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**AMBANK (M) BERHAD
(8515-D)
(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements
31 March 2017**

Company No. 8515-D

**AMBANK (M) BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES**

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AMBANK (M) BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited financial statements of AmBank (M) Berhad ("the Bank") and its subsidiaries ("the Group") for the financial year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Bank is to carry on the business of a licensed commercial bank.

The principal activities of its subsidiaries are disclosed in Note 18 to the financial statements.

Other than disclosed in Note 18, there have been no significant changes in the nature of the activities of the Bank and its subsidiaries during the financial year.

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit for the financial year	<u>953,518</u>	<u>942,311</u>
Attributable to:		
Equity holder of the Bank	953,517	942,311
Non-controlling interests	<u>1</u>	<u>-</u>
	<u>953,518</u>	<u>942,311</u>

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

In the opinion of the Directors, the results of the operations of the Group and of the Bank during 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 current financial year in which this report is made.

DIVIDENDS

During the current financial year:

- the final single-tier cash dividend of 36.00 sen per ordinary share on 820,363,762 ordinary shares amounting to approximately RM295,330,954 in respect of the financial year ended 31 March 2016 was paid on 25 August 2016;
- the interim single-tier cash dividend of 21.00 sen per ordinary share on 820,363,762 ordinary shares amounting to approximately RM172,276,390 in respect of the current financial year was paid on 14 December 2016.

The Directors propose the payment of a final single-tier dividend of 39.50 sen per ordinary share on 820,363,762 ordinary shares amounting to approximately RM324,043,686 in respect of the current financial year ended 31 March 2017. 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 financial year ending 31 March 2018.

BUSINESS PLAN AND STRATEGY

Financial year 2017 marked the start of the AMMB Holdings Berhad Group ("AMMB Group") "Top4" journey which encapsulates the group's aspirations:

- To be Top 4 in each of our 4 growth segments – Mass Affluent, Affluent, SME, Mid Corporate;
- To be Top 4 in each of our 4 focus products – Cards and Merchants, Transaction Banking, Markets/Foreign Exchange, Wealth Management;
- To sustain Top 4 in each of our current engines – Corporate Loans/Financing, Debt Capital Market, Funds Management; and
- To be the Top 4 best employer in Malaysia.

We made solid progress in the first year of the AMMB Group "Top4" journey with early benefits reflected in our FY2017 results. As we enter the second year of our "Top4" journey, we will see more momentum building from initiatives rolled out in FY2017, contributing to higher income growth and strengthening of our funding and capital positions. Meanwhile, our digital banking transformation is set to gain momentum in FY2018 as we progressively materialise initiatives that will help improve customer experience and overall efficiency.

Wholesale Banking's strategic priorities for FY18 are growing payroll accounts, improving profitability and evolutionising the business through analytics and innovative financial solutioning. The business will heighten focus on the Mid Corporate segment, enhance foreign exchange across all customer segments, along with enhancing transaction banking solutions and developing digital capabilities. Transaction Banking continues to play the pivotal role in our CASA and deposit growth strategy. In addition to building a new platform with wider functionalities to facilitate liquidity management and foreign exchange business, it remains committed to innovating cash management and JomPay solutions and sourcing for avenues to intensify cross selling opportunities.

Our Business Banking is a new division established to provide greater focus to the small and medium-sized enterprise (SME) segment. It comprises two lines of business; Enterprise Banking will drive programme lending and flow business such as foreign exchange and trade while Commercial Banking is based around liabilities and discretionary lending, along with ancillary solutions.

In FY2018, Retail Banking will continue to focus on growth in our mass affluent, affluent and retail SME segments, while strengthening our product market positions in cards and wealth management. These propositions are supported by enhanced sales and distribution capabilities, including via leveraging on advanced customer data analytics and improved efficiency through process reengineering and digitalisation.

The Bank is also channeling its efforts to the Amanah Saham Bumiputera and Amanah Saham Bumiputera 2 financing to ensure that our incentives meet the growth targets.

Premised on the consistent growth in Malaysia's economy and our commitment to achieve the AMMB Group "Top4" aspirations, we remains focused in delivering optimal returns for our shareholders.

OUTLOOK FOR NEXT FINANCIAL YEAR

Malaysia's Gross Domestic Product ("GDP") is expected to grow by 4.3%-4.8% in 2017 (2016: 4.2%) underpinned by continued expansion in domestic activities and stronger exports from improving global economy.

Domestic investment activity will continue to support GDP growth from capital expenditure in the export-oriented industries, particularly in the manufacturing sector together with continued roll-out of large-scale infrastructure projects. Private consumption is expected to grow on the back of consistent wage growth and recent pro-growth government measures.

Inflation is projected to be higher at 3.0% - 4.0% in 2017 (2016: 2.1%) reflecting the impact of persistent weakness of the ringgit and higher commodity prices, especially on retail fuel price.

The banking system's loans growth is expected to be between 5.0% and 6.0% in 2017, supported by modest growth in retail loans especially in mortgage loans for affordable homes and improvement in business loans from infrastructure, higher exports and firmer commodity prices.

ISSUANCE OF SHARES AND DEBENTURES

The following are changes during the financial year in debt and equity securities that were issued by the Group and the Bank.

- (a) During the financial year, the Bank repaid Senior Notes with nominal value of RM325.0 million issued under its Senior Notes programme of up to RM7.0 billion on maturity date of 28 April 2016.
- (b) On 15 March 2017, the Bank issued tranche 2 of Subordinated Notes amounting to RM500.0 million under its Subordinated Notes programme of RM4.0 billion. The interest rate of this tranche is 5.2% per annum, payable semi-annually. The full amount of this tranche issued qualify for recognition as Tier 2 capital for the purpose of capital adequacy ratio computation.

Save as disclosed above and in Notes 27 and 28 to the financial statements, there were no issuance of shares or debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Bank to any parties during the financial year 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.

INDEMNIFICATION OF DIRECTORS

The Bank through the ultimate holding company, AMMB Holdings Berhad ("AMMB") has maintained a Directors' and Officers' Liability Insurance on a group basis up to an aggregate limit of RM300.0 million against any legal liability incurred by the Directors and Officers in the discharge of their duties while holding office for the Bank. The Directors and Officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

BAD AND DOUBTFUL DEBTS

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

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

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 of the Group and of the Bank 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 which has arisen since the end of the financial year which secures the liability 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 of the Group and of the Bank.

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.

CURRENT ASSETS

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that any current assets, which were unlikely to be realised 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 which would render the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.

DIRECTORS

The Directors of the Bank who served on the Board since the beginning of the current financial year to the date of this report are:

Tan Sri Azman Hashim
Raymond Fam Chye Soon
Voon Seng Chuan
Dato' Sri Abdul Hamidy Abdul Hafiz
Graham Kennedy Hodges (resigned on 1 July 2016)
Kevin Paul Corbally (appointed on 1 July 2016, resigned on 20 September 2016)

The Directors of the Bank's subsidiaries who served on the Board since the beginning of the current financial year to the date of this report are:

No	Name of subsidiary	Name of Directors
1.	AmProperty Holdings Sdn. Bhd.	Lim Hock Aun
2.	Bougainvillaea Development Sdn. Bhd.	Khoo Teck Beng (appointed on 26 August 2016)
3.	MBf Information Services Sdn. Bhd.	Yap Yee Chuan (resigned on 29 August 2016)
4.	MBf Trustees Berhad	Lim Hock Aun Khoo Teck Beng (appointed on 26 September 2016) Yap Yee Chuan (resigned on 27 September 2016)

DIRECTORS (CONT'D.)

No	Name of subsidiary	Name of Directors
5. 6. 7. 8.	MBf Nominees (Tempatan) Sdn. Bhd. Teras Oak Pembangunan Sendirian Berhad Malco Properties Sdn. Bhd. Economical Enterprises Sendirian Berhad (dissolved on 22 December 2016)	Lim Hock Aun Lim Kien Hock
9. 10.	Everflow Credit & Leasing Corporation Sdn. Bhd. (dissolved on 20 September 2016) Komuda Credit & Leasing Sdn. Bhd. (under member's voluntary winding-up)	Lim Hock Aun Arunasalam a/l Muthusamy
11. 12.	AmPremier Capital Berhad AMBB Capital (L) Ltd (under member's voluntary winding-up)	Mandy Jean Simpson Sim How Chuah
13.	AmCard Services Berhad	Mandy Jean Simpson Jade Lee Gaik Suan (appointed on 28 March 2017) Eqhwan Mokhzanee bin Muhammad (appointed on 8 February 2017, resigned on 29 March 2017) Datuk Mohamed Azmi bin Mahmood (resigned on 8 February 2017)
14.	AmMortgage One Berhad	Jade Lee Gaik Suan (appointed on 29 March 2017) Oon Kin Seng Dato' Ng Mann Cheong Eqhwan Mokhzanee bin Muhammad (appointed on 8 February 2017, resigned on 29 March 2017) Datuk Mohamed Azmi bin Mahmood (resigned on 8 February 2017)
15.	AmLabuan Holdings (L) Ltd	Datuk Iswaraan a/l Suppiah (appointed on 22 March 2017) Pushparani a/p Moothathamby (resigned on 23 March 2017) Datuk Mohamed Azmi bin Mahmood (resigned on 8 February 2017) Dato' Azlan Hashim (resigned on 18 April 2016)
16.	AmTrade Services Limited (under member's voluntary winding-up)	Amir Azizi bin Darus Chan Chee Wah

DIRECTORS' INTERESTS

Under the Bank's Constitution, the Directors are not required to hold shares in the Bank.

None of the Directors in office at the end of the financial year had any interest in shares in the Bank during the financial year.

Tan Sri Azman Hashim is also a Director of the holding company and his interests in shares in the related corporations during and at the end of the financial year are reported in the Directors' Report of the holding company.

Save as disclosed above, none of the other Directors in office at the end of the financial year had any interest in shares in the related corporations during and at the end of the financial year.

AMMB 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 fulfil 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 have 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.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 37 to the financial statements and from related corporations) by reason of a contract made by the Bank or a related corporation with the Director or with a firm in which the Director is a member, or with a company in which the Director has a substantial financial interest, other than for the related party transactions as shown in Note 43 to the financial statements.

Neither during nor at the end of the financial year, did there subsist any arrangements to which the Bank is a party to 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.

CORPORATE GOVERNANCE

(a) Directors' Profile

The following are the profile of the Directors of the Bank:

TAN SRI AZMAN HASHIM **Non-Independent Non-Executive Chairman**

Tan Sri Azman Hashim, a Malaysian, male, aged 77, was appointed to the Board of the Bank on 20 December 2001 and has served as the Non-Independent Non-Executive Chairman of the Bank. He is also the Chairman of the Board Credit Committee.

Tan Sri Azman has been the Non-Independent Non-Executive Chairman of AMMB, the holding company of the Bank, since 1991 and he is also the Chairman of the board of several subsidiaries of AMMB, namely AmInvestment Bank Berhad, AmGeneral Insurance Berhad, AmMetLife Insurance Berhad, AmGeneral Holdings Berhad and AmInvestment Group Berhad.

Tan Sri Azman, a Fellow Chartered Banker (FCB), a Chartered Accountant (FCPA), a Fellow of the Institute of Chartered Accountants and a Fellow of the Institute of Chartered Secretaries and Administrators, has been in the banking industry since 1960 when he joined Bank Negara Malaysia and served there until 1964. He practised as a Chartered Accountant in Azman Wong Salleh and Co. from 1964 to 1971. He then joined the board of Malayan Banking Berhad from 1966 until 1980 and was its Executive Director from 1971 until 1980. He was the Executive Chairman of Kwong Yik Bank Berhad, a subsidiary of Malayan Banking Berhad, from 1980 until April 1982 when he acquired AmInvestment Bank Berhad.

CORPORATE GOVERNANCE (CONT'D.)

(a) Profile of Directors (Cont'd.)

TAN SRI AZMAN HASHIM
Non-Independent Non-Executive Chairman

Tan Sri Azman is the Executive Chairman of Amcorp Group Berhad and Chairman of the Asian Institute of Finance Berhad, the Asian Institute of Chartered Bankers, Asian Banking School Sdn Bhd, Malaysian Investment Banking Association, the Malaysia Productivity Corporation, Malaysia South-South Corporation Berhad and Chairman Emeritus of Pacific Basin Economic Council (PBEC).

He is the President of Malaysia South-South Association, Malaysia-Japan Economic Association, Malaysian Prison FRIENDS Club and a Member of the APEC Business Advisory Council and East Asia Business Council. He is also the Leader of the ASEAN Japanese Business Meeting (Malaysia Committee, Keizai Doyukai). He is the Pro-Chancellor of Open University of Malaysia and a member of the Governing Body of Asian Productivity Organisation.

Tan Sri Azman is also involved in several charitable organisations as Chairman and Trustee of AmGroup Foundation and Perdana Leadership Foundation and Trustee for Yayasan Azman Hashim, Malaysian Liver Foundation, Yayasan Tuanku Najihah and Yayasan Canselor Open University Malaysia. Tan Sri Azman is also the Founder and Council Member of Azman Hashim Family (L) Foundation and Azman Hashim Charitable (L) Foundation.

RAYMOND FAM CHYE SOON
Independent Non-Executive Director

Raymond Fam Chye Soon, a Malaysian, male, aged 54, was appointed to the Board of the Bank on 15 January 2015 as Independent Non-Executive Director. He is the Chairman of the Audit and Examination Committee and a Member of the Risk Management Committee of the Bank.

Mr Raymond Fam holds a Master in Financial Planning from University of Sunshine Coast, Australia and Corporate Finance qualification from ICAEW. He is also a Member of the Malaysian Institute of Certified Public Accountants, the Malaysian Institute of Accountants and the Financial Planning Association of Malaysia.

Mr Raymond Fam also sits on the board of AmGeneral Insurance Berhad, a subsidiary of AMMB as an Independent Non-Executive Director. He is the Chairman of the Audit and Examination Committee, Nomination and Remuneration Committee and Investment Committee, and a Member of the Risk Management Committee of AmGeneral.

Mr Raymond Fam has extensive experience in corporate finance, banking and business knowledge from his wide and extensive experiences. He started his career with an international accounting firm for 6 years and was the Assistant General Manager of Corporate Finance Department in CIMB from 1990 to 1992 and 1993 to early 1996. In between 1992 and 1993, he was the Accounting Manager for a multinational engineering firm. Mr Raymond Fam left CIMB in 1996 and joined AIC Corporation Berhad, a listed manufacturing group. He was the Senior Vice President, Group Corporate Services from 1996 to 2002. He was later appointed the Deputy Chief Executive Officer of Jotech Holdings Berhad, a listed manufacturing company within the AIC Group from 2003 to 2006. He left Jotech Holding Berhad at end of 2006 and ventured into his private businesses in digital media advertising and provision of consultancy services, in which he sits on the board of the private limited companies involved in those businesses.

VOON SENG CHUAN
Independent Non-Executive Director

Voon Seng Chuan, a Malaysian, male, aged 58, was appointed to the Board of the Bank on 18 June 2015. He is the Chairman of the Risk Management Committee and a Member of the Audit and Examination Committee of the Bank.

Mr Voon has a Bachelor of Science (Honours) degree in Mathematics from the University of Malaya.

Mr Voon also sits on the board of the Bank's holding company, AMMB and he is the Chairman of the Group Information Technology Committee and a Member of the Audit and Examination Committee, Group Risk Management Committee and Group Nomination and Remuneration Committee of AMMB.

CORPORATE GOVERNANCE (CONT'D.)

(a) Profile of Directors (Cont'd.)

VOON SENG CHUAN

Independent Non-Executive Director

Mr Voon has been part of the Information Technology ('IT') industry for about three decades. In April 2008, he joined the IBM Quarter Century Club reflecting his 25 years of service in IBM. He retired from IBM in March 2010.

In his 27 years of service with IBM, he held a number of roles delivering all aspects of IT products and services for clients in all industry segments in Malaysia and the Asia Pacific region. His last role in IBM prior to his retirement was Director for Mid-Market Segment in Asia Pacific. He was responsible for the overall business performance (about US\$2 billion) and client satisfaction for all Mid-Market clients. In this role, he led teams from ibm.com, business partners operations, marketing, product and services divisions to provide solutions to the Mid-Market segment.

In 2007, he was assigned to the Asia Pacific headquarters to handle two special projects of IBM headquarters' organisation restructuring. First, he led the successful split of the existing ASEAN/South Asia regional headquarter into two independent regions of ASEAN and India/South Asia. Then, he was a member of the core team that split Japan out of the Asia Pacific region.

From 2000 to 2006, Mr Voon was the Managing Director for IBM Malaysia and Brunei. Under his leadership, IBM has been at the forefront of bringing the vision of e-business, on demand business, and innovation to the country, with key activities such as e-Fairs, IBM Forums and Business Solutions Symposiums, to heighten the awareness of the benefits of high-value IT investments for large enterprises and also for small and medium businesses. Mr Voon had also responded to the Malaysian Government's call to transform the nation into an international shared services and outsourcing hub by leading IBM's investment in seven regional centres/operations in Malaysia. In doing so, IBM is well positioned to transfer best practices and high-skilled expertise to the country. In 2013, Mr Voon was recognised with the "Outsourcing Leader of the Year" award by Outsourcing Malaysia. He was also a Council Member of PIKOM (National ICT Association of Malaysia) from 1994/1995 and 1999/2000.

Mr Voon is currently a director of Mesiniaga Berhad (an IT company listed on the Main Market of Bursa Malaysia Securities Berhad), Silverlake International Ltd, Silverlake International (HK) Limited and Corporate Learning Consortium Sdn Bhd.

DATO' SRI ABDUL HAMIDY ABDUL HAFIZ

Independent Non-Executive Director

Dato' Sri Abdul Hamidy Abdul Hafiz, a Malaysian, male, aged 60, was appointed to the Board of the Bank on 7 January 2016 as Independent Non-Executive Director. He is a Member of the Board Credit Committee.

Dato' Sri Hamidy holds a Bachelor's Degree and a Master in Business Administration from Ohio University, USA and he is also a Fellow Member of the Institut Bank Bank Malaysia and a Member of the Association of Chartered Islamic Finance Professionals (ACIFP).

Dato' Sri Hamidy also sits on the board of a subsidiary of AMMB namely, AmBank Islamic Berhad ("AmBank Islamic") as the Chairman/ Independent Non-Executive Director and he is the Chairman of the Board Credit Committee.

Dato' Sri Hamidy is an experienced banker with over 30 years of extensive banking experience in the fields of Commercial and Finance Banking, Investment Banking and Islamic Banking. Dato' Sri Hamidy was previously the Chief Executive Officer of Kuwait Finance House (Malaysia) Berhad and prior to that, Dato' Sri Hamidy was the Chairman of Danajamin Nasional Berhad. He was also previously the Managing Director/Chief Executive Officer of Affin Bank Berhad, Chairman of the Association of Banks Malaysia and the Managing Director of Pengurusan Danaharta Nasional Berhad.

Dato' Sri Hamidy is currently the Chairman of Eastland Equity Berhad and he also sits on the Boards of ACE Jerneh Insurance Berhad, Sime Darby Motors Sdn Bhd, Sime Darby Industrial Holdings Sdn Bhd and Sky Xchange Sdn Bhd. Besides directorship in companies, Dato' Sri Hamidy also serves as the Chairman of Corporate Debt Restructuring Committee (CDRC) since 2009 and as a Member of Listing Committee of Bursa Malaysia Securities Berhad since 2001.

CORPORATE GOVERNANCE (CONT'D.)

(b) Directors' Training

The Board recognised the importance of ensuring that Directors are continuously being developed to acquire or enhance the requisite knowledge and skills to discharge their duties effectively.

All new Directors appointed to the Board will attend a formal induction programme to familiarise themselves with the Bank's strategy and aspiration, understanding of the line of businesses and corporate functions, key financial highlights, people initiatives, requirements of audit, compliance and risk management conducted by the various Managing Directors/Chief Executive Officers/Heads of the business units as well as Senior Management, and organised by the Group Learning and Development unit. The Company Secretary will also provide the new Directors with an information kit regarding disclosure obligations of a director, Board Charter, Code of Ethics, Constitution of the Bank, Board Committees' Terms of Reference, Schedule of Matters Reserved for the Board, amongst others.

Apart from the Financial Institutions Directors' Education (FIDE) Programme accredited by ICLIF, all Directors appointed to the Board, have also attended other relevant training programmes and seminars organised by the regulatory authorities and professional bodies to further enhance their business acumen and professionalism in discharging their duties to the Bank. The Directors also attend offsite Strategy Meeting to have an in-depth understanding and continuous engagement with Management pertaining to the AMMB Group's strategic direction. In addition, the Directors are constantly updated on information relating to the AMMB Group's development and industry development through discussion at Board meetings with the Senior Management team.

(c) Board Responsibility and Oversight

The Board of Directors (the "Board") remains fully committed in ensuring that the principles and recommendations in corporate governance are applied consistently in the Bank and its subsidiaries. The Board complies with the recommendations 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 eight (8) times in the 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 currently comprises four (4) 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.

There is a clear division between the roles of Chairman and the Chief Executive Officer of the Bank. The 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.

CORPORATE GOVERNANCE (CONT'D.)**(d) 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 Bank level)
3. Risk Management Committee (at Bank level)
4. Board Credit Committee (at Bank 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.

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 2017 ("FY2017")					
	Board of Directors	Group Nomination and Remuneration Committee	Audit and Examination Committee	Risk Management Committee	Board Credit Committee
Tan Sri Azman Hashim	22/22 (Chairman)	N/A	N/A	N/A	19/19 (Chairman)
Raymond Fam Chye Soon	22/22	N/A	6/6 (Chairman)	12/12	N/A
Voon Seng Chuan	22/22	8/8	6/6	12/12 (Chairman)	N/A
Dato' Sri Abdul Hamidy Abdul Hafiz	21/22 ^a	N/A	N/A	N/A	19/19
Graham Kennedy Hodges (resigned on 1.7.2016)	4/5	N/A	1/2 ^b	2/3 ^b	N/A
Kevin Paul Corbally (appointed on 1.7.2016 and resigned on 20.9.2016)	5/5	N/A	1/1 ^c	2/2 ^c	N/A
Number of meetings held in FY2017	22	8	6	12	19

- a. Non-attendance related to Ad-Hoc meeting
- b. Ceased as Member following resignation as Director
- c. Appointed as Member on 1.7.2016 and ceased as Member following resignation as Director

Notes:

1. All attendances reflect the number of meetings attended during the respective Directors' tenure of service.
2. N/A represents non-Committee member.

CORPORATE GOVERNANCE (CONT'D.)

(b) Committees of the Board (Cont'd.)

Group Nomination and Remuneration Committee

The Committee was established at Group level (AMMB) and the Committee comprises five (5) members, all of whom are Non-Executive Directors and is chaired by an Independent Non-Executive Director, 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 Committees as well as the contributions 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;
- 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 eight (8) times during the financial year ended 31 March 2017.

Audit and Examination Committee

The Committee comprises two (2) members, all of whom are Independent Non-Executive Directors and chaired by an Independent Non-Executive Director. The composition will be increased to 3 upon appointment of additional members to the Board. The Board has appointed the Audit and Examination Committee ("AEC") to assist in discharging its duties of maintaining a sound system of internal controls to safeguard the Bank's assets and shareholder's investments.

The AEC met six (6) times during the financial year ended 31 March 2017 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 their audit 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, seeks approval for related party transactions and, with the assistance of the internal auditors, reviewed related party transactions to ensure such transactions were carried out at arms-length.

Internal Audit Function

The Internal Audit function is established at AMMB Group level, headed by the Group Chief Internal Auditor.

The Group Chief Internal Auditor reports to the AEC. Group Internal Audit assists the AEC in assessing and reporting on business risks and internal controls, operating 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 Group Chief Internal Auditor attends the AEC meeting by invitation. The AEC also holds separate meetings with the Group Chief Internal Auditor whenever necessary.

The scope of internal audit includes the review of risk management processes, operational controls, financial controls, compliance with laws and regulations, and information technology systems and security.

CORPORATE GOVERNANCE (CONT'D.)

(b) Committees of the Board (Cont'd.)

Internal Audit Function (Cont'd.)

Group Internal Audit prioritises its efforts on performing audits in accordance with the audit plan, based on a comprehensive risk assessment of all areas of banking activities. The risk-based audit plan is reviewed at least semi-annually taking into account of the changing business and risk environment.

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

Risk Management Committee

Risk management is an integral part of the Group'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 Appetite Framework and sets the broad risk tolerance level and 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, cyber security, legal and capital risks impacting the Bank.

The Committee is independent from Management and comprises two (2) members, all of whom are Independent Non-Executive Directors and chaired by an Independent Non-Executive Director. The composition will be increased to 3 upon appointment of additional members to the Board. 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.

Risk Management Committees have been established at the Bank to oversee the overall management of credit, market, liquidity, operational, legal and capital risks impacting the Group. They are assisted by the Group Risk Management Division.

There were twelve (12) meetings held during the financial year ended 31 March 2017.

Risk Management Functions

The Group Risk Management Division 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 Group. The Group Risk Management Division encompasses Wholesale Credit Risk, Retail Credit Risk, Investment Banking and Markets Risk, Operational Risk, Governance and Provisioning (which is responsible for the development of credit models), Legal Risk and Group Risk Projects.

Risk Management Department takes its lead from the Board's approved Risk Appetite Framework that forms the foundation of the Group to set its risk/reward profile. The framework is approved annually taking into account the Group's desired external rating and targeted profitability/return on equity ("ROE") and is reviewed periodically throughout the financial year to take account of prevailing or expected changes to the operating environment.

We have an IT Risk Management Framework that is designed to protect our Group's IT systems against internal and external risks and threats. It is our objective to ensure that our IT Risk Management Framework is continuously enhanced and robustly tested to safeguard our Group's and our customers' data from potential cyber-attacks.

CORPORATE GOVERNANCE (CONT'D.)

(b) Committees of the Board (Cont'd.)

Board Credit Committee

The Committee comprises two (2) members, all of whom are Non-Executive Directors. The Board has established the Committee to assist in ensuring the credit facilities and commitments, and connected party credit transactions are approved in accordance with policies approved by the Board.

There were nineteen (19) meetings held during the financial year ended 31 March 2017.

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, review of business strategy, 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.

HOLDING COMPANY

The Directors regard AMMB Holdings Berhad, which is incorporated in Malaysia, as the holding company.

RATING BY EXTERNAL AGENCIES

The Bank continues to maintain credit ratings with Moody's Investors Service, S&P Global Ratings and RAM Rating Services Berhad.

Details of the Bank's ratings are as follows:

<u>Rating agency</u>	<u>Date accorded</u>	<u>Rating Classification</u>	<u>Ratings</u>
Moody's Investors Service	December 2016	Long-term foreign currency deposit rating Short-term foreign currency deposit rating Outlook	Baa1 P-2 Stable
S&P Global Ratings	December 2016	Foreign long-term issuer credit rating Foreign short-term issuer credit rating Outlook	BBB+ A-2 Stable
RAM Rating Services Berhad	December 2016	Long-term financial institution rating Short-term financial institution rating Outlook	AA2 P1 Stable

Company No. 8515-D

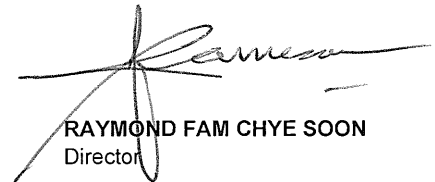
AUDITORS AND AUDITORS' REMUNERATION

The auditors, Ernst & Young, have expressed their willingness to continue in office. Auditors' remuneration is disclosed in Note 36 to the financial statements.

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



TAN SRI AZMAN HASHIM
Director



RAYMOND FAM CHYE SOON
Director

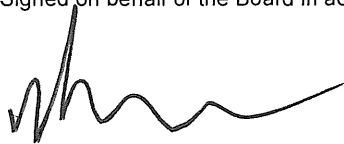
Kuala Lumpur, Malaysia
30 May 2017

**AMBANK (M) BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES**

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

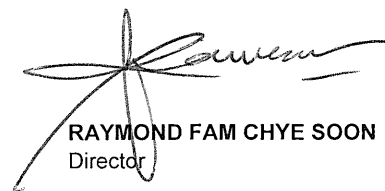
We, **TAN SRI AZMAN HASHIM** and **RAYMOND FAM CHYE SOON**, being two of the Directors of **AMBANK (M) BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 21 to 177 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 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 2017 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
Director

Kuala Lumpur, Malaysia
30 May 2017



RAYMOND FAM CHYE SOON
Director

Company No. 8515-D

**AMBANK (M) BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES**

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

I, **MANDY JEAN SIMPSON**, being the Officer primarily responsible for the financial management of **AMBANK (M) BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 21 to 177 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.

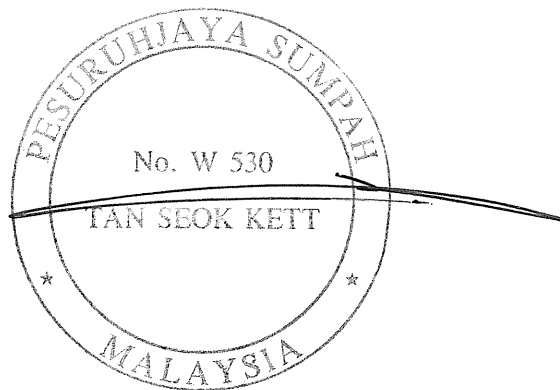
Subscribed and solemnly declared by the abovenamed
MANDY JEAN SIMPSON at Kuala Lumpur in the Wilayah Persekutuan
30 May 2017



MANDY JEAN SIMPSON

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

COMMISSIONER FOR OATHS
Lodged on behalf by:
Address: 22nd Floor, Bangunan AmBank Group,
 No. 55 Jalan Raja Chulan,
 50200 Kuala Lumpur
Telephone Number: 03-20362633



8515-D

**Independent auditors' report to the member of
AmBank (M) Berhad
(Incorporated in Malaysia)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of AmBank (M) Berhad, which comprise the statements of financial position as at 31 March 2017 of the Group and of the Bank, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 21 to 177.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

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

8515-D

**Independent auditors' report to the member of
AmBank (M) Berhad (cont'd.)
(Incorporated in Malaysia)**

Information other than the financial statements and auditors' report thereon (cont'd.)

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

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

8515-D

**Independent auditors' report to the member of
AmBank (M) Berhad (cont'd.)
(Incorporated in Malaysia)**

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

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

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

8515-D

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

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

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

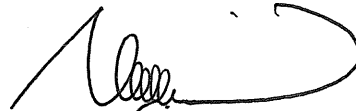
Other matters

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



Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
30 May 2017



Chan Hooi Lam
No. 2844/02/18(J)
Chartered Accountant

AMBANK (M) BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2017

		Group			Bank		
		31 March 2017	31 March 2016	1 April 2015	31 March 2017	31 March 2016 (Restated) (Note 55(a))	1 April 2015 (Restated) (Note 55(a))
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Cash and short-term funds	6	5,989,301	7,605,681	5,943,180	5,758,942	7,380,187	5,667,979
Securities purchased under resale agreements	7	10,369	-	-	10,369	-	-
Deposits and placements with banks and other financial institutions	8	450,000	850,000	4,051,597	450,000	850,000	4,051,597
Investment account	9	1,600,000	1,000,000	1,363,442	1,600,000	1,000,000	1,363,442
Derivative financial assets	10	1,172,132	1,894,819	1,444,743	1,172,132	1,894,819	1,444,743
Financial assets held-for-trading	11	5,862,496	1,870,427	2,033,504	5,862,496	1,870,427	2,033,504
Financial investments available-for-sale	12	5,658,713	7,476,200	5,610,071	5,709,466	7,545,237	5,704,021
Financial investments held-to-maturity	13	2,077,505	2,828,754	2,539,842	2,077,505	2,828,754	2,539,842
Loans and advances	14	62,331,446	58,814,740	58,345,388	62,248,620	58,717,201	58,225,336
Receivables: Investments not quoted in active markets	15	1,172,157	97,181	87,181	1,172,157	97,181	87,181
Statutory deposit with Bank Negara Malaysia	16	1,760,114	1,745,554	2,162,108	1,760,114	1,745,554	2,162,108
Deferred tax assets	17	995	76,485	102,546	-	75,430	98,869
Investment in subsidiaries and other investment	18	-	-	-	74,277	104,277	104,277
Investment in associates	19	-	-	2,062	22	22	122
Other assets	20	1,900,830	2,032,171	2,614,609	1,883,134	2,034,781	2,572,023
Property and equipment	21	161,459	165,900	152,730	139,987	143,987	130,354
Intangible assets	22	406,506	350,753	334,749	406,504	350,750	334,741
Asset held for sale	23	2,091	3,167	-	2,091	100	-
TOTAL ASSETS		90,556,114	86,811,832	86,787,752	90,327,816	86,638,707	86,520,139
LIABILITIES AND EQUITY							
Deposits from customers	24	67,490,620	62,148,465	62,670,390	67,566,935	62,247,524	62,728,848
Deposits and placements of banks and other financial institutions	25	970,458	951,138	2,058,101	1,072,737	1,030,888	2,092,789
Securities sold under resale agreements	7	9,464	-	-	9,464	-	-
Recourse obligation on loans sold to Cagamas Berhad	26	2,663,105	2,807,951	1,332,810	2,663,105	2,807,951	1,332,810
Derivative financial liabilities	10	958,894	2,023,211	1,385,663	958,894	2,023,211	1,385,663
Term funding	27	4,148,486	5,549,451	5,243,585	4,148,486	5,549,451	5,243,585
Debt capital	28	3,194,706	2,694,550	3,458,683	3,194,706	2,694,550	3,458,683
Deferred tax liabilities	17	97,832	-	-	97,828	-	-
Other liabilities	29	2,235,128	2,374,240	2,590,970	2,225,151	2,370,392	2,571,354
TOTAL LIABILITIES		81,768,693	78,549,006	78,740,202	81,937,306	78,723,967	78,813,732
Share capital	30	1,763,208	820,364	820,364	1,763,208	820,364	820,364
Reserves	31	7,024,150	7,442,400	7,227,125	6,627,302	7,094,376	6,886,043
Equity attributable to equity holder of the Bank		8,787,358	8,262,764	8,047,489	8,390,510	7,914,740	7,706,407
Non-controlling interests	32	63	62	61	-	-	-
TOTAL EQUITY		8,787,421	8,262,826	8,047,550	8,390,510	7,914,740	7,706,407
TOTAL LIABILITIES AND EQUITY		90,556,114	86,811,832	86,787,752	90,327,816	86,638,707	86,520,139
COMMITMENTS AND CONTINGENCIES							
	47	129,008,488	121,028,342	111,881,204	129,095,390	121,066,632	111,920,558
NET ASSETS PER SHARE (RM)		10.71	10.07	9.81	10.23	9.65	9.35

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

AMBANK (M) BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	Note	Group		Bank	
		2017	2016	2017	2016 (Restated) (Note 55(a))
		RM'000	RM'000	RM'000	RM'000
Operating revenue	2.5w	4,610,491	4,559,244	4,598,270	4,644,114
Interest income	33	3,898,564	4,006,284	3,885,797	3,998,626
Interest expense	34	(2,376,169)	(2,404,311)	(2,379,901)	(2,414,671)
Net interest income		1,522,395	1,601,973	1,505,896	1,583,955
Other operating income	35	711,927	552,960	712,473	645,488
Share in results of associates		-	1,105	-	-
Net income		2,234,322	2,156,038	2,218,369	2,229,443
Other operating expenses	36	(1,166,729)	(1,254,677)	(1,170,709)	(1,247,612)
Operating profit		1,067,593	901,361	1,047,660	981,831
Writeback of allowance for impairment on loans and advances	38	148,345	160,168	148,218	160,260
(Provision)/Writeback of provision for commitments and contingencies	29(a)	(1,157)	25,243	4,835	25,268
Impairment loss on:					
Doubtful other receivables, net	20(a)	(387)	(349)	(377)	(341)
Financial investments	39	-	(19,799)	-	(19,799)
Foreclosed properties	20(d)	(553)	(277)	(553)	(277)
Property and equipment	21	-	(700)	-	(700)
Other recoveries, net		13,053	1,461	13,053	1,461
Profit before taxation		1,226,894	1,067,108	1,212,836	1,147,703
Taxation	40	(273,376)	(246,713)	(270,525)	(242,851)
Profit for the financial year		953,518	820,395	942,311	904,852
Attributable to:					
Equity holder of the Bank		953,517	820,394	942,311	904,852
Non-controlling interests		1	1	-	-
Profit for the financial year		953,518	820,395	942,311	904,852
Earnings per share (sen)					
Basic/Diluted	41	116.23	100.00		

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

AMBANK (M) BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

		Group		Bank	
		2017	2016	2017	2016
					(Restated)
	Note	RM'000	RM'000	RM'000	(Note 55(a))
					RM'000
Profit for the financial year		953,518	820,395	942,311	904,852
Other comprehensive income/(loss):					
Items that may be reclassified subsequently to statement of profit or loss					
Currency translation on offshore operations		63,937	12,769	58,501	10,711
Cash flow hedge					
- losses arising during the financial year		(8,914)	(4,242)	(8,914)	(4,242)
- reclassification adjustments for loss included in the statements of profit or loss		8,334	9,415	8,334	9,415
Tax effect	17	(45)	(1,057)	(45)	(1,057)
Financial investments available-for-sale					
- net unrealised (loss)/gain on changes in fair value		(2,276)	34,044	(2,544)	34,342
- net gain classified to statement of profit or loss		(29,280)	(20,170)	(29,277)	(20,358)
Tax effect	17	7,573	(3,330)	7,637	(3,356)
Other comprehensive income, net of tax		39,329	27,429	33,692	25,455
Total comprehensive income for the financial year, net of tax		992,847	847,824	976,003	930,307
Attributable to:					
Equity holder of the Bank		992,846	847,823	976,003	930,307
Non-controlling interests		1	1	-	-
		<u>992,847</u>	<u>847,824</u>	<u>976,003</u>	<u>930,307</u>

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

AMBANK (M) BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

Group	Note	Attributable to equity holder of the Bank										
		Non-distributable					Distributable					
		Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Merger reserve RM'000	Available-for-sale reserve RM'000	Cash flow hedging (deficit)/reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total attributable to equity holder RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 April 2015		820,384	942,844	980,969	104,149	1,207	(481)	50,537	5,147,900	8,047,489	61	8,047,550
Profit for the financial year		-	-	-	-	-	-	-	820,394	820,394	1	820,395
Other comprehensive income		-	-	-	-	10,544	4,116	12,769	-	27,429	-	27,429
Total comprehensive income for the financial year		-	-	-	-	10,544	4,116	12,769	820,394	847,823	1	847,824
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested	42	-	-	-	-	-	-	-	(868)	(868)	-	(868)
Dividends on ordinary shares		-	-	-	-	-	-	-	(631,680)	(631,680)	-	(631,680)
Transactions with owner and other equity movements		-	-	-	-	-	-	-	(632,548)	(632,548)	-	(632,548)
At 31 March 2016		820,384	942,844	980,969	104,149	11,751	3,635	63,306	5,335,746	8,262,764	62	8,262,826

