

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

Directors' Report and Audited Financial Statements
31 March 2019

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 2019.

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 21 to the financial statements.

There has been no significant change 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	1,065,443	1,063,477
Attributable to:		
Equity holder of the Bank	1,065,345	1,063,477
Non-controlling interests	98	-
	<u>1,065,443</u>	<u>1,063,477</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 other than the effects of the disposal of non-performing loans as disclosed in Notes 46(c) and 57(b) to the financial statements and the adoption of MFRS 9 *Financial Instruments* as disclosed in Note 58(b) to the financial statements.

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 30.50 sen per ordinary share on 820,363,762 ordinary shares amounting to approximately RM250,210,947 in respect of the financial year ended 31 March 2018 was paid on 27 June 2018; and
- an interim single-tier cash dividend of 37.00 sen per ordinary share on 836,852,786 ordinary shares amounting to approximately RM309,635,531 in respect of the current financial year was paid on 30 November 2018.

The Directors propose the payment of a final single-tier dividend of 38.00 sen per ordinary share on 836,852,786 ordinary shares amounting to approximately RM318,004,059 in respect of the current financial year ended 31 March 2019. 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 2020.

BUSINESS PLAN AND STRATEGY

Moving into the financial year ending 31 March 2020 ("FY2020"), our strategic priorities continue to focus on diversifying our top line, improving operational efficiency, and driving capital accretive growth while executing on our people agenda.

In FY2020, the Group will accelerate growth in its current and savings accounts ("CASA") balances, leveraging on our Transaction Banking capabilities, Wealth Management propositions and strategic collaborations. Meanwhile, our Group Treasury and Markets will drive foreign exchange flow business through establishment of coordinated foreign exchange channels, cross-selling and external partnerships. We remain committed to facilitating the growth of small and medium enterprise ("SME") in Malaysia via the provision of financial products and services that cater to our customers' needs.

We recognise that banks thrive when we can integrate our financial services into the lives of our customers and our digital journey will spearhead that integration. Our digital transformation plan will continue to pave the way for the digitalisation of our products and solutions, that includes enhancing our digital mobile platforms, building infrastructure and application programming interface readiness, partnership with key financial technology players and the use of big data analytics to capture alternative sources of business and drive internal efficiencies.

While we are investing in our targeted growth areas, the Group continues to drive operational efficiency through the Business Efficiency Transformation ("BET300") programme which was embarked on since the financial year ended 31 March 2018 ("FY2018"). Amidst heightening market headwinds and uncertainties, it is vital for us to maintain positive operating leverage by keeping a tight rein on expenses and pacing our investments.

As we enter the final year of our "Top 4" transformation journey, the Group has executed on strategic initiatives that focused on growth agenda, improving profitability and strengthening our balance sheet resilience. We will continue to harness the transformation value from these initiatives which aimed at delivering sustainable returns to our shareholder.

OUTLOOK FOR NEXT FINANCIAL YEAR

For 2019, Malaysia's Gross Domestic Product (GDP) is projected to grow circa 4.5% (2018: 4.7%), underpinned by sustained expansion in private sector activity. Private sector demand is expected to remain as the main driver of growth amid continuing fiscal rationalisation while the external sector is likely to soften as global demand moderates.

Meanwhile, inflation is anticipated to be stable at around 1%, while supported by sustained domestic demand as well as firmer oil prices and stable Ringgit outlook.

In tandem with a moderate economic outlook in 2019, the banking system loans growth is envisaged to grow around 4.6%. We foresee some margin compression for banks as the competition for deposits intensifies.

ISSUANCE OF SHARES AND DEBENTURES

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

Issuance of equity securities

On 28 June 2018, the Bank increased its issued and paid-up ordinary share capital by RM177.3 million through the issuance of 16,489,024 new ordinary shares at an issue price of RM10.75 per ordinary share. The new ordinary shares issued during the current financial year rank pari passu in all respects with the existing ordinary shares of the Bank.

ISSUANCE OF SHARES AND DEBENTURES (CONT'D.)

