Building a better working world

AmInvestment Bank Berhad
(23742-V)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 March 2015

Company No.:23742-V

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
31 MARCH 2015

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AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of **AmInvestment Bank Berhad** (the "Bank") for the financial year ended 31 March 2015.

PRINCIPAL ACTIVITIES

The Bank and its subsidiaries (the "Group"), as listed in Note 14 to the financial statements, provide a wide range of investment banking and related financial services which also include Islamic banking business, investment advisory, stock and share-broking, futures broking, publishing and selling research materials, and provision of research related services.

There have been no significant changes in the nature of the activities of the Bank and its subsidiaries during the financial year.

SIGNIFICANT EVENT AND SUBSEQUENT EVENT

On 30 January 2015, the Singapore-based subsidiary of the Bank, AmFraser International Pte. Ltd. ("AmFIPL") had completed the disposal of its 100%-owned stockbroking subsidiary, AmFraser Securities Pte Ltd, for a cash consideration of approximately SGD38 million to KGI Asia (Holdings) Pte Ltd, a 100%-owned subsidiary of KGI Securities Co Ltd, a Taiwan-based stockbroking company.

There are no subsequent events involving the Bank and its subsidiaries.

FINANCIAL RESULTS

	Group	Bank
	RM'000	RM'000
Profit for the financial year	38,003	42,579

OUTLOOK FOR NEXT FINANCIAL YEAR

The Malaysian economy expanded at a stronger pace of 6.0% in 2014 (4.7% in 2013), largely driven by the continued strength in private domestic demand and positive growth in net exports.

For calendar year 2015, the Bank expects Malaysian economy to grow 4.7%. Domestic demand will continue to be the anchor of growth with exports remaining resilient. Private expenditure will grow moderately, balanced with stronger growth in public expenditure due to the turnaround in public investment. Inflation is expected to hover around 2.5% - 2.7%, reflecting impacts from the implementation of the Goods and Services tax since 1 April 2015 and weaker Ringgit, partially offset by weak global commodity prices and softer demand.

Business and economic conditions are expected to remain challenging while compliance requirements increase over the longer term. Over the medium-term, the banking sector is expected to experience slower loans growth and narrower net interest spreads while asset quality may come under some pressure.

The Bank will remain responsive with key measures in place to drive growth, supported by ongoing investments to improve its capabilities and customer experience. The Bank remain focused on supporting AMMB Holdings Berhad ("AMMB") Group on its FY2015-2017 strategic agenda to (1) Deliver on focused organic growth; (2) Continue to optimise efficiency; and (3) Build sustainability.

BUSINESS PLAN AND STRATEGY

For the financial year 2016 (“FY2016”), the Bank is focused on supporting AMMB Group’s three strategic priorities to achieve AMMB Group’s Vision – ***As Malaysia’s preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us.***

Firstly, to **deliver on focused organic growth** with emphasis on prioritising growth in targeted growth segments, focusing on segments with higher flow businesses, simplifying processes, diversifying concentration risk and optimising the engagement model.

Secondly, to **optimise efficiency** by building lean and scalable customer service delivery capabilities, simplifying business and operating models. For capital management and improved risk management, the Group is progressively optimising its structure and capital allocation.

Thirdly, to **build sustainability** in the area of risk management, human capital and customer experience. The Bank is continuously strengthening governance in risk management, controls and compliance. Initiatives are progressively being rolled out to enhance employee engagement and talent management to achieve a connected team culture while investing in technologies and branding agendas to deliver superior customer experience in target segments.

The Bank will continue to focus on four key business areas which are Stockbroking, Private Banking, Corporate Finance and Debt Markets in offering innovative, quality and differentiated products and services to grow income and market share with the right balance of product relevance & pricing at targeted market segments, distribution and cross-sell.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors, the results of operations of the Group and of the Bank for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature. 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 likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Bank for the succeeding twelve months.

DIVIDENDS

An interim single-tier cash dividend of 6.75 sen per ordinary share on 200,000,000 ordinary shares amounting to RM13,500,000 in respect of the financial year ended 31 March 2015 was paid on 8 December 2014.

The directors now propose the payment of final single tier dividend of 10.0 sen per ordinary shares amounting to RM20,000,000 in respect of the current financial year ended 31 March 2015. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained earnings in the next financial year ending 31 March 2016.

RESERVES, PROVISIONS AND ALLOWANCES

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

BAD AND DOUBTFUL DEBTS AND FINANCING

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

BAD AND DOUBTFUL DEBTS AND FINANCING (CONTD.)

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

CURRENT ASSETS

Before the income statements, statements of other comprehensive income and statements of financial position of the Group and of the Bank were made out, the directors took reasonable steps to ascertain that current assets, other than debts and financing, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Bank, have been written down to their estimated realisable values.

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

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities in the Group's and the Bank's financial statements misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

(a) any charge on the assets of the Group and of the Bank that has arisen since the end of the financial year and which secures the liabilities of any other person; or

(b) any contingent liability in respect of the Group and of the Bank that has arisen since the end of the financial year, other than those incurred in the normal course of business.

No contingent or other liability of the Group and 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 substantially affect the ability of the Group and 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 that would render any amount stated in the financial statements misleading.

ISSUE OF SHARES AND DEBENTURES

The Bank has not issued any new shares and debentures during the financial year.

SHARE OPTIONS

There are no options granted by the Bank to take up unissued shares of the Bank.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Bank. As at the end of the financial year, there were no unissued shares of the Bank under options.

DIRECTORS

The directors who served on the Board since the date of the last report and at the date of this report are:

Tan Sri Azman Hashim
Cheah Tek Kuang
Tan Sri Datuk Dr Aris Osman @ Othman
Tan Sri Datuk Clifford Francis Herbert
Dato' Rohana Tan Sri Mahmood
Graham Kennedy Hodges *(Appointed on 6.2.2015)*
Loh Chen Peng *(Resigned on 1.7.2014)*
Tun Mohammed Hanif bin Omar *(Resigned on 1.4.2015)*
Ashok Ramamurthy *(Retired on 2.4.2015)*

DIRECTORS' INTERESTS

Under the Bank's Articles of Association, the directors are not required to hold shares in the Bank.

The interests in shares and options in the holding company, of those who were directors at the end of the financial year as recorded in the Register of Directors' Shareholdings kept by the Bank under Section 134 of the Companies Act, 1965, are as follows:

DIRECT INTERESTS

In the holding company,
AMMB Holdings Berhad ("AMMB")

	No. of Ordinary Shares of RM1.00 each ("shares")			
Shares	**Balance at 1.4.2014**	**Bought/ Vested/ Exercised**	**Sold**	**Balance at 31.3.2015**
Ashok Ramamurthy	600,000	137,100	(737,100)	-

	No. of shares pursuant to AMMB Executives' Share Scheme				
Scheme Shares*	**Balance at 1.4.2014**	**Granted**	**Vested**	**Forfeited^**	**Balance at 31.3.2015**
Ashok Ramamurthy	341,850	221,700	(137,100)	(11,500)	414,950

Notes:

* The vesting of the Scheme Shares is conditional upon the satisfaction of service condition and the performance targets of the Group and all other conditions as set out in the By-Laws of AMMB Executives' Share Scheme ("ESS").

^ Forfeited due to non-vesting of Long Term Incentive award pursuant to the By-Laws of AMMB ESS.

There were no Shares under Options given to the Director of the Bank for the current financial year.

DIRECTORS' BENEFITS

At the end of the financial year, or at any time during that year, none of the directors of the Bank have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors or the fixed salary of a full-time employee as shown in Note 29 to the financial statements and from related corporations) by reason of a contract made by the Bank or a related corporation with a director or with a firm in which a director is a member, or with a company in which a director has a substantial financial interest, except for the related party transactions as shown in Note 35 to the financial statements.

Neither during nor at the end of the financial year was the Bank a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than those arising from the scheme shares and options granted pursuant to the ESS of AMMB, the holding company.

EXECUTIVES' SHARE SCHEME

At the 22nd Extraordinary General Meeting held on 26 September 2008, the shareholders of AMMB approved the proposal by AMMB to establish an executives' share scheme ("ESS") of up to fifteen percent (15%) (which was subsequently reduced to ten percent (10%) as approved by the Board of Directors pursuant to the ESS By-Laws) of the issued and paid-up ordinary share capital of AMMB at any point in time for the duration of the ESS for eligible executives (including senior management) and executive directors of the AMMB Group (excluding subsidiaries which are dormant or such other subsidiaries which may be excluded under the terms of the By-Laws) who fulfill the criteria for eligibility stipulated in the By-Laws governing the ESS ("Eligible Executives"). The ESS is implemented and administered by an executives' share scheme committee ("ESS Committee"), in accordance with the By-Laws. The functions of the ESS Committee has since been consolidated with that of Group Nomination and Remuneration Committee ("GNRC") from 29 October 2013. The ESS was established on 12 January 2009 and would be in force for a period of ten (10) years.

The awards granted to such Eligible Executives can comprise shares and/or options to subscribe for shares ("Options"). Shares to be made available under the ESS ("AMMB Executive Scheme Shares") will only vest or Options are only exercisable by Eligible Executives who have duly accepted the offers of awards under the ESS ("Scheme Participants") subject to the satisfaction of stipulated conditions. Such conditions are stipulated and determined by the GNRC.

CORPORATE GOVERNANCE

(a) BOARD RESPONSIBILITY AND OVERSIGHT

The Board of Directors (the "Board") remains fully committed in ensuring that the principles and best practices in corporate governance are applied consistently in the Bank and its subsidiaries. The Board complies with the best practices in corporate governance as set out in the Malaysian Code on Corporate Governance 2012.

The Board supervises the management of the Bank's businesses, policies and affairs with the goal of enhancing shareholder's value. The Board meets nine (9) times in the financial year to carry out its duties and responsibilities, with additional Board meetings being convened, whenever required.

The Board addresses key matters concerning strategy, finance, organisation structure, business developments, human resource (subject to matters reserved for shareholders' meetings by law), and establishes guidelines for overall business, risk and control policies, capital allocation and approves all key business developments. The Board also gives due regard to any decision of the Shariah Committee on any Shariah issue relating to the carrying on of business, affairs or activities of the Bank and approves policies relating to Shariah matters upon consultation with the Shariah Committee.

The Board currently comprises six (6) directors with wide skills and experience, three (3) of whom are Independent Non-Executive Directors. The directors participate fully in decision making on key issues regarding the Bank and its subsidiaries. The Independent Non-Executive Directors ensure strategies proposed by the Management are fully discussed and examined, as well as taking into account the long term interests of various stakeholders.

CORPORATE GOVERNANCE (CONTD.)

(a) BOARD RESPONSIBILITY AND OVERSIGHT (Contd.)

There is a clear division between the roles of Chairman and the Chief Executive Officer of the Bank. The members of Senior Management team of the Bank are invited to attend Board Meetings to provide presentations and detailed explanations on matters that have been tabled. The Company Secretary has been empowered by the Board to assist the Board in matters of governance and in complying with statutory duties.

(b) COMMITTEES OF THE BOARD

The Board delegates certain responsibilities to the Board Committees. The Board Committees, together with the Committees established at Group level (AMMB), which were created to assist the Board in certain areas of deliberations, are:

1. Group Nomination and Remuneration Committee (at AMMB Group level)
2. Audit and Examination Committee (at AmInvestment Group level)
3. Risk Management Committee (at AmInvestment Group level)

The roles and responsibilities of each Committee are set out under their respective terms of reference, which have been approved by the Board. The minutes of the Committee meetings are tabled at the subsequent Board meetings for comment and notation.

CORPORATE GOVERNANCE (CONTD.)

The attendance of Board members at the meetings of the Board and the various Board Committees is set out below:-

Number of Meetings attended in Financial Year ("FY") 2015

Directors	Board of Directors	Audit and Examination Committee	Risk Management Committee	Group Nomination and Remuneration Committee
Tan Sri Azman Hashim	11 (Chairman)	N/A	N/A	N/A
Cheah Tek Kuang	10	N/A	N/A	N/A
Tun Mohammed Hanif Omar *(resigned on 1.4.2015)*	9	N/A	N/A	8
Tan Sri Datuk Dr Aris Osman @ Othman	11	4 (Chairman)	8	9
Tan Sri Datuk Clifford Francis Herbert	11	5	10 (Chairman)	9 (Chairman)
Dato' Rohana Tan Sri Mahmood	11	3[(a)]	7[(a)]	9
Loh Chen Peng *(resigned on 1.7.2014)*	1	1	1	N/A
Graham Kennedy Hodges *(appointed on 6.2.2015)*	2	N/A	N/A	N/A
Ashok Ramamurthy *(retired on 2.4.2015)*	11	N/A	N/A	N/A
Number of meetings held in FY2015	11	5	10	9

Notes:
1. All attendances reflect the number of meetings attended during the directors' tenure of service
2. N/A - represents non-committee member
3. [(a)] Appointed as member of these committees on 1.7.2014

CORPORATE GOVERNANCE (CONTD.)

GROUP NOMINATION AND GROUP REMUNERATION COMMITTEE

The Committee comprises six (6) members, all of whom are Non-Executive Directors and chaired by an Independent Non-Executive Director. The Committee is responsible for:–

- regularly reviewing the board structure, size and composition, as well as making recommendation to the Board of the Bank with regard to any changes that are deemed necessary.
- recommending the appointment of Directors to the Board and Committees of the Board as well as annually review the mix of skills, experience and competencies that Non-Executive and Executive Directors should bring to the Board.
- on an annual basis, assessing the effectiveness of the Board as a whole and the Committee as well as the contribution of the Chairman and each Director to the effectiveness of the Board.
- recommending to the Board the framework/methodology for the remuneration of the Directors, Chief Executive Officers and other Senior Management staff, with the relevant experience and expertise needed to assist in managing the Group effectively. The services of consultants are utilised to review the methodology for rewarding Executive Directors and Management staff according to the Key Performance Indicators required to be achieved.
- recommending the appointment of Shariah Committee members as well as reviewing the annual performance of the Shariah Committee members and recommending the remuneration for the Shariah Committee members.
- to implement Executives' Share Scheme (the "Scheme") in accordance with the By-Laws of the Scheme as approved by the shareholders of AMMB.

The Committee met nine (9) times respectively during the financial year 2015.

AUDIT AND EXAMINATION COMMITTEE

The Audit and Examination Committee ("AEC") comprises three (3) members, all of whom are Independent Non-Executive Directors. The Board has appointed the AEC to assist in discharging its duties of maintaining a sound system of internal control to safeguard the Bank's assets and shareholders' investments.

The AEC met five (5) times during the financial year 2015 to review the scope of work of both the internal audit function and the statutory auditors, the results arising thereafter as well as their evaluation of the system of internal controls. The AEC also followed up on the resolution of major issues raised by the internal auditors, statutory auditors as well as the regulatory authorities in the examination reports. The financial statements were reviewed by the AEC prior to their submission to the Board of the Bank for adoption.

In addition, the AEC has reviewed the procedures set up by the Bank to identify and report, and where necessary, seek approval for related party transactions and, with the assistance of the internal auditors, reviewed related party transactions.

CORPORATE GOVERNANCE (CONTD.)

RISK MANAGEMENT COMMITTEE

Risk management is an integral part of the Bank's strategic decision-making process, which ensures that the corporate objectives are consistent with the appropriate risk-return trade-off. The Board approves the risk management strategy and sets the broad risk tolerance level and also approves the engagement of new products or activities after considering the risk bearing capacity and readiness of the Bank.

The Risk Management Committee exercises oversight on behalf of the Board to ensure adequate overall management of credit, market, liquidity, operational, legal and capital risks impacting the Bank.

The Committee is independent from management and comprises three (3) members, three (3) of whom are Independent Non-Executive Directors. The Committee ensures that the Board's risk tolerance level is effectively enforced, the risk management process is in place and functioning and reviews high-level risk exposures to ensure that they are within the overall interests of the Bank. It also assesses the Bank's ability to accommodate risks under normal and stress scenarios.

The Risk Management Department is independent of the various business units and acts as the catalyst for the development and maintenance of comprehensive and sound risk management policies, strategies and procedures within the Bank. The functions encompass research and analysis, portfolio risk exposure reporting, compliance monitoring, formulation of policies and risk assessment methodology, and formulation of risk strategies.

There were ten (10) meetings held during financial year 2015.

INTERNAL AUDIT AND INTERNAL CONTROL ACTIVITIES

The Head of the Group Internal Audit Department reports to the AEC. Group Internal Audit assists the AEC in assessing and reporting on business risks and internal controls, and operates within the framework defined in the Audit Charter.

The AEC approves Group Internal Audit's annual audit plan, which covers the audit of all major business units and operations within the Bank. The results of each audit are submitted to the AEC and significant findings are discussed during the AEC meeting. The minutes of the AEC meetings are formally tabled to the Board for notation and action, where necessary. The Chief Internal Auditor and the external auditors also attend the AEC meetings by invitation and the AEC holds separate meetings with the Chief Internal Auditor and external auditors whenever necessary.

The scope of internal audit covers review of the adequacy of the risk management processes, operational controls, financial controls, compliance with laws and regulations, lending practices and information technology, including the various application systems in production, data centres and network security.

Group Internal Audit focuses its efforts on performing audits in accordance with the audit plan, which is prioritised based on a comprehensive risk assessment of all significant areas of audit identified in the Bank. The structured risk assessment approach ensures that all risk-rated areas are kept in view to ensure appropriate audit coverage and audit frequency. The risk-based audit plan is reviewed annually taking into account the changing financial significance of the business and risk environment.

Group Internal Audit also performs investigations and special reviews, and participates actively in major system development activities and project committees to advise on risk management and internal control measures.

CORPORATE GOVERNANCE (CONTD.)

MANAGEMENT INFORMATION

The directors review Board papers and reports prior to the Board meeting. Information and materials, relating to the operations of the Bank and its subsidiaries that are important to the directors' understanding of the items in the agenda and related topics, are distributed in advance of the meeting. The Board reports include among others, minutes of meetings of all Committees of the Board, monthly performance of the Bank, credit risk management, asset liability and market risk management and industry benchmarking as well as prevailing regulatory developments and the economic and business environment. These reports are issued in sufficient time to enable the directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Board provides input on Group policies.

IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors regard AMMB Holdings Berhad, incorporated in Malaysia, as the immediate and ultimate holding company.

RATING BY EXTERNAL AGENCY

During the financial year, RAM Rating Services upgraded the credit ratings of the Bank premised on the continued strengthening of the Bank's credit metrics, underscored by its asset quality and profitability.

Details of the Bank's ratings are as follows:

Rating Agency	Date accorded	Rating Classification	Ratings
RAM Rating Services	December 2014	Long-term financial institution rating	AA2/Stable
		Short-term financial institution rating	P1

SHARIAH COMMITTEE

The Bank leverages on the Shariah Committee of AmBank Islamic for advice and guidance on Shariah related operational matters.

The Shariah Committee comprises five (5) members and is responsible and accountable on matters related to Shariah. This includes:

i. advising Board of Directors and Management of the Bank on Shariah matters;
ii. endorsing and validating products and services, and the operations in relation to Islamic Banking; and
iii. providing advice and guidance on management of zakat and charity funds.

The Shariah Committee members also sit on the Shariah Oversight Committee, a sub-committee to the Shariah Committee performing an oversight function to assess work carried out by Shariah review, Shariah audit, Shariah regulatory review and Shariah risk management functions. Shariah Oversight Committee is also responsible to provide guidance and advice on matters pertaining to Shariah non-compliance incidents and Shariah non-compliance income (if any).

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

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

TAN SRI AZMAN HASHIM

TAN SRI DATUK DR ARIS OSMAN @ OTHMAN

Kuala Lumpur, Malaysia
Date: 20 May 2015

Company No.:23742-V

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **TAN SRI AZMAN HASHIM** and **TAN SRI DATUK DR ARIS OSMAN @ OTHMAN,** being two of the directors of **AmINVESTMENT BANK BERHAD,** do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 16 to 152 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2015 and of their financial performance and cash flows for the financial year then ended.

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

TAN SRI AZMAN HASHIM

TAN SRI DATUK DR ARIS OSMAN @ OTHMAN

Kuala Lumpur, Malaysia
Date: 20 May 2015

Company No.:23742-V

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **MANDY JEAN SIMPSON**, being the officer primarily responsible for the financial management of **AmINVESTMENT BANK BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 16 to 152 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 **MANDY JEAN SIMPSON** at Kuala Lumpur in the Wilayah Persekutuan on 20 May 2015.

MANDY JEAN SIMPSON

Before me,

COMMISSIONER FOR OATHS
No. W 530
TAN SEOK KETT
MALAYSIA

COMMISSIONER FOR OATHS

Lot 350, 3rd Floor, Wisma MPL,
Jalan Raja Chulan,
50200 Kuala Lumpur.

Building a better working world

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Independent auditors' report to the member of AmInvestment Bank Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of AmInvestment Bank Berhad, which comprise statements of financial position as at 31 March 2015 of the Group and of the Bank, and income statements, statements of other 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 a summary of significant accounting policies and other explanatory information, as set out on pages 16 to 152.

Directors' responsibility for the financial statements

The directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

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Independent auditors' report to the member of
AmInvestment Bank Berhad (cont'd.)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2015 and of their financial performance and 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, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 ("the Act") in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of the subsidiaries incorporated in Malaysia, did not include any comment required to be made under Section 174(3) of the Act.

Other matters

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young	Wan Daneena Liza Binti Wan Abdul Rahman
AF: 0039	No.2978/03/16(J)
Chartered Accountants	Chartered Accountant

Kuala Lumpur, Malaysia
20 May 2015

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2015

	Note	Group 31 March 2015 RM'000	Group 31 March 2014 (Restated) RM'000	Group 1 April 2013 (Restated) RM'000	Bank 31 March 2015 RM'000	Bank 31 March 2014 (Restated) RM'000	Bank 1 April 2013 (Restated) RM'000
ASSETS							
Cash and short-term funds	5	952,491	873,290	570,797	829,505	745,837	545,150
Deposits and placements with banks and other financial institutions	6	-	735	713	-	-	-
Derivative financial assets	7	1	-	9	1	-	7
Financial assets held-for-trading	8	441	659	4,082	441	659	3,820
Financial investments available-for-sale	9	40,680	586,802	54,964	40,680	584,602	52,762
Financial investments held-to-maturity	10	75,100	75,100	265,909	75,100	75,100	265,909
Loans, advances and financing	11	319,685	1,225,899	947,084	319,685	1,212,304	947,084
Statutory deposit with Bank Negara Malaysia	12	7,483	20,640	14,049	7,483	20,640	14,049
Deferred tax assets	13	2,782	14,164	14,750	2,782	14,164	11,512
Investments in subsidiaries	14	-	-	-	102,941	103,447	87,981
Investments in an associate	15	1,167	1,667	1,338	100	100	100
Other assets	16	622,586	1,059,631	1,138,501	602,100	890,267	780,201
Property and equipment	17	22,530	27,732	26,510	22,486	24,442	24,526
Intangible assets	18	2,920	13,054	13,646	1,710	1,714	2,347
TOTAL ASSETS		2,047,866	3,899,373	3,052,352	2,005,014	3,673,276	2,735,448
LIABILITIES AND EQUITY							
Deposits and placements of banks and other financial institutions	19	980,869	2,351,318	1,468,022	980,869	2,351,318	1,468,022
Derivative financial liabilities	7	-	10	5	-	5	-
Term funding		-	-	75,129	-	-	-
Debt capital	20	-	77,716	-	-	-	-
Other liabilities	21	556,694	985,576	975,056	537,788	862,869	746,009
TOTAL LIABILITIES		1,537,563	3,414,620	2,518,212	1,518,657	3,214,192	2,214,031
Share capital	22	200,000	200,000	200,000	200,000	200,000	200,000
Reserves	23	310,303	284,753	334,140	286,357	259,084	321,417
Equity attributable to equity holder of the Bank		510,303	484,753	534,140	486,357	459,084	521,417
TOTAL LIABILITIES AND EQUITY		2,047,866	3,899,373	3,052,352	2,005,014	3,673,276	2,735,448
COMMITMENTS AND CONTINGENCIES	40	332,518	529,520	428,046	332,518	527,722	424,811
NET ASSETS PER ORDINARY SHARE (RM)		2.55	2.42	2.67	2.43	2.30	2.61

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

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

		Group		Bank	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Operating revenue	2.5(v)	326,329	347,843	269,522	288,597
Interest income	24	71,153	75,181	68,334	70,356
Interest expense	25	(56,442)	(49,586)	(55,110)	(47,243)
Net interest income		14,711	25,595	13,224	23,113
Net income from Islamic banking business	49(xv)	16,722	18,562	16,722	18,562
Other operating income	26	237,954	253,546	184,466	199,679
Direct costs	27	(60,900)	(71,961)	(52,336)	(56,838)
Share of results of an associate		500	554	-	-
Net income		208,987	226,296	162,076	184,516
Other operating expenses	28	(154,029)	(177,642)	(110,717)	(141,894)
Operating profit		54,958	48,654	51,359	42,622
Writeback of/(allowance for) impairment on loans, advances and financing	30	4,712	(12,527)	3,921	(784)
Impairment (loss)/writeback on					
Subsidiary	14	-	-	-	(85,746)
Financial investments	31	-	(125)	-	(124)
Doubtful receivables, net		(9,969)	(65,764)	(1,102)	1,367
Foreclosed properties		-	100	-	100
Writeback of provision for commitments and contingencies	21	432	4,807	432	4,807
Profit/(loss) before taxation		50,133	(24,855)	54,610	(37,758)
Taxation	32	(12,130)	(25,504)	(12,031)	(21,038)
Profit/(loss) for the financial year attributable to equity holder of the Bank		38,003	(50,359)	42,579	(58,796)
Basic earnings/(loss) per share (sen)	33	19.0	(25.2)		

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

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
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STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

	Group		Bank	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(loss) for the financial year	38,003	(50,359)	42,579	(58,796)
Other comprehensive income/(loss):				
Items that are or may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	2,928	4,529	-	-
Net loss on financial investments available-for-sale	(928)	(1,871)	(928)	(1,871)
Income tax relating to the components of other comprehensive income	245	468	245	468
Other comprehensive income/(loss) for the financial year, net of tax	2,245	3,126	(683)	(1,403)
Total other comprehensive income/(loss) for the financial year attributable to equity holder of the Bank	40,248	(47,233)	41,896	(60,199)

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

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

	<---Attributable to equity holder of the Bank--->								
		Non-distributable						Distributable	
Group	**Share capital RM'000**	**Capital reserves RM'000**	**Statutory reserves RM'000**	**Regulatory reserves RM'000**	**Merger reserves RM'000**	**Available-for-sale reserve RM'000**	**Foreign exchange fluctuation reserve RM'000**	**Retained earnings RM'000**	**Total Equity RM'000**
At 1 April 2013	200,000	2,815	200,000	-	7,656	3,162	29,988	90,519	534,140
Loss for the financial year	-	-	-	-	-	-	-	(50,359)	(50,359)
Other comprehensive (loss)/income	-	-	-	-	-	(1,403)	4,529	-	3,126
Total other comprehensive (loss)/income for the financial year	-	-	-	-	-	(1,403)	4,529	(50,359)	(47,233)
Transfer of ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	-	(2,154)	(2,154)
At 31 March 2014	200,000	2,815	200,000	-	7,656	1,759	34,517	38,006	484,753
At 1 April 2014	200,000	2,815	200,000	-	7,656	1,759	34,517	38,006	484,753
Profit for the financial year	-	-	-	-	-	-	-	38,003	38,003
Other comprehensive (loss)/income	-	-	-	-	-	(683)	2,928	-	2,245
Total other comprehensive (loss)/income for the financial year	-	-	-	-	-	(683)	2,928	38,003	40,248
Transfer of ESS recharged - difference on purchase price for shares vested	-	-	-	-	-	-	-	(1,198)	(1,198)
Transfer to Regulatory Reserve		-	-	2,800	-	-	-	(2,800)	-
Dividend paid (Note 34)	-	-	-	-	-	-	-	(13,500)	(13,500)
At 31 March 2015	200,000	2,815	200,000	2,800 -	7,656	1,076	37,445	58,511	510,303

