained stable at RM378.0 million. Allowance for expected credit losses was lower by RM193.6 million. The segment assets were recorded at RM22.5 billion.

The Group Business Banking segment, comprising corporate, commercial and SME banking, recorded a profit before tax of RM421.3 million, an increase of 54.5% YOY. Net income increased by RM39.3 million or 5.4% due to higher net interest income by RM32.8 million and higher other operating income by RM6.5 million. Operating expenses increased by RM13.3 million or 4.4%. Allowance for expected credit losses was lower by RM122.5 million. Segment assets were recorded at RM22.2 billion.

Profit before tax in the Group Financial Markets segment increased by 20.7% or RM72.9 million YOY to RM425.3 million. Net income was higher by RM64.6 million or 16.0% due to higher net interest income. Operating expenses decreased by RM9.5 million or 17.9%. Segment assets were recorded at RM17.4 billion.

The Investment Banking segment recorded a loss before tax of RM2.8 million.

The Islamic Banking segment which consist of Consumer Banking, Business Banking and Financial Markets, recorded a net profit after taxation of RM124.9 million, representing an increase of RM118.2 million compared to last year due to higher revenue from net profit income, other operating income and lower allowance for expected credit losses. Net income was higher by RM32.5 million or 9.2%. Net profit income was higher by RM21.5 million while other operating income was higher by RM11.0 million. Operating expenses increased by RM5.4 million or 4.1%. Allowance for expected credit losses stood at RM73.2 million. Total assets stood at RM14.9 billion.

## **ECONOMIC OUTLOOK AND PROSPECTS FOR FYE 31 MARCH 2023**

For 2022, Bank Negara Malaysia ("BNM") forecasts Malaysia's gross domestic product ("GDP") growth to range between 5.3% and 6.3%, compared to a growth of 3.1% in the preceding year. In the absence of major lockdowns, we expect the improved economic activity seen in 4Q2021 to carry through into 2022. The growth will be largely underpinned by stronger domestic and external demand, favourable labour market conditions as well as improvement in consumer and business sentiment. On the back of stronger economic growth, we expect BNM to increase the Overnight Policy Rate ("OPR") by 25bps in the second half of 2022.

Nevertheless, we remain cautious and mindful of risks to growth as uncertainties persist with headwinds brought about by new COVID-19 virus variants within our environment of rising interest rates and further impact on global economies due to the war in Ukraine.

## **BUSINESS OUTLOOK FOR NEXT FINANCIAL YEAR**

With the expectations of improved mobility and better than expected outlook for 2022, the Group will focus on growing the business via the following three key focus areas:

- (i) Acquiring more customers by scaling up the Bank's core segments of SME and Consumer Banking, adding on sales force capacity and improving productivity by equipping relationship managers with digital tools to serve high-value customers. The Group will also focus on securing more customers via digital channels and diversifying our corporate customer base by focusing on family owned corporates;
- (ii) Capitalising on our Consumer and Business Banking franchises, 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.

In addition to the above, the Group will also focus on addressing asset quality concerns by continuing to prioritise customer engagement and continue managing its loan portfolio with refined credit underwriting to support the above business growth.

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



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**RATING BY EXTERNAL RATING AGENCY**

The Bank is rated by Rating Agency Malaysia Berhad ("RAM"). Based on RAM's rating in January 2022, the Bank's short-term and long-term ratings are reaffirmed at P1 and A1 respectively. RAM has classified these rating categories as follows:

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

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

**SUBSIDIARIES**

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

**AUDITORS' REMUNERATION**

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

**SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

The significant events during the financial year are disclosed in Note 51 to the financial statements.

**SUBSEQUENT EVENTS**

The events subsequent to the end of the financial reporting period are disclosed in Note 52 to the financial statements.

**AUDITORS**

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

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

**Ahmad Bin Mohd Don**

9 June 2022

**Tan Chian Khong**

**ALLIANCE BANK MALAYSIA BERHAD**  
**198201008390 (88103-W)**  
(Incorporated in Malaysia)

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

We, Ahmad Bin Mohd Don and Tan Chian Khong, being two of the Directors of Alliance Bank Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 15 to 175 are drawn up so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2022 and the financial performance of the Group and of the Bank for the financial year ended 31 March 2022 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

**Ahmad Bin Mohd Don**  
9 June 2022

**Tan Chian Khong**

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

I, Ronnie Royston Fernandiz, being the officer primarily responsible for the financial management of Alliance Bank Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 15 to 175 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  
9 June 2022

**Ronnie Royston Fernandiz**  
MIA Membership No. (CA 13837)

Before me,

Mazlee Bin Ismail  
Commissioner for Oaths  
Kuala Lumpur, Malaysia  
9 June 2022

**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBERS OF ALLIANCE BANK MALAYSIA BERHAD**  
(Incorporated in Malaysia)  
(Company No: 198201008390 (88103-W))

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

Our opinion

In our opinion, the financial statements of Alliance Bank Malaysia Berhad (“the Bank”) and its subsidiaries (“the Group”) give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 March 2022 of the Group and of the Bank, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 175.

Basis for opinion

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

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

*Independence and other ethical responsibilities*

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

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

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

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF ALLIANCE BANK MALAYSIA BERHAD (CONTD.)**  
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**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTD.)**

Key audit matters

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

Key audit matters	How our audit addressed the key audit matters
<p><b>Allowance for impairment on loans, advances and financing</b></p> <p>Refer to accounting policy 2(a)(ii), 2(k)(i) and Notes 10 of the Financial Statements of the Group and the Bank.</p> <p>MFRS 9 introduces an expected credit loss (“ECL”) impairment model, which requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. This is a complex accounting standard which has required considerable judgement and estimates in its implementation.</p> <p>In particular, the significant judgements in applying the accounting requirements for measuring ECL include the following:</p> <ul style="list-style-type: none"> <li>• The models are inherently complex and judgement is applied in determining the appropriate construct of the model;</li> <li>• Identification of loans, advances and financing that have experienced a significant increase in credit risk; and</li> <li>• Assumptions used in the ECL models such as expected future cash flows, forward-looking macroeconomic factors and data sets to be used as inputs to the models.</li> </ul> <p>The impact of the COVID-19 pandemic remains uncertain and represents a material downside risk to the economy. The Group has incorporated estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic in the measurement of ECL. These are explained further in the critical accounting estimates and judgement in Note 2(a)(ii).</p> <p>In determining ECL, management judgement is applied, using objective, reasonable and supportable information about forecast economic conditions. Forward looking macro-economic information and assumptions relating to the COVID-19 pandemic have been considered in these scenarios, as explained further in Note 43(a)(iv)(d).</p>	<p>We obtained an understanding and tested management’s controls over identification of loans, advances and financing that have experienced significant increase in credit risk or objective evidence of impairment in accordance with the Group’s policy and procedures, and the calculation of ECL provisions.</p> <p>We tested a sample of loans, advances and financing and assessed the reasonableness of management’s judgement that there was no significant increase in credit risk or objective evidence of impairment for these loans.</p> <p>Where objective evidence of impairment was identified by the Group and impairment loss was individually calculated, we examined both the quantum and timing of future cash flows used by the Group in the impairment loss calculation, challenged the assumptions and compared the assumptions to external evidence where available. Calculations of the discounted cash flows were also re-performed.</p> <p>For staging and identification of exposures with significant increase in credit risk, we assessed and tested the reasonableness of the transfer criteria applied by the Group for different types of credit exposures. We evaluated if the transfer criteria are consistent with the Group’s policy and credit risk management practices.</p> <p>To determine the appropriateness of models implemented by the Group, we have:</p> <ul style="list-style-type: none"> <li>• Assessed the methodologies inherent within the ECL models applied against the requirements of MFRS 9;</li> <li>• Tested the design and operating effectiveness of the controls relating to: <ul style="list-style-type: none"> <li>- Governance over ECL model and methodology;</li> <li>- Data used to determine the allowances for credit losses; and</li> <li>- Calculation, review and approval of the ECL calculation.</li> </ul> </li> <li>• Assessed and tested the significant modelling assumptions;</li> <li>• Assessed and considered reasonableness of forward-looking forecasts assumptions. In assessing the appropriateness of management’s forecast economic conditions after taking into consideration the impacts of the COVID-19 pandemic, we have checked to independent sources to determine whether the macro-economic information is supportable and reasonable at the reporting date of the Group’s financial statements. We have also checked the reasonableness of the probability weightage accorded to the economic scenarios;</li> <li>• Checked the accuracy of data and calculation of the ECL amount, on a sample basis and assessed the reasonableness of the overlay adjustment to the ECL; and</li> <li>• Assessed whether the disclosures in the financial statements appropriately reflect the Group’s credit risk exposures.</li> </ul> <p>Based on the procedures performed, we did not find any material exceptions to the Group’s assessment on impairment of loans, advances and financing.</p>

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF ALLIANCE BANK MALAYSIA BERHAD (CONTD.)**  
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**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTD.)**

Key audit matters (Contd.)

Key audit matters	How our audit addressed the key audit matters
<p><b>Impairment testing of goodwill</b></p> <p>Refer to accounting policy 2(a)(i), 2(k)(ii)(a) and Note 18 of the Financial Statements of the Group and the Bank.</p> <p>Management performed annual impairment assessment on goodwill.</p> <p>The recoverable amount of each cash generating units ("CGU") of which goodwill has been allocated was determined based on the value-in-use method. The value-in-use was determined using cash flow projections based on the financial budget and business plans approved by the Board of Directors, each of which is dependent on significant management judgement and can be influenced by management bias.</p> <p>In particular, we focused on the following key assumptions that requires significant judgement, for each CGU:</p> <ul style="list-style-type: none"> <li>• The annual growth rates in the cash flow projections;</li> <li>• The terminal growth rate; and</li> <li>• The discount rate.</li> </ul>	<p>We tested management's impairment assessment of goodwill as follows:</p> <ul style="list-style-type: none"> <li>• Compared the cash flow projection of each CGU to approved budgets and business plans for each CGU.</li> <li>• Compared historical cash flow projections to actual results of each CGU to assess the reasonableness of forecasting.</li> <li>• Assessed the reasonableness of the annual growth rates used in the cash flow projections of each CGU.</li> <li>• Assessed the reasonableness of the applied discount rates by comparing to external and industry information. The applied discount rates reflect the specific risks relating to each CGU where the risk associated to each CGU is determined based on the CGU's business and operating model.</li> <li>• Assessed the reasonableness of the multiple probability weighted scenarios applied to the cash flow assumptions.</li> <li>• Evaluated reasonableness of terminal growth rates used by comparing to Malaysia's forecasted GDP rate.</li> <li>• Independently performed sensitivity analysis to assess the potential impact of a reasonable possible change of the key assumptions on the recoverable amount of each CGUs.</li> <li>• Reviewed the adequacy of the Group's and the Bank's disclosures within the financial statements about these assumptions to which the outcome of the impairment test is most sensitive.</li> </ul> <p>Based on the evidence obtained, we found that the assumptions used by management in the value-in-use calculation were within a reasonable range.</p>

**INDEPENDENT AUDITORS' REPORT  
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**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:

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

but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the financial statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF ALLIANCE BANK MALAYSIA BERHAD (CONTD.)**  
(Incorporated in Malaysia)  
(Company No: 198201008390 (88103-W))

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

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

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

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

**OTHER MATTERS**

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

PRICEWATERHOUSECOOPERS PLT  
(No. LLP0014401-LCA & AF 1146)  
Chartered Accountants

ONG CHING CHUAN  
02907/11/2023 J  
Chartered Accountant

Kuala Lumpur  
9 June 2022



**ALLIANCE BANK MALAYSIA BERHAD****198201008390 (88103-W)**

(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2022**

	Note	GROUP		BANK	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>ASSETS</b>					
Cash and short-term funds	3	3,228,574	3,088,245	1,805,402	1,779,243
Deposits and placements with banks and other financial institutions	4	168,184	41,477	168,184	41,477
Amounts due from clients and brokers	5	55,040	105,041	-	-
Financial assets at fair value through profit or loss	6	541,615	237,922	467,261	167,728
Financial investments at fair value through other comprehensive income	7	9,119,699	10,424,669	6,739,619	7,303,866
Financial investments at amortised cost	8	2,129,608	2,270,504	2,244,436	2,294,765
Derivative financial assets	9	86,294	153,735	86,294	153,735
Loans, advances and financing	10	45,123,745	43,233,506	33,608,197	32,395,127
Other assets	11	470,102	293,653	526,064	349,416
Tax recoverable		11,554	44,357	-	9,600
Statutory deposits	12	99,536	88,012	68,999	69,574
Investments in subsidiaries	13	-	-	1,109,102	1,109,102
Investment in joint venture	14	1,048	994	-	-
Right-of-use assets	15	121,931	120,457	121,701	120,439
Property, plant and equipment	16	55,433	57,264	54,846	55,930
Deferred tax assets	17	203,285	130,100	143,544	95,200
Intangible assets	18	432,205	431,259	330,151	329,004
<b>TOTAL ASSETS</b>		<b>61,847,853</b>	<b>60,721,195</b>	<b>47,473,800</b>	<b>46,274,206</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	19	48,186,371	48,488,513	35,531,268	36,150,316
Deposits and placements of banks and other financial institutions	20	1,688,994	1,392,652	1,337,749	659,377
Amounts due to clients and brokers	21	28,404	63,416	-	-
Financial liabilities designated at fair value through profit or loss	22	1,025,196	472,695	1,025,196	472,695
Derivative financial liabilities	9	212,588	149,410	212,588	149,410
Recourse obligations on loans and financing sold to Cagamas	23	650,564	650,499	300,115	300,100
Lease liabilities	24	125,475	123,494	125,249	123,475
Other liabilities	25	1,895,183	1,546,070	1,689,341	1,322,169
Provision for taxation		44,029	760	42,500	-
Provision for zakat		1,162	848	-	-
Deferred tax liabilities	17	426	2,333	-	-
Subordinated obligations	26	1,572,785	1,572,718	1,472,454	1,471,978
<b>TOTAL LIABILITIES</b>		<b>55,431,177</b>	<b>54,463,408</b>	<b>41,736,460</b>	<b>40,649,520</b>
Share capital	27	1,548,106	1,548,106	1,548,106	1,548,106
Reserves	28	4,868,570	4,709,681	4,189,234	4,076,580
<b>TOTAL EQUITY</b>		<b>6,416,676</b>	<b>6,257,787</b>	<b>5,737,340</b>	<b>5,624,686</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>61,847,853</b>	<b>60,721,195</b>	<b>47,473,800</b>	<b>46,274,206</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	45	<b>33,911,195</b>	<b>30,367,400</b>	<b>31,158,471</b>	<b>27,636,885</b>
Net assets per share attributable to equity holders of the Bank (RM)		4.14	4.04		

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

**STATEMENTS OF INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

	Note	<u>GROUP</u>		<u>BANK</u>	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest income	29	1,684,496	1,793,421	1,645,843	1,743,871
Interest expense	30	(562,855)	(776,765)	(552,906)	(760,356)
Net interest income		1,121,641	1,016,656	1,092,937	983,515
Net income from Islamic banking business	31	397,515	378,500	-	-
		1,519,156	1,395,156	1,092,937	983,515
Fee and commission income		264,739	313,957	219,847	236,609
Fee and commission expense		(103,265)	(111,623)	(89,405)	(81,665)
Investment income		157,942	248,559	184,010	469,340
Other income/(expense)		29,084	(28,482)	29,410	(28,545)
Other operating income	32	348,500	422,411	343,862	595,739
Net income		1,867,656	1,817,567	1,436,799	1,579,254
Other operating expenses	33	(822,940)	(800,658)	(635,408)	(616,515)
Operating profit before allowances		1,044,716	1,016,909	801,391	962,739
Allowance for expected credit losses on loans, advances and financing and other financial assets	34	(217,235)	(532,916)	(144,525)	(319,409)
(Allowance for)/write-back of expected credit losses on financial investments	35	(174)	(96)	(357)	53
Operating profit after allowances		827,307	483,897	656,509	643,383
Share of results of joint venture	14	54	91	-	-
Profit before taxation		827,361	483,988	656,509	643,383
Taxation	36	(254,544)	(125,203)	(192,293)	(106,593)
Net profit for the financial year		572,817	358,785	464,216	536,790
Net profit for the financial year attributable to: Equity holders of the Bank		572,817	358,785	464,216	536,790
Earnings per share attributable to: Equity holders of the Bank	37				
- Basic (sen)		37.0	23.2		
- Diluted (sen)		37.0	23.2		

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

**ALLIANCE BANK MALAYSIA BERHAD****198201008390 (88103-W)**

(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Net profit for the financial year	572,817	358,785	464,216	536,790
Other comprehensive expense:				
Items that may be reclassified subsequently to profit or loss:				
Revaluation reserve on financial investments at fair value through other comprehensive income	(195,547)	(89,992)	(133,181)	(84,741)
- Net loss from change in fair values	(201,026)	(17,029)	(151,975)	(35,487)
- Realised gain transferred to statements of income on disposal	(57,056)	(101,357)	(23,785)	(75,953)
- Transfer from deferred tax	61,939	28,413	42,182	26,746
- Changes in expected credit losses	596	(19)	397	(47)
Net change in cash flow hedges	(253)	-	(253)	-
- Change in cash flow hedges	(333)	-	(333)	-
- Transfer from deferred tax	80	-	80	-
Other comprehensive expense, net of tax	(195,800)	(89,992)	(133,434)	(84,741)
Total comprehensive income for the financial year	<u>377,017</u>	<u>268,793</u>	<u>330,782</u>	<u>452,049</u>
Total comprehensive income for the financial year attributable to:				
Equity holders of the Bank	<u>377,017</u>	<u>268,793</u>	<u>330,782</u>	<u>452,049</u>

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

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

←-----Attributable to equity holders of the Bank-----→

<u>GROUP</u>	Share capital RM'000	Regulatory reserves RM'000	Capital reserves RM'000	FVOCI reserves RM'000	Hedging reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 April 2021	1,548,106	86,440	100,150	51,320	-	4,471,771	6,257,787
Net profit for the financial year	-	-	-	-	-	572,817	572,817
Other comprehensive expense	-	-	-	(195,547)	(253)	-	(195,800)
Total comprehensive (expense)/income	-	-	-	(195,547)	(253)	572,817	377,017
Transfer from regulatory reserves	-	(38,754)	-	-	-	38,754	-
Dividends paid to shareholders (Note 38)	-	-	-	-	-	(218,128)	(218,128)
At 31 March 2022	1,548,106	47,686	100,150	(144,227)	(253)	4,865,214	6,416,676
At 1 April 2020	1,548,106	224,579	100,150	141,312	-	3,974,847	5,988,994
Net profit for the financial year	-	-	-	-	-	358,785	358,785
Other comprehensive expense	-	-	-	(89,992)	-	-	(89,992)
Total comprehensive (expense)/income	-	-	-	(89,992)	-	358,785	268,793
Transfer from regulatory reserves	-	(138,139)	-	-	-	138,139	-
At 31 March 2021	1,548,106	86,440	100,150	51,320	-	4,471,771	6,257,787

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

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022 (CONTD.)**

	←----- Non-distributable reserves -----→					Distributable	Total
	Share capital	Regulatory reserves	Capital reserves	FVOCI reserves	Hedging reserves	reserves Retained profits	
<u>BANK</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2021	1,548,106	80,006	15,515	(4,907)	-	3,985,966	5,624,686
Net profit for the financial year	-	-	-	-	-	464,216	464,216
Other comprehensive expense	-	-	-	(133,181)	(253)	-	(133,434)
Total comprehensive (expense)/income	-	-	-	(133,181)	(253)	464,216	330,782
Transfer from regulatory reserves	-	(38,365)	-	-	-	38,365	-
Dividends paid to shareholders (Note 38)	-	-	-	-	-	(218,128)	(218,128)
At 31 March 2022	1,548,106	41,641	15,515	(138,088)	(253)	4,270,419	5,737,340
At 1 April 2020	1,548,106	182,292	15,515	79,834	-	3,346,890	5,172,637
Net profit for the financial year	-	-	-	-	-	536,790	536,790
Other comprehensive expense	-	-	-	(84,741)	-	-	(84,741)
Total comprehensive (expense)/income	-	-	-	(84,741)	-	536,790	452,049
Transfer from regulatory reserves	-	(102,286)	-	-	-	102,286	-
At 31 March 2021	1,548,106	80,006	15,515	(4,907)	-	3,985,966	5,624,686

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

**ALLIANCE BANK MALAYSIA BERHAD****198201008390 (88103-W)**

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS****FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	827,361	483,988	656,509	643,383
Adjustments for:				
Accretion of discount less amortisation of premium of financial investments	604	(11,125)	(34)	(11,282)
Allowance for expected credit losses on loans, advances and financing	233,995	485,776	139,937	302,286
(Write-back of)/allowance for expected credit losses on commitments and contingencies	(24,827)	25,108	(5,041)	6,502
Allowance for/(write-back of) expected credit losses on financial investments	174	96	357	(53)
Allowance for/(write-back of) expected credit losses on amounts due from clients and brokers	3	(3)	-	-
Allowance for expected credit losses on other receivables	2,800	2,086	3,364	1,815
(Write-back of)/allowance for expected credit losses on short-term funds	(12)	19	(12)	19
Allowance for expected credit losses on deposits and placements with banks	4	4	4	4
Amortisation of computer software	45,063	41,558	43,987	40,120
Depreciation of property, plant and equipment	19,844	21,479	18,923	20,470
Depreciation of right-of-use assets	25,520	25,363	25,448	25,319
Dividends from financial assets at fair value through profit or loss	(1,377)	(1,480)	(796)	(931)
Dividends from subsidiaries	-	-	(48,253)	(238,929)
Interest expense on lease liabilities	6,301	6,741	6,292	6,738
Interest expense on subordinated obligations	61,496	76,971	61,701	77,248
Interest expense on recourse obligation on loans and financing sold to Cagamas	13,591	13,591	13,591	13,591
Interest income from financial investments at amortised cost	(72,494)	(38,640)	(79,644)	(45,790)
Interest income from financial investments at fair value through other comprehensive income	(284,163)	(320,203)	(261,421)	(286,130)
Computer software written-off	368	-	368	-
Property, plant and equipment written-off	3	85	3	81
Net gain from sale of financial assets at fair value through profit or loss	(4,529)	(10,405)	(4,149)	(10,405)
Cash flows from operating activities carried forward	849,725	801,009	571,134	544,056

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022 (CONTD.)**

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)</b>				
Cash flow from operating activities brought forward	849,725	801,009	571,134	544,056
Net gain from sale of financial investments at fair value through other comprehensive income	(40,850)	(87,750)	(23,785)	(75,953)
Net loss from sale of other investments	-	5	-	5
Unrealised loss arising from derivative instruments	128,934	74,657	128,934	74,657
Unrealised gain arising from hedging activities	(333)	-	(333)	-
Unrealised gain arising from financial assets at fair value through profit or loss	(26,987)	(30,121)	(22,828)	(24,319)
Unrealised gain arising from financial liabilities designated at fair value through profit or loss	(110,171)	(7,042)	(110,171)	(7,042)
Share of results of joint venture	(54)	(91)	-	-
Zakat	503	(34)	-	-
Cash flows from operating activities before working capital changes	800,767	750,633	542,951	511,404
Changes in working capital:				
Amounts due from clients and brokers	14,986	(12,752)	-	-
Deposits from customers	(302,142)	62,661	(619,048)	(552,673)
Deposits and placements of banks and other financial institutions	296,342	(150,994)	678,372	(74,187)
Deposits and placements with banks and other financial institutions	(126,711)	(41,481)	(126,711)	(41,481)
Financial assets at fair value through profit or loss	(278,670)	440,518	(279,051)	440,518
Financial liabilities designated at fair value through profit or loss	662,672	52,652	662,672	52,652
Loans, advances and financing	(2,124,235)	(609,276)	(1,353,007)	(489,868)
Other assets	(179,045)	(33,180)	(179,804)	(84,028)
Other liabilities	373,640	132,896	371,913	59,591
Obligations on securities sold under repurchase agreements	-	(369,469)	-	(221,387)
Statutory deposits	(11,524)	861,037	575	630,781
Cash (used in)/generated from operating activities	(873,920)	1,083,245	(301,138)	231,322
Taxation paid	(191,545)	(174,609)	(146,277)	(128,894)
Zakat paid	(188)	(326)	-	-
Net cash (used in)/generated from operating activities	(1,065,653)	908,310	(447,415)	102,428

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022 (CONTD.)**

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Dividends from subsidiaries	-	-	48,253	238,929
Dividends from financial assets at fair value through profit or loss	1,377	1,480	796	931
Capital injection into subsidiaries	-	-	-	(200,000)
Interest received from financial assets at fair value through profit or loss	6,494	12,200	6,494	12,200
Interest received from financial investments at fair value through other comprehensive income	295,582	332,181	266,892	293,593
Interest received from financial investments at amortised cost	73,722	19,942	80,099	29,281
Interest received for derivative instruments	1,685	9,051	1,685	9,051
Purchase of computer software	(46,377)	(36,953)	(45,502)	(36,444)
Purchase of property, plant and equipment	(18,016)	(13,145)	(17,842)	(13,058)
Proceeds from disposal of property, plant and equipment	-	25	-	25
Purchase of:				
- financial investments at fair value through other comprehensive income	(1,043,704)	(3,970,475)	(776,850)	(3,913,031)
- financial investments at amortised cost	-	(2,426,730)	-	(2,078,053)
Redemption/disposal of:				
- financial investments at fair value through other comprehensive income	2,101,467	5,029,031	1,165,733	4,974,480
- financial investments at amortised cost	158,042	323,396	67,866	-
Net cash generated from/(used in) investing activities	<u>1,530,272</u>	<u>(719,997)</u>	<u>797,624</u>	<u>(682,096)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividends paid to shareholders of the company	(218,128)	-	(218,128)	-
Interest paid on subordinated obligations	(61,429)	(84,890)	(61,225)	(85,524)
Interest paid on recourse obligation on loans and financing sold to Cagamas	(13,526)	(13,787)	(13,576)	(13,544)
Repayment of lease liabilities	(31,207)	(30,605)	(31,121)	(30,548)
Proceeds from issuance of subordinated notes	-	60,000	-	-
Repayment of recourse obligations on loans and financing sold to Cagamas	-	(150,000)	-	-
Net cash used in financing activities	<u>(324,290)</u>	<u>(219,282)</u>	<u>(324,050)</u>	<u>(129,616)</u>



**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022 (CONTD.)**

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES (CONTD.)</b>				
Net change in cash and cash equivalents	140,329	(30,969)	26,159	(709,284)
Cash and cash equivalents at beginning of financial year	<u>3,088,245</u>	<u>3,119,214</u>	<u>1,779,243</u>	<u>2,488,527</u>
Cash and cash equivalents at end of financial year	<u><u>3,228,574</u></u>	<u><u>3,088,245</u></u>	<u><u>1,805,402</u></u>	<u><u>1,779,243</u></u>
Cash and cash equivalents comprise the following:				
Cash and short-term funds (Note 3)	<u><u>3,228,574</u></u>	<u><u>3,088,245</u></u>	<u><u>1,805,402</u></u>	<u><u>1,779,243</u></u>

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

	Recourse obligations on loans and financing sold <u>to Cagamas</u> RM'000	Lease <u>liabilities</u> RM'000	Subordinated <u>obligations</u> RM'000	<u>Total</u> RM'000
<u>GROUP</u>				
At 1 April 2021	650,499	123,494	1,572,718	2,346,711
Cash flow				
- Interest payment	(13,526)	-	(61,429)	(74,955)
- Repayment of lease liabilities	-	(31,207)	-	(31,207)
Non-cash changes				
- Interest accrued	13,591	6,301	61,496	81,388
- Additions, remeasurement and termination of contracts	-	26,887	-	26,887
At 31 March 2022	<u><u>650,564</u></u>	<u><u>125,475</u></u>	<u><u>1,572,785</u></u>	<u><u>2,348,824</u></u>

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022 (CONTD.)**

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

	Recourse obligations on loans and financing sold to Cagamas RM'000	Lease liabilities RM'000	Subordinated obligations RM'000	Total RM'000
<b>GROUP</b>				
At 1 April 2020	800,695	130,223	1,520,637	2,451,555
Cash flow				
- (Redemption)/issuance	(150,000)	-	60,000	(90,000)
- Interest payment	(13,787)	-	(84,890)	(98,677)
- Repayment of lease liabilities	-	(30,605)	-	(30,605)
Non-cash changes				
- Interest accrued	13,591	6,741	76,971	97,303
- Additions, remeasurement and termination of contracts	-	17,135	-	17,135
At 31 March 2021	<u>650,499</u>	<u>123,494</u>	<u>1,572,718</u>	<u>2,346,711</u>
<b>BANK</b>				
At 1 April 2021	300,100	123,475	1,471,978	1,895,553
Cash flow				
- Interest payment	(13,576)	-	(61,225)	(74,801)
- Repayment of lease liabilities	-	(31,121)	-	(31,121)
Non-cash changes				
- Interest accrued	13,591	6,292	61,701	81,584
- Additions, remeasurement and termination of contracts	-	26,603	-	26,603
At 31 March 2022	<u>300,115</u>	<u>125,249</u>	<u>1,472,454</u>	<u>1,897,818</u>
<b>BANK</b>				
At 1 April 2020	300,053	130,150	1,480,254	1,910,457
Cash flow				
- Interest payment	(13,544)	-	(85,524)	(99,068)
- Repayment of lease liabilities	-	(30,548)	-	(30,548)
Non-cash changes				
- Interest accrued	13,591	6,738	77,248	97,577
- Additions, remeasurement and termination of contracts	-	17,135	-	17,135
At 31 March 2021	<u>300,100</u>	<u>123,475</u>	<u>1,471,978</u>	<u>1,895,553</u>

## **NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2022**

### **1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION**

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 9 June 2022.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

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

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

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

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

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

- (i) Annual testing for impairment of goodwill (Note 18) - the measurement of the recoverable amount of cash-generating units is determined based on the value-in-use method, which requires the use of estimates for cash flow projections approved by the Board of Directors covering a 4-year period, estimated growth rates for cash flows beyond the fourth year are extrapolated in perpetuity and discount rates are applied to the cash flow projections. A sensitivity assessment has been performed by stressing of the estimated growth rates and discount rates by a certain percentage.
- (ii) The measurement of allowance for expected credit losses ("ECL") for financial assets measured at amortised cost and at fair value through other comprehensive income is an area that requires the use of significant assumptions about future economic conditions and credit behaviour.

The allowance for ECL is recognised using forward-looking information including macroeconomic factors. Using forward-looking information will increase the level of judgement as to how changes in these macroeconomic factors will affect the allowance for ECL. The methodology and assumptions including any forecasts of future economic conditions will continue to be monitored and reviewed.

The sensitivity effect on the macroeconomic factor is further disclosed in Note 43(a)(vi).

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

- Significant increase in credit risk and further disclosure in Note 43(a)(iv)(a);
- Development of ECL models and assumption for the measurement of ECL;
- Determining the number and relative weightings of forward-looking scenarios; and
- Establishing groups of similar financial assets for the purpose of measuring the ECL on a collective basis.

With the impact of the COVID-19 pandemic, the Group and the Bank have also applied overlays and post model adjustments to determine a sufficient overall level of allowance for ECL as at 31 March 2022. The basis is further disclosed in Note 43(a)(ix).

#### **Standards, amendments to published standards and interpretations that are effective and applicable to the Group and the Bank**

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and the Bank for the financial year beginning on 1 April 2021 are as follows:

- Amendments to MFRS 16 "COVID-19 Related Rent Concessions"; and
- Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16).

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

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

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

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

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

#### Financial year beginning after 1 April 2022

(i) Annual Improvements to MFRS 9 "Fees in the 10% Test for Derecognition of Financial Liabilities"

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.