Issuance of debt securities

- a) On 26 June 2018, the Bank issued Tranche 7 of Senior Notes with nominal amount of RM700.0 million under its Senior Notes programme of RM7.0 billion. This tranche bears interest at 4.5% payable half-yearly and is for a tenor of 2 years.
- b) On 15 November 2018, the Bank issued Tranche 6 of Subordinated Notes with nominal amount of RM1.0 billion under its Subordinated Notes programme of RM4.0 billion. This tranche bears interest at 4.98% payable half-yearly and is for a tenure of 10 years (callable in 5th year).

Repayment of debt securities

- a) On its first call date of 9 April 2018, the Bank fully redeemed Tranche 6 of Medium Term Notes with nominal amount of RM600.0 million issued under its Medium Term Notes Programme of up to RM2.0 billion.
- b) On 21 May 2018 and 25 March 2019 respectively, the Bank fully redeemed Tranche 5 and Tranche 6 of Senior Notes with nominal amount of RM400.0 million and RM600.0 million issued under its Senior Notes programme of RM7.0 billion.
- c) On its first call date on 31 December 2018, the Bank fully redeemed Tranche 1 of Subordinated Notes with nominal amount of RM400.0 million issued under its Subordinated Notes programme of RM4.0 billion.
- d) On its first call date of 27 February 2019 and 6 March 2019, the Bank fully redeemed Tranche 1 and Tranche 2 of the Non-Innovative Tier 1 Capital Securities with nominal amount of RM200.0 million and RM300.0 million respectively. The programme was cancelled after the redemption.

Save as disclosed above and in Notes 29, 30 and 32 to the financial statements, there were no issuance and/or repayments 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 holding company, AMMB Holdings Berhad ("AMMB") has maintained a Directors' and Officers' Liability Insurance on a group basis up to an aggregate limit of RM200.0 million against any legal liability incurred by the Directors and Officers in the discharge of their duties while holding office within the Group including 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. The gross amount of insurance premium paid by AMMB for the directors and officers of AMMB and its subsidiaries for the current financial year was RM316,500.

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 that 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:

Voon Seng Chuan
Raymond Fam Chye Soon
Dato' Sri Abdul Hamidy Abdul Hafiz
Dr Veerinderjeet Singh a/l Tejwant Singh
U Chen Hock (appointed on 3 July 2018)
Soo Kim Wai (appointed on 2 January 2019)
Ng Chih Kaye (appointed on 2 January 2019)
Tan Sri Azman Hashim (retired on 1 January 2019)

DIRECTORS (CONT'D.)

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

No.	Name of subsidiaries	Name of Directors
1.	AmProperty Holdings Sdn Bhd	Lim Hock Aun Khoo Teck Beng
2.	Bougainvillea Development Sdn Bhd	Lim Hock Aun Khoo Teck Beng
3.	MBf Information Services Sdn Bhd	Lim Hock Aun Khoo Teck Beng
4.	MBf Trustees Berhad	Lim Hock Aun Khoo Teck Beng
5.	MBf Nominees (Tempatan) Sdn Bhd	Lim Hock Aun Lim Kien Hock
6.	Teras Oak Pembangunan Sendirian Berhad	Lim Hock Aun Lim Kien Hock
7.	Malco Properties Sdn Bhd	Lim Hock Aun Lim Kien Hock
8.	Komuda Credit & Leasing Sdn Bhd (under member's voluntary winding-up)	Lim Hock Aun Arunasalam a/l Muthusamy
9.	AmPremier Capital Berhad	Ling Fou-Tsong @Jamie Ling Yap Huey Wen
10.	AmCard Services Berhad	Jade Lee Gaik Suan Ling Fou-Tsong @Jamie Ling
11.	AmMortgage One Berhad	Jade Lee Gaik Suan Oon Kin Seng Dato' Ng Mann Cheong
12.	AmLabuan Holdings (L) Ltd	Datuk Iswaraan a/l Suppiah
13.	AMBB Capital (L) Ltd (under member's voluntary winding-up, which has been completed on 8 April 2019)	Mandy Jean Simpson Sim How Chuah

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 and 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 and executive directors of the AMMB Group (including eligible executives of the Bank) 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 to 11 January 2019.

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.