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

Company No.:23742-V

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

	<--------------Attributable to equity holder of the Bank------------->					
		Non-distributable			Distributable	
Bank	**Share capital RM'000**	**Statutory reserves RM'000**	**Regulatory reserves RM'000**	**Available-for-sale reserves RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 April 2013	200,000	200,000	-	3,110	118,307	521,417
Loss for the financial year	-	-	-	-	(58,796)	(58,796)
Other comprehensive loss	-	-	-	(1,403)	-	(1,403)
Total other comprehensive loss for the financial year	-	-	-	(1,403)	(58,796)	(60,199)
Transfer of ESS recharged - difference on purchase price for shares vested	-	-	-	-	(2,134)	(2,134)
At 31 March 2014	200,000	200,000	-	1,707	57,377	459,084
At 1 April 2014	200,000	200,000	-	1,707	57,377	459,084
Profit for the financial year	-	-	-	-	42,579	42,579
Other comprehensive loss	-	-	-	(683)	-	(683)
Total other comprehensive (loss)/income for the financial year	-	-	-	(683)	42,579	41,896
Transfer of ESS recharged - difference on purchase price for shares vested	-	-	-	-	(1,123)	(1,123)
Transfer to Regulatory Reserve	-	-	2,800	-	(2,800)	-
Dividend paid (Note 34)	-	-	-	-	(13,500)	(13,500)
At 31 March 2015	200,000	200,000	2,800	1,024	82,533	486,357

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

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

		Group		Bank	
	Note	2015 RM'000	2014 RM'000 (Restated)	2015 RM'000	2014 RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss)before taxation:		50,133	(24,855)	54,610	(37,758)
Add/(less) adjustments for:					
(Writeback of)/allowance for impaired loans, advances and financing	30	(3,637)	12,527	(2,846)	784
Impaired loans, advances and financing recovered	30	(1,075)	-	(1,075)	-
Amortisation of intangible assets	28	767	882	729	861
Accretion of discount less amortisation of premium	24	(3,400)	(6,377)	(3,400)	(6,377)
Depreciation of property and equipment	28	4,584	3,811	2,884	3,058
Gain on liquidation of subsidiary	26	(20,052)	(12,815)	(199)	-
Gross dividend income from financial assets held-for-trading	26	(12)	(174)	(7)	(174)
Gross dividend income from financial investments available-for-sale	26	(469)	(2,557)	(469)	(2,557)
Gross dividend income from associate	26	-	-	(1,000)	-
Impairment loss on securities	31	-	125	-	124
Impairment loss on subsidiary		-	-	-	85,746
Net gain on disposal of property and equipment	26	(18)	(80)	(18)	(62)
Net (gain)/loss on derivatives	26	(13)	851	(13)	851
Net loss on revaluation of financial assets held-for-trading	26	34	8	34	10
Gain on disposal of subsidiaries	26	(14,012)	-	-	-
Net gain from sale of financial investments available-for-sale	26	-	(152)	-	(152)
Net gain from sale of financial assets held-for-trading	26	(9)	(803)	(33)	(900)
Property and equipment written off	28	55	45	-	-
Provision written back for commitments and contingencies	21	(432)	(4,807)	(432)	(4,807)
Allowances made/(written back) for doubtful receivables - net		9,969	65,764	1,102	(1,367)
Share of results of associates		(500)	(554)	-	-
Scheme shares and options granted under AMMB Executives' Share Scheme	28	(6,096)	(8,175)	(5,886)	(7,692)
Net non-trading foreign exchange gain	26	(347)	(574)	-	(4)
Operating profit before working capital changes carried forward		15,470	22,090	43,981	29,584

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

		Group		Bank	
		2015	2014	2015	2014
	Note	RM'000	RM'000 (Restated)	RM'000	RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)					
Operating profit before working capital changes brought forward		15,470	22,090	43,981	29,584
Decrease/(increase) in operating assets:					
Deposits and placements with banks and other financial institutions		(149,265)	(22)	(150,000)	-
Financial assets held-for-trading		193	4,218	217	4,051
Loans, advances and financing		904,160	(291,343)	896,540	(266,004)
Statutory deposit with Bank Negara Malaysia		13,157	(6,591)	13,157	(6,591)
Other assets		312,997	2	305,295	(121,942)
Increase/(decrease) in operating liabilities:					
Deposits and placements of banks and other financial institutions		(1,370,449)	883,296	(1,370,449)	883,296
Other liabilities		(320,897)	17,226	(325,779)	119,538
Cash (used in)/generated from operations		(594,634)	628,876	(587,038)	641,932
Taxation paid, net		(13,733)	(3,284)	(12,862)	(2,915)
Net cash (used in)/generated from operating activities		(608,367)	625,592	(599,900)	639,017

AmINVESTMENT BANK BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

		Group		Bank	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
			(Restated)		(Restated)
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received from other investments		362	2,049	357	2,049
Proceeds from disposal of property and equipment		20	88	18	71
Proceeds from/(purchase) of securities – net		547,766	(336,027)	546,639	(336,028)
Purchase of computer software	18(c)	(803)	(287)	(725)	(224)
Purchase of property and equipment	17	(3,803)	(5,031)	(928)	(2,986)
Proceeds from disposal of a subsidiary company		101,854	-	-	-
Cash and cash equivalents in subsidiary company disposed		(119,304)	-	-	-
Proceeds from liquidation of a subsidiary company		20,052	13,040	707	-
Investment in subsidiary		-	-	-	(101,212)
Dividends received from associates	15	1,000	-	1,000	-
Net cash generated from/(used in) investing activities		547,144	(326,168)	547,068	(438,330)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid by the Bank to its shareholder		(13,500)	-	(13,500)	-
Proceeds from debt capital		-	77,716	-	-
Repayment of term funding		-	(75,129)	-	-
Net cash (used in)/generated from financing activities		(13,500)	2,587	(13,500)	-
Net (decrease)/increase in cash and cash equivalents		(74,723)	302,011	(66,332)	200,687
Cash and cash equivalents at beginning of financial year		873,290	570,797	745,837	545,150
Effect of exchange rate changes		3,924	482	-	-
Cash and cash equivalents at end of financial year		802,491	873,290	679,505	745,837
Cash and cash equivalents comprise:					
Cash and bank balances	5	56,240	130,171	49,122	28,290
Deposit placements with licensed banks and other financial institutions	5	896,251	743,119	780,383	717,547
		952,491	873,290	829,505	745,837
Less: Deposits with original maturity more than 3 months		(150,000)	-	(150,000)	-
		802,491	873,290	679,505	745,837

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

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015

1. PRINCIPAL ACTIVITIES

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and the principal place of business of the Bank is located at 22nd Floor, Bangunan AmBank Group, No. 55 Jalan Raja Chulan, 50200 Kuala Lumpur.

The Bank and its subsidiaries, as listed in Note 14, provide a wide range of investment banking and related financial services which also include the Islamic banking business, investment advisory, stock and share-broking, futures broking, publishing and selling research materials and provision of research related services.

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

The Bank is a wholly-owned subsidiary of AMMB Holdings Berhad ("AMMB"), a company incorporated in Malaysia. AMMB is listed on Bursa Malaysia Securities Berhad.

The consolidated financial statements of the Bank and its subsidiaries ("the Group") and the separate financial statements of the Bank have been approved and authorised for issue by the Board of Directors on 28 April 2015.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis unless otherwise indicated in the financial statements.

2.2 Statement of compliance

The consolidated financial statements of the Group and the separate financial statements of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRSs"), and the requirements of the Companies Act, 1965 in Malaysia.

2.3 Presentation of financial statements

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

The statements of financial position are presented in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (i.e "current") and more than 12 months after the reporting date (i.e. "non-current") is presented in Note 42.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 March 2015.

Subsidiaries are entities (including structured entities) over which the Group has control.

2. ACCOUNTING POLICIES (CONTD.)

2.4 Basis of consolidation (Contd.)

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The income statement and each component of other comprehensive income ("OCI") are attributed to the equity holder of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in the income statement
- Reclassifies the parent's share of components previously recognised in OCI to the income statement or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

The Bank adopts the purchased method in preparing the consolidated financial statements except where the criteria for the merger accounting method are met.

Where the merger accounting method is used, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the value of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which attributable to share capital of the merged enterprises, to the extent that they have not been capitalized by a debit difference, are classified and presented as movement in other capital reserves.

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies

2.5(a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in the income statement. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139, is measured at fair value with changes in fair value recognised either in the income statement or as a change to OCI. If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

2.5(b) Investments in subsidiaries

In the Bank's separate financial statements, investment in subsidiaries is accounted for at cost less accumulated impairment losses. On disposal of such investments, the difference between the net disposal proceeds and its carrying amount is included in the income statement.

2.5(c) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associates or joint ventures since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Group's share of the results of operations of the associates or joint ventures. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associates or joint ventures, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

The aggregate of the Group's share of profit or loss of the associates and joint ventures is shown on the face of the income statement and represents profit or loss after tax and non-controlling interests in the associates or joint ventures.

The financial statements of the associates or joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investments in associates or joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investments in associates or joint ventures are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amounts of the associates or joint ventures and their carrying values, then recognises the loss as "impairment loss on associates or joint ventures" in the income statement.

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

2.5(c) Investments in associates and joint ventures (Contd.)

Upon loss of significant influence over the associate or joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

In the Bank's separate financial statements, investments in associates or joint ventures are stated at cost less accumulated impairment losses. On disposal of such investment, the difference between net disposal proceeds and its carrying amount is included in the income statement.

2.5(d) Transactions with non-controlling interests

Non-controlling interests represent the portion of equity in subsidiaries not held directly or indirectly by the Group.

Non-controlling interests are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from the Group shareholder's equity. Any losses applicable to the non-controlling interests in excess of the non-controlling interests are allocated against the interests of the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. In such circumstances, the carrying amounts of the non-controlling interests shall be adjusted to reflect the changes in relative interests in the subsidiaries. Any differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributable to the owners of the Group.

2.5(e) Foreign currencies

i. Functional and presentation currency

The Group's consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Bank's functional currency. The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

ii. Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate at the reporting date.

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

2.5(e) Foreign currencies (Contd.)

ii. Transactions and balances (Contd.)

All differences arising on settlement or translation of monetary items are recognised in the income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed, at which time, the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on changes in fair value of the item (i.e. translation differences on items whose fair value gain or loss are also recognised in OCI or the income statement, respectively).

iii. Group entities

On consolidation, the assets and liabilities of foreign subsidiaries and operations are translated into RM at the exchange rates prevailing at the reporting date and their income statements are translated at the average exchange rates for the financial year.

The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign subsidiary or operation, the component of OCI relating to that particular foreign subsidiary or operation is recognised in the income statement.

2.5(f) Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Purchased computer software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

2.5(f) Property and equipment (Contd.)

Freehold land has an unlimited life and therefore, is not depreciated. Depreciation of other property and equipment is calculated on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets.

The annual depreciation rates for the various classes of property and equipment are as follows:

Freehold buildings	2%
Leasehold buildings	2% or over the term of short term lease, whichever is shorter
Leasehold improvements	20%
Motor vehicles	20%
Computer hardware	20%
Office and residential equipment, furniture and fittings	20% - 25%

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, to ensure the amount, method and period of depreciation are consistent with the previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

2.5(g) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

i. The Group as a lessee

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in "interest expense" in the income statement.

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

2.5(g) Leases (Contd.)

i. The Group as a lessee (Contd.)

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term. The aggregate benefits of incentives provided by the lessor are recognised as a reduction of rental expenses over the lease term on a straight-line basis.

ii. The Group as lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.5(h) Intangible assets, other than goodwill arising from business combination

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the income statement in the financial year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

2.5(i) Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual software project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development;
- The ability to use the intangible asset generated.

Following initial recognition of the software development expenditure as an asset, the asset is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised on a straight-line basis over the period of expected benefit of 3 to 7 years, except for certain major core infrastructure projects where the useful life has been determined to be 10 years. During the period of development, the asset is tested for impairment annually.

2.5(j) Financial instruments – initial recognition and subsequent measurement

i. Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e. the date that the Group becomes party to the contractual provisions of the instrument. This includes regular way trades; purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

ii. Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

iii. Subsequent measurement

The subsequent measurement of financial instruments depends on their classification as described below:

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

2.5(j) Financial instruments – initial recognition and subsequent measurement (Contd.)

iii. Subsequent measurement (Contd.)

a. Financial assets and financial liabilities at fair value through profit or loss: held–for–trading

Financial assets or financial liabilities held–for–trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in “investment and trading income”. Interest and dividend income or expense is recorded in “investment and trading income”, “interest income” or “interest expense”, as appropriate and in accordance with the terms of the contract, or when the right to the payment has been established.

Included in this classification are debt securities and equities.

b. Financial assets and financial liabilities at fair value through profit or loss: designated as fair value through profit or loss

Financial assets and financial liabilities classified in this category are those that have been designated by management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

Financial assets and financial liabilities designated at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recognised in “investment and trading income”. Interest is earned or accrued in “interest income” or “interest expense”, respectively, using the effective interest rate (“EIR”), while dividend income is recorded in “investment and trading income” when the right to the payment has been established.

c. Financial assets and financial liabilities at fair value through profit or loss: derivatives

The Group uses derivatives such as interest rate swaps and futures, credit default swaps, cross-currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in “investment and trading income”.

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

2.5(j) Financial instruments – initial recognition and subsequent measurement (Contd.)

iii. Subsequent measurement (Contd.)

c. Financial assets and financial liabilities at fair value through profit or loss: derivatives (Contd.)

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the income statement.

d. Financial investments available–for–sale ("AFS")

Financial investments AFS include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held–for–trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Group has not designated any loans, advances and financing as AFS.

After initial measurement, financial investments AFS are subsequently measured at fair value with unrealised gains or losses recognised in OCI in the "AFS reserve" until the investment is derecognised, at which time the cumulative gain or loss is recognised in "other operating income", or the investment is determined to be impaired, when the cumulative loss is reclassified from the "AFS reserve" to the income statement in "impairment losses on financial investments". Interest earned whilst holding financial investments AFS is reported as interest income using the EIR method. Dividends earned whilst holding financial investments AFS are recognised in the income statement as "other operating income" when the right to the payment has been established.

The Group evaluates whether the ability and intention to sell its financial investments AFS in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial investments due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial investments. Reclassification to loans and receivables is permitted when the financial investments meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial investments accordingly.

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

2.5(j) Financial instruments – initial recognition and subsequent measurement (Contd.)

iii. Subsequent measurement (Contd.)

d. Financial investments available–for–sale ("AFS") (Contd.)

Unquoted shares in organisations which are set up for specific socio-economic reasons and equity instruments received as a result of loan restructuring or loan conversion which do not have a quoted market price in an active market that are carried at cost as their fair values cannot be reliably measured are also classified as financial investments AFS.

e. Financial investments held–to–maturity

Non-derivative financial instruments with fixed or determinable payments and fixed maturities are classified as financial investments held–to–maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, financial investments held–to–maturity are measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in "interest income" in the income statement. The losses arising from impairment are recognised in the income statement in "impairment losses on financial investments".

If the Group were to sell or reclassify more than an insignificant amount of financial investments held–to–maturity before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified investments held–to–maturity before maturity (other than in certain specific as financial investments AFS. Furthermore, the Group would be prohibited from classifying any financial investments as held–to–maturity during the following two years.

f. Financial assets at amortised cost – loans and receivables

Loans and receivables are non–derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in "interest income" in the income statement.

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

2.5(j) Financial instruments – initial recognition and subsequent measurement (Contd.)

iii. Subsequent measurement (Contd.)

f. Financial assets at amortised cost – loans and receivables (Contd.)

The losses arising from impairment are recognised in the income statement in "impairment losses on loans, advances and financing" for loans, advances and financing or "doubtful receivables" for losses other than loans, advances and financing.

g. Financial liabilities at amortised cost

Financial liabilities issued by the Group, that are not designated at fair value through profit or loss, are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, term funding, debt capital and other borrowings are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted market prices for similar debt instruments). The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the debt component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

h. "Day 1" profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a "Day 1" profit or loss) in "investment and trading income". In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

2.5(j) Financial instruments – initial recognition and subsequent measurement (Contd.)

iii. Subsequent measurement (Contd.)

i. Reclassification of financial assets

The Group may reclassify a non–derivative trading asset out of the “held–for–trading” category and “available-for-sale” category under rare circumstances and into the “loans, advances and financing” category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

For a financial investment reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the investment that has been recognised in equity is amortised to the income statement over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

iv. Derecognition of financial assets and financial liabilities

a. Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass–through” arrangement; and either:
  - the Group has transferred substantially all the risks and rewards of the asset, or
  - the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

iv. Derecognition of financial assets and financial liabilities (Contd.)

b. Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

2.5(k) Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in “net trading income”.

2.5(l) Fair value measurement

The Group and the Bank measure financial instruments such as financial assets at fair value through profit or loss, financial investments available-for-sale and derivatives at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible to the Group and to the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Bank use valuation techniques that are in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

2.5(l) Fair value measurement (Contd.)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurements as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets or liabilities that are recognised in the financial statements on a recurring basis, the Group and the Bank determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value hierarchies of financial instruments that are measured at fair value are disclosed in Note 45.

The fair value hierarchies of financial assets, financial liabilities and non-financial assets that are not measured at fair value, but for which fair value is disclosed, are presented in Note 45.

2.5(m) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred “loss event”), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Loans, advances, financing and receivables are classified as impaired in accordance with the criteria as disclosed in Note 44.2.4 Credit risk management – Impairment – Definition of past due and impaired loans.

i. Financial assets carried at amortised cost – loans and receivables

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

2.5(m) Impairment of financial assets (Contd.)

i. Financial assets carried at amortised cost – loans and receivables (Contd.)

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Group has reclassified trading assets to loans, advances and financing, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the income statement. Interest income continues to be accrued as "interest income on impaired loans, advances and financing" in the income statement on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to "impairment losses on loans, advances and financing" in the income statement.

For financial assets which are not individually significant and that have been individually assessed but with no impairment loss are grouped together for collective impairment assessment. These financial assets are grouped based on the Group's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past–due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics of the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that do not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows for a group of assets should reflect and be directionally consistent with changes in related observable data from year to year. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

2.5(m) Impairment of financial assets (Contd.)

i. Financial assets carried at amortised cost – loans and receivables (Contd.)

The Group early adopted BNM's Guidelines that require the banking subsidiaries to maintain in aggregate, collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loan/financing, net of individual impairment allowances, pursuant to paragraph 13.1 of the BNM's Policy Documents on Classification and Impairment Provisions for Loans/Financing. The regulatory reserves are maintained in addition to the collective impairment allowances recognised in accordance with MFRS, and it will be set aside from the retained profits to a separate reserve within equity as an additional credit risk absorbent.

ii. Financial investments AFS

For financial investments AFS, the Group assesses at each reporting date whether there is objective evidence that an investment is impaired. In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "interest income". If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from OCI and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised in OCI.

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

2.5(m) Impairment of financial assets (Contd.)

iii. Rescheduled and restructured loans

Where possible, the Group seeks to reschedule or restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been rescheduled or restructured, any impairment is measured using the original EIR as calculated before the modification of terms. Management continually reviews impaired rescheduled or restructured loans for a certain period to ensure all terms are adhered to and that future payments are likely to occur before reclassification back to performing status.

iv. Collateral valuation

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Group's quarterly reporting schedule, however, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources. (See Note 44.2.2 for further analysis of collateral).

v. Collateral repossessed

The Group's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Group's policy.

2.5(n) Hedge accounting

The Group makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions and firm commitments. In order to manage particular risks, the Group applies hedge accounting for transactions which meet specified criteria.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on an ongoing basis.

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

2.5(n) Hedge accounting (Contd.)

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognised in the income statement. For situations where the hedged item is a forecast transaction, the Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statement.

i. Fair value hedges

The change in the fair value of a hedging derivative is recognised in "investment and trading income" in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in "investment and trading income" in the income statement.

For fair value hedges relating to items recorded at amortised cost, any adjustment to carrying value is amortised through the income statement over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the income statement.

ii. Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the "cash flow hedge reserve", while any ineffective portion is recognised immediately in "investment and trading income" in the income statement.

Amounts recognised as OCI are transferred to the income statement when the hedged transaction affects the income statement, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

2.5(o) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.5(p) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

The following assets have specific characteristics for impairment testing:

i. Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

2.5(p) Impairment of non-financial assets (Contd.)

ii. Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.5(q) Foreclosed properties

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at cost less impairment losses. The policy for the measurement of foreclosed properties is in accordance with Note 2.5(m)(v) on collateral repossessed.

2.5(r) Cash and cash equivalents

Cash and short-term funds in the statement of financial position comprise cash and bank balances with banks and other financial institutions and short-term deposits maturing within one month.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term funds with original maturity of less than three months, excluding deposits and monies held in trust and net of outstanding bank overdrafts.

2.5(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

2.5(t) Contingent liabilities and contingent assets

A contingent liability is a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or in extremely rare cases whereby there is a liability that cannot be recognised because it cannot be measured reliably. The contingent liability is not recognised but instead is disclosed in the financial statements.

A possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group is also disclosed as a contingent liability unless the probability of outflow or economic resources is remote.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

2.5(t) Contingent liabilities and contingent assets (Contd.)

The Group does not recognise contingent assets in the financial statements but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

2.5(u) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

2.5(v) Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Operating revenue of the Group comprises all types of revenue derived from investment banking.

Operating revenue of the Bank comprises gross interest income, fee and commission earned and other income derived from investment banking operations.

The following specific recognition criteria must be met before revenue is recognised.

i. Interest/financing income and similar income and expense

For all financial assets and financial liabilities measured at amortised cost, interest bearing financial investments classified as AFS and financial assets and financial liabilities designated at fair value through profit or loss, interest/financing income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded in the income statement.

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

2.5(v) Recognition of income and expenses (Contd.)

i. Interest/financing income and similar income and expense (Contd.)

However, for a reclassified financial asset for which the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

ii. Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

a. Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include loan arrangement, commission income, asset management, custody and other management and advisory fees.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

b. Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

iii. Dividend income

Revenue is recognised when the Group’s right to receive the payment is established, which is generally when shareholders approve the dividend.

iv. Investment and trading income

Results arising from trading activities include all gains and losses from changes in fair value and dividends for financial investments held–for–trading. This includes any ineffectiveness recorded in hedging transactions.

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

2.5(v) Recognition of income and expenses (Contd.)

v. Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

vi. Sales of unit trusts

Revenue from sale of unit trusts is recognised upon allotment of units, net of cost of units sold.

2.5(w) Employee benefits

i. Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group. 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 pension plan

The Group makes contributions to the Employee Provident Fund ("EPF") in Malaysia. Such contributions are recognised as an expense in the income statement as incurred. Once the contributions have been paid, the Group has no further payment obligations.

iii. Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

iv. Share-based payment transactions

The ultimate holding company, AMMB Holdings Berhad ("AMMB"), operates an equity-settled share-based compensation scheme wherein shares or options to subscribe for shares of AMMB are granted to eligible directors or employees of the AMMB Group of Companies ("AMMB Group") based on the financial and performance criteria and such conditions as it may deem fit.

The Group and the Bank recognise the cost of this equity-settled share-based compensation (being the fair value at grant date) as prepayment to the holding company on grant date, and amortise the cost to the income statement as "personnel cost" over the period in which the performance and/or service

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

2.5(w) Employee benefits (Contd.)

iv. Share-based payment transactions (Contd.)

conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date").

The estimated number of grants to be ultimately vested and its financial impact are reviewed quarterly and adjustments made accordingly to the income statement to reflect changes in the non-market vesting conditions.

Upon vesting, any losses arising from differences of fair value at vesting date against fair value at grant date is recognised directly to the retained earnings of the Group and the Bank.

2.5(x) Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholder. Interim dividends are deducted from equity when they are declared.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

2.5(y) Taxes

i. Current tax

Current tax assets and liabilities for the current and prior financial years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in the income statement except to the extent that the tax relates to items recognised outside the income statement, either in OCI or directly in equity.

ii. Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

2.5(y) Taxes (Contd.)

ii.Deferred tax (Contd.)

tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in the income statement.

2.5(z) Zakat

This represents business zakat payable by the Group to comply with Shariah principles as approved by AmBank Islamic's Shariah Committee. Zakat provision is calculated using the profit and loss method at a zakat rate of 2.5%. In the financial year the Group did not pay any business zakat.

2. ACCOUNTING POLICIES (CONTD.)

2.5 Summary of significant accounting policies (Contd.)

2.5(aa) Earnings Per Share ("EPS")

The Group presents basic and diluted (where applicable) EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period net of treasury shares. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.5(ab) Segment reporting

Segment reporting in the financial statements are presented on the same basis as is used by management internally for evaluating operating segment performance and in deciding how to allocate resources to operating segments. Reportable segments are operating segments or aggregations of operating segments that meet specific criteria. Operating segments are distinguishable components of the Group about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The business segment results are prepared based on the Group's internal management reporting. As a result of an internal reorganization during the current financial year, there is a change in business segment reporting. The Group has been re-organised into two major operating divisions. The division forms the basis on which the Group reports its segment information. The Group comprises the following main business segments: wholesale banking and operating segments.

2.5(ac) Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Bank after deducting all the liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs.

2.5(ad) Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of their clients. Assets held in a fiduciary capacity are not recognised as assets of the Group.

3. CHANGES IN ACCOUNTING POLICIES

3.1 New and amended standards and interpretations adopted

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended standards and interpretations which became effective for the Group and the Bank on 1 April 2014.

- Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 10, MFRS 12 and MFRS 127 Investment Entities

3. CHANGES IN ACCOUNTING POLICIES (CONTD.)

3.1 New and amended standards and interpretations adopted (Contd.)

- Amendments to MFRS 136 Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139 Novation of Derivatives and Continuation of Hedge Accounting

The adoption of these new and amended standards and interpretations did not have any material impact on the financial statements of the Group and the Bank except for the adoption of Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities.

The nature of the new and amended standards and interpretations are described below:

3.1(a) Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and “simultaneous realisation and settlement”. These amendments are to be applied retrospectively.

Upon adoption of the amendments, the Group and the Bank have restated certain financial assets and financial liabilities in the statements of financial position of the Group and the Bank, which did not meet the offsetting criteria that were previously reported on a net basis as at 31 March 2014 and 31 March 2013. The effects of reclassification are disclosed in Note 48.

3.1(b) Amendments to MFRS 10, MFRS 12 and MFRS 127 Investment Entities

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under MFRS 10 Consolidated Financial Statements and must be applied retrospectively subject to transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

3.1(c) Amendments to MFRS 136 Recoverable Amount Disclosures for Non-Financial Assets

These amendments to MFRS 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (“CGU”) to which goodwill or other intangible assets with indefinite useful lives has been allocated when there has been no impairment or reversal of impairment of the related CGU. In addition, the amendments introduce additional disclosure requirements when the recoverable amount is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation technique used which are in line with the disclosure required by MFRS 13 Fair Value Measurements.

3.1(d) Amendments to MFRS 139 Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measure of hedge effectiveness. Retrospective application is required.

3. CHANGES IN ACCOUNTING POLICIES (CONTD.)

3.2 Bank Negara Malaysia Guidelines

On 4 February 2014, BNM issued a letter requiring banking institutions to maintain, in aggregate, collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowances, pursuant to paragraph 13.1 of the BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing. The regulatory reserves is maintained in addition to the collective impairment allowances recognised in accordance with MFRS, and it will be set aside from the retained profits to a separate reserve within equity as an additional credit risk absorbent. Banking institutions are required to comply with this requirement by 31 December 2015. The Group early adopted this requirement.

During the financial year, the Bank has transferred RM2.8 million from its retained earnings to the regulatory reserve in accordance with BNM's requirements. The early adoption of this requirement did not have any impact to the profit or loss of the Group and the Bank.

Further details on the regulatory reserve is disclosed in Note 23.

3.3 Standards issued but not yet effective

The following are standards issued but not yet effective up to the date of issuance of the Group’s and Bank’s financial statements. The Group and the Bank intend to adopt the relevant standards when they become effective.

Description	**Effective for financial year ending**
Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions	31 March 2016
Annual Improvements to MFRSs 2010-2012 Cycle	31 March 2016
Annual Improvements to MFRSs 2011-2013 Cycle	31 March 2016
Annual Improvements to MFRSs 2012-2014 Cycle	31 March 2017
Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation	31 March 2017
Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants	31 March 2017
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	31 March 2017

3. CHANGES IN ACCOUNTING POLICIES (CONTD.)

3.3 Standards issued but not yet effective (Contd.)

Description	Effective for financial year ending
Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception	31 March 2017
Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations	31 March 2017
Amendments to MFRS 127 Equity Method in Separate Financial Statements	31 March 2017
Amendments to MFRS 101 Disclosure Initiatives	31 March 2017
MFRS 14 Regulatory Deferral Accounts	31 March 2017
MFRS 15 Revenue from Contracts with Customers	31 March 2018
MFRS 9 Financial Instruments	31 March 2019

The nature of the standards that are issued but not yet effective are described below. The Group and the Bank are assessing the financial effects of their adoption.

