ILLUSTRATION

Movement of ECLs (Day 1 and current year movement) as per audited accounts:-

Year 1	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000	
At 1 January 2018					
– as previously stated – MFRS 139				40	
– effect of adopting MFRS 9				140	
At 1 January 2018, as restated	30	60	90	180	*Note
Transferred to Stage 1	10	(10)	-	-	
Transferred to Stage 2	(5)	5	-	-	
Transferred to Stage 3	(20)	-	20	-	
Net remeasurement of allowances	20	30	50	100	Note 1
New financial assets originated or purchased	5	15	30	50	Note 2
Financial assets derecognised	(5)	(10)	(20)	(35)	Note 3
Changes in model risk/parameters	(25)	(5)	(20)	(50)	Note 4
Net amount charged/(reversal) to/(from) income statement	(20)	25	60	65	*Note
Amount written-off	(5)	(30)	(20)	(55)	
Other movements	5	10	5	20	
At 31 December 2018	10	65	135	210	

Year 2	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000	
At 1 January 2019	10	65	135	210	
Transferred to Stage 1	20	(20)	-	-	
Transferred to Stage 2	(10)	10	-	-	
Transferred to Stage 3	(5)	-	5	-	
Net remeasurement of allowances	20	30	50	100	
New financial assets originated or purchased	10	10	20	40	
Financial assets derecognised	(10)	(30)	(30)	(70)	
Changes in model risk/parameters	(22)	(5)	(20)	(47)	
Net amount charged/(reversal) to/(from) income statement	3	(5)	25	23	*Note
Amount written-off	(5)	(25)	(70)	(100)	
Other movements	5	10	5	20	
At 31 December 2019	13	45	95	153	

Movement of ECLs (Day 1 and current year movement) as per audited accounts (cont'd):-

Year 3	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	
	RM'000	RM'000	RM'000	RM'000	
At 1 January 2020	13	45	95	153	
Transferred to Stage 1	20	(20)	-	-	
Transferred to Stage 2	(10)	10	-	-	
Transferred to Stage 3	(5)	-	5	-	
Net remeasurement of allowances	10	30	40	80	
New financial assets originated or purchased	20	35	40	95	
Financial assets derecognised	(20)	(30)	(20)	(70)	
Changes in model risk/parameters	(10)	(15)	(30)	(55)	
Net amount charged/(reversal) to/(from) income statement	5	10	35	50	*Note
Amount written-off	-	-	(20)	(20)	
Other movements	5	10	5	20	
At 31 December 2020	23	65	115	203	

Note:

The above audited accounts disclosure may differ from one bank or development financial institution to another. Should the bank or development financial institution net total transfer between stages is not zerorised (i.e. the bank or development financial institution does not post the balance in the total column for the respective stages to the net remeasurement of allowances), the net tax impact would be similar as compared to bank or development financial institution with net total transfer between stages is zero (i.e. the bank or development financial institution would post the balance in the total column for the respective stages to the net remeasurement of allowance, since tax adjustment is made at the net amount charged/(reversal) to/(from) Income Statement per Stages.

Guidance notes:-

1. Net remeasurement of allowances

This refers to the remeasurement of ECL during the year in respect of the existing financial assets brought forward from the previous year.

The terminology used for net remeasurement of allowances may differ from one bank or development financial institution to another.

2. New financial assets originated or purchased

This refers to new ECL provided during the year on new financial assets recognised during the year. In some circumstances, the renegotiation or modification of the contractual cash flows of a financial asset can lead to the derecognition of the existing financial asset in accordance with MFRS 9. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset for the purposes of MFRS 9.

3. Financial assets derecognised

The basic premise for the derecognition model in MFRS 9 is to determine whether the asset under consideration for derecognition is:

- an asset in its entirety; or
- specifically identified cash flows from an asset (or a group of similar financial assets); or
- a fully proportionate (pro rata) share of the cash flows from an asset (or a group of similar financial assets); or
- a fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a group of similar financial assets).