The ESS expired on 11 January 2019 and was terminated since that date. In place of the ESS, and pursuant to the approval of the Board of Directors of AMMB on 5 October 2018, the AMMB Group implemented a new ESS (the "New ESS") for eligible executives of AMMB Group including eligible executives of the Bank.

The awards under the New ESS are up to ten percent (10%) 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. The ESS is implemented and administered by the GNRC. The effective date of the ESS is 5 October 2018 and would be in force for a period of ten (10) years to 4 October 2028.

The awards granted to such Eligible Executives only comprises shares. Shares to be made available under the New ESS will only vest to Eligible Executives who have duly accepted the offers of awards under the ESS 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 39 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 46 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' Profiles

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

VOON SENG CHUAN **Independent Non-Executive Chairman**

Voon Seng Chuan, a Malaysian, male, aged 60, was appointed to the Board of the Bank on 18 June 2015 as Independent Non-Executive Director. He assumed the Chairmanship of the Board on 1 January 2019.

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

Mr Voon also sits on the board of AMMB and he is currently the Senior Independent Non-Executive Director of AMMB. Mr Voon is the Chairman of the Group Information Technology Committee and Group Nomination and Remuneration Committee, and a Member of the Audit and Examination Committee and Risk Management Committee of AMMB.

CORPORATE GOVERNANCE (CONT'D.)

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

VOON SENG CHUAN (Cont'd.)

Independent Non-Executive Chairman (Cont'd.)

Mr Voon has been part of the Information Technology ("IT") industry for about three decades. In his 27 years of service with IBM, Mr Voon 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.

From 2000 to 2006, Mr Voon was the Managing Director for IBM Malaysia and Brunei. Mr Voon 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 an Independent Non-Executive Director of Mesiniaga Berhad (an IT company listed on the Main Market of Bursa Malaysia Securities Berhad) and Silverlake Axis Limited (a company listed on Singapore's Stock Exchange).

RAYMOND FAM CHYE SOON

Independent Non-Executive Director

Raymond Fam Chye Soon, a Malaysian, male, aged 56, 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 and the Malaysian Institute of Accountants.

Mr Raymond Fam has in-depth 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, event management, and provision of consultancy services and property investments, in which he sits on the board of some of the private limited companies involved in those businesses.

Mr Raymond Fam was an Independent Non-Executive Director of AmGeneral Insurance Berhad ("AmGeneral") [formerly known as Kurnia Insurans (Malaysia) Berhad], a subsidiary of AMMB. He was also 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 retired on 23 September 2017 after serving the board of AmGeneral for 9 years.

DATO' SRI ABDUL HAMIDY ABDUL HAFIZ

Independent Non-Executive Director

Dato' Sri Abdul Hamidy Abdul Hafiz, a Malaysian, male, aged 62, was appointed to the Board of the Bank on 7 January 2016 as Independent Non-Executive Director. He is the Chairman of the Board Credit Committee of the Bank.

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 Asian Institute of Chartered Bankers and a Member of the Association of Chartered Islamic Finance Professionals.

CORPORATE GOVERNANCE (CONT'D.)

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

DATO' SRI ABDUL HAMIDY ABDUL HAFIZ (CONT'D.)

Independent Non-Executive Director (Cont'd.)

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 of AmBank Islamic.

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 an Independent Non-Executive Director of Chubb Insurance Malaysia Berhad, Sime Darby Berhad and Sky Xchange Sdn Bhd. Besides directorship in companies, Dato' Sri Hamidy also serves as the Chairman of Corporate Debt Restructuring Committee since 2009.

DR VEERINDERJEET SINGH A/L TEJWANT SINGH

Independent Non-Executive Director

Dr Veerinderjeet Singh a/l Tejwant Singh, a Malaysian, male, aged 62, was appointed to the Board of the Bank on 1 June 2017 as Independent Non-Executive Director. He is a Member of the Audit and Examination Committee and Risk Management Committee of the Bank.

Dr Veerinderjeet received a first class honours degree in accounting from University of Malaya and a Doctorate from Universiti Putra Malaysia. Dr Veerinderjeet is a Member of the Malaysian Institute of Accountants ("MIA"), the Malaysian Institute of Certified Public Accountants ("MICPA") and the Chartered Tax Institute of Malaysia ("CTIM").