3.3a Standards effective for financial year ending 31 March 2016

3.3a(i) Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions

The amendments to MFRS 119 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. For contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

3.3a(ii) Annual Improvements to MFRSs 2010-2012 Cycle

The Annual Improvements to MFRSs 2010-2012 Cycle include a number of amendments to various MFRSs, which are summarised below.

a. MFRS 2: Share-based Payment

This improvement clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;

3. CHANGES IN ACCOUNTING POLICIES (CONTD.)

3.3 Standards issued but not yet effective (Contd.)

3.3a Standards effective for financial year ending 31 March 2016 (Contd.)

3.3a(ii) Annual Improvements to MFRSs 2010-2012 Cycle (Contd.)

a. MFRS 2: Share-based Payment (Contd.)

- A performance target may relate to the operations or activities of an entity, or those of another entity in the same group;
- A performance condition may be a market or non-market condition; and
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

This improvement is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

b. MFRS 3: Business Combinations

The amendments to MFRS 3 clarifies that contingent consideration classified as liabilities (or assets) should be measured at fair value through profit or loss at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of MFRS 9 or MFRS 139. The amendments are effective for business combinations for which the acquisition date is on or after 1 July 2014.

c. MFRS 8: Operating Segments

The amendments are to be applied retrospectively and clarify that:

- an entity must disclose the judgements made by management in applying the aggregation criteria in MFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar; and
- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

d. MFRS 116: Property, Plant and Equipment and MFRS 138 Intangible Assets

The amendments remove inconsistencies in the accounting for accumulated depreciation or amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amendments clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

e. MFRS 124: Related Party Disclosures

The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. The reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services.

3. CHANGES IN ACCOUNTING POLICIES (CONTD.)

3.3 Standards issued but not yet effective (Contd.)

3.3a Standards effective for financial year ending 31 March 2016 (Contd.)

3.3a(iii) Annual Improvements to MFRSs 2011-2013 Cycle

The Annual Improvements to MFRSs 2011-2013 Cycle include a number of amendments to various MFRSs, which are summarised below.

a. MFRS 3: Business Combinations

The amendments to MFRS 3 clarify that the standard does not apply to the accounting for formation of all types of joint arrangement in the financial statements of the joint arrangement itself. This amendment is to be applied prospectively.

b. MFRS 13: Fair Value Measurement

The amendments to MFRS 13 clarify that the portfolio exception in MFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of MFRS 9 (or MFRS 139 as applicable).

c. MFRS 140: Investment Property

The amendments to MFRS 140 clarify that an entity acquiring investment property must determine whether:
- the property meets the definition of investment property in terms of MFRS 140; and
- the transaction meets the definition of a business combination under MFRS 3,
  to determine if the transaction is a purchase of an asset or is a business combination.

3.3b Standards effective for financial year ending 31 March 2017

3.3b(i) Annual Improvements to MFRSs 2012-2014 Cycle

The Annual Improvements to MFRSs 2012-2014 Cycle include a number of amendments to various MFRSs, which are summarised below.

a. MFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment to MFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in MFRS 5.

The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is to be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted.

b. MFRS 7 Financial Instruments: Disclosures

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required.

3. CHANGES IN ACCOUNTING POLICIES (CONTD.)

3.3 Standards issued but not yet effective (Contd.)

3.3b Standards effective for financial year ending 31 March 2017 (Contd.)

3.3b(i) Annual Improvements to MFRSs 2012-2014 Cycle (Contd.)

b. MFRS 7 Financial Instruments: Disclosures (Contd.)

In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

c. MFRS 119 Employee Benefits

The amendment to MFRS 119 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

d. MFRS 134 Interim Financial Reporting

MFRS 134 requires entities to disclose information in the notes to the interim financial statements “if not disclosed elsewhere in the interim financial report”.

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

3.3b(ii) Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of an asset.

As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted.

3. CHANGES IN ACCOUNTING POLICIES (CONTD.)

3.3 Standards issued but not yet effective (Contd.)

3.3b Standards effective for financial year ending 31 March 2017 (Contd.)

3.3b(iii) Amendments to MFRS 127 Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying MFRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of MFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to MFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

3.3b(iv) Amendments to MFRS 101 Disclosure Initiatives

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

3.3b(v) MFRS 14 Regulatory Deferral Accounts

MFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulations, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of MFRS. Entities that adopt MFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in the account balances as separate line items in the income statement and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group and the Bank are existing MFRS preparers, this standard would not apply.

3.3c Standards effective for financial year ending 31 March 2018

3.3c(i) MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective. The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

3. CHANGES IN ACCOUNTING POLICIES (CONTD.)

3.3 Standards issued but not yet effective (Contd.)

3.3c Standards effective for financial year ending 31 March 2018 (Contd.)

3.3c(i) MFRS 15 Revenue from Contracts with Customers(Contd.)

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

3.3d Standards effective for financial year ending 31 March 2019

3.3d(i) MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Judgements, estimates and assumptions are continually evaluated and are based on past experience, reasonable expectations of future events and other factors. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group’s accounting policies, management has made the following judgements, estimates and assumptions which have the most significant effect on the amounts recognised in the financial statements.

4.1 Allowance for impairment on loans, advances and financing (Note 11 and Note 30)

The Group reviews its individually significant loans, advances and financing at each reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, management’s judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans, advances and financing that have been assessed individually and found not to be impaired and all individually insignificant loans, advances and financing are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether allowance should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTD.)

4.1 Allowance for impairment on loans, advances and financing (Note 11 and Note 30) (Contd.)

The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan to collateral ratios, etc.), and judgements on cover model risks (e.g. errors for design/development process, data quality, data extraction and transformation) and macro risks (e.g. covering economic, portfolio and procedural issues).

4.2 Impairment losses on financial investments AFS

The Group reviews its debt securities classified as financial investments AFS at each reporting date to assess whether they are impaired. This requires similar judgement as applied to the individual assessment of loans, advances and financing.

The Group also records impairment loss on AFS equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

4.3 Deferred tax assets (Note 13) and income taxes (Note 32)

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Management judgement is required to determine the amount of the deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Group is subjected to income taxes in several jurisdictions and significant judgement is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process may involve seeking advice of experts, where appropriate.

Where the final liability for taxation assessed by the Inland Revenue Board is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established.

4.4 Fair value of financial instruments (Note 45)

When the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of financial models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgement is required to establish fair values. Judgements include considerations of liquidity and model inputs such as volatility for longer-dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities.

5. CASH AND SHORT-TERM FUNDS

	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
Cash and bank balances	56,240	130,171	49,122	28,290
Deposit placements maturing within one month:				
Licensed banks	894,090	741,010	780,383	717,547
Other financial institutions	2,161	2,109	-	-
	952,491	873,290	829,505	745,837

6. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
Licensed banks	-	735	-	-

7. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	2015			2014		
Group	Contract/ Notional Amount RM'000	Fair Value Assets RM'000	Fair Value Liabilities RM'000	Contract/ Notional Amount RM'000	Fair Value Assets RM'000	Fair Value Liabilities RM'000
Trading derivatives						
Foreign exchange related contracts:						
One year or less	2,321	-	-	4,537	-	5
Equity related contracts:						
One year or less	457	1	-	642	-	5
Total	2,778	1	-	5,179	-	10
Bank						
Trading derivatives						
Foreign exchange related contracts:						
One year or less	2,321	-	-	2,739	-	-
Equity related contracts:						
One year or less	457	1	-	642	-	5
Total	2,778	1	-	3,381	-	5

8. FINANCIAL ASSETS HELD-FOR-TRADING

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At Fair Value				
Quoted Securities:				
In Malaysia:				
Unit trusts	441	659	441	659

9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At Fair Value				
Money Market Instruments:				
Bank Negara Monetary Notes	-	547,165	-	547,165
Unquoted Securities:				
Outside Malaysia				
Private debt securities	28,886	25,642	28,886	25,642
At Cost				
Unquoted Securities:				
In Malaysia:				
Shares	11,788	13,988	11,788	11,788
Outside Malaysia:				
Shares	6	7	6	7
	40,680	586,802	40,680	584,602

10. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At Amortised Cost				
Unquoted Securities:				
In Malaysia:				
Private debt securities	75,100	75,100	75,100	75,100

11. LOANS, ADVANCES AND FINANCING

	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
At Amortised Cost				
Share margin financing	258,270	304,625	258,270	279,110
Revolving credits	61,486	935,651	61,486	935,651
Staff loans	3,531	4,822	3,531	4,822
Gross loans, advances and financing	323,287	1,245,098	323,287	1,219,583
Allowance for impairment on loans, advances and financing:				
Collective allowance	(1,311)	(4,872)	(1,311)	(4,872)
Individual allowance	(2,291)	(14,327)	(2,291)	(2,407)
	(3,602)	(19,199)	(3,602)	(7,279)
Net loans, advances and financing	319,685	1,225,899	319,685	1,212,304

(a) Gross loans, advances and financing analysed by types of customer are as follows:

	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
Domestic:				
Business enterprises:				
Small and medium enterprises	6,553	42,480	6,553	42,480
Others	51,236	65,236	51,236	65,236
Individuals	263,146	1,126,234	263,146	1,101,985
Foreign entities	2,352	11,148	2,352	9,882
	323,287	1,245,098	323,287	1,219,583

(b) Gross loans, advances and financing analysed by geographical distribution are as follows:

	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
In Malaysia	320,884	1,203,846	320,884	1,203,846
Outside Malaysia	2,403	41,252	2,403	15,737
	323,287	1,245,098	323,287	1,219,583

(c) Gross loans, advances and financing analysed by interest rate sensitivity are as follows:

	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
Fixed rate:				
Fixed-rate loans	261,801	309,447	261,801	283,932
Variable rate:				
Cost-plus	61,486	935,651	61,486	935,651
	323,287	1,245,098	323,287	1,219,583

11. LOANS, ADVANCES AND FINANCING (CONTD.)

(d) Gross loans, advances and financing analysed by sector are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Agriculture	860	11,302	860	11,302
Manufacturing	-	12,838	-	12,838
Wholesale and retail trade and hotels and restaurants	-	1,093	-	1,093
Real estate	5,527	18,631	5,527	18,631
Business activities	51,402	51,530	51,402	50,264
Education and health	-	401	-	401
Household, of which:				
Purchase of residential properties	2,467	3,014	2,467	3,014
Purchase of transport vehicles	1,064	1,808	1,064	1,808
Others	261,967	1,142,164	261,967	1,117,915
Others	-	2,317	-	2,317
	323,287	1,245,098	323,287	1,219,583

(e) Gross loans, advances and financing analysed by residual contractual maturity are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Maturing within one year	319,768	1,240,291	319,768	1,214,776
Over one year to three years	443	616	443	616
Over three years to five years	831	999	831	999
Over five years	2,245	3,192	2,245	3,192
	323,287	1,245,098	323,287	1,219,583

(f) Movements in impaired loans, advances and financing are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Balance at beginning of financial year	21,678	3,854	9,758	3,854
Impaired during the financial year	17	18,484	-	6,564
Disposal of a subsidiary	(9,905)	-	-	-
Recoveries	(7,488)	(660)	(6,679)	(660)
Amount written off	(2,464)	-	(788)	-
Foreign exchange differences	453	-	-	-
Balance at end of financial year	2,291	21,678	2,291	9,758
Gross impaired loans, advances and financing as % of gross loans, advances and financing	0.71%	1.74%	0.71%	0.80%
Loan loss coverage (excluding collateral values)	279.44%	88.56%	279.44%	74.60%

11. LOANS, ADVANCES AND FINANCING (CONTD.)

(g) Impaired loans, advances and financing analysed by geographical distribution are as follows:

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
In Malaysia	2,291	9,758	2,291	9,758
Outside Malaysia	-	11,920	-	-
	2,291	21,678	2,291	9,758

(h) Impaired loans, advances and financing analysed by sector are as follows:

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Household, of which:				
Others	-	18,484	-	6,564
Business activities	2,291	3,194	2,291	3,194
	2,291	21,678	2,291	9,758

(i) Movements in allowances for impaired loans, advances and financing are as follows:

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Collective allowance				
Balance at beginning of financial year	4,872	3,664	4,872	3,664
Allowance (written back)/ made during the financial year (Note 30)	(2,730)	1,208	(2,730)	1,208
Amount written off	(788)	-	(788)	-
Foreign exchange differences	(43)	-	(43)	-
Balance at end of financial year	1,311	4,872	1,311	4,872
% of total loans, advances and financing less individual allowance (including regulatory reserve)	1.28%	0.40%	1.28%	0.40%
Individual allowance				
Balance at beginning of financial year	14,327	2,831	2,407	2,831
Allowance (written back)/made during the financial year (Note 30)	(907)	11,319	(116)	(424)
Amount written off	(1,677)	-	-	-
Disposal of a subsidiary	(9,905)	-	-	-
Foreign exchange differences	453	177	-	-
Balance at end of financial year	2,291	14,327	2,291	2,407

12. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined as set percentages of total eligible liabilities.

13. DEFERRED TAX ASSETS

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

	Provision for commitments and contingencies RM'000	Excess of capital allowances over depreciation RM'000	Provisions RM'000	Unutilised tax losses RM'000	Unabsorbed capital allowances RM'000	Other temporary differences RM'000	Total RM'000
Group							
31 March 2015							
Balance at beginning of financial year	253	(1,253)	8,965	-	-	6,199	14,164
Recognised in profit or loss (Note 32)	(114)	545	(4,196)	-	-	(7,862)	(11,627)
Recognised in other comprehensive income	-	-	-	-	-	245	245
Balance at end of financial year	139	(708)	4,769	-	-	(1,418)	2,782
31 March 2014							
Balance at beginning of financial year	1,455	(1,797)	11,772	1,894	1,285	141	14,750
Recognised in profit or loss (Note 32)	(1,202)	544	(2,807)	(1,894)	(1,285)	5,469	(1,175)
Recognised in other comprehensive income	-	-	-	-	-	468	468
Foreign exchange differences	-	-	-	-	-	121	121
Balance at end of financial year	253	(1,253)	8,965	-	-	6,199	14,164
Bank							
31 March 2015							
Balance at beginning of financial year	253	(1,253)	8,965	-	-	6,199	14,164
Recognised in profit or loss (Note 32)	(114)	545	(4,196)	-	-	(7,862)	(11,627)
Recognised in other comprehensive income	-	-	-	-	-	245	245
Balance at end of financial year	139	(708)	4,769	-	-	(1,418)	2,782
31 March 2014							
Balance at beginning of financial year	1,455	(1,797)	11,772	-	-	82	11,512
Recognised in profit or loss (Note 32)	(1,202)	544	(2,807)	-	-	5,649	2,184
Recognised in other comprehensive income	-	-	-	-	-	468	468
Balance at end of financial year	253	(1,253)	8,965	-	-	6,199	14,164

At the reporting date, the Group has tax losses of NIL (2014: RM21,978,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and in compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

14. INVESTMENTS IN SUBSIDIARIES

	Bank 2015 RM'000	Bank 2014 RM'000
Unquoted shares, at cost	188,687	189,193
Less: Impairment loss	(85,746)	(85,746)
	102,941	103,447

The impairment loss on investment in subsidiaries of RM85,746,000, recognised in the income statement in the previous financial year, arose due to significant losses from the stockbroking operations of the Bank's foreign subsidiary and was estimated based on the recoverable value of the subsidiary using the value-in-use method. The discount rate used in the estimate of value-in-use was 7.7%.

The details of the subsidiaries, all of which are unquoted and stated at cost are as follows:

	Principal Activities	Effective Equity Interest 2015 %	Effective Equity Interest 2014 %
Subsidiaries			
Incorporated in Malaysia			
AMMB Nominees (Tempatan) Sdn Bhd	Nominee services	100	100
AMMB Nominees (Asing) Sdn Bhd	Nominee services	100	100
AmProperty Trust Management Bhd ^	Dormant	100	100
AM Nominees (Tempatan) Sdn Bhd #	Nominee services	100	100
AM Nominees (Asing) Sdn Bhd	Nominee services	100	100
AMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	100	100
AMSEC Nominees (Asing) Sdn Bhd	Nominee services	100	100
AmResearch Sdn Bhd	Research services	100	100
AmFutures Sdn Bhd	Futures Broker	100	100
AMMB Labuan (L) Ltd ^^	Dormant	-	100
Incorporated in Singapore			
AmFraser International Pte. Ltd. ("FIPL") *	Investment holding	100	100
AmFraser Securities Pte. Ltd. *	Stock and share-broking	-	100
AmGlobal Investments Pte. Ltd. *	Dormant	100	100
AmFraser Nominees Pte. Ltd. *^^^	Nominee services	-	100

* Subsidiaries audited by a firm affiliated with Ernst & Young
\# Subsidiary audited by a firm other than Ernst & Young
^ Under member's voluntary liquidation
^^ Subsidiary liquidated on 27 Sept 2014
^^^ Subsidiary liquidated on 23 Feb 2015

14. INVESTMENTS IN SUBSIDIARIES (CONTD.)

On 30 January 2015, the Singapore-based subsidiary of the Bank, AmFraser International Pte. Ltd. ("AmFIPL") had completed the disposal of its 100%-owned stockbroking subsidiary, AmFraser Securities Pte Ltd, for a cash consideration of approximately SGD38 million to KGI Asia (Holdings) Pte Ltd, a 100%-owned subsidiary of KGI Securities Co Ltd, a Taiwan-based stockbroking company.

The disposal had the following effects on the financial position of the Group as at the end of the year:

	30 Jan 2015 RM'000
Cash and short term funds	119,304
Derivative financial assets	1
Loans, advances and financing	6,766
Trade and other receivables	133,584
Property, plant and equipment	4,424
Derivative financial liabilities	(30)
Subordinated term loans	(80,410)
Trade and other liabilities	(113,207)
Net assets disposed	70,432
Attributable goodwill	11,243
Disposal cost incurred	6,167
Total disposal proceeds in cash	(101,854)
Gain on disposal to the Group	(14,012)
Cash inflow/(outflow) arising on disposals:	
Cash consideration	101,854
Cash and cash equivalents of subsidiaries disposed	(119,304)
Net cash outflow on disposal	(17,450)

15. INVESTMENTS IN AN ASSOCIATE

	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
Unquoted shares, at cost	100	100	100	100
Share of post acquisition reserves	1,067	1,567	-	-
	1,167	1,667	100	100

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

	Principal Activities	Effective Equity Interest 2015 %	Effective Equity Interest 2014 %
AmTrustee Berhad	Trustee services	20.00	20.00

The summarised financial information of the associate is as follows:

	2015 RM'000	2014 RM'000
Total assets	8,925	17,321
Total liabilities	2,653	8,524
Operating revenue	8,645	8,898
Profit for the financial year	2,498	2,769
Dividends paid during the financial year	1,000	-

16. OTHER ASSETS

	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
Trade receivables, net of allowance for impairment	494,814	965,363	494,641	803,455
Other receivables, deposits and prepayments, net of allowance for impairment	45,358	33,507	36,013	25,943
Interest receivable	4,859	1,804	4,853	1,794
Tax recoverable	63,582	51,058	63,340	50,881
Margin deposits	10,904	141	-	-
Amount due from:				
Holding company	-	1,269	-	1,269
Subsidiaries	-	-	38	207
Related companies	3,069	6,489	3,215	6,718
	622,586	1,059,631	602,100	890,267

Trade receivables mainly relate to the stock and share-broking operations of the Bank and its subsidiaries, and represent amount outstanding from purchase contracts net of allowance for impairment.

Amounts due from subsidiaries and other related companies are unsecured, non-interest bearing, are repayable on demand and represent expenses paid on behalf.

The movement in allowance for impairment is as follows:

	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
Allowance for impairment of trade receivables				
Balance at beginning of financial year	86,007	18,784	5,536	5,876
Charge/(writeback) for the financial year	8,929	66,746	148	(340)
Amount written off	(15,027)	(151)	-	-
Disposal of subsidiary	(76,892)	-	-	-
Foreign exchange differences	4,098	628	-	-
Balance at end of financial year	7,115	86,007	5,684	5,536
Allowance for impairment of other receivables				
Balance at beginning of financial year	1,752	5,799	1,752	5,799
Charge/(writeback) for the financial year	952	(1,077)	952	(1,077)
Amount written off	(976)	(2,970)	(976)	(2,970)
Balance at end of financial year	1,728	1,752	1,728	1,752
Allowance for impairment of foreclosed properties				
Balance at beginning of financial year	-	100	-	100
Writeback for the financial year	-	(100)	-	(100)
Balance at end of financial year	-	-	-	-

Trade receivables that are individually assessed to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

As at reporting date, trade receivables of the Group and of the Bank that are classified as impaired amounted to RM7,115,000 (2014: RM86,007,000) and RM5,684,000 (2014: RM5,536,000) respectively.

17. PROPERTY AND EQUIPMENT

2015 Group	Long term leasehold land RM'000	Leasehold buildings RM'000	Leasehold improvements RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost							
At 1 April 2014	3,000	17,133	15,274	27,359	33,650	4,035	100,451
Additions	-	-	1,477	575	1,751	-	3,803
Disposals	-	-	(1)	(55)	(41)	(186)	(283)
Disposal of subsidiary	-	-	(1,346)	(4,839)	(7,192)	(620)	(13,997)
Written off	-	-	-	(8)	(2,252)	-	(2,260)
Reclassification/adjustments	-	-	-	195	(195)	-	-
Exchange differences	-	-	1	176	237	23	437
At 31 March 2015	3,000	17,133	15,405	23,403	25,958	3,252	88,151
Accumulated Depreciation							
At 1 April 2014	705	4,092	12,914	23,591	28,639	2,778	72,719
Depreciation for the financial year	60	343	1,663	880	1,416	222	4,584
Disposals	-	-	(1)	(53)	(41)	(186)	(281)
Disposal of subsidiary	-	-	(839)	(4,209)	(3,886)	(620)	(9,554)
Written off	-	-	-	(6)	(2,199)	-	(2,205)
Exchange differences	-	-	14	160	160	24	358
At 31 March 2015	765	4,435	13,751	20,363	24,089	2,218	65,621
Carrying Amount							
At 31 March 2015	2,235	12,698	1,654	3,040	1,869	1,034	22,530

17. PROPERTY AND EQUIPMENT (CONTD.)

2014 Group	Long term leasehold land RM'000	Leasehold buildings RM'000	Leasehold improvements RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost							
At 1 April 2013	3,000	17,133	14,627	26,439	34,379	4,000	99,578
Additions	-	-	759	1,242	2,875	155	5,031
Disposals	-	-	-	(34)	(1,113)	(142)	(1,289)
Written off	-	-	(111)	(453)	(2,743)	-	(3,307)
Reclassification/adjustments	-	-	-	-	(5)	-	(5)
Exchange differences	-	-	(1)	165	257	22	443
At 31 March 2014	3,000	17,133	15,274	27,359	33,650	4,035	100,451
Accumulated Depreciation							
At 1 April 2013	645	3,749	12,124	23,060	30,828	2,662	73,068
Depreciation for the financial year	60	343	901	857	1,414	236	3,811
Disposals	-	-	-	(27)	(1,112)	(142)	(1,281)
Written off	-	-	(111)	(451)	(2,700)	-	(3,262)
Reclassification/adjustments	-	-	-	-	(2)	-	(2)
Exchange differences	-	-	-	152	211	22	385
At 31 March 2014	705	4,092	12,914	23,591	28,639	2,778	72,719
Carrying Amount							
At 31 March 2014	2,295	13,041	2,360	3,768	5,011	1,257	27,732

17. PROPERTY AND EQUIPMENT (CONTD.)

2015 Bank	Long term leasehold land RM'000	Leasehold buildings RM'000	Leasehold improvements RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost							
At 1 April 2014	3,000	17,133	15,061	22,549	27,906	3,479	89,128
Additions	-	-	131	563	234	-	928
Disposals	-	-	(1)	(51)	(41)	(186)	(279)
Written off	-	-	-	-	(1,871)	-	(1,871)
At 31 March 2015	3,000	17,133	15,191	23,061	26,228	3,293	87,906
Accumulated Depreciation							
At 1 April 2014	705	4,092	12,706	19,345	25,646	2,192	64,686
Depreciation for the financial year	60	343	836	693	731	221	2,884
Disposals	-	-	(1)	(51)	(41)	(186)	(279)
Written off	-	-	-	-	(1,871)	-	(1,871)
At 31 March 2015	765	4,435	13,541	19,987	24,465	2,227	65,420
Carrying Amount							
At 31 March 2015	2,235	12,698	1,650	3,074	1,763	1,066	22,486

17. PROPERTY AND EQUIPMENT (CONTD.)

2014 Bank	Long term leasehold land RM'000	Leasehold buildings RM'000	Leasehold improvements RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost							
At 1 April 2013	3,000	17,133	14,413	21,737	27,862	3,466	87,611
Additions	-	-	759	912	1,160	155	2,986
Disposals	-	-	-	(34)	(1,111)	(142)	(1,287)
Written off	-	-	(111)	(66)	-	-	(177)
Reclassification/adjustments	-	-	-	-	(5)	-	(5)
At 31 March 2014	3,000	17,133	15,061	22,549	27,906	3,479	89,128
Accumulated Depreciation							
At 1 April 2013	645	3,749	11,922	18,740	25,931	2,098	63,085
Depreciation for the financial year	60	343	895	696	828	236	3,058
Disposals	-	-	-	(25)	(1,111)	(142)	(1,278)
Written off	-	-	(111)	(66)	-	-	(177)
Reclassification/adjustments	-	-	-	-	(2)	-	(2)
At 31 March 2014	705	4,092	12,706	19,345	25,646	2,192	64,686
Carrying Amount							
At 31 March 2014	2,295	13,041	2,355	3,204	2,260	1,287	24,442

17. PROPERTY AND EQUIPMENT (CONTD.)

Amount to be amortised for long term leasehold land are as follows:

	Group and Bank	
	2015	2014
	RM'000	RM'000
Not later than one year	60	60
Later than one year but not later than five years	240	240
Later than five year	1,935	1,995
	2,235	2,295

18. INTANGIBLE ASSETS

The net carrying amount of intangible assets are as follows:

		Group		Bank	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
	Note				
Goodwill	(a)	-	11,243	-	-
In-force business	(b)	1,073	-	-	-
Computer software	(c)	1,847	1,811	1,710	1,714
		2,920	13,054	1,710	1,714

The movement in intangible assets is as follows:

(a) Goodwill

	Group	
	2015	2014
	RM'000	RM'000
At beginning of financial year	11,243	11,243
Disposal of AmFraser Securities Pte. Ltd	(11,243)	-
At end of financial year	-	11,243

Impairment assessment on goodwill

In prior years, goodwill was reviewed for impairment annually or when there were indications of impairment. At the date of acquisition, goodwill was allocated to the Group's cash generating units ("CGU") for impairment testing purposes, identified according to business segment expected to benefit from the synergies and were as follows:

	Group	
	2015	2014
	RM'000	RM'000
Investment banking	-	11,243

The recoverable amount of the CGU in previous financial year, which was a reportable business segment, was based on its value in use, computed by discounting the expected future cash flows of the unit. The key assumptions for the computation of value in use included the discount rates and growth rates applied. The discount rates applied to the cash flow projections were derived from the pre-tax weighted average cost of capital plus a reasonable risk premium at the date of assessment of the CGU. The discount rate applied in previous financial year was 7.7%. Cash flow projection was based on the most recent three-year financial budget approved by the Board, taking into account projected regulatory capital requirements. Cash flows for the fourth to tenth years were extrapolated using the growth rate of 4.8% to extrapolate cash flows beyond the projected years. Impairment was recognised in the income statements when the carrying amount of a CGU exceeded its recoverable amount.

Management believed that any reasonably possible change in the key assumptions would not have cause the carrying amount of the goodwill to exceed the recoverable amount of the CGU.

18. INTANGIBLE ASSETS (CONTD.)

(b) In-force business

In-force business represent the Company's trading rights of AmFutures, a subsidiary of the Bank on the derivatives exchange.

The trading and clearing rights with Bursa Malaysia Derivative Berhad considered to have an indefinite useful life.