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

AMBANK (M) BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

**STATEMENTS OF CHANGES IN EQUITY (CONT'D.)
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

Group	Note	Attributable to equity holder of the Bank											Total equity RM'000
		Non-distributable					Distributable						
		Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Merger reserve RM'000	Available-for-sale reserve/(deficit) RM'000	Cash flow hedging reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total attributable to equity holder RM'000	Non-controlling interests RM'000	
At 1 April 2016		820,364	942,844	980,969	-	104,149	11,751	3,635	63,306	5,335,746	8,262,764	62	8,262,826
Profit for the financial year		-	-	-	-	-	-	-	-	953,517	953,517	1	953,518
Other comprehensive income/(loss):		-	-	-	-	-	(23,983)	(625)	63,937	-	39,329	-	39,329
Total comprehensive income/(loss) for the financial year		-	-	-	-	-	(23,983)	(625)	63,937	953,517	982,846	1	992,847
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested		-	-	-	-	-	-	-	-	(645)	(645)	-	(645)
Transfer to regulatory reserve		-	-	-	163,820	-	-	-	-	(163,820)	-	-	-
Transfer to paid up share capital	30	942,844	(942,844)	-	-	-	-	-	-	-	-	-	-
Dividends on ordinary shares	42	-	-	-	-	-	-	-	-	(467,607)	(467,607)	-	(467,607)
Transactions with owner and other equity movements		942,844	(942,844)	-	163,820	-	-	-	-	(632,072)	(468,252)	-	(468,252)
At 31 March 2017		1,763,208	-	980,969	163,820	104,149	(12,232)	3,010	127,243	5,657,191	8,787,358	63	8,787,421

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

**STATEMENTS OF CHANGES IN EQUITY (CONT'D.)
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

Bank (Restated)	Note	Attributable to equity holder of the Bank						Total equity RM'000		
		Non-distributable			Distributable					
		Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Merger reserve RM'000	Available-for-sale reserve RM'000	Cash flow hedging (deficit)/reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	
At 1 April 2015	55	820,364	942,844	980,969	-	1,323	(481)	50,585	4,874,087	7,669,691
Effect arising from the pooling of interests		-	-	-	36,716	-	-	-	-	36,716
As restated		820,364	942,844	980,969	36,716	1,323	(481)	50,585	4,874,087	7,706,407
Profit for the financial year		-	-	-	-	-	-	-	904,852	904,852
Other comprehensive income		-	-	-	-	10,628	4,116	10,711	-	25,455
Total comprehensive income for the financial year		-	-	-	-	10,628	4,116	10,711	904,852	930,307
Effect arising from the pooling of interests		-	-	-	(23,535)	-	-	-	(65,900)	(89,435)
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested		-	-	-	-	-	-	-	(859)	(859)
Dividends on ordinary shares	42	-	-	-	-	-	-	-	(631,680)	(631,680)
Transactions with owner and other equity movements		-	-	-	(23,535)	-	-	-	(698,439)	(721,974)
At 31 March 2016		820,364	942,844	980,969	13,181	11,951	3,635	61,296	5,080,500	7,914,740

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

AMBANK (M) BERHAD
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STATEMENTS OF CHANGES IN EQUITY (CONT'D.)
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

Bank	Note	Attributable to equity holder of the Bank									
		Non-distributable					Distributable				
		Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Merger reserve RM'000	Available-for-sale reserve/ (deficit) RM'000	Cash flow hedging reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 April 2016		820,364	942,844	980,969	-	-	11,951	3,635	61,296	5,080,500	7,901,559
Effect arising from the pooling of interests	55	-	-	-	-	13,181	-	-	-	-	13,181
As restated		820,364	942,844	980,969	-	13,181	11,951	3,635	61,296	5,080,500	7,914,740
Profit for the financial year		-	-	-	-	-	-	-	-	942,311	942,311
Other comprehensive income/(loss)		-	-	-	-	-	(24,184)	(625)	58,501	-	33,692
Total comprehensive income/(loss) for the financial year		-	-	-	-	-	(24,184)	(625)	58,501	942,311	976,003
Effect arising from the pooling of interests		-	-	-	-	(13,181)	-	-	-	(18,800)	(31,981)
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested		-	-	-	-	-	-	-	-	(645)	(645)
Transfer to regulatory reserve	30	-	-	-	163,820	-	-	-	-	(163,820)	-
Transfer to paid up share capital		942,844	(942,844)	-	-	-	-	-	-	-	-
Dividends on ordinary shares	42	-	-	-	-	-	-	-	-	(467,607)	(467,607)
Transactions with owner and other equity movements		942,844	(942,844)	-	163,820	(13,181)	-	-	-	(650,872)	(500,233)
At 31 March 2017		1,763,208	-	980,969	163,820	-	(12,233)	3,010	119,797	5,371,939	8,390,510

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

AMBANK (M) BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

		Group		Bank	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	(Restated) (Note 55(a)) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		1,226,894	1,067,108	1,212,836	1,147,703
Adjustments for:					
Accretion of discount less amortisation of premium		(59,199)	(47,701)	(59,199)	(47,701)
Amortisation of fair value gain on terminated hedge	26	(1,866)	(27,313)	(1,866)	(27,313)
Amortisation of intangible assets	36	82,112	78,256	82,110	78,251
Amortisation of issuance costs and premium for term funding		8,699	9,654	8,699	9,654
Amortisation of costs for debt capital		156	149	156	149
Depreciation of property and equipment	36	40,959	40,934	40,471	40,447
Gain on disposal of foreclosed properties	35	(108,061)	-	(108,061)	-
Gain on disposal of property and equipment	35	(83)	(158)	(83)	(158)
Gain on disposal of assets held for sale	35	(368)	-	(368)	-
Gain on disposal of associate	35	(1,391)	-	(2,179)	-
Gain on liquidation of subsidiary		-	-	(78)	-
Dividend income from financial assets held-for-trading	35	(6,946)	(4,862)	(6,946)	(4,862)
Dividend income from financial investments available-for-sale	35	(3,077)	(3,121)	(3,077)	(3,121)
Dividend income from subsidiaries	35	-	-	-	(90,750)
Financial investments available-for-sale written off		63	-	63	-
Impairment loss on foreclosed properties	20(d)	553	277	553	277
Impairment loss on financial investments	39	-	19,799	-	19,799
Impairment loss on other receivables	20(a)	387	349	377	341
Impairment loss on property and equipment	21	-	700	-	700
Loans and advances - allowances, net of writeback	38	414,572	297,227	414,726	297,135
Net loss/(gain) on revaluation of derivatives		(342,210)	192,645	(342,210)	192,645
Net loss/(gain) on revaluation of financial assets held-for-trading	35	1,790	417	1,790	417
Net (gain)/loss on sale of financial assets held-for-trading	35	(85,517)	(9,578)	(85,517)	(9,578)
Net gain on sale of financial investments available-for-sale	35	(29,280)	(20,170)	(29,277)	(20,358)
Net gain on redemption of financial investments held-to-maturity	35	(47)	-	(47)	-
Property and equipment written off	36	25	20	25	20
Scheme shares and options granted under AMMB ESS	36	(8,117)	7,272	(7,893)	7,272
Share in results of associates		-	(1,105)	-	-

AMBANK (M) BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017 (CONT'D.)

	Group 2017	2016	Bank 2017	2016 (Restated) (Note 55(a))
Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)				
Unrealised foreign exchange loss on term funding and debt capital	207,883	200,466	207,883	200,466
Charge/(Writeback) of provision for commitments and contingencies	29(a) 1,157	(25,243)	(4,835)	(25,268)
Operating profit before working capital changes	1,339,088	1,776,022	1,318,053	1,766,167
(Increase)/Decrease in operating assets:				
Deposits and placements with banks and other financial institutions	(550,000)	1,376,659	(550,000)	1,376,659
Securities purchased under resale agreements	(10,369)	-	(10,369)	-
Investment account	(600,000)	363,442	(600,000)	363,442
Financial assets held-for-trading	(3,877,924)	193,207	(3,877,924)	193,207
Loans and advances	(3,877,770)	(766,579)	(3,692,637)	(789,000)
Statutory deposit with Bank Negara Malaysia	(14,560)	416,554	(14,560)	416,554
Other assets	276,007	706,255	287,052	658,305
(Decrease)/Increase in operating liabilities:				
Deposits from customers	5,342,155	(521,925)	5,319,411	(481,324)
Deposits and placements of banks and other financial institutions	19,320	(1,106,963)	41,849	(1,061,901)
Securities sold under resale agreements	9,464	-	9,464	-
Recourse obligation of loans sold to Cagamas Berhad	(142,980)	1,476,789	(142,980)	1,476,789
Term funding	(1,799,606)	150,604	(1,799,606)	150,604
Other liabilities	(147,801)	(14,299)	(159,226)	(111,215)
Cash (used in)/generated from operations	(3,834,976)	4,049,766	(3,871,473)	3,958,287
Net taxation paid	(127,259)	(438,869)	(109,462)	(413,638)
Net cash (used in)/generated from operating activities	(3,962,235)	3,610,897	(3,980,935)	3,544,649

AMBANK (M) BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017 (CONT'D.)

		Group		Bank	
	Note	2017	2016	2017	2016
		RM'000	RM'000	RM'000	(Restated) (Note 55(a)) RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash paid for net assets vested	54(a)	-	-	(31,981)	-
Dividend received from financial assets held-for-trading		6,946	4,862	6,946	4,862
Dividend received from financial investments available-for-sale		3,077	3,109	3,077	3,109
Dividend received from subsidiaries		-	-	-	90,750
Proceed from liquidation of subsidiary		-	-	78	-
Net sale/(purchase) of financial investments held-to-maturity		780,894	(257,094)	780,894	(257,094)
Net sale/(purchase) of financial investments available-for-sale		1,814,327	(1,856,970)	1,832,346	(1,831,759)
Net purchase of receivables: investments not quoted in active markets		(1,074,976)	(10,000)	(1,074,976)	(10,000)
Proceeds from disposal of property and equipment		240	173	240	173
Proceeds from disposal of an associate	54(b)	4,558	-	2,279	-
Proceeds from disposal of asset held for sale		2,975	-	2,975	-
Purchase of intangible assets	22	(115,864)	(103,661)	(115,864)	(103,661)
Purchase of property and equipment	21	(61,658)	(62,205)	(61,654)	(62,199)
Withdrawal of investment in collective investment scheme	18	-	-	30,000	-
Net cash generated from/(used in) investing activities		1,360,519	(2,281,786)	1,374,360	(2,165,819)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	42	(467,607)	(631,680)	(467,607)	(631,680)
Repayment of Subordinated Term Loan/ Non-Cumulative Non-Voting Guaranteed Preference Shares		500,000	(859,900)	500,000	(859,900)
Net cash generated from/(used in) financing activities		32,393	(1,491,580)	32,393	(1,491,580)
Net decrease in cash and cash equivalents		(2,569,323)	(162,469)	(2,574,182)	(112,750)
CASH AND CASH EQUIVALENTS					
AT BEGINNING OF THE FINANCIAL YEAR		8,455,681	8,618,118	8,230,187	8,342,917
Effect of exchange rate changes		2,943	32	2,937	20
CASH AND CASH EQUIVALENTS		5,889,301	8,455,681	5,658,942	8,230,187
CASH AND CASH EQUIVALENTS					
AT END OF THE FINANCIAL YEAR		5,889,301	8,455,681	5,658,942	8,230,187
Cash and cash equivalents comprise:					
Cash and short-term funds	6	5,989,301	7,605,681	5,758,942	7,380,187
Deposits and placements with banks and other financial institutions	8	450,000	850,000	450,000	850,000
		6,439,301	8,455,681	6,208,942	8,230,187
Less: Deposits with original maturity more than 3 months (Note 6 and 8)		(550,000)	-	(550,000)	-
		5,889,301	8,455,681	5,658,942	8,230,187

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

**AMBANK (M) BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2017**

1. CORPORATE INFORMATION

The principal activity of AmBank (M) Berhad ("the Bank") is to carry on the business of a licensed commercial bank.

The principal activities of its subsidiaries are disclosed in Note 18.

Other than disclosed in Note 18, there have been no significant changes in the nature of the activities of the Bank and its subsidiaries during the financial year.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 22nd Floor, Bangunan AmBank Group, No. 55 Jalan Raja Chulan, 50200 Kuala Lumpur. The principal places of business for the Retail and Wholesale Banking Divisions are located at Menara AmBank, Jalan Yap Kwan Seng, 50450 Kuala Lumpur and Bangunan AmBank Group, No. 55 Jalan Raja Chulan, 50200 Kuala Lumpur.

The Bank is a wholly-owned subsidiary of AMMB Holdings Berhad ("AMMB"), a company incorporated in Malaysia. AMMB is listed on the Main Market of 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 8 May 2017.

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 ("MFRSs") International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 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 ("current") and more than 12 months after the reporting date ("non-current") is presented in Note 48.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 March 2017.

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

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

- power over the investee (i.e. that is 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; and
- the size of the Group's voting rights and potential voting rights relative to the size and dispersion of voting rights and potential rights held by the other vote holders.

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, expenses and cash flows of a subsidiary are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity owners of the Bank 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 in 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 transaction with equity owners of the Group. 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 any consideration received at its fair value;
- recognises any investment retained at its fair value;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in OCI to profit or loss 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 purchase method in preparing the consolidated financial statements except subsidiary in which control was obtained in business combinations between entities under common control where the merger accounting method is applied.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Basis of consolidation (Cont'd.)

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 values 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 are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

2.5 Summary of significant accounting policies

2.5a Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the acquisition date fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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.

Acquisition-related costs are expensed as incurred.

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 profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is classified as a financial asset or a financial liability is recognised in accordance with MFRS 139 Financial Instruments: Recognition and Measurement ("MFRS 139") is recognised in profit or loss. 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.

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

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (Cont'd.)

2.5a Business combinations and goodwill (Cont'd.)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. 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"), or groups of CGUs, that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Bank at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with MFRS 8 Operating Segments ("MFRS 8").

Where goodwill has been allocated to a CGU (or a group of CGUs) 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.

2.5b Investments in subsidiaries

In the Bank's separate financial statements, investments 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 amounts are recognised in profit or loss.

2.5c Investments in associates

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 is accounted for using the equity method.

Under the equity method, the investment in an associate 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 since the acquisition date. Dividends received or receivable from an associate is recognised as a reduction in the carrying amount of the investment. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The profit or loss reflects the Group's share of the results of operations of the associates. 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, 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 are eliminated to the extent of the interest in the associates.

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

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (Cont'd.)

2.5c Investments in associates (Cont'd.)

When the Group's share of losses in an associate equals or exceeds its interests in the investee, including any long-term interests that, in substance, form part of the Group's net investment in the investee, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The financial statements of the associates 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 investment in associates. At each reporting date, the Group determines whether there is objective evidence that the investment in associates are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value, then recognises the loss as "impairment loss on associates" in profit or loss.

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

In the Bank's separate financial statements, investment in associates are stated at cost less accumulated impairment losses. On disposal of such investment, the difference between the net disposal proceeds and its carrying amounts are recognised in profit or loss.

2.5d 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 in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position. 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.

2.5e 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 that currency of the primary economic environment in which the entity operates (the "functional currency").

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (Cont'd.)

2.5e Foreign currencies (Cont'd.)

(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 exchange rate at the reporting date.

All differences arising on settlement or translation of monetary items are recognised in profit or loss 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 profit or loss. 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 is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, 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 profit or losses 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 reclassified to profit or loss.

2.5f Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses. Such cost includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, as well as borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. 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 profit or loss 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.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (Cont'd.)

2.5f Property and equipment (Cont'd.)

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

Freehold land has an unlimited life and therefore, is not depreciated. Work-in-progress which are not yet available for use are 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:

Leasehold land	2% or remaining lease period (whichever is shorter)
Buildings	2% or over the term of short term lease (whichever is shorter)
Leasehold improvements	15% to 20%
Motor vehicles	20%
Computer equipment	12.5% to 33.3%
Office equipment, furniture and fittings	15% - 50%

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 profit or loss 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 if the expectations differ from previous estimates.

2.5g 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

Leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item are classified as finance leases, and 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. The corresponding lease obligations, net of finance charges, are included in other short-term and long-term payables. 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 profit or loss.

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.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (Cont'd.)

2.5g Leases (Cont'd.)

(i) The Group as a lessee (Cont'd.)

Leases that do not transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an operating expense in profit or loss 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 a 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. Rental income is recognised over the term of the lease on a straight-line basis. 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.

2.5h 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 profit or loss in the year in which the expenditure is incurred.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. 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 accounted for by changing the amortisation period or method, as appropriate, which are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (Cont'd.)

2.5h Intangible assets, other than goodwill arising from business combination (Cont'd.)

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 profit or loss when the asset is derecognised.

(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 it 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; and
- 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 years 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.

2.5i Financial instruments - initial recognition and subsequent measurement

(i) Date of recognition

All financial assets and liabilities are initially recognised on the trade date, that is, 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.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (Cont'd.)

2.5i Financial instruments - initial recognition and subsequent measurement (Cont'd.)

(iii) Subsequent measurement

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

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 income or expense is recorded in "interest income" or "interest expense" as appropriate using the effective interest method in accordance with the terms of the contract. Dividend income is recorded in "investment and trading income" when the right to the payment has been established.

Included in this classification are debt securities and equities that have been acquired principally for the purpose of selling or repurchasing in the near term.

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 method, 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".

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 profit or loss.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (Cont'd.)

2.5i Financial instruments - initial recognition and subsequent measurement (Cont'd.)

(iii) Subsequent measurement (Cont'd.)

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

Financial investments AFS include equity investments and debt securities. Equity investments classified as AFS are those which 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 Bank has not designated any loan and advances as AFS.

After initial measurement, financial investments AFS are subsequently measured at fair value with unrealised gains or losses recognised as 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 profit or loss in "impairment losses on financial investments". Interest earned whilst holding financial investments AFS is reported as interest income using the effective interest method. Dividends earned whilst holding financial investments AFS are recognised in profit or loss 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.

For a financial investment reclassified from the financial investments 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 profit or loss over the remaining life of the investment using the effective interest rate ("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 profit or loss.

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 less impairment 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 effective interest 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 profit or loss. The losses arising from impairment are recognised in profit or loss in "impairment losses on financial investments".

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (Cont'd.)

2.5i Financial instruments - initial recognition and subsequent measurement (Cont'd.)

(iii) Subsequent measurement (Cont'd.)

e. Financial investments held-to-maturity (Cont'd.)

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 as financial investments AFS. Furthermore, the Group would be prohibited from classifying any financial investments as held-to-maturity during the following two financial 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 effective interest 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 profit or loss. The losses arising from impairment are recognised in profit or loss in "allowance for impairment on loans and advances" for loans and advances or "impairment losses on doubtful receivables" for losses other than loans and advances.

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 effective interest 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 as 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.

(iv) "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 profit or loss on a systematic and rational basis that reflects the nature of the instrument over its tenure.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (Cont'd.)

2.5i Financial instruments - initial recognition and subsequent measurement (Cont'd.)

(v) 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 and advances" 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 estimates.

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 profit or loss 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 investment using the EIR. If the investment is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

(vi) 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, or
- 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.

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 amount of the original financial liability and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (Cont'd.)

2.5j Repurchase and reverse repurchase agreements

Securities sold under repurchase agreements at a specified future date are not derecognised from the statement of financial position as the Group retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest, as a liability within "securities sold under repurchase agreements", reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the EIR. When the counterparty has the right to sell or repledge the securities, the Group reclassifies those securities in its statement of financial position to "financial assets held-for-trading pledged as collateral" or to "financial investments available-for-sale pledged as collateral", as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest is recorded in the statement of financial position, within "securities purchased under resale agreements", reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in "net interest income" and is accrued over the life of the agreement using the EIR.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within "financial liabilities held-for-trading" and measured at fair value with any gains or losses included in "investment and trading income".

2.5k 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 "investment and trading income".

2.5l 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 reporting 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.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (Cont'd.)

2.5l Fair value measurement (Cont'd.)

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.

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 at fair value 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:

- i) financial instruments that are measured at fair value
- ii) financial assets, financial liabilities and non-financial assets that are not measured at fair value, but for which fair value

are disclosed in Note 51.

2.5m 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 and receivables are classified as impaired in accordance with the criteria as disclosed in Note 50.2 Credit Risk Management - Impairment - Definition of past due on impaired loans and advances.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (Cont'd.)

2.5m Impairment of financial assets (Cont'd.)

(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. 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 and advances, 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 profit or loss. Interest income continues to be accrued as "interest income on impaired loans and advances" in profit or loss 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 "allowance for impairment on loans and advances" in profit or loss.

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 (CONT'D.)

2.5 Summary of significant accounting policies (Cont'd.)

2.5m Impairment of financial assets (Cont'd.)

(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 profit or loss.

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 profit or loss, the impairment loss is reversed through profit or loss.

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. Where 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 profit or loss - is removed from OCI and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

(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 50.2 for further analysis of collateral).

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (Cont'd.)

2.5m Impairment of financial assets (Cont'd.)

(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. Repossessed financial assets determined to be useful for the internal operations are classified based on their characteristics and the management's intention, and are measured at their fair value in the same manner as described in Note 2.5(i)(ii). Repossessed non-financial assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value and the carrying value of the original secured asset. Repossessed assets that are determined better to be sold are immediately transferred to assets held for sale if the sale is deemed highly probable within a short period following the repossession, whereby financial assets are measured at their fair value whereas non-financial assets are measured at the lower of fair value less cost to sell at the repossession date and the carrying value of the original secured asset.

2.5n 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.

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 profit or loss. 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 profit or loss.

(i) Fair value hedges

The change in the fair value of a hedging derivative is recognised in "investment and trading income" in profit or loss. 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 profit or loss.

For fair value hedges relating to items recorded at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest 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 profit or loss.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (Cont'd.)

2.5n Hedge accounting (Cont'd.)

(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 profit or loss.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, 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.

(iii) Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in OCI while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised in equity is transferred to profit or loss.

2.5o 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.

2.5p 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 cash-generating unit's ("CGU") 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.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (Cont'd.)

2.5p Impairment of non-financial assets (Cont'd.)

For assets excluding goodwill and intangible assets with indefinite useful lives, 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 profit or loss.

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.

(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.

2.5q Foreclosed properties

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

2.5r 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 3 months, excluding deposits and monies held in trust and net of outstanding bank overdrafts.

2.5s Assets held for sale

The Group classifies assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. This condition is regarded as met only when the sale is probable and the assets are available for immediate sale in their present condition, management has committed to the sale and the sale is expected to have been completed within one year from the date of the classification. Such assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (Cont'd.)

2.5t 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.

2.5u 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 with sufficient reliability. 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 of 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. 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.

2.5v 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.

2.5w 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 commercial banking and non-financial services rendered by the subsidiaries.

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

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (Cont'd.)

2.5w Recognition of income and expenses (Cont'd.)

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

(i) Interest 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 income or expense is recorded using the effective interest method. 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 profit or loss. 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 by reference to the stage of completion of the services. 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.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (Cont'd.)

2.5w Recognition of income and expenses (Cont'd.)

(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, dividends for financial assets held-for-trading and financial investments available-for-sale. This includes any ineffectiveness recorded in hedging transactions.

(v) Rental income

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

(vi) Customer loyalty programmes

Award credits under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which the award credits are granted. The fair value of the consideration received in respect of the initial sale is allocated between the award credits and the other components of the sale such that the award credits are recognised at their fair value. Revenue from the award credits is recognised when the award credits are redeemed or expired. The amount of revenue recognised when the award credits are redeemed is based on the number of award credits redeemed relative to the total number expected to be redeemed.

2.5x Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions that are expected to be settled wholly within 12 months after the end of the financial year in which the employees render the related service are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and are measured at the amounts paid or expected to be paid when the liabilities are settled. 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 profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (Cont'd.)

2.5x Employee benefits (Cont'd.)

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

The Group and the Bank recognised the cost of this equity-settled share based compensation (being the fair value at grant date) as prepayment made to the holding company on grant date, and amortised to profit or loss as "personnel costs", over the period in which the performance and/or service 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 profit or loss 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.

2.5y 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 between the end of the reporting period and the date the financial statements are authorised for issue are disclosed as an event after the reporting period.

2.5z 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 profit or loss except to the extent that the tax relates to items recognised outside profit or loss. Current taxes relating to items recognised in OCI or directly in equity is recognised in OCI or equity respectively.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (Cont'd.)

2.5z Taxes (Cont'd.)

(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:

- a. 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
- b. 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 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:

- a. 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
- b. 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 profit 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 profit or loss is recognised outside profit or loss. 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 profit or loss.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies (Cont'd.)

2.5aa Earnings Per Share ("EPS")

The Group presents basic and diluted (where applicable) EPS data for its ordinary shares in Note 40. Basic EPS is calculated by dividing profit or loss attributable to ordinary shareholder of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting profit or loss attributable to ordinary shareholder and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.5ab 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 and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Reportable segments are operating segments or aggregations of operating segments of similar economic characteristics that meet specific aggregation criteria.

The Group's segmental reporting is based on the following three operating segments: retail banking, wholesale banking and group funding and others, as disclosed in Note 53.

2.5ac 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.

3. CHANGES IN ACCOUNTING POLICIES

3.1 Adoption of Amendments and Annual Improvement to Standards

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new standards and amendments to published standards which became effective for the first time for the Group and the Company on 1 April 2016:

- Amendments to MFRSs contained in document entitled "Annual Improvements to MFRSs 2012-2014 Cycle":
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138):
- Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141):
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11):
- Equity Method in Separate Financial Statements (Amendments to MFRS 127):
- Disclosure Initiative (Amendments to MFRS 101):
- Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10, MFRS 12 and MFRS 128):
- MFRS 14 Regulatory Deferral Accounts:

The adoption of these new standards and amendments to standards did not have any material impact on the financial statements of the Group and the Bank. The Group and the Bank did not have to change its accounting policies or make retrospective adjustments as a result of adopting these new standards and amendments to published standards.

3. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

3.1 Adoption of Amendments and Annual Improvement to Standards (Cont'd.)

The nature of the new standards and amendments to published standards relevant to the Group and the Bank are described below:

3.1a Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138)

The amendments clarify the principle in MFRS 116 and MFRS 138 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 existing method of depreciation and amortisation applied by the Group and the Bank comply with these requirements.

3.1b Equity Method in Separate Financial Statements (Amendments to MFRS 127)

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. Pursuant to Paragraph 9.4 of Bank Negara Malaysia's Policy Document on Financial Reporting, however, the Company is prohibited from measuring its investments in joint ventures and associates using the equity method in its separate financial statements. In addition, the Bank has also elected not to change the basis of measurement for its investments in subsidiaries. Accordingly, the Bank continue to measure its investments in subsidiaries, joint ventures and associates in its separate financial statements at cost.

3.1c Disclosure Initiative (Amendments to MFRS 101)

The amendments introduce five narrow-focus improvements to the disclosure requirements and ensure that entities are able to apply professional judgement in determining the extent of information to be disclosed in the financial statements. The amendments also clarify the requirements for presenting an entity's share of items of other comprehensive income of associates and joint ventures, whereby they are required to be grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Since the amendments only affect disclosures, the adoption of these amendments did not have any financial impact on the Group and the Bank.

3.1d 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.

(i) MFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment clarifies that a reclassification of an asset directly from being held for sale to being held for distribution to owners (or vice versa) is not a change to the disposal plan and shall be treated as a continuation of the original plan, and the change in disposal method does not change the date of classification as held for sale or held for distribution to owners. This amendment does not result in any impact as is no reclassification of asset between held for sale and held for distribution during the financial year ended 31 March 2017.

(ii) MFRS 7 Financial Instruments: Disclosures

The amendment clarifies that a servicing contract may constitute continuing involvement in a derecognised financial asset, and an entity shall assess the nature of the arrangement and the fees to determine whether disclosures are required. The amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in condensed interim financial statements.

3. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

3.1 Adoption of Amendments and Annual Improvement to Standards (Cont'd.)

(iii) MFRS 119 Employee Benefits

The amendment clarifies that the depth of the market for high quality corporate bonds for the purpose of determining the rate used to discount post-employment benefit obligations shall be assessed based on the currency in which the obligation is denominated instead of the country where the obligation is located. The discount rate applied by the Group to discount post-employment benefit obligations complies with this requirement.

(iv) MFRS 134 Interim Financial Reporting

The amendment clarifies that the selected information other than significant events and transactions shall be disclosed either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statements that is available to users of the financial statements on the same terms as the interim financial statements and at the same time. The interim financial statements issued by the Group complied with these requirements as such information of the Group and the Company are disclosed in the interim financial statements.

3.2 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 annual periods beginning on or after
Disclosure Initiative (Amendments to MFRS 107)	1 January 2017
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
Annual Improvements to MFRSs 2014-2016 Cycle	
- amendments to MFRS 12	1 January 2017
- amendments to MFRS 1 and MFRS 128	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4)	1 January 2018
Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16 Leases	1 January 2019
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	To be determined by MASB

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

3. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

3.2 Standards issued but not yet effective (Cont'd.)

3.2a Standards effective for financial year ending 31 March 2018

Disclosure Initiative (Amendments to MFRS 107)

The amendments to MFRS 107 introduce an additional disclosure on changes in liabilities arising from financing activities. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities.

The amendments are effective for annual periods beginning on or after 1 January 2017 with early adoption permitted.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)

The amendments clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

The amendments are effective for annual periods beginning on or after 1 January 2017 with early adoption permitted. The amendments shall be applied retrospectively.

Annual Improvements to MFRSs 2014-2016 Cycle

The Annual Improvements to MFRSs 2014-2016 Cycle include minor amendments affecting 3 MFRSs, in which one of them is effective for annual periods beginning on or after 1 January 2017, as summarised below:

(i) MFRS 12 Disclosure of Interests in Other Entities

The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities classified as held for sale except for summarised financial information. Previously, it was unclear whether all other MFRS 12 requirements were applicable for these interests.

3.2b Standards effective for financial year ending 31 March 2019

Annual Improvements to MFRSs 2014-2016 Cycle

The Annual Improvements to MFRSs 2014-2016 Cycle include minor amendments affecting 3 MFRSs, in which two of them is effective for annual periods beginning on or after 1 January 2018, as summarised below:

(i) MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards

The amendments deleted short-term exemptions covering transition provisions of MFRS 7, MFRS 10, and MFRS 119. These transition provisions were available to entities for past reporting periods and are therefore no longer applicable.

(ii) MFRS 128 Investments in Associates and Joint Ventures

MFRS 128 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss. The amendments clarified that this election should be made separately for each associate or joint venture at initial recognition.

3. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

3.2 Standards issued but not yet effective (Cont'd.)

3.2b Standards effective for financial year ending 31 March 2019 (Cont'd.)

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 depict 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.

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 2018 with early adoption permitted.

The Group and the Company are in the process of assessing the financial implication for adopting MFRS 15.

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. Retrospective application is required, but comparative information is not compulsory.

MFRS 9 will require all financial assets, other than equity instruments and derivatives, to be classified on the basis of two criteria, namely the entity's business model for managing the assets, as well as the instruments' contractual cash flow characteristics. Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest. If the financial assets are held within a business model whose objective is achieved by both selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, the assets shall be measured at fair value through other comprehensive income ("FVOCI"). Any financial assets that are not measured at amortised cost or FVOCI will be measured at fair value through profit or loss ("FVTPL"). MFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or FVOCI as FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments are normally measured at FVTPL; nevertheless entities are allowed to irrevocably designate equity instruments that are not held for trading as FVOCI, with no subsequent reclassification of gains or losses to profit or loss.

MFRS 9 will fundamentally change the loan loss impairment methodology. The standard will replace MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. The impairment requirements based on ECL approach is applicable for all loans and other debt financial assets not held at FVTPL, as well as loan commitments and financial guarantee contracts. The allowance for expected losses shall be determined based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the lifetime of the asset.

3. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

3.2 Standards issued but not yet effective (Cont'd.)

3.2b Standards effective for financial year ending 31 March 2019 (Cont'd.)

MFRS 9 Financial Instruments (Cont'd.)

The Group has set up a multidisciplinary Programme Working Group ("PWG") to prepare for MFRS 9 Implementation with the involvement from Risk, Finance and Operations personnel, as well as the assistance from external consultants. The PWG regularly report to the Programme Steering Committee ("PSC") chaired by the Chief Financial Officer. The Programme has clear individual work streams for classification and measurement, impairment, hedge accounting and disclosure. The Group has also engaged its external auditor to independently verify and validate the accounting policies and solution tools to be developed under the Programme and to report on whether they comply with the requirements of MFRS 9.

The initial assessment and analysis stage was completed during the financial year. As the initial assessment was based on currently available information, the outcome is subject to changes arising from further analysis or additional information being made available in the future.

Having completed its initial assessment, the Group and the Company expects that:

- The majority of loans and advances that are classified as loans and receivables under MFRS 139, as well as investments in debt securities classified as held to maturity under MFRS 139 are expected to be measured at amortised cost under MFRS 9.
- The majority of the debt securities classified as available for sale under MFRS 139 are expected to be measured at amortised cost or FVOCI. Some securities, however, will be classified as FVTPL.
- Financial assets and liabilities held for trading are expected to be continue to be measured at FVTPL.

The impairment requirements are expected to result in a higher allowance for impairment losses. The Group and the Bank will perform a detailed assessment in the financial year ending 31 March 2018 to determine the extent of the impact.

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on how to determine the date of the transaction when applying MFRS 121 in situations where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. For the purpose of determining the exchange rate to use on initial recognition of the related item, the Interpretation states that the date of the transaction shall be the date on which an entity initially recognises the non-monetary asset or liability arising from the advance consideration.

The amendments are effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. Entities can choose to apply the Interpretation retrospectively, prospectively to items that are initially recognised on or after the beginning of the reporting period in which the Interpretation is first applied, or prospectively from the beginning of a prior reporting period presented as comparative information.

3.2c Standards effective for financial year ending 31 March 2020

MFRS 16 Leases

MFRS 16 'Leases' supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

3. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

3.2 Standards issued but not yet effective (Cont'd.)

3.2c Standards effective for financial year ending 31 March 2020 (Cont'd.)

MFRS 16 Leases (Cont'd.)

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early application permitted provided MFRS 15 is also applied. The Group and the Company are in the process of assessing the financial implication for adopting MFRS 16.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and
- gains and losses resulting from transactions involving the sale or contribution to an associate of a joint venture of assets that constitute a business is recognised in full.

4. Significant Changes in Regulatory Requirements - Companies Act 2016

Companies Act, 2016 ("CA 2016") was enacted to replace Companies Act, 1965 ("CA 1965"), and all of the provisions in CA 2016 other than Section 241 and Division 8 of Part III came into operations on 31 January 2017.

Amongst others, CA 2016 abolished the concept of par or nominal value of shares that was applied under CA 1965. Concepts tied to par value under CA 1965, such as authorised share capital, share premium and capital redemption reserve have similarly been abolished. Accordingly, the Group and the Bank is no longer required to maintain a share premium account from 31 January 2017, and any amount standing to the credit of the share premium account as of that date has become part of the Bank's share capital, as presented in the statement of changes in equity.

In addition, the disclosure requirements under the Ninth Schedule of CA 1965 have also been removed upon the commencement of CA 2016. This change is applicable to all financial statements for the financial year ending on or after 31 January 2017. Nevertheless, this change will not result in any significant impact to the financial statements of the Group and the Bank for the financial year ended 31 March 2017 as a majority of the disclosure requirements under the Ninth Schedule of CA 1965 are also required by the applicable approved accounting standards.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with MFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of revenue, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Judgments, 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 judgments, estimates and assumptions which have the most significant effect on the amounts recognised in the financial statements.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

5.1 Allowance for impairment on loans and advances (Notes 14 and 38)

The Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in profit or loss. In particular, management's judgment 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 and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances 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. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan to collateral ratios, etc.) and judgments 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).

5.2 Impairment losses on financial investments AFS and HTM (Notes 12,13 and 39)

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

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 judgment. In making this judgment, 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.

5.3 Deferred tax assets and income taxes (Notes 17, 20 and 40)

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 judgment 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 Malaysia and significant judgment 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.

5.4 Fair value measurement of financial instruments (Notes 10, 11, 12, 35 and 51)

When the fair value of financial assets and financial liabilities recorded on the statements 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, judgment is required to establish fair values. Judgments 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.

5.5 Development costs

Development costs are capitalised in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future economic benefits. The capitalised development costs relates to the development and implementation of new Information Technology systems for the Group and the Bank.

6. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	1,560,217	2,490,394	1,333,687	2,268,740
Deposit placements maturing within one month:				
Licensed banks	2,989,084	2,357,287	2,985,255	2,353,447
Bank Negara Malaysia	1,440,000	2,758,000	1,440,000	2,758,000
	<u>4,429,084</u>	<u>5,115,287</u>	<u>4,425,255</u>	<u>5,111,447</u>
	<u>5,989,301</u>	<u>7,605,681</u>	<u>5,758,942</u>	<u>7,380,187</u>
Deposit and placements with original maturity of:				
Three months or less	4,329,084	5,115,287	4,325,255	5,111,447
More than three months	100,000	-	100,000	-
	<u>4,429,084</u>	<u>5,115,287</u>	<u>4,425,255</u>	<u>5,111,447</u>

7. SECURITIES PURCHASED UNDER RESALE AGREEMENTS/SECURITIES SOLD UNDER RESALE AGREEMENTS

As part of the securities purchased under resale agreements, the Group and the Bank received securities as collateral that it was allowed to sell or repledge in the absence of default by their owners. The Group and the Bank had an obligation to return the securities to its counterparties. Securities purchased under resale agreements for the Group and the Bank amounted to RM10,369,000 (2016: Nil). As at 31 March 2017, the Group and the Bank had sold some of the collateral received and recorded the short sale as securities sold under resale agreements of RM9,464,000 (2016: Nil).

8. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2017 RM'000	2016 RM'000
Licensed banks	-	100,000
Licensed investment banks	450,000	250,000
Bank Negara Malaysia	-	500,000
	<u>450,000</u>	<u>850,000</u>
Deposit and placements with original maturity of:		
Three months or less	-	850,000
More than three months	450,000	-
	<u>450,000</u>	<u>850,000</u>

9. INVESTMENT ACCOUNT

These represent deposits placed under Restricted Investment Account ("RIA") arrangement with AmBank Islamic. The contract is based on the Shariah concept of Mudarabah Muqayyadah between two parties, that is, the investor (the Bank) and the entrepreneur (AmBank Islamic) to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratio. Losses shall be borne solely by the investor.

10. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Group and Bank	2017			2016		
	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						
Interest rate related contracts						
- One year or less	8,580,942	5,497	4,973	7,825,391	3,518	2,438
- Over one year to three years	10,675,092	30,875	32,464	14,806,859	45,475	45,109
- Over three years	25,384,535	177,517	177,752	20,015,291	238,510	252,643
Foreign exchange related contracts						
- One year or less	46,187,005	465,386	275,493	42,733,469	1,224,495	1,399,888
- Over one year to three years	253,960	4,909	28,653	459,392	9,692	10,746
- Over three years	3,714,814	448,455	414,569	2,646,860	310,189	264,045
Credit related contracts						
- One year or less	-	-	-	337,027	485	176
- Over three years	361,251	11,237	-	336,367	19,493	9,503
Equity and commodity related contracts						
- One year or less	228,591	2,417	3,040	159,106	1,878	1,826
- Over one year to three years	83,396	4	4	-	-	-
- Over three years	-	-	-	73,572	1,133	1,133
Hedging Derivatives						
Interest rate related contracts						
Cash flow hedge						
- One year or less	1,230,000	713	1,100	350,000	222	304
- Over one year to three years	1,735,000	5,058	4,039	2,435,000	6,129	3,761
- Over three years	2,640,000	20,064	16,807	3,170,000	33,600	31,639
Total	101,074,586	1,172,132	958,894	95,348,334	1,894,819	2,023,211

10. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT'D.)

Derivative financial instruments and hedge accounting

(i) Fair value hedge

The Group's and the Bank's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of fixed-rate long-term financial instruments due to movements in market interest rates. The financial instruments previously hedged for interest rate risk consist of the subordinated term loan and loans sold to Cagamas Berhad ("hedged instruments").

With the termination of the fair value hedges on these hedged instruments, the unamortised fair values are amortised to profit or loss over the remaining term to maturity of the hedged instruments using effective interest method (Note 26 and 28(a)).

(ii) Cash flow hedge

The Group's and the Bank's derivatives designated for cash flow hedges principally consist of interest rate swaps that are used to protect against exposures to variability in future interest cash flows on variable rate interest bearing assets and incurring liabilities. This hedging strategy is applied towards housing loan receivables, treasury fixed deposits and short-term treasury deposits. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio on the basis of their contractual terms and other relevant factors, including estimates of early repayment for loans and withdrawal for deposits. The aggregate principal balances and interest cash flows over time form the basis for identifying gains and losses on the effective portions of derivatives designated as cash flow hedges of forecast transactions. Gains and losses are initially recognised directly in equity in the cash flow hedge reserve and are transferred to profit or loss when the forecast cash flows affect the profit or loss.

All underlying hedged cash flows are expected to be recognised in the profit and loss in the period in which they occur which is anticipated to take place over the next 8 years (2016: 9 years).

All gains and losses associated with the ineffective portion of the hedging derivatives are recognised immediately in profit or loss. The ineffectiveness recognised in profit or loss during the financial year in respect of cash flow hedges amounted to a loss of RM8,334,000 (2016: loss of RM9,415,000) for the Group and the Bank.

11. FINANCIAL ASSETS HELD-FOR-TRADING

	Group and Bank	
	2017	2016
	RM'000	RM'000
At fair value		
Money market instruments:		
Bank Negara Monetary Notes	333,562	-
Government Investment Issues	562,691	206,757
Islamic Treasury Bills	118,689	-
Malaysian Government Securities	1,997,251	287,529
Malaysian Treasury Bills	1,148,116	-
	<u>4,160,309</u>	<u>494,286</u>
Quoted securities:		
In Malaysia:		
Shares	115,600	67,560
Unit trusts	57,923	130,272
Warrants	-	80
Sukuk	38,207	38,962
	<u>211,730</u>	<u>236,874</u>
Outside Malaysia:		
Shares	114,596	102,101
Unquoted securities:		
In Malaysia:		
Corporate bonds and sukuk	1,365,863	1,000,756
Outside Malaysia:		
Corporate bonds	9,998	36,410
	<u>5,862,496</u>	<u>1,870,427</u>

12. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At fair value				
Money market instruments:				
Government Investment Issues	585,381	625,820	585,381	625,820
Foreign Government Investment Issues	8,887	-	8,887	-
Islamic Treasury Bills	-	28,723	-	28,723
Malaysian Government Securities	629,737	384,777	629,737	384,777
Negotiable Instruments of Deposits	-	2,049,644	-	2,049,644
	<u>1,224,005</u>	<u>3,088,964</u>	<u>1,224,005</u>	<u>3,088,964</u>
Quoted securities:				
In Malaysia:				
Shares	568	4,204	568	4,202
Unit trusts	148,626	137,617	148,626	137,617
	<u>149,194</u>	<u>141,821</u>	<u>149,194</u>	<u>141,819</u>
Outside Malaysia:				
Shares	52	47	8	8
Unquoted securities:				
In Malaysia:				
Corporate bonds and sukuk	4,002,718	3,845,078	4,053,560	3,914,201
Outside Malaysia:				
Corporate bonds and sukuk	195,183	312,740	195,183	312,740
At cost				
Unquoted securities:				
In Malaysia:				
Shares	87,375	87,375	87,330	87,330
Outside Malaysia:				
Shares	186	175	186	175
	<u>5,658,713</u>	<u>7,476,200</u>	<u>5,709,466</u>	<u>7,545,237</u>

As at 31 March 2017, the Bank owns 26.7% (2016: 26.7%) of AmFirst Real Estate Investment Trust ("REIT"). MFRS 128 Investment in Associates and Joint Ventures, presume that the Bank has significant influence over the REIT. However, the Bank has restricted voting power as stated in the Trust Deed. As such, the Bank has no significant influence and the investment is recognised as financial investments available-for-sale ("AFS").

In the financial year ended 31 March 2014, the Bank reclassified securities amounting to RM62,181,000 that are not quoted in an active market out of the AFS category to the loans and receivables category as the Bank has the intention to hold the securities until maturity.

As at 31 March 2017, the fair value gain that would have been recognised in other comprehensive income for the current financial year if the securities had not been reclassified amounted to RM4,336,000 (2016: RM4,102,000).

During the current financial year, the Bank was appointed as Principal Dealer ("PD") for specified securities issued by the Government, BNM and BNM Sukuk Berhad for the period from 1 January 2017 to 31 December 2018.

As PD, the Bank is required to undertake certain obligations and is also accorded incentives. One of the incentives accorded was the eligibility to maintain a specified amount of the Statutory Reserve Requirements ("SRR") balances in the form of Malaysian Government Securities ("MGS") and /or Malaysian Government Investment Issues ("MGII") instead of cash. As at 31 March 2017, the Group and the Bank maintained a total carrying amount of RM179,798,000 in the form of MGS and MGII for SRR purposes.

13. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group and Bank	
	2017	2016
	RM'000	RM'000
At amortised cost		
Money market instruments:		
Foreign Treasury bills	-	780,153
Unquoted securities:		
In Malaysia:		
Corporate bonds and sukuk	2,080,055	2,051,609
Less: Accumulated impairment losses	(2,550)	(3,008)
	<u>2,077,505</u>	<u>2,828,754</u>

A reconciliation of the allowance for impairment losses is as follows:

	Group and Bank	
	2017	2016
	RM'000	RM'000
Balance at beginning of the financial year	3,008	6,198
Writeback for the financial year, net (Note 39)	-	(3,190)
Amount written off	(458)	-
Balance at end of the financial year	<u>2,550</u>	<u>3,008</u>

14. LOANS AND ADVANCES

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At amortised cost:				
Overdrafts	2,491,874	2,314,683	2,491,874	2,314,683
Term loans	13,618,641	14,641,244	13,618,641	14,641,244
Housing loan receivables	18,565,189	15,673,465	18,396,587	15,493,600
Hire purchase receivables	12,895,977	12,833,088	12,895,977	12,833,088
Bills receivables	1,279,990	934,993	1,279,990	934,993
Trust receipts	1,478,562	1,114,735	1,478,562	1,114,735
Claims on customers under acceptance credits	3,038,682	2,823,822	3,038,682	2,823,822
Card receivables	1,389,985	1,305,021	1,389,985	1,305,021
Revolving credits	8,093,653	7,827,388	8,179,310	7,909,441
Staff loans	107,517	112,094	107,517	112,094
Others	220,964	216,359	220,964	216,359
Gross loans and advances	63,181,034	59,796,892	63,098,089	59,699,080
Allowance for impairment on loans and advances:				
- Individual allowance (Note 14(i))	(240,793)	(251,303)	(240,793)	(251,303)
- Collective allowance (Note 14(i))	(608,795)	(730,849)	(608,676)	(730,576)
Net loans and advances	62,331,446	58,814,740	62,248,620	58,717,201

As part of RIA arrangements with AmBank Islamic, the Bank records the amount it provides as financing under the arrangement as investment accounts (Note 9). The financing to external parties made by AmBank Islamic is recorded by AmBank Islamic as financing and advances. As losses from the business venture is borne solely by the Bank, the related collective allowance is recorded by the Bank (Note 14(i)(a) and 14(i)(b)).

(a) Gross loans and advances analysed by type of customer are as follows:

	Group		Bank	
	2017	2016 (Restated)	2017	2016 (Restated) (Note 55(b))
	RM'000	RM'000	RM'000	RM'000
Domestic banking institutions	5,861	156,016	5,861	156,016
Domestic non-bank financial institutions	1,527,443	1,545,047	1,613,101	1,627,100
Domestic business enterprises				
- Small and medium enterprises	9,423,770	7,569,470	9,423,770	7,569,470
- Others	15,583,404	16,923,992	15,583,404	16,923,992
Government and statutory bodies	36	104,159	36	104,159
Individuals	35,358,171	32,110,635	35,189,568	31,930,770
Other domestic entities	94,563	22,357	94,563	22,357
Foreign individuals and entities	1,187,786	1,365,216	1,187,786	1,365,216
Gross loans and advances	63,181,034	59,796,892	63,098,089	59,699,080

14. LOANS AND ADVANCES (CONT'D.)

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
In Malaysia	62,692,237	59,161,871	62,609,292	59,064,059
Outside Malaysia	488,797	635,021	488,797	635,021
	<u>63,181,034</u>	<u>59,796,892</u>	<u>63,098,089</u>	<u>59,699,080</u>

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

	Group		Bank	
	2017 RM'000	2016 (Restated) RM'000	2017 RM'000	2016 (Restated) (Note 55(b)) RM'000
Fixed rate				
- Housing loans	301,579	333,043	132,977	153,178
- Hire purchase receivables	11,984,134	12,059,441	11,984,134	12,059,441
- Other fixed rate loans	5,271,011	5,217,344	5,271,011	5,217,344
Variable rate				
- Base rate and base lending rate plus	27,306,952	24,737,547	27,306,952	24,737,547
- Cost plus	14,858,061	14,612,176	14,943,718	14,694,229
- Other variable rates	3,459,297	2,837,341	3,459,297	2,837,341
	<u>63,181,034</u>	<u>59,796,892</u>	<u>63,098,089</u>	<u>59,699,080</u>

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

	Group		Bank	
	2017 RM'000	2016 (Restated) RM'000	2017 RM'000	2016 (Restated) (Note 55(b)) RM'000
Agriculture	1,832,710	2,136,934	1,832,710	2,136,934
Mining and quarrying	1,163,224	1,351,689	1,163,224	1,351,689
Manufacturing	6,287,455	6,171,718	6,287,455	6,171,718
Electricity, gas and water	375,880	379,883	375,880	379,883
Construction	2,709,295	2,186,417	2,709,295	2,186,417
Wholesale and retail trade and hotels and restaurants	4,089,255	3,762,747	4,089,255	3,762,747
Transport, storage and communication	1,307,985	1,038,149	1,307,985	1,038,149
Finance and insurance	1,533,305	1,740,239	1,618,962	1,822,292
Real estate	5,992,973	6,457,762	5,992,973	6,457,762
Business activities	1,074,761	778,807	1,074,761	778,807
Education and health	670,566	646,284	670,566	646,284
Household of which:	36,043,441	32,741,669	35,874,839	32,561,804
- Purchase of residential properties	18,274,251	15,454,634	18,105,649	15,274,769
- Purchase of transport vehicles	12,274,723	12,163,337	12,274,723	12,163,337
- Others	5,494,467	5,123,698	5,494,467	5,123,698
Others	100,184	404,594	100,184	404,594
	<u>63,181,034</u>	<u>59,796,892</u>	<u>63,098,089</u>	<u>59,699,080</u>

14. LOANS AND ADVANCES (CONT'D.)

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Maturing within one year	15,404,747	14,352,180	15,489,867	14,432,934
Over one year to three years	4,858,788	6,864,478	4,855,109	6,856,586
Over three years to five years	8,341,104	7,623,251	8,332,680	7,615,102
Over five years	34,576,395	30,956,983	34,420,433	30,794,458
	<u>63,181,034</u>	<u>59,796,892</u>	<u>63,098,089</u>	<u>59,699,080</u>

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Balance at beginning of the financial year	1,093,403	963,985	1,093,064	963,361
Impaired during the financial year	1,064,566	1,003,542	1,063,984	1,002,165
Reclassified as performing	(39,530)	(15,426)	(39,530)	(15,426)
Recoveries	(392,810)	(423,800)	(392,299)	(422,138)
Amount written off	(540,945)	(434,898)	(540,945)	(434,898)
Foreign exchange differences	13,778	-	13,778	-
Balance at end of the financial year	<u>1,198,462</u>	<u>1,093,403</u>	<u>1,198,052</u>	<u>1,093,064</u>
Gross impaired loans and advances as % of gross loans and advances	<u>1.90%</u>	<u>1.83%</u>	<u>1.90%</u>	<u>1.83%</u>
Loan loss coverage (including regulatory reserve)	<u>84.6%</u>	<u>89.8%</u>	<u>84.6%</u>	<u>89.8%</u>

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
In Malaysia	1,116,969	992,117	1,116,559	991,778
Outside Malaysia	81,493	101,286	81,493	101,286
	<u>1,198,462</u>	<u>1,093,403</u>	<u>1,198,052</u>	<u>1,093,064</u>

14. LOANS AND ADVANCES (CONT'D.)

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

	Group		Bank	
	2017	2016 (Restated)	2017	2016 (Restated) (Note 55(b))
	RM'000	RM'000	RM'000	RM'000
Agriculture	636	2,298	636	2,298
Mining and quarrying	150,058	84,987	150,058	84,987
Manufacturing	88,773	155,796	88,773	155,796
Electricity, gas and water	100	355	100	355
Construction	5,799	41,723	5,799	41,723
Wholesale and retail trade and hotels and restaurants	32,629	33,925	32,629	33,925
Transport, storage and communication	4,567	18,436	4,567	18,436
Finance and insurance	1	32	1	32
Real estate	399,114	193,236	399,114	193,236
Business activities	5,824	6,527	5,824	6,527
Education and health	2,847	3,904	2,847	3,904
Household of which:	503,827	547,771	503,417	547,432
- Purchase of residential properties	288,132	303,053	287,722	302,714
- Purchase of transport vehicles	121,365	152,174	121,365	152,174
- Others	94,330	92,544	94,330	92,544
Others	4,287	4,413	4,287	4,413
	<u>1,198,462</u>	<u>1,093,403</u>	<u>1,198,052</u>	<u>1,093,064</u>

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

	Group and Bank	
	2017 RM'000	2016 RM'000
Individual allowance		
Balance at beginning of the financial year	251,303	167,457
Charge for the financial year, net (Note 38)	236,032	111,381
Amount written off	(248,244)	(27,535)
Foreign exchange differences	1,702	-
Balance at end of the financial year	<u>240,793</u>	<u>251,303</u>
	Group	Bank
	2017	2016
	RM'000	RM'000
Collective allowance		
Balance at beginning of the financial year	730,849	953,660
Charge for the financial year, net (Note 38)	178,540	185,846
Amount transferred to AmBank		
Islamic (Note 14(i)(a))	-	(17)
Amount written off	(302,841)	(409,920)
Foreign exchange differences	2,247	1,280
Balance at end of the financial year (Note 14(i)(b))	<u>608,795</u>	<u>730,849</u>
Collective allowance (including regulatory reserve) as % of gross loans and advances less individual allowance	<u>1.23%</u>	<u>1.23%</u>
	<u>1.23%</u>	<u>1.23%</u>

14. LOANS AND ADVANCES (CONT'D.)

(i) Movements in allowances for impaired loans and advances are as follows (cont'd.):

- (a) On 31 December 2015, another new contract for the sum of RM300,000,000 was entered into by the Bank with AmBank Islamic. Arising from this new contract, AmBank Islamic transferred collective allowance of RM2,461,000 for the financing funded by the Bank. On 15 March 2016, AmBank early redeemed the RIA and derecognised the collective allowance previously recognised in its financial statements of RM2,478,000.
- (b) As at 31 March 2017, the gross exposure and collective allowance relating to the RIA financing for the Group and the Bank amounted to RM1,604,369,000 and RM2,299,000 (31 March 2016: RM1,003,979,000 and RM1,473,000) respectively are included in the Group and the Bank's collective allowance.

There was no individual allowance provided for the RIA financing for financial years 2017 and 2016.

15. RECEIVABLES: INVESTMENTS NOT QUOTED IN ACTIVE MARKETS

	Group and Bank	
	2017	2016
	RM'000	RM'000
At amortised cost:		
Corporate bonds in Malaysia	<u>1,172,157</u>	<u>97,181</u>

16. 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 a set percentage of total eligible liabilities.

17. DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	995	76,485	-	75,430
Deferred tax liabilities	(97,832)	-	(97,828)	-
	<u>(96,837)</u>	<u>76,485</u>	<u>(97,828)</u>	<u>75,430</u>

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

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deferrred tax assets	101,199	145,970	98,775	142,636
Deferred tax liabilities	(198,036)	(69,485)	(196,603)	(67,206)
	<u>(96,837)</u>	<u>76,485</u>	<u>(97,828)</u>	<u>75,430</u>

17. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

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

Group	Balance at beginning of the financial year RM'000	Recognised in statement of profit or loss RM'000	Recognised in other comprehensive income RM'000	Balance at end of the financial year RM'000
Deferred tax assets				
2017				
Allowance for impairment of foreclosed properties	3,070	82	-	3,152
Provision for expenses	71,245	(3,645)	-	67,600
Provision for commitments and contingencies	16,008	(2,827)	-	13,181
Available-for-sale reserve	-	-	3,859	3,859
Unrealised losses on foreign exchange	45,355	(45,355)	-	-
Other temporary differences	10,292	3,115	-	13,407
	<u>145,970</u>	<u>(48,630)</u>	<u>3,859</u>	<u>101,199</u>
2016				
Allowance for impairment of foreclosed properties	3,004	66	-	3,070
Provision for expenses	71,964	(719)	-	71,245
Provision for commitments and contingencies	21,795	(5,787)	-	16,008
Unutilised tax losses	2,498	(2,498)	-	-
Unrealised losses on foreign exchange	54,677	(9,322)	-	45,355
Other temporary differences	(4,465)	14,757	-	10,292
	<u>149,473</u>	<u>(3,503)</u>	<u>-</u>	<u>145,970</u>
Deferred tax liabilities				
2017				
Deferred charges	(16,607)	(278)	-	(16,885)
Excess of capital allowance over depreciation	(48,258)	6,262	-	(41,996)
Unrealised foreign exchange gain	-	(138,204)	-	(138,204)
Available-for-sale reserve	(3,714)	-	3,714	-
Cash flow hedging reserve	(906)	-	(45)	(951)
	<u>(69,485)</u>	<u>(132,220)</u>	<u>3,669</u>	<u>(198,036)</u>
2016				
Deferred charges	(17,172)	565	-	(16,607)
Excess of capital allowance over depreciation	(29,522)	(18,736)	-	(48,258)
Available-for-sale reserve	(384)	-	(3,330)	(3,714)
Cash flow hedging deficit/(reserve)	151	-	(1,057)	(906)
	<u>(46,927)</u>	<u>(18,171)</u>	<u>(4,387)</u>	<u>(69,485)</u>

17. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

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

	Balance at beginning of the financial year RM'000	Recognised in statement of profit or loss RM'000	Recognised in other comprehensive income RM'000	Balance at end of the financial year RM'000
Bank				
Deferred tax assets				
2017				
Allowance for impairment of foreclosed properties	3,070	82	-	3,152
Provision for expenses	68,800	(3,645)	-	65,155
Provision for commitments and contingencies	16,008	(2,827)	-	13,181
Unrealised foreign exchange gain	45,355	(45,355)	-	-
Available-for-sale reserve	-	-	3,863	3,863
Cash flow hedging deficit	(906)	-	906	-
Other temporary differences	10,309	3,115	-	13,424
	<u>142,636</u>	<u>(48,630)</u>	<u>4,769</u>	<u>98,775</u>
2016				
Allowance for impairment of foreclosed properties	3,004	66	-	3,070
Provision for expenses	69,552	(752)	-	68,800
Provision for commitments and contingencies	21,795	(5,787)	-	16,008
Unrealised foreign exchange gain	54,677	(9,322)	-	45,355
Cash flow hedging deficit/(reserve)	151	-	(1,057)	(906)
Other temporary differences	(4,366)	14,675	-	10,309
	<u>144,813</u>	<u>(1,120)</u>	<u>(1,057)</u>	<u>142,636</u>
Deferred tax liabilities				
2017				
Deferred charges	(16,608)	(278)	-	(16,886)
Excess of capital allowance over depreciation	(46,824)	6,262	-	(40,562)
Unrealised foreign exchange gain	-	(138,204)	-	(138,204)
Available-for-sale reserve	(3,774)	-	3,774	-
Cash flow hedging deficit	-	-	(951)	(951)
	<u>(67,206)</u>	<u>(132,220)</u>	<u>2,823</u>	<u>(196,603)</u>
2016				
Deferred charges	(17,172)	564	-	(16,608)
Excess of capital allowance over depreciation	(28,354)	(18,470)	-	(46,824)
Available-for-sale reserve	(418)	-	(3,356)	(3,774)
	<u>(45,944)</u>	<u>(17,906)</u>	<u>(3,356)</u>	<u>(67,206)</u>

As at 31 March 2017, the Group and the Bank respectively, have unabsorbed capital allowances of approximately RM453,084,000 and RM167,117,000 (2016: RM455,938,000 and RM169,971,000 for the Group and the Bank respectively) that are available for offset against future taxable profit of leasing business. Deferred tax assets are not recognised due to uncertainty in timing of their recoverability.

18. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENT

	Note	Bank	
		2017 RM'000	2016 RM'000
Investment in subsidiaries:	(a)		
Unquoted shares, at cost		98,796	98,796
Less: Impairment loss		(24,519)	(24,519)
Balance at end of the financial year		<u>74,277</u>	<u>74,277</u>
Investment in a collective investment scheme:	(b)		
At cost			
Balance at beginning of the financial year		30,000	30,000
Redeemed during the financial year		(30,000)	-
Balance at end of the financial year		<u>-</u>	<u>30,000</u>
		<u>74,277</u>	<u>104,277</u>

(a) Investment in subsidiaries

The subsidiaries are all incorporated in Malaysia except for AmTrade Services Limited which is incorporated in Hong Kong.

1. Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Effective equity interest	
		2017 %	2016 %
AmCard Services Berhad	Asset financing agency	100.0	100.0
AmPremier Capital Berhad	Issue of subordinated securities	100.0	100.0
AmMortgage One Berhad	Securitisation of mortgage loans	100.0	100.0
AmProperty Holdings Sdn. Bhd.	Property investment	100.0	100.0
Bougainvillea Development Sdn. Bhd.	Property investment	100.0	100.0
MBf Information Services Sdn. Bhd.	Property investment	100.0	100.0
MBf Trustees Berhad *	Trustee services	60.0	60.0
MBf Nominees (Tempatan) Sdn. Bhd.	Nominee services	100.0	100.0
Teras Oak Pembangunan Sendirian Berhad	Dormant	100.0	100.0
Komuda Credit & Leasing Sdn. Bhd. #	Dormant	100.0	100.0
Everflow Credit & Leasing Corporation Sdn. Bhd. **	Dormant	-	100.0
Malco Properties Sdn. Bhd.	Dormant	81.5	81.5
Economical Enterprises Sendirian Berhad. ***	Dormant	-	100.0
AmLabuan Holdings (L) Ltd @	Investment holding	100.0	100.0

18. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENT (CONT'D.)**(a) Investment in subsidiaries (Cont'd.)**

1. Details of the subsidiaries are as follows (cont'd.):

Name of subsidiary	Principal activities	Effective equity interest	
		2017	2016
		%	%
AMBB Capital (L) Ltd @. ###	Dormant	100.0	100.0
AmTrade Services Limited ^ ###	Dormant	100.0	100.0

* The investment in MBf Trustees Berhad is classified as investment in subsidiary at Group level through additional equity interests held by two other subsidiaries of the Bank, MBf Information Services Sdn. Bhd and MBf Nominees (Tempatan) Sdn. Bhd. (see Note 19).

^ Audited by an affiliate of Ernst & Young.

@ Incorporated under the Labuan Companies Act, 1990.

Subsidiary under member's voluntary winding-up.

Subsidiaries that have commenced member's voluntary winding up process on 17 March 2017.

** Subsidiary that had been dissolved by way of member's voluntary winding-up on 20 September 2016.

*** Subsidiary that had been dissolved by way of member's voluntary winding-up on 22 December 2016.

2. There are no restrictions on transfer of funds, for example paying dividends or repaying loans and advances by the subsidiaries. The ability of the subsidiaries to pay dividends or make advances to the Bank depends on their financial and operating performance.

3. Transaction during the financial year:

(i) Transfer of card operations from AmCard Services Berhad ("AmCard") to the Bank

On 4 May 2016, the Board of AmBank had approved the proposal to assume the card operation management and processes from AmBank's wholly-owned subsidiary, AmCard. Further details are disclosed in Note 54(a).

(ii) Dissolution of wholly-owned dormant subsidiaries

The Bank's wholly-owned dormant subsidiaries, Everflow Credit & Leasing Corporation Sdn. Bhd. and Economical Enterprises Sendirian Berhad, have been dissolved by way of member's voluntary winding-up ("MVWU") pursuant to Section 254(1)(b) of the Companies Act, 1965 on 20 September 2016 and 22 December 2016 respectively. As these subsidiaries were dormant, there is no significant impact on the Group's income statement or statement of financial position arising from the dissolution.

4. The subsidiaries which are not wholly owned are not material individually or in aggregate to the financial position or performance of the Group.

(b) Investment in a collective investment scheme

Details of the collective investment scheme, established in Malaysia and managed by a related company is as follows:

Name of fund	Category/Type of fund	Effective equity interest	
		2017	2016
		%	%
AmCash Premium	Wholesale (Fixed Income Fund)	-	100.0

On 30 June 2016, the Bank had fully withdrawn its investment in AmCash Premium. Accordingly, the Bank ceased to have control over AmCash Premium.

19. INVESTMENT IN ASSOCIATES

	Bank	
	2017	2016
	RM'000	RM'000
Unquoted shares, at cost	50	50
Less: Impairment loss	(28)	(28)
	<u>22</u>	<u>22</u>

Detail of the associate, which is incorporated and with principal place of business in Malaysia, is as follows:

	Principal activity	Bank	
		Effective equity interest	
		2017	2016
		%	%
MBf Trustees Berhad	Trustee Services	20.0	20.0

The investment in MBf Trustees Berhad is classified as investment in subsidiary at Group level through additional equity interests held by two other subsidiaries of the Bank (see Note 18(a)).

20. OTHER ASSETS

	Note	Group		Bank	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	(Restated) (Note 55(a)) RM'000
Other receivables, deposits and prepayments	(a)	500,868	342,583	487,127	329,769
Interest receivable	(a)	255,420	222,424	255,433	222,440
Amount due from originators	(b)	161,812	304,803	161,812	304,803
Amount due from subsidiaries and related companies	(c)	28,958	34,794	24,558	40,733
Collateral pledged for derivative transactions	52	487,751	670,715	487,751	670,715
Foreclosed properties	(d)	40,943	78,711	40,636	78,404
Deferred charges		91,181	79,050	91,181	79,050
Tax recoverable	(e)	382,511	347,741	370,683	344,960
		<u>1,949,444</u>	<u>2,080,821</u>	<u>1,919,181</u>	<u>2,070,874</u>
Less: Accumulated impairment losses		<u>(48,614)</u>	<u>(48,650)</u>	<u>(36,047)</u>	<u>(36,093)</u>
		<u>1,900,830</u>	<u>2,032,171</u>	<u>1,883,134</u>	<u>2,034,781</u>

20. OTHER ASSETS (CONT'D)

- (a) Other receivables, deposits and prepayments of the Group and the Bank are shown net of impairment losses of RM34,437,000 (2016: RM33,841,000) and RM22,027,000 (2016: RM21,441,000) respectively.

Interest receivable of the Group and the Bank are shown net of impairment losses of RM886,000 (2016: RM1,858,000).

The movement in accumulated impairment losses of interest receivable and other receivables is as follows:

	Group		Bank	
	2017	2016	2017	2016 (Restated) (Note 55(a))
	RM'000	RM'000	RM'000	RM'000
Balance at beginning of the financial year	35,699	40,062	23,299	27,663
Impairment loss during the financial year, net	387	349	377	341
Amount written off	(763)	(4,712)	(763)	(4,705)
Balance at end of the financial year	<u>35,323</u>	<u>35,699</u>	<u>22,913</u>	<u>23,299</u>

- (b) Amount due from originators represents personal and housing loans acquired from originators for onward sale to Cagamas Berhad as mentioned in Note 26.
- (c) Amounts due from subsidiaries and related companies are unsecured, non-interest bearing and are repayable on demand.
- (d) The movement in accumulated impairment losses on foreclosed properties is as follows:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Balance at beginning of the financial year	12,951	12,674	12,794	12,517
Impairment loss during the financial year	553	277	553	277
Reversal	(213)	-	(213)	-
Balance at end of the financial year	<u>13,291</u>	<u>12,951</u>	<u>13,134</u>	<u>12,794</u>

- (e) Prior to the current financial year, the Inland Revenue Board ("IRB") had issued notice of income tax assessments for the year of assessment 2008 and 2009 to the Bank and the Bank had appealed against the said notices by filing an application to the High Court for judicial review of the notice of assessment for the year of assessment 2008 and to the Special Commissioners of Income Tax for the notice of assessment for the year of assessment 2009. Included in tax recoverable is the tax paid of approximately RM203,500,700 (2016: RM203,500,700) recognised as the Bank is of the opinion that it has strong grounds to succeed in its appeals.

During the current financial year, Bank was successful in its appeals for the majority of the tax matters under dispute and had received Notices of Reduced Assessment for year of assessment 2008 from the IRB. The Bank had submitted its settlement proposal to IRB for the latter to settle the tax dispute for the year of assessment 2009.

21. PROPERTY AND EQUIPMENT

2017 Group	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Leasehold improve- ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Work-in- progress RM'000	Total RM'000
Cost										
At beginning of the financial year	8,989	4,977	534	39,267	149,842	164,724	344,604	7,399	32,174	752,510
Additions	-	-	-	-	2,996	14,067	26,159	399	18,037	61,658
Disposals	-	-	-	-	-	(679)	(11,981)	(467)	-	(13,127)
Reclassification/Adjustments	-	-	-	-	4	986	10,794	-	(36,785)	(25,001)
Written off	-	-	-	-	-	(7,292)	(12,331)	-	-	(19,623)
Foreign exchange differences	-	-	-	67	-	221	43	21	-	352
At end of the financial year	8,989	4,977	534	39,334	152,842	172,027	357,288	7,352	13,426	756,769
Accumulated depreciation and impairment losses										
At beginning of the financial year	-	1,942	300	17,493	128,370	132,925	300,771	4,809	-	586,610
Depreciation charge for the financial year (Note 36)	-	93	9	769	8,744	12,232	18,847	265	-	40,959
Disposals	-	-	-	-	-	(672)	(11,971)	(327)	-	(12,970)
Written off	-	-	-	-	-	(7,268)	(12,330)	-	-	(19,598)
Foreign exchange differences	-	-	-	28	-	218	42	21	-	309
At end of the financial year	-	2,035	309	18,290	137,114	137,435	295,359	4,768	-	595,310
Analysed as:										
Accumulated depreciation	-	1,781	309	17,404	136,414	137,435	295,359	4,768	-	593,470
Accumulated impairment losses	-	254	-	886	700	-	-	-	-	1,840
	-	2,035	309	18,290	137,114	137,435	295,359	4,768	-	595,310
Carrying amount										
At end of the financial year	8,989	2,942	225	21,044	15,728	34,592	61,929	2,584	13,426	161,459

21. PROPERTY AND EQUIPMENT (CONT'D.)

2016 Group	Cost										Total RM'000
	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Leasehold improve- ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Work-in- progress RM'000		
At beginning of the financial year	8,989	4,977	534	39,242	142,583	158,929	364,226	6,117	16,923		742,520
Additions	-	-	-	-	4,903	17,963	8,309	892	29,998		62,065
Transfer from related companies, net	-	-	-	-	-	-	-	455	-		455
Disposals	-	-	-	-	-	(1,242)	(29,704)	(72)	-		(31,018)
Reclassification/Adjustments	-	-	-	-	2,356	(2,355)	7,359	-	(14,747)		(7,387)
Written off	-	-	-	-	-	(8,658)	(5,602)	-	-		(14,260)
Foreign exchange differences	-	-	-	25	-	87	16	7	-		135
At end of the financial year	8,989	4,977	534	39,267	149,842	164,724	344,604	7,399	32,174		752,510
Accumulated depreciation and impairment losses	-	1,848	290	16,740	116,063	135,746	314,848	4,255	-		589,790
At beginning of the financial year	-	94	10	744	9,303	9,272	21,208	303	-		40,934
Depreciation charge for the financial year (Note 36)	-	-	-	-	-	-	-	315	-		315
Transfer from related companies, net	-	-	-	-	-	(1,235)	(29,696)	(72)	-		(31,003)
Disposals	-	-	-	-	2,304	(2,299)	(5)	-	-		-
Reclassification/Adjustments	-	-	-	-	-	(8,641)	(5,599)	-	-		(14,240)
Written off	-	-	-	-	-	-	-	-	-		-
Impairment loss	-	-	-	9	700	-	-	-	-		700
Foreign exchange differences	-	-	-	-	-	82	15	8	-		114
At end of the financial year	-	1,942	300	17,493	128,370	132,925	300,771	4,809	-		586,610
Analysed as:	-	1,688	300	16,607	127,670	132,925	300,771	4,809	-		584,770
Accumulated depreciation	-	254	-	886	700	-	-	-	-		1,840
Accumulated impairment losses	-	1,942	300	17,493	128,370	132,925	300,771	4,809	-		586,610
Carrying amount	8,989	3,035	234	21,774	21,472	31,799	43,833	2,590	32,174		165,900
At end of the financial year											

21. PROPERTY AND EQUIPMENT (CONTD.)

2017 Bank	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Leasehold improvements RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
At beginning of the financial year	90	3,806	303	16,663	135,903	111,957	312,637	7,058	31,959	620,376
Effect arising from the pooling of interests (Note 55(a))	-	-	-	-	13,903	51,048	31,623	185	215	96,974
As restated	90	3,806	303	16,663	149,806	163,005	344,260	7,243	32,174	717,350
Additions	-	-	-	-	2,996	14,063	26,159	399	18,037	61,654
Disposals	-	-	-	-	-	(679)	(11,974)	(467)	-	(13,120)
Reclassification/Adjustments	-	-	-	-	4	986	10,794	-	(36,785)	(25,001)
Written off	-	-	-	-	-	(7,292)	(12,331)	-	-	(19,623)
At end of the financial year	90	3,806	303	16,663	152,806	170,083	356,908	7,175	13,426	721,260
Accumulated depreciation and impairment losses										
At beginning of the financial year	-	1,621	181	6,894	115,105	99,671	270,617	4,468	-	498,557
Effect arising from the pooling of interests (Note 55(a))	-	-	-	-	13,228	31,576	29,817	185	-	74,806
As restated	-	1,621	181	6,894	128,333	131,247	300,434	4,653	-	573,363
Depreciation charge for the financial year (Note 36)	-	76	3	330	8,743	12,210	18,844	265	-	40,471
Disposals	-	-	-	-	-	(672)	(11,964)	(327)	-	(12,963)
Written off	-	-	-	-	-	(7,269)	(12,329)	-	-	(19,598)
At end of the financial year	-	1,697	184	7,224	137,076	135,516	294,985	4,591	-	581,273
Analysed as:										
Accumulated depreciation	-	1,443	184	6,338	136,376	135,516	294,985	4,591	-	579,433
Accumulated impairment losses	-	254	-	886	700	-	-	-	-	1,840
	-	1,697	184	7,224	137,076	135,516	294,985	4,591	-	581,273
Carrying amount										
At end of the financial year	90	2,109	119	9,439	15,730	34,567	61,923	2,584	13,426	139,987

21. PROPERTY AND EQUIPMENT (CONT'D.)

2016 (Restated)(Note 55(a)) Bank	Freehold land		Long term leasehold land		Short term leasehold land		Buildings		Leasehold improvements		Office equipment, furniture and fittings		Computer equipment		Motor vehicles		Work-in-progress		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	RM'000	RM'000	RM'000	RM'000	RM'000		
Cost																						
At beginning of the financial year	90	3,806	303	16,663	131,236	111,348	329,876	5,711	16,708	615,741												
Effect arising from the pooling of interests (Note 55(a))	-	-	-	-	11,311	45,894	34,023	257	215	91,700												
As restated	90	3,806	303	16,663	142,547	157,242	363,899	5,968	16,923	707,441												
Additions	-	-	-	-	4,902	17,959	8,308	892	29,998	62,059												
Transfer from related companies, net	-	-	-	-	-	-	-	-	-	-												
Disposals	-	-	-	-	-	(1,242)	(29,704)	(72)	-	455												
Reclassification/Adjustments	-	-	-	-	2,357	(2,356)	7,359	-	(14,747)	(7,387)												
Written off	-	-	-	-	-	(1,970)	(12,230)	-	-	(14,200)												
At end of the financial year	90	3,806	303	16,663	149,806	169,633	337,632	7,243	32,174	717,350												
Accumulated depreciation and impairment losses																						
At beginning of the financial year	-	1,545	178	6,564	105,585	97,041	283,498	3,850	-	498,261												
Effect arising from the pooling of interests (Note 55(a))	-	-	-	-	10,443	37,088	31,037	257	-	78,825												
As restated	-	1,545	178	6,564	116,028	134,129	314,535	4,107	-	577,086												
Depreciation charge for the financial year (Note 36)	-	76	3	330	9,302	9,233	21,200	303	-	40,447												
Transfer from related companies, net	-	-	-	-	-	-	-	-	-	-												
Disposals	-	-	-	-	-	(1,235)	(29,696)	(72)	-	315												
Reclassification/Adjustments	-	-	-	-	2,303	(2,299)	(6)	-	-	(31,003)												
Written off	-	-	-	-	-	(8,581)	(5,599)	-	-	(2)												
Impairment loss	-	-	-	-	700	-	-	-	-	(14,180)												
At end of the financial year	-	1,621	181	6,894	128,333	131,247	300,434	4,653	-	700												
Analysed as:																						
Accumulated depreciation	-	1,367	181	6,008	114,405	99,671	270,617	4,468	-	496,717												
Accumulated impairment losses	-	254	-	886	700	-	-	-	-	1,940												
At end of the financial year	-	1,621	181	6,894	115,105	99,671	270,617	4,468	-	498,557												
Carrying amount																						
At end of the financial year	90	2,185	122	9,769	21,473	38,386	37,198	2,590	32,174	143,987												

22. INTANGIBLE ASSETS

Group	Computer software RM'000	Work-in- progress RM'000	Total RM'000
2017			
Cost			
At beginning of the financial year	933,212	33,850	967,062
Additions	22,288	93,576	115,864
Reclassification/Adjustments	68,492	(46,491)	22,001
Foreign exchange differences	7	-	7
At end of the financial year	<u>1,023,999</u>	<u>80,935</u>	<u>1,104,934</u>
Accumulated amortisation			
At beginning of the financial year	616,309	-	616,309
Amortisation for the financial year (Note 36)	82,112	-	82,112
Foreign exchange differences	7	-	7
At end of the financial year	<u>698,428</u>	<u>-</u>	<u>698,428</u>
Carrying amount			
At end of the financial year	<u>325,571</u>	<u>80,935</u>	<u>406,506</u>
2016 (Restated)			
Cost			
At beginning of the financial year	799,804	73,913	873,717
Additions	34,921	68,740	103,661
Disposals	(919)	-	(919)
Written off	(1)	-	(1)
Reclassification/Adjustments	99,402	(108,803)	(9,401)
Foreign exchange differences	5	-	5
At end of the financial year	<u>933,212</u>	<u>33,850</u>	<u>967,062</u>
Accumulated amortisation			
At beginning of the financial year	538,968	-	538,968
Amortisation for the financial year (Note 36)	78,256	-	78,256
Disposals	(919)	-	(919)
Written off	(1)	-	(1)
Foreign exchange differences	5	-	5
At end of the financial year	<u>616,309</u>	<u>-</u>	<u>616,309</u>
Carrying amount			
At end of the financial year	<u>316,903</u>	<u>33,850</u>	<u>350,753</u>

22. INTANGIBLE ASSETS (CONT'D.)

	Computer software RM'000	Work-in- progress RM'000	Total RM'000
Bank			
2017			
Cost			
At beginning of the financial year	895,376	33,627	929,003
Effect arising from the pooling of interests (Note 55(a))	37,779	223	38,002
As restated	933,155	33,850	967,005
Additions	22,288	93,576	115,864
Reclassification/Adjustments	68,491	(46,491)	22,000
At end of the financial year	1,023,934	80,935	1,104,869
Accumulated amortisation			
At beginning of the financial year	584,059	-	584,059
Effect arising from the pooling of interests (Note 55(a))	32,196	-	32,196
As restated	616,255	-	616,255
Amortisation for the financial year (Note 36)	82,110	-	82,110
At end of the financial year	698,365	-	698,365
Carrying amount			
At end of the financial year	325,569	80,935	406,504
2016 (Restated)(Note 55(a))			
Cost			
At beginning of the financial year	762,949	73,708	836,657
Effect arising from the pooling of interests (Note 55(a))	36,800	205	37,005
As restated	799,749	73,913	873,662
Additions	34,921	68,740	103,661
Disposals	(919)	-	(919)
Written off	(1)	-	(1)
Reclassification/Adjustments	99,402	(108,803)	(9,401)
At end of the financial year	933,152	33,850	967,002
Accumulated amortisation			
At beginning of the financial year	508,968	-	508,968
Effect arising from the pooling of interests (Note 55(a))	29,953	-	29,953
As restated	538,921	-	538,921
Amortisation for the financial year (Note 36)	78,251	-	78,251
Disposals	(919)	-	(919)
Written off	(1)	-	(1)
At end of the financial year	616,252	-	616,252
Carrying amount			
At end of the financial year	316,900	33,850	350,750

23. ASSET HELD FOR SALE

		Group		Bank	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Proposed disposal of properties obtained from garnishee proceedings	(a)	2,091	-	2,091	-
Proposed disposal of MTrustee	(b)	-	3,167	-	100
		<u>2,091</u>	<u>3,167</u>	<u>2,091</u>	<u>100</u>

(a) This relates to properties obtained from garnishee proceedings initiated by the Bank pending completion of sale.