Dr Veerinderjeet had served as a Tax Partner/Executive Director at Arthur Andersen and Ernst & Young in Malaysia and had also served in the Malaysian Inland Revenue Department. He has over 35 years of experience in the tax profession as an Inland Revenue Officer, academician, consultant, author and tax observer. Dr Veerinderjeet is a co-Founder and Chairman of Axcelasia Taxand Sdn Bhd, a boutique tax advisory firm which is a member of the Taxand Global organisation of independent tax firms in nearly 50 countries. He is also a member of the Taxand Global Board. He has been consistently cited as a leading tax adviser in Malaysia in the World Tax Guide (published by the International Tax Review) on the world's leading tax firms. Dr Veerinderjeet is the Non-Executive Chairman of Axcelasia Inc which is a Singapore listed holding company of various entities (including Axcelasia Taxand Sdn Bhd) offering integrated professional services.

Dr Veerinderjeet actively participates in the professional accounting bodies where he currently serves as a council member of the MICPA and the MIA. He was a council member of the CTIM and a Past President of CTIM. He is also an Adjunct Professor at the School of Business, Monash University in Malaysia.

Dr Veerinderjeet is an Independent Director on the Board of Malaysian Rating Corporation Berhad and UMW Holdings Berhad and is also a member of the Audit Committee of InvestKL. Prior to joining the Board of AmBank, he was on the Board of the Bank of Nova Scotia Berhad. In addition, Dr Veerinderjeet also serves on the Board of Trustees of the International Bureau of Fiscal Documentation (a world renowned tax research body in the Netherlands) and as a consultant editor for the "Malaysian Master Tax Guide" published by CCH/Wolters Kluwer.

As an accomplished author and tax observer, Dr Veerinderjeet has published books and numerous articles in local and international tax, law and accounting journals. Among the books he has authored are "Veerinder on Taxation", "Malaysian Taxation: Administrative and Technical Aspects", "Tax Compliance & Ethical Decision-Making: A Malaysian Perspective" and "Tax Thoughts on Today's Taxing Times". Dr Veerinderjeet has spoken at various local and international events on tax policy and tax reforms and also has a grasp of economic developments.

CORPORATE GOVERNANCE (CONT'D.)

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

U CHEN HOCK

Independent Non-Executive Director

U Chen Hock, a Malaysian, male, aged 62, was appointed to the Board of the Bank on 3 July 2018 as Independent Non-Executive Director. He is the Chairman of the Risk Management Committee and a Member of the Audit and Examination Committee of the Bank.

Mr U holds a Bachelor of Economics and Management (Hons) degree from the National University of Malaysia ("UKM"). He is a Certified Financial Planner ("CFP"), an accreditation awarded by the Financial Planning Standards Board, USA. Mr U had also attended numerous Senior Executive Leadership Programmes at INSEAD, London Business School, Duke Corporate Education and IMD during his long banking career.

Mr U is a career banker who has more than 36 years of extensive experience in corporate, commercial, investment and consumer banking. He completed 30 years of his long banking career at HSBC Group where he had held senior leadership roles in Malaysia and Taiwan and at the Asia Pacific Headquarters in Hong Kong. Mr U had served as the Head of Personal Financial Services ("PFS") at HSBC Malaysia between 2003 to 2007 and as the Head of PFS, Taiwan between 2008 to 2009. He was the Head of Strategy & Business Development for HSBC Amanah, Asia Pacific before leaving the Group in July 2010.

Following his departure from HSBC Group, Mr U joined OSK Investment Bank Berhad ("OSKIB") in August 2010 where he was shortly thereafter appointed as its Chief Executive Officer. At OSKIB, Mr U drove the continued expansion and diversification of the Group's investment banking coverage outside Malaysia namely Hong Kong, Singapore, Indonesia, Thailand and Cambodia. Following the successful merger between OSKIB and RHB Investment Bank in 2013, Mr U was retained as Executive Director to head the reconstituted and expanded RHB Group International Banking Division with responsibilities for all commercial banking business activities outside Malaysia. Following a 2-year stint at the International Banking Division, Mr U was moved to lead and drive the growth of the Group's Retail Banking business which was then its largest strategic business unit. He retired from RHB Bank in April 2017.