(c) Computer Software

	Group		Bank	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cost				
Balance at beginning of financial year	13,769	13,477	13,545	13,316
Additions	803	287	725	224
Reclassification	-	5	-	5
Balance at end of financial year	14,572	13,769	14,270	13,545
Accumulated Amortisation				
Balance at beginning of financial year	11,958	11,074	11,831	10,969
Amortisation for the financial year	767	882	729	861
Reclassification	-	2	-	1
Balance at end of financial year	12,725	11,958	12,560	11,831
Carrying amount	1,847	1,811	1,710	1,714

19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Licensed banks	980,869	2,351,318	980,869	2,351,318

20. DEBT CAPITAL

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Subordinated term loan	-	77,716	-	-

In prior year, the subordinated term loan related to a foreign subsidiary which was disposed of during the current financial year. The subordinated term loan was on-lent from a related party, AmBank (M) Berhad (Labuan Offshore Branch) amounting to 2014: SGD30,000,000 from 14 October 2013 at an interest rate of SGD 3 Months COF + 0.60% per annum for 3 years is for the purpose of meeting its local regulatory capital and financial requirements.

21. OTHER LIABILITIES

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Trade payables	481,322	894,127	470,748	778,849
Other payables and accruals	48,034	65,870	44,421	59,381
Interest payable	16,233	17,013	16,233	16,777
Provision for commitments and contingencies	580	1,012	580	1,012
Amounts due to:				
Ultimate holding company	5,165	-	229	-
Subsidiaries	-	-	290	507
Related companies	5,322	6,757	5,249	6,305
Zakat payable	38	38	38	38
Bank overdrafts	-	759	-	-
	556,694	985,576	537,788	862,869

Trade payables mainly relate to the stock and share-broking operations of the Bank and its subsidiaries and represent amount payable in respect of outstanding sales contracts.

Amount due to subsidiaries and related companies are unsecured, non-interest bearing, are repayable on demand and represent expenses paid on behalf.

The movement in provisions for commitments and contingencies is as follows:

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Balance at beginning of financial year	1,012	5,819	1,012	5,819
Writeback for the financial year	(432)	(4,807)	(432)	(4,807)
Balance at end of financial year	580	1,012	580	1,012

22. SHARE CAPITAL

	Group and Bank	
	2015	2014
	RM'000	RM'000
Authorised:		
Ordinary shares of RM1.00 each		
Balance at the beginning and end of the financial year	2,000,000	2,000,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
Balance at the beginning and end of the financial year	200,000	200,000

23. RESERVES

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Other reserves	251,792	246,747	203,824	201,707
Retained earnings	58,511	38,006	82,533	57,377
Total reserves	310,303	284,753	286,357	259,084

The Bank can distribute dividends out of its entire retained earnings under the single tier system.

23. RESERVES (CONTD.)

The other reserves and their movements are analysed as follows:

Group	Capital reserve RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Merger reserve RM'000	Available-for-sale reserve RM'000	Foreign exchange fluctuation reserve RM'000	Total RM'000
At 1 April 2013	2,815	200,000	-	7,656	3,162	29,988	243,621
Other comprehensive income/(loss)							
Net gain on changes in fair value financial investments available-for-sale	-	-	-	-	(1,719)	-	(1,719)
Transfer to profit or loss upon disposal	-	-	-	-	(152)	-	(152)
Income tax relating to other comprehensive income	-	-	-	-	468	-	468
Foreign exchanges differences	-	-	-	-	-	4,529	4,529
	-	-	-	-	(1,403)	4,529	3,126
At 31 March 2014	2,815	200,000	-	7,656	1,759	34,517	246,747
At 1 April 2014	2,815	200,000	-	7,656	1,759	34,517	246,747
Other comprehensive (loss)/income							
Net loss on changes in fair value financial investments available-for-sale	-	-	-	-	(928)	-	(928)
Income tax relating to other comprehensive loss	-	-	-	-	245	-	245
Foreign exchanges differences	-	-	-	-	-	2,928	2,928
Transfer to regulatory reserve	-	-	2,800	-	-	-	2,800
	-	-	2,800	-	(683)	2,928	5,045
At 31 March 2015	2,815	200,000	2,800	7,656	1,076	37,445	251,792

Bank	Statutory reserve RM'000	Regulatory reserve RM'000	Available-for-sale reserve RM'000	Total RM'000
At 1 April 2013	200,000	-	3,110	203,110
Other comprehensive (income)/loss				
Net gain on changes in fair value financial investments available-for-sale	-	-	(1,719)	(1,719)
Transfer to profit or loss upon disposal	-	-	(152)	(152)
Income tax relating to other comprehensive income	-	-	468	- 468
	-	-	(1,403)	(1,403)
At 31 March 2014	200,000	-	1,707	201,707
At 31 March 2014	200,000	-	1,707	201,707
Other comprehensive loss				
Net loss on changes in fair value financial investments available-for-sale	-	-	(928)	(928)
Income tax relating to other comprehensive loss	-	-	245	- 245
Transfer to regulatory reserve	-	2,800	-	2,800
	-	2,800	(683)	2,117
At 31 March 2015	200,000	2,800	1,024	203,824

23. RESERVES (CONTD.)

The other reserves relate to the following:

(i) Capital reserve is in respect of dilution and accretion in net attributable assets of the Group arising from capitalisation of subsidiaries' bonus issues.
(ii) Statutory reserve is maintained in compliance with Section 47(2)(f) of the Financial Services Act 2013.
(iii) Merger reserve represents reserve arising from the acquisition of AmResearch and AmFutures which was accounted for using the merger accounting method.
(iv) Available-for-sale reserve is in respect of unrealised fair value gains and losses on financial investments available-for-sale.
(v) Foreign currency translation reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.
(vi) Regulatory reserve is held as a buffer to absorb potential credit loss as required by Bank Negara Malaysia in excess of the requirements of the accounting standards.

24. INTEREST INCOME

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Short-term funds and deposits with financial institutions	20,710	17,244	18,821	15,755
Financial investments available-for-sale	10,324	1,670	10,324	1,670
Financial investments held-to-maturity	3,145	3,110	3,145	3,110
Loans, advances and financing	33,230	45,079	32,501	43,025
Others	344	1,701	143	419
Gross interest income	67,753	68,804	64,934	63,979
Accretion of discount less amortisation of premium	3,400	6,377	3,400	6,377
	71,153	75,181	68,334	70,356

25. INTEREST EXPENSE

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deposits of banks and other financial institutions	55,108	47,243	55,110	47,243
Debt capital	1,106	554	-	-
Others	228	1,789	-	-
	56,442	49,586	55,110	47,243

26. OTHER OPERATING INCOME

	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
Fee and commission income:				
Brokerage fees and commissions	115,024	139,882	96,698	101,786
Corporate advisory	21,438	35,221	21,438	35,221
Fees on loans and securities	10,468	15,823	10,468	15,823
Guarantee fees	277	416	277	416
Portfolio management fees	1,579	487	1,579	487
Underwriting commission	8,563	3,970	8,536	3,917
Wealth management fees	35,904	29,392	35,904	29,392
Other fee and commission income	4,898	4,719	3,768	3,197
	198,151	229,910	178,668	190,239
Investment and trading income:				
Gross dividend income from:				
Associate	-	-	1,000	-
Financial assets held-for-trading	12	174	7	174
Financial investments available-for-sale	469	2,557	469	2,557
Net foreign exchange gain[1]	1,685	171	1,648	170
Net gain/(loss) on derivatives	13	(851)	13	(851)
Net loss on revaluation of financial assets held-for-trading	(34)	(8)	(34)	(10)
Net gain from sale of financial assets held-for-trading	9	803	33	900
Net gain from sale of financial investments available-for-sale	-	152	-	152
Gain on liquidation of subsidiary	20,052	12,815	199	-
Gain on disposal of subsidiary	14,012	-	-	-
	36,218	15,813	3,335	3,092
Other income:				
Net gain on disposal of property and equipment	18	80	18	62
Net non-trading foreign exchange gain	347	574	-	4
Rental income	2,343	2,307	2,344	2,307
Writeback on provision made on litigation	-	3,569	-	3,569
Others	877	1,293	101	406
	3,585	7,823	2,463	6,348
	237,954	253,546	184,466	199,679

[1] Foreign exchange gain includes gains and losses from spot and forward contracts and other currency derivatives.

27. DIRECT COSTS

	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
Dealers incentive	6,024	11,119	6,024	11,119
Brokerage commission	32,889	41,957	24,325	26,834
Others	21,987	18,885	21,987	18,885
	60,900	71,961	52,336	56,838

28. OTHER OPERATING EXPENSES

	Note	Group		Bank	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
Personnel costs:					
- Salaries, allowances and bonuses		79,583	93,551	62,604	75,900
- Scheme shares and options granted under AMMB Executives' Share Scheme		6,096	8,175	5,886	7,692
- Others		24,706	31,163	17,541	23,520
		110,385	132,889	86,031	107,112
Establishment costs:					
- Amortisation of intangible assets	18(c)	767	882	729	861
- Computerisation costs		5,417	5,556	9	(1,106)
- Depreciation of property and equipment	17	4,584	3,811	2,884	3,058
- Rental		12,017	14,507	8,209	10,064
- Others		6,025	7,102	3,332	3,900
		28,810	31,858	15,163	16,777
Marketing and communication expenses:					
- Advertising, promotional and other marketing activities		3,046	4,355	3,038	4,203
- Sales commission		532	883	532	883
- Travel and entertainment		2,365	3,567	1,957	2,880
- Others		3,655	4,452	2,906	3,415
		9,598	13,257	8,433	11,381
Administration and general expenses:					
- Professional services		4,302	6,061	2,418	5,534
- Others		8,279	7,772	5,932	5,919
		12,581	13,833	8,350	11,453
Service transfer pricing, net		(7,345)	(14,195)	(7,260)	(4,829)
		154,029	177,642	110,717	141,894

The above expenditure includes the following statutory disclosure:

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:				
Parent auditor:				
Audit	178	162	150	135
Regulatory and assurance related	109	73	109	73
Other services	15	-	15	-
Firms affiliated with parent auditor:				
Audit	87	164	-	-
Hire of motor vehicles and office equipment	1,938	2,724	690	1,163
Property and equipment written off	55	45	-	-

Personnel costs include salaries, bonuses, contributions to Employees Provident Fund ("EPF") and all other staff related expenses. Contributions to EPF, a substantial shareholder of the holding company, by the Group and the Bank amounted to RM12,294,000 (2014: RM14,981,000) and RM10,226,000 (2014: RM12,608,000), respectively.

29. CHIEF EXECUTIVE OFFICER'S AND DIRECTORS' REMUNERATION

The total remuneration (including benefits-in-kind) of the chief executive officer's and directors of the Bank are as follows:

2015	Fees RM'000	Salaries RM'000	Bonus RM'000	Other Emolument RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer:						
Kok Tuck Cheong	-	1,461	472	395	95	2,423
Non-Executive Directors:						
Tan Sri Azman Hashim	160	-	-	273	-	433
Cheah Tek Kuang	160	-	-	27	-	187
Tun Mohd Hanif bin Omar	150	-	-	9	-	159
Tan Sri Datuk Dr Aris Osman	150	-	-	68	-	218
Tan Sri Datuk Clifford Francis Herbert	150	-	-	71	-	221
Dato' Rohana Tan Sri Mahmood	150	-	-	51	-	201
Loh Chen Peng*	37	-	-	13	-	50
Graham Kennedy Hodges**#	22	-	-	2	-	24
Ashok Ramamurthy^	150	-	-	-	-	150
	1,129	-	-	514	-	1,643
Total directors' remuneration	1,129	1,461	472	909	95	4,066

* Resigned with effect from 1 July 2014
** Appointed with effect from 6 February 2015
^ Payable to AMMB Holdings Berhad
# Payable to Australia and New Zealand Banking Group Limited

2014	Fees RM'000	Salaries RM'000	Bonus RM'000	Other Emolument RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer:						
Kok Tuck Cheong	-	1,424	655	1,163	119	3,361
Non-Executive Directors:						
Tan Sri Azman Hashim	85	-	-	277	-	362
Tun Mohammed Hanif Omar	75	-	-	18	-	93
Tan Sri Datuk Clifford Francis Herbert	75	-	-	58	-	133
Tan Sri Datuk Dr Aris Osman	75	-	-	73	-	148
Cheah Tek Kuang	80	-	-	32	-	112
Ashok Ramamurthy	75	-	-	-	-	75
Dato' Rohana Tan Sri Mahmood	65	-	-	10	-	75
Loh Chen Peng	75	-	-	55	-	130
Christopher Robin Page ***	49	-	-	29	-	78
	654	-	-	552	-	1,206
Total directors' remuneration	654	1,424	655	1,715	119	4,567

*** Resigned with effect from 25 November 2013

30. WRITEBACK OF/(ALLOWANCE FOR) IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Writeback of/(allowance for) impairment on loans, advances and financing:				
Individual allowance (Note 11(i))	907	(11,319)	116	424
Collective allowance (Note 11(i))	2,730	(1,208)	2,730	(1,208)
Impaired loans, advances and financing recovered /(written off)	1,075	-	1,075	-
	4,712	(12,527)	3,921	(784)

31. IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Financial investments available-for-sale				
Unquoted shares	-	125	-	124

32. TAXATION

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current tax:				
Estimated tax payable	1,950	10,627	1,850	9,526
(Over)/under provision of taxation in respect of prior financial years	(1,447)	13,702	(1,446)	13,696
	503	24,329	404	23,222
Deferred tax (Note 13):				
Relating to origination and reversal of temporary differences	11,827	(4,413)	11,827	(4,413)
Relating to changes in tax rates	121	-	121	-
(Over)/under provision of deferred tax asset in prior financial year	(321)	5,588	(321)	2,229
	11,627	1,175	11,627	(2,184)
Taxation	12,130	25,504	12,031	21,038

Domestic income tax is calculated at the statutory tax rate of 25% (2014: 25%) on the estimated chargeable profit for the financial year. The income tax rate will be reduced to 24% effective year of assessment 2016. The computation of deferred tax for the current financial year is based on the tax rate of 24% (tax rate of 25% for 2014).

As at the end of the current financial year, the Group and the Bank have tax exempt income totalling RM10,100,432 (2014: RM10,100,432) and RM9,776,737 (2014: RM9,776,737) respectively pertaining to subsidiaries.

Taxation in foreign jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

32. TAXATION (CONTD.)

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before taxation	50,133	(24,855)	54,610	(37,758)
Taxation at Malaysian statutory tax rate of 25.0% (2014: 25.0%)	12,533	(6,214)	13,653	(9,440)
Effect of different tax rates in certain subsidiaries	-	6,375	-	-
Effect of changes in tax rates on opening balance of deferred tax	121	-	121	-
(Over)/under provision of current tax in prior years	(1,447)	13,702	(1,446)	13,696
Deferred tax asset recognised on income subject to tax remission	(27)	(164)	(27)	(164)
Over provision of deferred tax asset in prior years	(321)	5,588	(321)	2,229
Income not subject to tax	(503)	(33,433)	(471)	(9,171)
Expenses not deductible for tax purposes	1,879	24,467	497	23,888
Tax on share in result of an associate	(125)	(139)	-	-
Deferred tax assets not recognised	20	15,322	25	-
Taxation	12,130	25,504	12,031	21,038

33. BASIC EARNINGS/(LOSS)PER SHARE

Basic earnings/(loss) per share is calculated by dividing the net profit attributable to the equity holder of the Bank by the weighted average number of ordinary shares in issue during the financial year.

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net profit/(loss) attributable to shareholder of the Bank	38,003	(50,359)	42,579	(58,796)
Weighted average number of of ordinary shares in issue	200,000	200,000	200,000	200,000
Basic earnings/(loss) per share (sen)	19.0	(25.2)	21.3	(29.4)

34. DIVIDENDS

During the financial year, an interim single-tier cash dividend of 6.75 sen per ordinary share on 200,000,000 ordinary shares amounting to RM13,500,000 in respect of the financial year ended 31 March 2015 was paid on 8 December 2014.

The directors now propose the payment of final single-tier dividend of 10.0 sen per ordinary shares amounting to RM20,000,000 in respect of the current financial year ended 31 March 2015. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained earnings in the next financial year ending 31 March 2016.

35. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or if one party control both parties.

The related parties of the Group and of the Bank are:

(i) Subsidiaries

Details of the subsidiaries are disclosed in Note 14.

Transactions between the Bank and its subsidiaries have been eliminated on consolidation.

(ii) Related companies

These are the holding company and subsidiaries of the holding company.

(iii) Associate

Details of the associate are disclosed in Note 15.

(iv) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Bank, either directly or indirectly. The key management personnel of the Group and of the Bank include the Chief Executive Officer, Executive and Non-Executive Directors of the Bank and of the Group (including close members of their families).

(v) Companies in which certain Directors have substantial financial interest

These are entities in which significant voting power in such entities, either directly or indirectly, resides with certain Directors of the Bank.

(vi) Companies which have significant influence over the Group

These are entities who are substantial shareholders of the holding company of the Bank.

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Bank had the following transactions with related parties during the year:

	Companies in which certain Directors have substantial financial interest	
	2015	**2014**
Group and Bank	**RM'000**	**RM'000**
Expenses		
Insurance premiums	1,165	2,087
Training expenses	-	436
Travelling expenses	301	15
Food and beverage	-	13
Other expenses	44	-
	1,510	2,551

The Group and the Bank do not have any transactions with the companies which have significant influence over the Group.

35. RELATED PARTY TRANSACTIONS (CONTD.)

The significant outstanding balances of the Group and of the Bank with its related parties are as follows:

Group	Related Companies 2015 RM'000	Related Companies 2014 RM'000	Associate 2015 RM'000	Associate 2014 RM'000
Income				
Interest on deposits and placements	26,905	25,772	-	-
Rental income	2,165	2,116	-	-
	29,070	27,888	-	-
Expenses				
Interest on deposits and placements	57,106	52,059	-	-
Cleaning and maintenance	8	-	-	-
Rental of premises	7,385	8,452	-	-
Other expenses	1	5	-	-
Service transfer pricing, net	(6,925)	(13,775)	(420)	(420)
	57,575	46,741	(420)	(420)

Group	Related Companies 2015 RM'000	Related Companies 2014 RM'000	Associate 2015 RM'000	Associate 2014 RM'000
Amount due from related parties				
Cash and short-term funds	894,090	741,011	-	-
Deposits and placements with banks and other financial institutions	-	735	-	-
Interest receivable	4,072	1,082	-	-
Others	3,069	7,759	-	-
	901,231	750,587	-	-
Amount due to related parties				
Deposits and placements of banks and other financial institutions	980,869	2,351,318	-	-
Interest payable	16,233	16,777	-	-
Others	10,487	6,757	-	-
	1,007,589	2,374,852	-	-

Bank	Subsidiaries 2015 RM'000	Subsidiaries 2014 RM'000	Related Companies 2015 RM'000	Related Companies 2014 RM'000	Associate 2015 RM'000	Associate 2014 RM'000
Income						
Interest on deposits and placements	-	-	26,225	25,509	-	-
Interest on loans, advances and financing	-	-	-	-	-	-
Rental income	-	-	2,165	2,116	-	-
	-	-	28,390	27,625	-	-
Expenses						
Interest on deposits and placements	-	-	56,023	51,505	-	-
Cleaning and maintenance	-	-	8	-	-	-
Rental of premises	-	-	7,385	8,452	-	-
Other expenses	-	-	1	5	-	-
Service transfer pricing, net	2,076	11,340	(8,916)	(15,749)	(420)	(420)
	2,076	11,340	54,501	44,213	(420)	(420)

35. RELATED PARTY TRANSACTIONS (CONTD.)

Bank	Subsidiaries 2015 RM'000	Subsidiaries 2014 RM'000	Related Companies 2015 RM'000	Related Companies 2014 RM'000	Associate 2015 RM'000	Associate 2014 RM'000
Amount due from related parties						
Cash and short-term funds	-	-	780,383	717,547	-	-
Interest receivable	-	-	4,072	1,080	-	-
Others	38	207	2,972	7,759	243	228
	38	207	787,427	726,386	243	228
Amount due to related parties						
Deposits and placements of banks and other financial institutions	-	-	980,869	2,351,318	-	-
Interest payable	-	-	16,233	16,777	-	-
Others	290	507	5,478	6,305	-	-
	290	507	1,002,580	2,374,400	-	-

(b) There were no loans granted to the Directors of the Bank. Loans made to other key management personnel of the Group and of the Bank are on similar terms and conditions generally available to other employees of the Group. All related party transactions are conducted at terms agreed between parties during the financial year. None of the loans granted to key management personnel (2014: RM NIL) are impaired.

(c) Key management personnel compensation

The remuneration of Directors and other members of key management during the financial year are as follows:

	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
Directors:				
Fees	1,129	654	1,129	654
Salaries and other remuneration	514	552	514	552
Total short-term employee benefits	1,643	1,206	1,643	1,206
Other key management personnel:				
Fees	27	30	-	-
Salaries and other remuneration	1,707	3,512	1,707	3,512
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	844	2,728	844	2,728
Total short-term employee benefits	2,578	6,270	2,551	6,240

36. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Outstanding credit exposures with connected parties	28,517	25,144	28,517	25,144
Percentage of outstanding credit exposures to connected parties as a proportion to total credit exposures	6.08%	1.75%	6.08%	1.78%

The disclosure on credit transactions and exposures with connected parties above is presented in accordance with Para 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties. Based on these guidelines, a connected party refers to the following:

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

(ii) Controlling shareholder and his close relatives;

(iii) Influential shareholder and his close relatives;

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

(v) Officers and their close relatives 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;

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

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

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

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

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions no more favourable than those entered into with other counterparties with similar circumstances and credit worthiness. Due care has been taken to ensure that the credit worthiness of the connected party is not less than that normally required of other persons.

37. FIDUCIARY DUTY IN RESPECT OF INVESTMENT PORTFOLIO MANAGEMENT

Investment portfolio funds managed by the Group and the Bank on behalf of customers as at 31 March 2015 amounted to RM6,549,000,000 (2014: RM5,799,336,000).

38. CAPITAL COMMITMENTS

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Authorised and contracted for:				
Purchase of office equipment, information technology equipment and solutions	415	35	415	35
	415	35	415	35
Authorised but not contracted for:				
Purchase of other investments	-	6,364	-	-
Purchase of office equipment, information technology equipment and solutions	1,157	3,804	1,157	1,157
	1,157	10,168	1,157	1,157
	1,572	10,203	1,572	1,192

39. OPERATING LEASE COMMITMENTS

The Group and the Bank have lease commitments in respect of rental of premises and equipment on hire, all of which are classified as operating leases. The future minimum lease payments under the non-cancellable operating leases, net of sub-leases are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
12 months ending 31 March				
One year or less	13,157	18,744	13,157	13,145
Over one year to five years	12,752	11,834	12,752	6,374
	25,909	30,578	25,909	19,519

The minimum lease rentals are not adjusted for operating expenses which the Group and the Bank are obligated to pay. These amounts are insignificant in relation to the minimum lease obligations. In the normal course of business, leases that expire will be renewed or replaced by leases on other properties, thus it is anticipated that future annual minimum lease commitments will not be less than rental expenses for the financial year.

40. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's and the Bank's assets.

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

Group	**2015 RM'000**	**2014 RM'000**
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	230,174	387,900
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	19	19
Others	100	100
	230,293	388,019
Contingent Liabilities		
Direct credit substitutes	99,447	114,947
Obligations under an on-going underwriting agreement	-	21,375
	99,447	136,322
Derivative Financial Instruments		
Foreign exchange related contracts:		
- One year or less	2,321	4,537
Equity related contracts:		
- One year or less	457	642
	2,778	5,179
	332,518	529,520

Bank		
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	230,174	387,900
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	19	19
Others	100	100
	230,293	388,019
Contingent Liabilities		
Direct credit substitutes	99,447	114,947
Obligations under an on-going underwriting agreement	-	21,375
	99,447	136,322
Derivative Financial Instruments		
Foreign exchange related contracts:		
- One year or less	2,321	2,739
Equity related contracts:		
- One year or less	457	642
	2,778	3,381
	332,518	527,722

40. COMMITMENTS AND CONTINGENCIES (CONTD.)

(a) AmTrustee Berhad ("AmTrustee") was served with a Writ and Statement of Claim dated 12 December 2005 by solicitors acting for Meridian Asset Management Sdn Bhd ("Meridian") for alleged loss and damage amounting to RM27,606,169.65 together with interest and costs arising from the provision of custodian services by AmTrustee to Meridian ("Meridian Suit").

AmTrustee was served on 24th March 2006 with a Writ and Statement of Claim dated 25th January 2006 by solicitors acting for Malaysian Assurance Alliance Berhad ("MAA") for alleged loss and damages amounting to RM19.6 million together with interest and costs ("MAA Suit"). MAA had appointed Meridian as an external fund manager for certain of its insurance funds, and part of the insurance funds were deposited by Meridian with AmTrustee. The claim by MAA in the MAA Suit is part of the portion of the claim as mentioned in the above Meridian Suit. Just before the trial proceeded, MAA added Meridian as a Co-Defendant in the MAA Suit.

Proceedings at High Court

AmTrustee was also served on 2nd September 2009 with a copy of a Third Party Notice dated 12th August 2009 by solicitors acting for Meridian. The Third Party Notice was taken against AmTrustee by Meridian to indemnify Meridian on a suit filed by Kumpulan Wang Persaraan (DiPerbadankan) ("KWAP") against Meridian in 2007. AmTrustee filed an application to strike out the Third Party Notice. The court allowed AmTrustee's application. Meridian appealed against this decision to the Court of Appeal and the Court of Appeal dismissed the appeal on 1st November 2010 ("Order"). With this Order, AmTrustee is no longer involved in KWAP's claim against Meridian. Decision was handed down by the High Court against Meridian in KWAP's claim on 5th May 2012 for a sum of RM7.3 million with interest on the said sum from the date of the misappropriation of the said sum to the date of judgment and a further interest of 8% on the said sum from the date of judgment to the date of settlement of the judgment sum.

In the MAA Suit, prior to the commencement of the trial, MAA amended its Statement of Claim to include Meridian as a second Defendant. Prior to this MAA's amendment, AmTrustee had already filed a Third Party Notice against Meridian on 6th November 2006 in the MAA Suit seeking indemnification/contribution from Meridian. Meridian in turn filed a counter claim against AmTrustee over AmTrustee's Third Party Notice which in essence introduced the same argument and claim as in their Meridian Suit.

Parties filed several interim applications in the Meridian Suit amongst which was an application by Meridian to:-

- add the Bank as Co-Defendant; and
- to increase the alleged loss and damage from RM27.6 million to RM37 million.

The High Court dismissed Meridian's application to add the Bank as a party to the Meridian's Suit "Order" but allowed Meridian's application to increase its claim against AmTrustee from RM27.6 million to RM37 million. No appeal was filed by Meridian against this "Order", hence no litigation is pending today against the Bank by Meridian.

As facts of both the Meridian and MAA suit are similar in nature with the same parties involved, the court has ordered that these two suits are to be heard together.

Trial proceeded on 3rd to 5th of December 2012 and on 10th and 13th December 2012 and continued on 18th to 20th February 2013. Matter was fixed for decision and or clarification on 11th April 2013.

40. COMMITMENTS AND CONTINGENCIES (CONTD.)

High Court Decision
After clarification of the matter on 11th April 2013 the court decided as follows ("High Court Decision"):

In the MAA Suit:
- the court dismissed MAA's claim against AmTrustee with costs of RM100,000 and interest at 5% on the cost from the date of the decision to the date of settlement. Meridian on the other hand was found to be fully liable to MAA and was ordered to pay the sum of RM19.6 million with interest from the date of filing of the writ to the date of realization and costs of RM100,000 with interest at 5% on the cost from the date of the decision to the date of settlement.

In the Meridian Suit:
- the court found that AmTrustee is liable to contribute and indemnify Meridian for 40% of the amount that Meridian has been found liable to MAA and KWAP.

This essentially means that Meridian has to pay MAA and KWAP for all the damages claimed by MAA and KWAP and AmTrustee has to pay 40% of that amount that Meridian has paid to MAA and KWAP. Court further awarded Meridian to pay AmTrustee cost of RM20,000.

Proceedings at Court of Appeal
Both Meridian and MAA to date have filed their appeals against Decision on 8th May 2013 and 9th May 2013 respectively. The appeals were called up for Case Management on 20th June 2013, wherein parties were directed to take steps prior to the actual hearing of the appeals and is now refixed for further Case Management on 6th August 2013.