(b) The above disposal was completed during the current financial year as disclosed in Note 54(b).

24. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Demand deposits	10,154,966	9,689,196	10,157,583	9,690,746
Savings deposits	3,449,818	3,317,483	3,449,818	3,317,483
Term/Investment deposits	53,885,579	49,141,538	53,959,277	49,239,047
Negotiable instruments of deposits	257	248	257	248
	<u>67,490,620</u>	<u>62,148,465</u>	<u>67,566,935</u>	<u>62,247,524</u>

Included in deposits from customers of the Group and the Bank are deposits of RM1,425,954,000 (2016: RM1,251,782,000 for the Group and the Bank) held as collateral for loans and advances.

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Government and other statutory bodies	2,648,964	4,261,283	2,648,964	4,261,283
Business enterprises	35,607,802	27,963,073	35,684,117	28,062,132
Individuals	24,841,968	27,894,358	24,841,968	27,894,358
Others	4,391,886	2,029,751	4,391,886	2,029,751
	<u>67,490,620</u>	<u>62,148,465</u>	<u>67,566,935</u>	<u>62,247,524</u>

(ii) The maturity structure of term/investment deposits and negotiable instruments of deposits is as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Due within six months	38,903,473	37,107,011	38,977,171	37,204,520
Over six months to one year	12,879,144	9,325,469	12,879,144	9,325,469
Over one year to three years	1,407,411	2,268,642	1,407,411	2,268,642
Over three years to five years	695,808	440,664	695,808	440,664
	<u>53,885,836</u>	<u>49,141,786</u>	<u>53,959,534</u>	<u>49,239,295</u>

25. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2017	2016	2017	2016 (Restated) (Note 55(a))
	RM'000	RM'000	RM'000	RM'000
Licensed banks	299,994	334,831	299,994	334,831
Licensed investment banks	153,141	123,953	153,141	123,953
Other financial institutions	492,061	469,970	594,340	549,720
Bank Negara Malaysia	25,262	22,384	25,262	22,384
	<u>970,458</u>	<u>951,138</u>	<u>1,072,737</u>	<u>1,030,888</u>

26. RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

Recourse obligation on loans sold to Cagamas Berhad represents the proceeds received from the sale of loans directly from the Bank or acquired from the originators (as disclosed in Note 20(b)) to Cagamas Berhad with recourse. Under this arrangement, the Bank undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans, which are regarded as defective based on prudential criteria with recourse to the Bank. Under the back-to-back arrangement with the originators, the Bank acts as the intermediary financial institution and undertakes to administer the receivables on behalf of Cagamas Berhad and to buy back any receivables which are regarded as defective based on prudential criteria with recourse against the originators.

Previously, the Group had undertaken a fair value hedge on the interest rate risk of the loans sold directly to Cagamas Berhad but the hedge was terminated during the financial year ended 31 March 2012.

Consequently, the fair value credit adjustment previously recognised of RM10,420,000 is amortised to the income statement over the remaining term to maturity of the loans using the effective interest method. As at 31 March 2017, the unamortised fair value adjustments included in the carrying amount of the recourse obligation on loans sold to Cagamas Berhad, after amortisation recognised during the current financial year of RM1,866,000 (2016: RM1,648,000), amounted to RM9,148,000 (2016: RM7,282,000).

27. TERM FUNDING

	Note	Group and Bank	
		2017 RM'000	2016 RM'000
Senior Notes	(a)	3,788,274	3,902,438
Credit-Linked Notes	(b)	136,769	284,863
Other borrowings (net of unamortised issuance expenses; 2017: Nil; 2016: RM3,550,000)	(c)	<u>223,443</u>	<u>1,362,150</u>
		<u>4,148,486</u>	<u>5,549,451</u>
(a) Senior Notes comprise of the following:			
Senior Notes	(i)	2,024,965	2,349,595
Euro Medium Term Note (net of unamortised issuance expenses of RM3,786,000; 2016: RM5,324,000)	(ii)	<u>1,763,309</u>	<u>1,552,843</u>
		<u>3,788,274</u>	<u>3,902,438</u>

27. TERM FUNDING (CONT'D.)**(a) Senior Notes comprise of the following (Cont'd.):****(i) Senior Notes**

The Senior Notes issued by the Bank is under a Senior Notes Programme ("SNP") of up to RM7 billion nominal value. The proceeds from the issuance of the Senior Notes is to be utilised for the Bank's general working capital requirements.

The SNP has a tenure of up to thirty (30) years from the date of first issuance under the programme. Under the SNP, the Bank may issue Senior Notes with a tenure of more than one (1) year and up to ten (10) years provided that the Senior Notes mature prior to the expiry of the SNP. Unless previously redeemed or purchased and cancelled, the Senior Notes shall be fully redeemed on the respective maturity date(s) at 100% of their nominal value.

The Senior Notes rank pari-passu with all other present and future unsecured and unsubordinated obligations (excluding deposits) of the Bank. RAM Ratings has assigned a long-term rating of AA2/Stable to the SNP. During the financial year, the Bank repaid the Senior Notes with nominal value of RM 325.0 million. The Senior Notes issued which remain outstanding as at reporting date have a fixed interest rate ranging from 4.25% to 5.25% per annum (2016: 4.25% to 5.25% per annum) and are payable semi-annually. The Senior Notes outstanding are repayable between 1 month to 2 years (2016: 1 month to 3 years).

(ii) Euro Medium Term Note

On 3 July 2014, the Bank issued USD400 million Senior Notes under its USD2 billion Euro Medium Term Note Programme in nominal value (or its equivalent in other currencies) ("EMTNP"). The EMTNP was approved by the Securities Commission under its deemed approval process.

The net proceeds from the EMTNP will be utilised by the Bank for its working capital, general funding requirements and other corporate purposes. The notes with a tenure of five (5) years, will mature on 3 July 2019 are rated Baa1 by Moody's Investors Service and BBB+ by Standard & Poor's Ratings Services. The notes bear a coupon of 3.125% per annum and are payable semi annually.

(b) The Credit-Linked Notes ("CLNs") are structured investment product issued by the Bank and subscribed at nominal value.

The nominal value of CLNs issued and outstanding at reporting date amounted to RM150 million (2016: RM300.0 million). The CLNs carry a fixed interest rate at 4.0% per annum (2016: 4.0% to 4.7%) and will mature on 14 September 2021 (2016: mature between 2 months to 5.5 years).

(c) Other borrowings comprise of the the following:

	Note	Group and Bank	
		2017 RM'000	2016 RM'000
Term loans and revolving credit	(i)	221,150	1,362,150
Structured deposit	(ii)	2,293	-
		<u>223,443</u>	<u>1,362,150</u>

27. TERM FUNDING (CONT'D.)

(c) Other borrowings comprise of the the following (Cont'd.):

- (i) The salient terms of the term loans and revolving credits drawn by the Bank's Labuan offshore branch are as follows:
 - USD300 million term loan from Singapore branch of ANZ was drawn on 31 March 2014 for refinancing, working capital, general banking and other corporate purposes. This term loan bears interest at 0.90% (2016: 0.90%) per annum above LIBOR. This term loan has been fully repaid in full upon maturity on 31 March 2017.
 - USD50 million term loan drawn on 16 June 2015 for working capital purposes. This term loan bears interest at 0.85% per annum above LIBOR. This term loan shall be due and payable in full 2 years after the drawdown date.
- (ii) Structured deposit

Structured deposit is a non-principal guaranteed deposit placed by the customer in relation to an equity-linked investment linked to performance of an underlying share. Upon maturity, the customer will receive either cash payment or pre-determined units of the share. The structured deposits will mature within 2 months.

28. DEBT CAPITAL

	Note	Group and Bank	
		2017	2016
		RM'000	RM'000
Medium Term Notes	(a)	1,310,000	1,310,000
Non-Innovative Tier 1 Capital Securities	(b)	500,000	500,000
Innovative Tier 1 Capital Securities	(c)	485,000	485,000
Subordinated notes (net of unamortised issuance costs of RM294,000; 2016: RM450,000)	(d)	899,706	399,550
		<u>3,194,706</u>	<u>2,694,550</u>

(a) Medium Term Notes

In the financial year ended 31 March 2008, the Bank implemented a RM2 billion nominal value Medium Term Notes Programme ("MTN Programme") whereby the proceeds raised from the MTN Programme had been and will be utilised for the refinancing of existing subordinated debts and for general working capital requirements.

The MTN Programme has a tenure of up to 20 years from the date of the first issuance under the MTN Programme. The MTNs shall be issued for a maturity of up to 20 years as the Issuer may select at the point of issuance provided that no MTN shall mature after expiration of the MTN Programme.

The MTNs issued under the MTN Programme was included as Tier 2 Capital under BNM's capital adequacy framework. Effective 1 January 2013, the MTNs are recognised as a capital instrument under Tier 2 Capital and eligible for gradual phase-out treatment under the transitional arrangements of the Basel III accord.

The salient features of the MTN issued and outstanding are as follows:

- (i) Tranche 6 amounting to RM600 million, which was issued on 9 April 2008 with a tenure of 15 years Non-Callable 10 years, bears interest at 6.25% per annum (step up by 0.5% per annum after its first call date).
- (ii) Tranche 8 amounting to RM710 million, which was issued on 16 October 2012 with a tenure of 10 years Non-Callable 5 years, bears interest at 4.45% per annum.

28. DEBT CAPITAL (CONT'D.)

(b) Non-Innovative Tier 1 Capital Securities

In the financial year ended 31 March 2009, the Bank issued RM500 million Non-Innovative Tier 1 Capital ("NIT1") under its programme of up to RM500 million in nominal value comprising:

- (i) Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by the Bank and stapled to the Subordinated Notes described below; and
- (ii) Subordinated Notes ("SubNotes"), which are issued by AmPremier Capital Berhad ("AmPremier"), a wholly-owned subsidiary of the Bank.

(collectively known as "Stapled Capital Securities")

The SubNotes has a fixed interest rate of 9.0% per annum. However, the NCPCS distribution will not begin to accrue until the SubNotes are re-assigned to the Bank.

The NCPCS are issued in perpetuity unless redeemed under the terms of the NCPCS. The NCPCS are redeemable at the option of the Bank on the 20th interest payment date or 10 years from the issuance date of the SubNotes, or any NCPCS distribution date thereafter, subject to redemption conditions being satisfied. The SubNotes have a tenure of 30 years unless redeemed earlier under the terms of the SubNotes. The SubNotes are redeemable at the option of AmPremier on any interest payment date, which cannot be earlier than the occurrence of Assignment Events as stipulated under the terms of the Stapled Capital Securities.

The Stapled Capital Securities comply with BNM's Guidelines on Non-Innovative Tier 1 capital instruments. Effective 1 January 2013, the Stapled Capital Securities qualify as Additional Tier 1 Capital as a capital instrument eligible for gradual phase-out treatment under the transitional arrangements of the Basel III accord.

(c) Innovative Tier 1 Capital Securities

On 18 August 2009, the Bank issued RM485 million Innovative Tier 1 Capital Securities under its RM500 million Innovative Tier 1 Capital Securities ("ITICS") Programme. The ITICS bears a fixed interest (non-cumulative) rate at issuance date of 8.25% per annum and step up 100 basis points after the First Call Date (10 years after issuance date) and interest is payable semi-annually in arrears. The maturity date is 30 years from the issue date. The ITICS facility is for a tenure of 60 years from the First Issue date and has a principal stock settlement mechanism to redeem the ITICS via the issuance of the Bank's ordinary shares. Upon BNM's approval, the Bank may redeem in whole but not in part the relevant tranche of the ITICS at any time on the 10th anniversary of the issue date of that tranche or on any interest payment date thereafter.

Effective 1 January 2013, the ITICS qualify as Additional Tier 1 Capital as a capital instrument eligible for gradual phase-out treatment under the transitional arrangements of the Basel III accord.

(d) Subordinated notes

During the financial year ended 31 March 2014, the Bank established a new Subordinated Notes programme of RM4.0 billion. The objective of the programme is to enable the issuance of Tier 2 Capital from time to time, for the purpose of enhancing the Bank's total capital position. The programme is set up in accordance to the requirements spelt out in the Capital Adequacy Framework (Capital Components) issued by BNM.

The programme has a tenure of thirty (30) years from the date of the first issuance under the programme. Each issuance of Tier 2 Subordinated Notes under this programme shall have a tenure of at least five (5) years from the issue date, and is callable on any coupon payment date after a minimum period of five (5) years from the date of issuance of each tranche. The Tier 2 Subordinated Notes have been assigned a credit rating of AA3 by RAM Rating Services Berhad ("RAM").

On 30 December 2013, the Bank issued the first tranche of the Subordinated Notes amounting to RM400 million. The interest rate of this tranche is 5.20%, payable on a half-yearly basis for a tenure of 10 years.

On 15 March 2017, the Bank issued the second tranche of the Subordinated Notes amounting to RM500 million. The interest rate of this tranche is 5.20%, payable on a half-yearly basis for a tenure of 10 years.

The full amount issued qualifies as Tier 2 Capital for the purpose of capital adequacy ratio computation.

29. OTHER LIABILITIES

	Note	Group		Bank	
		2017	2016	2017	2016 (Restated) (Note 55(a))
		RM'000	RM'000	RM'000	RM'000
Other payables and accruals		1,184,260	1,095,582	1,174,307	1,074,929
Interest payable		655,372	636,611	655,399	636,618
Amount due to holding company, subsidiaries and related companies		126,844	91,790	126,877	108,650
Collateral received for derivative transactions	52	196,769	469,030	196,769	469,030
Lease deposits and advance rentals		9,159	8,332	9,159	8,332
Provision for commitments and contingencies	(a)	62,585	72,793	62,620	72,813
Provision for taxation		139	102	20	20
		<u>2,235,128</u>	<u>2,374,240</u>	<u>2,225,151</u>	<u>2,370,392</u>

Amounts due to holding company, subsidiaries and related companies are unsecured, non-interest bearing and repayable on demand.

(a) The movement in provision for commitments and contingencies is follows:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Balance at beginning of the financial year	72,793	97,308	72,813	97,353
Charge/(Writeback) during the financial year, net	1,157	(25,243)	(4,835)	(25,268)
Settlement during the year	(12,014)	-	(6,007)	-
Foreign exchange differences	649	728	649	728
Balance at end of the financial year	<u>62,585</u>	<u>72,793</u>	<u>62,620</u>	<u>72,813</u>

30. SHARE CAPITAL

	Note	Number of ordinary shares		Group and Bank	
		Group and Bank		Group and Bank	
		2017	2016	2017	2016
		Units'000	Units'000	RM'000	RM'000
Issued and fully paid					
Ordinary shares of RM1.00 each:					
Balance at beginning of the financial year		820,364	820,364	820,364	820,364
Balance in share premium account transferred in as paid up share capital	31(a)	-	-	942,844	-
Balance at end of the financial year		<u>820,364</u>	<u>820,364</u>	<u>1,763,208</u>	<u>820,364</u>

31. RESERVES

	Note	Group		Bank	
		2017	2016	2017	2016 (Restated) (Note 55(a))
		RM'000	RM'000	RM'000	RM'000
Share premium	(a)	-	942,844	-	942,844
Statutory reserve	(b)	980,969	980,969	980,969	980,969
Regulatory reserve	(c)	163,820	-	163,820	-
Merger reserve	(d)	104,149	104,149	-	13,181
Available-for-sale (deficit)/reserve	(e)	(12,232)	11,751	(12,233)	11,951
Cash flow hedging reserve	(f)	3,010	3,635	3,010	3,635
Foreign currency translation reserve	(g)	127,243	63,306	119,797	61,296
Retained earnings	(h)	5,657,191	5,335,746	5,371,939	5,080,500
		<u>7,024,150</u>	<u>7,442,400</u>	<u>6,627,302</u>	<u>7,094,376</u>

- (a) Share premium was used to record premium arising from new shares issued in the Bank under the Companies Act, 1965. Pursuant to the amendments in Section 74 of the Companies Act, 2016 ("CA 2016"), all shares issued before or upon commencement of CA 2016 shall have no par or nominal value; i.e. any amount outstanding in the share premium account shall be part of the entity's paid up share capital upon commencement of CA 2016. Under the CA 2016, the Bank is given a transitional period of 24 months to utilise the balance of RM942,844,000 in share premium account. As at the effective date of the CA 2016 on 31 January 2017, the entire balance of share premium has been transferred to paid up share capital of the Group and the Bank (Note 30).
- (b) Statutory reserve is maintained in compliance with Section 47(2)(f) of the Financial Service Act, 2013 and is not distributable as cash dividends.
- (c) Regulatory reserve is maintained in accordance with BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing as an additional credit risk absorbent.
- (d) Merger reserve represents reserve arising from the acquisitions of AmLabuan Holdings (L) Ltd and AmCard Services Berhad which were accounted for using the merger accounting method.
- (e) Available-for-sale reserve/(deficit) represents the unrealised fair value gains/(losses) on financial investments available-for-sale.
- (f) Cash flow hedging reserve/(deficit) comprises the portion of the gains/(losses) on hedging instruments in a cash flow hedge that is determined to be an effective hedge.
- (g) 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 Bank's and the Group's functional currency.
- (h) The Bank can distribute dividends out of its entire retained earnings under the single-tier system.

32. NON-CONTROLLING INTERESTS

	Group	
	2017 RM'000	2016 RM'000
Balance at beginning of the financial year	62	61
Share in net results of subsidiaries	1	1
Balance at end of the financial year	<u>63</u>	<u>62</u>

33. INTEREST INCOME

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short-term funds and deposits with financial institutions	86,895	176,865	79,314	174,601
Financial assets held-for-trading	108,476	70,592	108,476	70,592
Financial investments available-for-sale	273,769	282,726	276,848	286,920
Financial investments held-to-maturity	82,321	84,162	82,321	84,162
Loans and advances	3,216,837	3,263,573	3,208,572	3,254,029
Investment accounts	60,633	62,216	60,633	62,216
Impaired loans and advances	7,498	8,409	7,498	8,409
Others	62,135	57,741	62,135	57,697
	<u>3,898,564</u>	<u>4,006,284</u>	<u>3,885,797</u>	<u>3,998,626</u>

34. INTEREST EXPENSE

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits from customers	1,854,523	1,885,688	1,855,858	1,894,876
Deposits and placements of banks and other financial institutions	45,248	48,094	47,645	48,096
Recourse obligation on loans sold to Cagamas Berhad	107,503	70,842	107,503	70,842
Term funding	186,676	198,113	186,676	198,113
Debt capital	176,218	196,560	176,218	196,560
Others	6,001	5,014	6,001	6,184
	<u>2,376,169</u>	<u>2,404,311</u>	<u>2,379,901</u>	<u>2,414,671</u>

35. OTHER OPERATING INCOME

		Group		Bank	
		2017	2016	2017	2016
					(Restated)
	Note	RM'000	RM'000	RM'000	(Note 55(a)) RM'000
Fee and commission income:					
Bancassurance commission		29,683	28,995	29,669	28,992
Brokerage fees, commission and rebates		1,921	2,706	1,921	2,706
Card operation charges		3,821	18,123	3,821	18,123
Fees on loans, advances and securities		169,461	138,413	169,118	137,841
Fees, service and commission charges		34,001	32,157	34,176	32,590
Guarantee fees		62,099	55,348	62,099	55,348
Remittances		19,303	22,249	19,303	22,249
Other fee and commission income		31,215	18,389	31,204	18,371
		<u>351,504</u>	<u>316,380</u>	<u>351,311</u>	<u>316,220</u>
Investment and trading income:					
Foreign exchange gain ¹		67,429	140,224	67,429	140,224
Dividend income from:					
Financial assets held-for-trading		6,946	4,862	6,946	4,862
Financial investments available-for-sale		3,077	3,121	3,077	3,121
Subsidiaries		-	-	-	90,750
Net gain on sale/redemption of:					
Financial assets held-for-trading		85,517	9,578	85,517	9,578
Financial investments available-for-sale		29,280	20,170	29,277	20,358
Financial investments held-to-maturity		47	-	47	-
Net loss on revaluation of					
financial assets held-for-trading		(1,790)	(417)	(1,790)	(417)
Net gain/(loss) on derivatives		28,094	(11,542)	28,094	(11,542)
Gain on disposal of an associate	54(b)	1,391	-	2,179	-
Others		9,809	8,091	10,126	9,218
		<u>229,800</u>	<u>174,087</u>	<u>230,902</u>	<u>266,152</u>
Other income:					
Net gain on disposal of asset held for sale		368	-	368	-
Net gain on disposal of property					
and equipment		83	158	83	158
Net non-trading foreign exchange gain/(loss)		989	(820)	998	354
Profit from sale of goods and services		9,108	41,229	9,108	41,229
Rental income		3,748	3,788	3,268	3,310
Gain on disposal of foreclosed properties		108,061	-	108,061	-
Others		8,266	18,138	8,374	18,065
		<u>130,623</u>	<u>62,493</u>	<u>130,260</u>	<u>63,116</u>
		<u>711,927</u>	<u>552,960</u>	<u>712,473</u>	<u>645,488</u>

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

36. OTHER OPERATING EXPENSES

	Note	Group		Bank	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	(Restated) (Note 55(a)) RM'000
Personnel costs:					
Medical		17,607	19,152	17,595	19,140
Insurance		23,488	18,380	23,463	18,366
Contributions to EPF/Private Retirement Scheme		107,282	100,158	107,831	99,207
Salaries, bonuses, allowances and incentives		685,431	660,732	688,866	654,862
Shares and options granted under ESS					
ESS - (writeback)/charge		(8,117)	7,272	(7,893)	7,272
Social security cost		6,164	5,094	6,158	5,089
Recruitment costs		26,187	12,631	26,187	12,631
Training		4,495	8,339	4,494	8,339
Others		6,216	12,542	6,215	12,544
Expenses capitalised		(8,741)	(10,648)	(8,741)	(10,648)
		<u>860,012</u>	<u>833,652</u>	<u>864,175</u>	<u>826,802</u>
Establishment costs:					
Amortisation of intangible assets	22	81,363	77,573	81,361	77,568
Cleaning, maintenance and security		24,063	26,578	23,258	25,702
Computerisation cost		142,969	183,632	142,969	183,632
Depreciation of property and equipment	21	40,811	40,846	40,323	40,359
Rental of premises		83,424	86,057	85,590	88,189
Others		37,456	37,619	36,895	36,965
Expenses capitalised		(103)	(2,171)	(103)	(2,171)
		<u>409,983</u>	<u>450,134</u>	<u>410,293</u>	<u>450,244</u>
Marketing and communication expenses:					
Advertising and marketing		25,881	35,954	25,881	35,954
Commission		11,797	14,623	11,796	14,621
Communication		39,751	48,513	39,742	48,499
Others		6,586	7,832	6,578	7,825
		<u>84,015</u>	<u>106,922</u>	<u>83,997</u>	<u>106,899</u>
Administration and general expenses:					
Bank charges		6,555	6,158	6,553	6,156
Insurance		4,253	4,680	4,202	4,618
Professional services		68,830	90,351	68,562	90,294
Travelling		4,353	2,920	4,350	2,914
Subscriptions, newspaper and periodical		2,691	4,689	2,691	4,689
Others	(a)	66,483	60,216	66,355	60,094
		<u>153,165</u>	<u>169,014</u>	<u>152,713</u>	<u>168,765</u>
Service transfer pricing recovery, net		(341,109)	(308,524)	(341,132)	(308,577)
Acquisition and business efficiency costs	(b)	663	3,479	663	3,479
		<u>1,166,729</u>	<u>1,254,677</u>	<u>1,170,709</u>	<u>1,247,612</u>

36. OTHER OPERATING EXPENSES (CONT'D.)

- (a) Included for the previous financial year was RM4,000,000 administrative monetary penalty imposed by BNM pursuant to Section 234 of the FSA 2013 with respect to non-compliance with certain regulations. The AMMB Group had committed to set aside an average of RM25,000,000 per annum for four years for investment in systems infrastructure and training.
- (b) Acquisition and business efficiency costs

		Group and Bank	
		2017	2016
	Note	RM'000	RM'000
Business efficiency costs:			
Professional costs		(146)	1,584
Depreciation of property and equipment	21	148	88
Amortisation of intangible assets	22	749	683
Other		(88)	1,124
		<u>663</u>	<u>3,479</u>

Included in operating expenses are the following statutory disclosure:

		Group		Bank	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:					
Parent auditor					
- Audit		1,228	1,255	1,110	1,138
- Regulatory and assurance related		2,258	2,972	2,258	2,972
- Other services		80	-	80	-
Firm affiliated with parent auditor					
- Audit		21	21	-	-
Hire of office equipment		7,291	9,568	7,280	9,505
Operating lease		26,625	30,123	26,625	30,123
Property and equipment written off	21	25	20	25	20
Rental of premises					
- Subsidiaries		-	-	2,178	2,178
- Others		83,424	86,057	81,949	80,182
		<u>83,424</u>	<u>86,057</u>	<u>81,949</u>	<u>80,182</u>

Personnel costs include salaries, bonuses, contribution to Employees' Provident Fund ("EPF") (a substantial shareholder of the holding company) and all other staff related expenses.

37. CHIEF EXECUTIVE OFFICER'S AND DIRECTORS' REMUNERATION

The total remuneration (including benefits-in-kind) of the Chief Executive Officer and Directors of the Bank are as follows:

	Remuneration received from Group and Bank		
	Fees RM'000	Other emoluments RM'000	Total RM'000
2017			
Chief Executive Officer:			
Dato' Sulaiman Bin Mohd Tahir *	-	-	-
	-	-	-
Non-Executive Directors:			
Tan Sri Azman Hashim	160	429	589
Dato' Sri Abdul Hamidy Abdul Aziz	150	68	218
Raymond Fam Chye Soon	150	93	243
Voon Seng Chuan	150	88	238
Graham Kennedy Hodges **	37	18	55
Kevin Paul Corbally **	33	17	50
	680	713	1,393
Total remuneration (Note 43(d))	680	713	1,393
2016			
Chief Executive Officer:			
Dato' Sulaiman Bin Mohd Tahir *			
(Appointed on 23 November 2015)	-	-	-
	-	-	-
Non-Executive Directors:			
Tan Sri Azman Hashim	160	409	569
Graham Kennedy Hodges	150	65	215
Raymond Fam Chye Soon	150	77	227
Voon Seng Chuan	118	43	161
Dato' Sri Abdul Hamidy Abdul Aziz	35	8	43
Tan Sri Datuk Clifford Francis Herbert	57	30	87
Cheah Tek Kuang	85	34	119
Chin Yuen Yin	87	39	126
	842	705	1,547
Total remuneration (Note 43(d))	842	705	1,547

* The remuneration for Chief Executive Officer is paid by AMMB Holdings Berhad.

** Payable to Australia and New Zealand Banking Group Limited.

38. WRITEBACK OF ALLOWANCE FOR IMPAIRMENT ON LOANS AND ADVANCES

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Allowance for impaired loans and advances:				
Individual allowance (Note 14(i))	236,032	111,381	236,032	111,381
Collective allowance (Note 14(i))	178,540	185,846	178,694	185,754
Impaired loans and advances recovered, net	(562,917)	(455,806)	(562,944)	(455,806)
Recovery from loans sold to Danaharta	-	(1,589)	-	(1,589)
	<u>(148,345)</u>	<u>(160,168)</u>	<u>(148,218)</u>	<u>(160,260)</u>

39. IMPAIRMENT LOSS/(WRITEBACK) ON FINANCIAL INVESTMENTS

	Group and Bank	
	2017	2016
	RM'000	RM'000
Financial investments available-for-sale	-	22,989
Financial investments held-to-maturity (Note 13)	-	(3,190)
	<u>-</u>	<u>19,799</u>

40. TAXATION

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	(Restated) (Note 55(a)) RM'000
Current tax:				
Estimated tax payable	99,664	232,752	90,900	210,410
Over provision in prior financial years	(7,138)	(7,713)	(7,160)	(7,710)
Effect arising from the pooling of interests	-	-	5,935	21,125
	<u>92,526</u>	<u>225,039</u>	<u>89,675</u>	<u>223,825</u>
Deferred tax (Note 17):				
- Origination and reversal of temporary differences	181,419	22,381	181,419	21,266
- Over provision of deferred tax in prior financial years	(569)	(707)	(569)	(2,240)
	<u>180,850</u>	<u>21,674</u>	<u>180,850</u>	<u>19,026</u>
Taxation	<u>273,376</u>	<u>246,713</u>	<u>270,525</u>	<u>242,851</u>

Domestic income tax is calculated at the statutory tax rate of 24% (2016: 24%) on the estimated chargeable profit for the financial year. Taxation in foreign jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The computation of deferred tax for the current financial year is based on the tax rate of 24% (2016: 24%).

40. TAXATION (CONT'D.)

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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	(Restated) (Note 55(a)) RM'000
Profit before taxation	<u>1,226,894</u>	<u>1,067,108</u>	<u>1,212,836</u>	<u>1,147,703</u>
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	294,455	256,106	291,081	275,449
Effect of different tax rates in Labuan	(12,849)	(9,919)	(12,838)	(9,960)
Expenses not deductible for tax purposes	9,424	13,449	9,855	13,366
Income not subject to tax	(8,581)	(13,549)	(8,478)	(35,365)
Tax on share in results of associates	-	(265)	-	-
Tax provision for potential tax liability	-	11,746	-	11,746
Tax recoverable recognised on income subject to tax remission	(1,366)	(2,435)	(1,366)	(2,435)
Over provision of current tax in prior financial years	(7,138)	(7,713)	(7,160)	(7,710)
Over provision of deferred tax in prior financial years	(569)	(707)	(569)	(2,240)
Total taxation	<u>273,376</u>	<u>246,713</u>	<u>270,525</u>	<u>242,851</u>

41. EARNINGS PER SHARE

	Group		Bank	
	2017	2016	2017	2016
				(Restated) (Note 55(a))
Net profit attributable to equity holder of the Bank (RM'000)	<u>953,517</u>	<u>820,394</u>	<u>942,311</u>	<u>904,852</u>
Number of ordinary shares at beginning and end of the financial year representing weighted average number of ordinary shares in issue ('000)	<u>820,364</u>	<u>820,364</u>	<u>820,364</u>	<u>820,364</u>
Basic/Diluted earnings per share (sen)	<u>116.23</u>	<u>100.00</u>	<u>114.86</u>	<u>110.30</u>

42. DIVIDENDS

	Group and Bank	
	2017	2016
	RM'000	RM'000
Recognised during the financial year:		
Final single-tier cash dividend of 36.00 sen per ordinary share in respect of financial year ended 31 March 2016 (2016: 52.00 sen per ordinary share in respect of the financial year ended 31 March 2015)	295,331	426,589
First interim single-tier cash dividend of 21.00 sen per ordinary share in respect of financial year ended 31 March 2017 (2016: 25.00 sen per ordinary share in respect of the financial year ended 31 March 2016)	<u>172,276</u>	<u>205,091</u>
	<u>467,607</u>	<u>631,680</u>
Proposed but not recognised as a liability:		
Final single-tier cash dividend of 39.50 sen per ordinary share in respect of financial year ended 31 March 2017 (2016: 36.00 sen per ordinary share)	<u>324,044</u>	<u>295,331</u>

The directors propose the payment of a final single-tier dividend of 39.50 sen per ordinary share on 820,363,762 ordinary shares amounting to approximately RM324,043,686 in respect of the current financial year ended 31 March 2017. 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 financial year ending 31 March 2018.

43. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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 controls both parties.

The related parties of the Group and the Bank are:

(a) Subsidiaries

Details of subsidiaries are disclosed in Note 18.

(b) Related companies

These are subsidiaries of the holding company.

(c) Associates and joint ventures of the holding company ("Associates and joint ventures")

Details of associates are disclosed in Note 19.

The joint ventures of the holding company are AmMetlife Takaful Berhad and AmMetlife Insurance Berhad.

(d) 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 the Bank, either directly or indirectly. The key management personnel of the Group and the Bank includes the Chief Executive Officer, Executive and Non-Executive directors of the Bank and certain members of the senior management of the Group (including close members of their families).

(e) 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.

(f) Companies which have significant influence over the Group

These are entities who are substantial shareholders (including its related parties) of the holding company of the Bank.

43. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

(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 financial year:

Group	Related companies		Associates and joint ventures		Key management personnel		Companies in which certain Directors have substantial financial interest		Companies which significant influence over the Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Income										
Bancassurance commission	15,972	20,699	13,697	8,293	-	-	-	-	-	-
Fee income	-	-	-	-	39	10	-	-	-	-
Interest on deposits	25,437	46,845	-	-	-	-	-	-	-	-
Interest on investment accounts	60,633	62,216	-	-	-	-	-	-	-	-
Interest on financial investments available-for-sale	-	-	-	-	-	-	-	-	-	-
Interest on loans and advances	-	-	-	-	72	80	-	-	-	-
Loss on derivatives	(3,043)	1,079	-	-	-	-	-	-	-	-
Card operation income	3,821	18,123	-	-	-	-	-	-	-	-
Service transfer pricing income	381,849	339,344	-	658	-	-	-	-	-	-
	484,669	488,306	13,697	8,951	111	90	-	-	-	-
Expenses										
Interest on term funding	1,211	-	-	-	-	-	-	-	25,283	19,393
Interest on deposits	8,087	11,714	-	-	1,012	1,290	85	144	380	3,516
Insurance premium	-	-	20,343	-	-	-	66	15,053	-	-
Professional fees	-	544	-	-	-	-	-	-	-	1,605
Rental	-	-	3,577	1,781	-	-	348	432	-	-
Service transfer pricing expense	40,740	31,478	-	-	-	-	-	-	-	-
Marketing	-	-	-	-	-	-	24	12	-	-
Travelling	-	-	-	-	-	-	2,219	1,739	-	-
	50,038	43,736	23,920	1,781	1,012	1,290	2,742	17,380	25,663	24,514

43. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

(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 financial year (Cont'd.):

Bank	Subsidiaries		Related companies		Associates and joint ventures		Key management personnel		Companies in which certain Directors have substantial financial interest		Companies which have significant influence over the Group	
	2017	2016 (Restated)	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Income												
Bancassurance commission	-	-	15,972	20,699	13,697	8,293	-	-	-	-	-	-
Fee income	-	-	-	-	-	-	39	10	-	-	-	-
Interest on deposits	-	-	18,882	44,587	-	-	-	-	-	-	-	-
Interest on investment accounts	-	-	60,633	62,216	-	-	-	-	-	-	-	-
Interest on financial investments available-for-sale	3,079	4,195	-	-	-	-	-	-	-	-	-	-
Interest on loans and advances	4,482	4,615	-	-	-	-	72	80	-	-	-	-
Card operation income	-	-	3,821	18,123	-	-	-	-	-	-	-	-
Loss on derivatives	-	-	(3,043)	1,079	-	-	-	-	-	-	-	-
Service fee	1,464	1,316	-	-	-	-	-	-	-	-	-	-
Service transfer pricing income	23	53	381,849	339,344	-	658	-	-	-	-	-	-
	9,048	10,179	478,114	486,048	13,697	8,951	111	90	-	-	-	-
Expenses												
Interest on debt capital and term funding	45,000	89,989	1,211	-	-	-	-	-	-	-	25,283	19,393
Interest on deposits	1,081	2,056	8,338	11,714	3	3	1,012	1,290	85	144	380	3,516
Insurance premium	-	-	-	-	20,343	-	-	-	59	14,057	-	-
Professional fees	-	-	-	544	-	-	-	-	-	-	-	1,605
Rental	-	-	-	-	3,577	1,781	-	-	348	432	-	-
Service transfer pricing expense	-	-	40,740	31,478	-	-	-	-	-	-	-	-
Marketing	-	-	-	-	-	-	-	-	24	12	-	-
Travelling	-	-	-	-	-	-	-	-	2,216	1,732	-	-
	46,081	92,045	50,289	43,736	23,923	1,784	1,012	1,290	2,732	16,377	25,663	24,514

43. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

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

Group	Related companies		Associates and joint ventures		Key management personnel		Companies in which certain Directors have substantial financial interest		Companies which have significant influence over the Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets:										
Cash and short-term funds	103,829	153,839	-	-	-	-	-	-	-	-
Deposits and placements	450,000	250,000	-	-	-	-	-	-	-	-
Investment Account	1,600,000	1,000,000	-	-	-	-	-	-	-	-
Derivative financial assets	33,851	28,489	-	-	-	-	-	-	-	-
Loans and advances	73	-	542,413	650,865	3,907	3,431	-	-	-	-
Interest receivable	10,484	3,582	-	-	-	-	-	-	-	-
	<u>2,198,237</u>	<u>1,435,910</u>	<u>542,413</u>	<u>650,865</u>	<u>3,907</u>	<u>3,431</u>	-	-	-	-
Liabilities:										
Deposits and placements	374,347	158,005	-	-	55,647	85,792	3,013	40,968	-	50,000
Term Funding	-	-	-	-	-	-	-	-	-	1,170,600
Debt capital	500,000	-	-	-	-	-	-	-	-	-
Derivative financial liabilities	14,240	39,603	-	-	-	-	-	-	-	-
Interest payable	351	7,894	-	-	-	-	-	-	-	102
	<u>888,938</u>	<u>205,502</u>	-	-	<u>55,647</u>	<u>85,792</u>	<u>3,013</u>	<u>40,968</u>	-	<u>1,220,702</u>
Commitments and contingencies:										
Contingent liabilities	25,566	15,160	2,380	-	-	-	-	-	212,817	587,087
Commitments	489	491,036	35	2,000	4,154	-	2	1,000	115	315,000
Contract/Notional amount for derivatives	2,004,664	1,744,159	-	-	-	-	-	-	-	-
	<u>2,030,719</u>	<u>2,250,355</u>	<u>2,415</u>	<u>2,000</u>	<u>4,154</u>	-	<u>2</u>	<u>1,000</u>	<u>212,932</u>	<u>902,087</u>

43. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

(b) The significant outstanding balances of the Group and the Bank with its related parties are as follows (Cont'd.):

Bank	Subsidiaries (Restated)		Related companies		Associates and joint ventures		Key management personnel		Companies in which certain Directors have substantial financial interest		Companies which have significant influence over the Group	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Assets:												
Cash and short-term funds	-	-	100,000	150,000	-	-	-	-	-	-	-	-
Deposits and placements	-	-	450,000	250,000	-	-	-	-	-	-	-	-
Investment Account	-	-	1,600,000	1,000,000	-	-	-	-	-	-	-	-
Derivative financial assets	-	-	33,851	28,489	-	-	-	-	-	-	-	-
Financial investments available-for-sale	42,361	69,123	-	-	-	-	-	-	-	-	-	-
Loans and advances	85,593	81,983	73	-	542,413	650,865	3,907	3,431	-	-	-	-
Interest receivable	-	-	10,483	3,582	-	-	-	-	-	-	-	-
	<u>127,954</u>	<u>151,106</u>	<u>2,194,407</u>	<u>1,432,071</u>	<u>542,413</u>	<u>650,865</u>	<u>3,907</u>	<u>3,431</u>	-	-	-	-
Liabilities:												
Deposits and placements	175,802	177,312	374,347	158,005	100	100	55,647	85,792	3,013	40,968	-	50,000
Term funding	-	-	-	-	-	-	-	-	-	-	-	1,170,600
Debt capital	500,000	500,000	500,000	-	-	-	-	-	-	-	-	-
Derivative financial liabilities	-	-	14,240	39,603	-	-	-	-	-	-	-	-
Interest payable	3,574	3,432	351	21	3	3	-	-	-	-	-	102
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-
	<u>679,376</u>	<u>680,744</u>	<u>888,938</u>	<u>197,629</u>	<u>103</u>	<u>103</u>	<u>55,647</u>	<u>85,792</u>	<u>3,013</u>	<u>40,968</u>	-	<u>1,220,702</u>
Commitments and contingencies:												
Contingent liabilities	22,115	19,510	25,566	15,160	2,380	2,530	-	-	-	-	212,817	587,087
Commitments	-	2,490	489	491,036	35	55,470	4,154	-	2	1,000	115	315,000
Contract/Notional amount for derivatives	-	-	2,004,664	1,744,159	-	-	-	-	-	-	-	-
	<u>22,115</u>	<u>22,000</u>	<u>2,030,719</u>	<u>2,250,355</u>	<u>2,415</u>	<u>58,000</u>	<u>4,154</u>	-	<u>2</u>	<u>1,000</u>	<u>212,932</u>	<u>902,087</u>

43. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

- (c) The transactions between the Bank and related parties were executed at terms agreed between the parties during the financial year.
- (d) Key management personnel compensation

The remuneration of directors of the Bank and other key management personnel during the year are as follows:

		Group		Bank	
	Note	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Directors:					
Fees	37	680	842	680	842
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	37	713	705	713	705
		<u>1,393</u>	<u>1,547</u>	<u>1,393</u>	<u>1,547</u>
Other key management personnel:					
Salaries and other remuneration		3,898	9,872	3,898	9,872
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)		729	243	729	243
Share-based payment		130	-	130	-
		<u>4,757</u>	<u>10,115</u>	<u>4,757</u>	<u>10,115</u>

44. CREDIT TRANSACTIONS AND EXPOSURE WITH CONNECTED PARTIES

	Group		Bank	
	2017	2016	2017	2016
Outstanding credit exposures with connected parties (RM'000)	1,821,388	2,214,847	1,883,287	2,282,395
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures (%)	2.38	3.02	2.46	3.12
Percentage of outstanding credit exposures to connected parties which is impaired or in default (%)	0.01	0.13	0.01	0.12

The disclosure on credit transactions and exposure 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 issued on 16 July 2014. Based on these guidelines, a connected party refers to the following:

- (a) directors of the Bank and their close relatives;
- (b) controlling shareholder and his close relatives;
- (c) Influential shareholder and his close relatives;
- (d) executive officer being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank and his close relatives;
- (e) officers and his close relatives; officer refers to those 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;

44. CREDIT TRANSACTIONS AND EXPOSURE WITH CONNECTED PARTIES (CONT'D.)

- (f) firms, partnerships, companies or any legal entities which control, or are controlled by, any person listed in (a) to (e) above, or in which they have interest as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
- (g) any person for whom the persons listed in (a) to (e) above is a guarantor; and
- (h) subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed include the extension of credit facility and/or commitments and contingencies transactions that give rise to credit/counterparty risk, the underwriting and acquisition of equities and corporate bonds and/or sukuk issued by the connected parties.

The credit transactions with connected parties are all transacted on an arm's length basis and on terms and conditions not more favourable than those entered 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.

45. CAPITAL COMMITMENTS

	Group and Bank	
	2017	2016
	RM'000	RM'000
Authorised and contracted for:		
Purchase of computer equipment and software	16,915	3,460
Leasehold improvements	2,240	3,460
	<u>19,155</u>	<u>6,920</u>
Authorised but not contracted for:		
Purchase of computer equipment and software	116,684	203,907
	<u>135,839</u>	<u>210,827</u>

46. OPERATING LEASE COMMITMENTS

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

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
One year or less	49,154	42,170	49,154	42,170
Over one year to five years	59,309	35,464	59,309	35,464
Over five years	5	11	5	11
	<u>108,468</u>	<u>77,645</u>	<u>108,468</u>	<u>77,645</u>

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.

47. 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 principal/notional amounts of the commitments and contingencies of the Group and the Bank are as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Contingent liabilities				
Direct credit substitutes	1,817,399	2,014,648	1,817,399	2,014,648
Transaction related contingent items	5,101,771	4,305,652	5,123,886	4,305,652
Short term self liquidating trade related contingencies	785,111	528,516	785,111	528,516
Obligations under on-going underwriting agreements	85,000	60,000	85,000	60,000
	<u>7,789,281</u>	<u>6,908,816</u>	<u>7,811,396</u>	<u>6,908,816</u>
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	13,559,443	11,841,565	13,624,180	11,879,905
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	3,067,133	3,703,251	3,067,133	3,703,251
Unutilised credit card lines	2,847,424	2,369,650	2,847,424	2,369,650
Forward asset purchases	670,621	856,526	670,621	856,526
Others	-	200	50	150
	<u>20,144,621</u>	<u>18,771,192</u>	<u>20,209,408</u>	<u>18,809,482</u>
Derivative financial instruments				
Foreign exchange related contracts				
- One year or less	46,187,005	42,733,469	46,187,005	42,733,469
- Over one year to five years	1,828,562	1,125,883	1,828,562	1,125,883
- Over five years	2,140,212	1,980,369	2,140,212	1,980,369
Interest rate related contracts				
- One year or less	9,810,942	8,175,391	9,810,942	8,175,391
- Over one year to five years	30,835,847	31,003,999	30,835,847	31,003,999
- Over five years	9,598,780	9,423,151	9,598,780	9,423,151
Credit related contracts				
- One year or less	-	337,027	-	337,027
- Over one year to five years	361,251	336,367	361,251	336,367
Equity and commodity related contracts				
- One year or less	228,591	159,106	228,591	159,106
- Over one year to five years	83,396	73,572	83,396	73,572
	<u>101,074,586</u>	<u>95,348,334</u>	<u>101,074,586</u>	<u>95,348,334</u>
Total	<u>129,008,488</u>	<u>121,028,342</u>	<u>129,095,390</u>	<u>121,066,632</u>

48. 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.

Group	Less than	Over	Total
2017	12 months	12 months	RM'000
	RM'000	RM'000	RM'000
ASSETS			
Cash and short-term funds	5,989,301	-	5,989,301
Securities purchased under resale agreements	10,369	-	10,369
Deposits and placements with banks and other financial institutions	450,000	-	450,000
Investment account	-	1,600,000	1,600,000
Derivative financial assets	474,013	698,119	1,172,132
Financial assets held-for-trading	5,862,496	-	5,862,496
Financial investments available-for-sale	562,162	5,096,551	5,658,713
Financial investments held-to-maturity	294,470	1,783,035	2,077,505
Loans and advances	15,197,601	47,133,845	62,331,446
Receivables: Investments not quoted in active markets	-	1,172,157	1,172,157
Statutory deposit with Bank Negara Malaysia	-	1,760,114	1,760,114
Deferred tax assets	-	995	995
Other assets	1,404,476	496,354	1,900,830
Property and equipment	-	161,459	161,459
Intangible assets	-	406,506	406,506
Asset held for sale	2,091	-	2,091
TOTAL ASSETS	30,246,979	60,309,135	90,556,114
LIABILITIES			
Deposits from customers	65,387,401	2,103,219	67,490,620
Deposits and placements of banks and other financial institutions	946,883	23,575	970,458
Securities sold under resale agreements	9,464	-	9,464
Recourse obligation on loans sold to Cagamas Berhad	1,161,826	1,501,279	2,663,105
Derivative financial liabilities	284,605	674,289	958,894
Term funding	1,248,408	2,900,078	4,148,486
Debt capital	-	3,194,706	3,194,706
Deferred tax liabilities	-	97,832	97,832
Other liabilities	2,160,485	74,643	2,235,128
TOTAL LIABILITIES	71,199,072	10,569,621	81,768,693

48. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONT'D.)

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

Group 2016	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
ASSETS			
Cash and short-term funds	7,605,681	-	7,605,681
Deposits and placements with banks and other financial institutions	850,000	-	850,000
Investment account	-	1,000,000	1,000,000
Derivative financial assets	1,232,589	662,230	1,894,819
Financial assets held-for-trading	1,870,427	-	1,870,427
Financial investments available-for-sale	2,579,040	4,897,160	7,476,200
Financial investments held-to-maturity	780,153	2,048,601	2,828,754
Loans and advances	13,924,320	44,890,420	58,814,740
Receivables: Investments not quoted in active markets	-	97,181	97,181
Statutory deposit with Bank Negara Malaysia	-	1,745,554	1,745,554
Deferred tax assets	-	76,485	76,485
Other assets	1,568,555	463,616	2,032,171
Property and equipment	-	165,900	165,900
Intangible assets	-	350,753	350,753
Asset held for sale	3,167	-	3,167
TOTAL ASSETS	30,413,932	56,397,900	86,811,832
LIABILITIES			
Deposits from customers	59,439,159	2,709,306	62,148,465
Deposits and placements of banks and other financial institutions	850,210	100,928	951,138
Recourse obligation on loans sold to Cagamas Berhad	146,934	2,661,017	2,807,951
Derivative financial liabilities	1,406,623	616,588	2,023,211
Term funding	1,641,557	3,907,894	5,549,451
Debt capital	-	2,694,550	2,694,550
Other liabilities	2,299,523	74,717	2,374,240
TOTAL LIABILITIES	65,784,006	12,765,000	78,549,006

48. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONT'D.)

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

	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
Bank 2017			
ASSETS			
Cash and short-term funds	5,758,942	-	5,758,942
Securities purchased under resale agreements	10,369	-	10,369
Deposits and placements with banks and other financial institutions	450,000	-	450,000
Investment account	-	1,600,000	1,600,000
Derivative financial assets	474,013	698,119	1,172,132
Financial assets held-for-trading	5,862,496	-	5,862,496
Financial investments available-for-sale	562,161	5,147,305	5,709,466
Financial investments held-to-maturity	294,470	1,783,035	2,077,505
Loans and advances	15,281,332	46,967,288	62,248,620
Receivables: Investments not quoted in active markets	-	1,172,157	1,172,157
Statutory deposit with Bank Negara Malaysia	-	1,760,114	1,760,114
Deferred tax assets	-	-	-
Investment in subsidiaries	-	74,277	74,277
Investment in associates	-	22	22
Other assets	1,387,015	496,119	1,883,134
Property and equipment	-	139,987	139,987
Intangible assets	-	406,504	406,504
Asset held for sale	2,091	-	2,091
TOTAL ASSETS	30,082,889	60,244,927	90,327,816
LIABILITIES			
Deposits from customers	65,463,716	2,103,219	67,566,935
Deposits and placements of banks and other financial institutions	1,049,162	23,575	1,072,737
Securities sold under resale agreements	9,464	-	9,464
Recourse obligation on loans sold to Cagamas Berhad	1,161,826	1,501,279	2,663,105
Derivative financial liabilities	284,605	674,289	958,894
Term funding	1,248,408	2,900,078	4,148,486
Debt capital	-	3,194,706	3,194,706
Deferred tax liabilities	-	97,828	97,828
Other liabilities	2,150,508	74,643	2,225,151
TOTAL LIABILITIES	71,367,689	10,569,617	81,937,306

48. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONT'D.)

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

	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
Bank			
2016			
(Restated)			
(Note 55(a))			
ASSETS			
Cash and short-term funds	7,380,187	-	7,380,187
Deposits and placements with banks and other financial institutions	850,000	-	850,000
Investment account	-	1,000,000	1,000,000
Derivative financial assets	1,232,589	662,230	1,894,819
Financial assets held-for-trading	1,870,427	-	1,870,427
Financial investments available-for-sale	2,578,954	4,966,283	7,545,237
Financial investments held-to-maturity	780,153	2,048,601	2,828,754
Loans and advances	14,005,006	44,712,195	58,717,201
Receivables: Investments not quoted in active markets	-	97,181	97,181
Statutory deposit with Bank Negara Malaysia	-	1,745,554	1,745,554
Deferred tax assets	-	75,430	75,430
Investment in subsidiaries and other investment	-	104,277	104,277
Investment in associates	-	22	22
Other assets	1,571,209	463,572	2,034,781
Property and equipment	-	143,987	143,987
Intangible assets	-	350,750	350,750
Asset held for sale	100	-	100
TOTAL ASSETS	30,268,625	56,370,082	86,638,707
LIABILITIES			
Deposits from customers	59,538,218	2,709,306	62,247,524
Deposits and placements of banks and other financial institutions	929,960	100,928	1,030,888
Recourse obligation on loans sold to Cagamas Berhad	146,934	2,661,017	2,807,951
Derivative financial liabilities	1,406,623	616,588	2,023,211
Term funding	1,641,557	3,907,894	5,549,451
Debt capital	-	2,694,550	2,694,550
Other liabilities	2,295,755	74,637	2,370,392
TOTAL LIABILITIES	65,959,047	12,764,920	78,723,967

49. CAPITAL MANAGEMENT

The capital and risk management of the banking subsidiaries of AMMB are managed collectively at AMMB Group level. The 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. The capital plan ensures that adequate levels of capital and an optimum mix of different components of capital are maintained by the AMMB Group to support its strategy.

The capital plan takes the following into account:

- (a) Regulatory capital requirements;
- (b) Capital requirement to support business growth, strategic objectives, buffer for material regulatory risks and stress test results.

The 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 to simulate the amount of capital required to support them. In addition, the models enable the 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 the 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 the AMMB Group and how these events could be mitigated. The 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.

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

The 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 the AMMB Group's management disciplines.

The capital that the AMMB Group is required to hold is determined by its statement of financial position, commitments and contingencies, counterparty and other risk exposures after applying collateral and other mitigants, based on the AMMB Group's risk rating methodologies and systems. BNM has the right to impose further capital requirements on Malaysian Financial Institutions.

The 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 the Group Assets and Liabilities Committee ("GALCO"). The GALCO 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. 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.

49. CAPITAL MANAGEMENT (CONT'D.)

GALCO proposes internal triggers and target ranges for capital management and operationally oversees adherence with these. For the current financial year ended 31 March 2017 ("FY17"), these ranges are 8.5% to 10.5% for the Common Equity Tier 1 ("CET 1") capital ratio, 9.7% to 11.7% for the Tier 1 capital ratio and 14.0% to 16.0% for the Total capital ratio. The Group has been operating within these ranges.

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 the 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) Capital adequacy ratios

The capital adequacy ratios of the Group and the Bank are as follows:

	Group		Bank	
	2017	2016	2017	2016 (Restated) (Note 55(a))
Before deducting proposed dividends				
CET 1 Capital ratio	11.942%	11.701%	11.230%	11.083%
Tier 1 Capital ratio	13.203%	13.182%	12.478%	12.555%
Total Capital ratio	16.840%	16.435%	16.073%	15.767%
After deducting proposed dividends				
CET 1 Capital ratio	11.471%	11.257%	10.764%	10.642%
Tier 1 Capital ratio	12.732%	12.738%	12.012%	12.114%
Total Capital ratio	16.369%	15.991%	15.607%	15.326%

Notes:

- (i) The capital adequacy ratios are computed in accordance to BNM's guidelines on Capital Adequacy Framework (Capital Components) issued by the Prudential Financial Policy Department on 13 October 2015, which is based on the Basel III capital accord. The Group and the Bank have adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM's Guidelines on Capital Adequacy Framework (Basel II - Risk Weighted Assets).

49. CAPITAL MANAGEMENT (CONT'D.)

- (ii) With effect from 1 January 2016, pursuant to BNM's guidelines on Capital Adequacy Framework (Capital Components) issued on 13 October 2015, the minimum capital adequacy ratio to be maintained under the guidelines are 4.5% for CET1 capital, 6.0% for Tier 1 capital and 8% for total capital ratio. Banking institutions are also required to maintain capital buffers. The capital buffers shall comprise the sum of the following:
- (a) a Capital Conservation Buffer ("CCB") of 2.5%; and
 - (b) a Countercyclical Capital Buffer ("CCyB") determined as the weighted-average of the prevailing CCyB rates applied in the jurisdictions in which the Bank has credit exposures

The CCB requirements under transitional arrangements shall be phased-in starting from 1 January 2016 as follows:

	CCB
Calendar year 2016	0.625%
Calendar year 2017	1.25%
Calendar year 2018	1.875%
Calendar year 2019 onwards	2.5%

- (iii) The restated comparative capital adequacy ratios were due to the effect of the pooling of interests method arising from the transfer of card operations to the Bank from its wholly-owned subsidiary, AmCard Services Berhad.

49. CAPITAL MANAGEMENT (CONT'D.)

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

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
CET 1 Capital				
Ordinary shares	1,763,208	820,364	1,763,208	820,364
Share premium	-	942,844	-	942,844
Retained earnings	5,657,191	5,335,746	5,371,939	5,080,500
Available-for-sale (deficit)/reserve	(12,232)	11,751	(12,233)	11,951
Foreign currency translation reserve	127,243	63,306	119,797	61,296
Statutory reserve	980,969	980,969	980,969	980,969
Regulatory reserve	163,820	-	163,820	-
Merger reserve	104,149	104,149	-	13,181
Cash flow hedging reserve	3,010	3,635	3,010	3,635
Qualifying minority interest	-	2	-	-
Less : Regulatory adjustments applied on CET 1 Capital				
Intangible assets	(406,506)	(350,753)	(406,504)	(350,750)
Deferred tax assets	-	(116,234)	-	(115,179)
55% of cumulative gains of available- for-sale financial instruments	-	(6,463)	-	(6,573)
Cash flow hedging reserve	(3,010)	(3,635)	(3,010)	(3,635)
Regulatory reserve attributable to loans Investments in ordinary shares of unconsolidated financial and insurance/takaful entities	(163,820)	-	(163,820)	-
	-	-	(6,808)	(23,106)
Total CET 1 Capital	8,214,022	7,785,681	7,810,368	7,415,497
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	867,550	985,000	867,550	985,000
Qualifying CET1, Additional Tier 1 capital instruments held by third parties	2	-	-	-
Total Tier 1 Capital	9,081,574	8,770,681	8,677,918	8,400,497
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	900,000	400,000	900,000	400,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	983,900	1,180,680	983,900	1,180,680
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	1	1	-	-
Collective allowance and regulatory reserves	618,235	583,699	618,212	583,675
Less : Regulatory adjustments applied on Tier 2 Capital	-	-	(1,702)	(15,404)
Total Tier 2 Capital	2,502,136	2,164,380	2,500,410	2,148,951
Total Capital	11,583,710	10,935,061	11,178,328	10,549,448

The breakdown of the risk weighted assets ("RWA") in various categories of risk is as follows:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Credit RWA	62,303,235	59,276,073	63,094,846	60,047,250
Market RWA	2,231,862	2,231,172	2,231,439	2,231,172
Operational RWA	4,219,239	5,029,942	4,190,538	4,629,614
Large exposure risk RWA for equity holdings	30,573	-	30,573	-
Total RWA	68,784,909	66,537,187	69,547,396	66,908,036

50. RISK MANAGEMENT

50.1 GENERAL RISK MANAGEMENT DISCLOSURE

Risk Management Framework

The Risk Management Framework takes its lead from the Board's Approved Risk Appetite Framework that forms the foundation of the AMMB Group to set its risk/reward profile.

The Risk Appetite Framework is approved annually by the Board taking into account the AMMB 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 to consider any fine tuning/amendments taking into account prevailing or expected changes to the environment that the AMMB Group operates in.

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

Board Approved Risk Appetite Statement

The AMMB 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 AMMB Group intends to maintain sufficient quantity and quality of capital in excess of Basel III requirement for CET 1 Capital, 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 III liquidity matrix (Net Stable Funds Ratio and Liquidity Coverage Ratios). Our targeted Unadjusted Loan Deposit Ratio is up to maximum 100% range with continually improving current account and savings account ("CASA") deposit composition and market share.

The AMMB Group manages operational risk by setting the operational risk appetite statements and measurements that the AMMB Group is willing to tolerate to support its business strategies and objectives. The AMMB 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 AMMB 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 AMMB Group manages trading and sale activities by instituting appropriate governance, culture and controls to promote acceptable behaviour.

50. RISK MANAGEMENT (CONT'D.)

50.1 GENERAL RISK MANAGEMENT DISCLOSURE (CONT'D.)

Risk Management Governance

The Board is ultimately responsible for the management of risks within the AMMB Group. The Risk Management Committee of Directors ("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 risk.

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

50.2 CREDIT RISK MANAGEMENT

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

Identification	<ul style="list-style-type: none"> Identify/recognise credit risk on transactions and/or positions Select asset and portfolio mix
Assessment/ Measurement	<ul style="list-style-type: none"> Internal credit rating system Probability of default ("PD") Loss given default ("LGD") Exposure at default ("EAD")
Control/ Mitigation	<ul style="list-style-type: none"> Portfolio Limits, Counterparty Limits Wholesale Pricing Collateral and tailored facility structures
Monitoring/ Review	<ul style="list-style-type: none"> Monitor and report portfolio mix Review customer under Classified Accounts Review customers under Reschedules and Restructured Account

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's transactions and/or positions.

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 Group's Risk Appetite Framework ("GRAF") and related credit policies.

For non-retail credits, risk recognition begins with an assessment of the financial standing of the borrower or counterparty using credit rating model. The model consists of quantitative and qualitative scores that are then translated into rating grades. The assigned credit rating grade forms a crucial part of the credit analysis undertaken for each of the Group's credit exposures.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

For retail credits, credit-scoring systems to better differentiate the quality of borrowers are being used to complement the credit assessment and approval processes.

To support credit risk management, our rating models for major portfolios have been upgraded to facilitate:

- improvement in the accuracy of individual obligor risk ratings;
- enhancement to pricing models;
- loan loss provision calculation;
- stress-testing; and
- enhancement to portfolio management.

Lending 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:
 - single counterparty credit;
 - industry sector; and
 - country.
- Setting Loan to Value limits for asset backed loans (that is, property exposures and other collateral);
- Classified Account processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers;
- Rescheduled and Restructured ("R&R") Account Management sets out the controls in managing R&R loan/financing pursuant to the BNM's revised policy on Classification and Impairment Provisions for Loans/Financing; and
- Setting Guidelines on Wholesale Pricing which serve as a guide as to the minimum returns the Group requires for the risk undertaken, taking into account operating expenses and cost of capital.

Individual credit risk exposure exceeding certain thresholds are escalated to Credit and Commitments Committee ("CACC") for approval. In the event such exposure exceeds CACC authority it will be submitted to Board Credit Committee ("BCC") for review or approval, as the case may be. Portfolio credit risk is reported to the relevant management and board committees.

The Group Management Risk Committee ("GMRC") regularly meets to review the quality and diversification of the Group's loan portfolio and review the portfolio risk profile against the Group Risk Appetite Framework ("GRAF"), and recommend or approve new and amended credit risk policy.

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

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

Credit Risk Exposure and Concentration

The Group's concentration of risk is managed by industry sector, risk grade asset quality and single customer limit ("SCL"). The Group applies single customer limits 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.

50. RISK MANAGEMENT (CONTD.)
50.2 CREDIT RISK MANAGEMENT (CONTD.)

(a) Industry Analysis

2017 Group	Agriculture RM'000	Mining and quarrying RM'000	Manufacturing RM'000	Electricity, gas and water RM'000	Construction RM'000	Wholesale and retail trade and hotels and restaurants RM'000	Transport, storage and communication RM'000	Subtotal RM'000
Cash and short-term funds	-	-	-	-	-	-	-	-
Securities purchased under resale agreements	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Investment account	-	-	-	-	-	-	-	-
Derivative financial assets	5,705	183,134	72,722	-	3	4,071	4,444	270,079
Financial assets held-for-trading	-	-	-	-	-	-	-	-
Money Market Securities	-	-	-	-	-	-	-	-
Quoted Private Debt Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	-	-	-	260,128	54,816	-	10,135	325,079
Total financial assets held-for-trading	-	-	-	260,128	54,816	-	10,135	325,079
Financial investments available-for-sale	-	-	-	-	-	-	-	-
Money Market Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	93,493	-	70,215	284,128	1,078,298	92,055	193,887	1,812,076
Total financial investments available-for-sale	93,493	-	70,215	284,128	1,078,298	92,055	193,887	1,812,076
Financial investments held-to-maturity	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	-	-	-	-	568,362	-	-	568,362
Total financial investments held-to-maturity	-	-	-	-	568,362	-	-	568,362
Loans and advances	-	-	-	-	-	-	-	-
Hire purchase	1,007	683	8,917	287	11,503	58,647	37,118	118,162
Mortgage	10,343	2,244	62,981	2,787	75,825	119,316	15,994	289,490
Credit card	-	-	183	-	19	-	2	204
Others	21,215	8,266	122,907	1,751	102,663	245,956	30,943	533,701
Corporate loans and advances:	-	-	-	-	-	-	-	-
Term loans and bridging loans	1,057,992	675,819	1,256,907	349,174	791,794	1,210,281	425,357	5,767,324
Revolving credits	482,458	210,101	1,226,877	9,570	704,641	421,461	645,071	3,700,179
Overdrafts	136,903	21,910	377,900	9,158	444,774	392,707	61,548	1,444,900
Trade (include Factoring)	122,793	215,015	3,179,703	3,152	577,995	1,640,439	91,953	5,831,050
Collective Allowance	-	-	-	-	-	-	-	-
Total loans and advances	1,832,711	1,134,038	6,236,375	375,879	2,709,214	4,088,807	1,307,986	17,685,010
Receivables: Investment not quoted in active markets	-	244,976	50,000	-	62,181	5,000	700,000	1,062,157
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-
Other financial assets	534	7,542	2,857	7,715	29,040	1,643	18,594	67,925
Commitments	618,007	344,267	3,363,318	253,376	3,418,226	1,785,809	708,330	10,491,333
Contingent liabilities	65,394	520,359	1,082,409	614,415	2,998,068	542,498	449,245	6,272,388
Total commitments and contingent liabilities	683,401	864,626	4,445,727	867,791	6,416,294	2,328,307	1,157,575	16,763,721

50. RISK MANAGEMENT (CONTD.)

50.2 CREDIT RISK MANAGEMENT (CONTD.)

(a) Industry Analysis

2017 Group	Subtotal from previous page RM'000	Finance and insurance RM'000	Government and central banks RM'000	Real estate RM'000	Business activities RM'000	Education and health RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	-	4,517,036	1,472,265	-	-	-	-	-	5,989,301
Securities purchased under resale agreements	-	-	10,369	-	-	-	-	-	10,369
Deposits and placements with banks and other financial institutions	-	450,000	-	-	-	-	-	-	450,000
Investment account	-	1,600,000	-	-	-	-	-	-	1,600,000
Derivative financial assets	270,079	886,304	389	2,751	1,147	75	-	1,387	1,172,132
Financial assets held-for-trading	-	-	4,160,309	-	-	-	-	-	4,160,309
Money Market Securities	-	38,207	-	-	-	-	-	-	38,207
Quoted Private Debt Securities	325,079	555,578	-	10,000	-	-	-	485,204	1,375,861
Unquoted Private Debt Securities	325,079	593,785	4,160,309	10,000	-	-	-	485,204	5,574,377
Total financial assets held-for-trading	-	-	-	-	-	-	-	-	-
Financial investments available-for-sale	-	20,387	1,203,618	-	-	-	-	-	1,224,005
Money Market Securities	1,812,076	1,192,466	-	192,169	19,433	-	-	981,757	4,197,901
Unquoted Private Debt Securities	1,812,076	1,212,853	1,203,618	192,169	19,433	-	-	981,757	5,421,906
Total financial investments available-for-sale	588,362	416,370	837,773	255,000	-	-	-	-	2,077,505
Financial investments held-to-maturity	588,362	416,370	837,773	255,000	-	-	-	-	2,077,505
Unquoted Private Debt Securities	118,162	33	-	1,686	9,045	10,238	12,323,358	1,463	12,463,985
Loans and advances	289,490	17	-	131,005	73,264	82,583	20,928,839	14,142	21,519,340
Hire purchase	204	-	-	-	-	-	1,408,278	102	1,408,584
Mortgage	533,701	817	-	9,785	76,999	42,706	33,057	8,604	705,669
Credit card	-	-	-	-	-	-	-	-	-
Others	5,767,324	462,346	-	3,493,741	381,624	460,946	182,744	7,104	10,765,829
Corporate loans and advances:	3,700,179	1,056,317	-	1,679,434	396,829	46,971	1,036,884	23,024	7,941,638
Term loans and bridging loans	1,444,900	7,932	-	517,772	78,716	20,189	121,266	73	2,190,848
Revolving credits	5,831,050	5,844	-	6,595	58,255	6,933	-	45,671	5,954,348
Overdrafts	-	-	-	-	-	-	-	-	-
Trade (include Factoring)	17,685,010	1,533,306	-	5,840,018	1,074,732	670,566	36,036,426	100,183	62,331,446
Collective Allowance	-	-	-	-	-	-	-	-	(608,795)
Total loans and advances	1,062,157	25,000	-	75,000	-	10,000	-	-	1,172,157
Receivables: Investment not quoted in active markets	-	-	-	-	-	-	-	-	-
Statutory deposit with Bank Negara Malaysia	67,925	1,030,928	39,798	3,816	142,062	271	2,530	90,670	1,378,020
Other financial assets	10,491,333	1,006,856	650,675	1,216,322	273,700	149,421	6,325,079	37,235	20,144,621
Commitments	6,272,388	409,101	-	852,757	87,431	62,364	926	104,314	7,789,281
Contingent liabilities	16,763,721	1,415,957	650,675	2,069,079	361,131	205,785	6,326,005	141,549	27,933,902
Total commitments and contingent liabilities	-	-	-	-	-	-	-	-	-

50. RISK MANAGEMENT (CONTD.)

50.2 CREDIT RISK MANAGEMENT (CONTD.)

(a) Industry Analysis (Cont'd.)

2016 Group	Agriculture RM'000	Mining and quarrying RM'000	Manufacturing RM'000	Electricity, gas and water RM'000	Construction RM'000	Wholesale and retail trade and restaurants RM'000	Transport, storage and communication RM'000	Subtotal RM'000
Cash and short-term funds	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Investment account	-	-	-	-	-	-	-	-
Derivative financial assets	46,989	130,468	110,571	-	10	35,085	10,893	334,016
Financial assets held-for-trading	-	-	-	-	-	-	-	-
<i>Money Market Securities</i>	-	-	-	-	-	-	-	-
<i>Quoted Private Debt Securities</i>	-	-	-	-	-	-	-	-
<i>Unquoted Private Debt Securities</i>	-	-	-	20,065	290,000	-	51,448	361,513
Total financial assets held-for-trading	-	-	-	20,065	290,000	-	51,448	361,513
Financial investments available-for-sale	-	-	-	-	-	-	-	-
<i>Money Market Securities</i>	-	-	-	-	-	-	-	-
<i>Unquoted Private Debt Securities</i>	83,095	-	70,490	219,745	1,052,501	93,886	274,615	1,794,132
Total financial investments available-for-sale	83,095	-	70,490	219,745	1,052,501	93,886	274,615	1,794,132
Financial investments held-to-maturity	-	-	-	-	-	-	-	-
<i>Money Market Securities</i>	-	-	-	-	-	-	-	-
<i>Unquoted Private Debt Securities</i>	-	-	-	-	569,277	-	-	569,277
Total financial investments held-to-maturity	-	-	-	-	569,277	-	-	569,277
Loans and advances	-	-	-	-	-	-	-	-
Hire purchase	2,041	419	6,885	595	12,833	57,034	9,425	89,172
Mortgage	13,619	2,833	75,004	2,626	76,600	125,792	17,245	313,719
Credit card	-	-	260	-	18	70	-	348
Others	90,813	22,803	213,067	4,091	143,994	200,753	80,075	755,596
<i>Corporate loans and advances:</i>	-	-	-	-	-	-	-	-
Term loans and bridging loans	1,089,507	1,022,896	1,225,932	327,893	527,304	1,399,804	355,790	5,949,126
Revolving credits	713,294	263,476	1,234,745	30,309	700,859	261,955	378,958	3,583,596
Overdrafts	122,823	22,510	357,853	12,937	263,026	398,094	92,567	1,269,810
Trade (include Factoring)	104,837	4,905	2,936,099	1,492	450,361	1,316,046	94,654	4,908,394
Collective Allowance	-	-	-	-	-	-	-	-
Total loans and advances	2,136,934	1,339,842	6,049,845	379,883	2,174,995	3,759,548	1,028,714	16,869,761
Receivables: Investment not quoted in active markets	-	-	-	-	62,181	-	-	62,181
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-
Other financial assets	340	1,949	1,845	4,070	19,626	1,564	19,242	48,636
Commitments	603,484	322,872	3,067,948	317,812	2,956,247	1,761,928	670,992	9,701,283
Contingent liabilities	41,025	492,323	1,175,007	577,952	2,047,828	497,986	245,873	5,077,994
Total commitments and contingent liabilities	644,509	815,195	4,242,955	895,764	5,004,075	2,259,914	916,865	14,779,277

50. RISK MANAGEMENT (CONTD.)

50.2 CREDIT RISK MANAGEMENT (CONTD.)

(a) Industry Analysis (Cont'd.)