Mr U was Chairman of the Financial Planning Association of Malaysia for 2 terms between 2005 to 2007.

SOO KIM WAI

Non-Independent Non-Executive Director

Soo Kim Wai, a Malaysian, male, aged 58, was appointed to the Board of the Bank on 2 January 2019 as Non-Independent Non-Executive Director. He is a Member of the Board Credit Committee of the Bank.

Mr Soo is a Member of the MIA and the MICPA. He is also a Fellow of the Certified Practising Accountant ("CPA"), Australia and the Association of Chartered Certified Accountants ("ACCA"), United Kingdom.

Mr Soo is currently the Group Managing Director of Amcorp Group Berhad. He joined Amcorp Group Berhad in 1989 as Senior Manager, Finance and has since held various positions before he was promoted to his current appointment. Prior to that, he was with Plantation Agencies Sdn Bhd from 1985 to 1989, and in the accounting profession for 5 years with Deloitte KassimChan from 1980 to 1985.

Mr Soo has been a Non-Independent Non-Executive Director of AMMB for 15 years and he is a Member of the Group Nomination and Remuneration Committee and Group Information Technology Committee of AMMB. Mr Soo is currently the Non-Independent Non-Executive Chairman of AmREIT Managers Sdn Bhd (formerly known as Am ARA REIT Managers Sdn Bhd), the Manager of AmFirst Real Estate Investment Trust and AmREIT Holdings Sdn Bhd (formerly known as Am ARA REIT Holdings Sdn Bhd). Apart from AMMB, his directorships in other public listed companies include RCE Capital Berhad and Amcorp Properties Berhad. Mr Soo also sits on the board of other private limited companies and foreign companies and he is also a Board member of the British Malaysian Chamber of Commerce Berhad.

CORPORATE GOVERNANCE (CONT'D.)

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

NG CHIH KAYE

Independent Non-Executive Director

Ng Chih Kaye, a Malaysian, male, aged 63, was appointed to the Board of the Bank on 2 January 2019 as Independent Non-Executive Director. He is a Member of the Board Credit Committee of the Bank.

Mr Ng is a Member of the MIA and a Fellow of the ACCA, United Kingdom. He has been a member of the Insolvency Committees of the MICPA and MIA for more than 15 years and remains a member to date.

Presently, Mr Ng is an examiner with the Asian Institute of Chartered Bankers for the Professional Credit Certification and Risk Management in Banking programs. He is also a Panel Member of the Finance Accreditation Agency.

Mr Ng began his career at a firm of Chartered Accountants in London and later at KPMG, Kuala Lumpur. He then served Malayan Banking Berhad (Maybank) for 25 years in the areas of internal audit, credit control and asset recovery until he retired as Executive Vice President in 2010.

Mr Ng currently sits on the board of Malaysia Debt Ventures Berhad and Capitaland Malaysia Mall REIT Management Sdn Bhd. He was an Independent Non-Executive Director of Agrobank (Bank Pertanian Malaysia Berhad) for 6 years from 2011 to 2017.

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 International Centre for Leadership In Finance (or 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 long term sustainability of the Group. 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 seven (7) Directors with wide skills and experience, six (6) 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 AMMB Group level, which were created to assist the Board in certain areas of deliberations, are:

1. Audit and Examination Committee (at Bank level);
2. Risk Management Committee (at Bank level);
3. Board Credit Committee (at Bank level); and
4. Group Nomination and Remuneration Committee (at AMMB Group level)

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

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 2019 ("FY2019")					
	Board of Directors	Audit and Examination Committee	Risk Management Committee	Board Credit Committee	Group Nomination and Remuneration Committee
Tan Sri Azman Hashim (retired on 1.1.2019)	9/9 ^a	N/A	N/A	20/20 ^a	N/A
Voon Seng Chuan	11/11 (Chairman) ^b	5/5 ^c	6/6 ^d	N/A	7/7 (Chairman)
Raymond Farn Chye Soon	11/11	7/7 (Chairman)	8/8	N/A	N/A
Dato' Sri Abdul Hamidy Abdul Hafiz	11/11	N/A	N/A	27/27 (Chairman) ^b	N/A
Dr Veerinderjeet Singh a/ Tejwant Singh	11/11	7/7	7/8	N/A	N/A
Mr U Chen Hock (appointed on 3.7.2018)	7/7	5/5	6/6 (Chairman) ^b	N/A	N/A
Mr Soo Kim Wai (appointed on 2.1.2019)	2/2	N/A	N/A	7/7 ^e	7/7
Mr Ng Chih Kaye (appointed on 2.1.2019)	2/2	N/A	N/A	7/7 ^e	N/A
Number of meetings held in FY2019	11	7	8	27	7