AmTrustee obtained solicitors advice on MAA appeal and Meridian appeal. AmTrustee's solicitors advised AmTrustee to file its cross appeals against MAA's appeal and Meridian's appeal so as to reduce AmTrustee's 40% contribution of amount that Meridian has paid to MAA and KWAP. AmTrustee's solicitors are of the view that AmTrustee has a fair chance of succeeding in its cross-appeals.

On 6th August 2013, the Court of Appeal ordered MAA and Meridian to file their Supplementary Record of Appeal by 23rd August 2013 and AmTrustee to file its notice of cross-appeals by 2nd September 2013.

On 23rd August 2013, MAA and Meridian filed their Supplementary Record of Appeal on 23rd August 2013 and AmTrustee filed its notice of cross-appeals on 30th August 2013.

Altogether, there will be 6 appeals by the parties in the Court of Appeal:
In the MAA Suit:
- MAA's appeal against the Decision in the MAA Suit;
- Meridian's appeal against the Decision in the MAA Suit;
- AmTrustee's cross-appeal against MAA's appeal in the MAA Suit;
- AmTrustee's cross-appeal against Meridian's appeal in the MAA Suit.

In the Meridian's Suit:
- Meridian's appeal against the Decision in the Meridian Suit;
- AmTrustee's appeal against Meridian's appeal in the Meridian Suit.

The Court of Appeal has fixed the appeals for further case management on 5th September 2013 for parties to update Court of Appeal on the status of their appeals. On 5th September 2013 the Court of Appeal fixed 29 January 2014 for the parties to file Written Submissions. The Court of Appeal also had fixed the hearing on the appeals and cross appeals on 14th February 2014.

On 22nd November 2013, the Court of Appeal notified that hearing for the appeals are now re-scheduled to 21st April 2014.

On 13th January 2013, the Court of Appeal informed that:
(i) the originally fixed appeal hearing date of 21st April 2014 was vacated;
(ii) all parties shall file their written submission for the appeal by 5th May 2014;
(iii) the appeals by MAA, Meridian and AmTrustee in the MAA Suit and Meridian Suit, together with Meridian's appeal in the KWAP against Meridian case, will now be heard on 19th May 2014.

40. COMMITMENTS AND CONTINGENCIES (CONTD.)

Court of Appeal Decision
On 19th May 2014, the Court of Appeal heard the appeals by all parties on 19th May 2014. On 20th May 2014, the Court of Appeal gave its decision as follows ('Court of Appeal Decision'):

In the MAA Suit:
- MAA's appeal against the High Court Decision was allowed;
- Meridian's appeal against the High Court Decision was dismissed;
- AmTrustee's cross-appeal against MAA's appeal was dismissed;
- AmTrustee's cross-appeal against Meridian's appeal was dismissed.

In the Meridian's Suit:
- Meridian's appeal against the High Court Decision was dismissed;
- AmTrustee's appeal against Meridian's appeal was dismissed.

On 28th May 2014, MAA and AmTrustee had agreed to the stay of execution of the Court of Appeal Decision pending the disposal of AmTrustee's application for leave to appeal to Federal Court ('Leave Application').

Proceedings at Federal Court
On 17th June 2014, AmTrustee filed its notice of motion for the Leave Application at Federal Court. AmTrustee's Leave Application is now fixed for case management on 9th February 2015. On 9th February 2015, the Court fixed the Leave Application for case management on 11th May 2015, pending the availability of Grounds of Judgment. On 8th April 2015, Grounds of Judgment was issued and the Federal Court has fixed the Leave Application for case management on 21st April 2015. At the case management on 21st April 2015, AmTrustee's Leave Application was fixed for hearing before the Federal Court on 1st July 2015.

(b) As at 31st March 2015, AmFutures Sdn Bhd ('AmFutures') and the Bank were served with a total of 19 suits by 19 individuals ('Claimants') in relation to a purported investment scheme called Futures Crude Palm Oil ('Alleged Scheme') allegedly offered by person(s) unknown to AmFutures and the Bank to the Claimants. In the suits, the Claimants claim for the return of their alleged principal investment sum and the return of investment in the Alleged Scheme.

The parties to the suits had agreed that trial of one test case to be heard first by the Court and the decision in the test case shall be binding on all the other suits filed by the Claimants. The trial hearing dates for the test case is fixed from 27th April 2015 to 29th April 2015. Decision for the test case trials has been fixed on 22nd June 2015. Solicitors for AmFutures and the Bank is of the view that AmFutures and the Bank have a good chance of successfully defending the suits.

41. MONIES IN TRUST

Monies in trust in relation to the Group's and the Bank's stockbroking business excluded from the statement of financial position in accordance with Financial Reporting Standards Implementation Committee Consensus 18 "Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad" ("FRSIC 18'):

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Clients trust balances' and dealers representative balances	231,895	333,040	217,371	236,649
Remisiers trust balances	23,713	26,711	23,321	23,823
	255,608	359,751	240,692	260,472

42. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

2015 Group	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
ASSETS			
Cash and short-term funds	952,491	-	952,491
Derivative financial assets	1	-	1
Financial assets held-for-trading	441	-	441
Financial investments available-for-sale	28,886	11,794	40,680
Financial investments held-to-maturity	-	75,100	75,100
Loans, advances and financing	316,166	3,519	319,685
Statutory deposit with Bank Negara Malaysia	-	7,483	7,483
Deferred tax assets	-	2,782	2,782
Investments in associates	-	1,167	1,167
Other assets	513,646	108,940	622,586
Property and equipment	-	22,530	22,530
Intangible assets	-	2,920	2,920
TOTAL ASSETS	1,811,631	236,235	2,047,866
LIABILITIES			
Deposits and placements of banks and other financial institutions	980,869	-	980,869
Other liabilities	546,437	10,257	556,694
TOTAL LIABILITIES	1,527,306	10,257	1,537,563

2014 (Restated) Group	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
ASSETS			
Cash and short-term funds	873,290	-	873,290
Deposits and placements with banks and other financial institutions	735	-	735
Financial assets held-for-trading	659	-	659
Financial investments available-for-sale	547,165	39,637	586,802
Financial investments held-to-maturity	-	75,100	75,100
Loans, advances and financing	1,221,092	4,807	1,225,899
Statutory deposit with Bank Negara Malaysia	-	20,640	20,640
Deferred tax assets	-	14,164	14,164
Investments in associates	-	1,667	1,667
Other assets	975,066	84,565	1,059,631
Property and equipment	-	27,732	27,732
Intangible assets	-	13,054	13,054
TOTAL ASSETS	3,618,007	281,366	3,899,373
LIABILITIES			
Deposits and placements of banks and other financial institutions	2,351,318	-	2,351,318
Derivative financial liabilities	10	-	10
Debt Capital	-	77,716	77,716
Other liabilities	973,131	12,445	985,576
TOTAL LIABILITIES	3,324,459	90,161	3,414,620

42. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTD.)

2015 Bank	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
ASSETS			
Cash and short-term funds	829,505	-	829,505
Derivative financial assets	1	-	1
Financial assets held-for-trading	441	-	441
Financial investments available-for-sale	28,886	11,794	40,680
Financial investments held-to-maturity	-	75,100	75,100
Loans, advances and financing	316,166	3,519	319,685
Statutory deposit with Bank Negara Malaysia	-	7,483	7,483
Deferred tax assets	-	2,782	2,782
Investments in subsidiaries	-	102,941	102,941
Investments in associates	-	100	100
Other assets	502,747	99,353	602,100
Property and equipment	-	22,486	22,486
Intangible assets	-	1,710	1,710
TOTAL ASSETS	1,677,746	327,268	2,005,014
LIABILITIES			
Deposits and placements of banks and other financial institutions	980,869	-	980,869
Other liabilities	531,143	6,645	537,788
TOTAL LIABILITIES	1,512,012	6,645	1,518,657

2014 (Restated) Bank	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
ASSETS			
Cash and short-term funds	745,837	-	745,837
Financial assets held-for-trading	659	-	659
Financial investments available-for-sale	547,165	37,437	584,602
Financial investments held-to-maturity	-	75,100	75,100
Loans, advances and financing	1,207,497	4,807	1,212,304
Statutory deposit with Bank Negara Malaysia	-	20,640	20,640
Deferred tax assets	-	14,164	14,164
Investments in subsidiaries	-	103,447	103,447
Investments in associates	-	100	100
Other assets	813,443	76,824	890,267
Property and equipment	-	24,442	24,442
Intangible assets	-	1,714	1,714
TOTAL ASSETS	3,314,601	358,675	3,673,276
LIABILITIES			
Deposits and placements of banks and other financial institutions	2,351,318	-	2,351,318
Derivative financial liabilities	5	-	5
Other liabilities	856,918	5,951	862,869
TOTAL LIABILITIES	3,208,241	5,951	3,214,192

43. CAPITAL MANAGEMENT

The capital and risk management of the banking subsidiaries of AMMB are managed collectively at AMMB Group level. AMMB Group's capital management approach is driven by its desire to maintain a strong capital base to support the development of its businesses, to meet regulatory capital requirements at all times and to maintain good credit ratings.

Strategic, business and capital plans are drawn up annually covering a 3 year horizon and approved by the Board of Directors. The capital plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained by AMMB Group to support its strategy.

The capital plan takes the following into account:

(a) Regulatory capital requirements:
- forecast demand for capital to support the credit ratings; and
- increases in demand for capital due to business growth and market shocks.

(b) Or stresses:
- available supply of capital and capital raising options; and
- internal controls and governance for managing AMMB Group's risk, performance and capital.

AMMB Group uses internal models and other quantitative techniques in its internal risk and capital assessment. The models help to estimate potential future losses arising from credit, market and other risks, and using regulatory formulae the amount of capital required to support them. In addition, the models enable AMMB Group to gain a deeper understanding of its risk profile, e.g. by identifying potential concentrations, assessing the impact of portfolio management actions and performing what-if analysis.

Stress testing and scenario analysis are used to ensure that AMMB Group's internal capital assessment considers the impact of extreme but plausible scenarios on its risk profile and capital position. They provide an insight into the potential impact of significant adverse events on AMMB Group and how these events could be mitigated. AMMB Group's target capital levels are set taking into account its risk appetite and its risk profile under future expected and stressed economic scenarios.

AMMB Group's assessment of risk appetite is closely integrated with AMMB Group's strategy, business planning and capital assessment processes, and is used to inform senior management's views on the level of capital required to support AMMB Group's business activities.

AMMB Group uses a capital model to assess the capital demand for material risks, and support its internal capital adequacy assessment. Each material risk is assessed, relevant mitigants considered, and appropriate levels of capital determined. The capital modelling process is a key part of AMMB Group's management disciplines.

The capital that the Group is required to hold is determined by its balance sheet, off balance sheet, counterparty and other risk exposures after applying collateral and other mitigants, based on the Group's risk rating methodologies and systems. We discuss these outcomes with BNM on a regular basis as part of our normal regulatory liaison activities. BNM has the right to impose further capital requirements on Malaysian Financial Institutions via its Financial Market Supervision remit.

AMMB Group operates processes and controls to monitor and manage capital adequacy across the organisation. Where we operate in other jurisdictions, capital is maintained on the basis of the local regulator's requirements. It is overseen by AMMB Group's Chief Executive Officers Committee ("AMMB Group CEOs Committee"). AMMB Group CEOs Committee is also responsible for managing the Group's statement of financial position, capital and liquidity.

A strong governance and process framework is embedded in the capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Board of Directors. The Risk Management Committee of Directors ("RMCD") is specifically delegated the task of reviewing all risk management issues including oversight of the Group's capital position and any actions impacting the capital levels. The Audit and Examination Committee ("AEC") reviews specific risk areas and the issues discussed at the key capital management committees.

43. CAPITAL MANAGEMENT (CONTD.)

AMMB Group Asset and Liability Committee ("GALCO") proposes internal triggers and target ranges for capital management and operationally oversees adherence with these. For the current financial year ending 31 March 2015 (“FY 2015”), these ranges are 7.5 per cent to 9.5 per cent for the Common Equity Tier 1 capital ratio, 9.5 per cent to 11.5 per cent for the Tier 1 capital ratio, and 13.5 per cent to 15.5 per cent for the Total Capital ratio. The Group has been operating above these ranges.

A dedicated team, the Capital and Balance Sheet Management Department, is responsible for the ongoing assessment of the demand for capital and the updating of the Group’s capital plan.

Appropriate policies are also in place governing the transfer of capital within AMMB Group. These ensure that capital is remitted as appropriate, subject to complying with regulatory requirements and statutory and contractual restrictions.

There are no current material, practical or legal impediments to the prompt transfer of capital resources in excess of those required for regulatory purposes or repayment of liabilities between the parent company, AMMB and its group entities when due.

(a) The capital adequacy ratios of the Group and of the Bank as at 31 March are as follows:

	Group		Bank	
	2015	**2014 (Restated)**	**2015**	**2014 (Restated)**
Before deducting proposed dividends:				
Common Equity Tier 1 ("CET1") Capital Ratio	28.744%	19.415%	24.196%	16.863%
Tier 1 ("T1") Capital Ratio	28.744%	19.415%	24.196%	16.863%
Total Capital Ratio	28.744%	19.415%	24.196%	16.863%
After deducting proposed dividends:				
CET1 Capital Ratio	27.534%	19.415%	22.820%	16.863%
T1 Capital Ratio	27.534%	19.415%	22.820%	16.863%
Total Capital Ratio	27.534%	19.415%	22.820%	16.863%

The capital adequacy ratio of the Group refers to the consolidated capital base as a ratio of the consolidated risk-weighted assets of the Bank and its subsidiaries. The capital adequacy ratio of the Bank refers to the combined capital base as a ratio of the risk-weighted assets of the Bank for the financial year.

The minimum regulatory capital adequacy requirements for the risk-weighted capital ratios are as follows:

	Calendar Year		
	2013	**2014**	**2015**
CET 1 Capital Ratio	3.5%	4.0%	4.5%
Tier 1 Capital Ratio	4.5%	5.5%	6.0%
Total Capital Ratio	8.0%	8.0%	8.0%

43. CAPITAL MANAGEMENT (CONTD.)

(b) The components of Tier 1 and Tier 2 Capital of the Group and of the Bank are as follows:

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
CET1 Capital				
Ordinary shares	200,000	200,000	200,000	200,000
Retained earnings	58,511	38,006	82,533	57,377
Unrealised gains on AFS financial instruments	1,076	1,759	1,024	1,707
Foreign exchange translation reserve	37,445	34,517	-	-
Statutory reserve fund	200,000	200,000	200,000	200,000
Regulatory reserve	2,800	-	2,800	-
Capital reserve	2,815	2,815	-	-
Merger reserve	7,656	7,656	-	-
Less : Regulatory adjustments applied on CET1 capital				
Goodwill	-	(11,243)	-	-
Other intangibles	(2,920)	(1,811)	(1,710)	(1,714)
Deferred tax assets	(2,782)	(14,164)	(2,782)	(14,164)
55% of cumulative gains of AFS financial instruments	(592)	(967)	(563)	(939)
Regulatory reserve attributable to loans, advances and financing	(2,800)	-	(2,800)	-
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(12,021)	(5,461)	(52,370)	(25,536)
Deduction in excess of Tier 2 *	(13,922)	(17,763)	(74,446)	(98,062)
CET1 capital	**475,266**	**433,344**	**351,686**	**318,669**
Tier 2 ("T2") capital				
Collective impairment provisions and regulatory reserves	4,111	4,085	4,111	4,085
Less : Regulatory adjustments applied on T2 capital	(4,111)	(4,085)	(4,111)	(4,085)
T2 capital	**-**	**-**	**-**	**-**
Total Capital	**475,266**	**433,344**	**351,686**	**318,669**

*The portion of regulatory adjustments not deducted from Tier 2 Capital (as the Bank does not have enough Tier 2 to satisfy the deduction) is deducted from the next higher level of capital; as per paragraph 31.1 of the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components).

The breakdown of risk-weighted assets of the Group and of the Bank in the various risk categories are as follows:

	Group		Bank	
	2015	2014 (Restated)	2015	2014 (Restated)
	RM'000	RM'000	RM'000	RM'000
Credit risk	1,155,040	1,676,701	1,122,413	1,483,738
Market risk	117,058	125,812	16,101	38,766
Operational risk	380,922	428,605	314,533	366,407
Large exposure risk requirements for single equity	438	875	438	875
	1,653,458	2,231,993	1,453,485	1,889,786

44. RISK MANAGEMENT

44.1 General Risk Management

The Risk Management Framework takes its lead from the Board of Directors' ("Board") Approved Risk Appetite Framework which provides the catalyst to setting the risk/reward profile required by the Board, together with the related business strategies, limit framework and policies required to enable successful execution.

The Risk Appetite Framework is approved annually by the Board of Directors taking into account the Group's desired external rating and targeted profitability/return on equity ("ROE") and is reviewed periodically throughout the financial year by both the executive management and the Board of Directors to consider any fine tuning/amendments taking into account prevailing or expected changes to the operational environment.

The Risk Appetite Framework provides portfolio parameters for Credit Risk, Traded Market Risk, Non-Traded Market Risk, Operational Risk and Regulatory Compliance incorporating, inter alia, limit structures for countries, industries, single counterparty group, products, value at risk, stop loss, stable funding ratio, liquidity and operational risk and regulatory compliance triggers.

Board Approved Risk Appetite Statement

The Group strategic goals are to sustain the top quartile ROE, and to maintain the credit rating of BBB+ or better (from international rating agencies) for the next one to two years. This is supported by sustainable asset quality and continued portfolio diversification within retail and non-retail businesses, with greater contribution from non-interest income, complemented by robust management of liquidity, disciplined execution of interest rate risk/rate of return risk in the balance sheet, and with support from strong level of capital.

The Group intends to maintain sufficient quantity and quality of capital in excess of Basel 3 requirement for Common Equity Tier 1, Tier 1 Capital, and Total Capital. Our capital requirements are robustly tested over a three year period.

We adopt a conservative approach to liquidity management, maintaining stable and diversified funding base consistent with Basel 3 liquidity matrix (Net Stable Funds Ratio, and Liquidity Coverage Ratios). Our targeted Unadjusted Loan Deposit Ratio is up to maximum 100% with continually improving current account and savings account ("CASA") deposit composition and market share.

The Group manages Operational Risk by setting the operational risk appetite statements and measurements that the Group is willing to tolerate to support its business strategies and objectives. The Group manages its reputational risk by not engaging in any activity that has potential to result in a material event or loss that would be outside the expectations of its stakeholders. The Group also manages its regulatory compliance risk by setting positive compliance culture and ensuring that the letter and spirit of regulatory requirements, applicable laws, rules, and standards in the respective jurisdictions are complied with.

The Group manages Shariah risk by ensuring that its operations, business, affairs and activities are in compliance with rulings of the BNM's Shariah Advisory Council ("SAC") and the Bank's Shariah Committee.

The Group manages trading and sales activities by instituting appropriate governance, culture, and controls to promote acceptable behaviour.

Risk Management Governance

The Board is ultimately responsible for the management of risks within the Group. The RMCD is formed to assist the Board in discharging its duties in overseeing the overall management of all risks covering market risk, liquidity risk, credit risk, operational risk and regulatory compliance.

The Board has also established the Group CEOs Committee to assist it in managing the risks and businesses of the Group. The committee addresses all classes of risk within its Board delegated mandate: balance sheet risk, credit risk, legal risk, operational risk, market risk, Shariah risk, compliance risk, reputational risk, product risk and business and IT risk.

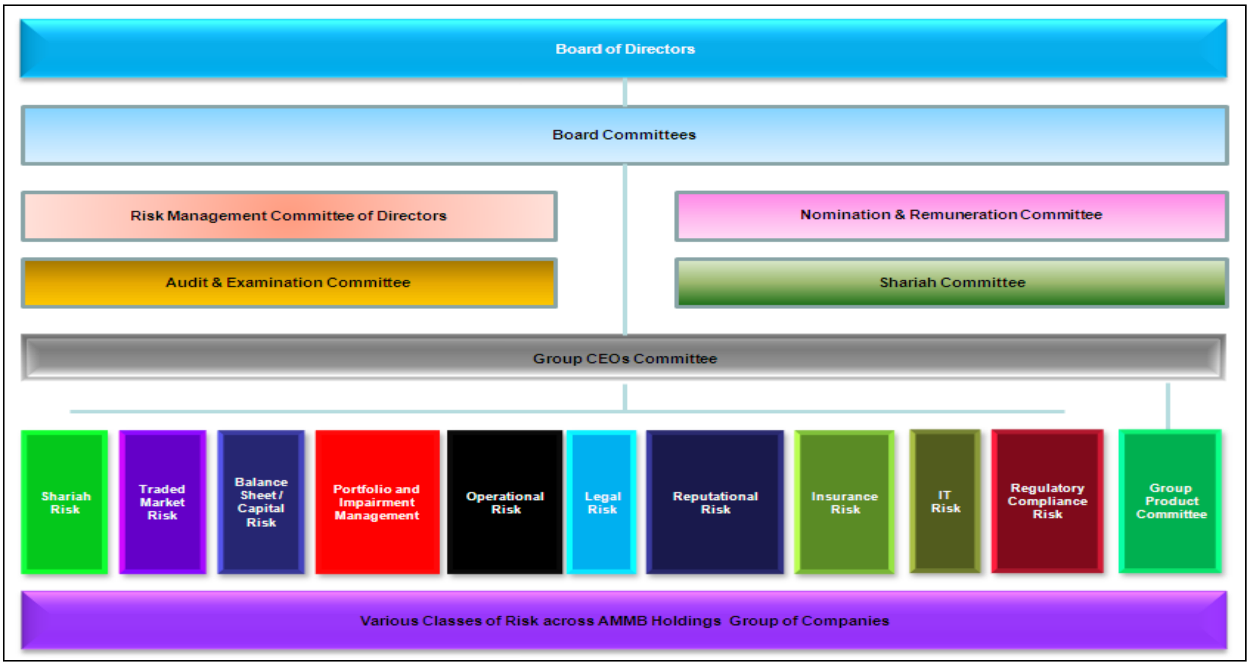
In July 2013, the Group Product Committee ("GPC") was re-established as a sub-committee of the Group CEOs Committee. The GPC is to oversee activities in managing products for the Group; and to advise and report to the Group CEOs Committee on product related matters.

44. RISK MANAGEMENT (CONTD.)

44.1 General Risk Management (Contd.)

Risk Management Governance (Contd.)

The following chart sets out the organisational structure of the Group CEOs Committee and an overview of the Group CEOs Committee's roles and responsibilities.



Business/Strategic Risk

Business risk is the risk of loss arising from the inability to adapt cost structures, products, pricing, or activities in response to lower than expected revenues, or higher than expected costs (excluding risks elsewhere defined), caused by an unexpected adverse change in the economy and general business conditions/operating environment.

Reputational Risk

Reputation risk is the risk that the Bank will lose current and future business and/or incur substantial financial penalties because its character or quality has been called into question.

44.2 Credit Risk Management

The credit risk management process is depicted in the table below:

Identification	• Identify/recognise credit risk on transactions and/or positions • Select asset and portfolio mix
Assessment/ Measurement	• Internal credit rating system • Probability of default ("PD") • Loss given default ("LGD") • Exposure at default ("EAD")
Control/ Mitigation	• Portfolio Limits, Counterparty Limits, Benchmark Returns • Collateral and tailored facility structures
Monitoring/ Review	• Monitor and report portfolio mix • Review customer under Watchlist • Undertake post mortem review

44. RISK MANAGEMENT (CONTD.)

44.2 Credit Risk Management (Contd.)

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Group transactions and/or positions as well as Shariah compliance risk (please refer to Section 14 for discussion on Shariah Governance).

The primary objective of credit risk management is to maintain accurate risk recognition identification and measurement, to ensure that credit risk exposure is in line with the Bank's Risk Appetite Framework and related credit policies.

Lending/financing activities are guided by internal credit policies and Risk Appetite Framework that are approved by the Board. The Group's Risk Appetite Framework is refreshed at least annually and with regard to credit risk, provides direction as to portfolio management strategies and objectives designed to deliver the Group's optimal portfolio mix. Credit Risk portfolio management strategies include, amongst others:

- Concentration threshold/review trigger on single counterparty credit;
- Setting Loan to Value limits for asset backed loans/financing (i.e. exchange traded shares & other collateral); and
- Classified Account processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers.

Individual credit risk exposure exceeding certain Credit Approval Delegation ("CAD") thresholds/exceptions to Group Risk Appetite Framework ("GRAF") are escalated to Credit and Commitments Committee ("CACC") for approval. In the event such exposure requires Executive Committee of Directors' ("EXCO") review and endorsement, it will be escalated. Portfolio credit risk is reported to the relevant management and board committees.

The Group CEOs Committee regularly meets to review the quality and diversification of the Group's loan/financing portfolio, approve new and amended credit risk policy, and review the portfolio risk profile against the GRAF.

Group Risk prepares monthly Risk Reports which detail important portfolio composition and trend analysis incorporating asset growth, asset quality, impairments, flow rates of loan/financing delinquency buckets and exposures by industry sectors are reported monthly by Group Risk to executive management and to all meetings of the Board.

The Bank applies the Standardised Approach to determine the regulatory capital charge related to credit risk exposure.

Credit risk exposure and concentration

The Bank's concentrations of risk are managed by industry sector, risk grade asset quality and single customer limit ("SCL"). The Bank applies SCL to monitor the large exposures to single counterparty risk.

For financial assets recognised on the statement of financial position, the maximum exposure to credit risk before taking account of any collateral held or other credit enhancements equals the carrying amount. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the instrument is called upon. For committed facilities which are undrawn, the maximum exposure to credit risk is the full amount of the committed facilities.

The following tables show the maximum exposure to credit risk from financial instruments, including derivatives, by industry and by geography, before taking account of any collateral held or other credit enhancements.

44. RISK MANAGEMENT (CONTD.)

44.2 Credit Risk Management (Contd.)

44.2.1a Industry Analysis of the Group

	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale, Retail, Restaurant, and Hotel	Transport, Storage and Communication	Finance and Insurance	Government and Central Banks	Real Estate	Business Activities	Education and Health	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group															
2015															
Cash and short-term funds	-	-	-	-	-	-	-	952,491	-	-	-	-	-	-	952,491
Derivative financial assets	-	-	-	-	-	-	-	1	-	-	-	-	-	-	1
Financial investments available-for-sale															
Unquoted Private Debt Securities	-	-	-	-	-	-	-	28,886	-	-	-	-	-	-	28,886
Financial investments held-to-maturity															
Unquoted Private Debt Securities	-	-	-	-	-	-	-	100	75,000	-	-	-	-	-	75,100
Loans, advances and financing															
Other loans, advances and financing net of individual allowance	860	-	-	-	-	-	-	-	-	5,527	49,111	-	265,498	-	320,996
Less: Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,311)
															319,685
Other financial assets	240	-	212	1,161	125	214	7,384	102,296	5,745	1,130	8,593	5,302	410,249	10,897	553,548
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-	7,483	-	-	-	-	-	7,483
Total financial assets	1,100	-	212	1,161	125	214	7,384	1,083,774	88,228	6,657	57,704	5,302	675,747	10,897	1,937,194
Commitments															
Irrevocable commitments to extend credit	-	-	-	-	8,085	-	-	-	-	7,950	4,500	48,722	160,935	-	230,192
Others	-	-	-	-	-	-	-	100	-	-	-	-	-	-	100
Contingent liabilities															
Direct credit substitutes	-	-	-	-	21,797	-	-	-	-	26,650	51,000	-	-	-	99,447
Total commitment & contingent liabilities	-	-	-	-	29,882	-	-	100	-	34,600	55,500	48,722	160,935	-	329,739

44. RISK MANAGEMENT (CONTD.)

44.2 Credit Risk Management (Contd.)

44.2.1a Industry Analysis of the Group (Contd.)