(ii) Amendments to MFRS 3 "Reference to the Conceptual Framework"

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 the acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities in accordance with the principles of MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" and IC Interpretation 21 "Levies" when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

The amendments shall be applied prospectively.

(iii) Amendments to MFRS 116 "Proceeds before Intended Use"

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 retrospectively.

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

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

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

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

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

##### (iv) Amendments to MFRS 137 "Onerous Contracts - Cost of Fulfilling a Contract"

The amendments clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

The amendments shall be applied prospectively.

#### Financial year beginning after 1 April 2023

##### (i) Amendments to MFRS 101 "Classification of Liabilities as Current or Non-current"

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 retrospectively.

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

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

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

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

#### Financial year beginning after 1 April 2023 (contd.)

#### (ii) Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on Disclosure of Accounting Policies and Definition of Accounting Estimates

- Amendments to MFRS 101, MFRS Practice Statement 2 "Disclosure of Accounting Policies"

The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is "material accounting policy information" and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the Malaysian Accounting Standards Board ("MASB") also amended MFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

- Amendments to MFRS 108 "Definition of Accounting Estimates"

The amendments redefined accounting estimates as "monetary amount in financial statements that are subject to measurement uncertainty". These amendments provide clarity on how to distinguish changes in accounting policies from changes in accounting estimates. The amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimates is a change in accounting estimate if the changes do not arise from prior period errors.

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

#### (iii) Amendments to MFRS 112 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

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

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

#### **(i) Subsidiaries**

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

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

Subsidiaries are consolidated using the acquisition method of accounting. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill (Note 2(d)(i)). If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statements of income.

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

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

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

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



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

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

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

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

#### **(iii) Disposal of Subsidiaries**

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

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

#### **(iv) Associates**

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

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

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

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

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

#### **(iv) Associates (contd.)**

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

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

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

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

#### **(v) Joint Arrangements**

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

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

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

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

#### **(v) Joint Arrangements (contd.)**

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

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

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

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

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

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

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

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

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

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

### **(d) Intangible Assets (contd.)**

#### **(i) Goodwill (contd.)**

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

#### **(ii) Computer Software**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **(i) Classification (contd.)**

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

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

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

#### **(ii) Recognition and Initial Measurement**

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

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

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

#### **(iii) Subsequent Measurement**

##### **Debt instruments**

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

##### **(i) Amortised cost**

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

##### **(ii) FVOCI**

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

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

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

**(iii) Subsequent Measurement (contd.)**

**Debt instruments (contd.)**

**(ii) FVOCI (contd.)**

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

**(iii) FVTPL**

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

**Equity instruments**

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

**(iv) Derecognition**

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

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

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

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

### **(g) Derivative Financial Instrument and Hedge Accounting**

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

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

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

Derivatives that qualify for hedge accounting are designated as either:

- (a) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (b) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (c) Hedges of a net investment in a foreign operation (net investment hedge).

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

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

#### **(i) Fair Value Hedge**

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

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

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



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

### **(g) Derivative Financial Instrument and Hedge Accounting (contd.)**

#### **(ii) Cash Flow Hedge**

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

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

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

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

#### **(iii) Net Investment Hedge**

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

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

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

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

### **(g) Derivative Financial Instrument and Hedge Accounting (contd.)**

#### **Interest Rate Benchmark Reform**

The London Interbank Offered Rate ("LIBOR"), a key USD-based benchmark rate used for setting interest rate for derivatives is expected to cease by the end of June 2023 and to be replaced by the Secured Overnight Financing Rate ("SOFR"). This applies to tenures of Overnight, 1-month, 3-month, 6-month and 12-month. However, LIBOR tenures of 1-week and 2-month have ceased by the end of December 2021.

In Malaysia, BNM announced the launch of the Malaysia Overnight Rate ("MYOR") as the new alternative reference rate ("ARR") for Malaysia on 24 September 2021. However, the full replacement of the Kuala Lumpur Interbank Offered Rate ("KLIBOR") based benchmark term tenures with term MYOR is still pending finalisation from BNM.

The Group has established a Project Steering Committee in 2021 to manage the impact of the Interbank Offered Rate ("IBOR") reform. The terms of reference of the Committee are to engage with Group's business units to ensure exposures in loans, funding and derivatives incorporated fall-back provisions for the ARR and to ensure system readiness to capture existing and new exposures under the ARR transition. As at end of December 2021, system upgrade to manage the transition was completed.

The Project Steering Committee has established a communication plan to inform the customers that the issuance of products that are referenced to LIBOR and other IBOR-based benchmark rate (EUR, GBP, JPY & CHF) will cease, effective from 31 December 2021.

### **(h) Offsetting Financial Instruments**

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

### **(i) Amounts Due from Clients and Brokers**

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

### **(j) Other Assets**

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

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

### **(k) Impairment of Assets**

#### **(i) Impairment of Financial Assets**

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

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

#### **(a) General 3-stage approach**

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

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

- (i) Stage 1 – from initial recognition of a financial asset 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); and
- (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 43.

#### **(b) Simplified approach for other receivables**

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

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

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

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

#### **(i) Impairment of Financial Assets (contd.)**

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

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

#### **(ii) Impairment of Non-Financial Assets**

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

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

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

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

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

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

#### **(ii) Impairment of Non-Financial Assets (contd.)**

##### **(b) Other non-financial assets**

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

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

### **(l) Financial Liabilities**

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

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

- (i) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- (ii) Its performance is evaluated on a fair value basis, in accordance with a documented management or investment strategy.

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

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

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

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

### **(m) Repurchase Agreements**

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

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

### **(n) Bills and Acceptances Payable**

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

### **(o) Subordinated Obligations and Other Borrowings**

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

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

### **(p) Provisions**

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

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

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

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

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

### **(q) Leases**

#### **Lease in which the Group and the Bank are a Lessee**

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

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

#### **(i) Lease Term**

In determining the lease term, the Group and the Bank consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

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

#### **(ii) Right-of-Use ("ROU") Assets**

ROU assets are initially measured at cost comprising the following:

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

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

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

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

### **(q) Leases (contd.)**

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

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

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

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

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

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

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

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

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

#### **Lease in which the Bank is a Lessor**

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



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

### **(q) Leases (contd.)**

#### **Lease in which the Bank is a Lessor (contd.)**

##### **(i) Finance Leases**

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

##### **(ii) Operating Leases**

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

##### **(iii) Sublease Classification**

When the Bank is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU assets arising from the head lease, not with reference to the underlying assets. If a head lease is short-term lease to which the Bank applies the exemption described above, then it classifies the sublease as an operating lease.

##### **(iv) Separating Lease and Non-Lease Components**

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

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

### **(r) Share Capital and Dividends Declared**

#### **(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) Dividends Declared**

Dividends declared on ordinary shares are deducted from equity in the period in which all relevant approvals have been obtained.

#### **(iv) Earnings Per Share**

##### **Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owner of the Group and the Bank, excluding any costs of servicing equity other than ordinary shares; 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 interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### **(s) Revenue Recognition**

#### **(i) Recognition of Interest and Financing Income**

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

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

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

#### **(i) Recognition of Interest and Financing Income (contd.)**

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

#### **(ii) Recognition of Fees and Other Income**

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

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

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

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

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

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

#### **(t) Recognition of Interest and Financing Expenses**

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

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

### **(u) Foreign Currencies**

#### **(i) Functional and Presentation Currency**

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

#### **(ii) Transactions and Balances**

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

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

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

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

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

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

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.)**

### **(v) 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 statements of comprehensive income for the period, except when it arises from a transaction which is recognised directly in other comprehensive income or directly in equity, in which case the deferred tax is also charged or credited to other comprehensive income or to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

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

### **(w) Foreclosed Properties**

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

### **(x) Cash and Cash Equivalents**

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

### **(y) Employee Benefits**

#### **(i) Short-Term Employee Benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Bank. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### **(ii) Defined Contribution Plans**

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

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

### **(z) Contingent Assets and Contingent Liabilities**

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

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

### **(aa) Financial Guarantee Contract**

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

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

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

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

### **(ab) Segment Reporting**

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

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

### **(ac) Changes in Regulatory Requirement**

Measures Announced by BNM to Assist Individuals and Small Medium Enterprises ("SMEs") Affected by the COVID-19 Pandemic

#### **(a) Measures issued by BNM**

During the financial year ended 31 March 2022, BNM had announced the extension of regulatory measures to facilitate loan/financing repayment assistance to borrowers/customers affected by the COVID-19 pandemic in line with the Government's economic stimulus packages.

The Group and the Bank have taken proactive initiatives to engage and provide assistance to customers with financial difficulties by offering various flexible repayment packages and debt rehabilitation support. The support measures include the following:

#### **(i) Perlindungan Ekonomi dan Rakyat Malaysia ("PERMAI")**

PERMAI was announced on 18 January 2021 where eligible borrowers/customers can apply for a 3-month deferment of instalment or a 50% reduction in their monthly instalment payment for a period of 6 months. This was applicable to all B40/M40 group of customers and microenterprises with loan/financing facilities not exceeding RM150,000 that were approved on or before 30 September 2020 and not in arrears for more than 90 days.

#### **(ii) Program Strategik Memperkasa Rakyat dan Ekonomi Tambahan ("PEMERKASA+")**

PEMERKASA+ was announced on 31 May 2021 for B40 group of borrowers/customers who have lost their employment, SMEs and microenterprises with loan/financing facilities not exceeding RM150,000 that were approved on or before 30 June 2021 and not in arrears for more than 90 days. All affected borrowers/customers may enrol for a 3-month deferment of instalment or a 50% reduction in their monthly instalment payment for a period of 6 months.

#### **(iii) Pakej Perlindungan Rakyat dan Pemulihan Ekonomi ("PEMULIH")**

A 6-month loan moratorium under PEMULIH was announced on 28 June 2021. The scheme applies to ringgit and foreign currency denominated loans/financing approved on or before 30 June 2021, not in arrears exceeding 90 days and customers must not be adjudicated bankrupts or under bankruptcy proceedings. All individuals, SMEs and microenterprises may enrol for a 6-month deferment of instalment or a 50% reduction in their monthly instalment payment for a period of 6 months. There were no compounding interest/profit and any penalty interest/profit during this moratorium period.

#### **(iv) Financial Management and Resilience Programme ("URUS")**

The Bank has worked alongside Agensi Kaunseling dan Pengurusan Kredit ("AKPK") to offer a comprehensive extended financial assistance scheme called Financial Management and Resilience Programme ("URUS").

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

### **(ac) Changes in Regulatory Requirement (contd.)**

Measures Announced by BNM to Assist Individuals and SME Affected by the COVID-19 Pandemic (contd.)

(a) Measures issued by BNM (contd.)

(iv) Financial Management and Resilience Programme (“URUS”) (contd.)

Under URUS, AKPK will provide eligible customers with a personalised financial plan with the following options:

- (a) A 3-month interest/profit waiver, commencing the month following the customers’ on boarding into the scheme; or
- (b) A 3-month interest/profit waiver together with reduced instalments for a period of up to 24 months. This option will also benefit customers with unsecured personal loan/financing and credit cards.

(b) Drawdown of Prudential Buffer

Banking institutions are given the following relaxation of the regulatory prudential buffers, which need to be restored at the minimum regulatory requirements by 30 September 2021:

- (i) The usage of capital conservation buffer of 2.5%;
  - (ii) Operate below the minimum liquidity coverage ratio (“LCR”) of 100%;
  - (iii) Reduce the regulatory reserve held against expected credit losses to 0%; and
  - (iv) Minimum Net Stable Funding Ratio (“NSFR”) is lowered from 100% to 80%.
- (c) Classification in the Central Credit Reference Information System (“CCRIS”) and credit risk monitoring

Borrowers/customers under the repayment assistance/moratorium do not automatically result in a stage transfer under the MFRS 9 in the absence of other factors indicating evidence of significant increase in credit risk since initial recognition (“SICR”). The Group and the Bank continue to perform credit monitoring, assessment of relevant indicators (e.g. delinquency trend, repayment history, etc) in determining SICR. The loans/financing that are approved under the repayment assistance on or before 31 December 2021 are exempted to be reported as rescheduling and restructuring (“R&R”) in CCRIS.



### 3. CASH AND SHORT-TERM FUNDS

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and balances with banks and other financial institutions	675,074	696,292	611,777	643,202
Money at call and deposit placements maturing within one month	<u>2,553,508</u>	<u>2,391,973</u>	<u>1,193,633</u>	<u>1,136,061</u>
	3,228,582	3,088,265	1,805,410	1,779,263
Less: Allowance for expected credit losses	<u>(8)</u>	<u>(20)</u>	<u>(8)</u>	<u>(20)</u>
	<u><u>3,228,574</u></u>	<u><u>3,088,245</u></u>	<u><u>1,805,402</u></u>	<u><u>1,779,243</u></u>

Included in the cash and short-term funds of the Group are accounts held-in-trust for remisiers amounting to RM8,001,000 (2021: RM9,274,000).

Movements in allowance for expected credit losses are as follows:

<u>GROUP/BANK</u>	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 2021	20	-	-
New financial assets originated or purchased	117	-	-	117
Financial assets derecognised other than write-off	(136)	-	-	(136)
Changes due to change in credit risk	7	-	-	7
Total write-back from income statement	<u>(12)</u>	<u>-</u>	<u>-</u>	<u>(12)</u>
At 31 March 2022	<u>8</u>	<u>-</u>	<u>-</u>	<u>8</u>
At 1 April 2020	1	-	-	1
New financial assets originated or purchased	133	-	-	133
Financial assets derecognised other than write-off	(113)	-	-	(113)
Other adjustments	(1)	-	-	(1)
Total charge to income statement	<u>19</u>	<u>-</u>	<u>-</u>	<u>19</u>
At 31 March 2021	<u>20</u>	<u>-</u>	<u>-</u>	<u>20</u>

### 4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Licensed banks	168,192	41,481	168,192	41,481
Less: Allowance for expected credit losses	<u>(8)</u>	<u>(4)</u>	<u>(8)</u>	<u>(4)</u>
	<u><u>168,184</u></u>	<u><u>41,477</u></u>	<u><u>168,184</u></u>	<u><u>41,477</u></u>

**4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTD.)**

<u>GROUP/BANK</u>	12-Month	Lifetime ECL	Lifetime ECL	<u>Total</u>
	ECL	not-credit	credit	
	<u>(Stage 1)</u>	<u>(Stage 2)</u>	<u>(Stage 3)</u>	
	RM'000	RM'000	RM'000	RM'000
At 1 April 2021	4	-	-	4
New financial assets originated or purchased	8	-	-	8
Financial assets derecognised other than write-off	(4)	-	-	(4)
Total charge to income statement	4	-	-	4
At 31 March 2022	8	-	-	8
At 1 April 2020	-	-	-	-
New financial assets originated or purchased	46	-	-	46
Financial assets derecognised other than write-off	(42)	-	-	(42)
Total charge to income statement	4	-	-	4
At 31 March 2021	4	-	-	4

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

	<u>GROUP</u>	
	2022	2021
	RM'000	RM'000
Due from brokers	7,913	-
Due from clients	47,130	105,041
Less: Allowance for expected credit losses	(3)	-
	<u>55,040</u>	<u>105,041</u>

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

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

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

<u>GROUP</u>	<u>Lifetime ECL</u>	
	2022	2021
	RM'000	RM'000
At 1 April	-	3
Allowance made/(written-back) during the financial year (net)	3	(3)
At 31 March	<u>3</u>	<u>-</u>

As at 31 March 2022, the Group's gross exposure of amounts due from clients and brokers that are credit impaired was at RM3,000 (2021: RM Nil).

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

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>At fair value</b>				
<u>Money market instrument:</u>				
Malaysian Government securities	286,173	10,036	286,173	10,036
Malaysian Government investment issues	4,643	3,210	4,643	3,210
	<u>290,816</u>	<u>13,246</u>	<u>290,816</u>	<u>13,246</u>
<u>Unquoted securities:</u>				
Shares	245,842	224,676	171,488	154,482
Corporate bonds and sukuk	4,957	-	4,957	-
	<u>250,799</u>	<u>224,676</u>	<u>176,445</u>	<u>154,482</u>
Total financial assets at FVTPL	<u>541,615</u>	<u>237,922</u>	<u>467,261</u>	<u>167,728</u>

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

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>At fair value - debt instruments</b>				
<u>Money market instruments:</u>				
Malaysian Government securities	2,239,673	2,007,478	2,076,500	1,912,391
Malaysian Government investment issues	2,128,842	3,471,755	1,439,125	2,289,793
Negotiable instruments of deposits	-	-	60,048	-
Commercial papers	19,966	-	19,966	-
	<u>4,388,481</u>	<u>5,479,233</u>	<u>3,595,639</u>	<u>4,202,184</u>
<u>Quoted securities:</u>				
Shares	13	15	13	15
<u>Unquoted securities:</u>				
Corporate bonds and sukuk	4,731,205	4,945,421	3,143,967	3,101,667
	<u>4,731,205</u>	<u>4,945,421</u>	<u>3,143,967</u>	<u>3,101,667</u>
Total financial investments at FVOCI	<u>9,119,699</u>	<u>10,424,669</u>	<u>6,739,619</u>	<u>7,303,866</u>

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

Movements in allowance for expected credit losses are as follows:

	12-Month ECL (Stage 1) RM'000	Lifetime ECL not-credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
<b>GROUP</b>				
At 1 April 2021	96	231	-	327
New financial investments originated or purchased	62	-	-	62
Financial investments derecognised other than write-off	(3)	(29)	-	(32)
Changes due to change in credit risk	487	79	-	566
Total charge to income statement	546	50	-	596
At 31 March 2022	642	281	-	923
At 1 April 2020	138	208	-	346
Transfer to Stage 1	40	(337)	-	(297)
Transfer to Stage 2	(40)	677	-	637
New financial investments originated or purchased	14	-	-	14
Financial investments derecognised other than write-off	(19)	(5)	-	(24)
Changes due to change in credit risk	(37)	(312)	-	(349)
Total (write-back from)/charge to income statement	(42)	23	-	(19)
At 31 March 2021	96	231	-	327

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

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

	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
<b><u>BANK</u></b>				
At 1 April 2021	61	114	-	175
New financial investments originated or purchased	52	-	-	52
Financial investments derecognised other than write-off	(1)	(16)	-	(17)
Changes due to change in credit risk	339	23	-	362
Total charge to income statement	390	7	-	397
At 31 March 2022	451	121	-	572
At 1 April 2020	71	151	-	222
Transfer to Stage 1	23	(154)	-	(131)
Transfer to Stage 2	(23)	310	-	287
New financial investments originated or purchased	14	-	-	14
Financial investments derecognised other than write-off	(7)	(5)	-	(12)
Changes due to change in credit risk	(17)	(188)	-	(205)
Total write-back from income statement	(10)	(37)	-	(47)
At 31 March 2021	61	114	-	175

**Note:**

- (a) The transfers between stages are inclusive of net remeasurement of allowances.
- (b) There were no credit impaired exposure of financial investments at FVOCI.

**8. FINANCIAL INVESTMENTS AT AMORTISED COST**

	<u>GROUP</u>		<u>BANK</u>	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<b>At amortised cost</b>				
<u>Money market instruments:</u>				
Malaysian Government securities	285,299	289,741	285,299	289,741
Malaysian Government investment issues	1,834,031	1,859,678	1,623,917	1,647,210
Negotiable instruments of deposits	-	-	195,226	187,404
	<u>2,119,330</u>	<u>2,149,419</u>	<u>2,104,442</u>	<u>2,124,355</u>
<u>Unquoted securities:</u>				
Corporate bonds and sukuk	11,109	122,338	140,876	171,332
Allowance for expected credit losses	(831)	(1,253)	(882)	(922)
	<u>10,278</u>	<u>121,085</u>	<u>139,994</u>	<u>170,410</u>
Total financial investments at amortised cost	<u>2,129,608</u>	<u>2,270,504</u>	<u>2,244,436</u>	<u>2,294,765</u>

Movements in allowance for expected credit losses are as follows:

	12-Month ECL (Stage 1) RM'000	Lifetime ECL not-credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
<b>GROUP</b>				
At 1 April 2021	423	-	830	1,253
Financial investments derecognised other than write-off	(139)	-	-	(139)
Changes due to change in credit risk	(283)	-	-	(283)
Total write-back from income statement	(422)	-	-	(422)
At 31 March 2022	<u>1</u>	<u>-</u>	<u>830</u>	<u>831</u>
At 1 April 2020	308	-	49,074	49,382
New financial investments originated or purchased	-	-	569	569
Financial investments derecognised other than write-off	-	-	(569)	(569)
Changes due to change in credit risk	115	-	-	115
Total charge to income statement	115	-	-	115
Write-off	-	-	(48,244)	(48,244)
At 31 March 2021	<u>423</u>	<u>-</u>	<u>830</u>	<u>1,253</u>

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

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

	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
<b><u>BANK</u></b>				
At 1 April 2021	366	-	556	922
Financial investments derecognised other than write-off	(34)	-	-	(34)
Changes due to change in credit risk	(6)	-	-	(6)
Total write-back from income statement	(40)	-	-	(40)
At 31 March 2022	<u>326</u>	<u>-</u>	<u>556</u>	<u>882</u>
At 1 April 2020	372	-	24,678	25,050
New financial investments originated or purchased	-	-	373	373
Financial investments derecognised other than write-off	-	-	(373)	(373)
Changes due to change in credit risk	(6)	-	-	(6)
Total write-back from income statement	(6)	-	-	(6)
Write-off	-	-	(24,122)	(24,122)
At 31 March 2021	<u>366</u>	<u>-</u>	<u>556</u>	<u>922</u>

**Note:**

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

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

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 April	846	49,090	556	24,678
Write-off during the financial year	-	(48,244)	-	(24,122)
At 31 March	<u>846</u>	<u>846</u>	<u>556</u>	<u>556</u>

## 9. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and equity prices) of the underlying instruments. These instruments allow the Group and the Bank and the banking customers to transfer, modify or reduce their foreign exchange and interest rate risk via hedge relationships. The Group and the Bank also transact in these instruments for proprietary trading purposes. The risks associated with the use of derivative financial instruments, as well as the management's policy for controlling these risks are set out in Note 43.

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

GROUP/BANK	Contract/ notional amount RM'000	2022		2021		
		Fair value		Contract/ notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
<b>Trading derivatives</b>						
<b>Foreign exchange contracts:</b>						
- Currency forwards	3,444,406	5,026	(33,608)	3,582,112	47,952	(12,873)
- Currency swaps	7,058,429	14,681	(8,455)	5,173,549	12,471	(38,235)
- Currency spots	427,461	439	(632)	125,653	234	(84)
- Currency options	363,205	422	(77)	179,982	271	(55)
<b>Interest rate related contracts:</b>						
- Interest rate swaps	7,414,911	65,122	(89,554)	7,575,493	79,784	(50,355)
<b>Equity related contracts:</b>						
- Options	548,572	435	(79,528)	510,044	13,023	(47,808)
<b>Hedging derivatives</b>						
<b>Foreign exchange contracts:</b>						
- Currency swaps	252,270	169	(734)	-	-	-
<b>Total derivative assets/(liabilities)</b>	<b>19,509,254</b>	<b>86,294</b>	<b>(212,588)</b>	<b>17,146,833</b>	<b>153,735</b>	<b>(149,410)</b>

### Cash flow hedge

The Group and the Bank use foreign currency swaps (hedging instrument) to hedge the foreign exchange risks (USD) arising from the foreign currency interbank borrowing (hedged item) denominated in USD. The foreign exchange risk component from the foreign currency interbank borrowing is managed and mitigated by the use of foreign currency swaps.

The Group and the Bank establish the hedge ratio by matching the notional of the derivatives with the principal of the hedged item. The effectiveness is assessed by comparing the changes in fair value of the hedging instrument and the underlying hedged item and it is fully offset.



**9. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (CONTD.)**

**Cash flow hedge (Contd.)**

- (a) The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

GROUP/BANK	Nominal amount RM'000	Fair value		Changes in fair value used for calculating hedge ineffectiveness RM'000	Changes in fair value recognised other comprehensive income RM'000	Amount reclassified from hedge reserve to profit and loss RM'000
		Assets RM'000	Liabilities RM'000			
31 March 2022						
<b>Foreign exchange risk</b>						
Currency swap	252,270	169	(733)	(1,460)	1,725	(1,460)

- (b) The amounts relating to items designated as hedging items were as follows:

GROUP/BANK	Hedged item category in statements of financial position	Carrying amount of hedged item RM'000	Hedging instrument Changes in fair value used for calculating hedge ineffectiveness RM'000	Cash flow hedge reserve RM'000	Balances remaining in cash flow hedge reserve which hedge accounting is no longer applied RM'000
31 March 2022					
<b>Foreign exchange risk</b>					
Interbank borrowing	Deposit and placement of banks and other financial institutions	252,270	1,460	(253)	-

- (c) The following table provides a reconciliation of cash flow hedge:

	Cash flow hedge RM'000
At 1 April 2021	-
Changes in fair value on foreign currency risk	1,725
Amount reclassified to profit or loss	(1,460)
Cost of hedging	(598)
Income tax effect	80
At 31 March 2022	<u>(253)</u>

- (d) The Group and the Bank use the following items as hedging instruments in cash flow hedges:

	> 3-6 months RM'000
<b>Currency swap</b>	
Cash inflows (assets)	252,270
Cash outflows (liabilities)	(253,100)
Net cash outflows	<u>(830)</u>

**ALLIANCE BANK MALAYSIA BERHAD****198201008390 (88103-W)**

(Incorporated in Malaysia)

**10. LOANS, ADVANCES AND FINANCING**

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>At amortised cost</b>				
Overdrafts	3,211,650	3,431,705	1,867,543	2,036,340
Term loans/financing				
- Housing loans/financing	13,854,317	14,074,492	10,433,646	10,572,066
- Syndicated term loans/financing	450,932	318,900	450,932	318,900
- Hire purchase receivables	503,545	616,512	396,032	455,966
- Other term loans/financing	20,478,471	18,195,036	15,156,490	13,839,763
Bills receivables	401,713	483,030	390,972	452,195
Trust receipts	337,871	286,407	275,330	225,407
Claims on customers under acceptance credits	3,287,105	2,969,016	2,370,612	2,216,600
Staff loans (Loans to Directors: RM Nil)	15,816	19,463	2,988	3,987
Credit/charge card receivables	496,564	513,331	496,564	513,331
Revolving credits	1,633,184	1,902,028	1,069,069	1,157,634
Share margin financing	1,517,944	1,337,422	1,345,384	1,160,548
Gross loans, advances and financing	46,189,112	44,147,342	34,255,562	32,952,737
Add: Sales commissions and handling fees	94,475	93,370	103,075	108,989
Less: Allowance for expected credit losses on loans, advances and financing	(1,159,842)	(1,007,206)	(750,440)	(666,599)
Total net loans, advances and financing	<u>45,123,745</u>	<u>43,233,506</u>	<u>33,608,197</u>	<u>32,395,127</u>

Note:

The Bank has entered into an arrangement on Commodity Murabahah Term Financing ("CMTF") with Alliance Islamic Bank Berhad ("AIS"), the Bank's wholly-owned subsidiary. The contract is based on Wakalah principle where the Bank will provide the funds, while the assets are managed by AIS (as the Wakeel or agent). The risk and rewards of the underlying assets are recognised and borne by the Bank. Hence, the underlying assets and allowances for expected credit losses/impairment losses are recognised and accounted for by the Bank. The total loans, advances and financing for CMTF was paid off on 27 January 2022 (31 March 2021: RM34,379,000).

(i) By maturity structure:

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Within one year	11,107,483	11,166,171	7,948,690	7,928,048
One year to three years	1,718,863	1,719,702	1,342,705	1,271,822
Three years to five years	4,110,728	3,116,175	3,236,199	2,513,766
Over five years	29,252,038	28,145,294	21,727,968	21,239,101
Gross loans, advances and financing	<u>46,189,112</u>	<u>44,147,342</u>	<u>34,255,562</u>	<u>32,952,737</u>

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

(ii) By type of customer:

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Domestic non-bank financial institutions	723,452	662,237	558,736	473,893
Domestic business enterprises				
- Small and medium enterprises	15,409,759	13,947,747	11,663,713	10,831,042
- Others	6,914,111	6,139,562	5,346,250	4,654,521
Government and statutory bodies	81,213	58,149	81,213	58,149
Individuals	22,432,555	22,674,971	16,077,012	16,374,290
Other domestic entities	26,253	26,155	3,268	2,079
Foreign entities	601,769	638,521	525,370	558,763
Gross loans, advances and financing	<u>46,189,112</u>	<u>44,147,342</u>	<u>34,255,562</u>	<u>32,952,737</u>

(iii) By interest/profit rate sensitivity:

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fixed rate				
- Housing loans/financing	23,052	26,509	4,243	4,815
- Hire purchase receivables	495,932	604,335	388,420	443,788
- Other fixed rate loans/financing	7,595,903	7,022,940	5,207,562	4,940,093
Variable rate				
- Base lending rate plus	24,064,380	24,074,135	19,146,732	19,597,887
- Base rate plus	9,359,437	8,515,744	5,900,313	5,086,299
- Cost plus	4,650,408	3,903,679	3,608,292	2,879,855
Gross loans, advances and financing	<u>46,189,112</u>	<u>44,147,342</u>	<u>34,255,562</u>	<u>32,952,737</u>

(iv) By economic purposes:

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Purchase of securities	1,675,368	1,492,946	1,502,809	1,316,073
Purchase of transport vehicles	332,321	451,486	242,773	311,972
Purchase of landed property	22,164,919	21,934,318	17,143,071	17,016,276
of which: - Residential	<u>14,603,585</u>	<u>14,920,966</u>	<u>11,129,634</u>	<u>11,351,588</u>
- Non-residential	<u>7,561,334</u>	<u>7,013,352</u>	<u>6,013,437</u>	<u>5,664,688</u>
Purchase of fixed assets excluding land and buildings	341,425	263,770	289,263	211,595
Personal use	5,715,439	5,710,480	2,946,028	3,118,591
Credit card	496,564	513,332	496,564	513,332
Construction	1,056,091	954,464	933,211	851,640
Working capital	10,779,300	9,920,052	7,997,558	7,368,494
Others	3,627,685	2,906,494	2,704,285	2,244,764
Gross loans, advances and financing	<u>46,189,112</u>	<u>44,147,342</u>	<u>34,255,562</u>	<u>32,952,737</u>

**ALLIANCE BANK MALAYSIA BERHAD****198201008390 (88103-W)**

(Incorporated in Malaysia)

**10. LOANS, ADVANCES AND FINANCING (CONTD.)**(v) By economic sectors:

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Primary agriculture	1,108,508	1,197,847	718,092	790,151
Mining and quarrying	267,776	234,646	236,517	196,106
Manufacturing	5,007,037	4,840,945	3,608,137	3,647,230
Electricity, gas and water	47,504	31,632	42,889	29,462
Construction	1,668,412	1,412,197	1,250,033	1,100,732
Wholesale, retail trade, restaurants and hotels	7,868,406	7,272,701	6,110,370	5,741,712
Transport, storage and communication	810,542	714,287	642,483	570,932
Financing, insurance, real estate and business services	6,004,445	4,755,068	4,760,363	3,649,734
Community, social and personal services	373,764	366,379	287,613	288,610
Household	23,029,625	23,313,491	16,597,683	16,933,053
Others	3,093	8,149	1,382	5,015
Gross loans, advances and financing	<u>46,189,112</u>	<u>44,147,342</u>	<u>34,255,562</u>	<u>32,952,737</u>

(vi) By geographical distribution:

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Northern region	3,455,628	3,184,084	2,238,828	2,172,904
Central region	32,675,559	31,220,193	24,751,854	23,751,261
Southern region	5,451,964	5,457,765	4,137,984	4,168,512
Sabah region	3,327,317	3,171,129	2,243,381	2,093,429
Sarawak region	1,278,644	1,114,171	883,515	766,631
Gross loans, advances and financing	<u>46,189,112</u>	<u>44,147,342</u>	<u>34,255,562</u>	<u>32,952,737</u>

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

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

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 April	1,032,436	871,340	735,568	638,343
Impaired during the financial year	850,259	962,546	509,912	643,618
Recovered during the financial year	(56,902)	(47,121)	(45,741)	(34,657)
Reclassified as unimpaired during the financial year	(750,792)	(439,787)	(486,330)	(306,693)
Financial assets derecognised other than write-off during the financial year	(94,466)	(127,162)	(50,727)	(78,622)
Amount written-off	(127,269)	(187,380)	(87,925)	(126,421)
At 31 March	<u>853,266</u>	<u>1,032,436</u>	<u>574,757</u>	<u>735,568</u>
Gross impaired loans ratio	1.85%	2.34%	1.68%	2.23%
Net impaired loans ratio	<u>1.14%</u>	<u>1.72%</u>	<u>1.08%</u>	<u>1.64%</u>

The Group and the Bank may write off financial assets when relevant recovery actions have been exhausted or further recovery is not economically feasible or justifiable. The outstanding contractual amounts of such assets written off during the year amounted to RM127,269,000 and RM87,925,000 (2021: RM187,380,000 and RM126,421,000) for the Group and the Bank respectively. The Group and the Bank still seek to recover amounts that are legally owed in full, but which have been partially or fully written off and are still subject to enforcement activity.