2016 Group	Subtotal from previous page RM'000	Finance and insurance RM'000	Government and central banks RM'000	Real estate RM'000	Business activities RM'000	Education and health RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	-	4,826,233	2,779,448	-	-	-	-	-	7,605,681
Deposits, placements and investment accounts with banks and other financial institutions	-	350,000	500,000	-	-	-	-	-	850,000
Investment account	-	1,000,000	-	-	-	-	-	-	1,000,000
Derivative financial assets	334,016	1,555,211	295	4,282	774	225	-	16	1,894,819
Financial assets held-for-trading	-	-	494,286	-	-	-	-	-	494,286
Money Market Securities	-	38,962	-	-	-	-	-	-	38,962
Quoted Private Debt Securities	361,513	206,731	-	40,047	-	-	-	428,875	1,037,166
Unquoted Private Debt Securities	361,513	245,693	494,286	40,047	-	-	-	428,875	1,570,414
Financial investments available-for-sale	-	2,049,644	1,039,320	-	-	-	-	-	3,088,964
Money Market Securities	1,794,132	1,334,196	-	277,725	19,409	-	-	732,356	4,157,818
Unquoted Private Debt Securities	1,794,132	3,383,840	1,039,320	277,725	19,409	-	-	732,356	7,246,782
Total financial investments available-for-sale	-	-	-	-	-	-	-	-	-
Financial investments held-to-maturity	569,277	416,527	780,153	-	-	-	-	-	780,153
Money Market Securities	569,277	416,527	1,062,797	-	-	-	-	-	2,048,601
Unquoted Private Debt Securities	569,277	416,527	1,842,950	-	-	-	-	-	2,828,754
Total financial investments held-to-maturity	89,172	299	-	1,716	8,197	14,832	12,235,356	3,512	12,353,084
Loans and advances	313,719	-	-	138,851	74,515	87,045	17,883,822	14,617	18,512,569
Hire purchase	348	-	-	-	-	-	1,322,831	35	1,323,214
Mortgage	755,596	1,248	-	10,472	61,269	2,143	19,634	-	850,362
Credit card	5,949,126	749,229	-	4,095,998	116,088	461,254	338,532	242,973	11,953,200
Others	3,563,596	936,796	-	1,603,099	449,740	61,201	916,395	87,172	7,637,999
Corporate loans and advances:	1,269,810	7,607	-	514,530	67,207	11,062	18,798	7,200	1,896,214
Term loans and bridging loans	4,908,394	5,862	-	9,377	37,865	8,747	-	48,682	5,018,947
Revolving credits	16,869,761	1,701,061	-	6,374,043	814,881	646,284	32,735,368	404,191	58,814,740
Overdrafts	62,181	25,000	-	-	-	10,000	-	-	97,181
Trade (include Factoring)	-	-	1,745,554	-	-	-	-	-	1,745,554
Collective Allowance	48,636	1,209,276	36,002	5,761	121,047	267	1,663	89,459	1,512,111
Total loans and advances	9,701,283	715,006	754,396	1,345,189	213,733	183,034	5,635,012	223,539	18,771,192
Receivables: Investment not quoted in active markets	5,077,994	782,104	-	801,059	103,300	38,721	405	105,233	6,908,816
Statutory deposit with Bank Negara Malaysia	14,779,277	1,497,110	754,396	2,146,248	317,033	221,755	5,635,417	328,772	25,680,008
Other financial assets	-	-	-	-	-	-	-	-	-
Commitments	-	-	-	-	-	-	-	-	-
Contingent liabilities	-	-	-	-	-	-	-	-	-
Total commitments and contingent liabilities	-	-	-	-	-	-	-	-	-

50. RISK MANAGEMENT (CONTD.)

50.2 CREDIT RISK MANAGEMENT (CONTD.)

(a) Industry Analysis (Cont'd.)

2017	Agriculture	Mining and quarrying	Manufacturing	Electricity, gas and water	Construction	Wholesale and retail trade and hotel and restaurants	Transport, storage and communication	Subtotal
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	-	-	-	-	-	-	-	-
Securities purchased under resale agreements	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Investment account	-	-	-	-	-	-	-	-
Derivative financial assets	5,705	183,134	72,722	-	3	4,071	4,444	270,079
Financial assets held-for-trading	-	-	-	-	-	-	-	-
Money Market Securities	-	-	-	-	-	-	-	-
Quoted Private Debt Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	-	-	-	260,128	54,816	-	10,135	325,079
Total financial assets held-for-trading	-	-	-	260,128	54,816	-	10,135	325,079
Financial investments available-for-sale	-	-	-	-	-	-	-	-
Money Market Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	93,493	-	70,215	284,128	1,078,298	92,055	193,887	1,812,076
Total financial investments available-for-sale	93,493	-	70,215	284,128	1,078,298	92,055	193,887	1,812,076
Financial investments held-to-maturity	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	-	-	-	-	568,362	-	-	568,362
Total financial investments held-to-maturity	-	-	-	-	568,362	-	-	568,362
Loans and advances	-	-	-	-	-	-	-	-
Hire purchase	1,007	683	8,917	287	11,503	58,647	37,118	118,162
Mortgage	10,343	2,244	62,981	2,787	75,825	119,316	15,994	289,490
Credit card	-	-	183	-	19	-	2	204
Others	21,215	8,266	122,907	1,751	102,663	245,956	30,943	533,701
Corporate loans and advances:	-	-	-	-	-	-	-	-
Term loans and bridging loans	1,057,992	675,819	1,256,907	349,174	791,794	1,210,281	425,357	5,767,324
Revolving credits	482,458	210,101	1,226,877	9,570	704,641	421,461	645,071	3,700,179
Overdrafts	136,903	21,910	371,900	9,158	444,774	392,707	61,548	1,444,900
Trade (include Factoring)	122,793	215,015	3,179,703	3,152	577,995	1,640,439	91,953	5,831,050
Collective Allowance	-	-	-	-	-	-	-	-
Total loans and advances	1,832,711	1,134,038	6,236,375	375,879	2,709,214	4,088,807	1,307,986	17,685,010
Receivables: Investment not quoted in active markets	-	244,976	50,000	-	62,181	5,000	700,000	1,062,157
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-
Other financial assets	534	7,542	2,857	7,715	29,040	1,643	18,594	67,925
Commitments	618,007	344,267	3,363,318	253,376	3,418,226	1,785,809	708,330	10,491,333
Contingent liabilities	65,994	520,359	1,082,409	614,415	2,998,068	542,498	449,245	6,272,388
Total commitments and contingent liabilities	683,401	864,626	4,445,727	867,791	6,416,294	2,328,307	1,157,575	16,763,721

50. RISK MANAGEMENT (CONTD.)

50.2 CREDIT RISK MANAGEMENT (CONTD.)

(a) Industry Analysis (Cont'd.)

2017	Subtotal from previous page	Finance and insurance	Government and central banks	Real estate	Business activities	Education and health	Household	Others	Total
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	-	4,286,677	1,472,265	-	-	-	-	-	5,758,942
Securities purchased under resale agreements	-	-	10,369	-	-	-	-	-	10,369
Deposits and placements with banks and other financial institutions	-	450,000	-	-	-	-	-	-	450,000
Investment account	-	1,600,000	-	-	-	-	-	-	1,600,000
Derivative financial assets	270,079	896,304	389	2,751	1,147	75	-	1,387	1,172,132
Financial assets held-for-trading	-	-	4,160,309	-	-	-	-	-	4,160,309
Money Market Securities	-	38,207	-	-	-	-	-	-	38,207
Quoted Private Debt Securities	325,079	555,578	-	10,000	-	-	-	485,204	1,375,861
Unquoted Private Debt Securities	325,079	593,785	4,160,309	10,000	-	-	-	485,204	5,574,377
Total financial assets held-for-trading	-	20,387	1,203,618	-	-	-	-	-	1,224,005
Financial investments available-for-sale	1,812,076	1,243,308	-	192,169	19,433	-	-	981,757	4,248,743
Money Market Securities	1,812,076	1,263,695	1,203,618	192,169	19,433	-	-	981,757	5,472,748
Unquoted Private Debt Securities	568,362	416,370	837,773	255,000	-	-	-	-	2,077,505
Unquoted Private Debt Securities	568,362	416,370	837,773	255,000	-	-	-	-	2,077,505
Financial investments held-to-maturity	118,162	33	-	1,686	9,045	10,238	12,323,358	1,463	12,463,985
Loans and advances	289,490	17	-	131,005	73,264	82,583	20,760,237	14,142	21,350,738
Hire purchase	204	-	-	-	-	-	1,408,278	102	1,408,584
Mortgage	533,701	817	-	9,785	76,999	42,706	33,057	8,604	705,669
Credit card	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
Corporate loans and advances:	5,767,324	462,346	-	3,493,741	381,624	460,946	182,744	7,104	10,755,829
Term loans and bridging loans	3,700,179	1,141,974	-	1,679,434	396,829	46,971	1,038,884	23,024	8,027,295
Revolving credits	1,444,900	7,932	-	517,772	78,716	20,189	121,266	73	2,190,848
Overdrafts	5,831,050	5,844	-	6,595	58,255	6,933	-	45,671	5,954,348
Trade (include Factoring)	-	-	-	-	-	-	-	-	-
Collective Allowance	17,585,010	1,618,963	-	5,840,018	1,074,732	670,566	35,867,824	100,183	62,248,620
Total loans and advances	1,062,157	25,000	-	75,000	-	10,000	-	-	1,172,157
Receivables: Investment not quoted in active markets	-	-	1,760,114	-	-	-	-	-	1,760,114
Statutory deposit with Bank Negara Malaysia	67,925	1,027,421	39,798	3,816	140,265	271	2,315	90,573	1,372,384
Other financial assets	10,491,333	1,071,643	650,675	1,216,322	273,700	143,421	6,325,079	37,235	20,209,408
Commitments	6,272,388	431,216	-	852,757	87,431	62,364	926	104,314	7,811,396
Contingent liabilities	16,763,721	1,502,859	650,675	2,069,079	361,131	205,785	6,326,005	141,549	28,020,804
Total commitments and contingent liabilities	-	-	-	-	-	-	-	-	-

50. RISK MANAGEMENT (CONTD.)

50.2 CREDIT RISK MANAGEMENT (CONTD.)

(a) Industry Analysis (Cont'd.)

2016	Agriculture	Mining and quarrying	Manufacturing	Electricity, gas and water	Construction	Wholesale and retail trade and restaurants	Transport, storage and communication	Subtotal
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Investment account	-	-	-	-	-	-	-	-
Derivative financial assets	46,989	130,468	110,571	-	10	35,065	10,893	334,016
Financial assets held-for-trading	-	-	-	-	-	-	-	-
Money Market Securities	-	-	-	-	-	-	-	-
Quoted Private Debt Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	-	-	-	20,065	290,000	-	51,448	361,513
Total financial assets held-for-trading	-	-	-	20,065	290,000	-	51,448	361,513
Financial investments available-for-sale	-	-	-	-	-	-	-	-
Money Market Securities	83,095	-	70,490	219,745	1,052,501	93,686	274,615	1,794,132
Unquoted Private Debt Securities	83,095	-	70,490	219,745	1,052,501	93,686	274,615	1,794,132
Total financial investments available-for-sale	-	-	-	-	-	-	-	-
Financial investments held-to-maturity	-	-	-	-	-	-	-	-
Money Market Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	-	-	-	-	569,277	-	-	569,277
Total financial investments held-to-maturity	-	-	-	-	569,277	-	-	569,277
Loans and advances	-	-	-	-	-	-	-	-
Hire purchase	2,041	419	6,885	535	12,833	57,034	9,425	89,172
Mortgage	13,619	2,833	75,004	2,626	76,600	125,792	17,245	313,719
Credit card	-	-	260	-	18	70	-	348
Others	90,813	22,803	213,067	4,091	143,994	200,753	80,075	755,596
Corporate loans and advances:	-	-	-	-	-	-	-	-
Term loans and bridging loans	1,089,507	1,022,896	1,225,932	327,893	527,304	1,399,804	355,790	5,949,126
Revolving credits	713,294	263,476	1,234,745	30,309	700,859	261,955	378,958	3,583,596
Overdrafts	122,823	22,510	357,853	12,937	263,026	398,094	92,567	1,269,810
Trade (include Factoring)	104,837	4,905	2,936,099	1,492	450,361	1,316,046	94,654	4,908,394
Collective Allowance	-	-	-	-	-	-	-	-
Total loans and advances	2,136,934	1,339,842	6,049,845	379,883	2,174,995	3,759,548	1,028,714	16,869,761
Receivables: Investment not quoted in active markets	-	-	-	-	62,181	-	-	62,181
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-
Other financial assets	340	1,949	1,845	4,070	19,626	1,564	19,242	48,636
Commitments	603,484	322,872	3,067,948	317,812	2,956,247	1,761,928	670,992	9,701,283
Contingent liabilities	41,025	492,323	1,175,007	577,952	2,047,928	497,986	245,873	5,077,994
Total commitments and contingent liabilities	644,509	815,195	4,242,955	895,764	5,004,075	2,259,914	916,865	14,779,277

50. RISK MANAGEMENT (CONTD.)

50.2 CREDIT RISK MANAGEMENT (CONTD.)

(a) Industry Analysis (Cont'd.)

2016	Subtotal from previous page	Finance and insurance	Government and central banks	Real estate	Business activities	Education and health	Household	Others	Total
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	-	4,600,739	2,779,448	-	-	-	-	-	7,380,187
Deposits, placements and investment accounts with banks and other financial institutions	-	350,000	500,000	-	-	-	-	-	850,000
Investment account	-	1,000,000	-	-	-	-	-	-	1,000,000
Derivative financial assets	334,016	1,555,211	295	4,282	774	225	-	16	1,894,819
Financial assets held-for-trading	-	-	494,286	-	-	-	-	-	494,286
Money Market Securities	-	38,962	-	-	-	-	-	-	38,962
Quoted Private Debt Securities	361,513	206,731	-	40,047	-	-	-	-	1,037,166
Unquoted Private Debt Securities	361,513	245,693	494,286	40,047	-	-	-	428,875	1,570,414
Total financial assets held-for-trading	-	2,049,644	1,039,320	277,725	19,409	-	-	-	3,088,964
Financial investments available-for-sale	1,794,132	1,403,319	-	277,725	19,409	-	-	732,356	4,226,941
Money Market Securities	1,794,132	3,452,963	1,039,320	277,725	19,409	-	-	732,356	7,315,905
Unquoted Private Debt Securities	-	-	-	-	-	-	-	-	-
Total financial investments available-for-sale	569,277	416,527	780,153	-	-	-	-	-	780,153
Financial investments held-to-maturity	569,277	1,062,797	1,062,797	-	-	-	-	-	2,049,601
Money Market Securities	-	416,527	1,062,797	-	-	-	-	-	2,049,601
Unquoted Private Debt Securities	-	416,527	1,062,797	-	-	-	-	-	2,049,601
Total financial investments held-to-maturity	569,277	1,842,950	1,842,950	-	-	-	-	-	2,828,754
Loans and advances	-	-	-	-	-	-	-	-	-
Hire purchase	89,172	299	-	1,716	8,197	14,832	12,235,356	3,512	12,353,084
Mortgage	313,719	-	-	138,851	74,515	87,045	17,703,957	14,617	18,332,704
Credit card	348	-	-	-	-	-	1,322,831	35	1,323,214
Others	755,596	1,248	-	10,472	61,269	2,143	19,634	-	850,362
Corporate loans and advances:	-	-	-	-	-	-	-	-	-
Term loans and bridging loans	5,949,126	749,229	-	4,095,998	116,088	461,254	338,532	242,973	11,953,200
Revolving credits	3,583,596	1,018,849	-	1,603,099	449,740	61,201	916,395	87,172	7,720,052
Overdrafts	1,269,810	7,607	-	514,530	67,207	11,062	18,798	7,200	1,896,214
Trade (include Factoring)	4,908,394	5,882	-	9,377	37,865	8,747	-	48,682	5,018,947
Collective Allowance	-	-	-	-	-	-	-	-	(730,576)
Total loans and advances	16,869,761	1,783,114	-	6,374,043	814,881	646,284	32,555,503	404,191	58,717,201
Receivables: Investment not quoted in active markets	62,181	25,000	-	-	-	10,000	-	-	97,181
Statutory deposit with Bank Negara Malaysia	-	-	1,745,554	-	-	-	-	-	1,745,554
Other financial assets	48,636	1,215,302	36,002	5,752	121,135	267	1,663	89,055	1,517,812
Commitments	9,701,283	753,296	754,396	1,345,189	213,793	183,034	5,535,012	223,539	18,809,482
Contingent liabilities	5,077,994	782,104	-	801,059	103,300	38,721	405	105,233	6,908,816
Total commitments and contingent liabilities	14,779,277	1,535,400	754,396	2,146,248	317,093	221,755	5,636,417	328,772	25,718,298

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

(b) Geographical Analysis

2017 Group	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	5,219,288	770,013	5,989,301
Securities purchased under resale agreements	10,369	-	10,369
Deposits and placements with banks and other financial institutions	450,000	-	450,000
Investment account	1,600,000	-	1,600,000
Derivative financial assets	914,347	257,785	1,172,132
Financial assets held-for-trading			
<i>Money Market Securities</i>	4,160,309	-	4,160,309
<i>Quoted Private Debt Securities</i>	38,207	-	38,207
<i>Unquoted Private Debt Securities</i>	1,365,863	9,998	1,375,861
Total financial assets held-for-trading	5,564,379	9,998	5,574,377
Financial investments available-for-sale			
<i>Money Market Securities</i>	1,215,118	8,887	1,224,005
<i>Unquoted Private Debt Securities</i>	4,002,718	195,183	4,197,901
Total financial investments available-for-sale	5,217,836	204,070	5,421,906
Financial investments held-to-maturity			
<i>Unquoted Private Debt Securities</i>	2,077,505	-	2,077,505
Total financial investments held-to-maturity	2,077,505	-	2,077,505
Loans and advances			
<i>Hire purchase</i>	12,463,985	-	12,463,985
<i>Mortgage</i>	21,519,340	-	21,519,340
<i>Credit card</i>	1,408,584	-	1,408,584
<i>Others</i>	705,669	-	705,669
<i>Corporate loans and advances:</i>			
<i>Term loans and bridging loans</i>	10,508,097	247,732	10,755,829
<i>Revolving credits</i>	7,765,585	176,053	7,941,638
<i>Overdrafts</i>	2,190,848	-	2,190,848
<i>Trade (include Factoring)</i>	5,889,336	65,012	5,954,348
<i>Collective Allowance</i>	(602,732)	(6,063)	(608,795)
Total loans and advances	61,848,712	482,734	62,331,446
Receivables: Investment not quoted in active markets	1,172,157	-	1,172,157
Statutory deposit with Bank Negara Malaysia	1,760,114	-	1,760,114
Other financial assets	1,259,234	118,786	1,378,020
Commitments	19,957,177	187,444	20,144,621
Contingent liabilities	7,721,050	68,231	7,789,281
Total commitments and contingent liabilities	27,678,227	255,675	27,933,902

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

(b) Geographical Analysis (Cont'd.)

2016 Group	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	5,890,343	1,715,338	7,605,681
Deposits, placements and investment accounts with banks and other financial institutions	850,000	-	850,000
Investment account	1,000,000	-	1,000,000
Derivative financial assets	1,456,703	438,116	1,894,819
Financial assets held-for-trading			
<i>Money Market Securities</i>	494,286	-	494,286
<i>Quoted Private Debt Securities</i>	38,962	-	38,962
<i>Unquoted Private Debt Securities</i>	1,000,756	36,410	1,037,166
Total financial assets held-for-trading	1,534,004	36,410	1,570,414
Financial investments available-for-sale			
<i>Money Market Securities</i>	3,088,964	-	3,088,964
<i>Unquoted Private Debt Securities</i>	3,845,078	312,740	4,157,818
Total financial investments available-for-sale	6,934,042	312,740	7,246,782
Financial investments held-to-maturity			
<i>Money Market Securities</i>	-	780,153	780,153
<i>Unquoted Private Debt Securities</i>	2,048,601	-	2,048,601
Total financial investments held-to-maturity	2,048,601	780,153	2,828,754
Loans and advances			
<i>Hire purchase</i>	12,353,084	-	12,353,084
<i>Mortgage</i>	18,512,569	-	18,512,569
<i>Credit card</i>	1,323,214	-	1,323,214
<i>Others</i>	830,728	19,634	850,362
<i>Corporate loans and advances:</i>			
<i>Term loans and bridging loans</i>	11,596,923	356,277	11,953,200
<i>Revolving credits</i>	7,394,622	243,377	7,637,999
<i>Overdrafts</i>	1,896,214	-	1,896,214
<i>Trade (include Factoring)</i>	5,012,679	6,268	5,018,947
<i>Collective Allowance</i>	(713,941)	(16,908)	(730,849)
Total loans and advances	58,206,092	608,648	58,814,740
Receivables: Investment not quoted in active markets	97,181	-	97,181
Statutory deposit with Bank Negara Malaysia	1,745,554	-	1,745,554
Other financial assets	1,329,130	182,981	1,512,111
Commitments	18,620,626	150,566	18,771,192
Contingent liabilities	6,718,723	190,093	6,908,816
Total commitments and contingent liabilities	25,339,349	340,659	25,680,008

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

(b) Geographical Analysis (Cont'd.)

2017	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Bank			
Cash and short-term funds	5,034,727	724,215	5,758,942
Securities purchased under resale agreements	10,369	-	10,369
Deposits and placements with banks and other financial institutions	450,000	-	450,000
Investment account	1,600,000	-	1,600,000
Derivative financial assets	914,347	257,785	1,172,132
Financial assets held-for-trading			
<i>Money Market Securities</i>	4,160,309	-	4,160,309
<i>Quoted Private Debt Securities</i>	38,207	-	38,207
<i>Unquoted Private Debt Securities</i>	1,365,863	9,998	1,375,861
Total financial assets held-for-trading	5,564,379	9,998	5,574,377
Financial investments available-for-sale			
<i>Money Market Securities</i>	1,215,118	8,887	1,224,005
<i>Unquoted Private Debt Securities</i>	4,053,560	195,183	4,248,743
Total financial investments available-for-sale	5,268,678	204,070	5,472,748
Financial investments held-to-maturity			
<i>Unquoted Private Debt Securities</i>	2,077,505	-	2,077,505
Total financial investments held-to-maturity	2,077,505	-	2,077,505
Loans and advances			
<i>Hire purchase</i>	12,463,985	-	12,463,985
<i>Mortgage</i>	21,350,738	-	21,350,738
<i>Credit card</i>	1,408,584	-	1,408,584
<i>Others</i>	705,669	-	705,669
<i>Corporate loans and advances:</i>			
<i>Term loans and bridging loans</i>	10,508,097	247,732	10,755,829
<i>Revolving credits</i>	7,851,242	176,053	8,027,295
<i>Overdrafts</i>	2,190,848	-	2,190,848
<i>Trade (include Factoring)</i>	5,889,336	65,012	5,954,348
<i>Collective Allowance</i>	(602,613)	(6,063)	(608,676)
Total loans and advances	61,765,886	482,734	62,248,620
Receivables: Investment not quoted in active markets	1,172,157	-	1,172,157
Statutory deposit with Bank Negara Malaysia	1,760,114	-	1,760,114
Other financial assets	1,253,695	118,689	1,372,384
Commitments	20,021,964	187,444	20,209,408
Contingent liabilities	7,743,165	68,231	7,811,396
Total commitments and contingent liabilities	27,765,129	255,675	28,020,804

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

(b) Geographical Analysis (Cont'd.)

2016	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Bank			
Cash and short-term funds	5,705,218	1,674,969	7,380,187
Deposits, placements and investment accounts with banks and other financial institutions	850,000	-	850,000
Investment account	1,000,000	-	1,000,000
Derivative financial assets	1,456,703	438,116	1,894,819
Financial assets held-for-trading			
<i>Money Market Securities</i>	494,286	-	494,286
<i>Quoted Private Debt Securities</i>	38,962	-	38,962
<i>Unquoted Private Debt Securities</i>	1,000,756	36,410	1,037,166
Total financial assets held-for-trading	1,534,004	36,410	1,570,414
Financial investments available-for-sale			
<i>Money Market Securities</i>	3,088,964	-	3,088,964
<i>Unquoted Private Debt Securities</i>	3,914,201	312,740	4,226,941
Total financial investments available-for-sale	7,003,165	312,740	7,315,905
Financial investments held-to-maturity			
<i>Money Market Securities</i>	-	780,153	780,153
<i>Unquoted Private Debt Securities</i>	2,048,601	-	2,048,601
Total financial investments held-to-maturity	2,048,601	780,153	2,828,754
Loans and advances			
<i>Hire purchase</i>	12,353,084	-	12,353,084
<i>Mortgage</i>	18,332,704	-	18,332,704
<i>Credit card</i>	1,323,214	-	1,323,214
<i>Others</i>	830,728	19,634	850,362
<i>Corporate loans and advances:</i>			
<i>Term loans and bridging loans</i>	11,596,923	356,277	11,953,200
<i>Revolving credits</i>	7,476,675	243,377	7,720,052
<i>Overdrafts</i>	1,896,214	-	1,896,214
<i>Trade (include Factoring)</i>	5,012,679	6,268	5,018,947
<i>Collective Allowance</i>	(713,668)	(16,908)	(730,576)
Total loans and advances	58,108,553	608,648	58,717,201
Receivables: Investment not quoted in active markets	97,181	-	97,181
Statutory deposit with Bank Negara Malaysia	1,745,554	-	1,745,554
Other financial assets	1,334,889	182,923	1,517,812
Commitments	18,658,916	150,566	18,809,482
Contingent liabilities	6,718,723	190,093	6,908,816
Total commitments and contingent liabilities	25,377,639	340,659	25,718,298

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Main Types of Collateral Taken by the Group

Collateral is generally taken as security for credit exposures as a secondary source of repayment in case the counterparty cannot meet its contractual repayment obligations from cash flow generation. Types of collateral typically taken by the Group 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);
- Non-exchange traded shares;
- Residential and non-residential property;
- Plantation land, mining land, quarry land and vacant land;
- Passenger vehicle, commercial vehicle, construction vehicle and vessel; and
- Plant and machineries.

The Group Collateral Policy, is the internally recognised collateral framework for lending purposes as well as for regulatory capital.

Where the customer risk profile is considered very sound (or by nature of the product, for instance small limit products such as credit cards), a transaction may be provided on an "unsecured" basis, i.e., not be supported by collateral.

In addition to rating customer's probability of default via an internal risk rating system, the Group uses Security Indicators ("SIs") in its non-retail portfolio to assess the strength of collateral supporting its exposures.

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 Group has standard collateral instruments, and where applicable, security interests are registered.

Guarantee Support

Guarantee support for lending proposals are an integral component in transaction structuring for the Group. The guarantee of a financially strong party can help improve the risk grade of a transaction through its explicit support of the borrower, where borrower's risk grade will be enhanced with guarantor's risk grade.

Guarantees that are recognised for risk grading purposes may be provided by parties that include associated entities, group or sovereigns. Credit policy provides threshold parameters to determine acceptable counterparties in achieving risk grade enhancement of the transaction. Guarantee by a counterparty with lower rating than the borrower is not recognised as part of the risk grade enhancement.

Use of Credit Derivatives and Netting for Risk Mitigation

Currently, the Group 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 Group and the customer can work together to address the underlying causes and as appropriate, restructure facilities.

Concentrations of credit risk mitigation

The Group 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 Group are properties, motor vehicles and exchange traded shares.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

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 currently aligned to 8 rating categories (seven for non-defaulted and one for those that have defaulted) in accordance with the Capital Adequacy Framework (Basel II – Risk-Weighted Assets). The following categories based on the descriptions are appended below.

Description of the categories for Retail Banking

Risk Grade	Category	PD Ranges	Description
1 to 6	Exceptionally strong	0.0001% to 0.0737%	<ul style="list-style-type: none"> • Exceptionally good credit risk profile. • Very strong willingness to meet its financial commitments. • Exhibits high degree resilience to adverse development.
7 to 12	Very strong	0.0738% to 0.5942%	<ul style="list-style-type: none"> • Very good credit risk profile. • Strong willingness to meet its financial commitments. • Exhibits high degree resilience to adverse development.
13 to 14	Strong	0.5943% to 1.0159%	<ul style="list-style-type: none"> • Good credit risk profile. • Exhibit willingness to meet its financial commitments. • Generally in a position to withstand adverse development.
15 to 16	Satisfactory	1.0160% to 2.2722%	<ul style="list-style-type: none"> • Satisfactory credit risk profile. • Adequate willingness to meet its financial commitments. • Generally in a position to resolve any apparent shortcoming within an acceptable time frame.
17 to 18-	Moderate	2.2723% to 4.1028%	<ul style="list-style-type: none"> • Moderate credit risk profile. • Willingness to meet its financial commitments would be uncertain in the event of adverse changes in circumstances and economic conditions.
19+ to 20-	Marginal	4.1029% to 8.2931%	<ul style="list-style-type: none"> • Marginal credit risk profile. • Willingness to meet its financial commitments would be uncertain under normal circumstances and economic conditions.
21 to 24	Substandard	>= 8.2932%	<ul style="list-style-type: none"> • Substandard credit risk profile. • Exhibit less willingness to meet its financial commitments under normal circumstances and economic conditions.
99	Impaired	100%	<ul style="list-style-type: none"> • Classified as impaired as per the Policy on Definition of Default / Impaired for Credit Facility.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality (Cont'd.)

Description of the categories for Wholesale Banking

Credit quality classification	Description
Exceptionally strong	<p>Highest rating, for exceptionally strong government institutions and a small number of very large multinational institutional clients. The key characteristics are:</p> <ul style="list-style-type: none"> - Exceptionally solid and stable operating and financial performance. - Debt servicing capacity has been exceptionally strong over the long term. - All available information, of which there is a substantial quantity of extremely high quality, supports the view that these historical performance standards will be maintained for the foreseeable future. - Highly unlikely to be adversely affected by foreseeable events.
Very strong	<p>Strong government institutions or institutional clients, with identifiably higher, albeit modest, long term risk but still demonstrating solid and stable operating and financial performance. The key characteristics are:</p> <ul style="list-style-type: none"> - Based on their activities, financial profile and past capacity to repay, counterparties with this rating carry a small, but clearly identifiable degree of risk. - Debt servicing capacity in previous period has been substantial and solid, and is projected to continue over the medium term but may be more vulnerable to changes in business, economic and financial conditions than is the case for stronger ratings.
Strong	<p>Counterparties demonstrate medium to long-term operational and financial stability and consistency but they are identifiably susceptible to cyclical trends or variability in earnings. The key characteristics are:</p> <ul style="list-style-type: none"> - Counterparties present an identifiable degree of generally acceptable risk, possibly expressing itself as variability in financial and/or operating performance. - Debt servicing capacity is quite good but adverse changes in circumstances and economic conditions are more likely to impair this capacity.
Satisfactory	<p>Counterparties demonstrate adequate medium term operational and financial stability. Protection factors are considered sufficient for prudent investment. The key characteristics are:</p> <ul style="list-style-type: none"> - Counterparties present a mostly satisfactory risk that requires mitigation, possibly expressing itself as variability in financial and/or operating performance. - Debt servicing capacity is satisfactory but adverse changes in circumstances and economic condition may impair this capacity. - Counterparty's financial and/or non-financial profile provides a limited buffer to mitigate the negative impact of any future adverse changes in circumstances and economic conditions.
Moderate	<p>Counterparties demonstrate limited operational and financial stability and may have a track record of fluctuating and poor earnings and profitability evidencing their past susceptibility to cyclical trends. The key characteristics are:</p> <ul style="list-style-type: none"> - Capacity for timely fulfillment of financial obligations exists. - Adverse economic condition or changing business environment is more likely to lead to weakened capacity to meet timely repayment in the long run. - Overall credit quality may be more volatile within this category.
Marginal	<p>Counterparties demonstrate sustained operational and financial instability. The key characteristics are:</p> <ul style="list-style-type: none"> - Erratic performance with one or more recent loss periods, increased borrowings or patchy account conduct. - Debt servicing capacity is marginal. - Often under strong, sustained competitive pressure. - Variability and uncertainty in profitability and liquidity is projected to continue over the short and possibly medium term. - Significant changes and instability in senior management may be observed.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality (Cont'd.)

Description of the categories for Wholesale Banking (Cont'd.)

Substandard	Lowest rating for counterparties that continuously demonstrate operational and financial instability. The key characteristics are: <ul style="list-style-type: none"> - Mediocre financials with consistent loss periods, increased borrowings and/or poor account conduct. - Current and expected debt servicing capacity is inadequate. - Financial solvency is questionable and/or financial structure is weak. - Deteriorating state of business and require significant changes in strategies or practices to return business to sustainable state. - Experiencing difficulties, which may result in default in the next one to two years.
Impaired	Impaired account. The key characteristic is that the counterparty has been classified as "impaired" as per the Classified Account Management Policy for Credit Facility.

Impairment

Definition of past due and impaired loans and advances

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) due under the contractual terms are received late or missed.

A loan is classified as impaired under the following circumstances:

- (a) when the principal or interest or both is past due¹ or the amount outstanding is in excess of approved limit (for revolving facilities), each for more than 90 days or 3 months on any material obligation²; or

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Impairment (Cont.d)

Definition of past due and impaired loans and advances (Cont.d)

- (b) for loans where repayments are scheduled on intervals of 3 months or longer, the loan is to be classified as impaired 1+30 days or 1 day+1 month past due (the 30-days grace period is to allow for exclusion of administrative default³); or
 - (c) for trade bills/facilities, an account is deemed default and impaired when the past due is 90 days from due date of the bill.
 - (d) a loan may also be classified as impaired:
 - i. if it is probable that the bank will be unable to collect all amounts due (including both interest/ profit and principal) according to the contractual terms of the agreement; or
 - ii. due to cross-default. Cross-default occurs when:
 - a default of a loan obligation of a customer triggers a default of another loan/financing obligation of the same customer; or
 - a default of a loan obligation of a customer triggers a default of a loan obligation of other customer within the same customer group.

The CACC is allowed to waive the declaration of cross-default across all accounts of the same customer or accounts of all borrowers within the same customer group;

or

 - iii. If deemed appropriate by the Watchlist Forum.
- (e) debt instruments (for example, corporate bond and sukuk, debt converted instrument etc.) shall be classified as impaired:
 - i. when the coupon/interest payment or face/nominal value redemption is one (1) day past due after the grace period, where there is a stipulated grace period within the contractually agreed terms; or
 - ii. when an event of default ("EOD") has been declared by the Trustee/Facility Agent⁴ for reasons other than payment in default (as outlined in the Trust Deeds Guidelines issued by the Securities Commission of Malaysia); or
 - iii. where it is deemed appropriate to classify as impaired and approved by the Watchlist Forum.
- (f) the loan is deemed impaired when it is classified as rescheduled or restructured ("R&R") in the Central Credit Reference Information System ("CCRIS").

¹ For credit card facilities, an account is "past due" when the card member fails to settle the minimum monthly repayment due before the next billing date.

² Material obligation as determined by Management. Current "material" threshold is set at more than RM200.00.

³ Administrative defaults include cases where exposures become overdue because of oversight on the part of the obligor and/or the banking institution. Instances of administrative defaults may be excluded from the historical default count, subject to appropriate policies and procedures established by the banking institution to evaluate and approve such cases.

⁴ In cases where the bond/sukuk holdings are not governed by a Trust Deed, the Facility Agent may declare, if so requested in writing by the bond/sukuk holders by way of Special Resolution that an EOD has occurred (subject to the Agency Agreement between issuers and facility agent), notwithstanding the stated maturity of the bond/sukuk.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

Impairment (Cont.d)

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 that is, 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 and advances, 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 provisions is computed after making the necessary adjustments to reflect current economic conditions.

With effect from 31 December 2015, the Group is required to maintain, in aggregate, collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans⁵ net of individual impairment.

⁵ Excluding loans/ financing with an explicit guarantee from the Government of Malaysia.

50. RISK MANAGEMENT (CONTD.)

50.2 CREDIT RISK MANAGEMENT (CONTD.)

(c) 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 Group's internal credit rating system.