	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale, Retail, Restaurant, and Hotel	Transport, Storage and Communication	Finance and Insurance	Government and Central Banks	Real Estate	Business Activities	Education and Health	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group															
2014 (Restated)															
Cash and short-term funds	-	-	-	-	-	-	-	873,290	-	-	-	-	-	-	873,290
Deposit and placement with banks and other financial institutions	-	-	-	-	-	-	-	735	-	-	-	-	-	-	735
Financial investments available-for-sale															
Money Market Securities	-	-	-	-	-	-	-	-	547,165	-	-	-	-	-	547,165
Unquoted Private Debt Securities	-	-	-	-	-	-	-	25,642	-	-	-	-	-	-	25,642
Financial investments held-to-maturity															
Unquoted Private Debt Securities	-	-	-	-	-	-	-	100	75,000	-	-	-	-	-	75,100
Loans, advances and financing															
Other loans, advances and financing net of individual allowance	11,302	-	12,838	-	-	1,093	-	-	-	18,631	49,123	401	1,135,066	2,317	1,230,771
Less: Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,872)
															1,225,899
Other financial assets	129	-	286	179	1,956	121	450	415,412	13,312	315	162,810	-	388,789	14,699	998,458
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-	20,640	-	-	-	-	-	20,640
Total financial assets	11,431	-	13,124	179	1,956	1,214	450	1,315,179	656,117	18,946	211,933	401	1,523,855	17,016	3,766,929
Commitments															
Irrevocable commitments to extend credit	5,135	-	9,111	1,633	-	425	-	-	-		2,000	69,982	297,814	1,819	387,919
Others	-	-	-	-	-	-	-	100	-	-	-	-	-	-	100
Contingent liabilities															
Direct credit substitutes	-	-	-	-	37,297	-	-	-	-	26,650	51,000	-	-	-	114,947
Obligations under on-going underwriting agreement	-	-	-	-	21,375	-	-	-	-	-	-	-	-	-	21,375
Total commitment & contingent liabilities	5,135	-	9,111	1,633	58,672	425	-	100	-	26,650	53,000	69,982	297,814	1,819	524,341

44. RISK MANAGEMENT (CONTD.)

44.2 Credit Risk Management (Contd.)

44.2.1a Industry Analysis of the Bank

	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale, Retail, Restaurant, and Hotel	Transport, Storage and Communication	Finance and Insurance	Government and Central Banks	Real Estate	Business Activities	Education and Health	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank															
2015															
Cash and short-term funds	-	-	-	-	-	-	-	829,505	-	-	-	-	-	-	829,505
Derivative financial assets	-	-	-	-	-	-	-	1	-	-	-	-	-	-	1
Financial investments available-for-sale															
Unquoted Private Debt Securities	-	-	-	-	-	-	-	28,886	-	-	-	-	-	-	28,886
Financial investments held-to-maturity															
Unquoted Private Debt Securities	-	-	-	-	-	-	-	100	75,000	-	-	-	-	-	75,100
Loans, advances and financing															
Other loans, advances and financing net of individual allowance	860	-	-	-	-	-	-	-	-	5,527	49,111	-	265,498	-	320,996
Less: Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,311)
															319,685
Other financial assets	240	-	212	1,161	125	214	7,384	91,558	5,745	1,130	146	5,302	410,075	10,014	533,306
Statutory deposit with Bank Negara															-
Malaysia	-	-	-	-	-	-	-	-	7,483	-	-	-	-	-	7,483
Total financial assets	1,100	-	212	1,161	125	214	7,384	950,050	88,228	6,657	49,257	5,302	675,573	10,014	1,793,966
Commitments															
Irrevocable commitments to extend credit	-	-	-	-	8,085	-	-	-	-	7,950	4,500	48,722	160,935	-	230,192
Others	-	-	-	-	-	-	-	100	-	-	-	-	-	-	100
Contingent liabilities															
Direct credit substitutes	-	-	-	-	21,797	-	-	-	-	26,650	51,000	-	-	-	99,447
Total commitment & contingent liabilities	-	-	-	-	29,882	-	-	100	-	34,600	55,500	48,722	160,935	-	329,739

44. RISK MANAGEMENT (CONTD.)

44.2 Credit Risk Management (Contd.)

44.2.1a Industry Analysis of the Bank (Contd.)

	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale, Retail, Restaurant, and Hotel	Transport, Storage and Communication	Finance and Insurance	Government and Central Banks	Real Estate	Business Activities	Education and Health	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank															
2014 (Restated)															
Cash and short-term funds	-	-	-	-	-	-	-	745,837	-	-	-	-	-	-	745,837
Financial investments available-for-sale															
Money Market Securities	-	-	-	-	-	-	-	-	547,165	-	-	-	-	-	547,165
Unquoted Private Debt Securities	-	-	-	-	-	-	-	25,642	-	-	-	-	-	-	25,642
Financial investments held-to-maturity															
Unquoted Private Debt Securities	-	-	-	-	-	-	-	100	75,000	-	-	-	-	-	75,100
Loans, advances and financing															
Other loans,advances and financing net of individual allowance	11,302	-	12,838	-	-	1,093	-	-	-	18,631	47,857	401	1,122,737	2,317	1,217,176
Less : Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,872)
															1,212,304
Other financial assets	129	-	286	179	1,956	121	450	10,477	13,312	315	1,055	-	793,153	15,398	836,831
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-	20,640	-	-	-	-	-	20,640
Total financial assets	11,431	-	13,124	179	1,956	1,214	450	782,056	656,117	18,946	48,912	401	1,915,890	17,715	3,463,519
Commitments															
Irrevocable commitments to extend credit	5,135	-	9,111	1,633	-	425	-	-	-		2,000	69,982	297,814	1,819	387,919
Others	-	-	-	-	-	-	-	100	-	-	-	-	-	-	100
Contingent liabilities															
Direct credit substitutes	-	-	-	-	37,297	-	-	-	-	26,650	51,000	-	-	-	114,947
Obligations under on-going underwriting agreement	-	-	-	-	21,375	-	-	-	-	-	-	-	-	-	21,375
Total commitment & contingent liabilities	5,135	-	9,111	1,633	58,672	425	-	100	-	26,650	53,000	69,982	297,814	1,819	524,341

44. RISK MANAGEMENT (CONTD.)

44.2 Credit Risk Management (Contd.)

44.2.1b Geographical Analysis of the Group

	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Group			
2015			
Cash and short-term funds	829,999	122,492	952,491
Derivative financial assets	1	-	1
Financial investments available-for-sale			
Unquoted Private Debt Securities	-	28,886	28,886
Financial investments held-to-maturity			
Unquoted Private Debt Securities	75,100	-	75,100
Loans, advances and financing			
Other loans, advances and financing net of individual allowance	318,593	2,403	320,996
Less : Collective allowance	-	-	(1,311)
	318,593	2,403	319,685
Other financial assets	544,486	9,062	553,548
Statutory deposit with Bank Negara Malaysia	7,483	-	7,483
Total financial assets	1,775,662	162,843	1,937,194
Commitments			
Irrevocable commitments to extend credit	230,192	-	230,192
Others	100	-	100
Contingent liabilities			
Direct credit substitutes	99,447	-	99,447
Obligations under on-going underwriting agreement	-	-	-
Total commitments and contingent liabilities	329,739	-	329,739

44. RISK MANAGEMENT (CONTD.)

44.2 Credit Risk Management (Contd.)

44.2.1b Geographical Analysis of the Group (Contd.)

	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Group			
2014 (Restated)			
Cash and short-term funds	764,198	109,092	873,290
Deposit and placement with banks and other financial institutions	735	-	735
Financial investments available-for-sale			
Money Market Securities:	547,165	-	547,165
Unquoted Private Debt Securities	-	25,642	25,642
Financial investments held-to-maturity			
Unquoted Private Debt Securities	75,100	-	75,100
Loans, advances and financing			
Other loans, advances and financing net of individual allowance	1,201,439	29,332	1,230,771
Less : Collective allowance	-	-	(4,872)
	1,201,439	29,332	1,225,899
Other financial assets	851,201	147,257	998,458
Statutory deposit with Bank Negara Malaysia	20,640	-	20,640
Total financial assets	3,460,478	311,323	3,766,929
Commitments			
Irrevocable commitments to extend credit	387,919	-	387,919
Others	100	-	100
Contingent liabilities			
Direct credit substitutes	114,947	-	114,947
Obligations under on-going underwriting agreement	21,375	-	21,375
Total commitments and contingent liabilities	524,341	-	524,341

44. RISK MANAGEMENT (CONTD.)

44.2 Credit Risk Management (Contd.)

44.2.1b Geographical Analysis of the Bank

	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Bank			
2015			
Cash and short-term funds	806,198	23,307	829,505
Derivative financial assets	1	-	1
Financial investments available-for-sale			
Unquoted Private Debt Securities	-	28,886	28,886
Financial investments held-to-maturity			
Unquoted Private Debt Securities	75,100	-	75,100
Loans, advances and financing			
Other loans and financing net of individual allowance	318,593	2,403	320,996
Less : Collective allowance	-	-	(1,311)
	318,593	2,403	319,685
Other financial assets	532,502	804	533,306
Statutory deposit with Bank Negara Malaysia	7,483	-	7,483
Total financial assets	1,739,877	55,400	1,793,966
Commitments			
Irrevocable commitments to extend credit	230,192	-	230,192
Others	100	-	100
Contingent liabilities			
Direct credit substitutes	99,447	-	99,447
Obligations under on-going underwriting agreement	-	-	-
Total commitments and contingent liabilities	329,739	-	329,739

44. RISK MANAGEMENT (CONTD.)

44.2 Credit Risk Management (Contd.)

44.2.1b Geographical Analysis of the Bank (Contd.)

	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Bank			
2014 (Restated)			
Cash and short-term funds	733,687	12,150	745,837
Financial investments available-for-sale			
Money Market Securities:	547,165	-	547,165
Unquoted Private Debt Securities	-	25,642	25,642
Financial investments held-to-maturity			
Unquoted Private Debt Securities	75,100	-	75,100
Loans, advances and financing			
Other loans and financing net of individual allowance	1,201,439	15,737	1,217,176
Less : Collective allowance	-	-	(4,872)
	1,201,439	15,737	1,212,304
Other financial assets	836,083	747	836,830
Statutory deposit with Bank Negara Malaysia	20,640	-	20,640
Total financial assets	3,414,114	54,276	3,463,518
Commitments			
Irrevocable commitments to extend credit	387,919	-	387,919
Others	100	-	100
Contingent liabilities			
Direct credit substitutes	114,947	-	114,947
Obligations under on-going underwriting agreement	21,375	-	21,375
Total commitments and contingent liabilities	524,341	-	524,341

44. RISK MANAGEMENT (CONTD.)

44.2 Credit Risk Management (Contd.)

44.2.2 Main Types of Collateral

Main Types of Collateral Taken by the Bank

Collateral is used to mitigate credit risk, as the secondary source of repayment in case the counterparty cannot meet its contractual repayment obligations. Types of collateral typically taken by the Bank include:

- Cash and term deposits
- Exchange traded shares, bonds, sukuk, convertible bonds and marketable securities
- Non-exchange traded debt securities/sukuk
- Unit trusts (including Amanah Saham Nasional, Amanah Saham Bumiputera and mutual funds)

Where the customer risk profile is considered very sound, a transaction may be provided on an “unsecured” basis, i.e. not be supported by collateral.

The Bank has internal policy to determine the criteria for acceptable financial asset as collateral. This is to ensure the collateral can be liquidated in a timely manner if required.

Processes for Collateral Management

To support the development of processes around collateral valuation and management, the concept of legal enforceability and certainty are central to collateral management. In order to achieve legal enforceability and certainty, the Bank has standard collateral instruments, and where applicable, security interests are registered.

Guarantee Support

Currently, the Bank does not use guarantee support for risk mitigation.

Use of Credit Derivatives for Risk Mitigation

Currently, the Bank does not use credit derivatives and netting for risk mitigation.

Transaction Structuring to Mitigate Credit Risk

Besides tangible security and guarantee support described above, credit risk mitigation techniques are used in structuring transactions. These include duration limits managing the number of years the loan is extended, amortisation schedules and loan covenants. These assist in managing credit risk and in providing early warning signals, whereby should loan covenants be breached, the Bank and the customer can work together to address the underlying causes and as appropriate, restructure facilities.

Concentrations of Credit Risk Mitigation

The Bank carefully monitors collateral concentrations via portfolio management reporting and amendments as necessary to its Risk Appetite Framework and related policies governing Loan to Value metrics.

The main types of collateral undertaken by the Bank are exchange traded shares and unit trusts.

44. RISK MANAGEMENT (CONTD.)

44.2 Credit Risk Management (Contd.)

44.2.3 Credit Quality

The credit quality of financial assets are analysed based on broad categories. Internal credit rating grades assigned to corporate and retail lending business are mapped to the following categories based on the descriptions appended below:

Description of the Categories

Credit Quality Classification	Description
Very Strong	Counterparty's profile reflect very strong capacity to meet its financial commitments and exhibits a high degree of resilience to adverse domestic and external development. These companies/business entities have very strong business fundamentals such as: i. In good industries with stable revenues with long term growth potential; ii. Exhibits very strong financial position such as very low leverage ratio and superior cash flows position; iii. Very low risk business franchise with dominant market position; and iv. Very strong management capability.
Strong	Counterparty has strong capacity to meet its financial commitments and is generally in a position to withstand adverse domestic and external developments. These companies/business entities have strong business fundamentals such as good business track records, strong financials, sustained market position, and strong management capability.
Satisfactory	Counterparty has adequate capacity to meet its financial commitments as the business entity is generally in a position to resolve any apparent shortcoming within an acceptable timeframe. While adverse domestic or external developments are likely to weaken its capacity to meet its financial commitments, these companies/business entities exhibits satisfactory business fundamentals such as acceptable business track records, satisfactory overall financials, reasonable market position, and satisfactory management capability.
Substandard	Counterparty exhibits some weaknesses in its business fundamentals, financials and management capacity. While currently able to meets its financial commitments, the counterparty's financial capacity over the medium and longer terms may be vulnerable to adverse domestic or external developments.
Impaired	Counterparty has been classified as "impaired" as per the Policy on Definition of Default/Impaired for Credit Facility.

The table below provides the External Credit Assessment Institutions (ECAIs) rating that broadly corresponds to the broad internal credit quality categories.

Credit Quality Classification	Moody's	S&P	Fitch	RAM	MARC
Very Strong	AAA to Baa3	AAA to BBB-	AAA to BBB-	AAA to AA3	AAA to A
Strong	Ba1 to Ba3	BB+ to BB-	BB+ to BB-	A1 to BBB3	AA- to A+
Satisfactory	B1 to B3	B+ to B-	B+ to B-	BB1 to B1	A to BBB-
Substandard	Caa1 to C	CCC+ to C	CCC to C	B2 to C3	BB+ to C
Impaired	D	D	D	D	D

The above ECAIs used by the Group are:

- Standard & Poor's Rating services ("S&P")
- Moody's Investors Service ("Moody's")
- Fitch Rating ("Fitch")
- Malaysian Rating Corporation Berhad ("MARC")
- RAM Rating Services Berhad ("RAM")

44. RISK MANAGEMENT (CONTD.)

44.2 Credit Risk Management (Contd.)

44.2.4 Impairment

Definition of past due and impaired loans

All loans and advances are categorised as either:

- Neither past due nor impaired;
- Past due but not impaired; or
- Impaired.

An asset is considered past due when any payment (whether principal and/or interest/rate of return) due under the contractual terms are received late or missed.

A loan/financing is classified as impaired under the following circumstances:

(a) where the principal or interest/profit or both is past due or the amount outstanding is in excess of approved limit (for revolving facilities), each for more than 90 days or 3 months; or

(b) the loan exhibits weaknesses that render a classification appropriate to the Group's Credit Risk Rating Framework, which requires it to fall under impaired loan as required under the Group's Classified Account Management Policy.

(c) for loans, advances and financing with repayment schedules on quarterly basis or longer intervals to be classified as impaired as soon as default occurs, unless it does not exhibit any weakness that would render it classified according to the Bank's Credit Risk Rating Framework. Notwithstanding that, these loans shall be classified as impaired when the principal or interest/profit or both is past due for more than 90 days or 3 months.

(d) for distressed rescheduled and restructured ("R/R") facilities, these loans, advances and financing are categorised as "unlikeliness to repay" and classified as impaired. Non-performing R/R facilities remain impaired until re-aged.

44. RISK MANAGEMENT (CONTD.)

44.2 Credit Risk Management (Contd.)

44.2.5 Group Credit Quality By Class of Financial Assets

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system.

	<----------------------Neither past due nor impaired------------------------>									
	Very Strong Credit Profile	Strong Credit Profile	Satisfactory Risk	Substandard	Unrated	Past Due but not Impaired	Impaired	Total	Gross Amount Individually Impaired	Individual Allowance
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group										
2015										
Cash and short-term funds	952,488	3	-	-	-	-	-	952,491	-	-
Derivative financial assets	-	-	-	-	1	-	-	1	-	-
Financial investments available-for-sale										
Unquoted Private Debt Securities	-	-	28,886	-	-	-	-	28,886	-	-
Financial investments held-to-maturity										
Unquoted Private Debt Securities	75,000	-	-	-	100	-	-	75,100	-	-
Gross loans, advances and financing										
Other loans, advances and financing	-	317,465	3,531	-	-	-	2,291	323,287	2,291	(2,291)
Other financial assets	17,901	115,735	17,662	17,607	372,407	10,731	10,348	562,391	10,348	(8,843)
Statutory deposit with Bank Negara Malaysia	7,483	-	-	-	-	-	-	7,483	-	-
	1,052,872	433,203	50,079	17,607	372,508	10,731	12,639	1,949,639	12,639	(11,134)

44. RISK MANAGEMENT (CONTD.)

44.2 Credit Risk Management (Contd.)

44.2.5 Group Credit Quality By Class of Financial Assets (Contd.)

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system.

	<-----------------------Neither past due nor impaired------------------------->									
	Very Strong Credit Profile	**Strong Credit Profile**	**Satisfactory Risk**	**Substandard**	**Unrated**	**Past Due but not Impaired**	**Impaired**	**Total**	**Gross Amount Individually Impaired**	**Individual Allowance**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group										
2014 (Restated)										
Cash and short-term funds	873,287	3	-	-	-	-	-	873,290	-	-
Deposit and placement with banks and other financial institutions	735	-	-	-	-	-	-	735		-
Financial investments available-for-sale										
Money Market Securities:	547,165	-	-	-	-	-	-	547,165	-	-
Unquoted Private Debt Securities	-	-	25,642	-	-	-	-	25,642	-	-
Financial investments held-to-maturity										
Unquoted Private Debt Securities	75,000	-	-	-	100	-	-	75,100	-	-
Gross loans, advances and financing										
Other loans, advances and financing	-	1,205,003	4,822	-	13,595	-	21,678	1,245,098	21,678	(14,327)
Other financial assets	16,285	19,426	20,800	20,612	874,580	12,238	115,625	1,079,566	115,625	(86,506)
Statutory deposit with Bank Negara Malaysia	20,640	-	-	-	-	-	-	20,640	-	-
	1,533,112	1,224,432	51,264	20,612	888,275	12,238	137,303	3,867,236	137,303	(100,833)

44. RISK MANAGEMENT (CONTD.)

44.2 Credit Risk Management (Contd.)

44.2.5 Bank Credit Quality By Class of Financial Assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system.

	<-----Neither past due nor impaired				----->					
	Very Strong Credit Profile	Strong Credit Profile	Satisfactory Risk	Substandard	Unrated	Past Due but not Impaired	Impaired	Total	Gross Amount Individually Impaired	Individual Allowance
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank										
2015										
Cash and short-term funds	829,502	3	-	-	-	-	-	829,505	-	-
Derivative financial assets	-	-	-	-	1	-	-	1	-	-
Financial investments available-for-sale										
Unquoted Private Debt Securities	-	-	28,886	-	-	-	-	28,886	-	-
Financial investments held-to-maturity										
Unquoted Private Debt Securities	75,000	-	-	-	100	-	-	75,100	-	-
Gross loans, advances and financing										
Other loans, advances and financing	-	317,465	3,531	-	-	-	2,291	323,287	2,291	(2,291)
Other financial assets	17,798	115,735	17,662	17,607	360,700	2,473	8,745	540,720	8,745	(7,412)
Statutory deposit with Bank Negara Malaysia	7,483	-	-	-	-	-	-	7,483	-	-
	929,783	433,203	50,079	17,607	360,801	2,473	11,036	1,804,982	11,036	(9,703)

44. RISK MANAGEMENT (CONTD.)

44.2 Credit Risk Management (Contd.)

44.2.5 Bank Credit Quality By Class of Financial Assets (Contd.)

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system.

	<-----------------------Neither past due nor impaired			------------------------->						
	Very Strong Credit Profile	Strong Credit Profile	Satisfactory Risk	Substandard	Unrated	Past Due but not Impaired	Impaired	Total	Gross Amount Individually Impaired	Individual Allowance
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank										
2014 (Restated)										
Cash and short-term funds	745,834	3	-	-	-	-	-	745,837	-	-
Financial investments available-for-sale										
Money Market Securities:	547,165	-	-	-	-	-	-	547,165	-	-
Unquoted Private Debt Securities	-	-	25,642	-	-	-	-	25,642	-	-
Financial investments held-to-maturity										
Money Market Securities	-	-	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	75,000	-	-	-	100	-	-	75,100	-	-
Gross loans, advances and financing										
Other loans, advances and financing	-	1,205,003	4,822	-	-	-	9,758	1,219,583	9,758	(2,407)
Other financial assets	16,274	19,426	20,800	20,612	751,571	2,558	7,111	838,352	7,111	(6,920)
Statutory deposit with Bank Negara Malaysia	20,640	-	-	-	-	-	-	20,640	-	-
	1,404,913	1,224,432	51,264	20,612	751,671	2,558	16,869	3,472,319	16,869	(9,327)

44. RISK MANAGEMENT (CONTD.)

44.2 Credit Risk Management (Contd.)

44.2.6 Aging Analysis of Past Due But Not Impaired By Class of Financial Assets

	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	Total RM'000
Group				
2015				
Other financial assets	-	1,696	9,035	10,731
2014 (Restated)				
Other financial assets	9,271	1,197	1,770	12,238
Bank				
2015				
Other financial assets	-	1,696	777	2,473
2014 (Restated)				
Other financial assets	-	1,197	1,361	2,558

44.2.7 Estimated value of collateral for gross loans, advances and financing

	Financial effect of collateral		Gross exposure to credit risk		Unsecured portion of credit exposure	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Group						
Gross loans, advances and financing	320,996	1,229,984	323,287	1,245,098	2,291	15,114
Bank						
Gross loans, advances and financing	320,996	1,216,389	323,287	1,219,583	2,291	3,194

44. RISK MANAGEMENT (CONTD.)

44.2 Credit Risk Management (Contd.)

44.2.8 Methodology for Determination of Individual and Collective Allowances

An assessment is performed to determine whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant or not individually impaired.

Individual Assessment

Individual assessment is divided into 2 main processes – detection of an event(s) and an assessment of impairment:

(a) Trigger management
In trigger management, financial assets which are above the pre-set individual assessment threshold are assessed using the relevant impairment triggers for objective evidence of impairment.

(b) Valuation of assets
Financial assets which are triggered by the impairment triggers will be measured for evidence of high likelihood of impairment i.e. estimated recoveries (based on the discounted cash flow projection method and taking into account economic conditions) is less than carrying value or fair value is less than the carrying value.

Collective Assessment

Loans, advances and financing, and commitments and contingencies below the significant threshold and those not assessed to be individually impaired, will be subject to collective assessment and a collective allowance will be computed accordingly. The collective impairment assessment and provisioning methodology uses historical loss data to derive the level of provisions. The collective allowance are computed after making the necessary adjustments to reflect current economic conditions.

44.3 Liquidity Risk Management

Liquidity risk is the risk that the organisation either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can only access these financial resources at an unreasonable cost. Liquidity risk exposure arises mainly from the deposit taking and borrowing activities and market disruption, and to a lesser extent, significant drawdown of funds from previously contracted financing and purchase commitments. Funding risk is the risk of ongoing ability to raise sufficient funds to finance actual and proposed business activities at a reasonable cost. Funding and liquidity risk are interrelated as improper funding risk management may lead to liquidity problem while insufficient liquidity risk management may also give rise to funding risk.

The liquidity risk management process is depicted in the table below:

Identification	• Identify liquidity risk within existing and new business activities • Review market-related information such as market trend and economic data • Keep abreast with regulatory requirements
Assessment/ Measurement	• New Liquidity Framework ("NLF") • Liquidity Concentration Ratios • Liquidity Coverage Ratio ("LCR") • Loans to Deposit Ratio ("LDR") • Other Detailed Management Controls
Control/ Mitigation	• NLF Limits • Concentration Ratios • LCR Limits • LDR Limits • Other Detailed Management Limits
Monitoring/ Review	• Monitor limits • Periodical review and reporting

44. RISK MANAGEMENT (CONTD.)

44.3 Liquidity Risk Management (Contd.)

The liquidity risk management of the Group is aligned with the New Liquidity Framework issued by Bank Negara Malaysia. The primary objective of the Group's liquidity risk management is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments when they fall due. This objective is partly managed through maintenance of a portfolio of high-quality liquid assets to protect against adverse funding conditions and support day-to-day operations. The secondary objective is to ensure an optimal funding structure and to balance the key liquidity risk management objectives, which includes diversification of funding sources, customer base and maturity period.

The Board of Directors provides the liquidity risk management oversight while the Group CEOs Committee is the responsible governing body that approves the Group's liquidity management and strategies policies, and is responsible for setting liquidity limits, proposing liquidity risk policies and contingency funding plan, and practices to be in compliance with local regulatory requirements, and monitor liquidity on an ongoing basis. The Capital and Balance Sheet Management Department and Group Risk Management propose and oversee the implementation of policies and other controls relating to the above risks.

The Group has put in place a Contingency Funding Plan to identify early warning signals of possible liquidity problem. The Contingency Funding Plan also sets out the detailed responsibilities among the relevant departments in the event of actual liquidity crises occurring to ensure orderly execution of procedures to restore the liquidity position and confidence in the organisation.

Stress testing is undertaken to assess and plan for the impact for various scenarios which may put the Group's liquidity at risk. The stress testing output contributes to the development of the liquidity risk limits and the Group's Contingency Funding Plan.

The Group stresses the importance of customer deposit accounts as a source of funds to finance lending to customers. They are monitored using the adjusted loan/financing to deposit ratio, which compares loan/financing and advances to customers as a percentage of customer deposit accounts, together with term funding with original term of maturity in excess of three years.

As conservative liquidity management practice, part of the Group's medium term assets is funded by medium term liabilities. Medium term is defined by the Group as remaining term to maturity in excess of one year.

In preparation to the impending implementation of Basel 3 liquidity metrics, the Group is already monitoring the LCR and Net Stable Funding Ratio ("NSFR") and continue to pursue strategies to ensure the availability of cost effective liquidity. Subject to finalisation of the detailed regulations, the Group is confident of meeting Bank Negara Malaysia's requirements on Basel 3 liquidity metrics in accordance with its recently approved timetable for implementation.

44.3.1 Analysis of Assets and Liabilities By Remaining Contractual Maturities

The table below summarises the maturity profile of the Group's assets and liabilities as at 31 March. All derivatives used for hedging peuposes are shown by maturity, based on their contractual undiscounted repayment obligations.

Repayment which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. It should be noted that is not how the Group manages its liquidity risk for off-balance sheet exposures.