(viii) Credit impaired loans analysed by economic purposes:

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Purchase of securities	17,143	-	17,143	-
Purchase of transport vehicles	15,599	24,162	10,900	17,497
Purchase of landed property	429,830	574,055	309,616	421,511
of which: - Residential	<u>328,994</u>	<u>453,817</u>	<u>223,770</u>	<u>320,166</u>
- Non-residential	<u>100,836</u>	<u>120,238</u>	<u>85,846</u>	<u>101,345</u>
Purchase of fixed assets excluding land and buildings	5,586	12,664	4,994	12,307
Personal use	172,179	269,955	94,214	153,655
Credit card	4,708	8,530	4,708	8,530
Construction	8,102	8,102	8,102	8,102
Working capital	140,053	84,288	82,759	66,278
Others	60,066	50,680	42,321	47,688
Gross impaired loans	<u>853,266</u>	<u>1,032,436</u>	<u>574,757</u>	<u>735,568</u>

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

(ix) Credit impaired loans analysed by economic sectors:

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Primary agriculture	1,089	1,133	6	17
Mining and quarrying	1,246	1,373	1,246	1,373
Manufacturing	61,041	63,974	52,158	60,440
Construction	69,603	32,416	17,912	19,705
Wholesale, retail trade, restaurants and hotels	98,856	87,927	75,825	67,258
Transport, storage and communication	3,798	4,683	3,244	4,179
Financing, insurance, real estate and business services	67,538	74,203	66,983	73,017
Community, social and personal services	7,170	3,109	3,286	3,109
Household	542,925	762,451	354,097	505,303
Others	-	1,167	-	1,167
Gross impaired loans	<u>853,266</u>	<u>1,032,436</u>	<u>574,757</u>	<u>735,568</u>

(x) Credit impaired loans by geographical distribution:

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Northern region	66,114	77,759	39,156	52,270
Central region	616,851	764,325	427,522	543,371
Southern region	134,400	142,789	88,780	107,890
Sabah region	28,823	37,812	13,574	24,456
Sarawak region	7,078	9,751	5,725	7,581
Gross impaired loans	<u>853,266</u>	<u>1,032,436</u>	<u>574,757</u>	<u>735,568</u>

**ALLIANCE BANK MALAYSIA BERHAD**
**198201008390 (88103-W)**

(Incorporated in Malaysia)

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

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

	12-Month ECL (Stage 1) RM'000	Lifetime ECL not-credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
<b>GROUP</b>				
At 1 April 2021	231,025	498,776	277,405	1,007,206
Transfer to Stage 1	139,012	(500,239)	(1,598)	(362,825)
Transfer to Stage 2	(85,699)	730,176	(206,437)	438,040
Transfer to Stage 3	(627)	(308,235)	288,619	(20,243)
New financial assets originated or purchased	93,426	228,198	14,727	336,351
Financial assets derecognised other than write-off	(69,683)	(250,735)	(23,389)	(343,807)
Changes due to change in credit risk	(36,790)	161,540	61,713	186,463
Other adjustment	11	5	-	16
	39,650	60,710	133,635	233,995
Unwinding of discount	-	-	2,178	2,178
Total charge to income statement	39,650	60,710	135,813	236,173
Write-off	(1)	(1,836)	(81,700)	(83,537)
At 31 March 2022	270,674	557,650	331,518	1,159,842
At 1 April 2020	96,553	269,287	293,428	659,268
Transfer to Stage 1	153,279	(303,936)	(4,481)	(155,138)
Transfer to Stage 2	(101,032)	483,008	(76,882)	305,094
Transfer to Stage 3	(738)	(158,088)	233,223	74,397
New financial assets originated or purchased	77,896	178,021	15,316	271,233
Financial assets derecognised other than write-off	(64,721)	(189,434)	(35,550)	(289,705)
Changes due to change in credit risk	69,812	220,087	(9,933)	279,966
Other adjustment	(21)	(37)	(13)	(71)
	134,475	229,621	121,680	485,776
Unwinding of discount	-	-	(7,853)	(7,853)
Total charge to income statement	134,475	229,621	113,827	477,923
Write-off	(3)	(132)	(129,850)	(129,985)
At 31 March 2021	231,025	498,776	277,405	1,007,206

**ALLIANCE BANK MALAYSIA BERHAD**

**198201008390 (88103-W)**

(Incorporated in Malaysia)

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

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

	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
<b><u>BANK</u></b>				
At 1 April 2021	154,241	314,669	197,689	666,599
Transfer to Stage 1	86,573	(314,557)	(1,581)	(229,565)
Transfer to Stage 2	(52,603)	442,526	(124,959)	264,964
Transfer to Stage 3	(446)	(157,496)	156,394	(1,548)
New financial assets originated or purchased	61,935	165,809	9,067	236,811
Financial assets derecognised other than write-off	(46,658)	(190,470)	(13,382)	(250,510)
Changes due to change in credit risk	(28,566)	108,957	39,378	119,769
Other adjustment	11	5	-	16
	20,246	54,774	64,917	139,937
Unwinding of discount	-	-	2,287	2,287
Total charge to income statement	20,246	54,774	67,204	142,224
Write-off	(1)	(901)	(57,481)	(58,383)
At 31 March 2022	174,486	368,542	207,412	750,440
At 1 April 2020	63,677	177,196	218,370	459,243
Transfer to Stage 1	94,945	(199,432)	(2,495)	(106,982)
Transfer to Stage 2	(62,825)	300,659	(50,694)	187,140
Transfer to Stage 3	(606)	(90,925)	142,613	51,082
New financial assets originated or purchased	53,856	139,571	11,287	204,714
Financial assets derecognised other than write-off	(42,782)	(141,429)	(24,205)	(208,416)
Changes due to change in credit risk	48,000	129,081	(2,262)	174,819
Other adjustment	(21)	(37)	(13)	(71)
	90,567	137,488	74,231	302,286
Unwinding of discount	-	-	(4,550)	(4,550)
Total charge to income statement	90,567	137,488	69,681	297,736
Write-off	(3)	(15)	(90,362)	(90,380)
At 31 March 2021	154,241	314,669	197,689	666,599

**Note:**

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



## **10. LOANS, ADVANCES AND FINANCING (CONTD.)**

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

Impact of movements in gross carrying amount on expected credit losses

### 2022

Stage 1 expected credit losses ("ECL") for the Group increased by RM39.6 million as a result of newly originated loans, advances and financing, and the migration to Stage 1 from Stage 2 or Stage 3 due to the improvement in credit quality. The increase was partly offset by loans, advances and financing that were fully repaid, having movement in the existing account balances during the financial year, accounts closed or migrated to Stage 2 or Stage 3 due to deterioration in credit quality.

Stage 2 ECL increased by RM58.9 million, as a result of loans, advances and financing migrated from Stage 1 into Stage 2, which were mainly due to the increase in credit risk observed on certain segments of payment relief assistance ("PRA") such as Personal Loans/Financing and Mortgages. The increase was partly offset by repayment, and accounts migrated to Stage 3 due to deterioration in credit quality and migrated to Stage 1 as a result of improved credit quality.

Stage 3 ECL for the Group increased by RM54.1 million, as a result of loans, advances and financing migrated to Stage 3 from Stage 1 and Stage 2 as a result of deterioration in credit quality. The increase was partly offset by the accounts written off mainly from personal loans/financing segment, and migration of Stage 3 to Stage 1 or Stage 2 due to improvement in credit quality or account fully repaid.

Total ECL movements in 2022 is also affected by the changes in forward-looking economic inputs and increased pre-emptive overlay provisions from the estimated impacts of the COVID-19 pandemic. The overlays have been applied to determine a sufficient overall level of ECL. These overlays were taken to reflect the potential impact to delinquencies and defaults arising from escalation of credit risk on certain segments of the targeted repayment assistance loans, as disclosed in Note 43(a)(ix).

### 2021

Stage 1 ECL for the Group increased by RM134.5 million as a result of newly originated loans, advances and financing, and the migration to Stage 1 from Stage 2 or Stage 3 due to the improvement in credit quality. The increase was partly offset by loans, advances and financing that were fully repaid, having movement in the existing account balances during the financial year, accounts closed or migrated to Stage 2 or Stage 3 due to deterioration in credit quality.

Stage 2 ECL increased by RM229.5 million, as a result of loans, advances and financing migrated from Stage 1 into Stage 2, which were mainly due to the increase in credit risk observed on certain segments of PRA such as Personal Loans/Financing and Mortgages. The increase was partly offset by repayment, and accounts migrated to Stage 3 due to deterioration in credit quality and migrated to Stage 1 as a result of improved credit quality.

Stage 3 ECL for the Group decreased by RM16.0 million, from loans, advances and financing due to written off mainly from personal loans/financing segment and migration of Stage 3 to Stage 1 or Stage 2 due to improvement in credit quality or account fully repaid. The decrease was partly offset by the accounts migrated to Stage 3 from Stage 1 and Stage 2 as a result of deterioration in credit quality.

Total ECL movements in 2021 is also affected by the changes in forward-looking economic inputs and increased pre-emptive overlay provisions from the estimated impacts of the COVID-19 pandemic, as disclosed in Note 43(a)(ix).

**11. OTHER ASSETS**

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other receivables	109,021	98,079	125,907	120,168
Collateral pledged for derivative transactions	118,485	61,381	118,485	61,381
Settlement account	234,689	128,658	234,689	128,658
Deposits	8,961	8,834	8,357	8,210
Prepayment	40,939	36,788	35,034	33,220
Amounts due from subsidiaries [Note (a)]	-	-	41,630	32,397
Amount due from joint venture [Note (a)]	-	194	109	323
	<u>512,095</u>	<u>333,934</u>	<u>564,211</u>	<u>384,357</u>
Allowance for expected credit losses on other receivables [Note (b)]	<u>(41,993)</u>	<u>(40,281)</u>	<u>(38,147)</u>	<u>(34,941)</u>
	<u>470,102</u>	<u>293,653</u>	<u>526,064</u>	<u>349,416</u>

Note:

(a) Amounts due from subsidiaries and joint venture

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-interest bearing	<u>-</u>	<u>194</u>	<u>41,739</u>	<u>32,720</u>

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

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

<u>Lifetime ECL</u>	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 April	40,281	38,212	34,941	33,143
New financial assets originated or purchased	390	170	-	-
Financial assets derecognised other than write-off	(669)	(265)	-	-
Changes due to change in credit risk	3,079	2,181	3,364	1,815
Total charge to income statement	2,800	2,086	3,364	1,815
Write-off	(1,088)	(17)	(158)	(17)
At 31 March	<u>41,993</u>	<u>40,281</u>	<u>38,147</u>	<u>34,941</u>

As at 31 March 2022, the Group's and the Bank's gross exposure of other receivables that are under lifetime expected credit losses was at RM41,993,000 and RM38,147,000 (2021: RM40,281,000 and RM34,941,000) respectively.

**ALLIANCE BANK MALAYSIA BERHAD****198201008390 (88103-W)**

(Incorporated in Malaysia)

**12. STATUTORY DEPOSITS**

- (a) Non-interest bearing statutory deposits for the Group and the Bank of RM99,436,000 and RM68,999,000 (2021: RM87,912,000 and RM69,574,000) respectively are maintained with Bank Negara Malaysia ("BNM") in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009, the amounts of which are determined as a set percentage of total eligible liabilities.
- (b) Interest bearing statutory deposits of RM100,000 (2021: RM100,000) relating to a subsidiary, Alliance Trustee Berhad which are maintained with Accountant-General in compliance with Section 3(f) of the Trust Companies Act 1949.

**13. INVESTMENTS IN SUBSIDIARIES**

	<u>BANK</u>	
	2022	2021
	RM'000	RM'000
Unquoted shares, at cost		
At 1 April	1,109,102	909,102
Subscription of ordinary shares in subsidiaries	-	200,000
At 31 March	<u>1,109,102</u>	<u>1,109,102</u>

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

<u>Name</u>	<u>Principal activities</u>	<u>Effective equity interest</u>	
		2022	2021
		%	%
Alliance Investment Bank Berhad	Investment banking business including Islamic banking, provision of stockbroking services and related financial services	100	100
Alliance Islamic Bank Berhad	Islamic banking, finance business and the provision of related financial services	100	100
Alliance Direct Marketing Sdn. Bhd.	Dealing in sales and distribution of consumer and commercial banking products	100	100
AllianceGroup Nominees (Asing) Sdn. Bhd.	Nominee services	100	100
AllianceGroup Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
Alliance Trustee Berhad [Note (a)]	Trustee services	100	100
Alliance Financial Group Berhad (under members' voluntary winding up)	Dormant	100	100
<i>Subsidiaries of Alliance Financial Group Berhad</i>			
Kota Indrapura Development (under members' voluntary winding up)	Dormant	100	100

### 13. INVESTMENTS IN SUBSIDIARIES (CONTD.)

Note:

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

<u>Name</u>	<u>Effective equity interest</u>	
	2022 %	2021 %
Alliance Bank Malaysia Berhad	20	20
Alliance Investment Bank Berhad	20	20
Alliance Direct Marketing Sdn. Bhd.	20	20
AllianceGroup Nominees (Asing) Sdn. Bhd.	20	20
AllianceGroup Nominees (Tempatan) Sdn. Bhd.	20	20

### 14. INVESTMENT IN JOINT VENTURE

	<u>GROUP</u>	
	2022 RM'000	2021 RM'000
Unquoted shares		
At 1 April	994	903
Share of results	54	91
At 31 March	<u>1,048</u>	<u>994</u>
Represented by:		
Share of net tangible assets	<u>1,048</u>	<u>994</u>

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

<u>Name</u>	<u>Principal activities</u>	<u>Effective equity interest</u>	
		2022 %	2021 %
AllianceDBS Research Sdn. Bhd.	Research and stock analysis	51	51

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

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

	<u>GROUP</u>	
	2022 RM'000	2021 RM'000
<b>Assets and liabilities</b>		
<b>Current assets</b>		
Cash and short-term funds	2,358	2,575
Other current assets	296	588
<b>Total current assets</b>	<u>2,654</u>	<u>3,163</u>
Non-current assets	308	650
<b>Total assets</b>	<u>2,962</u>	<u>3,813</u>
<b>Current liabilities</b>		
Other liabilities (non-trade)	783	1,450
<b>Total current liabilities</b>	<u>783</u>	<u>1,450</u>
Non-current liabilities	125	414
<b>Total liabilities</b>	<u>908</u>	<u>1,864</u>
<b>Net assets</b>	<u>2,054</u>	<u>1,949</u>

**14. INVESTMENTS IN JOINT VENTURE (CONTD.)**

The summarised statement of comprehensive income is as follows:

	<u>GROUP</u>	
	2022	2021
	RM'000	RM'000
Revenue	4,002	4,998
Profit before tax for the financial year	154	235
Profit after tax for the financial year	<u>105</u>	<u>178</u>
The above profit includes the following:		
Depreciation and amortisation	(7)	(23)
Taxation	<u>(49)</u>	<u>(57)</u>
Reconciliation of summarised financial information:		
<u>Net assets</u>		
At 1 April	1,949	1,771
Profit for the financial year	105	178
At 31 March	<u>2,054</u>	<u>1,949</u>
Carrying value at 51% share of the equity interest of a joint venture	<u>1,048</u>	<u>994</u>

**15. RIGHT-OF-USE ASSETS**

	Premises	Leasehold land	Office equipment and furniture	Computer equipment	Motor vehicles	Total
<u>GROUP</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2022						
<b><u>Cost</u></b>						
At 1 April 2021	207,289	13,523	2,957	7,135	796	231,700
Additions	2,774	-	-	-	-	2,774
Remeasurement	25,089	-	-	(518)	-	24,571
Termination	(2,158)	-	-	-	-	(2,158)
At 31 March 2022	<u>232,994</u>	<u>13,523</u>	<u>2,957</u>	<u>6,617</u>	<u>796</u>	<u>256,887</u>
<b><u>Accumulated depreciation</u></b>						
At 1 April 2021	101,112	4,512	1,972	3,281	329	111,206
Charge for the financial year	23,001	137	985	1,204	193	25,520
Termination	(1,807)	-	-	-	-	(1,807)
At 31 March 2022	<u>122,306</u>	<u>4,649</u>	<u>2,957</u>	<u>4,485</u>	<u>522</u>	<u>134,919</u>
<b><u>Accumulated impairment losses</u></b>						
At 1 April 2021/31 March 2022	<u>-</u>	<u>37</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37</u>
<b>Net carrying amount</b>	<u>110,688</u>	<u>8,837</u>	<u>-</u>	<u>2,132</u>	<u>274</u>	<u>121,931</u>

**15. RIGHT-OF-USE ASSETS (CONTD.)**

<u>GROUP</u>	<u>Premises</u>	<u>Leasehold</u>	<u>Office</u>	<u>Computer</u>	<u>Motor</u>	<u>Total</u>
	RM'000	RM'000	and furniture	RM'000	RM'000	RM'000
2021						
<b><u>Cost</u></b>						
At 1 April 2020	192,080	13,523	2,957	5,663	796	215,019
Additions	2,529	-	-	1,472	-	4,001
Remeasurement	12,680	-	-	-	-	12,680
At 31 March 2021	207,289	13,523	2,957	7,135	796	231,700
<b><u>Accumulated depreciation</u></b>						
At 1 April 2020	78,253	4,375	986	2,096	133	85,843
Charge for the financial year	22,859	137	986	1,185	196	25,363
At 31 March 2021	101,112	4,512	1,972	3,281	329	111,206
<b><u>Accumulated impairment losses</u></b>						
At 1 April 2020/31 March 2021	-	37	-	-	-	37
<b>Net carrying amount</b>	106,177	8,974	985	3,854	467	120,457

<u>BANK</u>	<u>Premises</u>	<u>Leasehold</u>	<u>Office</u>	<u>Computer</u>	<u>Motor</u>	<u>Total</u>
	RM'000	RM'000	and furniture	RM'000	RM'000	RM'000
2022						
<b><u>Cost</u></b>						
At 1 April 2021	207,085	13,523	2,957	7,135	796	231,496
Additions	2,774	-	-	-	-	2,774
Remeasurement	24,805	-	-	(518)	-	24,287
Termination	(2,158)	-	-	-	-	(2,158)
At 31 March 2022	232,506	13,523	2,957	6,617	796	256,399
<b><u>Accumulated depreciation</u></b>						
At 1 April 2021	100,926	4,512	1,972	3,281	329	111,020
Charge for the financial year	22,929	137	985	1,204	193	25,448
Termination	(1,807)	-	-	-	-	(1,807)
At 31 March 2022	122,048	4,649	2,957	4,485	522	134,661
<b><u>Accumulated impairment losses</u></b>						
At 1 April 2021/31 March 2022	-	37	-	-	-	37
<b>Net carrying amount</b>	110,458	8,837	-	2,132	274	121,701

**15. RIGHT-OF-USE ASSETS (CONTD.)**

<u>BANK</u>	<u>Premises</u>	<u>Leasehold</u>	<u>Office</u>	<u>Computer</u>	<u>Motor</u>	<u>Total</u>
2021	RM'000	RM'000	and furniture RM'000	RM'000	RM'000	RM'000
<b><u>Cost</u></b>						
At 1 April 2020	191,876	13,523	2,957	5,663	796	214,815
Additions	2,529	-	-	1,472	-	4,001
Remeasurement	12,680	-	-	-	-	12,680
At 31 March 2021	207,085	13,523	2,957	7,135	796	231,496
<b><u>Accumulated depreciation</u></b>						
At 1 April 2020	78,111	4,375	986	2,096	133	85,701
Charge for the financial year	22,815	137	986	1,185	196	25,319
At 31 March 2021	100,926	4,512	1,972	3,281	329	111,020
<b><u>Accumulated impairment losses</u></b>						
At 1 April 2020/31 March 2021	-	37	-	-	-	37
<b>Net carrying amount</b>	106,159	8,974	985	3,854	467	120,439

**16. PROPERTY, PLANT AND EQUIPMENT**

<u>GROUP</u>	<u>Freehold land</u>	<u>Buildings</u>	<u>Renovations</u>	<u>Office equipment and furniture</u>	<u>Computer equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2022							
<b><u>Cost</u></b>							
At 1 April 2021	1,953	27,826	128,456	62,001	66,631	854	287,721
Additions	-	-	3,918	965	13,133	-	18,016
Written-off	-	-	(28,606)	(3,466)	(16,648)	-	(48,720)
At 31 March 2022	1,953	27,826	103,768	59,500	63,116	854	257,017
<b><u>Accumulated depreciation</u></b>							
At 1 April 2021	-	12,307	120,536	47,592	49,529	468	230,432
Charge for the financial year	-	557	2,574	5,427	11,208	78	19,844
Written-off	-	-	(28,605)	(3,465)	(16,647)	-	(48,717)
At 31 March 2022	-	12,864	94,505	49,554	44,090	546	201,559
<b><u>Accumulated impairment losses</u></b>							
At 1 April 2021/31 March 2022	-	25	-	-	-	-	25
<b>Net carrying amount</b>	1,953	14,937	9,263	9,946	19,026	308	55,433



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

<u>GROUP</u>	<u>Freehold land</u> RM'000	<u>Buildings</u> RM'000	<u>Renovations</u> RM'000	<u>Office equipment and furniture</u> RM'000	<u>Computer equipment</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Total</u> RM'000
2021							
<b><u>Cost</u></b>							
At 1 April 2020	1,953	27,826	130,420	58,432	53,529	856	273,016
Additions	-	-	417	1,393	11,335	-	13,145
Transfer	-	-	(2,233)	2,233	1,851	-	1,851
Disposals	-	-	(25)	-	(2)	(2)	(29)
Written-off	-	-	(123)	(57)	(82)	-	(262)
At 31 March 2021	1,953	27,826	128,456	62,001	66,631	854	287,721
<b><u>Accumulated depreciation</u></b>							
At 1 April 2020	-	11,751	117,729	41,656	37,037	332	208,505
Charge for the financial year	-	556	2,899	5,944	11,942	138	21,479
Transfer	-	-	-	-	629	-	629
Disposals	-	-	-	-	(2)	(2)	(4)
Written-off	-	-	(92)	(8)	(77)	-	(177)
At 31 March 2021	-	12,307	120,536	47,592	49,529	468	230,432
<b><u>Accumulated impairment losses</u></b>							
At 1 April 2020/31 March 2021	-	25	-	-	-	-	25
<b>Net carrying amount</b>	1,953	15,494	7,920	14,409	17,102	386	57,264

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

	Freehold <u>land</u>	<u>Buildings</u>	<u>Renovations</u>	Office equipment <u>and furniture</u>	Computer <u>equipment</u>	Motor <u>vehicles</u>	<u>Total</u>
<u>BANK</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2022							
<b><u>Cost</u></b>							
At 1 April 2021	1,953	27,826	126,111	63,482	72,515	933	292,820
Additions	-	-	3,910	965	12,967	-	17,842
Written-off	-	-	(28,228)	(3,463)	(16,598)	-	(48,289)
At 31 March 2022	1,953	27,826	101,793	60,984	68,884	933	262,373
<b><u>Accumulated depreciation</u></b>							
At 1 April 2021	-	12,308	118,590	49,407	56,052	508	236,865
Charge for the financial year	-	556	2,404	5,333	10,552	78	18,923
Written-off	-	-	(28,227)	(3,462)	(16,597)	-	(48,286)
At 31 March 2022	-	12,864	92,767	51,278	50,007	586	207,502
<b><u>Accumulated impairment losses</u></b>							
At 1 April 2021/31 March 2022	-	25	-	-	-	-	25
<b>Net carrying amount</b>	1,953	14,937	9,026	9,706	18,877	347	54,846

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

	Freehold land	Buildings	Renovations	Office equipment and furniture	Computer equipment	Motor vehicles	Total
<u>BANK</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2021							
<b><u>Cost</u></b>							
At 1 April 2020	1,953	27,826	128,086	59,915	61,324	935	280,039
Additions	-	-	392	1,391	11,275	-	13,058
Transfer	-	-	(2,233)	2,233	-	-	-
Disposals	-	-	(25)	-	(2)	(2)	(29)
Written-off	-	-	(109)	(57)	(82)	-	(248)
At 31 March 2021	1,953	27,826	126,111	63,482	72,515	933	292,820
<b><u>Accumulated depreciation</u></b>							
At 1 April 2020	-	11,751	115,977	43,621	44,845	372	216,566
Charge for the financial year	-	557	2,695	5,794	11,286	138	20,470
Disposals	-	-	-	-	(2)	(2)	(4)
Written-off	-	-	(82)	(8)	(77)	-	(167)
At 31 March 2021	-	12,308	118,590	49,407	56,052	508	236,865
<b><u>Accumulated impairment losses</u></b>							
At 1 April 2020/31 March 2021	-	25	-	-	-	-	25
<b>Net carrying amount</b>	1,953	15,493	7,521	14,075	16,463	425	55,930

**ALLIANCE BANK MALAYSIA BERHAD****198201008390 (88103-W)**

(Incorporated in Malaysia)

**17. DEFERRED TAX**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The net deferred tax assets and liabilities shown in the statements of financial position after appropriate offsetting are as follows:

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deferred tax assets, net	203,285	130,100	143,544	95,200
Deferred tax liabilities, net	(426)	(2,333)	-	-
	<u>202,859</u>	<u>127,767</u>	<u>143,544</u>	<u>95,200</u>

Movements on deferred tax:

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 April	127,767	19,746	95,200	14,074
Recognised in statements of income	13,073	79,608	6,082	54,380
Recognised in equity	62,019	28,413	42,262	26,746
At 31 March	<u>202,859</u>	<u>127,767</u>	<u>143,544</u>	<u>95,200</u>

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

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deferred tax assets	217,571	154,706	157,901	105,690
Deferred tax liabilities	(14,712)	(26,939)	(14,357)	(10,490)
	<u>202,859</u>	<u>127,767</u>	<u>143,544</u>	<u>95,200</u>

**ALLIANCE BANK MALAYSIA BERHAD**  
**198201008390 (88103-W)**  
(Incorporated in Malaysia)

**17. DEFERRED TAX (CONTD.)**

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

<u>Deferred tax assets/(liabilities)</u>	<u>Unabsorbed tax losses and capital allowances</u> RM'000	<u>Allowance for expected credit losses</u> RM'000	<u>Other liabilities</u> RM'000	<u>Leases</u> RM'000	<u>Financial investments at fair value through other comprehensive income</u> RM'000	<u>Cash flow hedge</u> RM'000	<u>Property, plant and equipment</u> RM'000	<u>Total</u> RM'000
<b>GROUP</b>								
At 1 April 2021	4	79,011	72,460	3,231	(16,103)	-	(10,836)	127,767
Reclassification	267	-	(267)	-	-	-	-	-
Recognised in statements of income	(3)	14,973	1,858	121	-	-	(3,876)	13,073
Recognised in equity	-	-	-	-	61,939	80	-	62,019
At 31 March 2022	<u>268</u>	<u>93,984</u>	<u>74,051</u>	<u>3,352</u>	<u>45,836</u>	<u>80</u>	<u>(14,712)</u>	<u>202,859</u>
At 1 April 2020	2	15,734	52,334	2,861	(44,516)	-	(6,669)	19,746
Recognised in statements of income	2	63,277	20,126	370	-	-	(4,167)	79,608
Recognised in equity	-	-	-	-	28,413	-	-	28,413
At 31 March 2021	<u>4</u>	<u>79,011</u>	<u>72,460</u>	<u>3,231</u>	<u>(16,103)</u>	<u>-</u>	<u>(10,836)</u>	<u>127,767</u>
<b>BANK</b>								
At 1 April 2021	-	49,192	51,697	3,197	1,604	-	(10,490)	95,200
Recognised in statements of income	-	11,524	(1,690)	115	-	-	(3,867)	6,082
Recognised in equity	-	-	-	-	42,182	80	-	42,262
At 31 March 2022	<u>-</u>	<u>60,716</u>	<u>50,007</u>	<u>3,312</u>	<u>43,786</u>	<u>80</u>	<u>(14,357)</u>	<u>143,544</u>
At 1 April 2020	-	9,916	32,668	2,867	(25,142)	-	(6,235)	14,074
Recognised in statements of income	-	39,276	19,029	330	-	-	(4,255)	54,380
Recognised in equity	-	-	-	-	26,746	-	-	26,746
At 31 March 2021	<u>-</u>	<u>49,192</u>	<u>51,697</u>	<u>3,197</u>	<u>1,604</u>	<u>-</u>	<u>(10,490)</u>	<u>95,200</u>

**Note:**

Other liabilities include provisions and deferred income.

**18. INTANGIBLE ASSETS**

	<u>GROUP</u>		<u>BANK</u>	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<u>Goodwill</u>				
<b>Cost:</b>				
At 1 April/31 March	301,997	301,997	186,272	186,272
<b>Impairment:</b>				
At 1 April/31 March	16,349	16,349	351	351
<b>Net carrying amount</b>	<b>285,648</b>	<b>285,648</b>	<b>185,921</b>	<b>185,921</b>
<u>Computer software</u>				
<b>Cost:</b>				
At 1 April	384,366	349,264	375,101	338,657
Additions	46,377	36,953	45,502	36,444
Transfer	-	(1,851)	-	-
Written-off	(12,038)	-	(12,038)	-
At 31 March	418,705	384,366	408,565	375,101
<b>Accumulated amortisation:</b>				
At 1 April	238,755	197,826	232,018	191,898
Charge for the financial year	45,063	41,558	43,987	40,120
Transfer	-	(629)	-	-
Written-off	(11,670)	-	(11,670)	-
At 31 March	272,148	238,755	264,335	232,018
<b>Net carrying amount</b>	<b>146,557</b>	<b>145,611</b>	<b>144,230</b>	<b>143,083</b>
<b>Total carrying amount</b>	<b>432,205</b>	<b>431,259</b>	<b>330,151</b>	<b>329,004</b>

Note:

Computer software of the Group and the Bank includes work in progress of RM35,363,000 and RM35,242,000 (2021: RM34,228,000 and RM34,086,000) respectively which is not amortised until ready for use.