2017 Group	Neither past due nor impaired										Total RM'000	Gross amount Individually impaired RM'000	Individual allowance RM'000
	Exceptionally strong credit profile RM'000	Very strong credit profile RM'000	Strong credit profile RM'000	Satisfactory risk RM'000	Moderate risk RM'000	Marginal risk RM'000	Sub-standard RM'000	Unrated RM'000	Past due but not impaired RM'000	Impaired RM'000			
Cash and short-term funds	700,511	5,288,790	-	-	-	-	-	-	-	-	5,989,301	-	-
Securities purchased under resale agreements	-	10,369	-	-	-	-	-	-	-	-	10,369	-	-
Deposits and placements with banks and other financial institutions	-	450,000	-	-	-	-	-	-	-	-	450,000	-	-
Investment account	-	1,600,000	-	-	-	-	-	-	-	-	1,600,000	-	-
Derivative financial assets	18,138	630,676	476,846	27,845	13,808	1,559	387	2,873	-	-	1,172,132	-	-
Financial assets held-for-trading	-	4,160,309	-	-	-	-	-	-	-	-	4,160,309	-	-
Money Market Securities	-	38,207	-	-	-	-	-	-	-	-	38,207	-	-
Quoted Private Debt Securities	9,998	831,102	160,048	374,713	-	-	-	-	-	-	1,375,861	-	-
Unquoted Private Debt Securities	9,998	5,029,618	160,048	374,713	-	-	-	-	-	-	5,574,377	-	-
Total financial assets held-for-trading	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial investments available-for-sale	-	1,224,005	-	-	-	-	-	-	-	-	1,224,005	-	-
Money Market Securities	70,347	2,693,718	640,658	649,223	50,033	-	93,922	-	-	-	4,197,901	5,000	(5,000)
Unquoted Private Debt Securities	70,347	3,917,723	640,658	649,223	50,033	-	93,922	-	-	-	5,421,906	5,000	(5,000)
Total financial investments available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial investments held-to-maturity *	-	2,076,508	-	-	-	-	-	957	-	-	2,080,055	2,590	(2,590)
Unquoted Private Debt Securities	-	2,076,508	-	-	-	-	-	957	-	-	2,080,055	2,590	(2,590)
Total financial investments held-to-maturity	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross loans and advances *	-	-	-	-	-	-	-	-	-	-	-	-	-
Hire purchase	1,778	4,849,370	1,798,946	1,555,266	648,542	154,424	131,930	-	3,197,091	126,608	12,463,985	-	-
Mortgage	3,940	8,065,540	3,876,882	3,151,237	2,159,662	696,056	667,944	-	2,565,779	335,040	21,522,080	6,989	(2,740)
Credit card	-	78,606	65,083	706,636	157,201	95,496	67,628	-	221,164	17,810	1,408,584	-	-
Others	-	50,273	46,841	179,845	174,441	87,622	95,348	-	42,516	31,264	708,150	2,986	(2,481)
Corporate loans and advances:	-	-	-	-	-	-	-	-	-	-	-	-	-
Term loans and bridging loans	11,379	3,164,784	2,886,072	2,471,250	1,501,672	796,460	226,851	-	79,024	491,775	10,969,267	452,355	(213,438)
Revolving credits	2,005	2,018,322	1,328,505	2,307,269	1,083,898	228,254	185,670	-	96,684	107,767	7,959,374	108,262	(17,736)
Overdrafts	2,812	236,912	202,705	853,957	395,954	298,865	109,560	-	17,045	76,969	2,194,779	20,298	(3,931)
Trade (include Factoring)	5,358	2,223,485	1,354,224	1,687,888	522,470	148,509	49,890	-	1,762	11,229	5,954,815	2,162	(467)
Total gross loans and advances	27,272	20,828,292	10,959,258	13,462,378	6,643,840	2,505,646	1,534,821	-	6,221,065	1,199,462	63,181,034	993,062	(240,793)
Receivables: Investment not quoted in active markets	-	1,029,976	112,181	30,000	-	-	-	-	-	-	1,172,157	-	-
Statutory deposit with Bank Negara Malaysia	-	1,760,114	-	-	-	-	-	-	-	-	1,760,114	-	-
Other financial assets	109,562	991,598	38,657	9,023	11,294	330	1,189	210,405	-	40,399	1,412,457	40,399	(34,437)

* The amounts presented above are gross of impairment allowances.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

(c) Credit Quality By Class of Financial Assets (Cont'd.)

2016 Group	Neither past due nor impaired										Total RM'000	Gross amount individually impaired RM'000	Individual allowance RM'000
	Exceptionally strong credit profile RM'000	Very strong credit profile RM'000	Strong credit profile RM'000	Satisfactory risk RM'000	Moderate risk RM'000	Marginal risk RM'000	Sub- standard RM'000	Unrated RM'000	Past due but not impaired RM'000	Impaired RM'000			
Cash and short-term funds	1,734,384	5,823,297	48,000	-	-	-	-	-	-	-	7,605,681	-	-
Deposits, placements and investment accounts with banks and other financial institutions	-	850,000	-	-	-	-	-	-	-	-	850,000	-	-
Investment account	-	1,000,000	-	-	-	-	-	-	-	-	1,000,000	-	-
Derivative financial assets	47,525	1,096,117	627,584	77,256	30,155	1,247	8,588	6,347	-	-	1,894,819	-	-
Financial assets held-for-trading	-	494,286	-	-	-	-	-	-	-	-	494,286	-	-
Money Market Securities	-	38,962	-	-	-	-	-	-	-	-	38,962	-	-
Quoted Private Debt Securities	-	877,080	-	160,086	-	-	-	-	-	-	1,037,166	-	-
Unquoted Private Debt Securities	-	1,410,328	-	160,086	-	-	-	-	-	-	1,570,414	-	-
Total financial assets held-for-trading	-	1,981,374	-	320,172	-	-	-	-	-	-	2,301,546	-	-
Financial investments available-for-sale	-	3,088,964	-	-	-	-	-	-	-	-	3,088,964	-	-
Money Market Securities	11,683	3,999,689	-	146,446	-	-	-	-	-	-	4,157,818	5,000	(5,000)
Unquoted Private Debt Securities	11,683	7,088,653	-	146,446	-	-	-	-	-	-	7,246,782	5,000	(5,000)
Total financial investments available-for-sale	23,366	11,088,342	-	292,892	-	-	-	-	-	-	11,340,574	10,000	(10,000)
Financial investments held-to-maturity *	780,153	-	-	-	-	-	-	-	-	-	780,153	-	-
Money Market Securities	780,153	2,047,505	-	-	-	-	-	1,005	-	-	2,051,609	3,089	(3,008)
Unquoted Private Debt Securities	-	2,047,505	-	-	-	-	-	1,005	-	-	2,048,510	3,089	(3,008)
Total financial investments held-to-maturity	780,153	2,047,505	-	-	-	-	-	1,005	-	-	2,831,762	3,089	(3,008)
Gross loans and advances *	5,745	5,481,552	1,309,388	1,113,935	509,521	315,150	79,090	-	3,376,187	162,516	12,353,084	-	-
Hire purchase	-	6,382,715	5,906,635	1,157,439	1,873,488	303,233	685,489	-	2,048,205	348,973	18,516,157	12,369	(3,588)
Mortgage	-	89,494	80,159	705,733	105,305	65,159	39,445	-	216,728	21,193	1,323,214	-	-
Credit card	-	8,477	22,206	319,960	140,038	117,986	84,336	-	83,267	77,121	853,391	9,106	(3,029)
Others	-	3,793,770	2,149,323	2,279,084	1,763,995	1,465,168	252,124	-	93,709	315,514	12,123,156	285,487	(189,956)
Corporate loans and advances:	18,449	2,715,130	1,063,138	2,177,509	1,377,850	50,802	178,677	-	3,578	106,451	7,673,135	89,050	(35,136)
Term loans and bridging loans	-	253,202	181,144	442,558	476,236	391,139	137,975	-	1,486	40,508	1,924,248	34,908	(28,034)
Revolving credits	18,449	2,116,020	866,415	1,007,363	601,473	308,677	92,834	-	7,561	21,127	5,030,507	22,892	(11,560)
Overdrafts	-	20,850,360	11,572,408	9,203,781	6,647,906	3,017,334	1,539,950	-	5,830,719	1,093,403	59,796,892	453,812	(251,303)
Trade (include Factoring)	41,031	-	-	-	-	-	-	-	-	-	-	-	-
Total gross loans and advances	79,525	11,745,554	43,473	14,096	213,438	11	174,431	-	37,619	-	1,545,952	37,619	(33,841)
Receivables: Investment not quoted in active markets	-	-	-	-	-	-	-	97,181	-	-	97,181	-	-
Statutory deposit with Bank Negara Malaysia	-	1,745,554	-	-	-	-	-	-	-	-	1,745,554	-	-
Other financial assets	183,201	879,681	43,473	14,096	213,438	11	174,431	-	37,619	-	1,545,952	37,619	(33,841)

* The amounts presented above are gross of impairment allowances.

50. RISK MANAGEMENT (CONTD.)

50.2 CREDIT RISK MANAGEMENT (CONTD.)

(c) Credit Quality By Class of Financial Assets (Cont'd.)

2017 Bank	Neither past due nor impaired										Total RM'000	Gross amount individually impaired RM'000	Individual allowance RM'000	
	Exceptionally strong credit profile RM'000	Very strong credit profile RM'000	Strong profile RM'000	Strong credit profile RM'000	Satisfactory risk profile RM'000	Moderate risk RM'000	Marginal risk RM'000	Sub- standard RM'000	Unrated RM'000	Past due but not impaired RM'000				Impaired RM'000
Cash and short-term funds	700,511	5,058,431	-	-	-	-	-	-	-	-	-	5,758,942	-	-
Securities purchased under resale agreements	-	10,369	-	-	-	-	-	-	-	-	-	10,369	-	-
Deposits and placements with banks and other financial institutions	-	450,000	-	-	-	-	-	-	-	-	-	450,000	-	-
Investment account	-	1,600,000	-	-	-	-	-	-	-	-	-	1,600,000	-	-
Derivative financial assets	18,138	630,676	476,846	27,845	13,808	1,559	387	2,873	-	-	-	1,172,132	-	-
Financial assets held-for-trading	-	4,160,309	-	-	-	-	-	-	-	-	-	4,160,309	-	-
Money Market Securities	-	38,207	-	-	-	-	-	-	-	-	-	38,207	-	-
Quoted Private Debt Securities	9,998	831,102	160,048	374,713	-	-	-	-	-	-	-	1,375,861	-	-
Unquoted Private Debt Securities	9,998	5,029,618	160,048	374,713	-	-	-	-	-	-	-	5,674,377	-	-
Total financial assets held-for-trading	-	1,224,005	-	-	-	-	-	-	-	-	-	1,224,005	-	-
Financial investments available-for-sale	70,347	2,744,560	640,658	649,223	50,033	-	93,922	-	-	-	-	4,248,743	5,000	(5,000)
Money Market Securities	70,347	3,968,565	640,658	649,223	50,033	-	93,922	-	-	-	-	5,472,748	5,000	(5,000)
Unquoted Private Debt Securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total financial investments available-for-sale	-	2,076,508	-	-	-	-	-	957	-	-	957	2,080,055	2,590	(2,590)
Financial investments held-to-maturity*	-	2,076,508	-	-	-	-	-	-	-	-	-	2,080,055	2,590	(2,590)
Unquoted Private Debt Securities	-	2,076,508	-	-	-	-	-	-	-	-	-	2,080,055	2,590	(2,590)
Total financial investments held-to-maturity	-	2,076,508	-	-	-	-	-	-	-	-	-	2,080,055	2,590	(2,590)
Gross loans and advances*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hire purchase	1,778	4,849,370	1,798,946	1,555,296	648,542	154,424	131,930	-	3,197,091	126,608	-	12,463,985	-	-
Mortgage	3,940	8,065,540	3,876,882	2,983,780	2,159,662	696,056	667,944	-	2,565,034	334,630	-	21,353,478	6,989	(2,740)
Credit card	-	78,606	65,083	703,636	157,201	95,456	67,628	-	221,164	17,810	-	1,408,584	-	-
Others	-	50,273	46,841	179,845	174,441	87,622	95,348	-	42,516	31,264	-	708,150	2,995	(2,481)
Corporate loans and advances:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Term loans and bridging loans	11,379	3,104,784	2,886,072	2,471,250	1,501,672	796,460	226,851	-	79,024	491,775	-	10,960,267	452,355	(213,498)
Revolving credits	2,005	2,104,979	1,328,505	2,907,269	1,083,898	228,254	185,670	-	96,684	107,767	-	8,045,031	108,262	(17,736)
Overdrafts	2,912	236,912	202,705	853,957	395,954	298,865	109,560	-	17,045	76,969	-	2,194,779	20,298	(3,931)
Trade (include Factoring)	5,358	2,223,485	1,354,224	1,637,888	522,470	148,509	49,890	-	1,762	11,229	-	5,954,815	2,162	(467)
Total gross loans and advances	27,272	20,713,949	10,959,258	13,294,931	6,643,840	2,505,646	1,534,821	-	6,220,320	1,198,052	-	63,099,089	593,062	(240,793)
Receivables: Investment not quoted in active markets	-	1,029,976	112,181	30,000	-	-	-	-	-	-	-	1,172,157	-	-
Statutory deposit with Bank Negara Malaysia	-	1,760,114	-	-	-	-	-	-	-	-	-	1,760,114	-	-
Other financial assets	109,562	986,315	38,657	9,023	11,284	330	1,189	210,326	-	27,715	-	1,394,411	27,715	(22,027)

* The amounts presented above are gross of impairment allowances.

50. RISK MANAGEMENT (CONTD.)

50.2 CREDIT RISK MANAGEMENT (CONTD.)

(c) Credit Quality By Class of Financial Assets (Cont'd.)

	Neither past due nor impaired										Gross amount		
	Exceptionally strong credit profile	Very strong credit profile	Strong credit profile	Satisfactory risk	Moderate risk	Marginal risk	Sub-standard	Unrated	Past due but not impaired	Impaired	Total	Individually impaired	Individual allowances
2016	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													
Cash and short-term funds	1,663,925	5,668,262	48,000	-	-	-	-	-	-	-	7,380,187	-	-
Deposits, placements and investment accounts with banks and other financial institutions	-	850,000	-	-	-	-	-	-	-	-	850,000	-	-
Investment account	-	1,000,000	-	-	-	-	-	-	-	-	1,000,000	-	-
Derivative financial assets	47,525	1,096,117	627,584	77,256	30,155	1,247	8,588	6,347	-	-	1,894,819	-	-
Financial assets held-for-trading													
Money Market Securities	-	494,286	-	-	-	-	-	-	-	-	494,286	-	-
Quoted Private Debt Securities	-	36,962	-	-	-	-	-	-	-	-	36,962	-	-
Unquoted Private Debt Securities	-	877,080	-	160,086	-	-	-	-	-	-	1,037,166	-	-
Total financial assets held-for-trading	-	1,410,328	-	160,086	-	-	-	-	-	-	1,570,414	-	-
Financial investments available-for-sale													
Money Market Securities	-	3,088,964	-	-	-	-	-	-	-	-	3,088,964	-	-
Unquoted Private Debt Securities	11,683	4,068,812	-	146,446	-	-	-	-	-	-	4,228,941	5,000	(5,000)
Total financial investments available-for-sale	11,683	7,157,776	-	146,446	-	-	-	-	-	-	7,315,905	5,000	(5,000)
Financial investments held-to-maturity *													
Money Market Securities	780,153	-	-	-	-	-	-	-	-	-	780,153	-	-
Unquoted Private Debt Securities	-	2,047,505	-	-	-	-	-	1,005	-	-	2,051,609	3,099	(3,008)
Total financial investments held-to-maturity	780,153	2,047,505	-	-	-	-	-	1,005	-	-	2,831,762	3,099	(3,008)
Gross loans and advances *													
Hire purchase	5,745	5,481,552	1,309,388	1,113,935	509,521	315,150	79,090	-	3,376,187	162,516	12,353,084	-	-
Mortgage	-	6,392,715	5,906,635	978,673	1,673,488	303,233	685,469	-	2,047,445	348,634	18,336,292	12,369	(3,588)
Credit card	-	89,494	80,159	705,733	105,305	65,159	39,445	-	216,726	21,193	1,323,214	-	-
Others	-	8,477	22,206	319,960	140,038	117,996	84,336	-	83,267	77,121	853,391	9,106	(3,029)
Corporate loans and advances:													
Term loans and bridging loans	16,449	3,783,770	2,143,323	2,279,084	1,763,995	1,465,188	252,124	-	93,709	315,514	12,123,156	285,487	(169,956)
Revolving credits	-	2,797,183	1,063,138	2,177,509	1,377,850	50,802	176,677	-	3,578	106,451	7,755,188	89,050	(35,136)
Overdrafts	-	253,202	181,144	442,558	476,236	391,139	137,975	-	1,486	40,508	1,924,248	34,908	(28,034)
Trade (include Factoring)	18,837	2,116,020	866,415	1,007,563	601,473	308,677	82,834	-	7,561	21,127	5,030,507	22,892	(11,560)
Total gross loans and advances	41,031	20,932,473	11,572,408	9,025,015	6,647,906	3,017,334	1,539,950	-	5,829,959	1,093,064	59,699,080	453,812	(251,303)
Receivables: Investment not quoted in active markets	-	-	-	-	-	-	-	97,181	-	-	97,181	-	-
Statutory deposit with Bank Negara Malaysia	-	1,745,554	-	-	-	-	-	-	-	-	1,745,554	-	-
Other financial assets	183,196	895,655	43,473	14,098	213,438	11	-	178,591	-	22,596	1,539,058	22,596	(21,246)

* The amounts presented above are gross of impairment allowances.

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

(d) Aging Analysis of Past Due But Not Impaired Financial Assets

Group	Up to 1 month	>1 month to 3 months	Total
	RM'000	RM'000	RM'000
2017			
Gross loans and advances			
Hire purchase	2,696,951	500,140	3,197,091
Mortgage	1,915,985	649,794	2,565,779
Credit card	159,097	62,067	221,164
Others	27,950	14,566	42,516
Corporate loans and advances:			
Term loans and bridging loans	54,782	24,242	79,024
Revolving credits	96,684	-	96,684
Overdrafts	7,931	9,114	17,045
Trade (include Factoring)	1,762	-	1,762
Total gross loans and advances	<u>4,961,142</u>	<u>1,259,923</u>	<u>6,221,065</u>
2016			
Gross loans and advances			
Hire purchase	2,688,994	687,193	3,376,187
Mortgage	1,374,393	673,812	2,048,205
Credit card	149,638	67,088	216,726
Others	58,182	25,085	83,267
Corporate loans and advances:			
Term loans and bridging loans	81,459	12,250	93,709
Revolving credits	3,578	-	3,578
Overdrafts	1,486	-	1,486
Trade (include Factoring)	4,740	2,821	7,561
Total gross loans and advances	<u>4,362,470</u>	<u>1,468,249</u>	<u>5,830,719</u>

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

(d) Aging Analysis of Past Due But Not Impaired Financial Assets (Cont'd.)

Bank	Up to 1 month	>1 month to 3 months	Total
	RM'000	RM'000	RM'000
2017			
Gross loans and advances			
Hire purchase	2,696,951	500,140	3,197,091
Mortgage	1,915,627	649,407	2,565,034
Credit card	159,097	62,067	221,164
Others	27,950	14,566	42,516
Corporate loans and advances:			
Term loans and bridging loans	54,782	24,242	79,024
Revolving credits	96,684	-	96,684
Overdrafts	7,931	9,114	17,045
Trade (include Factoring)	1,762	-	1,762
Total gross loans and advances	<u>4,960,784</u>	<u>1,259,536</u>	<u>6,220,320</u>
2016			
Gross loans and advances			
Hire purchase	2,688,994	687,193	3,376,187
Mortgage	1,373,962	673,483	2,047,445
Credit card	149,638	67,088	216,726
Others	58,182	25,085	83,267
Corporate loans and advances:			
Term loans and bridging loans	81,459	12,250	93,709
Revolving credits	3,578	-	3,578
Overdrafts	1,486	-	1,486
Trade (include Factoring)	4,740	2,821	7,561
Total gross loans and advances	<u>4,362,039</u>	<u>1,467,920</u>	<u>5,829,959</u>

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

(e) Estimated value of collateral for financial assets

The following table summarises the financial effects of collateral received from loans and advances:

Group	Gross exposure to credit risk		Financial effect of collateral		Unsecured portion of credit exposure	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Gross loans and advances						
Hire purchase	12,463,985	12,353,084	9,865,361	11,049,438	2,598,624	1,303,646
Mortgage	21,522,080	18,516,157	21,382,139	18,308,407	139,941	207,750
Credit card	1,408,584	1,323,214	24,988	19,153	1,383,596	1,304,061
Others	708,150	853,391	264,466	230,605	443,684	622,786
Corporate loans and advances:						
Term loans and bridging loans	10,969,267	12,123,156	6,614,660	7,275,940	4,354,607	4,847,216
Revolving credits	7,959,374	7,673,135	3,155,866	3,146,312	4,803,508	4,526,823
Overdrafts	2,194,779	1,924,248	1,282,487	1,160,751	912,292	763,497
Trade (include Factoring)	5,954,815	5,030,507	1,119,516	941,070	4,835,299	4,089,437
Total	63,181,034	59,796,892	43,709,483	42,131,676	19,471,551	17,665,216
Bank						
Gross loans and advances						
Hire purchase	12,463,985	12,353,084	9,865,361	11,049,438	2,598,624	1,303,646
Mortgage	21,353,478	18,336,292	21,214,534	18,129,029	138,944	207,263
Credit card	1,408,584	1,323,214	24,988	19,153	1,383,596	1,304,061
Others	708,150	853,391	264,466	230,605	443,684	622,786
Corporate loans and advances:						
Term loans and bridging loans	10,969,267	12,123,156	6,614,660	7,275,940	4,354,607	4,847,216
Revolving credits	8,045,031	7,755,188	3,155,866	3,146,312	4,889,165	4,608,876
Overdrafts	2,194,779	1,924,248	1,282,487	1,160,751	912,292	763,497
Trade (include Factoring)	5,954,815	5,030,507	1,119,516	941,070	4,835,299	4,089,437
Total	63,098,089	59,699,080	43,541,878	41,952,298	19,556,211	17,746,782

50. RISK MANAGEMENT (CONT'D.)

50.2 CREDIT RISK MANAGEMENT (CONT'D.)

(f) Collateral Repossessed

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Properties:				
Residential	150	150	-	-
Non-residential	27,502	65,610	27,502	65,610
	<u>27,652</u>	<u>65,760</u>	<u>27,502</u>	<u>65,610</u>

The above assets are accounted for as foreclosed properties under other assets (Note 20). There were no new assets obtained for the financial year 2017 and 2016.

50.3 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 management is the ongoing ability to raise sufficient funds to finance actual and proposed business activities at a reasonable cost. Improper funding management may lead to liquidity problem. On the other hand, insufficient liquidity risk management may also give rise to funding risk.

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

Identification	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Liquidity Coverage Ratio ("LCR") Depositor Concentration Ratios Loan to Deposit Ratios Other Detailed Management Controls
Control/ Mitigation	<ul style="list-style-type: none"> LCR Limits Depositor Concentration Ratios Loan to Deposit Ratio ("LDR") Limits Other Detailed Management Limits
Monitoring/ Review	<ul style="list-style-type: none"> Monitor limits Periodical review and reporting

The liquidity risk management of the Bank is aligned to BNM's Liquidity Coverage Ratio ("LCR") issued by BNM. The primary objective of the Bank'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.

50. RISK MANAGEMENT (CONT'D.)

50.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

The Board provides the liquidity risk management oversight while the GALCO and or GMRC 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.

The Group has in place various liquidity measurements that provide the Group with visibility from volatility of customer's deposits to the concentration ratio of chunky deposits. Group Risk Management is responsible for monitoring the controls and limits while the Capital and Balance Sheet Management Department is responsible to ensure the controls and limits are within the thresholds.

Stress testing is undertaken to assess and plan for the impact for various scenarios which may put the Bank's liquidity at risk. The Bank further stresses the importance of customer deposit accounts as a source of funds to finance lending/financing to customers. They are monitored using the unadjusted loans/financing to deposit ratio, which compares loans/financing and advances to customers as a percentage of customer deposit accounts.

As conservative liquidity management practice, part of the Group's medium term assets are 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 BNM's Basel III Net Stable Funding Ratio ("NSFR"), the Group is already monitoring the NSFR and continues to pursue strategies to ensure the availability of cost effective liquidity.

50. RISK MANAGEMENT (CONTD.)

50.3 LIQUIDITY RISK MANAGEMENT (CONTD.)

(a) Analysis of Assets and Liabilities By Remaining Contractual Maturities

The table below summarises the maturity profile of the Group's assets and liabilities.

Repayments 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.

2017	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	5,993,055	-	-	-	-	-	-	5,993,055
Securities purchased under resale agreements	10,390	-	-	-	-	-	-	10,390
Deposits, placements and investment accounts with banks and other financial institutions	-	303,511	151,810	-	-	-	-	455,321
Investment account	5,772	9,550	15,081	29,653	1,730,561	-	-	1,790,617
Derivative financial assets	181,008	196,319	107,377	151,987	488,570	87,282	-	1,212,543
Financial assets held-for-trading	683,266	681,694	1,606,684	425,024	1,668,132	1,131,976	288,119	6,504,895
Financial investments available-for-sale	77,087	185,273	89,584	218,169	2,502,212	4,360,376	236,807	7,669,508
Financial investments held-to-maturity	-	4,864	23,887	326,465	546,284	2,002,547	-	2,904,017
Loans and advances	3,768,449	6,092,254	6,098,444	6,953,666	27,827,170	33,156,884	83,896,867	83,896,867
Receivables: investment not quoted in active market	14,599	7,060	6,554	33,548	1,240,535	96,328	25,000	1,423,624
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	1,760,114	-	1,760,114
Deferred tax assets	-	-	-	-	-	-	995	995
Investment in associates	-	-	-	-	-	-	-	-
Other assets	866,141	156,307	59,523	322,875	317,033	370	27,734	1,749,983
Property and equipment	-	-	-	-	-	-	161,459	161,459
Intangible assets	-	-	-	-	-	-	406,506	406,506
Asset held for sale	-	-	-	2,091	-	-	-	2,091
Total Undiscounted Assets	11,599,767	7,636,832	8,158,944	8,463,478	36,340,467	42,595,877	1,146,620	115,941,985
Liabilities								
Deposits from customers	33,180,513	11,528,231	8,831,732	13,131,832	2,147,007	-	-	68,819,315
Deposits and placements of banks and other financial institutions	686,835	180,662	27,636	72,344	24,038	-	-	991,515
Securities sold under resale agreements	8,721	-	-	-	-	-	-	8,721
Recourse obligation on loans sold to Cagamas Berhad	55,748	2,111	32,096	1,181,650	1,566,714	-	-	2,898,319
Derivative financial liabilities	62,285	123,863	105,977	158,554	385,505	172,822	-	1,009,006
Term funding	232,964	231,241	63,462	866,006	3,060,604	-	-	4,454,267
Debt capital	34,453	10,372	55,483	810,286	2,735,589	-	-	3,646,183
Deferred tax liabilities	-	-	-	-	-	-	97,832	97,832
Other liabilities	1,250,085	232,784	38,579	29,838	95,749	12,273	14,249	1,673,557
Total Undiscounted Liabilities	35,511,594	12,309,264	9,154,965	16,250,510	10,015,206	185,095	112,081	83,538,715
Net Undiscounted Assets/(Liabilities)	(23,911,827)	(4,672,432)	(986,021)	(7,787,032)	26,325,261	42,410,782	1,034,539	32,403,270

50. RISK MANAGEMENT (CONT'D.)

50.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

(a) Analysis of Assets and Liabilities By Remaining Contractual Maturities (Cont'd.)

The table below shows the contractual expiry by maturity of the Group's commitments and contingent liabilities. It should be noted that this is not how the Group manages its liquidity risk for commitments and contingencies.

2017	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Commitments								
Irrevocable commitments to extend credit	559,065	1,431,958	573,796	656,727	393,182	13,011,848	-	16,626,576
Unutilised credit card lines	2,847,424	-	-	-	-	-	-	2,847,424
Forward asset purchase	670,621	-	-	-	-	-	-	670,621
Contingent Liabilities								
Direct credit substitutes	57,989	146,060	198,076	624,423	760,851	30,000	-	1,817,399
Certain transaction-related contingent items	185,545	176,005	758,855	903,019	2,671,671	406,676	-	5,101,771
Short-term self liquidating trade-related contingencies	296,261	119,048	88,997	175,934	104,671	-	-	785,111
Obligations under underwriting agreements	-	-	-	85,000	-	-	-	85,000
Total commitments and contingent liabilities	4,616,905	1,873,071	1,619,724	2,445,103	3,930,575	13,448,524	-	27,933,902

50. RISK MANAGEMENT (CONT'D.)

50.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

(a) Analysis of Assets and Liabilities By Remaining Contractual Maturities (Cont'd.)

The table below summarises the maturity profile of the Group's assets and liabilities.

Repayments 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.

2016	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	7,609,945	-	-	-	-	-	-	7,609,945
Deposits, placements and investment accounts with banks and other financial institutions	-	854,361	-	-	-	-	-	854,361
Investment account	4,441	6,422	9,903	20,006	1,137,371	-	-	1,178,143
Derivative financial assets	218,154	318,835	607,367	345,575	387,285	-	-	2,003,351
Financial assets held-for-trading	458,761	108,169	108,339	20,318	439,673	126,135	-	2,205,930
Financial investments available-for-sale	1,554,232	509,586	219,537	319,222	2,182,387	770,657	300,013	9,336,400
Financial investments held-to-maturity	390,200	395,033	21,308	26,416	853,464	2,051,505	-	3,737,927
Loans and advances	2,870,076	5,968,262	6,034,738	6,912,803	28,778,430	84,715	-	78,826,025
Receivables: investment not quoted in active market	291	-	810	6,005	48,668	-	-	140,489
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	1,745,554	-	1,745,554
Deferred tax assets	-	-	-	-	-	-	76,485	76,485
Other assets	859,739	170,386	59,157	301,158	463,616	-	66,036	1,920,092
Property and equipment	-	-	-	-	-	-	165,900	165,900
Intangible assets	-	-	-	-	-	-	350,753	350,753
Asset held for sale	-	-	-	3,167	-	-	-	3,167
Total Undiscounted Assets	13,965,839	8,331,054	7,061,160	7,954,670	33,774,180	37,879,014	1,188,605	110,154,522
Liabilities								
Deposits from customers	27,282,661	11,328,387	12,532,464	9,518,213	2,768,792	-	-	63,438,517
Deposits and placements of banks and other financial institutions	532,696	162,060	6,539	188,119	101,367	1,647	-	972,448
Recourse obligation on loans sold to Cagamas Berhad	55,771	4,656	5,805	186,965	2,837,502	-	-	3,090,699
Derivative financial liabilities	253,585	369,389	654,626	367,452	391,527	105,262	-	2,141,841
Term funding	339,233	118,631	113,959	1,240,705	4,044,869	156,000	-	6,013,397
Debt capital	35,021	10,428	42,547	87,427	3,016,181	-	-	3,191,604
Other liabilities	1,304,789	292,338	38,366	93,354	71,863	2,854	27,237	1,830,801
Total Undiscounted Liabilities	29,813,756	12,283,909	13,394,306	11,662,235	13,232,101	265,763	27,237	80,679,307
Net Undiscounted Assets/(Liabilities)	(15,847,917)	(3,952,855)	(6,333,146)	(3,707,565)	20,542,079	37,613,251	1,161,368	29,475,215

50. RISK MANAGEMENT (CONT'D.)

50.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

(a) Analysis of Assets and Liabilities By Remaining Contractual Maturities (Cont'd.)

The table below shows the contractual expiry by maturity of the Group's commitments and contingent liabilities. It should be noted that this is not how the Group manages its liquidity risk for commitments and contingencies.

2016	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Commitments								
Irrevocable commitments to extend credit	590,626	2,358,028	2,211,707	3,279,835	839,244	6,285,376	-	15,544,816
Unutilised credit card lines	2,369,650	-	-	-	-	-	-	2,369,650
Forward asset purchase	856,526	-	-	-	-	-	-	856,526
Others	-	-	-	-	-	200	-	200
Contingent Liabilities								
Direct credit substitutes	17,169	101,720	154,028	652,520	1,059,211	30,000	-	2,014,648
Certain transaction-related contingent items	125,907	181,535	552,528	913,545	2,387,255	144,882	-	4,305,652
Short-term self liquidating trade-related contingencies	164,197	148,721	97,653	55,328	62,617	-	-	528,516
Obligations under underwriting agreements	60,000	-	-	-	-	-	-	60,000
Total commitments and contingent liabilities	4,184,075	2,790,004	3,015,916	4,901,228	4,348,327	6,440,458	-	25,680,008

50. RISK MANAGEMENT (CONT'D.)

50.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

(a) Analysis of Assets and Liabilities By Remaining Contractual Maturities (Cont'd.)

The table below summarises the maturity profile of the Bank's assets and liabilities.

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

2017	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	5,762,696	-	-	-	-	-	-	5,762,696
Securities purchased under resale agreements	10,390	-	-	-	-	-	-	10,390
Deposits, placements and investment accounts with banks and other financial institutions	-	303,511	151,810	-	-	-	-	455,321
Investment account	5,772	9,550	15,081	29,653	1,730,561	-	-	1,790,617
Derivative financial assets	181,008	196,319	107,377	151,987	488,570	87,282	-	1,212,543
Financial assets held-for-trading	683,266	681,694	1,606,684	425,024	1,688,132	1,131,976	288,119	6,504,895
Financial investments available-for-sale	77,087	185,273	89,584	218,169	2,502,212	4,411,235	236,719	7,720,279
Financial investments held-to-maturity	-	4,864	23,887	326,465	546,254	2,002,547	-	2,904,017
Loans and advances	3,852,204	6,088,475	6,082,857	6,942,776	27,749,585	33,040,869	-	83,766,766
Receivables; Investment not quoted in active market	14,599	7,060	6,554	33,548	1,240,535	96,328	25,000	1,423,624
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	1,760,114	-	1,760,114
Investment in subsidiaries	-	-	-	-	-	-	74,277	74,277
Investment in associates	-	-	-	-	-	-	22	22
Other assets	860,494	156,307	59,523	311,047	317,033	370	27,501	1,732,275
Property and equipment	-	-	-	-	-	-	139,987	139,987
Intangible assets	-	-	-	-	-	-	406,504	406,504
Asset held for sale	-	-	-	2,091	-	-	-	2,091
Total Undiscounted Assets	11,447,516	7,633,053	8,153,357	8,440,760	36,262,882	42,530,721	1,198,129	115,666,418
Liabilities								
Deposits from customers	33,256,714	11,528,226	8,831,728	13,131,927	2,147,006	-	-	66,895,601
Deposits and placements of banks and other financial institutions	789,114	180,662	27,636	72,344	24,038	-	-	1,093,794
Securities sold under resale agreements	8,721	-	-	-	-	-	-	8,721
Recourse obligation on loans sold to Cagamas Berhad	55,748	2,111	32,096	1,181,650	1,566,714	-	-	2,838,319
Derivative financial liabilities	62,285	123,863	105,977	158,554	385,505	172,822	-	1,009,006
Term funding	232,954	231,241	63,462	866,006	3,060,604	-	-	4,454,267
Debt capital	34,453	10,372	55,483	810,286	2,735,589	-	-	3,646,183
Deferred tax liabilities	-	-	-	-	-	-	97,828	97,828
Other liabilities	1,251,083	231,960	38,579	29,719	95,749	12,273	14,249	1,673,612
Total Undiscounted Liabilities	35,691,072	12,308,435	9,154,961	18,250,486	10,015,205	185,095	112,077	83,717,331
Net Undiscounted Assets/(Liabilities)	(24,243,556)	(4,675,382)	(1,001,604)	(7,809,726)	26,247,677	42,345,626	1,086,052	31,949,087

50. RISK MANAGEMENT (CONT'D.)

50.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

(a) Analysis of Assets and Liabilities By Remaining Contractual Maturities (Cont'd.)

The table below shows the contractual expiry by maturity of the Bank's commitments and contingent liabilities. It should be noted that this is not how the Bank manages its liquidity risk for commitments and contingencies.

2017	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Bank								
Commitments								
Irrevocable commitments to extend credit	559,065	1,431,958	573,796	721,464	393,182	13,011,848	-	16,691,313
Unutilised credit card lines	2,847,424	-	-	-	-	-	-	2,847,424
Forward asset purchase	670,621	-	-	-	-	-	-	670,621
Others	-	-	-	-	-	50	-	50
Contingent Liabilities								
Direct credit substitutes	57,989	146,060	198,076	624,423	760,851	30,000	-	1,817,399
Certain transaction-related contingent items	185,545	176,005	758,855	903,019	2,693,786	406,876	-	5,123,886
Short-term self liquidating trade-related contingencies	296,261	119,048	88,997	175,934	104,871	-	-	785,111
Obligations under underwriting agreements	-	-	-	85,000	-	-	-	85,000
Total commitments and contingent liabilities	4,616,905	1,873,071	1,619,724	2,509,840	3,952,690	13,448,574	-	28,020,804

50. RISK MANAGEMENT (CONT'D.)

50.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

(a) Analysis of Assets and Liabilities By Remaining Contractual Maturities (Cont'd.)

The table below summarises the maturity profile of the Bank's assets and liabilities.

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

2016	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	7,384,452	-	-	-	-	-	-	7,384,452
Deposits, placements and investment accounts with banks and other financial institutions	-	854,361	-	-	-	-	-	854,361
Investment account	4,441	6,422	9,903	20,006	1,137,371	-	-	1,178,143
Derivative financial assets	218,154	318,835	607,367	345,575	387,285	-	-	2,003,351
Financial assets held-for-trading	458,761	108,189	108,339	20,318	439,673	300,013	-	2,205,930
Financial investments available-for-sale	1,554,232	509,586	219,537	319,222	2,182,387	4,390,891	-	9,405,187
Financial investments held-to-maturity	390,200	395,033	21,309	26,416	853,464	-	-	3,737,927
Loans and advances	2,950,057	5,964,155	6,028,680	6,901,087	28,180,463	28,652,800	-	78,677,252
Receivables: Investment not quoted in active market	291	-	810	6,005	48,668	84,715	-	140,489
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	1,745,554	-	1,745,554
Deferred tax assets	-	-	-	-	-	-	75,430	75,430
Investment in subsidiaries and other investment	-	-	-	-	-	-	104,277	104,277
Investment in associates	-	-	-	-	-	-	22	22
Other assets	865,297	170,400	59,178	298,419	463,582	-	65,803	1,922,679
Property and equipment	-	-	-	-	-	-	143,987	143,987
Intangible assets	-	-	-	-	-	-	-	-
Asset held for sale	-	-	-	100	-	-	350,750	350,750
Total Undiscounted Assets	13,825,885	8,326,961	7,055,123	7,937,158	33,692,893	37,822,257	1,269,614	109,929,891
Liabilities								
Deposits from customers	27,391,720	11,326,387	12,532,464	9,518,213	2,768,792	-	-	63,537,576
Deposits and placements of banks and other financial institutions	612,446	162,080	6,539	168,119	101,367	1,647	-	1,052,198
Recourse obligation on loans sold to Cagamas Berhad	55,771	4,656	5,805	186,965	2,837,502	-	-	3,090,699
Derivative financial liabilities	253,585	369,389	654,626	367,452	391,527	105,262	-	2,141,841
Term funding	339,233	118,631	113,959	1,240,705	4,044,869	156,000	-	6,013,397
Debt capital	35,021	10,428	42,547	87,427	3,016,181	-	-	3,191,804
Other liabilities	1,306,903	295,428	38,366	93,766	71,783	2,854	27,237	1,836,337
Total Undiscounted Liabilities	29,994,679	12,286,999	13,394,306	11,662,647	13,232,021	265,763	27,237	80,863,652
Net Undiscounted Assets/(Liabilities)	(16,168,794)	(3,960,038)	(6,339,183)	(3,725,489)	20,460,872	37,556,494	1,242,377	29,066,239

50. RISK MANAGEMENT (CONT'D.)

50.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

(a) Analysis of Assets and Liabilities By Remaining Contractual Maturities (Cont'd.)

The table below shows the contractual expiry by maturity of the Bank's commitments and contingent liabilities. It should be noted that this is not how the Bank manages its liquidity risk for commitments and contingencies.