- a. Ceased as Chairman on 1.1.2019 following retirement as Director
- b. Appointed as Chairman on 1.1.2019
- c. Relinquished membership on 1.1.2019 following appointment as Chairman of the Board
- d. Relinquished Chairmanship on 1.1.2019 following appointment as Chairman of the Board
- e. Appointed as Member on 2.1.2019

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.)

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

Audit and Examination Committee

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 stakeholders' interest. The AEC comprises three (3) members, all of whom are Independent Non-Executive Directors and chaired by an Independent Non-Executive Director.

The AEC met seven (7) times during the financial year ended 31 March 2019 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.

The minutes of the AEC meetings are formally tabled to the Board for notation and action, where necessary.

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 the 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 Group Chief Internal Auditor attends the AEC meeting by invitation. The AEC also holds separate meetings with the Group Chief Internal Auditor and the external auditors 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.

Group Internal Audit prioritises its efforts in 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 Bank's strategic decision-making process which ensures that the corporate objectives are consistent with the appropriate risk-return trade-off. The Board approves the Risk 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 the Management and comprises three (3) members, all of whom are Independent Non-Executive Directors and chaired by an Independent Non-Executive Director. 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.

There were eight (8) meetings held during the financial year ended 31 March 2019.

CORPORATE GOVERNANCE (CONT'D.)

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

Risk Management Committee (Cont'd.)

Risk Management Functions

Group Risk Management 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 AMMB Group. Group Risk Management 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.

Group Risk Management 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 risk-weighted assets ("RWA") and is reviewed periodically throughout the financial year to take account of prevailing or expected changes to the operating environment.

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

Board Credit Committee

The Committee comprises three (3) 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 twenty seven (27) meetings held during the financial year ended 31 March 2019.

Group Nomination and Remuneration Committee

The Board delegated the nomination and remuneration functions to the Group Nomination and Remuneration Committee which is established at AMMB Group level. The Committee comprises six (6) members, all of whom are Non-Executive Directors and chaired by an Independent Non-Executive Director. The Bank is represented by Mr Voon Seng Chuan in the Committee. The Committee is responsible for, among others, the following:

- 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; and
- 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 seven (7) times during the financial year ended 31 March 2019.

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.

ULTIMATE HOLDING COMPANY

The Directors regard AMMB Holdings Berhad, which is incorporated in Malaysia, as the ultimate 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	March 2019	Long-term Bank deposits (Foreign) rating Short-term Bank deposits (Foreign) rating Outlook	A3 P-2 Stable
S&P Global Ratings	November 2018	Long-term foreign currency rating Short-term foreign currency rating Outlook	BBB+ A-2 Stable
RAM Rating Services Berhad	December 2018	Long-term financial institution rating Short-term financial institution rating Outlook	AA2 P1 Stable


Company No. 8515-D

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

AUDITORS AND AUDITORS' REMUNERATION

The auditors, Ernst & Young, have expressed their willingness to continue in office. Auditors' remuneration is disclosed in Note 38 to the financial statements.

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



VOON SENG CHUAN
Director



RAYMOND FAM CHYE SOON
Director

Kuala Lumpur, Malaysia
27 May 2019

Company No. 8515-D

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

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

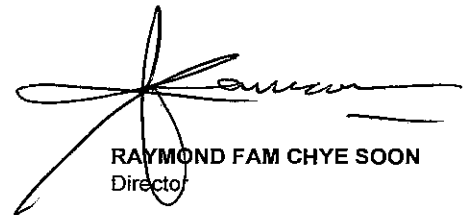
We, **VOON SENG CHUAN** and **RAYMOND FAM CHYE SOON**, being two of the Directors of **AMBANK (M) BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 23 to 220 are drawn up in accordance with Malaysian Financial Reporting Standards, 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 2019 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.