**18. INTANGIBLE ASSETS (CONTD.)**

**(a) Impairment test on goodwill**

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

	<u>GROUP</u>		<u>BANK</u>	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Consumer banking	101,565	101,565	67,513	67,513
Business banking	100,822	100,822	81,448	81,448
Financial markets	83,261	83,261	36,960	36,960
	<u>285,648</u>	<u>285,648</u>	<u>185,921</u>	<u>185,921</u>

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

(i) Discount rate

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

	<u>GROUP</u>	
	2022	2021
	%	%
Consumer banking	8.09	9.53
Business banking	8.09	9.54
Financial markets	6.44	8.40

(ii) Cash flow projections and growth rate

Cash flow projections are based on four-year financial budget and business plans approved by the Board of Directors. The cash flow projections are derived based on multiple probability weighted scenarios considering a number of key factors including past performance and management's expectation of market developments.

Cash flows beyond the fourth year are extrapolated in perpetuity using terminal growth rate at 4.2% (2021: 4.0%), representing the forecasted Gross Domestic Product ("GDP") growth rate of the country for the CGUs.

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

The management is of the view that any reasonable possible changes in the key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount of the CGUs.

Sensitivity analysis was performed by stressing the terminal growth rates ranging at -4.6% to -11.4% or the discount rates ranging between 16.7% to 21.0% which resulted in a break-even point between the carrying amount and recoverable amount for the CGUs.

**19. DEPOSITS FROM CUSTOMERS**

	<u>GROUP</u>		<u>BANK</u>	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Demand deposits	21,323,706	20,606,556	16,091,465	15,447,892
Savings deposits	2,253,040	2,193,143	1,803,826	1,753,279
Fixed/investment deposits	21,224,606	22,421,659	15,202,615	16,821,977
Money market deposits	3,121,454	2,885,258	2,169,797	1,756,823
Negotiable instruments of deposits	263,565	381,897	263,565	370,345
	<u>48,186,371</u>	<u>48,488,513</u>	<u>35,531,268</u>	<u>36,150,316</u>

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

	<u>GROUP</u>		<u>BANK</u>	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Due within six months	19,804,835	20,632,259	14,077,434	14,962,791
Six months to one year	4,640,627	4,517,179	3,501,660	3,902,026
One year to three years	160,250	529,542	53,373	75,096
Three years to five years	3,913	9,834	3,510	9,232
	<u>24,609,625</u>	<u>25,688,814</u>	<u>17,635,977</u>	<u>18,949,145</u>

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

	<u>GROUP</u>		<u>BANK</u>	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Domestic financial institutions	253,444	423,503	285,206	469,651
Domestic non-bank financial institutions	4,501,331	4,001,957	2,985,038	2,433,197
Government and statutory bodies	3,318,166	3,782,518	1,853,610	1,654,808
Business enterprises	16,250,835	15,474,724	12,314,918	12,508,806
Individuals	21,947,570	23,097,231	16,464,080	17,645,753
Foreign entities	836,669	842,730	728,208	729,873
Others	1,078,356	865,850	900,208	708,228
	<u>48,186,371</u>	<u>48,488,513</u>	<u>35,531,268</u>	<u>36,150,316</u>



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

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Licensed banks	365,146	122,576	285,139	2,263
Licensed investment banks	23,441	340,162	-	-
Bank Negara Malaysia	1,260,405	929,914	1,052,610	657,114
Other financial institutions	40,002	-	-	-
	<u>1,688,994</u>	<u>1,392,652</u>	<u>1,337,749</u>	<u>659,377</u>

Note:

(a) The Group and the Bank have undertaken a cash flow hedge on the foreign exchange risk of the deposit amounting to RM252,270,000 (2021: RM Nil).

(b) Included in deposit and placement by BNM is the government financing scheme received by the Group and the Bank as part of the government support measures in response to the COVID-19 pandemic for the purpose of SMEs lending at a below market rate.

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

	<u>GROUP</u>	
	2022 RM'000	2021 RM'000
Due to clients	28,404	57,554
Due to brokers	-	5,862
	<u>28,404</u>	<u>63,416</u>

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

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

Following the issuance of FRSIC Consensus 18, the Group no longer recognises trust monies balances in the statements of financial position, as the Group does not have any control over the trust monies to obtain the future economic benefits embodied in the trust monies. The trust monies maintained by the Group amounting to RM99,843,000 (2021: RM123,393,000) have been excluded accordingly.

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

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

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

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

	<u>GROUP/BANK</u>	
	2022 RM'000	2021 RM'000
Structured investments	1,167,323	504,651
Fair value changes arising from designation at fair value through profit or loss	<u>(142,127)</u>	<u>(31,956)</u>
	<u>1,025,196</u>	<u>472,695</u>

The carrying amount of financial liabilities designated at fair value of the Group and the Bank at 31 March 2022 was lower than the contractual amount at maturity for the structured investments by RM142,127,000 (2021: RM31,956,000).

## 23. RECOURSE OBLIGATIONS ON LOANS AND FINANCING SOLD TO CAGAMAS

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

**24. LEASE LIABILITIES**

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 April	123,494	130,223	123,475	130,150
Additions	2,667	4,001	2,667	4,001
Termination of contracts	(351)	-	(351)	-
Interest expense	6,301	6,741	6,292	6,738
Lease payment	(31,207)	(30,605)	(31,121)	(30,548)
Transfer to income statement	-	454	-	454
Remeasurement	24,571	12,680	24,287	12,680
At 31 March	<u>125,475</u>	<u>123,494</u>	<u>125,249</u>	<u>123,475</u>

Note:

Short-term leases expenses and low value leases expenses that are not included in lease liabilities for the Group and the Bank are as follows:

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Short-term leases expenses (included in establishment expense)	604	1,067	604	1,067
Income from subleasing ROU assets	154	151	1,996	1,854

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

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

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

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

Potential future cash outflows of RM123,874,000 (2021: RM122,675,000) have not been included in the lease liabilities because it is not reasonably certain that the leases will be extended or not terminated.

**25. OTHER LIABILITIES**

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other payables	1,087,970	728,404	1,003,188	621,643
Bills payable	128,601	162,447	120,850	137,565
Collateral pledged for derivative transactions	12,370	27,810	12,370	27,810
Settlement account	22,761	9,925	22,761	9,925
Clearing account	187,918	179,949	130,994	137,906
Sundry deposits	54,843	50,909	49,682	45,791
Provision and accruals	197,782	171,309	157,761	150,153
Remisiers accounts	8,002	9,274	-	-
Structured investments	170,114	156,700	170,114	156,700
Amounts due to subsidiaries	-	-	177	8,491
Amount due to joint venture	6	-	-	-
Allowance for expected credit losses on commitments and contingencies [Note (a)]	24,816	49,343	21,444	26,185
	<u>1,895,183</u>	<u>1,546,070</u>	<u>1,689,341</u>	<u>1,322,169</u>

Note:

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

<u>GROUP</u>	12-Month ECL (Stage 1)	Lifetime ECL not-credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
At 1 April 2021	9,722	36,512	3,109	49,343
Transfer to Stage 1	626	(4,508)	-	(3,882)
Transfer to Stage 2	(690)	6,809	(564)	5,555
Transfer to Stage 3	-	(1,348)	1,119	(229)
New financial assets originated or purchased	5,188	3,118	-	8,306
Financial assets derecognised other than write-off	(4,109)	(25,703)	(3,325)	(33,137)
Changes due to change in credit risk	(3,843)	1,624	779	(1,440)
	(2,828)	(20,008)	(1,991)	(24,827)
Unwinding of discount	-	-	300	300
Total write-back from income statement	(2,828)	(20,008)	(1,691)	(24,527)
At 31 March 2022	<u>6,894</u>	<u>16,504</u>	<u>1,418</u>	<u>24,816</u>

**ALLIANCE BANK MALAYSIA BERHAD****198201008390 (88103-W)**

(Incorporated in Malaysia)

**25. OTHER LIABILITIES (CONTD.)**

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

	Lifetime ECL		Lifetime ECL	Total RM'000
	12-Month	not-credit	credit	
	ECL	impaired	impaired	
	(Stage 1)	(Stage 2)	(Stage 3)	
	RM'000	RM'000	RM'000	
<b>GROUP</b>				
At 1 April 2020	8,582	10,996	4,761	24,339
Transfer to Stage 1	2,730	(7,701)	(101)	(5,072)
Transfer to Stage 2	(1,293)	12,385	(100)	10,992
Transfer to Stage 3	-	(1,143)	2,745	1,602
New financial assets originated or purchased	3,557	4,498	-	8,055
Financial assets derecognised other than write-off	(3,130)	(5,193)	(3,478)	(11,801)
Changes due to change in credit risk	(715)	22,674	(614)	21,345
Other adjustments	(9)	(4)	-	(13)
	1,140	25,516	(1,548)	25,108
Unwinding of discount	-	-	(104)	(104)
Total charge to/(write-back from) income statement	1,140	25,516	(1,652)	25,004
At 31 March 2021	9,722	36,512	3,109	49,343
<b>BANK</b>				
At 1 April 2021	8,056	15,020	3,109	26,185
Transfer to Stage 1	558	(3,839)	-	(3,281)
Transfer to Stage 2	(592)	6,010	(556)	4,862
Transfer to Stage 3	-	(1,237)	1,113	(124)
New financial assets originated or purchased	4,441	2,733	-	7,174
Financial assets derecognised other than write-off	(3,716)	(6,032)	(3,325)	(13,073)
Changes due to change in credit risk	(3,049)	1,676	774	(599)
	(2,358)	(689)	(1,994)	(5,041)
Unwinding of discount	-	-	300	300
Total write-back from income statement	(2,358)	(689)	(1,694)	(4,741)
At 31 March 2022	5,698	14,331	1,415	21,444
At 1 April 2020	7,471	7,555	4,761	19,787
Transfer to Stage 1	2,258	(6,408)	(101)	(4,251)
Transfer to Stage 2	(1,115)	10,727	(98)	9,514
Transfer to Stage 3	-	(355)	1,125	770
New financial assets originated or purchased	2,891	4,059	-	6,950
Financial assets derecognised other than write-off	(2,717)	(4,084)	(1,860)	(8,661)
Changes due to change in credit risk	(723)	3,529	(614)	2,192
Other adjustments	(9)	(3)	-	(12)
	585	7,465	(1,548)	6,502
Unwinding of discount	-	-	(104)	(104)
Total charge to/(write-back from) income statement	585	7,465	(1,652)	6,398
At 31 March 2021	8,056	15,020	3,109	26,185

**Note:**

(a) The transfers between stages are inclusive of net remeasurement of allowances.

(b) As at 31 March 2022, the Group's and the Bank's gross exposure of commitments and contingencies that are credit impaired was at RM5,760,000 and RM5,562,000 (2021: RM14,824,000 and RM12,152,000) respectively.

**26. SUBORDINATED OBLIGATIONS**

	Note	<u>GROUP</u>		<u>BANK</u>	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b><u>Subordinated Medium Term Notes</u></b>					
<b><u>("Sub-MTNs")/ Additional Tier 1 ("AT1")</u></b>					
<b><u>Capital Securities/ AT1</u></b>					
<b><u>Sukuk Wakalah</u></b>					
RM400 million Sub-MTNs	(a)	405,419	405,232	405,003	404,709
RM350 million Sub-MTNs	(b)	355,684	355,684	355,684	355,684
RM450 million Sub-MTNs	(c)	457,789	457,789	457,789	457,789
RM150 million AT1 Capital Securities	(d)	153,452	153,572	153,587	153,405
RM100 million AT1 Capital Securities	(e)	100,391	100,391	100,391	100,391
RM100 million AT1 Sukuk Wakalah	(f)	100,050	100,050	-	-
		<u>1,572,785</u>	<u>1,572,718</u>	<u>1,472,454</u>	<u>1,471,978</u>

(a) RM400 million Sub-MTNs

On 27 October 2020, the Bank issued RM400 million Sub-MTNs under the RM2.0 billion Sub-MTN Programme.

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At cost	400,000	400,000	400,000	400,000
Accumulated unaccreted discount	(736)	(923)	(1,152)	(1,446)
Interest accrued	6,155	6,155	6,155	6,155
	<u>405,419</u>	<u>405,232</u>	<u>405,003</u>	<u>404,709</u>

The Sub-MTNs have been assigned a long term rating of A2 by RAM Rating Services Berhad.

The coupon rate for the Sub-MTNs is fixed at 3.60% per annum, payable semi-annually throughout the entire tenure.

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

- (i) Issue date: 27 October 2020
- (ii) Tenure of the facility/issue: 10 years from the issue date and callable five (5) years after issue date
- (iii) Maturity date: 25 October 2030
- (iv) Interest rate/coupon: 3.60% per annum, payable semi-annually in arrears
- (v) Call date: 27 October 2025 and thereafter on every coupon payment date
- (vi) The Sub-MTNs constitute direct and unsecured obligations of the issuer, subordinated in right and priority of payment, to the extent and in the manner provided in the Sub-MTNs, ranking pari passu among themselves.
- (vii) In the event of winding up or liquidation of the issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally in right of payment or which are subordinated to the Sub-MTNs.

**26. SUBORDINATED OBLIGATIONS (CONTD.)**

(b) RM350 million Sub-MTNs

On 27 October 2020, the Bank issued RM350 million Sub-MTNs under the RM2.0 billion Sub-MTN Programme.

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At cost	350,000	350,000	350,000	350,000
Interest accrued	5,684	5,684	5,684	5,684
	<u>355,684</u>	<u>355,684</u>	<u>355,684</u>	<u>355,684</u>

The Sub-MTNs have been assigned a long term rating of A2 by RAM Rating Services Berhad.

The coupon rate for the Sub-MTNs is fixed at 3.80% per annum, payable semi-annually throughout the entire tenure.

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

- (i) Issue date: 27 October 2020
- (ii) Tenure of the facility/issue: 12 years from the issue date and callable seven (7) years after issue date
- (iii) Maturity date: 27 October 2032
- (iv) Interest rate/coupon: 3.80% per annum, payable semi-annually in arrears
- (v) Call date: 27 October 2027 and thereafter on every coupon payment date
- (vi) The Sub-MTNs constitute direct and unsecured obligations of the issuer, subordinated in right and priority of payment, to the extent and in the manner provided in the Sub-MTNs, ranking pari passu among themselves.
- (vii) In the event of winding up or liquidation of the issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally in right of payment or which are subordinated to the Sub-MTNs.

**26. SUBORDINATED OBLIGATIONS (CONTD.)**

(c) RM450 million Sub-MTNs

On 27 October 2020, the Bank issued RM450 million Sub-MTNs under the RM2.0 billion Sub-MTN Programme.

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At cost	450,000	450,000	450,000	450,000
Interest accrued	7,789	7,789	7,789	7,789
	<u>457,789</u>	<u>457,789</u>	<u>457,789</u>	<u>457,789</u>

The Sub-MTNs have been assigned a long term rating of A2 by RAM Rating Services Berhad.

The coupon rate for the Sub-MTNs is fixed at 4.05% per annum, payable semi-annually throughout the entire tenure.

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

- (i) Issue date: 27 October 2020
- (ii) Tenure of the facility/issue: 15 years from the issue date and callable ten (10) years after issue date
- (iii) Maturity date: 26 October 2035
- (iv) Interest rate/coupon: 4.05% per annum, payable semi-annually in arrears
- (v) Call date: 28 October 2030 and thereafter on every coupon payment date
- (vi) The Sub-MTNs constitute direct and unsecured obligations of the issuer, subordinated in right and priority of payment, to the extent and in the manner provided in the Sub-MTNs, ranking pari passu among themselves.
- (vii) In the event of winding up or liquidation of the issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally in right of payment or which are subordinated to the Sub-MTNs.



**ALLIANCE BANK MALAYSIA BERHAD****198201008390 (88103-W)**

(Incorporated in Malaysia)

**26. SUBORDINATED OBLIGATIONS (CONTD.)**

## (d) RM150 million AT1 Capital Securities

On 8 November 2017, the Bank issued RM150 million AT1 Capital Securities under the RM1.0 billion AT1 Capital Securities Programme.

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At cost	150,000	150,000	150,000	150,000
Accumulated unaccreted discount	(247)	(101)	(112)	(268)
Interest accrued	3,699	3,673	3,699	3,673
	<u>153,452</u>	<u>153,572</u>	<u>153,587</u>	<u>153,405</u>

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

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

The main features of the capital securities are as follows:

- (i) Issue date: 8 November 2017
- (ii) Tenure of the facility/issue: Perpetual non-callable five (5) years
- (iii) Interest rate/coupon: 6.25% per annum, payable semi-annually in arrears
- (iv) Call date: 8 November 2022 and thereafter on every coupon payment date
- (v) The Capital Securities constitute direct and unsecured obligations of the issuer and are subordinated in right and priority of payment, to the extent and in the manner provided in the Capital Securities and the Transaction Documents, ranking pari passu among themselves.
- (vi) Upon the occurrence of any winding up proceeding, the amount payable on the Capital Securities will be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally with or junior to the Capital Securities.

**26. SUBORDINATED OBLIGATIONS (CONTD.)**

(e) RM100 million AT1 Capital Securities

On 8 March 2019, the Bank issued RM100 million AT1 Capital Securities under the RM1.0 billion AT1 Capital Securities Programme.

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At cost	100,000	100,000	100,000	100,000
Interest accrued	391	391	391	391
	<u>100,391</u>	<u>100,391</u>	<u>100,391</u>	<u>100,391</u>

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

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

The main features of the capital securities are as follows:

- (i) Issue date: 8 March 2019
- (ii) Tenure of the facility/issue: Perpetual non-callable five (5) years
- (iii) Interest rate/coupon: 5.95% per annum, payable semi-annually
- (iv) Call date: 8 March 2024 and thereafter on every distribution payment date
- (v) The Capital Securities constitute direct and unsecured obligations of the issuer and are subordinated in right and priority of payment, to the extent and in the manner provided in the Capital Securities and the Transaction Documents, ranking pari passu among themselves.
- (vi) Upon the occurrence of any winding up proceeding, the amount payable on the Capital Securities will be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally with or junior to the Capital Securities.

**ALLIANCE BANK MALAYSIA BERHAD****198201008390 (88103-W)**

(Incorporated in Malaysia)

**26. SUBORDINATED OBLIGATIONS (CONTD.)**

- (f) RM100 million Additional Tier 1 Sukuk Wakalah

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

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At cost	100,000	100,000	-	-
Interest accrued	50	50	-	-
	<u>100,050</u>	<u>100,050</u>	<u>-</u>	<u>-</u>

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

The main features of the capital securities are as follows:

- (i) Issue date: 29 March 2019
- (ii) Tenure of the facility/issue: Perpetual non-callable five (5) years
- (iii) Coupon rate: 5.95% per annum, payable semi-annually
- (iv) Call date: 29 March 2024 and thereafter on every distribution payment date
- (v) The AT1 Sukuk constitutes direct and unsecured obligations of the issuer and are subordinated to depositors, general creditors and other holders of subordinated debt of the issuer.
- (vi) Upon the occurrence of any winding up proceeding, the amount payable on the AT1 Sukuk will be subordinated in right of payment to the prior payment in full of all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which their terms rank equally with or junior to the AT1 Sukuk.

## 27. SHARE CAPITAL

<u>GROUP/BANK</u>	2022		2021	
	Number of ordinary shares '000	RM'000	Number of ordinary shares '000	RM'000
Ordinary shares issued and fully paid: At 1 April/31 March	1,548,106	1,548,106	1,548,106	1,548,106

## 28. RESERVES

	Note	<u>GROUP</u>		<u>BANK</u>	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Non-distributable:</u>					
Regulatory reserves	(a)	47,686	86,440	41,641	80,006
Capital reserves	(b)	100,150	100,150	15,515	15,515
FVOCI reserves	(c)	(144,227)	51,320	(138,088)	(4,907)
Hedging reserves	(d)	(253)	-	(253)	-
		<u>3,356</u>	<u>237,910</u>	<u>(81,185)</u>	<u>90,614</u>
<u>Distributable:</u>					
Retained profits		<u>4,865,214</u>	<u>4,471,771</u>	<u>4,270,419</u>	<u>3,985,966</u>
		<u>4,868,570</u>	<u>4,709,681</u>	<u>4,189,234</u>	<u>4,076,580</u>

### Note:

- (a) Regulatory reserves represent the Group's and the Bank's compliance with BNM Revised Policy Documents in Financial Reporting and Financial Reporting for Islamic Banking Institutions effective 1 April 2018 whereby the Bank and its banking subsidiaries must maintain in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.
- (b) Capital reserves are in respect of retained profits capitalised for a bonus issue by a subsidiary.
- (c) FVOCI reserves are the cumulative gains and losses arising on the revaluation of debt instruments measured at FVOCI, net off cumulative gains and losses transferred to statements of income upon disposal and the cumulative allowance for expected credit losses on these investments.
- (d) Hedging reserve arises from the cash flow hedge activities undertaken by the Group and the Bank on deposits and placements of banks and financial institutions.

The reserve is non-distributable and is reversed to the statements of income when the hedged items affect the statement of income or termination of the cash flow hedge.

**29. INTEREST INCOME**

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Loans, advances and financing	1,315,843	1,392,203	1,291,955	1,367,348
Money at call and deposit placements with financial institutions	11,510	30,612	11,699	32,683
Financial investments at fair value through other comprehensive income	284,163	320,203	261,421	286,130
Financial investments at amortised cost	72,494	38,640	79,644	45,790
Others	1,090	638	1,090	638
	<u>1,685,100</u>	<u>1,782,296</u>	<u>1,645,809</u>	<u>1,732,589</u>
Accretion of discount less amortisation of premium	(604)	11,125	34	11,282
	<u>1,684,496</u>	<u>1,793,421</u>	<u>1,645,843</u>	<u>1,743,871</u>

Note:

Included in interest income on loans, advances and financing are:

- (a) Interest/profit on impaired loans/financing of the Group and the Bank of RM2,837,000 (2021: RM6,590,000).
- (b) During the COVID-19 pandemic period, the Group and the Bank granted various payment moratorium, repayment assistance, restructuring and rescheduling programmes to the customers/borrowers affected by the COVID-19 pandemic. As a result, the Group and the Bank recognised a modification loss of RM21,635,000 (2021: RM43,825,000) arising from the modification of contractual cash flows of the financing.

**30. INTEREST EXPENSE**

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deposits and placements of banks and other financial institutions	15,247	18,013	11,207	9,647
Deposits from customers	458,360	653,548	452,255	645,231
Recourse obligations on loans and financing sold to Cagamas	13,591	13,591	13,591	13,591
Subordinated obligations	61,496	76,971	61,701	77,248
Lease liabilities	6,301	6,741	6,292	6,738
Others	7,860	7,901	7,860	7,901
	<u>562,855</u>	<u>776,765</u>	<u>552,906</u>	<u>760,356</u>

**ALLIANCE BANK MALAYSIA BERHAD****198201008390 (88103-W)**

(Incorporated in Malaysia)

**31. NET INCOME FROM ISLAMIC BANKING BUSINESS**

	<u>GROUP</u>	
	2022	2021
	RM'000	RM'000
Income derived from investment of depositors' funds and others	572,332	607,850
Income derived from investment of Islamic Banking funds	60,439	63,093
Income attributable to the depositors and financial institutions	<u>(235,256)</u>	<u>(292,443)</u>
	<u>397,515</u>	<u>378,500</u>

**Note:**

- (a) Net income from Islamic banking business comprises income generated from Alliance Islamic Bank Berhad ("AIS"), and Islamic banking business of Alliance Investment Bank Berhad ("AIBB"). Both AIS and AIBB are wholly-owned subsidiaries of the Bank.
- (b) During the COVID-19 pandemic period, the Group granted various payment moratorium, repayment assistance, restructuring and rescheduling programmes to the customers/borrowers affected by the COVID-19 pandemic. As a result, the Group recognised a modification loss of RM18,508,000 (2021: RM44,154,000) arising from the modification of contractual cash flows of the financing.

**32. OTHER OPERATING INCOME**

	GROUP		BANK	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(a) <u>Fee and commission income:</u>				
Commissions	90,688	99,845	90,688	99,845
Service charges and fees	23,189	26,287	22,308	25,234
Corporate advisory fees	3,943	3,718	-	-
Underwriting commissions	1,121	1,484	-	-
Brokerage fees	33,971	69,186	-	-
Guarantee fees	13,425	13,738	13,398	13,711
Processing fees	11,650	4,417	6,701	2,540
Commitment fees	19,044	18,899	19,044	18,899
Cards related income	60,708	68,380	60,708	68,380
Other fee income	7,000	8,003	7,000	8,000
	<u>264,739</u>	<u>313,957</u>	<u>219,847</u>	<u>236,609</u>
(b) <u>Fee and commission expense:</u>				
Commissions expense	(2,212)	(2,574)	(2,212)	(2,574)
Service charges and fees expense	(1,820)	(1,417)	(1,820)	(1,417)
Brokerage fees expense	(13,921)	(30,024)	(61)	(66)
Guarantee fees expense	(17,244)	(11,322)	(17,244)	(11,322)
Cards related expense	(68,068)	(66,286)	(68,068)	(66,286)
	<u>(103,265)</u>	<u>(111,623)</u>	<u>(89,405)</u>	<u>(81,665)</u>
(c) <u>Investment income:</u>				
Realised gain/(loss) arising from sale/redemption of:				
- Financial assets at fair value through profit or loss	4,529	10,405	4,149	10,405
- Financial investments at fair value through other comprehensive income	40,850	87,750	23,785	75,953
- Derivative instruments	102,629	186,423	102,629	186,423
- Other investments	-	(5)	-	(5)
Marked-to-market revaluation gain/(loss):				
- Financial assets at fair value through profit or loss	26,987	30,121	22,828	24,319
- Derivative instruments	(128,934)	(74,657)	(128,934)	(74,657)
- Financial liabilities designated at fair value through profit or loss	110,171	7,042	110,171	7,042
Net gain arising from hedging activities	333	-	333	-
Gross dividend income from:				
- Financial assets at fair value through profit or loss	1,377	1,480	796	931
- Subsidiaries	-	-	48,253	238,929
	<u>157,942</u>	<u>248,559</u>	<u>184,010</u>	<u>469,340</u>
(d) <u>Other income/(expense):</u>				
Foreign exchange gain/(loss)	3,436	(44,362)	2,463	(45,368)
Rental income	154	151	1,996	1,854
Others	25,494	15,729	24,951	14,969
	<u>29,084</u>	<u>(28,482)</u>	<u>29,410</u>	<u>(28,545)</u>
Total other operating income	<u>348,500</u>	<u>422,411</u>	<u>343,862</u>	<u>595,739</u>

**33. OTHER OPERATING EXPENSES**

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	416,611	396,117	310,904	297,234
- Contribution to EPF	65,716	64,150	49,312	48,426
- Others	47,298	51,390	35,463	35,268
	<u>529,625</u>	<u>511,657</u>	<u>395,679</u>	<u>380,928</u>
<u>Establishment costs</u>				
- Depreciation of property, plant and equipment	19,844	21,479	18,923	20,470
- Depreciation of right-of-use assets	25,520	25,363	25,448	25,319
- Amortisation of computer software	45,063	41,558	43,987	40,120
- Rental of premises	2,159	2,017	1,797	1,734
- Water and electricity	6,201	6,790	4,684	5,031
- Repairs and maintenance	8,590	10,154	6,615	7,988
- Information technology expenses	71,051	65,022	42,755	38,977
- Others	10,121	10,847	7,214	7,183
	<u>188,549</u>	<u>183,230</u>	<u>151,423</u>	<u>146,822</u>
<u>Marketing expenses</u>				
- Promotion and advertisement	11,219	15,509	10,803	13,682
- Branding and publicity	6,653	8,503	5,995	5,794
- Others	4,622	4,478	3,038	2,720
	<u>22,494</u>	<u>28,490</u>	<u>19,836</u>	<u>22,196</u>
<u>Administration and general expenses</u>				
- Communication expenses	11,909	13,107	8,953	9,718
- Printing and stationery	1,449	1,812	1,100	1,407
- Insurance	9,479	5,943	7,303	5,048
- Professional fees	37,408	36,072	31,204	28,426
- Others	22,027	20,347	19,910	21,970
	<u>82,272</u>	<u>77,281</u>	<u>68,470</u>	<u>66,569</u>
Total other operating expenses	<u>822,940</u>	<u>800,658</u>	<u>635,408</u>	<u>616,515</u>

Included in the other operating expenses are the following:

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Auditors' remuneration				
- statutory audit fees	1,973	1,999	1,552	1,583
- audit related fees	362	555	230	387
- tax compliance fees	106	106	56	56
- tax related services	23	426	10	393
- other services	330	-	330	-
Hire of equipment	1,494	1,176	1,494	1,176
Property, plant and equipment written-off	3	85	3	81
Computer software written-off	368	-	368	-



**ALLIANCE BANK MALAYSIA BERHAD****198201008390 (88103-W)**

(Incorporated in Malaysia)

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

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Allowance for expected credit losses on:				
(a) Loans, advances and financing				
- Allowance made during the financial year	233,995	485,776	139,937	302,286
(b) Credit impaired loans, advances and financing				
- Recovered	(39,976)	(39,347)	(26,426)	(28,672)
- Written-off	45,248	59,273	32,699	37,455
(c) Commitments and contingencies on loans, advances and financing				
- (Write-back)/allowance made during the financial year	(24,827)	25,108	(5,041)	6,502
	<u>214,440</u>	<u>530,810</u>	<u>141,169</u>	<u>317,571</u>
Allowance for/(write-back of) expected credit losses on:				
- Amounts due from clients and brokers	3	(3)	-	-
- Other receivables	2,800	2,086	3,364	1,815
- Cash and short-term funds	(12)	19	(12)	19
- Deposits and placements with banks and other financial institutions	4	4	4	4
	<u>217,235</u>	<u>532,916</u>	<u>144,525</u>	<u>319,409</u>

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

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(a) Financial investments at fair value through other comprehensive income				
- Allowance made/(write-back) during the financial year	596	(19)	397	(47)
(b) Financial investments at amortised cost				
- (Write-back)/allowance made during the financial year	(422)	115	(40)	(6)
	<u>174</u>	<u>96</u>	<u>357</u>	<u>(53)</u>

**36. TAXATION**

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Income tax:				
Current financial year	274,418	200,992	203,721	156,207
Real property gain tax	(141)	-	(141)	-
(Over)/under provision in prior years	(6,660)	3,819	(5,205)	4,766
	<u>267,617</u>	<u>204,811</u>	<u>198,375</u>	<u>160,973</u>
Deferred tax (Note 17)				
Current financial year	(12,818)	(81,688)	(5,199)	(56,277)
(Over)/under provision in prior years	(255)	2,080	(883)	1,897
	<u>(13,073)</u>	<u>(79,608)</u>	<u>(6,082)</u>	<u>(54,380)</u>
	<u>254,544</u>	<u>125,203</u>	<u>192,293</u>	<u>106,593</u>

As per the Finance Act 2021 gazetted on 31 December 2021, effective for Year of Assessment ("YA") 2022, a special one-off tax called "Cukai Makmur" will be imposed on companies that generate chargeable income more than RM100 million as follows:

- Chargeable income for the first RM100 million will be taxed at a rate of 24%; and
- Chargeable income in excess of RM100 million will be taxed at a rate of 33%.

Income tax is calculated based on the chargeable income above on the assessable profit for the financial year (2021: 24%).