2016	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Bank								
Commitments								
Irrevocable commitments to extend credit	590,626	2,358,028	2,211,707	3,318,175	839,244	6,265,376	-	15,583,156
Unutilised credit card lines	2,369,650	-	-	-	-	-	-	2,369,650
Forward asset purchase	856,526	-	-	-	-	-	-	856,526
Others	-	-	-	-	-	150	-	150
Contingent Liabilities								
Direct credit substitutes	17,169	101,720	154,028	652,520	1,059,211	30,000	-	2,014,648
Certain transaction-related contingent items	125,907	181,535	552,528	913,545	2,387,255	144,882	-	4,305,652
Short-term self liquidating trade-related contingencies	164,197	148,721	97,653	55,328	62,617	-	-	528,516
Obligations under underwriting agreements	60,000	-	-	-	-	-	-	60,000
Total commitments and contingent liabilities	4,184,075	2,790,004	3,015,916	4,939,568	4,348,327	6,440,408	-	25,718,298

50. RISK MANAGEMENT (CONT'D.)

50.4 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 types of market risk: Traded Market Risk ("TMR") and Non-Traded Market Risk ("NTMR"). Assessment, control and monitoring of these risks are the responsibilities of Investment Banking and Market Risk ("IBMR").

Traded Market Risk

The TMR management process is depicted in the table below.

Identification	<ul style="list-style-type: none"> • Identify market risks within existing and new products. • Review market-related information such as market trends and economic data.
Assessment/ Measurement	<ul style="list-style-type: none"> • Value-at-Risk ("VaR") • Loss Limit • Historical Stress Loss ("HSL") • Present Value of One Basis Point ("PV01") • Sensitivity to Change • Other Detailed Management Controls
Control/ Mitigation	<ul style="list-style-type: none"> • VaR Limits • Loss Limits/Triggers (Annual/Monthly/Daily) • HSL Limit • PV01 Limit • Greek Limits (Delta/Gamma/Delta-Gamma/Vega/Theta) • Concentration Limits • Position Size Limits • Maximum Tenor Limits • Maximum Holding Period • Minimum Holding Period • Approved Portfolio Products • Approved Countries/Currencies • Other Detailed Management Limits
Monitoring/ Review	<ul style="list-style-type: none"> • 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 GMRC committee 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, Loss Limits, 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.

50. RISK MANAGEMENT (CONT'D.)

50.4 MARKET RISK MANAGEMENT (CONT'D.)

Traded Market Risk (Cont'd.)

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

IBMR monitors and reports risk exposures against limits on a daily basis. Portfolio market risk positions are also reported to GMRC, 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.

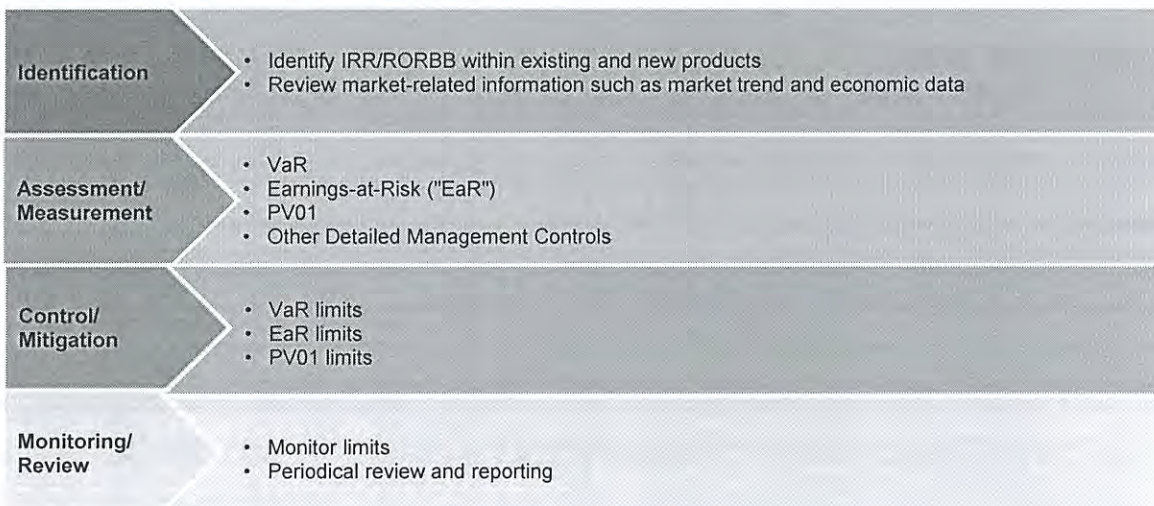
The Group adopts the Standardised Approach for market risk capital charge computation. The capital charge serves as a buffer against losses from potential adverse market movements.

IBMR 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 (“IRR/RORBB”)

The IRR/RORBB risk management process is depicted in the table below:



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 Group'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 GALCO and/or GMRC. GALCO and/or GMRC is responsible for the alignment of Bank-wide risk appetite and funding needs, taking into consideration the Bank's business strategies. GALCO and/or GMRC consistently oversees the Bank'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 Bank 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 Bank's policy, positions are monitored on a daily basis and hedging strategies are employed to ensure risk exposures are maintained within Board-established limits.

50. RISK MANAGEMENT (CONT'D.)**50.4 MARKET RISK MANAGEMENT (CONT'D.)****Non-Traded Market Risk (Cont.d)****Interest Rate Risk/Rate of Return Risk in Banking Book ("IRR/RORBB") (Cont.d)**

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 and loans/financings.

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 exposures are monitored by IBMR and positions reported to the GALCO and/or GMRC, RMCD and Board.

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.

Traded Market Risk:

	2017		2016	
	Interest rate + 100 bps (RM'000)	Interest rate - 100 bps (RM'000)	Interest rate + 100 bps (RM'000)	Interest rate - 100 bps (RM'000)
Group and Bank				
Impact on profit before taxation	(30,296)	35,078	(30,848)	34,925

50. RISK MANAGEMENT (CONT'D.)

50.4 MARKET RISK MANAGEMENT (CONT'D.)

Market Risk Sensitivity (Cont'd.)

(i) Interest Rate Risk/Rate of Return Risk (Cont'd.)

Non-Traded Market Risk:

	2017		2016	
	Interest rate + 100 bps (RM'000)	Interest rate - 100 bps (RM'000)	Interest rate + 100 bps (RM'000)	Interest rate - 100 bps (RM'000)
Group				
Impact on profit before taxation	391,728	(391,728)	352,322	(352,322)
Impact on equity	(237,936)	260,728	(239,536)	262,819
Bank				
Impact on profit before taxation	392,519	(392,519)	353,079	(353,079)
Impact on equity	(242,769)	266,088	(243,497)	267,213

(ii) Foreign Exchange Risk

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

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 foreign exchange rates with all other variables remaining constant.

Impact on profit before taxation:

	2017		2016	
	Foreign exchange rate + 10 % (RM'000)	Foreign exchange rate - 10 % (RM'000)	Foreign exchange rate + 10 % (RM'000)	Foreign exchange rate - 10 % (RM'000)
Currency				
Group				
USD	(24,699)	24,699	7,177	(7,177)
SGD	14,089	(14,089)	7,822	(7,822)
EUR	2,459	(2,459)	(2,255)	2,255
AUD	1,423	(1,423)	1,266	(1,266)
GBP	1,654	(1,654)	(1,754)	1,754
JPY	(1,920)	1,920	280	(280)
Others	759	(759)	503	(503)
Bank				
USD	(24,699)	24,699	7,177	(7,177)
SGD	14,089	(14,089)	7,822	(7,822)
EUR	2,459	(2,459)	(2,255)	2,255
AUD	1,423	(1,423)	1,266	(1,266)
GBP	1,654	(1,654)	(1,754)	1,754
JPY	(1,920)	1,920	280	(280)
Others	759	(759)	503	(503)

50. RISK MANAGEMENT (CONT'D.)

50.4 MARKET RISK MANAGEMENT (CONT'D.)

Market Risk Sensitivity (Cont'd.)

(ii) Foreign Exchange Risk (Cont'd.)

Impact on equity:

	2017		2016	
	Foreign exchange rate + 10 % (RM'000)	Foreign exchange rate - 10 % (RM'000)	Foreign exchange rate + 10 % (RM'000)	Foreign exchange rate - 10 % (RM'000)
Currency				
Group				
USD	60,063	(60,063)	49,919	(49,919)
EUR	18	(18)	17	(17)
Bank				
USD	60,052	(60,052)	49,918	(49,918)
EUR	18	(18)	17	(17)

(iii) Price Risk

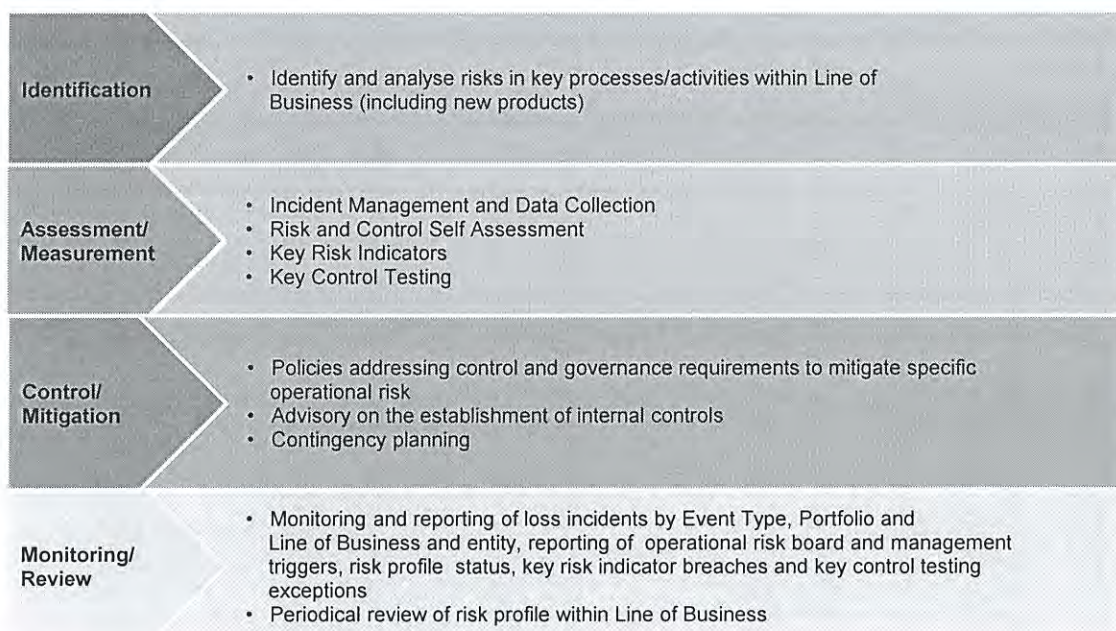
Price risk arises from the adverse movements in the price of equities. Equity price risk is controlled via position size, loss limits and VaR limits.

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

	2017		2016	
	Prices + 10 % (RM'000)	Prices - 10 % (RM'000)	Prices + 10 % (RM'000)	Prices - 10 % (RM'000)
Group				
Impact on profit before taxation	28,540	(28,541)	29,808	(29,808)
Impact on equity	14,925	(14,925)	14,187	(14,187)
Bank				
Impact on profit before taxation	28,540	(28,541)	29,808	(29,808)
Impact on equity	14,920	(14,920)	14,183	(14,183)

50. RISK MANAGEMENT (CONT'D.)

50.5 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. It excludes strategic, systemic and reputational risk.

Operational Risk Appetite ("ORA") is set as part of overall Group Risk Appetite Framework ("GRAF"), which sets the acceptable tolerance levels of operational risk that the Group is willing to accept, taking into consideration of the relevant financial and non financial risk or return attributes in order to support the achievement of Group's strategic plan and business objectives. 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 and 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.

The strategy for managing operational risk in the Group is anchored on the three lines of defence concept which are as follows:

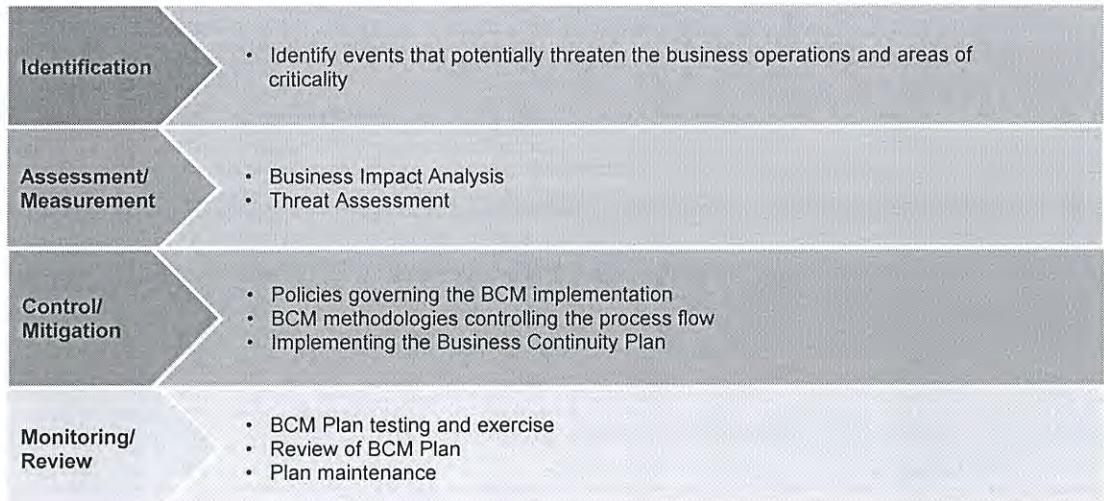
- the first line of defence is responsible for the management of operational risk in order that accountability and ownership is as close as possible to the activity that creates the risk and ensuring that effective action is taken to manage them. Enhanced First Line of Defence provides a business specific focus on the implementation of operational risk management activities and supports more effective day-to-day monitoring of operational risks.
- in the second line, Group Operational Risk is responsible for exercising governance over operational risk through the management of the operational risk framework, policy development, quality assurance of internal controls, operational risk measurement and capital allocation, fraud strategy and reporting of operational risk issues to GMRC, RMCD and Board.
- Group Internal Audit acts as the third and final line of defence by providing independent assurance on the internal control effectiveness through periodic audit programme.

50. RISK MANAGEMENT (CONT'D.)

50.5 OPERATIONAL RISK MANAGEMENT (CONTD.)

(i) Business Continuity Management ("BCM")

The Business Continuity Management ("BCM") process is depicted in the table below:



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

The BCM process complements the effort of the recovery team and specialist units to ensure the Group has the required critical capabilities and resources, such as IT system disaster recovery, alternate workspace and effective communication during interruptions.

The Group 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.

50.6 LEGAL RISK

In all the jurisdictions that the Group conducts its business, it is subject to legal risks arising from potential breaches of applicable laws, unenforceability of contracts, lawsuits, or adverse judgment, failure to respond to changes in regulatory framework and failure to protect assets (including intellectual properties) owned by the Banks which may lead to incurrence of losses, disruption or otherwise impact on the Group's financials or reputation.

Legal risk is overseen by GMRC, upon advice by internal legal counsel and, where necessary, in consultation with external legal counsel to ensure that such risks is appropriately managed.

50.7 REGULATORY COMPLIANCE RISK

The AMMB Group has in place a compliance framework to promote the safety and soundness of the AMMB Group by minimising financial, reputational and operational risks arising from regulatory non-compliance.

The AMMB Group believes in and embraces a stronger compliance culture to reflect a corporate culture of high ethical standards and integrity where the Board of Directors (Board) and Senior Management lead by example.

The Group continues to exercise and enhance its due diligence governance process and remains vigilant towards emerging risk as well as sensitive towards heightened regulatory surveillance and enforcement.

51. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than a forced or liquidated sale. The information presented herein represents best estimates of fair values of financial instruments at the reporting date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a number of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

In addition, fair value information for non-financial assets and liabilities such as investment in subsidiaries and other investment and deferred taxation are excluded, as they do not fall within the scope of MFRS 7 Financial Instruments: Disclosure and Presentation, which requires the fair value information to be disclosed.

The estimated fair values of the Group's and the Bank's financial instruments are as follows:

- a) Financial instruments not measured at fair value (excluding those financial instruments where the carrying amounts are reasonable approximation of their fair values).

	Group		Bank	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
2017				
Financial Assets				
Financial investments held-to-maturity	2,077,505	2,023,202	2,077,505	2,023,202
Loans and advances*	11,975,053	12,382,067	11,806,635	12,196,684
Receivables: Investments not quoted in active markets	1,172,157	1,198,355	1,172,157	1,198,355
	<u>15,224,715</u>	<u>15,603,624</u>	<u>15,056,297</u>	<u>15,418,241</u>
Financial Liabilities				
Recourse obligation of loans sold to Cagamas Berhad	2,663,105	2,710,822	2,663,105	2,710,822
Term funding	4,148,486	4,182,460	4,148,486	4,182,460
Debt capital	3,194,706	3,291,938	3,194,706	3,291,938
	<u>10,006,297</u>	<u>10,185,220</u>	<u>10,006,297</u>	<u>10,185,220</u>
2016				
Financial Assets				
Financial investments held-to-maturity	2,828,754	2,782,354	2,828,754	2,782,354
Loans and advances*	12,032,675	12,310,063	11,848,553	12,133,561
Receivables: Investments not quoted in active markets	97,181	104,354	97,181	104,354
	<u>14,958,610</u>	<u>15,196,771</u>	<u>14,774,488</u>	<u>15,020,269</u>
Financial Liabilities				
Recourse obligation of loans sold to Cagamas Berhad	2,807,951	2,853,072	2,807,951	2,853,072
Term funding	5,549,451	5,603,208	5,549,451	5,603,208
Debt capital	2,694,550	2,823,493	2,694,550	2,823,493
	<u>11,051,952</u>	<u>11,279,773</u>	<u>11,051,952</u>	<u>11,279,773</u>

Note:

- * Excluding loans and advances of RM50,506,392,000 and RM50,591,985,000 for Group and the Bank respectively (2016: RM46,782,065,000 and RM46,868,648,000 for the Group and the Bank respectively) where the carrying amounts are reasonable approximation of their fair values.

51. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONT'D.)

(b) The following table provides the fair value measurement hierarchy of the Group's and the Bank's assets and liabilities.

	Group				Bank			
	Valuation techniques				Valuation techniques			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2017								
Financial assets measured at fair value								
Derivative financial assets	91	1,172,041	-	1,172,132	91	1,172,041	-	1,172,132
Financial assets held-for-trading	-	4,160,309	-	4,160,309	-	4,160,309	-	4,160,309
- Money market securities	288,119	-	-	288,119	288,119	-	-	288,119
- Equities	38,207	-	-	38,207	38,207	-	-	38,207
- Quoted corporate bond	-	1,375,861	-	1,375,861	-	1,375,861	-	1,375,861
- Unquoted corporate bond and sukuk	-	-	-	-	-	-	-	-
Financial investments available-for-sale	-	1,224,005	-	1,224,005	-	1,224,005	-	1,224,005
- Money market securities	149,246	-	-	149,246	149,202	-	-	149,202
- Equities	-	-	-	-	-	-	-	-
- Unquoted corporate bond and sukuk	-	4,197,901	-	4,197,901	-	4,197,901	50,842	4,248,743
Financial assets for which fair values are disclosed								
Financial investments held-to-maturity	-	2,022,206	996	2,023,202	-	2,022,206	996	2,023,202
Loans and advances	-	12,382,067	-	12,382,067	-	12,196,684	-	12,196,684
Receivables: Investments not quoted in active markets	-	1,121,744	76,611	1,198,355	-	1,121,744	76,611	1,198,355
	<u>475,663</u>	<u>27,656,134</u>	<u>77,607</u>	<u>28,209,404</u>	<u>475,619</u>	<u>27,470,751</u>	<u>128,449</u>	<u>28,074,819</u>
Financial liabilities measured at fair value								
Derivative financial liabilities	3,479	955,415	-	958,894	3,479	955,415	-	958,894
Financial liabilities for which fair values are disclosed								
Recourse obligation of loans sold to Cagamas Berhad	-	2,710,822	-	2,710,822	-	2,710,822	-	2,710,822
Term funding	-	4,182,460	-	4,182,460	-	4,182,460	-	4,182,460
Debt capital	-	3,291,938	-	3,291,938	-	3,291,938	-	3,291,938
	<u>3,479</u>	<u>11,140,635</u>	<u>-</u>	<u>11,144,114</u>	<u>3,479</u>	<u>11,140,635</u>	<u>-</u>	<u>11,144,114</u>

51. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONT'D.)

(b) The following table provides the fair value measurement hierarchy of the Group's and the Bank's assets and liabilities (Cont'd.).

	Group				Bank			
	Valuation techniques			Total RM'000	Valuation techniques			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
2016								
Financial assets measured at fair value								
Derivative financial assets	31	1,894,788	-	1,894,819	31	1,894,788	-	1,894,819
Financial assets held-for-trading								
- Money market securities	-	494,286	-	494,286	-	494,286	-	494,286
- Equities	300,013	-	-	300,013	300,013	-	-	300,013
- Quoted corporate bond	38,962	-	-	38,962	38,962	-	-	38,962
- Unquoted corporate bond and sukuk	-	1,037,166	-	1,037,166	-	1,037,166	-	1,037,166
Financial investments available-for-sale								
- Money market securities	-	3,088,964	-	3,088,964	-	3,088,964	-	3,088,964
- Equities	141,868	-	-	141,868	141,827	-	-	141,827
- Unquoted corporate bond and sukuk	-	4,157,818	-	4,157,818	-	4,157,818	69,123	4,226,941
Financial assets for which fair values are disclosed								
Financial investments held-to-maturity	-	2,781,258	1,096	2,782,354	-	2,781,258	1,096	2,782,354
Loans and advances	-	12,310,063	-	12,310,063	-	12,133,561	-	12,133,561
Receivables: Investments not quoted in active markets	-	32,079	72,275	104,354	-	32,079	72,275	104,354
	480,874	25,796,422	73,371	26,350,667	480,833	25,619,920	142,494	26,243,247
Financial liabilities measured at fair value								
Derivative financial liabilities	1,988	2,021,223	-	2,023,211	1,988	2,021,223	-	2,023,211
Financial liabilities for which fair values are disclosed								
Recourse obligation of loans sold to Cagamas Berhad	-	2,853,072	-	2,853,072	-	2,853,072	-	2,853,072
Term funding	-	5,603,208	-	5,603,208	-	5,603,208	-	5,603,208
Debt capital	-	2,823,493	-	2,823,493	-	2,823,493	-	2,823,493
	1,988	13,300,996	-	13,302,984	1,988	13,300,996	-	13,302,984

There is no transfer between level 1 and level 2 during the current and previous financial year for the Group and the Bank.

51. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONT'D.)

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 to 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 to the extent such observable inputs are available, or based on indicative rate of return of the instrument with similar credit risk, if relevant observable inputs are not available.

(c) 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.

(d) Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with remaining maturities of less than six months are estimated to approximate their carrying values. For securities purchased under resale agreements with maturities of more than six months, the fair values are estimated based on discounted cash flows using the prevailing KLIBOR rates and interest rate swap rates.

(e) Recourse obligation on loans sold to Cagamas Berhad

The fair values for recourse obligation on loans sold to Cagamas Berhad are determined based on discounted cash flows of future installments payments at prevailing rates quoted by Cagamas Berhad as at reporting date.

(f) 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.

51. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONT'D.)

Determination of fair value hierarchy

The Group and the Bank use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 : other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3 : techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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, investment 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 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.

About 0.4% (2016: 0.6%) of the total Bank's financial assets recorded at fair value, are based on estimates and recorded as Level 3 investments. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. While such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not change the fair value significantly.

51. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONT'D.)**Movements In Level 3 financial instruments measured at fair value**

The level of the fair value hierarchy of financial instruments is determined at the beginning of each reporting period. The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets which are recorded at fair value:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Financial investment available-for-sale:				
Balance at beginning of the financial year	-	-	69,123	95,076
Total gains recognised in:				
- profit or loss:				
- other operating income	-	1,235	-	1,235
- impairment writeback	-	10,956	-	10,956
- other comprehensive income	-	-	(267)	111
Settlements	-	(12,191)	(18,014)	(38,255)
Balance at end of the financial year	-	-	50,842	69,123

Total gains or losses included in the statement of profit or loss and statement of other comprehensive income for financial instruments held at the end of the reporting period:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Financial investment available-for-sale:				
Total gains included in:				
- impairment writeback	-	10,956	-	10,956
- other comprehensive income	-	-	(267)	111

There are no transfers between Level 2 and Level 3 during the current and previous financial years for the Group and the Bank.

Impact on fair value of Level 3 financial instruments measured at fair value arising from changes to key assumptions

Changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

52. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements (excluding financial assets not subject to offset and that are only subject to collateral arrangements (e.g loans and advances) and similar agreements are as follows:

	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	Amount not offset in the statements of financial position		Net amount RM'000
				Financial instruments RM'000	Cash collateral received/pledged RM'000	
Group and Bank						
2017						
Derivative financial assets (Note 10)	1,172,132	-	1,172,132	(446,234)	(196,769)	529,129
	<u>1,172,132</u>	<u>-</u>	<u>1,172,132</u>	<u>(446,234)</u>	<u>(196,769)</u>	<u>529,129</u>
					(Note 29)	
Derivative financial liabilities (Note 10)	958,894	-	958,894	(446,234)	(487,751)	24,909
	<u>958,894</u>	<u>-</u>	<u>958,894</u>	<u>(446,234)</u>	<u>(487,751)</u>	<u>24,909</u>
					(Note 20)	
2016						
Derivative financial assets (Note 10)	1,894,819	-	1,894,819	(956,549)	(469,030)	469,240
	<u>1,894,819</u>	<u>-</u>	<u>1,894,819</u>	<u>(956,549)</u>	<u>(469,030)</u>	<u>469,240</u>
					(Note 29)	
Derivative financial liabilities (Note 10)	2,023,211	-	2,023,211	(956,549)	(670,715)	395,947
	<u>2,023,211</u>	<u>-</u>	<u>2,023,211</u>	<u>(956,549)</u>	<u>(670,715)</u>	<u>395,947</u>
					(Note 20)	

53. 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 Group comprises the following main business segments:

The Group comprises the following main business segments:

(a) Retail Banking

Retail Banking continues to focus on building mass affluent, affluent and small business customers. Retail Banking offers products and financial solutions which includes auto finance, mortgages, personal loans, credit cards, small business loans, priority banking services, wealth management, remittance services and deposits.

(b) Wholesale Banking

Wholesale Banking comprises Corporate and Commercial Banking, Global Markets and Capital Markets and Private Banking.

(i) Corporate and Commercial Banking

Corporate and Commercial Banking offers a full range of products and services of corporate lending, trade finance, offshore banking, and cash management solutions to wholesale banking clients.

(ii) Global Markets

Global Markets includes proprietary trading as well as providing full range of products and services relating to treasury activities, including foreign exchange, derivatives, fixed income and structured warrants. It also offers customised investment solutions for customers.

(iii) Capital Markets and Private Banking

The Capital Markets is focused on providing integrated financing solutions to our corporate and institutional clients. It offers a full suite of customised debt and capital financing solutions which includes corporate bond issuances, loan syndication, structured finance, capital and project advisory services and primary syndication and underwriting services. Private Banking primarily services high net worth clients and offers financing and deposit products.

(c) Group Funding and Others

Group Funding and Others comprises activities to maintain the liquidity of the Group as well as support operations of its main business units and non-core operations of the Group.

Measurement 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 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 types 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 year.

Note:

The revenue generated by a majority of the operating segments substantially comprise finance income. The Chief Operating Decision Maker relies primarily on the net finance income information to assess the performance of, and to make decisions about resources to be allocated to these operating segments.

53. BUSINESS SEGMENT ANALYSIS (CONT'D.)

Group 2017	Wholesale Banking				Total RM'000
	Retail banking RM'000	Corporate and commercial banking RM'000	Global Markets RM'000	Capital Markets and Private Banking RM'000	
External revenue	2,104,712	1,595,150	489,048	105,455	4,610,491
Revenue from other segments	(231,355)	204,360	(265,382)	(8,291)	-
Total operating revenue	1,873,357	1,799,510	223,666	97,164	4,610,491
Net interest income	812,452	525,952	54,295	17,696	1,522,395
Other operating income	203,664	275,964	149,386	62,666	710,536
Gain on disposal of an associate	-	-	-	-	1,391
Income	1,016,116	801,916	203,681	80,362	2,234,322
Other operating expenses	(645,157)	(190,034)	(67,471)	(14,054)	(1,166,729)
of which:					
Depreciation of Property and Equipment	(24,216)	(1,096)	(741)	(51)	(40,959)
Amortisation of Intangible Assets	(11,558)	(2,176)	(5,745)	(24)	(82,112)
Profit/(Loss) before impairment losses	370,959	611,882	136,210	66,308	1,067,593
Writeback/(Provision) for impairment losses on loans and advances	69,323	(59,548)	-	7,996	148,345
Writeback of provision/(provision) for commitments and contingencies	3,129	5,250	-	(2,063)	(7,473)
(Allowance) Writeback for impairment losses on other assets	(899)	(786)	-	-	745
Other recoveries	3	12,068	-	-	982
Profit before taxation	442,515	568,866	136,210	72,241	1,226,894
Taxation	(106,099)	(126,901)	(32,691)	(16,202)	(273,376)
Profit for the financial year	336,416	441,965	103,519	56,039	953,518
Other information					
Total segment assets	36,734,532	26,523,342	11,183,247	1,374,372	90,556,114
Total segment liabilities	27,855,130	40,768,845	1,605,701	769,652	81,768,693
Cost to income ratio	63.5%	23.7%	33.1%	17.5%	52.2%
Gross loans and advances	36,037,838	25,905,758	-	1,172,476	63,181,034
Net loans and advances	35,691,130	25,581,232	-	1,166,732	62,331,446
Impaired loans and advances	510,722	687,740	-	-	1,198,462
Deposits	27,339,715	40,027,131	200,664	762,591	68,461,078
Additions to:					
Property and equipment	38,816	660	-	101	61,658
Intangible assets	35,595	9,230	-	60	115,864

53. BUSINESS SEGMENT ANALYSIS (CONTD.)

Group 2016	Wholesale Banking				Total RM'000
	Retail banking RM'000	Corporate and commercial banking RM'000	Global Markets RM'000	Capital Markets and Private Banking RM'000	
External revenue	2,149,158	1,503,167	409,360	41,249	4,559,244
Revenue from other segments	(72,048)	141,930	(230,011)	(21,052)	181,181
Total operating revenue	2,077,110	1,645,097	179,349	20,197	4,559,244
Net interest income	868,637	555,424	31,467	15,165	1,601,973
Other operating income	253,459	139,583	118,700	5,032	552,960
Income	1,122,096	695,007	150,167	20,197	2,154,933
Share in results of associates	-	-	-	-	1,105
Other operating expenses	(702,803)	(178,325)	(70,323)	(12,376)	(290,850)
of which:					
Depreciation of Property and Equipment	(22,686)	(1,227)	(865)	(64)	(40,934)
Amortisation of Intangible Assets	(8,935)	(2,989)	(6,482)	(14)	(78,256)
Profit/(Loss) before impairment losses	419,293	516,682	79,844	7,821	901,361
(Allowance)/Writeback for impairment losses on loans and advances	76,841	104,986	-	(3,429)	160,168
(Provision)/Writeback of provision for commitments and contingencies	1,653	23,664	-	(49)	25,243
(Allowance)/Writeback for impairment losses on other assets	(1,260)	10,680	(209)	-	(30,336)
Other recoveries	112	-	-	-	1,349
Profit/(Loss) before taxation	496,639	656,012	79,635	4,343	1,067,108
Taxation	(119,697)	(149,352)	(19,112)	1,140	(246,713)
Profit/(Loss) for the financial year	376,942	506,660	60,523	5,483	820,395
Other information					
Total segment assets	33,384,771	25,821,510	8,618,721	1,451,809	86,811,832
Total segment liabilities	31,577,122	32,323,858	5,042,101	6,724	78,549,006
Cost to income ratio	62.6%	25.7%	46.8%	61.3%	58.2%
Gross loans and advances	32,968,127	25,774,791	-	1,058,308	59,796,892
Net loans and advances	32,642,419	25,418,876	-	1,050,227	58,814,740
Impaired loans and advances	609,803	483,600	-	-	1,093,403
Deposits	31,139,824	31,501,062	247,757	-	63,099,603
Additions to:					
Property and equipment	23,296	490	388	5	62,065
Intangible assets	15,192	137	1,870	133	103,661

Note:

1 The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia.

54. SIGNIFICANT EVENT**(a) Transfer of card operations from AmCard Services Berhad ("AmCard") to the Bank**

On 4 May 2016, the Board had approved the proposal to assume the card operation management and processes ("the Business Transfer") from the Bank's wholly-owned subsidiary, AmCard. The Business Transfer is part of the Group's internal reorganisation plans to achieve operational efficiencies in the cards business whereby the card operations are outsourced to AmCard.

The Business Transfer which involved the acquisition of assets and liabilities of the card operations was completed on 1 July 2016 and the acquisition price was payable by cash amounting to approximately RM32 million based on the book value of the net assets transferred.

The Business Transfer had been accounted for by the Bank via pooling of interests method. Under the pooling of interests method, the results and financial position of the Business Transfer are included in the financial statements of the Bank as if the merger had been effected prior to and throughout the current financial year.

The effect of pooling of interests method are as follows:

	2017 RM'000	2016 RM'000
Operating revenue	3,821	18,142
Other operating income	3,821	181,019
Other operating expenses	20,914	(93,799)
Operating profit	24,735	87,220
Impairment loss on doubtful other receivables, net	-	(195)
Taxation	(5,935)	(21,125)
Profit for the period	18,800	65,900

The effect of pooling of interests method for the comparative period is disclosed in Note 55.

(b) Disposal of investment in MTrustee Berhad (formerly known as AmTrustee Berhad)

On 23 June 2016, the Bank and its wholly-owned subsidiary, AmCard, completed the disposal of the Group's entire shareholding of 40% (20% held by the Bank and AmCard respectively) in MTrustee Berhad ("MTrustee"), previously classified as Asset held for sale, for a total cash consideration of RM4.6 million. The disposal resulted in a gain of RM1.4 million and RM2.2 million to the Group and the Bank respectively.

(c) Withdrawal of investment in a collective investment scheme, AmCash Premium

On 30 June 2016, the Bank had fully withdrawn its investment in a collective investment scheme, AmCash Premium. Accordingly, the Bank ceased to have control over AmCash Premium.

55. RESTATEMENT OF COMPARATIVE INFORMATION

- (a) Certain comparative figures were restated arising from the transfer of card operations from AmCard to the Bank as mentioned in Note 54(a).

The effects arising from the restatement of comparative information is as follows:

- (i) Reconciliation of statements of financial position

	As previously reported RM'000	Effect of pooling of interests method RM'000	Elimination RM'000	As restated RM'000
Bank				
As at 31 March 2016				
Cash and short-term funds	7,380,187	225	(225)	7,380,187
Other assets	2,032,443	2,338	-	2,034,781
Property and equipment	121,819	22,168	-	143,987
Intangible assets	344,944	5,806	-	350,750
Deposits and placements of banks and other financial institutions	(1,031,113)	-	225	(1,030,888)
Other liabilities	(2,353,036)	(17,356)	-	(2,370,392)
Reserves	<u>7,081,195</u>	<u>13,181</u>	<u>-</u>	<u>7,094,376</u>
As at 1 April 2015				
Cash and short-term funds	5,667,979	192	(192)	5,667,979
Other assets	2,570,104	1,919	-	2,572,023
Property and equipment	117,480	12,874	-	130,354
Intangible assets	327,689	7,052	-	334,741
Deposits and placements of banks and other financial institutions	(2,092,981)	-	192	(2,092,789)
Other liabilities	(2,586,033)	14,679	-	(2,571,354)
Reserves	<u>6,849,327</u>	<u>36,716</u>	<u>-</u>	<u>6,886,043</u>
	As previously reported RM'000	Effect of pooling of interests method RM'000	Elimination RM'000	As restated RM'000

- (ii) Reconciliation of statement of profit or loss

Bank				
Operating revenue	4,625,972	18,142	-	4,644,114
Other operating income	627,346	181,019	(162,877)	645,488
Other operating expenses	(1,316,690)	(93,799)	162,877	(1,247,612)
Impairment loss on doubtful other receivables, net	(146)	(195)	-	(341)
Taxation	<u>(221,726)</u>	<u>(21,125)</u>	<u>-</u>	<u>(242,851)</u>

55. RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

(iii) Reconciliation of statements of changes in equity

	As previously reported RM'000	Effect of pooling of interests method RM'000	As restated RM'000
Bank			
As at 31 March 2016			
Merger reserve	-	13,181	13,181
As at 31 March 2015			
Merger reserve	-	36,716	36,716

(iv) Statements of cash flows

	As previously reported RM'000	Effect of pooling of interests method RM'000	As restated RM'000
Bank			
Profit before taxation	1,060,678	87,025	1,147,703
Amortisation of intangible assets	76,011	2,240	78,251
Depreciation of property and equipment	35,274	5,173	40,447
Gain on disposal of property and equipment	(140)	(18)	(158)
Impairment loss on other receivables	146	195	341
Other assets	659,083	(778)	658,305
Deposits and placements of banks and other financial institutions	(1,061,868)	(33)	(1,061,901)
Other liabilities	(32,688)	(78,527)	(111,215)
Purchase of intangible assets	(102,667)	(994)	(103,661)
Purchase of property and equipment	(47,718)	(14,481)	(62,199)

55. RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

	As previously reported	Effect of pooling of interests method	As restated
(v) Capital adequacy ratios as at 31 March 2016			
Bank			
Before deducting proposed dividends			
Common Equity Tier 1 ("CET 1") Capital Ratio	11.082%	0.001%	11.083%
Tier 1 Capital Ratio	12.555%	0.000%	12.555%
Total Capital Ratio	15.770%	-0.003%	15.767%
After deducting proposed dividends			
CET 1 Capital Ratio	10.640%	0.002%	10.642%
Tier 1 Capital Ratio	12.114%	0.000%	12.114%
Total Capital Ratio	15.328%	-0.002%	15.326%

- (b) During the financial year, the Group and the Bank had realigned its Financial Institutions Statistical System ("FISS") reporting of gross loans and advances analysed by sector, by type of customer and by interest rate sensitivity to BNM Central Credit Reference Information System ("CCRIS") reporting on loans and advances. Consequently, the Group and the Bank had restated the abovementioned disclosures for gross loans and advances and impaired loans and advances to conform with current financial year's classification. This restatement did not have any effect on reported cashflows from operations, financial position and performance of the Group and the Bank.