44. RISK MANAGEMENT (CONTD.)

44 Liquidity Risk Management (Contd.)

44.3.1 Analysis of Assets and Liabilities By Remaining Contractual Maturities (Contd.)

Group	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015								
Assets								
Cash and short-term funds	956,564	-	-	-	-	-	-	956,564
Derivative financial assets	1	-	-	-	-	-	-	1
Financial assets held-for-trading	-	-	-	-	-	-	441	441
Financial investments available-for-sale	-	-	965	29,483	-	-	12,934	43,382
Financial investments held-to-maturity	-	-	1,559	1,559	12,636	100,020	-	115,774
Gross loans, advances and financing	299,589	17,730	1,809	588	5,827	1,703	-	327,246
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	7,483	-	7,483
Deferred tax assets	-	-	-	-	-	-	2,782	2,782
Investment in associates	-	-	-	-	-	-	1,167	1,167
Other assets	532,812	1,232	3,668	73,261	6,753	-	-	617,726
Property and equipment	-	-	-	-	-	-	22,530	22,530
Intangible assets	-	-	-	-	-	-	2,920	2,920
Total Undiscounted Assets	1,788,966	18,962	8,001	104,891	25,216	109,206	42,774	2,098,016
Liabilities								
Deposits and placements of banks and other financial institutions	206,886	408,020	356,768	33,468	-	-	-	1,005,142
Other liabilities	503,879	33,119	-	135	-	-	3,328	540,461
Total Undiscounted Liabilities	710,765	441,139	356,768	33,603	-	-	3,328	1,545,603
Net Undiscounted Assets/(Liabilities)	1,078,201	(422,177)	(348,767)	71,288	25,216	109,206	39,446	552,413

2015	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Commitments								
Irrevocable commitments to extend credit	-	17,381	11,452	5,792	9,190	186,378	-	230,193
Others	-	-	-	-	-	100	-	100
Contingent liabilities								
Direct credit substitutes	51,000	-	-	-	48,447	-	-	99,447
Total commitments and contingent liabilities	51,000	17,381	11,452	5,792	57,637	186,478	-	329,740

44. RISK MANAGEMENT (CONTD.)

44 Liquidity Risk Management (Contd.)

44.3.1 Analysis of Assets and Liabilities By Remaining Contractual Maturities (Contd.)

Group 2014 (Restated)	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Assets								
Cash and short-term funds	874,370	-	-	-	-	-	-	874,370
Deposit and placement with banks and other financial institutions	-	735	-	-	-	-	-	735
Financial assets held-for-trading	-	-	-	-	-	-	659	659
Financial investments available-for-sale	-	550,000	856	846	26,847	-	15,119	593,668
Financial investments held-to-maturity	-	-	1,551	1,551	12,610	103,165	-	118,877
Gross loans, advances and financing	615,560	407,818	223,631	711	6,819	2,142	-	1,256,681
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	20,640	-	20,640
Deferred tax assets	-	-	-	-	-	-	14,164	14,164
Investment in subsidiaries	-	-	-	-	-	-	1,667	1,667
Other assets	995,534	989	951	53,255	2,878	4,220	-	1,057,827
Property and equipment	-	-	-	-	-	-	27,732	27,732
Intangible assets	-	-	-	-	-	-	13,054	13,054
Total Undiscounted Assets	2,485,464	959,542	226,989	56,363	49,154	130,167	72,395	3,980,074
Liabilities								
Deposits and placements of banks and other financial institutions	782,314	869,156	701,528	-	29,509	-	-	2,382,507
Derivative financial liabilities	10	-	-	-	-	-	-	10
Debt capital	-	-	-	-	77,716	-	-	77,716
Other liabilities	911,268	53,498	-	129	-	-	3,668	968,563
Total Undiscounted Liabilities	1,693,592	922,654	701,528	129	107,225	-	3,668	3,428,796
Net Undiscounted Assets/(Liabilities)	791,872	36,888	(474,539)	56,234	(58,071)	130,167	68,727	551,278

2014 (Restated)	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Commitments								
Irrevocable commitments to extend credit	14,364	40,901	89,296	9,246	4,213	229,899	-	387,919
Others	-	-	-	-	-	100	-	100
Contingent liabilities								
Direct credit substitutes	51,000	-	-	-	37,297	26,650	-	114,947
Obligations under on-going underwriting agreement	-	21,375	-	-	-	-	-	21,375
Total commitments and contingent liabilities	65,364	62,276	89,296	9,246	41,510	256,649	-	524,341

44. RISK MANAGEMENT (CONTD.)

44 Liquidity Risk Management (Contd.)

44.3.1 Analysis of Assets and Liabilities By Remaining Contractual Maturities (Contd.)

Bank 2015	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Assets								
Cash and short-term funds	833,578	-	-	-	-	-	-	833,578
Derivative financial assets	1	-	-	-	-	-	-	1
Financial assets held-for-trading	-	-	-	-	-	-	441	441
Financial investments available-for-sale	-	-	965	29,483	-	-	12,934	43,382
Financial investments held-to-maturity	-	-	1,559	1,559	12,636	100,020	-	115,774
Gross loans, advances and financing	299,589	17,730	1,809	588	5,827	1,703	-	327,246
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	7,483	-	7,483
Deferred tax assets	-	-	-	-	-	-	2,782	2,782
Investment in subsidiaries	-	-	-	-	-	-	102,941	102,941
Investment in associates	-	-	-	-	-	-	100	100
Other assets	521,904	1,232	2,250	65,149	6,712	-	-	597,247
Property and equipment	-	-	-	-	-	-	22,486	22,486
Intangible assets	-	-	-	-	-	-	1,710	1,710
Total Undiscounted Assets	1,655,072	18,962	6,583	96,779	25,175	109,206	143,394	2,055,171
Liabilities								
Deposits and placements of banks and other financial institutions	206,886	408,020	356,768	33,467	-	-	-	1,005,141
Other liabilities	488,894	29,197	-	135	-	-	3,328	521,554
Total Undiscounted Liabilities	695,780	437,217	356,768	33,602	-	-	3,328	1,526,695
Net Undiscounted Assets/(Liabilities)	959,292	(418,255)	(350,185)	63,177	25,175	109,206	140,066	528,476

2015	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Commitments								
Irrevocable commitments to extend credit	-	17,381	11,452	5,792	9,190	186,378	-	230,193
Others	-	-	-	-	-	100	-	100
Contingent liabilities								
Direct credit substitutes	51,000	-	-	-	48,447	-	-	99,447
Total commitments and contingent liabilities	51,000	17,381	11,452	5,792	57,637	186,478	-	329,740

44. RISK MANAGEMENT (CONTD.)

44 Liquidity Risk Management (Contd.)

44.3.1 Analysis of Assets and Liabilities By Remaining Contractual Maturities (Contd.)

Bank 2014 (Restated)	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Assets								
Cash and short-term funds	746,917	-	-	-	-	-	-	746,917
Financial assets held-for-trading	-	-	-	-	-	-	659	659
Financial investments available-for-sale	-	550,000	856	846	26,847	-	12,919	591,468
Financial investments held-to-maturity	-	-	1,551	1,551	12,610	103,165	-	118,877
Gross loans, advances and financing	590,044	407,818	223,631	711	6,819	2,142	-	1,231,165
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	20,640	-	20,640
Deferred tax assets	-	-	-	-	-	-	14,164	14,164
Investment in subsidiaries	-	-	-	-	-	-	103,447	103,447
Investment in associates	-	-	-	-	-	-	100	100
Other assets	826,459	989	673	53,255	2,878	4,220	-	888,474
Propety and equipment	-	-	-	-	-	-	24,442	24,442
Intangible assets	-	-	-	-	-	-	1,714	1,714
Total Undiscounted Assets	2,163,420	958,807	226,711	56,363	49,154	130,167	157,445	3,742,067
Liabilities								
Deposits and placements of banks and other financial institutions	782,314	869,156	701,528	-	29,509	-	-	2,382,507
Derivative financial liabilities	5	-	-	-	-	-	-	5
Other liabilities	795,604	46,692	-	129	-	-	3,668	846,093
Total Undiscounted Liabilities	1,577,923	915,848	701,528	129	29,509	-	3,668	3,228,605
Net Undiscounted Assets/(Liabilities)	585,497	42,959	(474,817)	56,234	19,645	130,167	153,777	513,462

2014 (Restated)

	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Commitments								
Irrevocable commitments to extend credit	14,364	40,901	89,296	9,246	4,213	229,899	-	387,919
Others	-	-	-	-	-	100		100
Contingent liabilities								
Direct credit substitutes	51,000	-	-	-	37,297	26,650	-	114,947
Obligations under on-going underwriting agreement	-	21,375	-	-	-	-	-	21,375
Total commitments and contingent liabilities	65,364	62,276	89,296	9,246	41,510	256,649	-	524,341

44. RISK MANAGEMENT (CONTD.)

44.4 Market Risk Management

Market risk is the risk of losses due to adverse changes in the level or volatility of market rates or prices, such as interest/profit rates, credit spreads, equity prices and foreign exchange rates. The Group differentiates between two categories of market risk: Traded Market Risk ("TMR") and Non-Traded Market Risk ("NTMR"). Assessment, control and monitoring of these risks are the responsibility of Group Market Risk ("GMR").

Traded Market Risk

The TMR management process is depicted in the table below:

Identification	• Identify market risks within existing and new products • Review market-related information such as market trends and economic data
Assessment/ Measurement	• Value-at-Risk ("VaR") • Annual Loss Limit ("ALL") • Hisorical Stress Loss ("HSL") • Other Detailed Management Controls
Controls/ Mitigation	• VaR Limits • HSL Limits • Loss Limits (Annual/Monthly/Daily) • Concentration Limits • Greek Limits (Delta/ Gamma/ Delta-Gamma//Vega/ Theta) • Present Value of One Basis Point Limits ("PV01") • Stealth Limits • Position Size Limits • Maximum Tenor Limits • Maximum Holding Period • Minimum Holding Period • Approved Instruments/Currencies/Countries • Other Detailed Management Limits
Monitoring/ Review	• Monitor limits • Periodical review and reporting

TMR arises from transactions in which the Group acts as principal with clients or the market. It involves taking positions in fixed income, equity, foreign exchange, commodities and/or derivatives. The objectives of TMR management are to understand, accurately measure and work with the business to ensure exposures are managed within the Board and Executive Management approved limit structures and risk appetite. This is done via robust traded market risk measurement, limit setting, limit monitoring, and collaboration and agreement with Business Units.

VaR, ALL, HSL and other detailed management controls are used to measure, monitor and control TMR exposures. VaR is a quantitative measure which applies recent historic market conditions to estimate potential losses in market value, at a certain confidence level and over a specified holding period. Loss limits serve to alert management on the need to take relevant and appropriate action once they are triggered.

To complement VaR, HSL is used as a measure of the potential impact on portfolio values due to more extreme, albeit plausible, market movements. In addition, HSL is used to gauge and ensure that the Group is able to absorb extreme, unanticipated market movements.

Apart from VaR, ALL and HSL, additional sensitivity controls (e.g. Greeks Limits/PV01) and indicators are used to monitor changes in portfolio value due to changes in risk factors under different market conditions.

GMR monitors and reports risk exposures against limits on a daily basis. Portfolio market risk positions are also reported to Group CEOs Committee, RMCD and the Board. Furthermore, policies and procedures are in place to ensure prompt action is taken in the event of non-adherence to limits. Business Units exposed to traded market risk are required to maintain risk exposures within approved risk limits. Business Units are required to provide an action plan to address any non-adherence to limits. The action plan must be approved by Senior Management.

44. RISK MANAGEMENT (CONTD.)

44.4 Market Risk Management (Contd.)

Traded Market Risk (Contd.)

The Group adopts the Standardised Approach for market risk capital charge computation. The capital charge serves as a buffer against losses from potential adverse market movements.

GMR is committed to on-going improvements in market risk processes and systems, and allocates substantial resources to this endeavour.

Non-Traded Market Risk

Interest Rate Risk/Rate of Return Risk in Banking Book

The interest rate risk/rate of return risk in the banking book ("IRR/RORBB") risk management process is depicted in the table below:

Identification	• Identify IRR/RORBB within existing and new products • Review market-related information such as market trends and economic data
Assessment/ Measurement	• Value-at-Risk ("VaR") • Earnings-at-Risk ("EaR") • Present Value of One Basis Point ("PV01") • Other Detailed Management Controls
Controls/ Mitigation	• VaR Limits • EaR Limits • PV01 Limits • Other Detailed Management Controls
Monitoring/ Review	• Monitor limits • Periodical review and reporting

IRR/RORBB arises from changes in market interest/profit rates that impact core net interest/profit income, future cash flows or fair values of financial instruments. This risk arises from mismatches between repricing dates of assets and liabilities, changes in yield curves, volatilities in interest/profit margins and implied volatilities on interest/profit rate options. The provision of retail and wholesale banking products and services (primarily lending and deposit taking activities) creates interest/profit rate-sensitive positions in the Bank's statement of financial position.

The principal objectives of balance sheet risk management are to manage interest/profit income sensitivity while maintaining acceptable levels of IRR/RORBB and funding risk, and to manage the economic value of Group's capital.

The Board's oversight of IRR/RORBB is supported by the Group CEOs Committee. Group CEOs Committee is responsible for the alignment of Group-wide risk appetite and funding needs, taking into consideration the Group's business strategies. Group CEOs Committee consistently oversees the Group's gapping positions, asset growth and liability mix against the interest/profit rate outlook. It also reviews strategies to ensure a comfortable level of IRR/RORBB is maintained. The Group has successfully engaged long-term borrowings and written interest/profit rate swaps to manage IRR/RORBB, and maintained an acceptable gapping profile as a result. In accordance with the Group's policy, positions are monitored on a daily basis and hedging strategies are employed to ensure risk exposures are maintained within Board-established limits.

The Group measures the risk of losses arising from potential adverse movements in market interest/profit rates and volatilities using VaR. VaR is a quantitative measure of IRR/RORBB which applies recent historic market conditions to estimate the potential loss in economic value, at a certain confidence level and over a specified holding period.

The Group complements VaR by stress testing IRR/RORBB exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Key assumptions in the gap and sensitivity analysis relate to the behaviour of interest/profit rates and spreads, changes in loan and deposit product balances due to behavioural characteristics under different interest/profit rate environments. Material assumptions include the repricing characteristics and the stickiness of indeterminate or non-maturity deposits.

44. RISK MANAGEMENT (CONTD.)

44.4 Market Risk Management (Contd.)

Non-Traded Market Risk (Contd.)

The rate scenarios may include rapid ramping of interest/profit rates, gradual ramping of interest/profit rates, and narrowing or widening of spreads. Usually each analysis incorporate what management deems the most appropriate assumptions about customer behaviour in an interest/profit rate scenario. However, in certain cases, assumptions are deliberately changed to test the Group's exposure to a specified event.

The Group's strategy seeks to optimise exposure to IRR/RORBB within Board-approved limits. This is achieved through the ability to reposition the interest/profit rate exposure of the statement of financial position using dynamic product and funding strategies, supported by MFRS 139-compliant interest/profit rate hedging activities using interest/profit rate swaps and other derivatives. These approaches are governed by Group's policies in the areas of product and liquidity management as well as the banking book policy statements and hedging policies.

IRR/RORBB is calculated daily and reported to Group CEOs Committee.

Market Risk Sensitivity

(i) Interest Rate Risk/Rate of Return Risk

Interest rate risk/rate of return risk ("IRR/ROR") is the risk that the value of a financial instrument will fluctuate due to changes in market interest/profit rate and is managed through gap and sensitivity analysis. Interest/profit rate movements also affect the Group's income and expense from assets and liabilities as well as capital fund. The Group has adopted IRR/ROR hedging measures to cushion the interest/profit rate volatility.

The following table demonstrates the sensitivity of the Group's and the Bank's profit before taxation and equity to a reasonable possible change in interest/profit rate with all other variables remaining constant.

The Group

	2015		2014	
	Interest Rate + 100 bps (RM'000)	**Interest Rate - 100 bps (RM'000)**	**Interest Rate + 100 bps (RM'000)**	**Interest Rate - 100 bps (RM'000)**
Impact on Profit before taxation	445	(445)	5,779	(5,779)
Impact on Equity	(156)	156	(1,533)	1,561

The Bank

	2015		2014	
	Interest Rate + 100 bps (RM'000)	**Interest Rate - 100 bps (RM'000)**	**Interest Rate + 100 bps (RM'000)**	**Interest Rate - 100 bps (RM'000)**
Impact on Profit before taxation	445	(445)	5,779	(5,779)
Impact on Equity	(156)	156	(1,533)	1,561

Note:
The sensitivity analysis presented for non-traded market risk excluded non-interest/profit rate bearing assets and liabilities. The disclosure presented conforms with the Group's method of managing IRR/ROR in the banking book by including all fixed and floating rate financial assets and liabilities.

44. RISK MANAGEMENT (CONTD.)

44.4 Market Risk Management (Contd.)

(ii) Foreign Exchange Risk

Foreign exchange risk arises from changes in foreign exchange rates to exposure on the Group's and the Bank's financial instruments denominated in currencies other than the functional currency of the transacting entity. Position limits are imposed to prevent the Group and the Bank from exposure to excessive foreign currency exchange risk.

The following table demonstrates the sensitivity of the Group's and of the Bank's profit before taxation and equity to a reasonable possible change in foreign exchange rates with all other variables remaining constant.

Impact on Profit before taxation

Currency	2015 Currency Rate + 10 % (RM'000)	2015 Currency Rate - 10 % (RM'000)	2014 Currency Rate + 10 % (RM'000)	2014 Currency Rate - 10 % (RM'000)
The Group				
USD	937	(937)	705	(705)
SGD	487	(487)	349	(349)
EUR	25	(25)	84	(84)
JPY	11	(11)	-	-
GBP	-	-	24	(24)
Others	102	(102)	156	(156)
The Bank				
USD	933	(933)	425	(425)
SGD	487	(487)	349	(349)
EUR	25	(25)	24	(24)
JPY	11	(11)	-	-
GBP	-	-	1	(1)
Others	97	(97)	54	(54)

(iii) Equity Price Risk

Equity price risk arises from the adverse movements in the price of equities. Equity price risk is controlled via position size, loss limits and VaR limits.

The following table demonstrates the sensitivity of the Group's and of the Bank's profit before taxation and equity to a reasonable possible change in equity prices with all other variables remaining constant:

The Group

	2015 Prices + 10% (RM'000)	2015 Prices - 10% (RM'000)	2014 Prices + 10% (RM'000)	2014 Prices - 10% (RM'000)
Impact on Profit before taxation	(2)	2	1	(1)
Impact on Equity	-	-	-	-

The Bank

	2015 Prices + 10% (RM'000)	2015 Prices - 10% (RM'000)	2014 Prices + 10% (RM'000)	2014 Prices - 10% (RM'000)
Impact on Profit before taxation	(2)	2	1	(1)
Impact on Equity	-	-	-	-

44. RISK MANAGEMENT (CONTD.)

44.5 Operational Risk Management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external incidents which includes but is not limited to legal risk and Shariah compliance risk (Please refer to Chapter 14 for discussion on Shariah Governance). It excludes strategic, systemic and reputational risk.

Operational Risk Appetite (“ORA”) is integral part of the Group’s operational risk management framework, which sets the acceptable tolerance levels for operational risk. The ORA statements and measurements are classified based on operational risk loss event types, which are grouped into five (5) categories as below and monitored via Incident Management and Data Collection, Key Risk Indicator and Key Control Testing:

- Fraud (internal & external);
- Employment Practices and Workplace Safety;
- Client, Products and Business Practices;
- Business Disruption, System Failures and Damage to Physical Assets; and
- Execution, Delivery and Process Management.

Operational Risk Management (“ORM”) is the discipline of continual and systematic process which includes risk identification, assessment, monitoring and reporting of risk for decision making and implementation of risk controls, which results in acceptance, mitigation, or avoidance of risk. ORM provides the oversight of operational risk, including the risk of loss resulting from inadequate or failed internal processes, people and systems or from external incidents.

The Bank minimises operational risk by putting in place appropriate policies, internal controls and procedures as well as maintaining back-up procedures for key activities and undertaking business continuity planning. These are supported by independent reviews by the Group Internal Audit team.

44.5.1 Business Continuity Management

The Business Continuity Management (BCM) function forms an integral part of ORM. It places the importance of maintaining a BCM framework and policies to identify events that could potentially threaten the Bank’s operations and establishment of critical functions recovery against downtimes. BCM builds the resilience and recovery capability to safeguard the interest of Bank’s stakeholders by protecting our brand and reputation.

The Bank is continuously reviewing the level of business operations resiliency and conduct periodical testing to enhance the BCM capability throughout all critical departments and branches across the region. Training is an on-going agenda to heighten the BCM awareness and inculcate a business resilience culture.

44.6 Legal and Regulatory Risk

The Bank manages legal and regulatory risks to its business. Legal risk arises from the potential that breaches of applicable laws and regulatory requirements, unenforceability of contracts, lawsuits, or adverse judgement, may lead to the incurrence of losses, disrupt or otherwise resulting in financial and operational risk.

Legal risk is overseen by the Group CEOs Committee, upon advice by internal legal counsel and, where necessary, in consultation with external legal counsel to ensure that such risk is minimised/appropriately managed.

A proactive regulatory risk monitoring and control process is essential for any financial group to provide assurance that its products and services are offered in a manner consistent with regulatory requirements and industry best practice. Regulatory Compliance undertakes the task by ensuring that appropriate measures are introduced and applied accordingly, whilst inculcating a compliance culture across all levels of staff. Amongst the measures introduced are monitoring and reporting, training, providing advice and disseminating information. A process is in place to standardise compliance practices across the Group.

44. RISK MANAGEMENT (CONTD.)

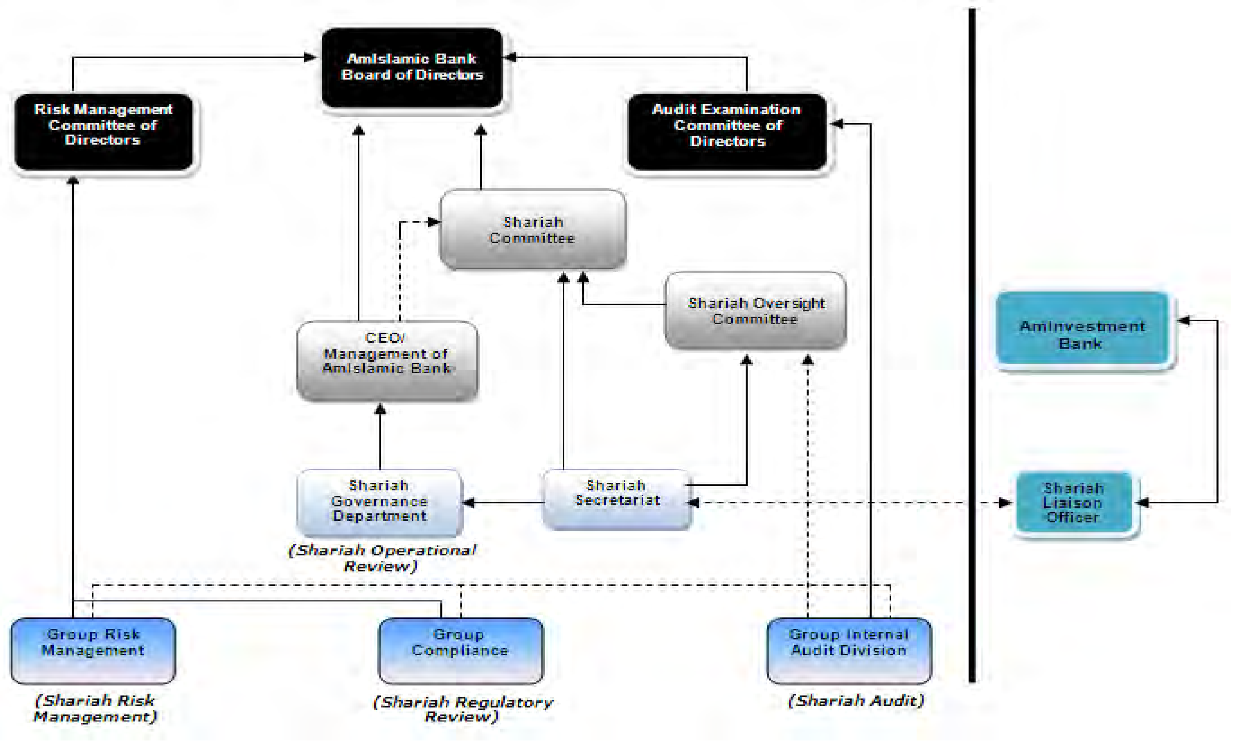
44.6 Legal and Regulatory Risk (Contd.)

The compliance monitoring and reporting system is essentially a mechanism through which businesses monitor their compliance to rules and regulations as well as provide monthly, quarterly and exception reporting that is carried out online. This reaffirms our commitment to a centralised compliance infrastructure that embraces regular self-assessment by staff, thus providing management the assurance that staff are aware and comply with internal and external requirements.

Compliance awareness is performed on a regular basis to ensure staffs keeps abreast of banking, insurance, capital markets and anti-money laundering laws as well as other regulatory developments. The awareness helps staff develop their skills to identify compliance issues as well as cultivate good corporate ethics. In addition to the training provided, the Compliance Repository, an online resource tool, continues to provide staff with easy access to rules and regulations to various search modes.

Regulatory Compliance also provides advice on regulatory matters and measures to be implemented by the Group to facilitate compliance with rules and regulations. To further promote understanding, regulatory compliance facilitates briefings, disseminates information and leads coordination efforts.

44.7 Shariah Risk



A Shariah governance framework is put in place in the organisational structure of the Group for its Islamic banking operations, which includes establishment of the Shariah Committee for AmBank Islamic in line with the requirement of BNM's "Shariah Governance Framework for Islamic Financial Institutions". Requirements on Shariah compliance have been further strengthened with the coming into force of the Islamic Financial Services Act, 2013 ("IFSA").

AmBank Islamic's Shariah Governance Structure leverages on the Group's shared platforms such as Group Risk Management Department, Group Compliance Department, and Group Internal Audit Division for key Shariah functions. As a prudential measure, AmBank Islamic has continued to enhance its overall Shariah governance in line with the regulatory policies and requirements under IFSA.

The Bank, (through Shariah liason officer) at respective LOB's, if any or at Islamic Markets Department (IMD) leverages on the Shariah Secretariat of AmBank Islamic in referring matters to the Shariah Committee. The Bank also has the option to engage external Shariah Advisor registered and approved by the Securities Commission Malaysia. The Bank Islamic window i.e. Islamic Markets Department is a licensed institution approved by Bank Negara Malaysia to carry out Islamic Banking Scheme.

44. RISK MANAGEMENT (CONTD.)

44.7 Shariah Risk (Contd.)

Board of Directors
The Board of Directors is accountable and responsible for the overall oversight on Shariah framework and Shariah compliance, including the appointment of Shariah Committee members. The Board performs its oversight through various committees such as AEC, RMCD and Shariah Committee.

Audit Examination Committee
AEC is a Board committee responsible for assisting the Board of Directors in ensuring Islamic Banking operations of AmBank Group is Shariah compliant through oversight of the Shariah Audit function perfomed by Group Internal Audit Division.

Risk Management Committee of Directors
RMCD is a Board committee responsible for assisting the Board in ensuring risk management and control process is in place and functioning, including Shariah risk management through Group Risk Management Department and Shariah regulatory review through Group Compliance Department.

Shariah Committee
The Shariah Committee is responsible and accountable on matters related to Shariah. This includes advising Board of Directors and Management on Shariah matters and endorsing and validating products and services, and the relevant documentation in relation to Islamic Banking operations. The Shariah Committee also provides advice on business zakat, charity and other social programs.

The Shariah Committee reports functionally to AmBank Islamic's Board of Directors and this provides for the independence of the Shariah Committee in exercising their duties.

Shariah Oversight Committee
The Shariah Oversight Committee, which is a sub-committee to the Shariah Committee performs an oversight function for the key Shariah functions; Shariah Review, Shariah Audit, and Shariah Risk Management. Shariah Oversight Committee also provides guidance and advice on matters pertaining to Shariah non-compliant incidents as well as treatment of Shariah non-compliant income (if any).

Chief Executive Officer/Management
The CEO/management is responsible to make reference to the Shariah Committee on Shariah issues and to take necessary measures for implementation of Shariah Committee’s advice and decisions. The CEO/management is also responsible in setting the infrastructure and providing the environment and adequate resources to support the Shariah governance framework. This includes putting in place adequate systems and controls in order to ensure compliance with Shariah and mitigate Shariah risk.

Shariah Governance Department
The Shariah Governance Department operates as a one-stop centre for all Shariah related operational issues of Islamic businesses. This includes providing day-to-day Shariah advisory and support function, Shariah operational review, Shariah research, and as Secretariat to the Shariah Committee and Shariah Oversight Committee. In addition, the Shariah Governance Department also perform the zakat and charity management.

Group Internal Audit Division
A designated team within the Group Internal Audit Division is responsible to conduct independent assessment on the level of Shariah compliance of Islamic banking operations through Shariah audit function. Areas of audit include product – structure documentation, adequacy of systems internal controls, computation, and staff competency and adequacy of the Shariah governance process.

Group Compliance Department
Undertakes the Shariah compliance review from a regulatory perspective. This is executed based on the Shariah Regulatory Review Framework, which consists of the Compliance Monitoring & Reporting ("CMR") and Shariah Compliance assessment. CMR is a periodical self-assessment by the Departments via a structured process and Compliance Assessment is performed to review on department’s compliance with regulatory requirements including Shariah regulatory requirements and effectiveness of the self-assessment performed.