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

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before taxation	<u>827,361</u>	<u>483,988</u>	<u>656,509</u>	<u>643,383</u>
Taxation at Malaysian Statutory Tax Rate of 24% (2021: 24%)	198,567	116,157	157,562	154,412
Additional Tax Rate of 9% in excess of RM100 million	57,222	-	50,086	-
Income not subject to tax	(11,394)	(6,783)	(21,824)	(62,413)
Expenses not deductible for tax purposes	13,259	9,930	11,217	7,931
Real property gain tax	(141)	-	(141)	-
Effect of Cukai Makmur	3,946	-	1,481	-
(Over)/under provision of tax expense in prior years	(6,915)	5,899	(6,088)	6,663
Tax expense for the financial year	<u>254,544</u>	<u>125,203</u>	<u>192,293</u>	<u>106,593</u>

### 37. EARNINGS PER SHARE

#### (a) Basic

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

	<u>GROUP</u>		<u>BANK</u>	
	2022	2021	2022	2021
Profit for the year attributable to equity holders of the Bank (RM'000)	<u>572,817</u>	<u>358,785</u>	<u>464,216</u>	<u>536,790</u>
Weighted average numbers of ordinary shares in issue ('000)	<u>1,548,106</u>	<u>1,548,106</u>	<u>1,548,106</u>	<u>1,548,106</u>
Basic earnings per share (sen)	<u>37.0</u>	<u>23.2</u>	<u>30.0</u>	<u>34.7</u>

#### (b) Diluted

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

There were no dilutive potential ordinary shares outstanding as at 31 March 2022 and 31 March 2021 respectively. As a result, the dilutive earnings per share was equal to basic earnings per share for the financial year ended 31 March 2022 and 31 March 2021.

### 38. DIVIDENDS

Dividends on Ordinary Shares:

	<u>Dividend recognised during the financial year</u>			
	<u>GROUP</u>		<u>BANK</u>	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<b>First interim dividend</b>				
8.30 sen per share, on 1,548,105,929 ordinary shares, declared in financial year ended 31 March 2022, was paid on 30 December 2021 to the shareholders.	128,493	-	128,493	-
<b>Interim dividend</b>				
5.79 sen per share, on 1,548,105,929 ordinary shares, declared in financial year ended 31 March 2021, was paid on 30 June 2021 to the shareholders.	89,635	-	89,635	-
	<u>218,128</u>	<u>-</u>	<u>218,128</u>	<u>-</u>

Subsequent to the financial year end, the Directors declared a single tier second interim dividend of 10.20 sen per share, on 1,548,105,929 ordinary shares amounting to approximately RM157,907,000 in respect of the current financial year. The accompanying financial statements do not reflect this dividend. The dividend will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2023.

### 39. INTEREST RATE BENCHMARK REFORM

#### Financial instruments affected by Interest Rate Benchmark Reform

The table below shows the total amount of non-derivative financial assets and derivatives financial contracts that have not transited to the alternative benchmark rate that the Group and the Bank have been exposed to as at the financial year end.

	FCY LIBOR RM'000	KLIBOR RM'000	Total RM'000
<b>Notional amount</b>			
Derivative financial instruments	1,422,173	6,694,890	8,117,063

### 40. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

Significant related party transactions and balances as follows:

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(a) <u>Transactions</u>				
Interest income				
- subsidiaries	-	-	7,520	16,964
- key management personnel	13	14	13	14
Dividend income				
- subsidiaries	-	-	48,253	238,929

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

Significant related party transactions and balances as follows: (contd.)

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>(a) <u>Transactions (contd.)</u></b>				
Management fees				
- subsidiaries	-	-	282	190
Rental income				
- subsidiaries	-	-	1,842	1,702
- joint venture	151	151	151	151
Other operating expenses recharged				
- subsidiaries	-	-	129,897	123,533
- joint venture	149	149	149	149
Interest expenses				
- subsidiaries	-	-	(19)	(28)
- joint venture	(37)	(39)	-	-
- key management personnel	(478)	(421)	(232)	(230)
- substantial shareholders	(1)	(1)	(1)	(1)
Other operating expenses				
- subsidiaries	-	-	(3,062)	(9,540)
- joint venture/other related company [Note (i)]	(2,374)	(2,152)	(1,305)	(902)
Commission paid				
- subsidiaries	-	-	(19,676)	(21,466)
<b>(b) <u>Balances</u></b>				
Financial investments at fair value through other comprehensive income				
- subsidiaries	-	-	292,534	232,500
Financial investments at amortised cost				
- subsidiaries	-	-	130,002	130,059
Loans, advances and financing				
- key management personnel	1,487	2,676	332	776
Money at call and deposit placements with financial institutions				
- subsidiaries	-	-	-	67,653
Other assets				
- subsidiaries	-	-	41,630	32,397
- joint venture	-	194	109	323

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

Significant related party transactions and balances as follows: (contd.)

(b) Balances (contd.)

Deposits from customers				
- subsidiaries	-	-	(143,052)	(173,410)
- joint venture	(2,358)	(2,575)	(157)	(472)
- key management personnel	(18,092)	(23,602)	(11,739)	(14,541)
- substantial shareholders	(522)	(709)	(522)	(709)
Financial liabilities designated at fair value through profit or loss				
- key management personnel	(50)	(100)	(50)	(100)
Other liabilities				
- subsidiaries	-	-	(177)	(8,491)
- joint venture	(6)	-	-	-
	<u>(6)</u>	<u>-</u>	<u>(177)</u>	<u>(8,491)</u>

Note:

- (i) The Group and the Bank have paid RM2,452,000 and RM1,324,000 (2021: RM2,414,000 and RM1,023,000) respectively to the joint venture/other related company for the research services provided, where the joint venture/other related company was jointly held by Alliance Investment Bank Berhad and DBS Vickers Securities Pte. Ltd., a company incorporated in Singapore.
- (ii) Other than transactions with joint venture company, all intercompany transactions are conducted in Malaysia.

(c) Compensation of key management personnel

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

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CEOs and other Key Management:				
- Salary and other remuneration	27,517	26,562	25,466	24,688
- Contribution to EPF	3,910	3,797	3,612	3,526
- Benefits-in-kind	116	104	113	100
	<u>31,543</u>	<u>30,463</u>	<u>29,191</u>	<u>28,314</u>
Non-Executive Directors:				
- Fees payable	2,657	2,475	1,751	1,595
- Allowances	756	715	514	474
- Benefits-in-kind	29	31	29	31
	<u>3,442</u>	<u>3,221</u>	<u>2,294</u>	<u>2,100</u>

Included in the total key management personnel are:

CEOs and Non-Executive Directors' remuneration, excluding past CEO and Non-Executive Directors (Note 42)	<u>13,529</u>	<u>12,106</u>	<u>10,030</u>	<u>8,835</u>
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**40. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)**

Significant related party transactions and balances as follows: (contd.)

(c) Compensation of key management personnel (contd.)

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

<u>Group</u>	<u>Number</u>	<u>2022</u>		<u>2021</u>				
		<u>Unrestricted</u> RM'000	<u>Number</u>	<u>Deferred</u> RM'000	<u>Number</u>	<u>Deferred</u> RM'000		
<u>Fixed remuneration</u>								
Cash		<u>23,870</u>		<u>-</u>	<u>23,801</u>	<u>-</u>		
<u>Variable remuneration</u>								
Cash	17	<u>8,024</u>	17	<u>3,091</u>	18	<u>6,670</u>	19	<u>3,213</u>
		<u>31,894</u>		<u>3,091</u>	<u>30,471</u>			<u>3,213</u>

  

<u>Bank</u>	<u>Number</u>	<u>2022</u>		<u>2021</u>				
		<u>Unrestricted</u> RM'000	<u>Number</u>	<u>Deferred</u> RM'000	<u>Number</u>	<u>Deferred</u> RM'000		
<u>Fixed remuneration</u>								
Cash		<u>21,083</u>		<u>-</u>	<u>21,199</u>	<u>-</u>		
<u>Variable remuneration</u>								
Cash	15	<u>7,457</u>	15	<u>2,945</u>	16	<u>6,122</u>	17	<u>3,093</u>
		<u>28,540</u>		<u>2,945</u>	<u>27,321</u>			<u>3,093</u>

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

	<u>BANK</u>	
	<u>2022</u> RM'000	<u>2021</u> RM'000
Outstanding credit exposures with connected parties	<u>323,772</u>	<u>329,573</u>
of which:		
Total credit exposure which is impaired or in default	<u>132</u>	<u>206</u>
Total credit exposures	<u>49,560,984</u>	<u>48,187,666</u>
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	<u>0.65%</u>	<u>0.68%</u>
- which is impaired or in default	<u>0.00%</u>	<u>0.00%</u>

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

**41. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES (CONTD.)**

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

- (i) Directors of the Bank and their close relatives;
- (ii) Controlling shareholder and his or her 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 or her close relatives;
- (iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;
- (v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
- (vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and
- (vii) Subsidiary of or an entity controlled by the Bank and its connected parties.

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



#### 42. CEOs AND DIRECTORS' REMUNERATION

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

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Chief Executive Officers:				
- Salary and other remuneration	5,797	5,774	4,313	4,448
- Bonuses	2,967	1,928	2,400	1,380
- Contribution to EPF	1,224	1,093	926	821
- Benefits-in-kind	99	90	97	86
	10,087	8,885	7,736	6,735
Non-Executive Directors:				
- Fees payable	2,657	2,475	1,751	1,595
- Allowances	756	715	514	474
- Benefits-in-kind	29	31	29	31
	3,442	3,221	2,294	2,100
	13,529	12,106	10,030	8,835
Past Chief Executive Officer:				
- Salary and other remuneration	-	235	-	-
- Bonuses	-	700	-	-
- Contribution to EPF	-	118	-	-
- Benefits-in-kind	-	3	-	-
	-	1,056	-	-
Past Non-Executive Director:				
- Fees payable	79	74	79	74
- Allowances	36	37	36	35
	115	111	115	109
	115	1,167	115	109
	13,644	13,273	10,145	8,944
Total CEOs and Directors' remuneration excluding benefits-in-kind	13,516	13,149	10,019	8,827

Note:

- (a) Other than Directors fees and allowances, there were no amount paid or payable for services rendered by any Directors of the Group and the Bank during the financial year.
- (b) The Directors of the Group and the Bank are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as Directors of the Group and the Bank, provided that such Director has not acted negligently, fraudulently or dishonestly, or is in breach of his or her duty of trust. The total apportioned amount of insurance effected for Directors under the Group and the Bank was at RM109,000 and RM104,000 (2021: RM92,000 and RM87,000) respectively.

**ALLIANCE BANK MALAYSIA BERHAD****198201008390 (88103-W)**

(Incorporated in Malaysia)

**42. CEOs AND DIRECTORS' REMUNERATION (CONTD.)**

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

<u>GROUP</u> 2022	Salary and other remuneration RM'000	<u>Bonuses</u> RM'000	Contribution to EPF RM'000	Fees payable RM'000	<u>Allowances</u> RM'000	Benefits- in-kind RM'000	<u>Total</u> RM'000
<u>Chief Executive Officers:</u>							
Joel Kornreich	4,313	2,400	926	-	-	97	7,736
Ng Chow Hon	635	190	123	-	-	2	950
Rizal IL-Ehzan Bin Fadil Azim	849	377	175	-	-	-	1,401
	<u>5,797</u>	<u>2,967</u>	<u>1,224</u>	<u>-</u>	<u>-</u>	<u>99</u>	<u>10,087</u>
<u>Non-Executive Directors:</u>							
Tan Sri Dato' Ahmad Bin Mohd Don	-	-	-	285	50	29	364
Lee Boon Huat	-	-	-	205	72	-	277
Lee Ah Boon	-	-	-	380	95	-	475
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	405	109	-	514
Tan Chian Khong	-	-	-	205	62	-	267
Susan Yuen Su Min	-	-	-	208	57	-	265
Lum Piew	-	-	-	155	54	-	209
Cheryl Khor Hui Peng	-	-	-	155	33	-	188
Wong Yuen Weng Ernest	-	-	-	113	26	-	139
Datin Ooi Swee Lian	-	-	-	90	27	-	117
Mazidah Binti Abdul Malik	-	-	-	125	54	-	179
Dato' Ahmad Hisham Bin Kamaruddin	-	-	-	116	35	-	151
Ibrahim Bin Hassan	-	-	-	125	56	-	181
Rustam bin Mohd Idris	-	-	-	90	26	-	116
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,657</u>	<u>756</u>	<u>29</u>	<u>3,442</u>
<u>Past Non-Executive Director:</u>							
Ho Hon Cheong	-	-	-	79	36	-	115
	<u>-</u>	<u>-</u>	<u>-</u>	<u>79</u>	<u>36</u>	<u>-</u>	<u>115</u>
Total CEOs and Directors' remuneration	<u>5,797</u>	<u>2,967</u>	<u>1,224</u>	<u>2,736</u>	<u>792</u>	<u>128</u>	<u>13,644</u>

**ALLIANCE BANK MALAYSIA BERHAD**
**198201008390 (88103-W)**

(Incorporated in Malaysia)

**42. CEOs AND DIRECTORS' REMUNERATION (CONTD.)**

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

<u>GROUP</u>	<u>Salary</u> <u>and other</u> <u>remuneration</u>	<u>Bonuses</u>	<u>Contribution</u> <u>to EPF</u>	<u>Fees</u> <u>payable</u>	<u>Allowances</u>	<u>Benefits-</u> <u>in-kind</u>	<u>Total</u>
2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Chief Executive Officers:</u>							
Joel Kornreich	4,448	1,380	821	-	-	86	6,735
Ng Chow Hon	551	244	117	-	-	3	915
Rizal IL-Ehzan Bin Fadil Azim	775	304	155	-	-	1	1,235
	<u>5,774</u>	<u>1,928</u>	<u>1,093</u>	<u>-</u>	<u>-</u>	<u>90</u>	<u>8,885</u>
<u>Non-Executive Directors:</u>							
Tan Sri Dato' Ahmad Bin Mohd Don	-	-	-	285	41	31	357
Lee Boon Huat	-	-	-	205	80	-	285
Lee Ah Boon	-	-	-	385	86	-	471
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	405	100	-	505
Ho Hon Cheong	-	-	-	190	75	-	265
Tan Chian Khong	-	-	-	199	60	-	259
Susan Yuen Su Min	-	-	-	170	41	-	211
Lum Piew	-	-	-	116	35	-	151
Datin Ooi Swee Lian	-	-	-	90	26	-	116
Mazidah Binti Abdul Malik	-	-	-	125	62	-	187
Dato' Ahmad Hisham Bin Kamaruddin	-	-	-	90	25	-	115
Ibrahim Bin Hassan	-	-	-	125	60	-	185
Rustam bin Mohd Idris	-	-	-	90	24	-	114
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,475</u>	<u>715</u>	<u>31</u>	<u>3,221</u>
<u>Past Chief Executive Officer:</u>							
Mahesh s/o Shri Pranlal Rupawalla	235	700	118	-	-	3	1,056
	<u>235</u>	<u>700</u>	<u>118</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>1,056</u>
<u>Past Non-Executive Directors:</u>							
Hj Md Ali Bin Md Sarif	-	-	-	-	2	-	2
Thayaparan S Sangarapillai	-	-	-	74	35	-	109
	<u>-</u>	<u>-</u>	<u>-</u>	<u>74</u>	<u>37</u>	<u>-</u>	<u>111</u>
Total CEOs and Directors' remuneration	<u>6,009</u>	<u>2,628</u>	<u>1,211</u>	<u>2,549</u>	<u>752</u>	<u>124</u>	<u>13,273</u>

**ALLIANCE BANK MALAYSIA BERHAD****198201008390 (88103-W)**

(Incorporated in Malaysia)

**42. CEOs AND DIRECTORS' REMUNERATION (CONTD.)**

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

<u>BANK</u> 2022	Salary and other remuneration RM'000	<u>Bonuses</u> RM'000	Contribution to EPF RM'000	Fees payable RM'000	<u>Allowances</u> RM'000	Benefits- in-kind RM'000	<u>Total</u> RM'000
<u>Chief Executive Officer:</u>							
Joel Kornreich	4,313	2,400	926	-	-	97	7,736
	4,313	2,400	926	-	-	97	7,736
<u>Non-Executive Directors:</u>							
Tan Sri Dato' Ahmad Bin Mohd Don	-	-	-	285	50	29	364
Lee Boon Huat	-	-	-	205	72	-	277
Lee Ah Boon	-	-	-	200	74	-	274
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	225	86	-	311
Tan Chian Khong	-	-	-	205	62	-	267
Susan Yuen Su Min	-	-	-	208	57	-	265
Lum Piew	-	-	-	155	54	-	209
Cheryl Khor Hui Peng	-	-	-	155	33	-	188
Wong Yuen Weng Ernest	-	-	-	113	26	-	139
	-	-	-	1,751	514	29	2,294
<u>Past Non-Executive Director:</u>							
Ho Hon Cheong	-	-	-	79	36	-	115
	-	-	-	79	36	-	115
<b>Total CEO and Directors' remuneration</b>	<b>4,313</b>	<b>2,400</b>	<b>926</b>	<b>1,830</b>	<b>550</b>	<b>126</b>	<b>10,145</b>

**42. CEOs AND DIRECTORS' REMUNERATION (CONTD.)**

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

<u>BANK</u> 2021	<u>Salary and other remuneration</u> RM'000	<u>Bonuses</u> RM'000	<u>Contribution to EPF</u> RM'000	<u>Fees payable</u> RM'000	<u>Allowances</u> RM'000	<u>Benefits- in-kind</u> RM'000	<u>Total</u> RM'000
<u>Chief Executive Officer:</u>							
Joel Kornreich	4,448	1,380	821	-	-	86	6,735
	4,448	1,380	821	-	-	86	6,735
<u>Non-Executive Directors:</u>							
Tan Sri Dato' Ahmad Bin Mohd Don	-	-	-	285	41	31	357
Lee Boon Huat	-	-	-	205	80	-	285
Lee Ah Boon	-	-	-	205	62	-	267
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	225	80	-	305
Ho Hon Cheong	-	-	-	190	75	-	265
Tan Chian Khong	-	-	-	199	60	-	259
Susan Yuen Su Min	-	-	-	170	41	-	211
Lum Piew	-	-	-	116	35	-	151
	-	-	-	1,595	474	31	2,100
<u>Past Non-Executive Director:</u>							
Thayaparan S Sangarapillai	-	-	-	74	35	-	109
	-	-	-	74	35	-	109
<b>Total CEO and Directors' remuneration</b>	<b>4,448</b>	<b>1,380</b>	<b>821</b>	<b>1,669</b>	<b>509</b>	<b>117</b>	<b>8,944</b>

#### **43. FINANCIAL RISK MANAGEMENT POLICIES**

The Group engages in business activities which entail risk taking and the major types of risk involved include credit risk, liquidity risk, market risk, operational risk, technology risk and Shariah non-compliance risk.

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

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

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

##### **(a) Credit Risk**

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

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

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

The credit exposure arising from off-balance sheet activities, i.e. commitments and contingencies is set out in Note 45 to the financial statements.

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

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

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

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

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

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Credit risk exposure: on-balance sheet</b>				
Cash and short-term funds (exclude cash in hand)	2,955,764	2,767,605	1,532,592	1,458,603
Deposits and placements with banks and other financial institutions	168,184	41,477	168,184	41,477
Amounts due from clients and brokers	55,040	105,041	-	-
Financial assets at fair value through profit or loss (exclude equity securities)	295,773	13,246	295,773	13,246
Financial investments at fair value through other comprehensive income (exclude equity securities)	9,119,686	10,424,654	6,739,606	7,303,851
Financial investments at amortised cost	2,129,608	2,270,504	2,244,436	2,294,765
Derivative financial assets	86,294	153,735	86,294	153,735
Loans, advances and financing (exclude sales commissions and handling fees)	45,029,270	43,140,136	33,505,122	32,286,138
Statutory deposits	99,536	88,012	68,999	69,574
Other assets (exclude prepayment)	429,163	256,865	491,030	316,196
	<u>60,368,318</u>	<u>59,261,275</u>	<u>45,132,036</u>	<u>43,937,585</u>
<b>Credit risk exposure: off-balance sheet</b>				
Financial guarantees	498,532	686,519	428,401	509,947
Credit related commitments and contingencies	13,903,409	12,534,048	11,220,816	9,980,105
	<u>14,401,941</u>	<u>13,220,567</u>	<u>11,649,217</u>	<u>10,490,052</u>
Total maximum exposure	<u>74,770,259</u>	<u>72,481,842</u>	<u>56,781,253</u>	<u>54,427,637</u>

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

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

**(ii) Credit risk concentrations**

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

<u>GROUP</u> 2022	<u>Government and Central Bank</u> RM'000	<u>Financial, Insurance, Business Services and Real Estate</u> RM'000	<u>Transport, Storage and Communication Services</u> RM'000	<u>Agriculture, Manufacturing, Wholesale and Retail Trade</u> RM'000	<u>Construction</u> RM'000	<u>Household</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
Cash and short-term funds (exclude cash in hand)	2,472,855	482,909	-	-	-	-	-	2,955,764
Deposits and placements with banks and other financial institutions	-	168,184	-	-	-	-	-	168,184
Amounts due from clients and brokers	-	-	-	-	-	-	55,040	55,040
Financial assets at fair value through profit or loss (exclude equity securities)	290,816	1,408	-	3,549	-	-	-	295,773
Financial investments at fair value through other comprehensive income (exclude equity securities)	4,368,515	2,742,439	1,475,841	276,960	255,931	-	-	9,119,686
Financial investments at amortised cost	2,119,330	10,278	-	-	-	-	-	2,129,608
Derivative financial assets	2,612	78,223	-	-	-	-	5,459	86,294
Loans, advances and financing (exclude sales commissions and handling fees)	-	5,954,892	800,851	14,061,964	1,538,644	22,302,972	369,947	45,029,270
Statutory deposits	99,536	-	-	-	-	-	-	99,536
Other assets (exclude prepayment)	-	-	-	-	-	-	429,163	429,163
	<b>9,353,664</b>	<b>9,438,333</b>	<b>2,276,692</b>	<b>14,342,473</b>	<b>1,794,575</b>	<b>22,302,972</b>	<b>859,609</b>	<b>60,368,318</b>
Financial guarantees	-	76,734	12,938	353,932	46,613	4,324	3,991	498,532
Credit related commitments and contingencies	-	1,313,850	95,826	5,388,066	1,707,393	5,314,134	84,140	13,903,409
	<b>-</b>	<b>1,390,584</b>	<b>108,764</b>	<b>5,741,998</b>	<b>1,754,006</b>	<b>5,318,458</b>	<b>88,131</b>	<b>14,401,941</b>
<b>Total credit risk</b>	<b>9,353,664</b>	<b>10,828,917</b>	<b>2,385,456</b>	<b>20,084,471</b>	<b>3,548,581</b>	<b>27,621,430</b>	<b>947,740</b>	<b>74,770,259</b>



**43. 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.)

<u>GROUP</u>	<u>Government and Central Bank</u>	<u>Financial, Insurance, Business Services and Real Estate</u>	<u>Transport, Storage and Communication Services</u>	<u>Agriculture, Manufacturing, Wholesale and Retail Trade</u>	<u>Construction</u>	<u>Household</u>	<u>Others</u>	<u>Total</u>
2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds (exclude cash in hand)	2,405,723	361,882	-	-	-	-	-	2,767,605
Deposits and placements with banks and other financial institutions	-	41,477	-	-	-	-	-	41,477
Amounts due from clients and brokers	-	-	-	-	-	-	105,041	105,041
Financial assets at fair value through profit or loss (exclude equity securities)	13,246	-	-	-	-	-	-	13,246
Financial investments at fair value through other comprehensive income (exclude equity securities)	3,659,990	2,664,134	2,702,952	443,069	954,509	-	-	10,424,654
Financial investments at amortised cost	472,725	100,576	1,316,188	-	360,507	-	20,508	2,270,504
Derivative financial assets	-	93,388	-	-	-	-	60,347	153,735
Loans, advances and financing (exclude sales commissions and handling fees)	-	4,719,184	704,285	13,334,176	1,314,799	22,699,491	368,201	43,140,136
Statutory deposits	88,012	-	-	-	-	-	-	88,012
Other assets (exclude prepayment)	-	194	-	-	-	-	256,671	256,865
	<b>6,639,696</b>	<b>7,980,835</b>	<b>4,723,425</b>	<b>13,777,245</b>	<b>2,629,815</b>	<b>22,699,491</b>	<b>810,768</b>	<b>59,261,275</b>
Financial guarantees	-	187,314	12,302	406,717	67,079	5,050	8,057	686,519
Credit related commitments and contingencies	20,800	1,339,628	129,927	5,456,519	1,581,149	3,896,996	109,029	12,534,048
	<b>20,800</b>	<b>1,526,942</b>	<b>142,229</b>	<b>5,863,236</b>	<b>1,648,228</b>	<b>3,902,046</b>	<b>117,086</b>	<b>13,220,567</b>
<b>Total credit risk</b>	<b>6,660,496</b>	<b>9,507,777</b>	<b>4,865,654</b>	<b>19,640,481</b>	<b>4,278,043</b>	<b>26,601,537</b>	<b>927,854</b>	<b>72,481,842</b>

**43. 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.)

<u>BANK</u> 2022	<u>Government and Central Bank</u> RM'000	<u>Financial, Insurance, Business Services and Real Estate</u> RM'000	<u>Transport, Storage and Communication Services</u> RM'000	<u>Agriculture, Manufacturing, Wholesale and Retail Trade</u> RM'000	<u>Construction</u> RM'000	<u>Household</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
Cash and short-term funds (exclude cash in hand)	1,055,016	477,576	-	-	-	-	-	1,532,592
Deposits and placements with banks and other financial institutions	-	168,184	-	-	-	-	-	168,184
Financial assets at fair value through profit or loss (exclude equity securities)	290,816	1,408	-	3,549	-	-	-	295,773
Financial investments at fair value through other comprehensive income (exclude equity securities)	3,515,625	1,887,782	1,026,315	167,753	142,131	-	-	6,739,606
Financial investments at amortised cost	1,909,216	335,220	-	-	-	-	-	2,244,436
Derivative financial assets	2,612	78,223	-	-	-	-	5,459	86,294
Loans, advances and financing (exclude sales commissions and handling fees)	-	4,719,973	633,795	10,519,177	1,175,928	16,170,600	285,649	33,505,122
Statutory deposits	68,999	-	-	-	-	-	-	68,999
Other assets (exclude prepayment)	-	109	-	-	-	-	490,921	491,030
	<b>6,842,284</b>	<b>7,668,475</b>	<b>1,660,110</b>	<b>10,690,479</b>	<b>1,318,059</b>	<b>16,170,600</b>	<b>782,029</b>	<b>45,132,036</b>
Financial guarantees	-	73,417	7,678	294,594	44,487	4,302	3,923	428,401
Credit related commitments and contingencies	-	1,019,539	80,727	3,901,488	1,489,339	4,657,329	72,394	11,220,816
	-	<b>1,092,956</b>	<b>88,405</b>	<b>4,196,082</b>	<b>1,533,826</b>	<b>4,661,631</b>	<b>76,317</b>	<b>11,649,217</b>
<b>Total credit risk</b>	<b>6,842,284</b>	<b>8,761,431</b>	<b>1,748,515</b>	<b>14,886,561</b>	<b>2,851,885</b>	<b>20,832,231</b>	<b>858,346</b>	<b>56,781,253</b>

**43. 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.)

<u>BANK</u>	<u>Government and Central Bank</u>	<u>Financial, Insurance, Business Services and Real Estate</u>	<u>Transport, Storage and Communication Services</u>	<u>Agriculture, Manufacturing, Wholesale and Retail Trade</u>	<u>Construction</u>	<u>Household</u>	<u>Others</u>	<u>Total</u>
2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds (exclude cash in hand)	1,032,600	426,003	-	-	-	-	-	1,458,603
Deposits and placements with banks and other financial institutions	-	41,477	-	-	-	-	-	41,477
Financial assets at fair value through profit or loss (exclude equity securities)	13,246	-	-	-	-	-	-	13,246
Financial investments at fair value through other comprehensive income (exclude equity securities)	3,093,593	1,777,177	1,635,555	341,073	456,453	-	-	7,303,851
Financial investments at amortised cost	451,894	337,306	1,155,336	-	329,721	-	20,508	2,294,765
Derivative financial assets	-	93,388	-	-	-	-	60,347	153,735
Loans, advances and financing (exclude sales commissions and handling fees)	-	3,621,970	562,001	10,197,968	1,040,154	16,574,709	289,336	32,286,138
Statutory deposits	69,574	-	-	-	-	-	-	69,574
Other assets (exclude prepayment)	-	323	-	-	-	-	315,873	316,196
	<b>4,660,907</b>	<b>6,297,644</b>	<b>3,352,892</b>	<b>10,539,041</b>	<b>1,826,328</b>	<b>16,574,709</b>	<b>686,064</b>	<b>43,937,585</b>
Financial guarantees	-	95,299	7,185	349,239	45,217	5,028	7,979	509,947
Credit related commitments and contingencies	20,800	1,081,272	96,058	3,954,429	1,404,039	3,327,567	95,940	9,980,105
	<b>20,800</b>	<b>1,176,571</b>	<b>103,243</b>	<b>4,303,668</b>	<b>1,449,256</b>	<b>3,332,595</b>	<b>103,919</b>	<b>10,490,052</b>
<b>Total credit risk</b>	<b>4,681,707</b>	<b>7,474,215</b>	<b>3,456,135</b>	<b>14,842,709</b>	<b>3,275,584</b>	<b>19,907,304</b>	<b>789,983</b>	<b>54,427,637</b>

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

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

**(iii) Collateral**

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

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

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Gross loans, advances and financing	46,189,112	44,147,342	34,255,562	32,952,737
Less: Allowance for expected credit losses	<u>(1,159,842)</u>	<u>(1,007,206)</u>	<u>(750,440)</u>	<u>(666,599)</u>
Net loans, advances and financing	<u><u>45,029,270</u></u>	<u><u>43,140,136</u></u>	<u><u>33,505,122</u></u>	<u><u>32,286,138</u></u>
Percentage of collateral held for loans, advances and financing	<u>71.4%</u>	<u>73.0%</u>	<u>75.0%</u>	<u>73.7%</u>

**(iv) Credit risk measurement**

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

**(a) Definition of significant increase in credit risk**

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

The following events are taken into consideration during the assessment:

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

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

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

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

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

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

##### Quantitative criteria:

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

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 the borrower will enter into bankruptcy/winding up or other financial restructuring;
- Disappearance of an active market for that financial asset; or
- Purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

##### **(c) Measurement of ECL**

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

##### **Exposure at default ("EAD")**

EAD for non-retail portfolio is calculated based upon the contractual amortisation amount up to the point prior to the default event. Repayments are then assumed to cease, with only interest accrued on the outstanding balance from this point. Since the non-retail portfolio contains a variety of products with different interest accrual methods, amortisation types and repayment methods, the approaches employed to calculate EAD vary 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; or
- iii) Mechanical equation based approach - which is utilised to forecast monthly default balances as per an amortisation profile and adjusted for different paths to default using an adjustment factor.

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

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

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

##### **(c) Measurement of ECL (Contd.)**

##### **Probability at default ("PD")**

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

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

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

##### **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; and
- 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 unemployment rate, consumer price index, house price index, consumption credit, producer price index and GDP growth rate 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.

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

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

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

**(d) Forward-looking information (contd.)**

The forward-looking estimates were adjusted as below:

<u>MEV</u>	Weighted Average Forecast		
	2024	2023	2022
(% Year on Year)	%	%	%
GDP Growth Rate	4.8	4.7	5.9
Producer Price Index	1.4	2.2	5.2
Consumer Price Index	2.3	2.5	2.6
Credit Consumption	2.5	2.5	2.5
Unemployment Rates	3.6	3.6	3.8
House Price Index	3.1	3.0	2.7

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

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

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

**(f) Modification of financial assets**

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

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

The Group and the Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

If the terms are substantially different from the original terms, the Group and the Bank derecognise the original financial asset, recognise a new asset and recalculate a new effective interest/profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including the purpose of determining whether a significant increase in credit risk has occurred. However, the Group and the Bank also assess whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are recognised in statements of income as gain or loss on derecognition.

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

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

**(v) Credit quality**

Upon the adoption of MFRS 9, the Group and the Bank assess the credit quality for loans, advances and financing and credit related commitment and contingencies according to the categories below.