VOON SENG CHUAN
Director

Kuala Lumpur, Malaysia
27 May 2019



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, **LING FOU-TSONG @ JAMIE LING**, 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 23 to 220 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.

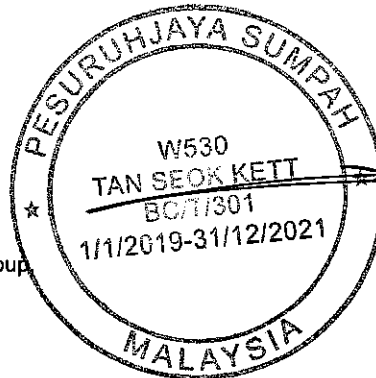
Subscribed and solemnly declared by the abovenamed
LING FOU-TSONG @ JAMIE LING at Kuala Lumpur in the Wilayah Persekutuan
27 May 2019



LING FOU-TSONG @ JAMIE LING

Before me,

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



Lot 633, 3rd Floor, Wisma MPL,
Jalan Raja Chulan,
50200 Kuala Lumpur.

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 2019 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 23 to 220.

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 2019, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 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 information included in 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

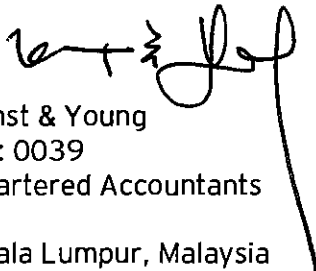
**Independent auditors' report to the member of
AmBank (M) Berhad (Cont'd.)
(Incorporated in Malaysia)**

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.

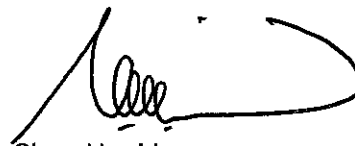
Other matters

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
27 May 2019



Chan Hooi Lam
No. 02844/02/2020 J
Chartered Accountant

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	Group		Bank	
		31 March 2019 RM'000	31 March 2018 (Restated) (Note 58(a)) RM'000	31 March 2019 RM'000	31 March 2018 (Restated) (Note 58(a)) RM'000
ASSETS					
Cash and short-term funds	6	5,287,043	3,716,029	5,282,332	3,711,118
Deposits and placements with banks and other financial institutions	8	330,918	450,000	330,918	450,000
Investment account placement	9	1,461,880	2,856,370	1,461,880	2,856,370
Derivative financial assets	10	777,685	1,134,053	777,685	1,134,053
Financial assets at fair value through profit or loss	11	10,646,835	-	10,646,787	-
Financial assets held-for-trading	12	-	8,041,941	-	8,041,941
Financial investments at fair value through other comprehensive income	13	12,410,210	-	12,431,107	-
Financial investments available-for-sale	14	-	4,794,991	-	4,829,412
Financial investments at amortised cost	15	3,305,436	-	3,305,436	-
Financial investments held-to-maturity	16	-	1,802,605	-	1,802,605
Loans and advances	17	71,334,104	67,324,490	71,275,888	67,254,479
Receivables: Investments not quoted in active markets	18	-	1,149,600	-	1,149,600
Statutory deposit with Bank Negara Malaysia	19	2,180,557	2,012,837	2,180,557	2,012,837
Deferred tax assets	20	32,657	42,835	32,610	42,813
Investment in subsidiaries	21	-	-	31,492	31,535
Investment in an associate	22	-	-	22	22
Other assets	23	1,175,119	1,277,958	1,166,137	1,270,856
Property and equipment	24	122,375	129,524	102,551	108,754
Intangible assets	25	368,654	400,376	368,654	400,376
TOTAL ASSETS		109,433,473	95,133,609	109,394,056	95,096,771
LIABILITIES AND EQUITY					
Deposits from customers	26	75,949,320	69,753,528	75,953,817	69,757,231
Deposits and placements of banks and other financial institutions	27	5,379,573	2,921,511	5,390,936	2,933,610
Securities sold under repurchase agreements	7	5,339,422	-	5,339,422	-
Recourse obligation on loans sold to Cagamas Berhad	28	4,140,003	3,753,216	4,140,003	3,753,216
Derivative financial liabilities	10	826,869	1,281,688	826,869	1,281,688
Term funding	29	2,554,527	2,748,820	2,554,527	2,748,820
Debt capital	30	3,080,000	3,579,871	3,080,000	3,579,871
Other liabilities	31	2,565,967	2,185,028	2,553,750	2,173,781
TOTAL LIABILITIES		99,835,681	86,223,662	99,839,324	86,228,217
Share capital	32	1,940,465	1,763,208	1,940,465	1,763,208
Reserves	33	7,657,165	7,146,675	7,614,267	7,105,346
Equity attributable to equity holder of the Bank		9,597,630	8,909,883	9,554,732	8,868,554
Non-controlling interests	34	162	64	-	-
TOTAL EQUITY		9,597,792	8,909,947	9,554,732	8,868,554
TOTAL LIABILITIES AND EQUITY		109,433,473	95,133,609	109,394,056	95,096,771
COMMITMENTS AND CONTINGENCIES	50	124,242,578	135,900,849	124,307,212	135,962,738
NET ASSETS PER SHARE (RM)		11.47	10.86	11.42	10.81