44. RISK MANAGEMENT (CONTD.)

44.7 Shariah Risk (Contd.)

Group Risk Management Department

Shariah risk management leverages on existing infrastructure within Group Risk Management Department in managing the Shariah risk. The unique Shariah risks shall be identified according to existing risk types, credit risk, operational risk, and market risk.

Shariah non-compliant income

The governance structure and control has been emplaced by AmBank Islamic as to facilitate all business activities, products and services offered, and legal in order to mitigate Shariah non-compliant incidents.

For any reported Shariah non-compliant incident, the matter will be deliberated with Shariah Oversight Committee for confirmation as to whether the non-compliant event is either actual or potential Shariah non-compliance. Upon confirmation by the Shariah Oversight Committee and where certain amount of income is to be de-recognised, the amount will be treated in the manner as advised by the Shariah Oversight Committee and the Shariah Committee, including channelling to Baitulmal and other identified charitable bodies.

As at 31 March 2015, there is no record of Shariah non-compliant event reported and therefore no Shariah non-compliant income declared.

45. FAIR VALUES OF FINANCIAL INSTRUMENTS

The estimated fair values of the Group's and of the Bank's financial instruments are as follows except as detailed in the following tables, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values:

45.1 Financial instruments not measured at fair value (excluding those financial instruments where the carrying amounts are resonable approximation of their fair values)

Group

	2015		2014	
	Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Financial Assets				
Financial investments held-to-maturity	75,100	72,565	75,100	69,708

Bank

	2015		2014	
	Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Financial Assets				
Financial investments held-to-maturity	75,100	72,565	75,100	69,708

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

45.2 The following table provides the fair value measurement hierarchy of the Group's and the Bank's assets and liabilities:

	< Group >				< Bank >			
2015	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets measured at fair value								
Derivative financial assets	1	-	-	1	1	-	-	1
Financial assets held-for-trading								
- Quoted Securities	441	-	-	441	441	-	-	441
Financial investments available-for-sale								
- Unquoted private debt securities	-	28,886	-	28,886	-	28,886	-	28,886
	442	28,886	-	29,328	442	28,886	-	29,328
Assets for which fair values are disclosed								
Financial investments held-to-maturity								
- Unquoted private debt securities	-	72,465	100	72,565	-	72,465	100	72,565

	< Group >				< Bank >			
2014	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets measured at fair value								
Financial assets held-for-trading								
- Quoted Securities	659	-	-	659	659	-	-	659
Financial investments available-for-sale			-					
- Money market securities	-	547,165	-	547,165	-	547,165	-	547,165
- Unquoted private debt securities	-	25,642	-	25,642	-	25,642	-	25,642
	659	572,807	-	573,466	659	572,807	-	573,466
Assets for which fair values are disclosed								
Financial investments held-to-maturity								
- Unquoted private debt securities	-	69,608	100	69,708	-	69,608	100	69,708
Liabilities measured at fair value								
Derivative financial liabilities	10	-	-	10	5	-	-	5

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

45.3 Determination of fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

(a) Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than six months), demand deposits and savings accounts without a specific maturity, the carrying amounts approximate their fair value. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was initially recognised.

(b) Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were initially recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

(c) Contingent liabilities and undrawn credit facilities

The fair value of contingent liabilities and undrawn credit facilities are not readily ascertainable. These financial instruments are presently not sold or traded. They generate fees that are in line with market prices for similar arrangements. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs and potential loss that may arise should these commitments crystallise. The Group and the Bank assess that their respective fair values are unlikely to be significant given that the overall level of fees involved is not significant and no provision is necessary to be made.

(d) Derivatives

Derivative products valued using a valuation technique with market observable inputs are mainly interest rate swaps and options, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Derivative products valued using a valuation technique with significant non–market observable inputs are long dated contracts (interest rate swaps, currency swaps, forwards foreign exchange contracts, option contracts and certain credit default swaps). These derivatives are valued using models that calculate the present value such as credit models (e.g. default rate models or credit spread models) and the binomial model for options. The models incorporate various non-observable assumptions that include the credit spread of the reference asset for credit default swaps, and market rate volatilities.

(e) Financial investments available–for–sale

Financial investments available–for–sale valued using valuation techniques or pricing models primarily consist of unquoted equities and debt securities.

(f) Other trading assets

Other trading assets valued using a valuation technique consists of certain debt securities and asset–backed securities. The Group and the Bank value the securities using discounted cash flow valuation models which incorporate observable and unobservable data. Observable inputs include assumptions regarding current rates of interest and broker statements. Unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts.

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

45.4 Determination of fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as described in note 2.5(l).

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Non market observable inputs means that fair values are determined, in whole or in part, using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data. The main asset classes in this category are unlisted equity investments and debt instruments. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group or of the Bank. Therefore, unobservable inputs reflect the Group's and the Bank's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's and the Bank's own data.

46. BUSINESS SEGMENT ANALYSIS

Segment information is presented in respect of the Group's business segments. The business segment information is prepared based on internal management reports, which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance. The business segment results are prepared based on the Group's internal management reporting. As a result of an internal reorganisation during the current financial year, there is a change in business segment reporting. The Group has been re-organised into two major operating divisions. The division forms the basis on which the Group reports its segment information.

The Group comprises the following main business segments:-

(a) Wholesale banking

Wholesale banking in AMMB Group is a consolidation of five business divisions, namely Business Banking ("BB"), Corporate and Institutional Banking ("CIB"), Investment Banking ("IB"), Transaction Banking ("TBK"), and Markets ("MKT") into two business divisions, namely Wholesale Banking Coverage (comprises BB & CIB) and Wholesale Banking Products (comprises IB, TBK and MKT).

Wholesale Banking Division in the Group which mainly comprise Wholesale Banking Products ensures provision of innovative products and solutions to the wholesale client segment. Wholesale Banking Products offers a full range of investment banking solutions and services, encompassing the following business segments:

i. Equity Markets - provides clients an investment avenue to participate in the equity markets through its multiple distribution channels, including remisiers, Bank Branch Broking, salaried dealers, and the internet trading platform, offering clients the flexibility to trade equities, futures and equity derivatives both online and offline.

ii. Private Banking - manages the private wealth of high net worth individuals, family groups and companies by offering comprehensive wealth management solutions and integrated access to expertise and resources of AMMB Group.

iii. Corporate finance - provides an extensive range of corporate finance and advisory services which include mergers and acquisitions, divestitures, take-overs, initial public offerings, restructuring, privatisations, issuance of equity and equity-linked instruments as well as valuation support.

iv. Debt Capital Market - provides debt financing solutions to clients through a wide array of products which include conventional and Islamic Private Debt Securities, loan syndication, capital and project advisory as well as structured finance and securitization deals.

v. Others – include other non-core Wholesale Banking Products activities within the Group which includes Markets and Transaction

(b) Operating Segments

Operating Segments comprise activities which complement and support the operations of the main business units and non-core operations of the Group.

Measurements of Segment Performance

The segment performance is measured on income, expenses and profit basis. These are shown after allocation of certain centralised cost, funding income and expenses directly associated with each segment. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

Operating Revenue

Operating revenue of the Group comprises all type of revenue derived from the business segments but after elimination of all related companies transactions.

Major customers

No revenue from one single customer amounted to greater than 10% of the Group's revenue for the current and previous financial years.

46. BUSINESS SEGMENT ANALYSIS (CONTD.)

			Wholesale Banking			Operating Segments	
2015	**Equity Markets**	**Private Banking**	**Corporate Finance**	**Debt Capital Market**	**Others**		**Total**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
External revenue	202,872	39,176	31,234	11,245	5,801	36,001	326,329
Revenue from other segments	8,760	(6,697)	(48)	(154)	94	(1,955)	-
Revenue	211,632	32,479	31,186	11,091	5,895	34,046	326,329
Net interest income	31,199	4,839	(47)	(154)	95	(14,703)	21,229
Other operating income	118,201	27,638	31,233	11,245	5,800	(6,859)	187,258
Income	149,400	32,477	31,186	11,091	5,895	(21,562)	208,487
Share in results of associates						500	500
Other operating expenses	(98,666)	(20,246)	(20,929)	(6,858)	2,836	(10,166)	(154,029)
of which:							
Depreciation of property and equipment	(2,691)	(259)	(53)	*(36)*	(768)	*(777)*	(4,584)
Amortisation of intangible assets	(575)	(150)	(13)	*(3)*	(25)	*(1)*	(767)
Profit/(loss) before provisions	50,734	12,231	10,257	4,233	8,731	(31,228)	54,958
(Allowance)/writeback of provisions - net	(8,316)	2,412	(954)	-	724	1,309	(4,825)
Profit/(loss) before taxation	42,418	14,643	9,303	4,233	9,455	(29,919)	50,133
Taxation and zakat	(8,974)	(3,661)	(2,326)	(1,058)	(2,364)	6,253	(12,130)
Profit/(loss) after taxation	33,444	10,982	6,977	3,175	7,091	(23,666)	38,003
Other information:							
Total segment assets	917,456	75,184	3,589	10,104	10,615	1,030,918	2,047,866
Total segment liabilities	495,595	18,417	4,843	4,917	7,022	1,006,769	1,537,563
Cost to income ratio	66.0%	62.3%	67.1%	61.8%	-48.1%	-47.1%	73.9%
Gross loans, advances and financing	258,270	61,486	-	-	-	3,531	323,287
Net loans, advances and financing	254,864	61,363	-	-	-	3,458	319,685
Impaired loans, advances and financing	2,291	-	-	-	-	-	2,291
Total deposits	-	-	-	-	-	980,869	980,869
Additions to:							
Property and equipment	3,022	19	83	12	136	531	3,803
Intangible assets	802	-	-	-	1	-	803

46. BUSINESS SEGMENT ANALYSIS (CONTD.)

	Wholesale Banking					Operating Segments	
2014 **Group**	**Equity Markets RM'000**	**Private Banking RM'000**	**Corporate Finance RM'000**	**Debt Capital Market RM'000**	**Others RM'000**	**RM'000**	**Total RM'000**
External revenue	199,871	44,241	39,779	23,121	2,808	38,023	347,843
Revenue from other segments	7,667	(11,745)	(76)	(122)	182	4,094	-
Revenue	207,538	32,496	39,703	22,999	2,990	42,117	347,843
						-	-
Net interest income	33,826	7,678	(76)	(122)	890	(11,095)	31,101
Other operating income	99,283	24,818	39,779	23,121	2,100	5,540	194,641
Income	133,109	32,496	39,703	22,999	2,990	(5,555)	225,742
Share in results of associates						554	554
Other operating expenses	(100,983)	(24,560)	(19,378)	(11,925)	(7,102)	(13,694)	(177,642)
of which:							
Depreciation of property and equipment	(1,945)	(203)	(67)	*(41)*	(848)	*(707)*	*(3,811)*
Amortisation of intangible assets	(535)	(288)	(24)	*(4)*	(29)	*(2)*	*(882)*
Profit/(loss) before provisions	32,126	7,936	20,325	11,074	(4,112)	(18,695)	48,654
(Allowance)/writeback of provisions - net	(78,323)	(1,289)	988	-	162	4,953	(73,509)
Loss before taxation	(46,197)	6,647	21,313	11,074	(3,950)	(13,742)	(24,855)
Taxation and zakat	(11,191)	(1,662)	(5,328)	(2,769)	989	(5,543)	(25,504)
(Loss)/profit after taxation	(57,388)	4,985	15,985	8,305	(2,961)	(19,285)	(50,359)
Other information:							
Total segment assets	1,423,525	935,761	4,769	6,672	9,959	1,518,687	3,899,373
Total segment liabilities	995,116	7,020	4,699	3,532	18,299	2,385,954	3,414,620
Cost to income ratio	75.9%	75.6%	48.8%	51.9%	-237.5%	-246.5%	78.7%
Gross loans, advances and financing	304,626	935,651	-	-	-	4,821	1,245,098
Net loans, advances and financing	288,433	932,652	-	-	-	4,814	1,225,899
Impaired loans, advances and financing	15,114	6,564	-	-	-	-	21,678
Total deposits	-	-	-	-	-	2,351,318	2,351,318
Additions to:							
Property and equipment	3,255	878	65	7	435	391	5,031
Intangible assets	274	12	1	-	-	-	287

Included in the above is Islamic banking business profit before taxation of RM15.4 million for the Group and the Bank for the financial year ended 31 March 2015 (RM15.6 million for the Group and the Bank for the financial year ended 31 March 2014).

The Group's activities are principally conducted in Malaysia except for AmFrasers International Pte. Ltd. and its subsidiaries, activities of which are principally conducted in Singapore, which contributed to a profit before tax of RM10.1 million for the financial year ended 31 March 2015 (Loss before tax RM79.6 million for the financial year ended 31 March 2014).

47. OFFSETTING OF FINANCIAL ASSET AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:-

				Amount not offset in the Statements of financial position		
Group	**Gross amount of recognised financial assets/ liabilities RM'000**	**Gross amounts offset in the statements of financial position RM'000**	**Amounts presented in the statements of financial position RM'000**	**Financial Instruments RM'000**	**Cash Collateral received/ pledged RM'000**	**Net Amount RM'000**
31 March 2015						
Other assets	638,578	(15,992)	622,586	(34,438)	(11,151)	576,997
Other liabilities	572,686	(15,992)	556,694	-	-	556,694
31 March 2014						
Other assets	1,078,675	(19,044)	1,059,631	(51,243)	(13,477)	994,911
Other liabilities	1,004,620	(19,044)	985,576	-	-	985,576
Bank						
31 March 2015						
Other assets	618,092	(15,992)	602,100	(34,438)	(11,151)	556,511
Other liabilities	553,780	(15,992)	537,788	-	-	537,788
31 March 2014						
Other assets	909,311	(19,044)	890,267	(51,243)	(13,477)	825,547
Other liabilities	881,913	(19,044)	862,869	-	-	862,869

48. CHANGE IN ACCOUNTING POLICIES AND RESTATEMENT OF COMPARATIVES

The following comparative figures have been restated to conform with MFRS 132 requirements.

(i) Reconciliation of statements of financial position of the Group and of the Bank as at 1 April 2013 and as at 31 March 2014.

As at 1 April 2013	**As previously stated RM'000**	**Note 3.1(a) RM'000**	**As restated RM'000**
Group			
ASSETS			
Other assets	941,272	197,229	1,138,501
LIABILITIES AND EQUITY			
Other liabilities	777,827	197,229	975,056
Bank			
ASSETS			
Other assets	582,972	197,229	780,201
LIABILITIES AND EQUITY			
Other liabilities	548,780	197,229	746,009
As at 31 March 2014			
Group			
ASSETS			
Other assets	673,398	386,233	1,059,631
LIABILITIES AND EQUITY			
Other liabilities	599,343	386,233	985,576
Bank			
ASSETS			
Other assets	504,034	386,233	890,267
LIABILITIES AND EQUITY			
Other liabilities	476,636	386,233	862,869

48. CHANGE IN ACCOUNTING POLICIES AND RESTATEMENT OF COMPARATIVES (CONTD.)

(ii) Reconciliation of statements of cash flows of the Group and of the Bank for the financial year ended 31 March 2014.

	As previously reported RM'000	Note 3.1(a) RM'000	As restated RM'000
Group			
CASH FLOWS FROM OPERATING ACTIVITIES			
Other assets	189,006	(189,004)	2
Other liabilities	(171,778)	189,004	17,226
Bank			
CASH FLOWS FROM OPERATING ACTIVITIES			
Other assets	67,062	(189,004)	(121,942)
Other liabilities	(69,466)	189,004	119,538

(iii) Reconciliation of statements of capital adequacy ratio of the Group and of the Bank for the financial year ended 31 March 2014.

	As previously reported	Note 3.1(a)	As restated
Group			
Before deducting proposed dividends:			
Common Equity Tier 1 ("CET1") Capital Ratio	24.652%	-5.237%	19.415%
Tier 1 ("T1") Capital Ratio	24.652%	-5.237%	19.415%
Total Capital Ratio	24.652%	-5.237%	19.415%
After deducting proposed dividends:			
CET1 Capital Ratio	24.652%	-5.237%	19.415%
T1 Capital Ratio	24.652%	-5.237%	19.415%
Total Capital Ratio	24.652%	-5.237%	19.415%
Bank			
Before deducting proposed dividends:			
Common Equity Tier 1 ("CET1") Capital Ratio	21.207%	-4.344%	16.863%
Tier 1 ("T1") Capital Ratio	21.207%	-4.344%	16.863%
Total Capital Ratio	21.207%	-4.344%	16.863%
After deducting proposed dividends:			
CET1 Capital Ratio	21.207%	-4.344%	16.863%
T1 Capital Ratio	21.207%	-4.344%	16.863%
Total Capital Ratio	21.207%	-4.344%	16.863%

49. ISLAMIC BANKING BUSINESS

The financial position as at 31 March 2015 and the results for the financial year ended 31 March 2015 of the Islamic banking business of the Group and of the Bank are included in the financial statements, after elimination of intercompany transactions and balances, and are summarised as follows:

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2015

	Note	Group and Bank 2015 RM'000	Group and Bank 2014 RM'000
ASSETS			
Cash and short-term funds	(ii)	245,596	479,614
Other receivables, deposits and prepayments		24,163	16,687
Deferred tax assets	(iii)	1	292
Property and equipment	(iv)	25	29
Intangible assets	(v)	1	2
TOTAL ASSETS		269,786	496,624
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits and placements of banks and other financial institutions		-	301,500
Other liabilities	(vi)	98,280	35,314
TOTAL LIABILITIES		98,280	336,814
ISLAMIC BANKING FUNDS			
Capital funds	(vii)	30,000	30,000
Reserves		141,506	129,810
Islamic Banking Funds		171,506	159,810
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		269,786	496,624
COMMITMENT & CONTINGENCIES	(xiv)	77,650	77,650

The accompanying notes form an integral part of the Islamic banking business financial statements.

49. ISLAMIC BANKING BUSINESS (CONTD.)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

	Note	Group and Bank	
		2015	2014
		RM'000	RM'000
Income derived from investment of depositors' funds and others	(viii)	2,417	6,048
Total attributable income		2,417	6,048
Income attributable to the depositors	(ix)	(914)	(4,262)
Profit attributable to the Group and the Bank		1,503	1,786
Income derived from investment of Islamic banking funds	(x)	15,286	16,859
Direct costs	(xi)	(67)	(83)
Total net income		16,722	18,562
Sundry receivables recovered		-	51
Other operating expenses	(xii)	(1,323)	(3,048)
Profit before taxation		15,399	15,565
Taxation	(xiii)	(3,703)	(3,873)
Profit after taxation		11,696	11,692

The accompanying notes form an integral part of the Islamic banking business financial statements.

49. ISLAMIC BANKING BUSINESS (CONTD.)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

	Non-distributable	Distributable	
	Capital Funds RM'000	Retained Earnings RM'000	Total RM'000
Group and Bank			
At 1 April 2013	30,000	118,118	148,118
Profit for the financial year	-	11,692	11,692
At 31 March 2014	30,000	129,810	159,810
At 1 April 2014	30,000	129,810	159,810
Profit for the financial year	-	11,696	11,696
At 31 March 2015	30,000	141,506	171,506

The accompanying notes form an integral part of the Islamic banking business financial statements.

49. ISLAMIC BANKING BUSINESS (CONTD.)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

	Group and Bank 2015 RM'000	Group and Bank 2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	15,399	15,565
Add adjustments for:		
Depreciation of property and equipment	10	13
Amortisation of intangible assets	1	2
Operating profit before working capital changes	15,410	15,580
(Increase)/decrease in operating assets:		
Other receivables, deposits and prepayments	(7,185)	192
(Decrease)/increase in operating liabilities:		
Deposits and placements of banks and other financial institutions	(301,500)	299,750
Other liabilities	59,263	(28,227)
Net cash (used in)/generated from operating activities	(234,012)	287,295
Taxation refund/(paid)	-	508
Net cash (used in)/generated from operating activities	(234,012)	287,803
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(6)	(2)
Net cash used in investing activities	(6)	(2)
Net (decrease)/increase in cash and cash equivalents	(234,018)	287,801
Cash and cash equivalents at beginning of financial year	479,614	191,813
Cash and cash equivalents at end of financial year	245,596	479,614

The accompanying notes form an integral part of the Islamic banking business financial statements.

49. ISLAMIC BANKING BUSINESS (CONTD.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS

(i) ISLAMIC BANKING BUSINESS

Disclosure of Shariah Advisor

The Group and Bank's Islamic banking activities are subject to conformity with Shariah requirements and confirmation by the Shariah Advisor, Assoc. Prof. Dr. Amir Husin bin Mohd Nor, Assoc. Prof. Datin Dr. Noor Naemah binti Abdul Rahman, Dr. Adnan bin Yusoff, Asst. Professor Dr. Tajul Aris bin Ahmad Bustami and Dr. Asmak binti Ab Rahman. The role and authority of the Shariah Advisor are as follows:

(a) Advise and provide guidance on all matters pertaining to Shariah principles including product development, marketing and implementation activities.

(b) Assist in the setting up of business and operational procedures with respect to compliance with Shariah principles.

Zakat obligations

The Group and Bank do not pay zakat on behalf of the shareholder or depositors.

(ii) CASH AND SHORT TERM FUNDS

	Group and Bank	
	2015 RM'000	2014 RM'000
Cash and bank balances	245,596	207
Money on call and deposits maturing within one month:		
Licensed banks	-	479,407
	245,596	479,614

(iii) DEFERRED TAX ASSETS

	Group and Bank	
	2015 RM'000	2014 RM'000
Balance at beginning of financial year	292	212
Net transfer to/(from) income statement (Note xiii)	(291)	80
Balance at end of financial year	1	292

The deferred taxation is in respect of the following:

Temporary difference between depreciation and tax allowance	(6)	(7)
Temporary differences from provisions	7	299
	1	292

49. ISLAMIC BANKING BUSINESS (CONTD.)

(iv) PROPERTY AND EQUIPMENT

Group and Bank	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
2015				
COST				
At 1 April 2014	88	67	84	239
Additions	-	5	1	6
At 31 March 2015	88	72	85	245
ACCUMULATED DEPRECIATION				
At 1 April 2014	86	61	63	210
Depreciation for financial year	2	2	6	10
At 31 March 2015	88	63	69	220
NET BOOK VALUE				
At 31 March 2015	-	9	16	25
2014				
COST				
At 1 April 2013 / 31 March 2014	88	67	84	239
ACCUMULATED DEPRECIATION				
At 1 April 2013	82	58	57	197
Depreciation for financial year	4	3	6	13
At 31 March 2014	86	61	63	210
NET BOOK VALUE				
At 31 March 2014	2	6	21	29

49. ISLAMIC BANKING BUSINESS (CONTD.)

(v) INTANGIBLE ASSETS

Computer Software	Group and Bank 2015 RM'000	Group and Bank 2014 RM'000
COST		
Balance at beginning of financial year	19	19
Balance at end of financial year	19	19
ACCUMULATED AMORTISATION		
Balance at beginning of financial year	17	15
Amortisation for the financial year	1	2
Balance at end of financial year	18	17
NET CARRYING AMOUNT	1	2

(vi) OTHER LIABILITIES

	Group and Bank 2015 RM'000	Group and Bank 2014 RM'000
Trade payables	4,494	559
Other payables and accruals	1,774	5,455
Amount due to head office	62,641	3,341
Taxation and zakat payable	29,371	25,959
	98,280	35,314

Amount due to head office is unsecured, non-profit bearing and repayable on demand.

(vii) CAPITAL FUNDS

	Group and Bank 2015 RM'000	Group and Bank 2014 RM'000
Allocated:		
Balance at beginning and end of financial year	30,000	30,000
Utilised:		
Balance at beginning and end of financial year	30,000	30,000

49. ISLAMIC BANKING BUSINESS (CONTD.)

(viii) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Group and Bank 2015 RM'000	Group and Bank 2014 RM'000
Income derived from investment of other deposits	2,417	6,048

Income derived from investment of other deposits is derived from finance income and hibah from money at call and deposits with financial institutions.

(ix) INCOME ATTRIBUTABLE TO THE DEPOSITORS

	Group and Bank 2015 RM'000	Group and Bank 2014 RM'000
Other deposit and placement from Head Office	914	4,262

(x) INCOME DERIVED FROM INVESTMENT OF ISLAMIC BANKING FUNDS

	Group and Bank 2015 RM'000	Group and Bank 2014 RM'000
Finance income and hibah:		
Money at call and deposits with financial institutions	5,015	3,720
	5,015	3,720
Fee and commission income:		
Brokerage fees and commissions	1,190	1,298
Corporate advisory	225	20
Guarantee fees	1,032	1,226
Fees on financing and securities	7,822	10,196
	10,269	12,740
Other operating income	2	399
Total	15,286	16,859

(xi) DIRECT COSTS

	Group and Bank 2015 RM'000	Group and Bank 2014 RM'000
Brokerage commission	13	21
Others	54	62
	67	83

49. ISLAMIC BANKING BUSINESS (CONTD.)

(xii) OTHER OPERATING EXPENSES

	Group and Bank	
	2015	2014
	RM'000	RM'000
Personnel costs	766	2,197
Establishment costs	162	166
Marketing and communication expenses	(18)	176
Administration and general expenses	266	256
Service transfer pricing expenses	147	253
	1,323	3,048

(xiii) TAXATION

	Group and Bank	
	2015	2014
	RM'000	RM'000
Estimated current tax payable	3,597	3,936
Over provision of tax expense in prior financial year	(185)	(1)
Transfer from deferred tax assets	291	(80)
Over provision of deferred tax in prior financial year	-	18
Total	3,703	3,873

(xiv) COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Islamic banking business of the Group and of 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 commitments and contingencies are not secured against the Group's and the Bank's assets.

As at 31 March 2015, the commitments and contingencies outstanding are as follows:

	2015 Principal Amount RM'000	2014 Principal Amount RM'000
Group and Bank		
Contingent Liabilities		
Al-Kafalah guarantees	77,650	77,650

49. ISLAMIC BANKING BUSINESS (CONTD.)

(xv) NET INCOME FROM ISLAMIC BANKING BUSINESS

For consolidation with the conventional operations, income from Islamic banking business comprises the following items:

	Group and Bank	
	2015 RM'000	2014 RM'000
Income derived from investment of depositors' funds	2,417	6,048
Less: Income attributable to depositors	(914)	(4,262)
Income attributable to the Group and the Bank	1,503	1,786
Net income derived from Islamic banking funds	15,219	16,776
	16,722	18,562

(xvi) CAPITAL ADEQUACY RATIO

(a) The capital adequacy ratios of the Islamic banking business of the Group and the Bank are as follows:

	Group and Bank	
	2015	2014
Before deducting proposed dividends:		
CET1 Capital Ratio	107.696%	75.606%
T1 Capital Ratio	107.696%	75.606%
Total Capital Ratio	107.696%	75.606%
After deducting proposed dividend:		
CET1 Capital Ratio	107.696%	75.606%
T1 Capital Ratio	107.696%	75.606%
Total Capital Ratio	107.696%	75.606%

The capital adequacy ratio of the Group refers to the consolidated capital base as a ratio of the consolidated risk-weighted assets of the Bank and its subsidiaries. The capital adequacy ratio of the Bank refers to the combined capital base as a ratio of the risk-weighted assets of the Bank for the financial year.

The minimum regulatory capital adequacy requirements for the risk-weighted capital ratios are as follows:

	Calendar Year		
	2013	2014	2015
CET 1 Capital Ratio	3.5%	4.0%	4.5%
Tier 1 Capital Ratio	4.5%	5.5%	6.0%
Total Capital Ratio	8.0%	8.0%	8.0%

49. ISLAMIC BANKING BUSINESS (CONTD.)

(xvi) CAPITAL ADEQUACY RATIO (CONTD.)

(b) The components of Tier 1 and Tier 2 Capital of the Islamic banking business of the Group and of the Bank are as follows:

Group and Bank	**2015 RM'000**	**2014 RM'000**
CET1 Capital		
Capital funds	30,000	30,000
Retained earnings	141,506	129,810
Less : Regulatory adjustments applied on CET1 capital		
Other intangibles	(1)	(2)
Deferred tax assets	(1)	(292)
CET1 capital	**171,504**	**159,516**
T2 capital	-	-
Total Capital	**171,504**	**159,516**

The breakdown of risk-weighted assets of the Group and of the Bank in the various risk categories are as follows:

	Group and Bank	
	2015 RM'000	**2014 RM'000**
Credit risk	127,718	168,305
Operational risk	31,531	42,678
	159,249	210,983