<u>Credit quality</u>	<u>Credit grading</u>	<u>Definition</u>
	<u>Scorecard</u>	<u>Customer rating</u>
Low	Low risk score	1 - 12 (AAA to BB)
Medium	Medium risk score	13 -16 (BB- to B-)
High	High risk score	17 - 19 (CC+ to CC-)
Unrated	Unrated	Unrated
Credit Impaired	Credit Impaired	Credit Impaired

Other financial assets are categorised in the following manner:

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

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



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

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

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

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

<u>GROUP</u> 2022	<u>Stage 1</u> RM'000	<u>Stage 2</u> RM'000	<u>Stage 3</u> RM'000	<u>Total</u> RM'000
<u>Cash and short-term funds</u> <u>(exclude cash in hand)</u>				
Investment graded	477,553	-	-	477,553
Non-investment graded	31	-	-	31
Sovereign/Government-backed	2,472,855	-	-	2,472,855
Unrated	5,333	-	-	5,333
Gross carrying amount	2,955,772	-	-	2,955,772
Expected credit losses	(8)	-	-	(8)
Net carrying amount	2,955,764	-	-	2,955,764
<u>Deposits and placements with</u> <u>banks and other financial institutions</u>				
Investment graded	168,192	-	-	168,192
Gross carrying amount	168,192	-	-	168,192
Expected credit losses	(8)	-	-	(8)
Net carrying amount	168,184	-	-	168,184
<u>Financial investments at fair value</u> <u>through other comprehensive income</u> <u>(exclude equity securities)</u>				
Investment graded	2,822,407	44,213	-	2,866,620
Sovereign/Government-backed	6,253,066	-	-	6,253,066
Gross carrying amount	9,075,473	44,213	-	9,119,686
Expected credit losses [Note]	(642)	(281)	-	(923)
<u>Financial investments at</u> <u>amortised cost</u>				
Sovereign/Government-backed	2,119,330	-	-	2,119,330
Unrated	10,263	-	-	10,263
Credit impaired	-	-	846	846
Gross carrying amount	2,129,593	-	846	2,130,439
Expected credit losses	(1)	-	(830)	(831)
Net carrying amount	2,129,592	-	16	2,129,608
<u>Loans, advances and financing</u>				
Low	28,285,830	691,763	-	28,977,593
Medium	9,958,588	2,356,553	-	12,315,141
High	1,495,346	1,317,345	-	2,812,691
Unrated	813,941	416,480	-	1,230,421
Credit impaired	-	-	853,266	853,266
Gross carrying amount	40,553,705	4,782,141	853,266	46,189,112
Expected credit losses	(270,674)	(557,650)	(331,518)	(1,159,842)
Net carrying amount	40,283,031	4,224,491	521,748	45,029,270

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

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

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

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

<u>GROUP</u> 2022	<u>Stage 1</u> RM'000	<u>Stage 2</u> RM'000	<u>Stage 3</u> RM'000	<u>Total</u> RM'000
<u>Statutory deposit</u>				
Sovereign/Government-backed	99,536	-	-	99,536
Gross carrying amount	99,536	-	-	99,536
Expected credit losses	-	-	-	-
Net carrying amount	99,536	-	-	99,536
<u>Credit related commitments and contingencies</u>				
Low	10,317,683	471,497	-	10,789,180
Medium	2,189,733	757,208	-	2,946,941
High	162,722	28,871	-	191,593
Unrated	466,538	1,929	-	468,467
Credit impaired	-	-	5,760	5,760
Gross carrying amount	13,136,676	1,259,505	5,760	14,401,941
Expected credit losses	(6,894)	(16,504)	(1,418)	(24,816)
<u>Simplified Approach</u>				
	Current to less than 16 days past due RM'000	16 days to 30 days past due RM'000	More than 30 days past due RM'000	<u>Total</u> RM'000
<u>Amounts due from clients and brokers</u>				
Gross carrying amount	54,980	60	3	55,043
Expected credit losses	-	-	(3)	(3)
Net carrying amount	54,980	60	-	55,040
<u>Other assets (exclude prepayment)</u>				
Gross carrying amount		429,163	41,993	471,156
Expected credit losses		-	(41,993)	(41,993)
Net carrying amount		429,163	-	429,163

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

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

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

<u>GROUP</u> 2021	<u>Stage 1</u> RM'000	<u>Stage 2</u> RM'000	<u>Stage 3</u> RM'000	<u>Total</u> RM'000
<u>Cash and short-term funds</u> (exclude cash in hand)				
Investment graded	358,289	-	-	358,289
Non-investment graded	81	-	-	81
Sovereign/Government-backed	2,405,723	-	-	2,405,723
Unrated	3,532	-	-	3,532
Gross carrying amount	2,767,625	-	-	2,767,625
Expected credit losses	(20)	-	-	(20)
Net carrying amount	2,767,605	-	-	2,767,605
<u>Deposits and placements with</u> <u>banks and other financial institutions</u>				
Investment graded	41,481	-	-	41,481
Gross carrying amount	41,481	-	-	41,481
Expected credit losses	(4)	-	-	(4)
Net carrying amount	41,477	-	-	41,477
<u>Financial investments at fair value</u> <u>through other comprehensive income</u> (exclude equity securities)				
Investment graded	2,705,294	169,938	-	2,875,232
Sovereign/Government-backed	7,549,422	-	-	7,549,422
Gross carrying amount	10,254,716	169,938	-	10,424,654
Expected credit losses [Note]	(96)	(231)	-	(327)
<u>Financial investments at</u> <u>amortised cost</u>				
Sovereign/Government-backed	2,149,419	-	-	2,149,419
Unrated	121,492	-	-	121,492
Credit impaired	-	-	846	846
Gross carrying amount	2,270,911	-	846	2,271,757
Expected credit losses	(423)	-	(830)	(1,253)
Net carrying amount	2,270,488	-	16	2,270,504
<u>Loans, advances and financing</u>				
Low	26,262,872	830,978	-	27,093,850
Medium	9,246,201	2,615,624	-	11,861,825
High	1,561,657	1,254,371	-	2,816,028
Unrated	903,605	439,598	-	1,343,203
Credit impaired	-	-	1,032,436	1,032,436
Gross carrying amount	37,974,335	5,140,571	1,032,436	44,147,342
Expected credit losses	(231,025)	(498,776)	(277,405)	(1,007,206)
Net carrying amount	37,743,310	4,641,795	755,031	43,140,136

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

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

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

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

<u>GROUP</u> 2021	<u>Stage 1</u> RM'000	<u>Stage 2</u> RM'000	<u>Stage 3</u> RM'000	<u>Total</u> RM'000
<u>Statutory deposit</u>				
Sovereign/Government-backed	88,012	-	-	88,012
Gross carrying amount	88,012	-	-	88,012
Expected credit losses	-	-	-	-
Net carrying amount	88,012	-	-	88,012
<u>Credit related commitments and contingencies</u>				
Low	9,089,370	472,442	-	9,561,812
Medium	2,261,265	723,741	-	2,985,006
High	133,188	57,289	-	190,477
Unrated	466,710	1,737	-	468,447
Credit impaired	-	-	14,825	14,825
Gross carrying amount	11,950,533	1,255,209	14,825	13,220,567
Expected credit losses	(9,722)	(36,512)	(3,109)	(49,343)
<u>Simplified Approach</u>				
	Current to less than 16 days past due RM'000	16 days to 30 days past due RM'000	More than 30 days past due RM'000	<u>Total</u> RM'000
<u>Amounts due from clients and brokers</u>				
Gross carrying amount	104,929	112	-	105,041
Expected credit losses	-	-	-	-
Net carrying amount	104,929	112	-	105,041
<u>Other assets (exclude prepayment)</u>				
Gross carrying amount		256,865	40,281	297,146
Expected credit losses		-	(40,281)	(40,281)
Net carrying amount		256,865	-	256,865

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

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

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

<u>BANK</u> 2022	<u>Stage 1</u> RM'000	<u>Stage 2</u> RM'000	<u>Stage 3</u> RM'000	<u>Total</u> RM'000
<u>Cash and short-term funds</u> (exclude cash in hand)				
Investment graded	477,553	-	-	477,553
Non-investment graded	31	-	-	31
Sovereign/Government-backed	1,055,016	-	-	1,055,016
Gross carrying amount	1,532,600	-	-	1,532,600
Expected credit losses	(8)	-	-	(8)
Net carrying amount	1,532,592	-	-	1,532,592
<u>Deposits and placements with</u> <u>banks and other financial institutions</u>				
Investment graded	168,192	-	-	168,192
Gross carrying amount	168,192	-	-	168,192
Expected credit losses	(8)	-	-	(8)
Net carrying amount	168,184	-	-	168,184
<u>Financial investments at fair value</u> <u>through other comprehensive income</u> (exclude equity securities)				
Investment graded	2,012,729	18,949	-	2,031,678
Sovereign/Government-backed	4,707,928	-	-	4,707,928
Gross carrying amount	6,720,657	18,949	-	6,739,606
Expected credit losses [Note]	(451)	(121)	-	(572)
<u>Financial investments at</u> <u>amortised cost</u>				
Investment graded	325,284	-	-	325,284
Sovereign/Government-backed	1,909,215	-	-	1,909,215
Unrated	10,263	-	-	10,263
Credit impaired	-	-	556	556
Gross carrying amount	2,244,762	-	556	2,245,318
Expected credit losses	(326)	-	(556)	(882)
Net carrying amount	2,244,436	-	-	2,244,436
<u>Loans, advances and financing</u>				
Low	21,729,591	536,170	-	22,265,761
Medium	6,834,682	1,909,219	-	8,743,901
High	975,704	949,439	-	1,925,143
Unrated	515,575	230,425	-	746,000
Credit impaired	-	-	574,757	574,757
Gross carrying amount	30,055,552	3,625,253	574,757	34,255,562
Expected credit losses	(174,486)	(368,542)	(207,412)	(750,440)
Net carrying amount	29,881,066	3,256,711	367,345	33,505,122

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

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

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

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

<u>BANK</u> 2022	<u>Stage 1</u> RM'000	<u>Stage 2</u> RM'000	<u>Stage 3</u> RM'000	<u>Total</u> RM'000
<u>Statutory deposit</u>				
Sovereign/Government-backed	68,999	-	-	68,999
Gross carrying amount	68,999	-	-	68,999
Expected credit losses	-	-	-	-
Net carrying amount	68,999	-	-	68,999
<u>Credit related commitments and contingencies</u>				
Low	8,404,128	438,468	-	8,842,596
Medium	1,577,894	621,322	-	2,199,216
High	124,503	25,616	-	150,119
Unrated	449,795	1,929	-	451,724
Credit impaired	-	-	5,562	5,562
Gross carrying amount	10,556,320	1,087,335	5,562	11,649,217
Expected credit losses	(5,698)	(14,331)	(1,415)	(21,444)
<u>Simplified Approach</u>				
	<u>Current</u> RM'000	<u>More than 90 days past due</u> RM'000	<u>Total</u> RM'000	
<u>Other assets (exclude prepayment)</u>				
Gross carrying amount	491,030	38,147	529,177	
Expected credit losses	-	(38,147)	(38,147)	
Net carrying amount	491,030	-	491,030	
<u>BANK</u> 2021	<u>Stage 1</u> RM'000	<u>Stage 2</u> RM'000	<u>Stage 3</u> RM'000	<u>Total</u> RM'000
<u>Cash and short-term funds (exclude cash in hand)</u>				
Investment graded	425,943	-	-	425,943
Non-investment graded	81	-	-	81
Sovereign/Government-backed	1,032,600	-	-	1,032,600
Gross carrying amount	1,458,624	-	-	1,458,624
Expected credit losses	(20)	-	-	(20)
Net carrying amount	1,458,604	-	-	1,458,604
<u>Deposits and placements with banks and other financial institutions</u>				
Investment graded	41,481	-	-	41,481
Gross carrying amount	41,481	-	-	41,481
Expected credit losses	(4)	-	-	(4)
Net carrying amount	41,477	-	-	41,477

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

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

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

<u>BANK</u> 2021	<u>Stage 1</u> RM'000	<u>Stage 2</u> RM'000	<u>Stage 3</u> RM'000	<u>Total</u> RM'000
<u>Financial investments at fair value</u>				
<u>through other comprehensive income</u>				
<u>(exclude equity securities)</u>				
Investment graded	1,800,589	103,170	-	1,903,759
Sovereign/Government-backed	5,400,092	-	-	5,400,092
Gross carrying amount	<u>7,200,681</u>	<u>103,170</u>	<u>-</u>	<u>7,303,851</u>
Expected credit losses [Note]	<u>(61)</u>	<u>(114)</u>	<u>-</u>	<u>(175)</u>
<u>Financial investments at</u>				
<u>amortised cost</u>				
Investment graded	317,463	-	-	317,463
Sovereign/Government-backed	1,936,950	-	-	1,936,950
Unrated	40,718	-	-	40,718
Credit impaired	-	-	556	556
Gross carrying amount	<u>2,295,131</u>	<u>-</u>	<u>556</u>	<u>2,295,687</u>
Expected credit losses	<u>(366)</u>	<u>-</u>	<u>(556)</u>	<u>(922)</u>
Net carrying amount	<u>2,294,765</u>	<u>-</u>	<u>-</u>	<u>2,294,765</u>
<u>Loans, advances and financing</u>				
Low	20,336,530	632,116	-	20,968,646
Medium	6,386,680	2,054,626	-	8,441,306
High	1,136,616	903,779	-	2,040,395
Unrated	535,950	230,872	-	766,822
Credit impaired	-	-	735,568	735,568
Gross carrying amount	<u>28,395,776</u>	<u>3,821,393</u>	<u>735,568</u>	<u>32,952,737</u>
Expected credit losses	<u>(154,241)</u>	<u>(314,669)</u>	<u>(197,689)</u>	<u>(666,599)</u>
Net carrying amount	<u>28,241,535</u>	<u>3,506,724</u>	<u>537,879</u>	<u>32,286,138</u>
<u>Statutory deposit</u>				
Sovereign/Government-backed	69,574	-	-	69,574
Gross carrying amount	<u>69,574</u>	<u>-</u>	<u>-</u>	<u>69,574</u>
Expected credit losses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net carrying amount	<u>69,574</u>	<u>-</u>	<u>-</u>	<u>69,574</u>
<u>Credit related commitments</u>				
<u>and contingencies</u>				
Low	7,269,185	408,729	-	7,677,914
Medium	1,664,946	567,913	-	2,232,859
High	98,180	34,148	-	132,328
Unrated	433,064	1,735	-	434,799
Credit impaired	-	-	12,152	12,152
Gross carrying amount	<u>9,465,375</u>	<u>1,012,525</u>	<u>12,152</u>	<u>10,490,052</u>
Expected credit losses	<u>(8,056)</u>	<u>(15,020)</u>	<u>(3,109)</u>	<u>(26,185)</u>

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

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

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

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

<u>BANK</u> 2021		More than 90 days past due	Total
<u>Simplified Approach</u>	<u>Current</u> RM'000	<u>RM'000</u>	<u>RM'000</u>
<u>Other assets (exclude prepayment)</u>			
Gross carrying amount	316,197	34,941	351,138
Expected credit losses	-	(34,941)	(34,941)
Net carrying amount	<u>316,197</u>	<u>-</u>	<u>316,197</u>

**(vi) Sensitivity test**

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

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

<u>2022</u>		<u>GROUP</u>		<u>BANK</u>	
<u>Measurement variables</u>	<u>MEV</u>	<u>+</u> RM'000	<u>-</u> RM'000	<u>+</u> RM'000	<u>-</u> RM'000
<u>Retail</u>	<u>Change (%)</u>				
House price index	9.4	(18,009)	26,625	(10,508)	15,830
Consumption credit	125.1	14,583	(15,013)	10,854	(11,171)
Unemployment rate	17.4	7,845	(6,858)	5,288	(4,508)
GDP growth	6.2	(3,293)	2,903	(1,892)	1,657
	<u>Percentage Point</u>				
<u>Non-retail</u>	<u>Change (%)</u>				
Producer Price Index	3.1	6,996	(6,183)	5,915	(5,231)
Industrial Production Index	5.3	(4,075)	3,919	(3,344)	3,210



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

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

**(vi) Sensitivity test (contd.)**

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

<u>2021</u> Measurement variables	MEV Change (%)	<u>GROUP</u>		<u>BANK</u>	
		+	-	+	-
		RM'000	RM'000	RM'000	RM'000
<u>Retail</u>					
House price index	9.2	(22,179)	35,274	(12,948)	21,635
Consumption credit	132.1	5,022	(5,065)	3,109	(3,161)
Consumer price index	4.0	7,162	(8,331)	4,506	(5,683)
Unemployment rate	13.8	6,215	(6,347)	3,730	(3,858)
	Percentage Point				
<u>Non-retail</u>					
GDP growth	4.0	(11,034)	23,971	(7,964)	17,031

**(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 the COVID-19 pandemic for the Group and the Bank:

	<u>GROUP</u>		<u>BANK</u>	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Retail and wholesale/trading	11,216,113	10,618,978	8,263,231	7,963,050
Accommodation	401,688	356,632	346,233	290,070
Travel agencies/tourism	64,710	68,647	31,392	32,818
Airline/aviation	308	1,602	308	745
Food and beverage services/restaurants	733,774	709,643	577,975	559,483
	<u>12,416,593</u>	<u>11,755,502</u>	<u>9,219,139</u>	<u>8,846,166</u>

**(viii) COVID-19 customer relief and support measures**

The table below summarises the status for borrowers that were under relief and support measures for retail and non-retail customers as at 31 March 2022:

	Retail				Non-Retail	
	<u>Mortgage</u>	<u>Hire purchase</u>	<u>Personal financing</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>GROUP</u>						
Total payment moratoriums, repayment assistance, rescheduling and restructuring ("R&R") granted	2,388,952	12,633	511,268	2,912,853	4,458,837	7,371,690
Resume payment	2,230,189	11,016	467,115	2,708,320	4,153,214	6,861,534
Missed payment	158,763	1,617	44,153	204,533	305,623	510,156
As a percentage of total:						
Resume payment	93%	87%	91%	93%	93%	93%
Missed payment	7%	13%	9%	7%	7%	7%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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

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

**(viii) COVID-19 customer relief and support measures (contd.)**

The table below summarises the status for borrowers that were under relief and support measures for retail and non-retail customers as at 31 March 2022: (contd.)

	Retail			Non-Retail		Total RM'000
	Mortgage RM'000	Hire purchase RM'000	Personal financing RM'000	Total RM'000	Total RM'000	
<b>BANK</b>						
Total payment moratoriums, repayment assistance, rescheduling and restructuring ("R&R") granted	1,635,437	3,231	278,079	1,916,747	3,604,092	5,520,839
Resume payment	1,536,140	2,584	254,814	1,793,538	3,369,160	5,162,698
Missed payment	99,297	647	23,265	123,209	234,932	358,141
As a percentage of total:						
Resume payment	94%	80%	92%	94%	93%	94%
Missed payment	6%	20%	8%	6%	7%	6%
	100%	100%	100%	100%	100%	100%

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

	Retail			Non-Retail		Total RM'000
	Mortgage RM'000	Hire purchase RM'000	Personal financing RM'000	Total RM'000	Total RM'000	
<b>BANK</b>						
Total payment moratoriums, repayment assistance, rescheduling and restructuring ("R&R") granted	10,212,781	41,852	804,251	11,058,884	8,378,633	19,437,517
Resume payment	9,592,313	32,150	705,080	10,329,543	8,044,029	18,373,572
Missed payment	620,468	9,702	99,171	729,341	334,604	1,063,945
As a percentage of total:						
Resume payment	94%	77%	88%	93%	96%	95%
Missed payment	6%	23%	12%	7%	4%	5%
	100%	100%	100%	100%	100%	100%

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

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

##### **(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 ongoing 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 2022.

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 of the various relief and support measures.

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 pandemic 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 the COVID-19 pandemic. The impact of these post-model adjustments, estimated at portfolio level and amounted to RM511,517,000 and RM324,019,000 as at 31 March 2022 for the Group and the Bank respectively (2021: RM312,724,000 and RM189,141,000), remain outside the core MFRS 9 process.

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

##### **(b) Market Risk**

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

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

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

##### **Market Risk Factors**

###### **(i) Interest rate/profit rate risk**

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

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

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

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

Market Risk Factors (contd.)

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

GROUP	Non-trading book							Non-interest/ profit sensitive	Trading book	Total
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	RM'000			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Assets</b>										
Cash and short-term funds	2,615,273	-	-	-	-	-	613,301	-	3,228,574	
Deposits and placements with banks and other financial institutions	-	168,180	-	-	-	-	4*	-	168,184	
Amounts due from clients and brokers	4,205	-	-	-	-	-	50,835	-	55,040	
Financial assets at fair value through profit or loss	-	-	-	-	-	-	245,842	295,773	541,615	
Financial investments at fair value through other comprehensive income	45,030	255,887	25,095	627,925	2,998,408	5,075,584	91,770	-	9,119,699	
Financial investments at amortised cost	10,000	-	-	-	1,940,815	159,717	19,076	-	2,129,608	
Derivative financial assets	-	-	-	-	-	-	-	86,294	86,294	
Loans, advances and financing	38,789,006	1,552,143	650,329	100,274	2,591,799	1,671,453	(231,259)**	-	45,123,745	
Other financial assets***	-	-	-	-	-	46,430	482,269	-	528,699	
<b>Total financial assets</b>	<b>41,463,514</b>	<b>1,976,210</b>	<b>675,424</b>	<b>728,199</b>	<b>7,531,022</b>	<b>6,953,184</b>	<b>1,271,838</b>	<b>382,067</b>	<b>60,981,458</b>	
<b>Liabilities</b>										
Deposits from customers	17,511,366	5,692,505	4,733,742	4,621,981	15,309,911	-	316,866	-	48,186,371	
Deposits and placements of banks and other financial institutions	355,596	15,907	101,155	21,438	590,134	604,240	524	-	1,688,994	
Financial liabilities designated at fair value through profit or loss	12,023	9,247	51,480	184,806	353,503	409,617	4,520	-	1,025,196	
Amounts due to clients and brokers	-	-	-	-	-	-	28,404	-	28,404	
Derivative financial liabilities	-	-	-	-	-	-	-	212,588	212,588	
Recourse obligations on loans and financing sold to Cagamas	-	350,031	-	300,039	-	-	494	-	650,564	
Lease liabilities	2,639	4,856	6,260	12,447	47,689	51,584	-	-	125,475	
Subordinated obligations	-	-	-	149,958	599,060	800,000	23,767	-	1,572,785	
Other financial liabilities	170,021	-	-	-	27,583	253,595	1,246,202	-	1,697,401	
<b>Total financial liabilities</b>	<b>18,051,645</b>	<b>6,072,546</b>	<b>4,892,637</b>	<b>5,290,669</b>	<b>16,927,880</b>	<b>2,119,036</b>	<b>1,620,777</b>	<b>212,588</b>	<b>55,187,778</b>	
On-balance sheet interest sensitivity gap	23,411,869	(4,096,336)	(4,217,213)	(4,562,470)	(9,396,858)	4,834,148	(348,939)	169,479	5,793,680	

Note:

\* ECL for deposits and placements with banks and other financial institutions are classified under the non-interest/profit sensitive column.

\*\* Impaired loans/financing and ECL are classified under the non-interest/profit sensitive column.

\*\*\* Included statutory deposit and other assets.

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

Market Risk Factors (contd.)

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

GROUP	Non-trading book						Non-interest/ profit sensitive	Trading book	Total
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years			
2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>									
Cash and short-term funds	2,429,446	-	-	-	-	-	658,799	-	3,088,245
Deposits and placements with banks and other financial institutions	-	41,481	-	-	-	-	(4)*	-	41,477
Amounts due from clients and brokers	6,180	-	-	-	-	-	98,861	-	105,041
Financial assets at fair value through profit or loss	-	-	-	-	-	-	224,676	13,246	237,922
Financial investments at fair value through other comprehensive income	400,615	60,306	130,854	442,607	4,099,927	5,187,169	103,191	-	10,424,669
Financial investments at amortised cost	10,000	-	100,000	-	1,620,670	519,952	19,882	-	2,270,504
Derivative financial assets	-	-	-	-	-	-	-	153,735	153,735
Loans, advances and financing	37,382,840	1,426,931	700,926	109,852	2,155,721	1,356,278	100,958**	-	43,233,506
Other financial assets***	-	-	-	-	-	34,265	310,612	-	344,877
<b>Total financial assets</b>	<b>40,229,081</b>	<b>1,528,718</b>	<b>931,780</b>	<b>552,459</b>	<b>7,876,318</b>	<b>7,097,664</b>	<b>1,516,975</b>	<b>166,981</b>	<b>59,899,976</b>
<b>Liabilities</b>									
Deposits from customers	17,746,421	5,202,350	5,006,169	4,461,356	15,663,894	-	408,323	-	48,488,513
Deposits and placements of banks and other financial institutions	475,052	32,611	52,290	89,804	126,234	615,069	1,592	-	1,392,652
Financial liabilities designated at fair value through profit or loss	774	1,131	30,417	95,686	343,709	-	978	-	472,695
Amounts due to clients and brokers	-	-	-	-	-	-	63,416	-	63,416
Derivative financial liabilities	-	-	-	-	-	-	-	149,410	149,410
Recourse obligations on loans and financing sold to Cagamas	-	-	-	-	650,042	-	457	-	650,499
Lease liabilities	2,801	3,232	6,621	13,911	64,237	32,692	-	-	123,494
Subordinated obligations	-	-	-	-	748,977	800,000	23,741	-	1,572,718
Other financial liabilities	92,982	18,403	31,962	12,816	-	89,068	1,129,530	-	1,374,761
<b>Total financial liabilities</b>	<b>18,318,030</b>	<b>5,257,727</b>	<b>5,127,459</b>	<b>4,673,573</b>	<b>17,597,093</b>	<b>1,536,829</b>	<b>1,628,037</b>	<b>149,410</b>	<b>54,288,158</b>
On-balance sheet interest sensitivity gap	21,911,051	(3,729,009)	(4,195,679)	(4,121,114)	(9,720,775)	5,560,835	(111,062)	17,571	5,611,818

Note:

\* ECL for deposits and placements with banks and other financial institutions are classified under the non-interest/profit sensitive column.

\*\* Impaired loans/financing and ECL are classified under the non-interest/profit sensitive column.

\*\*\* Included statutory deposit and other assets.

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

Market Risk Factors (contd.)

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

BANK 2022	Non-trading book						Non-interest/ profit sensitive	Trading book	Total
	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			
<b>Assets</b>									
Cash and short-term funds	1,246,463	-	-	-	-	-	558,939	-	1,805,402
Deposits and placements with banks and other financial institutions	-	168,180	-	-	-	-	4*	-	168,184
Financial assets at fair value through profit or loss	-	-	-	-	-	-	171,488	295,773	467,261
Financial investments at fair value through other comprehensive income	25,021	175,576	70,018	501,512	1,854,991	4,044,750	67,751	-	6,739,619
Financial investments at amortised cost	10,000	-	130,000	-	1,928,215	159,716	16,505	-	2,244,436
Derivative financial assets	-	-	-	-	-	-	-	86,294	86,294
Loans, advances and financing	29,271,073	1,149,400	455,494	73,738	1,982,105	846,214	(169,827)**	-	33,608,197
Other financial assets***	-	-	-	-	54,832	23,724	481,473	-	560,029
<b>Total financial assets</b>	<b>30,552,557</b>	<b>1,493,156</b>	<b>655,512</b>	<b>575,250</b>	<b>5,820,143</b>	<b>5,074,404</b>	<b>1,126,333</b>	<b>382,067</b>	<b>45,679,422</b>
<b>Liabilities</b>									
Deposits from customers	13,225,059	3,832,236	3,363,993	3,488,658	11,499,834	-	121,488	-	35,531,268
Deposits and placements of banks and other financial institutions	203,556	10,234	90,852	8,053	553,622	471,160	272	-	1,337,749
Financial liabilities designated at fair value through profit or loss	12,023	9,247	51,480	184,806	353,503	409,617	4,520	-	1,025,196
Derivative financial liabilities	-	-	-	-	-	-	-	212,588	212,588
Recourse obligations on loans and financing sold to Cagamas	-	-	-	300,039	-	-	76	-	300,115
Lease liabilities	2,633	4,844	6,242	12,411	47,532	51,587	-	-	125,249
Subordinated obligations	-	-	-	149,888	498,848	800,000	23,718	-	1,472,454
Other financial liabilities	170,021	-	-	-	64,018	208,834	1,088,707	-	1,531,580
<b>Total financial liabilities</b>	<b>13,613,292</b>	<b>3,856,561</b>	<b>3,512,567</b>	<b>4,143,855</b>	<b>13,017,357</b>	<b>1,941,198</b>	<b>1,238,781</b>	<b>212,588</b>	<b>41,536,199</b>
On-balance sheet interest sensitivity gap	16,939,265	(2,363,405)	(2,857,055)	(3,568,605)	(7,197,214)	3,133,206	(112,448)	169,479	4,143,223

Note:

\* ECL for deposits and placements with banks and other financial institutions are classified under the non-interest/profit sensitive column.

\*\* Impaired loans/financing and ECL are classified under the non-interest/profit sensitive column.

\*\*\* Included statutory deposit and other assets.

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

Market Risk Factors (contd.)

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

BANK 2021	Non-trading book						Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000			
<b>Assets</b>									
Cash and short-term funds	1,155,415	-	-	-	-	-	623,828	-	1,779,243
Deposits and placements with banks and other financial institutions	-	41,481	-	-	-	-	(4)*	-	41,477
Financial assets at fair value through profit or loss	-	-	-	-	-	-	154,482	13,246	167,728
Financial investments at fair value through other comprehensive income	315,462	55,287	130,854	234,567	2,480,518	4,013,954	73,224	-	7,303,866
Financial investments at amortised cost	10,000	-	20,000	-	1,593,771	654,075	16,919	-	2,294,765
Derivative financial assets	-	-	-	-	-	-	-	153,735	153,735
Loans, advances and financing	28,386,373	1,060,213	500,428	91,044	1,535,309	660,054	161,706**	-	32,395,127
Other financial assets***	-	-	-	-	-	72,788	312,982	-	385,770
<b>Total financial assets</b>	<b>29,867,250</b>	<b>1,156,981</b>	<b>651,282</b>	<b>325,611</b>	<b>5,609,598</b>	<b>5,400,871</b>	<b>1,343,137</b>	<b>166,981</b>	<b>44,521,711</b>
<b>Liabilities</b>									
Deposits from customers	13,575,441	3,776,785	3,604,825	3,860,360	11,148,778	-	184,127	-	36,150,316
Deposits and placements of banks and other financial institutions	9,870	18,902	33,264	48,874	52,873	495,024	570	-	659,377
Financial liabilities designated at fair value through profit or loss	774	1,131	30,417	95,686	343,709	-	978	-	472,695
Derivative financial liabilities	-	-	-	-	-	-	-	149,410	149,410
Recourse obligations on loans and financing sold to Cagamas	-	-	-	-	300,024	-	76	-	300,100
Lease liabilities	2,797	3,222	6,616	13,911	64,236	32,693	-	-	123,475
Subordinated obligations	-	-	-	-	648,286	800,000	23,692	-	1,471,978
Other financial liabilities	92,982	18,403	31,962	12,816	-	77,802	938,051	-	1,172,016
<b>Total financial liabilities</b>	<b>13,681,864</b>	<b>3,818,443</b>	<b>3,707,084</b>	<b>4,031,647</b>	<b>12,557,906</b>	<b>1,405,519</b>	<b>1,147,494</b>	<b>149,410</b>	<b>40,499,367</b>
On-balance sheet interest sensitivity gap	16,185,386	(2,661,462)	(3,055,802)	(3,706,036)	(6,948,308)	3,995,352	195,643	17,571	4,022,344

Note:

\* ECL for deposits and placements with banks and other financial institutions are classified under the non-interest/profit sensitive column.