Once the asset under consideration for derecognition has been determined, an assessment is made as to whether the asset has been transferred, and if so, whether the transfer of that asset is subsequently eligible for derecognition.

An asset is transferred if either the entity has transferred the contractual rights to receive the cash flows, or the entity has retained the contractual rights to receive the cash flows from the asset, but has assumed a contractual obligation to pass those cash flows on under an arrangement that meets the following three conditions:

- the entity has no obligation to pay amounts to the eventual recipient unless it collects equivalent amounts on the original asset;
- the entity is prohibited from selling or pledging the original asset (other than as security to the eventual recipient);
- the entity has an obligation to remit those cash flows without material delay.

Once an entity has determined that the asset has been transferred, it then determines whether or not it has transferred substantially all of the risks and rewards of ownership of the asset. If substantially all the risks and rewards have been transferred, the asset is derecognised.

4. Changes in model risk/parameters/credit risk

The changes in model risk/parameters refer to impacts on the measurement of ECL due to changes made to models, parameters and assumptions which can sequential to various reasons.

			As per ECL accounts										Tax adjustment *	Closing balance #
Stages	Add back	YA	As previously stated - MFRS 139		Effect of adopting MFRS 9		Restated opening balance		Net amount charged/(reversal) to/(from) income statement		Amount written-off		ECL	Restated balance
	%		RM'000		RM'000		RM'000		RM'000		RM'000		RM'000	RM'000
PYA	100%		40	[a]	140	[b]							(140)	
Stage 1	100%	2018					30		(20)	[d]	(5)		-	5
Stage 2	50%	2018					60	[c]	25	[e]	(30)	[g]	13	30
Stage 3	0%	2018					90		60	[f]	(20)		-	70
													(128)	
Stage 1	100%	2019					5		3	[h]	(5)		3	0
Stage 2	50%	2019					30		(5)	[i]	(25)	[g]	-	0
Stage 3	0%	2019					70		25	[f]	(70)		-	0
													3	
Stage 1	100%	2020					0		5	[h]	-		5	0
Stage 2	50%	2020					0		10	[e]	-		5	0
Stage 3	0%	2020					0		35	[f]	(20)	[j]	-	0
													10	

* The tax adjustment will be reflected in the bank or development financial institution tax computation in arriving at the adjusted income.

Tracking on reversal of Day 1 restated opening balance (FRS 139 and incremental of MFRS 9) (full tax deduction claimed) against net impairment reversal or written-off is required until the restated opening balance is zerorised.

Notes:

[a] Tax deduction has been claimed previously under the MFRS 139.

[b] Any incremental impairment losses arising from PYA is allowed full tax deduction.

[c] Tracking on reversal of Day 1 restated opening balance (FRS139 and incremental of MFRS 9) (full tax deduction claimed) against net impairment reversal/written-off is required until the restated opening balance is zerorised.

[d] The net amount reversal would have been credited to P&L. As the Day 1 restated opening for S1 has been claimed a full tax deduction, no further tax adjustment is required for the amount reversal. Tracking against Day 1 restated opening balance is required.

[e] Disallow 50% of current year net impairment charged to the income statement (i.e. 13k and 5k respectively).

[f] Full tax deduction is allowed.

[g] The amount written-off arises from the Day 1 restated opening balance and it is a written-off in Balance Sheet. In view that tax deduction has been claimed previously, no further tax adjustment is required. Tracking against Day 1 restated opening balance is required.

[h] 100% non-tax deductible.

[i] The net amount reversal would have been credited to P&L. As the Day 1 restated opening for S2 has been claimed a full tax deduction, no further tax adjustment is required for the amount reversal. Tracking against Day 1 restated opening balance is required.

Since the Day 1 restated opening balance has been zerorised in Year 2 for Stage 3, hence the tax adjustment would be as follows:-

[j] For Stage 3 written-off in BS, no tax adjustment is required since ECL has been fully claimed for tax deduction.