\*\* Impaired loans/financing and ECL are classified under the non-interest/profit sensitive column.

\*\*\* Included statutory deposit and other assets.



**ALLIANCE BANK MALAYSIA BERHAD**

198201008390 (88103-W)

(Incorporated in Malaysia)

**43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)****(b) Market Risk (contd.)****Market Risk Factors (contd.)****(ii) Foreign exchange risk**

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

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

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

<u>GROUP</u>	<u>US Dollars</u>	<u>Pound Sterling</u>	<u>Euro Dollars</u>	<u>Australian Dollars</u>	<u>Singapore Dollars</u>	<u>Others</u>	<u>Total</u>
2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>							
Cash and short-term funds	467,927	976	542	2,190	737	5,610	477,982
Deposits and placements with banks and other financial institutions	168,192	-	-	-	-	-	168,192
Amounts due from clients and brokers	475	-	-	4	-	212	691
Loans, advances and financing	404,677	-	842	461	2,517	416	408,913
Other financial assets	73,122	19	3	1	54	-	73,199
Total financial assets	1,114,393	995	1,387	2,656	3,308	6,238	1,128,977
<b>Liabilities</b>							
Deposits from customers	571,271	61,650	38,504	120,778	138,267	42,773	973,243
Deposits and placements of banks and other financial institutions	275,903	-	-	-	1,942	7,294	285,139
Financial liabilities designated at fair value through profit or loss	5,006	-	-	-	-	548	5,554
Amounts due to clients and brokers	567	-	-	-	17	277	861
Other financial liabilities	69,784	18,777	9,326	5,646	4,135	2,383	110,051
Total financial liabilities	922,531	80,427	47,830	126,424	144,361	53,275	1,374,848
On-balance sheet open position	191,862	(79,432)	(46,443)	(123,768)	(141,053)	(47,037)	(245,871)
Off-balance sheet open position	(162,542)	79,684	58,076	96,945	107,510	57,072	236,745
<b>Net open position</b>	<b>29,320</b>	<b>252</b>	<b>11,633</b>	<b>(26,823)</b>	<b>(33,543)</b>	<b>10,035</b>	<b>(9,126)</b>

**ALLIANCE BANK MALAYSIA BERHAD**

198201008390 (88103-W)

(Incorporated in Malaysia)

**43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)****(b) Market Risk (contd.)****Market Risk Factors (contd.)****(ii) Foreign exchange risk (contd.)**

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

<u>GROUP</u>	<u>US Dollars</u>	<u>Pound Sterling</u>	<u>Euro Dollars</u>	<u>Australian Dollars</u>	<u>Singapore Dollars</u>	<u>Others</u>	<u>Total</u>
2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>							
Cash and short-term funds	296,600	1,802	3,700	1,104	2,133	5,724	311,063
Deposits and placements with banks and other financial institutions	41,481	-	-	-	-	-	41,481
Amounts due from clients and brokers	-	-	-	-	-	31	31
Loans, advances and financing	405,210	-	2,521	210	-	286	408,227
Other financial assets	11,874	-	-	12	389	-	12,275
<b>Total financial assets</b>	<b>755,165</b>	<b>1,802</b>	<b>6,221</b>	<b>1,326</b>	<b>2,522</b>	<b>6,041</b>	<b>773,077</b>
<b>Liabilities</b>							
Deposits from customers	478,062	30,894	33,074	164,783	79,040	34,417	820,270
Deposits and placements of banks and other financial institutions	49	-	-	-	-	2,215	2,264
Amounts due to clients and brokers	1,032	-	-	4	2	81	1,119
Other financial liabilities	18,922	1,640	28,905	34,545	83	5,441	89,536
<b>Total financial liabilities</b>	<b>498,065</b>	<b>32,534</b>	<b>61,979</b>	<b>199,332</b>	<b>79,125</b>	<b>42,154</b>	<b>913,189</b>
On-balance sheet open position	257,100	(30,732)	(55,758)	(198,006)	(76,603)	(36,113)	(140,112)
Off-balance sheet open position	(208,614)	31,289	68,847	185,429	47,171	42,852	166,974
<b>Net open position</b>	<b>48,486</b>	<b>557</b>	<b>13,089</b>	<b>(12,577)</b>	<b>(29,432)</b>	<b>6,739</b>	<b>26,862</b>

**ALLIANCE BANK MALAYSIA BERHAD****198201008390 (88103-W)**

(Incorporated in Malaysia)

**43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)****(b) Market Risk (contd.)****Market Risk Factors (contd.)****(ii) Foreign exchange risk (contd.)**

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

<u>BANK</u>	<u>US Dollars</u>	<u>Pound</u>	<u>Euro Dollars</u>	<u>Australian</u>	<u>Singapore</u>	<u>Others</u>	<u>Total</u>
2022	RM'000	<u>Sterling</u> RM'000	RM'000	<u>Dollars</u> RM'000	<u>Dollars</u> RM'000	RM'000	RM'000
<b>Assets</b>							
Cash and short-term funds	467,723	976	542	2,172	712	5,460	477,585
Deposits and placements with banks and other financial institutions	168,192	-	-	-	-	-	168,192
Loans, advances and financing	404,677	-	842	461	2,517	416	408,913
Other financial assets	73,122	19	3	1	54	-	73,199
Total financial assets	<u>1,113,714</u>	<u>995</u>	<u>1,387</u>	<u>2,634</u>	<u>3,283</u>	<u>5,876</u>	<u>1,127,889</u>
<b>Liabilities</b>							
Deposits from customers	571,271	61,650	38,504	120,778	138,267	42,773	973,243
Deposits and placements of banks and other financial institutions	275,903	-	-	-	1,942	7,294	285,139
Financial liabilities designated at fair value through profit or loss	5,006	-	-	-	-	548	5,554
Other financial liabilities	69,491	18,720	9,326	5,643	4,135	2,377	109,692
Total financial liabilities	<u>921,671</u>	<u>80,370</u>	<u>47,830</u>	<u>126,421</u>	<u>144,344</u>	<u>52,992</u>	<u>1,373,628</u>
On-balance sheet open position	192,043	(79,375)	(46,443)	(123,787)	(141,061)	(47,116)	(245,739)
Off-balance sheet open position	(162,542)	79,684	58,076	96,945	107,510	57,072	236,745
<b>Net open position</b>	<u>29,501</u>	<u>309</u>	<u>11,633</u>	<u>(26,842)</u>	<u>(33,551)</u>	<u>9,956</u>	<u>(8,994)</u>

**ALLIANCE BANK MALAYSIA BERHAD**

198201008390 (88103-W)

(Incorporated in Malaysia)

**43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)****(b) Market Risk (contd.)****Market Risk Factors (contd.)****(ii) Foreign exchange risk (contd.)**

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

<u>BANK</u>	<u>US Dollars</u>	<u>Pound Sterling</u>	<u>Euro Dollars</u>	<u>Australian Dollars</u>	<u>Singapore Dollars</u>	<u>Others</u>	<u>Total</u>
2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>							
Cash and short-term funds	295,420	1,802	3,700	1,093	2,128	5,635	309,778
Deposits and placements with banks and other financial institutions	41,481	-	-	-	-	-	41,481
Loans, advances and financing	405,210	-	2,521	210	-	286	408,227
Other financial assets	11,874	-	-	12	389	-	12,275
<b>Total financial assets</b>	<b>753,985</b>	<b>1,802</b>	<b>6,221</b>	<b>1,315</b>	<b>2,517</b>	<b>5,921</b>	<b>771,761</b>
<b>Liabilities</b>							
Deposits from customers	478,062	30,894	33,074	164,783	79,040	34,417	820,270
Deposits and placements of banks and other financial institutions	49	-	-	-	-	2,215	2,264
Other financial liabilities	18,820	1,567	28,905	34,544	83	5,440	89,359
<b>Total financial liabilities</b>	<b>496,931</b>	<b>32,461</b>	<b>61,979</b>	<b>199,327</b>	<b>79,123</b>	<b>42,072</b>	<b>911,893</b>
On-balance sheet open position	257,054	(30,659)	(55,758)	(198,012)	(76,606)	(36,151)	(140,132)
Off-balance sheet open position	(208,614)	31,289	68,847	185,429	47,171	42,852	166,974
<b>Net open position</b>	<b>48,440</b>	<b>630</b>	<b>13,089</b>	<b>(12,583)</b>	<b>(29,435)</b>	<b>6,701</b>	<b>26,842</b>

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

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

**Market Risk Measures**

**(iii) Value at risk ("VaR")**

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

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

<u>GROUP</u>	<u>Balance</u>	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
2022	RM'000	for the year RM'000	RM'000	RM'000
FX related derivatives	(350)	(482)	(238)	(1,041)
Government securities	(24,308)	(38,119)	(24,308)	(42,797)
Private debt securities	(4,674)	(6,011)	(4,674)	(6,612)
<hr/>				
2021				
FX related derivatives	(561)	(630)	(398)	(1,010)
Government securities	(39,252)	(53,063)	(39,252)	(57,298)
Private debt securities	(6,697)	(13,533)	(6,697)	(15,727)
<hr/>				
<u>BANK</u>				
2022				
FX related derivatives	(350)	(482)	(238)	(1,041)
Government securities	(19,618)	(31,478)	(19,618)	(35,776)
Private debt securities	(3,122)	(3,990)	(3,122)	(4,393)
<hr/>				
2021				
FX related derivatives	(561)	(630)	(398)	(1,010)
Government securities	(31,514)	(38,815)	(31,514)	(43,414)
Private debt securities	(4,339)	(8,658)	(4,339)	(9,730)
<hr/>				

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

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

**Market Risk Measures (contd.)**

**(iv) Interest/profit rate risk sensitivity**

The following tables present the Group's and the Bank's sensitivity result for the impact on net profit after tax and reserves of financial assets and financial liabilities bearing fixed and floating interest/profit rates.

Impact on the net profit after tax is measured using Earning-at-Risk ("EAR") methodology. The treatments are based on a set of sensitivity rate shocks on the interest rate gap profile from the financial position of the Group and the Bank by taking into consideration the repricing or remaining maturity of the product.

Impact on equity represents the changes in fair value of financial investment at fair value through other comprehensive income portfolio arising from shifts in interest/profit rate.

	<b>2022 GROUP</b>		<b>2022 BANK</b>	
	<b>- 200 bps</b>	<b>+ 200 bps</b>	<b>- 200 bps</b>	<b>+ 200 bps</b>
	<b>Increase/(Decrease)</b>	<b>Increase/(Decrease)</b>	<b>Increase/(Decrease)</b>	<b>Increase/(Decrease)</b>
	RM'000	RM'000	RM'000	RM'000
<b>Impact on net profit after tax</b>	<u>(169,950)</u>	<u>169,950</u>	<u>(137,749)</u>	<u>137,749</u>
<b>Impact on equity</b>	<u>710,507</u>	<u>(607,630)</u>	<u>553,110</u>	<u>(470,372)</u>
	<b>2021 GROUP</b>		<b>2021 BANK</b>	
	<b>- 200 bps</b>	<b>+ 200 bps</b>	<b>- 200 bps</b>	<b>+ 200 bps</b>
	<b>Increase/(Decrease)</b>	<b>Increase/(Decrease)</b>	<b>Increase/(Decrease)</b>	<b>Increase/(Decrease)</b>
	RM'000	RM'000	RM'000	RM'000
<b>Impact on net profit after tax</b>	<u>(198,563)</u>	<u>198,563</u>	<u>(149,807)</u>	<u>149,807</u>
<b>Impact on equity</b>	<u>810,926</u>	<u>(694,329)</u>	<u>607,955</u>	<u>(515,908)</u>

**(v) Other risk measures**

**(i) Stress test**

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

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

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

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

##### **(v) Other risk measures (contd.)**

###### **(ii) Sensitivity analysis**

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

##### **(c) Liquidity Risk**

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

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

**ALLIANCE BANK MALAYSIA BERHAD**

**198201008390 (88103-W)**

(Incorporated in Malaysia)

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

**(c) Liquidity Risk (contd.)**

**Liquidity Risk Measure**

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

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

<u>GROUP</u>	<u>Up to 1 month</u>	<u>&gt;1-3 months</u>	<u>&gt;3-6 months</u>	<u>&gt;6-12 months</u>	<u>&gt;1 year</u>	<u>No specific maturity</u>	<u>Total</u>
2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>							
Cash and short-term funds	3,228,574	-	-	-	-	-	3,228,574
Deposits and placements with banks and other financial institutions	-	168,184	-	-	-	-	168,184
Amounts due from clients and brokers	55,040	-	-	-	-	-	55,040
Financial assets at fair value through profit or loss	-	79	546	-	295,148	245,842	541,615
Financial investments at fair value through other comprehensive income	68,482	305,380	43,906	627,925	8,073,993	13	9,119,699
Financial investments at amortised cost	20,862	5,813	2,384	16	2,100,533	-	2,129,608
Loans, advances and financing	7,800,129	2,048,740	848,011	203,510	34,223,355	-	45,123,745
Other financial and non-financial assets	428,448	13,289	14,262	14,667	85,410	925,312	1,481,388
<b>Total assets</b>	<b>11,601,535</b>	<b>2,541,485</b>	<b>909,109</b>	<b>846,118</b>	<b>44,778,439</b>	<b>1,171,167</b>	<b>61,847,853</b>
<b>Liabilities</b>							
Deposits from customers	32,848,845	5,772,699	4,760,037	4,640,627	164,163	-	48,186,371
Deposits and placements of banks and other financial institutions	355,656	15,967	101,315	21,517	1,194,539	-	1,688,994
Financial liabilities designated at fair value through profit or loss	12,092	9,264	54,003	195,692	754,145	-	1,025,196
Amounts due to clients and brokers	28,404	-	-	-	-	-	28,404
Recourse obligations on loans and financing sold to Cagamas	-	350,525	-	300,039	-	-	650,564
Lease liabilities	2,639	4,856	6,259	12,448	99,273	-	125,475
Subordinated obligations	19,628	3,699	383	149,888	1,399,187	-	1,572,785
Other financial and non-financial liabilities	1,137,560	13,059	201,137	88,238	706,027	7,367	2,153,388
<b>Total liabilities</b>	<b>34,404,824</b>	<b>6,170,069</b>	<b>5,123,134</b>	<b>5,408,449</b>	<b>4,317,334</b>	<b>7,367</b>	<b>55,431,177</b>
<b>Net maturity mismatch</b>	<b>(22,803,289)</b>	<b>(3,628,584)</b>	<b>(4,214,025)</b>	<b>(4,562,331)</b>	<b>40,461,105</b>	<b>1,163,800</b>	<b>6,416,676</b>



**ALLIANCE BANK MALAYSIA BERHAD**
**198201008390 (88103-W)**

(Incorporated in Malaysia)

**43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**
**(c) Liquidity Risk (contd.)**
**Liquidity Risk Measure (contd.)**
**(i) Liquidity risk for assets and liabilities based on remaining contractual maturities (contd.)**

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

<u>GROUP</u>	<u>Up to 1 month</u>	<u>&gt;1-3 months</u>	<u>&gt;3-6 months</u>	<u>&gt;6-12 months</u>	<u>≥1 year</u>	<u>No specific maturity</u>	<u>Total</u>
2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>							
Cash and short-term funds	3,088,245	-	-	-	-	-	3,088,245
Deposits and placements with banks and other financial institutions	-	41,477	-	-	-	-	41,477
Amounts due from clients and brokers	105,041	-	-	-	-	-	105,041
Financial assets at fair value through profit or loss	-	-	103	-	13,143	224,676	237,922
Financial investments at fair value through other comprehensive income	436,387	105,088	153,477	442,607	9,287,110	-	10,424,669
Financial investments at amortised cost	21,421	5,520	3,348	16	2,240,199	-	2,270,504
Loans, advances and financing	7,627,827	2,022,900	885,044	332,939	32,364,796	-	43,233,506
Other financial and non-financial assets	123,028	27,136	42,745	15,790	125,128	986,004	1,319,831
<b>Total assets</b>	<b>11,401,949</b>	<b>2,202,121</b>	<b>1,084,717</b>	<b>791,352</b>	<b>44,030,376</b>	<b>1,210,680</b>	<b>60,721,195</b>
<b>Liabilities</b>							
Deposits from customers	33,148,278	5,255,736	5,018,833	4,473,623	592,043	-	48,488,513
Deposits and placements of banks and other financial institutions	475,527	32,611	53,406	89,804	741,304	-	1,392,652
Financial liabilities designated at fair value through profit or loss	774	1,131	30,493	95,817	344,480	-	472,695
Amounts due to clients and brokers	63,416	-	-	-	-	-	63,416
Recourse obligations on loans and financing sold to Cagamas	-	456	-	-	650,043	-	650,499
Lease liabilities	2,801	3,232	6,621	13,911	96,929	-	123,494
Subordinated obligations	19,628	3,673	440	-	1,548,977	-	1,572,718
Other financial and non-financial liabilities	494,902	39,507	71,808	37,905	402,236	653,063	1,699,421
<b>Total liabilities</b>	<b>34,205,326</b>	<b>5,336,346</b>	<b>5,181,601</b>	<b>4,711,060</b>	<b>4,376,012</b>	<b>653,063</b>	<b>54,463,408</b>
<b>Net maturity mismatch</b>	<b>(22,803,377)</b>	<b>(3,134,225)</b>	<b>(4,096,884)</b>	<b>(3,919,708)</b>	<b>39,654,364</b>	<b>557,617</b>	<b>6,257,787</b>

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

**(c) Liquidity Risk (contd.)**

**Liquidity Risk Measure (contd.)**

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

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

<u>BANK</u> 2022	<u>Up to 1 month</u> RM'000	<u>&gt;1-3 months</u> RM'000	<u>&gt;3-6 months</u> RM'000	<u>&gt;6-12 months</u> RM'000	<u>&gt;1 year</u> RM'000	<u>No specific maturity</u> RM'000	<u>Total</u> RM'000
<b>Assets</b>							
Cash and short-term funds	1,805,402	-	-	-	-	-	1,805,402
Deposits and placements of banks and other financial institutions	-	168,184	-	-	-	-	168,184
Financial assets at fair value through profit or loss	-	79	546	-	295,148	171,488	467,261
Financial investments at fair value through other comprehensive income	41,668	213,779	82,905	501,512	5,899,742	13	6,739,619
Financial investments at amortised cost	19,282	5,162	132,060	-	2,087,932	-	2,244,436
Loans, advances and financing	5,515,188	1,522,015	622,922	172,551	25,775,521	-	33,608,197
Other financial and non-financial assets	454,988	12,750	13,489	14,063	108,711	1,836,700	2,440,701
<b>Total assets</b>	<b>7,836,528</b>	<b>1,921,969</b>	<b>851,922</b>	<b>688,126</b>	<b>34,167,054</b>	<b>2,008,201</b>	<b>47,473,800</b>
<b>Liabilities</b>							
Deposits from customers	24,689,510	3,899,855	3,383,360	3,501,660	56,883	-	35,531,268
Deposits and placements of banks and other financial institutions	203,574	10,273	90,973	8,083	1,024,846	-	1,337,749
Financial liabilities designated at fair value through profit or loss	12,092	9,264	54,003	195,692	754,145	-	1,025,196
Recourse obligations on loans and financing sold to Cagamas	-	76	-	300,039	-	-	300,115
Lease liabilities	2,633	4,844	6,242	12,411	99,119	-	125,249
Subordinated obligations	19,628	3,699	391	149,888	1,298,848	-	1,472,454
Other financial and non-financial liabilities	1,033,478	12,623	164,722	83,043	650,563	-	1,944,429
<b>Total liabilities</b>	<b>25,960,915</b>	<b>3,940,634</b>	<b>3,699,691</b>	<b>4,250,816</b>	<b>3,884,404</b>	<b>-</b>	<b>41,736,460</b>
<b>Net maturity mismatch</b>	<b>(18,124,387)</b>	<b>(2,018,665)</b>	<b>(2,847,769)</b>	<b>(3,562,690)</b>	<b>30,282,650</b>	<b>2,008,201</b>	<b>5,737,340</b>

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

**(c) Liquidity Risk (contd.)**

**Liquidity Risk Measure (contd.)**

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

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

<u>BANK</u>	<u>Up to 1 month</u>	<u>&gt;1-3 months</u>	<u>&gt;3-6 months</u>	<u>&gt;6-12 months</u>	<u>&gt;1 year</u>	<u>No specific maturity</u>	<u>Total</u>
2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>							
Cash and short-term funds	1,779,243	-	-	-	-	-	1,779,243
Deposits and placements of banks and other financial institutions	-	41,477	-	-	-	-	41,477
Financial assets at fair value through profit or loss	-	-	103	-	13,143	154,482	167,728
Financial investments at fair value through other comprehensive income	341,455	87,897	145,460	234,567	6,494,487	-	7,303,866
Financial investments at amortised cost	19,548	5,162	2,577	-	2,267,478	-	2,294,765
Loans, advances and financing	5,327,836	1,475,936	648,204	309,133	24,634,018	-	32,395,127
Other financial and non-financial assets	155,215	27,047	42,320	15,722	161,738	1,889,958	2,292,000
<b>Total assets</b>	<b>7,623,297</b>	<b>1,637,519</b>	<b>838,664</b>	<b>559,422</b>	<b>33,570,864</b>	<b>2,044,440</b>	<b>46,274,206</b>
<b>Liabilities</b>							
Deposits from customers	24,728,820	3,813,318	3,625,822	3,900,256	82,100	-	36,150,316
Deposits and placements of banks and other financial institutions	9,870	18,902	33,834	48,874	547,897	-	659,377
Financial liabilities designated at fair value through profit or loss	774	1,131	30,493	95,817	344,480	-	472,695
Recourse obligations on loans and financing sold to Cagamas	-	76	-	-	300,024	-	300,100
Lease liabilities	2,796	3,222	6,616	13,911	96,930	-	123,475
Subordinated obligations	18,182	3,673	391	-	1,449,732	-	1,471,978
Other financial and non-financial liabilities	403,705	39,246	71,308	34,887	325,016	597,417	1,471,579
<b>Total liabilities</b>	<b>25,164,147</b>	<b>3,879,568</b>	<b>3,768,464</b>	<b>4,093,745</b>	<b>3,146,179</b>	<b>597,417</b>	<b>40,649,520</b>
<b>Net maturity mismatch</b>	<b>(17,540,850)</b>	<b>(2,242,049)</b>	<b>(2,929,800)</b>	<b>(3,534,323)</b>	<b>30,424,685</b>	<b>1,447,023</b>	<b>5,624,686</b>

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

**(c) Liquidity Risk (contd.)**

**Liquidity Risk Measure (contd.)**

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

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

<u>GROUP</u>	<u>Up to 1 month</u>	<u>&gt;1-3 months</u>	<u>&gt;3-6 months</u>	<u>&gt;6-12 months</u>	<u>&gt;1-5 years</u>	<u>Over 5 years</u>	<u>No specific maturity</u>	<u>Total</u>
2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Non derivative financial liabilities</b>								
Deposits from customers	32,817,141	5,797,533	4,863,162	4,707,139	168,276	-	-	48,353,251
Deposits and placements of banks and other financial institutions	364,585	15,907	101,570	21,438	84,304	1,110,071	-	1,697,875
Amounts due to clients and brokers	28,404	-	-	-	-	-	-	28,404
Financial liabilities designated at fair value through profit or loss	16,951	16,036	77,421	247,940	458,130	467,348	-	1,283,826
Recourse obligations on loans and financing sold to Cagamas	-	357,180	3,426	303,428	-	-	-	664,034
Lease liabilities	3,168	5,880	7,717	15,104	61,614	62,866	-	156,349
Subordinated obligations	22,900	4,675	5,999	183,515	779,820	886,300	-	1,883,209
Other financial liabilities	1,031,114	438	169,756	-	23,830	-	6,941	1,232,079
	<b>34,284,263</b>	<b>6,197,649</b>	<b>5,229,051</b>	<b>5,478,564</b>	<b>1,575,974</b>	<b>2,526,585</b>	<b>6,941</b>	<b>55,299,027</b>
<u>Items not recognised in the statements of financial position</u>								
Financial guarantees	23,956	85,510	103,455	219,131	65,959	521	-	498,532
Credit related commitments and contingencies	11,582,290	97,049	60,523	95,900	2,058,234	9,413	-	13,903,409
	<b>11,606,246</b>	<b>182,559</b>	<b>163,978</b>	<b>315,031</b>	<b>2,124,193</b>	<b>9,934</b>	<b>-</b>	<b>14,401,941</b>
<b>Derivatives financial liabilities</b>								
<u>Derivatives settled on a net basis</u>								
Interest rate derivatives and equity option	-	(1)	(13,540)	(26,121)	(50,189)	299	-	(89,552)
Net (inflow)/outflow	-	(1)	(13,540)	(26,121)	(50,189)	299	-	(89,552)
<u>Derivatives settled on a gross basis</u>								
Outflow	4,567	5,853	21,943	5,033	3,540	3,047	-	43,983
Inflow	(8,018)	(4,958)	(2,767)	(899)	(3,429)	(463)	-	(20,534)
	<b>(3,451)</b>	<b>895</b>	<b>19,176</b>	<b>4,134</b>	<b>111</b>	<b>2,584</b>	<b>-</b>	<b>23,449</b>

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

**(c) Liquidity Risk (contd.)**

**Liquidity Risk Measure (contd.)**

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

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

<u>GROUP</u>	<u>Up to 1 month</u>	<u>&gt;1-3 months</u>	<u>&gt;3-6 months</u>	<u>&gt;6-12 months</u>	<u>&gt;1-5 years</u>	<u>Over 5 years</u>	<u>No specific maturity</u>	<u>Total</u>
2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Non derivative financial liabilities</b>								
Deposits from customers	33,153,484	5,278,934	5,079,911	4,583,588	551,124	-	-	48,647,041
Deposits and placements of banks and other financial institutions	652,577	32,926	53,587	94,127	719,949	-	-	1,553,166
Amounts due to clients and brokers	63,416	-	-	-	-	-	-	63,416
Financial liabilities designated at fair value through profit or loss	2,033	1,778	47,123	102,650	369,315	-	-	522,899
Recourse obligations on loans and financing sold to Cagamas	-	7,189	7,189	14,267	664,047	-	-	692,692
Lease liabilities	3,505	4,492	8,618	17,603	79,638	46,280	-	160,136
Subordinated obligations	22,900	4,675	5,999	33,601	964,756	917,825	-	1,949,756
Other financial liabilities	482,567	19,625	33,719	20,330	336,377	-	653,451	1,546,069
	<u>34,380,482</u>	<u>5,349,619</u>	<u>5,236,146</u>	<u>4,866,166</u>	<u>3,685,206</u>	<u>964,105</u>	<u>653,451</u>	<u>55,135,175</u>
<u>Items not recognised in the statements of financial position</u>								
Financial guarantees	23,628	89,338	97,927	318,567	157,039	20	-	686,519
Credit related commitments and contingencies	11,078,573	97,952	65,919	87,145	1,195,679	8,780	-	12,534,048
	<u>11,102,201</u>	<u>187,290</u>	<u>163,846</u>	<u>405,712</u>	<u>1,352,718</u>	<u>8,800</u>	<u>-</u>	<u>13,220,567</u>
<b>Derivatives financial liabilities</b>								
<u>Derivatives settled on a net basis</u>								
Interest rate derivatives and equity option	(2,403)	(4,150)	(6,076)	(10,402)	(15,567)	(60)	-	(38,658)
Net inflow	<u>(2,403)</u>	<u>(4,150)</u>	<u>(6,076)</u>	<u>(10,402)</u>	<u>(15,567)</u>	<u>(60)</u>	<u>-</u>	<u>(38,658)</u>
<u>Derivatives settled on a gross basis</u>								
Outflow	4,719	15,181	19,295	2,701	5,923	3,428	-	51,247
Inflow	(5,488)	(12,930)	(27,546)	(4,487)	(2,417)	(8,061)	-	(60,929)
	<u>(769)</u>	<u>2,251</u>	<u>(8,251)</u>	<u>(1,786)</u>	<u>3,506</u>	<u>(4,633)</u>	<u>-</u>	<u>(9,682)</u>

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

**(c) Liquidity Risk (contd.)**

**Liquidity Risk Measure (contd.)**

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

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

<u>BANK</u>	<u>Up to 1 month</u>	<u>&gt;1-3 months</u>	<u>&gt;3-6 months</u>	<u>&gt;6-12 months</u>	<u>&gt;1-5 years</u>	<u>Over 5 years</u>	<u>No specific maturity</u>	<u>Total</u>
2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Non derivative financial liabilities</b>								
Deposits from customers	24,696,048	3,916,750	3,410,708	3,546,171	57,586	-	-	35,627,263
Deposits and placements of banks and other financial institutions	203,821	10,235	91,266	8,053	47,791	976,990	-	1,338,156
Financial liabilities designated at fair value through profit or loss	16,951	16,036	77,421	247,940	458,130	467,348	-	1,283,826
Recourse obligations on loans and financing sold to Cagamas	-	3,426	3,426	303,428	-	-	-	310,280
Lease liabilities	3,161	5,867	7,696	15,062	61,447	62,866	-	156,099
Subordinated obligations	22,900	4,675	2,999	180,564	674,240	886,300	-	1,771,678
Other financial liabilities	941,569	404	139,964	-	23,817	-	-	1,105,754
	<u>25,884,450</u>	<u>3,957,393</u>	<u>3,733,480</u>	<u>4,301,218</u>	<u>1,323,011</u>	<u>2,393,504</u>	<u>-</u>	<u>41,593,056</u>
<u>Items not recognised in the statements of financial position</u>								
Financial guarantees	22,101	74,434	87,264	182,144	61,937	521	-	428,401
Credit related commitments and contingencies	9,251,014	82,567	53,354	87,796	1,737,585	8,500	-	11,220,816
	<u>9,273,115</u>	<u>157,001</u>	<u>140,618</u>	<u>269,940</u>	<u>1,799,522</u>	<u>9,021</u>	<u>-</u>	<u>11,649,217</u>
<b>Derivatives financial liabilities</b>								
<u>Derivatives settled on a net basis</u>								
Interest rate derivatives and equity option	-	(1)	(13,540)	(26,121)	(50,189)	299	-	(89,552)
Net (inflow)/outflow	<u>-</u>	<u>(1)</u>	<u>(13,540)</u>	<u>(26,121)</u>	<u>(50,189)</u>	<u>299</u>	<u>-</u>	<u>(89,552)</u>
<u>Derivatives settled on a gross basis</u>								
Outflow	4,567	5,853	21,943	5,033	3,540	3,047	-	43,983
Inflow	(8,018)	(4,958)	(2,767)	(899)	(3,429)	(463)	-	(20,534)
	<u>(3,451)</u>	<u>895</u>	<u>19,176</u>	<u>4,134</u>	<u>111</u>	<u>2,584</u>	<u>-</u>	<u>23,449</u>

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

**(c) Liquidity Risk (contd.)**

**Liquidity Risk Measure (contd.)**

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

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

<u>BANK</u>	<u>Up to 1 month</u>	<u>&gt;1-3 months</u>	<u>&gt;3-6 months</u>	<u>&gt;6-12 months</u>	<u>&gt;1-5 years</u>	<u>Over 5 years</u>	<u>No specific maturity</u>	<u>Total</u>
2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Non derivative financial liabilities</b>								
Deposits from customers	24,732,908	3,829,707	3,655,575	3,949,231	84,922	-	-	36,252,343
Deposits and placements of banks and other financial institutions	122,817	19,079	33,540	49,841	531,299	-	-	756,576
Financial liabilities designated at fair value through profit or loss	2,033	1,778	47,123	102,650	369,315	-	-	522,899
Recourse obligations on loans and financing sold to Cagamas	-	3,426	3,426	6,740	310,264	-	-	323,856
Lease liabilities	3,378	4,348	8,245	16,891	77,504	46,280	-	156,646
Subordinated obligations	22,900	4,675	2,999	30,651	853,403	917,825	-	1,832,453
Other financial liabilities	394,852	19,364	33,219	18,160	259,157	-	597,417	1,322,169
	<u>25,278,888</u>	<u>3,882,377</u>	<u>3,784,127</u>	<u>4,174,164</u>	<u>2,485,864</u>	<u>964,105</u>	<u>597,417</u>	<u>41,166,942</u>
<u>Items not recognised in the statements of financial position</u>								
Financial guarantees	22,069	76,283	83,477	199,602	128,496	20	-	509,947
Credit related commitments and contingencies	8,753,758	80,305	60,243	75,893	1,001,798	8,108	-	9,980,105
	<u>8,775,827</u>	<u>156,588</u>	<u>143,720</u>	<u>275,495</u>	<u>1,130,294</u>	<u>8,128</u>	<u>-</u>	<u>10,490,052</u>
<b>Derivatives financial liabilities</b>								
<u>Derivatives settled on a net basis</u>								
Interest rate derivatives and equity option	(2,403)	(4,150)	(6,076)	(10,402)	(15,567)	(60)	-	(38,658)
Net inflow	<u>(2,403)</u>	<u>(4,150)</u>	<u>(6,076)</u>	<u>(10,402)</u>	<u>(15,567)</u>	<u>(60)</u>	<u>-</u>	<u>(38,658)</u>
<u>Derivatives settled on a gross basis</u>								
Outflow	4,719	15,181	19,295	2,701	5,923	3,428	-	51,247
Inflow	(5,488)	(12,930)	(27,546)	(4,487)	(2,417)	(8,061)	-	(60,929)
	<u>(769)</u>	<u>2,251</u>	<u>(8,251)</u>	<u>(1,786)</u>	<u>3,506</u>	<u>(4,633)</u>	<u>-</u>	<u>(9,682)</u>

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

##### **(d) Operational and Shariah Non-Compliance Risk**

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition of operational risk includes legal risk, but excludes strategic and reputational risk. Operational risk includes Shariah non-compliance risk which arises from the Group's failure to comply with the Shariah rules and principles determined by the relevant Shariah advisory councils.

Group Operational Risk of Group Risk Management formulates and implements operational risk framework within the Group while the line of businesses in conjunction with the Risk and Compliance Officers are responsible for the management of their day-to-day operational and Shariah non-compliance risks.

Operational and Shariah non-compliance risk management is a continual cyclic process which includes risk identification, assessment, control, mitigation and monitoring. This includes analysing the risk profile of the Group, determining control gaps, assessing potential loss and enhancing controls to mitigate the risks.

The main activities undertaken by the Group and the Bank in managing operational and Shariah non-compliance risks include the identification of risks and controls, monitoring of key risk indicators, reviews of policies and procedures, operational risk and Shariah non-compliance risk awareness training, and business continuity management.

The Group and the Bank apply the Basic Indicator Approach for operational risk capital charge computation.

#### **44. CAPITAL COMMITMENTS**

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Capital expenditure:				
Authorised and contracted for	41,161	35,091	40,484	34,318
Authorised but not contracted for	156,448	144,786	154,352	142,833
	<u>197,609</u>	<u>179,877</u>	<u>194,836</u>	<u>177,151</u>

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



#### 45. COMMITMENTS AND CONTINGENCIES

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

The off-balance sheet notional exposures of the Group and the Bank are as follows:

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes [Note (a)]	498,689	687,790	428,454	511,039
Transaction-related contingent items [Note (a)]	561,778	554,612	499,745	492,119
Short-term self-liquidating trade- related contingencies	211,549	145,128	192,299	119,337
Forward assets purchase	-	20,800	-	20,800
Obligations under an ongoing underwriting agreement	-	20,000	-	-
Irrevocable commitments to extend credit:				
- maturity exceeding one year	1,747,771	867,310	1,462,876	711,536
- maturity not exceeding one year	10,049,097	9,625,561	7,732,786	7,335,855
Unutilised credit card lines	1,333,057	1,299,366	1,333,057	1,299,366
	<u>14,401,941</u>	<u>13,220,567</u>	<u>11,649,217</u>	<u>10,490,052</u>
<u>Derivative financial instruments [Note (b)]</u>				
Foreign exchange related contracts:				
- one year or less	10,370,880	7,718,029	10,370,880	7,718,029
- over one year to three years	917,134	681,661	917,134	681,661
- over three years	257,757	661,606	257,757	661,606
Interest rate related contracts:				
- one year or less	2,158,436	2,099,218	2,158,436	2,099,218
- over one year to three years	3,307,815	3,984,245	3,307,815	3,984,245
- over three years	1,948,660	1,492,030	1,948,660	1,492,030
Equity related contracts:				
- one year or less	332,492	295,184	332,492	295,184
- over one year to three years	216,080	214,860	216,080	214,860
	<u>19,509,254</u>	<u>17,146,833</u>	<u>19,509,254</u>	<u>17,146,833</u>
	<u>33,911,195</u>	<u>30,367,400</u>	<u>31,158,471</u>	<u>27,636,885</u>

Note:

(a) Included in direct credit substitutes and transaction-related contingent items are financial guarantee contracts of RM498,532,000 and RM428,401,000 (2021: RM686,519,000 and RM509,947,000) for the Group and the Bank respectively, of which the fair value at the time of issuance is RM Nil.

(b) These derivatives are valued on gross position basis and the unrealised gains or losses have been reflected in the statements of income and statements of financial position as derivatives financial assets and derivatives financial liabilities. The fair value of derivatives are disclosed under Note 9.

**ALLIANCE BANK MALAYSIA BERHAD****198201008390 (88103-W)**

(Incorporated in Malaysia)

**46. CAPITAL ADEQUACY**

BNM's Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions took effect on 9 December 2020. This allows the Group and the Bank to add back a portion of Stage 1 ("S1") and Stage 2 ("S2") provisions with an "add-back factor" to the Common Equity Tier I ("CET I") capital from Financial Year 2021 to Financial Year 2024. The Group and the Bank have sufficient capital under both conditions with or without the Transitional Arrangement.

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

	<u>GROUP</u>		<u>BANK</u>	
	2022	2021	2022	2021
(i) With transitional arrangements				
<u>Before deducting proposed dividends</u>				
CET I capital ratio	16.372%	16.463%	15.614%	15.654%
Tier I capital ratio	17.287%	17.418%	16.489%	16.566%
Total capital ratio	21.401%	21.816%	21.134%	21.549%
<u>After deducting proposed dividends</u>				
CET I capital ratio	15.959%	16.218%	15.061%	15.327%
Tier I capital ratio	16.874%	17.173%	15.936%	16.238%
Total capital ratio	20.988%	21.571%	20.581%	21.222%
(ii) Without transitional arrangements				
<u>Before deducting proposed dividends</u>				
CET I capital ratio	14.993%	15.232%	14.397%	14.646%
Tier I capital ratio	15.908%	16.187%	15.272%	15.557%
Total capital ratio	20.173%	20.588%	20.137%	20.582%
<u>After deducting proposed dividends</u>				
CET I capital ratio	14.580%	14.987%	13.844%	14.318%
Tier I capital ratio	15.495%	15.942%	14.719%	15.230%
Total capital ratio	19.760%	20.343%	19.584%	20.255%

**46. CAPITAL ADEQUACY (CONTD.)**

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

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b><u>CET I Capital</u></b>				
Paid-up share capital	1,548,106	1,548,106	1,548,106	1,548,106
Retained profits	4,865,214	4,471,771	4,270,419	3,985,966
Regulatory reserves	47,686	86,440	41,641	80,006
Hedging reserves	(253)	-	(253)	-
FVOCI reserves	(145,150)	50,993	(138,660)	(5,082)
Capital reserves	100,150	100,150	15,515	15,515
	<u>6,415,753</u>	<u>6,257,460</u>	<u>5,736,768</u>	<u>5,624,511</u>
(Less)/add: Regulatory adjustments				
- Goodwill and other intangibles	(432,205)	(431,259)	(330,151)	(329,004)
- Deferred tax assets	(203,285)	(130,100)	(143,544)	(95,200)
- 55% of FVOCI reserves	-	(28,046)	-	-
- Regulatory reserves	(47,686)	(86,440)	(41,641)	(80,006)
- Investment in subsidiaries, associate and joint venture	(1,048)	(994)	(1,109,102)	(1,109,102)
- Transitional arrangements	527,033	451,004	347,580	276,161
Total CET I Capital	<u>6,258,562</u>	<u>6,031,625</u>	<u>4,459,910</u>	<u>4,287,360</u>
Additional Tier I Capital Securities	349,753	349,899	249,888	249,732
Total Additional Tier I Capital	<u>349,753</u>	<u>349,899</u>	<u>249,888</u>	<u>249,732</u>
Total Tier I Capital	<u>6,608,315</u>	<u>6,381,524</u>	<u>4,709,798</u>	<u>4,537,092</u>
<b><u>Tier II Capital</u></b>				
Subordinated obligations	1,199,264	1,199,077	1,198,848	1,198,554
Expected credit losses and regulatory reserves	373,502	412,255	258,031	296,396
Less: Regulatory adjustments				
- Investment in Tier II capital instruments	-	-	(130,000)	(130,000)
Total Tier II Capital	<u>1,572,766</u>	<u>1,611,332</u>	<u>1,326,879</u>	<u>1,364,950</u>
<b>Total Capital</b>	<u>8,181,081</u>	<u>7,992,856</u>	<u>6,036,677</u>	<u>5,902,042</u>

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

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Credit risk	34,492,797	33,065,592	25,662,376	24,611,480
Market risk	353,608	322,652	353,574	322,331
Operational risk	3,381,129	3,249,393	2,547,781	2,454,737
Total RWA and capital requirements	<u>38,227,534</u>	<u>36,637,637</u>	<u>28,563,731</u>	<u>27,388,548</u>

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

**ALLIANCE BANK MALAYSIA BERHAD****198201008390 (88103-W)**

(Incorporated in Malaysia)

**46. CAPITAL ADEQUACY (CONTD.)**

(c) The capital adequacy ratios of the banking subsidiaries are as follows:

	ALLIANCE ISLAMIC BANK BERHAD		ALLIANCE INVESTMENT BANK BERHAD	
	2022	2021	2022	2021
(i) With transitional arrangements				
<u>Before deducting proposed dividends</u>				
CET I capital ratio	14.904%	15.035%	87.301%	72.580%
Tier I capital ratio	15.966%	16.158%	87.301%	72.580%
Total capital ratio	18.510%	18.783%	88.174%	73.506%
<u>After deducting proposed dividends</u>				
CET I capital ratio	14.463%	15.035%	87.301%	69.000%
Tier I capital ratio	15.525%	16.158%	87.301%	69.000%
Total capital ratio	18.069%	18.783%	88.174%	69.926%
(ii) Without transitional arrangements				
<u>Before deducting proposed dividends</u>				
CET I capital ratio	12.995%	13.065%	87.240%	72.550%
Tier I capital ratio	14.057%	14.188%	87.240%	72.550%
Total capital ratio	16.601%	16.813%	88.113%	73.476%
<u>After deducting proposed dividends</u>				
CET I capital ratio	12.554%	13.065%	87.240%	68.970%
Tier I capital ratio	13.616%	14.188%	87.240%	68.970%
Total capital ratio	16.160%	16.813%	88.113%	69.896%

**47. CAPITAL**

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

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

In line with this, the Group aims to maintain capital adequacy ratios that are comfortably above the regulatory requirement, while balancing shareholders' desire for sustainable returns and high standards of prudence.

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

The Group's and the Bank's regulatory capital are determined under BNM's Capital Adequacy Framework and their capital ratios complied with the prescribed capital adequacy ratios.

#### **48. 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 Group and the Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

##### **(i) Financial instruments in Level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis. This includes listed equities and corporate debt securities which are actively traded.

##### **(ii) Financial instruments in Level 2**

Where fair value is determined using quoted prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determine fair value based upon valuation techniques that use market parameters, including but not limited to yield curves, volatilities and foreign exchange rates, as inputs. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include government securities, corporate private debt securities, corporate notes and most of the Group's and the Bank's derivatives.

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

The Group and the Bank classify financial instruments as Level 3 when there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

The valuation techniques and inputs used generally depend on the contractual terms and the risks inherent in the instrument as well as the availability of pricing information in the market. Principal techniques used include net tangible assets, net asset value, discounted cash flows, and other appropriate valuation models. These include private equity investments.

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

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

The following tables show the Group's and the Bank's financial instruments which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

<u>GROUP</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2022	RM'000	RM'000	RM'000	RM'000
<u>Assets</u>				
Financial assets at FVTPL				
- Money market instruments	-	290,816	-	290,816
- Unquoted securities	-	4,957	245,842	250,799
Financial investments at FVOCI				
- Money market instruments	-	4,388,481	-	4,388,481
- Quoted securities in Malaysia	13	-	-	13
- Unquoted securities	-	4,731,205	-	4,731,205
Derivative financial assets	-	86,294	-	86,294
<u>Liabilities</u>				
Financial liabilities designated at fair value through profit or loss				
Derivative financial liabilities	-	1,025,196	-	1,025,196
Derivative financial liabilities	-	212,588	-	212,588
<u>GROUP</u>				
2021	RM'000	RM'000	RM'000	RM'000
<u>Assets</u>				
Financial assets at FVTPL				
- Money market instruments	-	13,246	-	13,246
- Unquoted securities	-	-	224,676	224,676
Financial investments at FVOCI				
- Money market instruments	-	5,479,233	-	5,479,233
- Quoted securities in Malaysia	15	-	-	15
- Unquoted securities	-	4,945,421	-	4,945,421
Derivative financial assets	-	153,735	-	153,735
<u>Liabilities</u>				
Financial liabilities designated at fair value through profit or loss				
Derivative financial liabilities	-	472,695	-	472,695
Derivative financial liabilities	-	149,410	-	149,410

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

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

The following tables show the Group's and the Bank's financial instruments which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy: (contd.)

<u>BANK</u> 2022	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Assets</u>				
Financial assets at FVTPL				
- Money market instruments	-	290,816	-	290,816
- Unquoted securities	-	4,957	171,488	176,445
Financial investments at FVOCI				
- Money market instruments	-	3,595,639	-	3,595,639
- Quoted securities in Malaysia	13	-	-	13
- Unquoted securities	-	3,143,967	-	3,143,967
Derivative financial assets	-	86,294	-	86,294
<u>Liabilities</u>				
Financial liabilities designated at fair value through profit or loss				
Derivative financial liabilities	-	1,025,196	-	1,025,196
	-	212,588	-	212,588
<u>BANK</u> 2021				
<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000	
<u>Assets</u>				
Financial assets at FVTPL				
- Money market instruments	-	13,246	-	13,246
- Unquoted securities	-	-	154,482	154,482
Financial investments at FVOCI				
- Money market instruments	-	4,202,184	-	4,202,184
- Quoted securities in Malaysia	15	-	-	15
- Unquoted securities	-	3,101,667	-	3,101,667
Derivative financial assets	-	153,735	-	153,735
<u>Liabilities</u>				
Financial liabilities designated at fair value through profit or loss				
Derivative financial liabilities	-	472,695	-	472,695
	-	149,410	-	149,410

There were no transfers between levels of the fair value hierarchy for the Group and the Bank during the financial years ended 31 March 2022 and 31 March 2021.

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

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

The table below outlines the reconciliation of movements in Level 3 financial instruments:

	<u>GROUP</u>		<u>BANK</u>	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 April	224,676	202,160	154,482	137,768
Distribution on liquidating shares	-	(243)	-	(243)
Total gains recognised in statements of income				
(i) Revaluation gain from financial assets at FVTPL	21,166	22,759	17,006	16,957
At 31 March	<u>245,842</u>	<u>224,676</u>	<u>171,488</u>	<u>154,482</u>

The Group's and the Bank's exposure to financial instruments measured using unobservable inputs (Level 3) constitutes a small component of the Group's and the Bank's portfolio of financial instruments. Changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the Level 3 financial instruments.

Qualitative information about the fair value measurements using significant unobservable inputs (Level 3):

<u>Description</u>	<u>Fair value assets</u>		<u>Valuation techniques</u>	<u>Unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
	<u>2022</u> RM'000	<u>2021</u> RM'000			
<u>GROUP</u>					
Financial assets at FVTPL					
Unquoted securities	<u>245,842</u>	<u>224,676</u>	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value
<u>BANK</u>					
Financial assets at FVTPL					
Unquoted securities	<u>171,488</u>	<u>154,482</u>	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value



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

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

The following table summarises the carrying amounts and the fair values of financial instruments of the Group and the Bank which are not carried at fair value in the statements of financial position. It does not include those short term/on demand financial assets and liabilities where the carrying amounts are reasonable approximate to their fair values.

GROUP	Fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	
2022	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Financial assets</b>					
Financial investments at amortised cost	-	2,103,803	-	2,103,803	2,129,608
Loans, advances and financing	-	-	45,494,485	45,494,485	45,123,745
<b>Financial liabilities</b>					
Deposits from customers	-	48,187,042	-	48,187,042	48,186,371
Deposits and placements of banks and other financial institutions	-	1,677,607	-	1,677,607	1,688,994
Recourse obligations on loans and financing sold to Cagamas	-	654,701	-	654,701	650,564
Subordinated obligations	-	1,548,959	-	1,548,959	1,572,785
<b>GROUP 2021</b>					
GROUP	Fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	
2021	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Financial assets</b>					
Financial investments at amortised cost	-	2,282,032	-	2,282,032	2,270,504
Loans, advances and financing	-	-	43,478,542	43,478,542	43,233,506
<b>Financial liabilities</b>					
Deposits from customers	-	48,495,974	-	48,495,974	48,488,513
Deposits and placements of banks and other financial institutions	-	1,430,191	-	1,430,191	1,392,652
Recourse obligations on loans and financing sold to Cagamas	-	660,614	-	660,614	650,499
Subordinated obligations	-	1,548,917	-	1,548,917	1,572,718

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

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

The following table summarises the carrying amounts and the fair values of financial instruments of the Group and the Bank which are not carried at fair value in the statements of financial position. It does not include those short term/on demand financial assets and liabilities where the carrying amounts are reasonable approximate to their fair values. (contd.)

BANK 2022	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
<b>Financial assets</b>					
Financial investments at amortised cost	-	2,219,783	-	2,219,783	2,244,436
Loans, advances and financing	-	-	33,837,792	33,837,792	33,608,197
<b>Financial liabilities</b>					
Deposits from customers	-	35,531,362	-	35,531,362	35,531,268
Deposits and placements of banks and other financial institutions	-	1,332,258	-	1,332,258	1,337,749
Recourse obligations on loans and financing sold to Cagamas	-	304,886	-	304,886	300,115
Subordinated obligations	-	1,448,736	-	1,448,736	1,472,454

BANK 2021	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
<b>Financial assets</b>					
Financial investments at amortised cost	-	2,304,497	-	2,304,497	2,294,765
Loans, advances and financing	-	-	32,602,057	32,602,057	32,395,127
<b>Financial liabilities</b>					
Deposits from customers	-	36,150,620	-	36,150,620	36,150,316
Deposits and placements of banks and other financial institutions	-	745,260	-	745,260	659,377
Recourse obligations on loans and financing sold to Cagamas	-	311,328	-	311,328	300,100
Subordinated obligations	-	1,448,286	-	1,448,286	1,471,978

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

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

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

(i) Financial investments at amortised cost

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

(ii) Loans, advances and financing

The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate loans and Islamic financing with remaining maturity of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at applicable prevailing rates at the end of the reporting period offered to new borrowers with similar credit profiles. In respect of impaired loans, the fair values represented by their carrying values, net of impairment allowances, being the expected recoverable amount.

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

The fair values of deposit liabilities payable on demand (demand and savings deposits), or deposits with maturity of less than one year are estimated to approximate their carrying amounts. The fair values of fixed deposits with remaining maturities of more than one year are estimated based on expected future cash flows discounted at applicable prevailing rates offered for deposits of similar remaining maturities. For negotiable instruments of deposits, the fair values are estimated based on quoted or observable market prices as at the end of the reporting period. Where such quoted or observable market prices are not available, the fair values of negotiable instruments of deposits are estimated using the discounted cash flow technique.

(iv) Recourse obligations on loans and financing sold to Cagamas

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

(v) Other borrowings and subordinated obligations

The fair value of the other borrowings and subordinated bonds/notes is estimated based on the discounted cash flows techniques using the current yield curve appropriate for the remaining term to maturity.

**49. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

In accordance with MFRS 132 Financial Instruments: Presentation, the Group and the Bank report financial assets and financial liabilities on a net basis on the statements of financial position, only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangements on:

- (i) all financial assets and liabilities that are reported net on the statements of financial position; and
- (ii) all financial assets and liabilities that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for statements of financial position netting.

**(a) Financial assets**

	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set off in the statements of financial position RM'000	Net amounts of financial assets presented in the statements of financial position RM'000	Related amounts not set off in the statements of financial position		Net amount RM'000
				Financial instruments RM'000	Cash collateral received RM'000	
<u>GROUP</u>						
2022						
Derivative financial assets	86,294	-	86,294	(59,617)	(12,370)	14,307
Amounts due from clients and brokers	84,883	(29,843)	55,040	-	-	55,040
<b>Total</b>	<b>171,177</b>	<b>(29,843)</b>	<b>141,334</b>	<b>(59,617)</b>	<b>(12,370)</b>	<b>69,347</b>
<u>GROUP</u>						
2021						
Derivative financial assets	153,735	-	153,735	(49,769)	(27,810)	76,156
Amounts due from clients and brokers	193,562	(88,521)	105,041	-	-	105,041
<b>Total</b>	<b>347,297</b>	<b>(88,521)</b>	<b>258,776</b>	<b>(49,769)</b>	<b>(27,810)</b>	<b>181,197</b>
<u>BANK</u>						
2022						
Derivative financial assets	86,294	-	86,294	(59,617)	(12,370)	14,307
<u>BANK</u>						
2021						
Derivative financial assets	153,735	-	153,735	(49,769)	(27,810)	76,156

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

**(b) Financial liabilities**

	Gross amounts of recognised financial assets set off in the statements of financial position RM'000	Gross amounts of recognised financial liabilities presented in the statements of financial position RM'000	Net amounts of financial liabilities presented in the statements of financial position RM'000	Related amounts not set off in the statements of financial position		Net amount RM'000
				Financial instruments RM'000	Cash collateral pledged RM'000	
<u>GROUP</u>						
2022						
Derivative financial liabilities	212,588	-	212,588	(59,617)	(118,485)	34,486
Amounts due to clients and brokers	58,247	(29,843)	28,404	-	-	28,404
Total	<u>270,835</u>	<u>(29,843)</u>	<u>240,992</u>	<u>(59,617)</u>	<u>(118,485)</u>	<u>62,890</u>
<u>GROUP</u>						
2021						
Derivative financial liabilities	149,410	-	149,410	(49,769)	(61,381)	38,260
Amounts due to clients and brokers	151,937	(88,521)	63,416	-	-	63,416
Total	<u>301,347</u>	<u>(88,521)</u>	<u>212,826</u>	<u>(49,769)</u>	<u>(61,381)</u>	<u>101,676</u>
<u>BANK</u>						
2022						
Derivative financial liabilities	212,588	-	212,588	(59,617)	(118,485)	34,486
<u>BANK</u>						
2021						
Derivative financial liabilities	149,410	-	149,410	(49,769)	(61,381)	38,260

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements, each agreement between the Group and the Bank and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

## **50. SEGMENT INFORMATION**

The following segment information has been prepared in accordance with MFRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments. The operating segments results are prepared and provided to the chief operating decision-maker based on the Group's internal management reporting reflective of the organisation's management reporting structure.

Based on the results presented to the chief operating decision-maker, funds are allocated between segments and inter-segment funding cost transfers are reflected in net interest income. In addition to the operating segments, the segment information disclosed also includes inter-segment eliminations. Transactions between reportable segments are eliminated based on principles of consolidation as described in accounting policy. Intercompany transactions, balances and unrealised gains and losses on transactions between the Group's companies are eliminated in inter-segment eliminations.

The Group is organised into the following key operating segments:

(i) Consumer Banking

Consumer Banking provides a wide range of personal banking solutions covering mortgages, term loans, personal loans, hire purchase facilities, credit cards and wealth management (cash management, investment services, share trading, bancassurance and will writing). Consumer Banking customers are serviced via branch network, call centre, electronic/internet banking channels, and direct sales channels.

(ii) Business Banking

Business Banking segment covers Small and Medium Enterprises ("SMEs"), and Corporate and Commercial Banking. SME Banking customers comprise the self-employed, and small and medium scale enterprises. Corporate and Commercial Banking serves the public-listed and large corporate business customers including family-owned businesses. Business Banking provides a wide range of products and services including loans, trade finance, cash management, treasury and structured solutions.

(iii) Financial Markets

Financial Markets provide foreign exchange, money market, hedging and investment (capital market instruments) solutions for banking customers. It also manages the assets and liabilities, liquidity and statutory reserve requirements of the banking entities in the Group.

(iv) Stockbroking and Corporate Advisory

Stockbroking and Corporate Advisory cover stockbroking activities and corporate advisory which includes initial public offering, equity fund raising, debt fund raising, mergers and acquisitions and corporate restructuring.

(v) Others

Others refer to mainly other business operations such as alternative distribution channels, trustee services and head office.

**ALLIANCE BANK MALAYSIA BERHAD**  
**198201008390 (88103-W)**  
(Incorporated in Malaysia)

**50. SEGMENT INFORMATION (CONTD.)**

<u>Group</u>	Consumer <u>Banking</u>	Business <u>Banking</u>	Financial <u>Markets</u>	Stockbroking and <u>Corporate Advisory</u>	<u>Others</u>	Total <u>Operations</u>	Inter-segment <u>Elimination</u>	<u>Total</u>
<b>As at 31 March 2022</b>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net interest income								
- External income	376,811	494,371	236,900	7,259	54	1,115,395	6,246	1,121,641
- inter-segment	(57,987)	8,162	53,434	(3,609)	-	-	-	-
	318,824	502,533	290,334	3,650	54	1,115,395	6,246	1,121,641
Net income from Islamic banking business	143,241	134,054	112,627	-	143	390,065	7,450	397,515
Other operating income	114,535	134,420	66,421	32,858	20,656	368,890	(20,390)	348,500
Net income	576,600	771,007	469,382	36,508	20,853	1,874,350	(6,694)	1,867,656
Other operating expenses	(336,889)	(275,731)	(36,894)	(36,479)	(51,108)	(737,101)	4,588	(732,513)
Depreciation and amortisation	(41,191)	(41,262)	(6,594)	(2,490)	(401)	(91,938)	1,511	(90,427)
Operating profit/(loss) before allowance (Allowance for)/write-back of expected credit losses on loans, advances and financing and other financial assets	198,520	454,014	425,894	(2,461)	(30,656)	1,045,311	(595)	1,044,716
	(183,777)	(32,977)	31	(508)	(3)	(217,234)	(1)	(217,235)
Write-back of/(allowance for) expected credit losses on financial assets	-	292	(655)	130	-	(233)	59	(174)
Segment results	14,743	421,329	425,270	(2,839)	(30,659)	827,844	(537)	827,307
Share of results of joint venture								54
Taxation								(254,544)
Net profit for the financial year								572,817
Segment assets	22,532,057	22,286,050	17,371,984	200,890	478,185	62,869,166	(1,724,838)	61,144,328
Reconciliation of segment assets to consolidated assets:								
Investment in joint venture								1,048
Property, plant and equipment								55,433
Tax recoverable and deferred tax assets								214,839
Intangible assets								432,205
Total assets								61,847,853

**ALLIANCE BANK MALAYSIA BERHAD**  
**198201008390 (88103-W)**  
(Incorporated in Malaysia)

**50. SEGMENT INFORMATION (CONTD.)**

<b>Group</b>	Consumer Banking	Business Banking	Financial Markets	Stockbroking and Corporate Advisory	Others	Total Operations	Inter-segment Elimination	Total
<b>As at 31 March 2021</b>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net interest income								
- External income	316,343	436,632	258,542	7,184	76	1,018,777	(2,121)	1,016,656
- inter-segment	21,807	41,058	(59,521)	(3,344)	-	-	-	-
	338,150	477,690	199,021	3,840	76	1,018,777	(2,121)	1,016,656
Net income from Islamic banking business	165,601	125,908	69,861	-	86	361,456	17,044	378,500
Other operating income	112,321	128,101	135,925	49,563	20,376	446,286	(23,875)	422,411
Net income	616,072	731,699	404,807	53,403	20,538	1,826,519	(8,952)	1,817,567
Other operating expenses	(338,029)	(266,219)	(44,274)	(37,714)	(36,095)	(722,331)	10,073	(712,258)
Depreciation and amortisation	(40,360)	(37,473)	(8,704)	(3,024)	(411)	(89,972)	1,572	(88,400)
Operating profit/(loss) before allowance (Allowance for)/write-back of expected credit losses on loans, advances and financing and other financial assets	237,683	428,007	351,829	12,665	(15,968)	1,014,216	2,693	1,016,909
	(377,335)	(155,978)	247	150	-	(532,916)	-	(532,916)
Write-back of/(allowance for) expected credit losses on financial assets	-	753	250	(130)	(735)	138	(234)	(96)
Segment results	(139,652)	272,782	352,326	12,685	(16,703)	481,438	2,459	483,897
Share of results of joint venture								91
Taxation								(125,203)
Net profit for the financial year								358,785
Segment assets	22,899,643	20,553,164	17,469,105	359,447	496,852	61,778,211	(1,720,990)	60,057,221
Reconciliation of segment assets to consolidated assets:								
Investment in joint venture								994
Property, plant and equipment								57,264
Tax recoverable and deferred tax assets								174,457
Intangible assets								431,259
Total assets								60,721,195



**ALLIANCE BANK MALAYSIA BERHAD**

**198201008390 (88103-W)**

(Incorporated in Malaysia)

**51. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

On 2 December 2021, the Board of Directors of the Bank announced that Alliance Investment Bank Berhad ("AIBB"), a wholly-owned subsidiary of the Bank has entered into a conditional business sale and purchase agreement ("BSPA") with Phillip Futures Sdn Bhd ("PFSB") for the proposed disposal of AIBB's stockbroking business (as a going concern), subsisting as at the specified transfer point, together with the assets and liabilities as specified in the BSPA (Proposed Disposal of Stockbroking Business) for a cash consideration based on an aggregate of:

- (a) an amount in cash equal to the net asset value of the Stockbroking Business as at the completion date of the Proposed Disposal of Stockbroking Business; and
- (b) an amount in cash equal to 60% of the aggregate brokerage fee in respect of all brokerage transactions concluded by PFSB in respect of the 12-month period from the specified transfer point until the date that is the 12-month anniversary of the completion date less the brokerage transaction costs; and less an amount in cash equal to the receivable shortfall.

In connection with the Proposed Disposal of Stockbroking Business, AIBB has also on 2 December 2021 entered into a separate conditional business sale and purchase agreement with Alliance Islamic Bank Berhad ("AIS"), a wholly-owned subsidiary of the Bank, for the transfer of AIBB's corporate finance, equity capital markets and debt capital markets business (excluding all non-Shariah compliant mandates) (Capital Markets Business) to AIS, for a cash consideration based on an amount equal to the net asset value taking into consideration the total assets and total liabilities of the Capital Markets Business.

Subsequently on 31 March 2022, the Bank announced that AIBB had completed the transfer of its corporate finance, equity and debt capital markets to AIS on 31 March 2022.

Barring any unforeseen circumstances, the Proposed Disposal of Stockbroking Business is expected to be completed in the financial year ending 31 March 2023.

**52. SUBSEQUENT EVENTS**

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