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 2019

	Note	Group		Bank	
		2019 RM'000	2018 (Restated) RM'000	2019 RM'000	2018 (Restated) RM'000
Operating revenue	2.5ab	5,407,335	4,906,250	5,402,904	5,290,783
Interest income	35	4,820,793	4,256,227	4,816,330	4,247,926
Interest expense	36	(3,137,890)	(2,613,137)	(3,138,062)	(2,615,319)
Net interest income		1,682,903	1,643,090	1,678,268	1,632,607
Other operating income	37	586,542	650,023	586,574	1,042,857
Net income		2,269,445	2,293,113	2,264,842	2,675,464
Other operating expenses	38	(1,260,164)	(1,428,039)	(1,259,648)	(1,428,691)
Operating profit		1,009,281	865,074	1,005,194	1,246,773
Writeback of allowance for impairment on loans and advances	40	382,923	63,072	382,983	62,989
Writeback of/(provision for) commitments and contingencies	31(a) & (b)	10,329	(1,179)	10,831	(1,190)
Impairment (loss)/writeback on:					
Financial investments	41	(1,359)	(27,523)	(1,348)	(27,523)
Other financial assets	42	(1,453)	(9,235)	(1,453)	(9,235)
Foreclosed properties	23(c)	-	(35)	-	(35)
Property and equipment	24	-	368	-	368
Subsidiaries	21	-	-	(43)	(42,742)
Other recoveries, net		5,968	1,976	5,968	1,976
Profit before taxation		1,405,689	892,518	1,402,132	1,231,381
Taxation	43	(340,246)	(183,277)	(338,655)	(177,837)
Profit for the financial year		1,065,443	709,241	1,063,477	1,053,544
Attributable to:					
Equity holder of the Bank		1,065,345	709,240	1,063,477	1,053,544
Non-controlling interests		98	1	-	-
Profit for the financial year		1,065,443	709,241	1,063,477	1,053,544
Earnings per share (sen)					
Basic/Diluted	44	127.91	86.45		

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 2019

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit for the financial year		1,065,443	709,241	1,063,477	1,053,544
Other comprehensive income/(loss):					
Items that will not be reclassified subsequently to statement of profit or loss					
Financial assets at fair value through other comprehensive income					
- net unrealised loss on changes in fair value		(11,930)	-	(11,930)	-
Tax effect	20	2,863	-	2,863	-
Items that may be reclassified subsequently to statement of profit or loss					
Currency translation on offshore operations		32,171	(78,168)	32,135	(66,823)
Cash flow hedge	10(vi)				
- (loss)/gain arising during the financial year		(12,124)	5,897	(12,124)	5,897
- amortisation of fair value changes of terminated hedge		(7,812)	(2,379)	(7,812)	(2,379)
- reclassification adjustments for gain included in the statements of profit or loss		(128)	(3,302)	(128)	(3,302)
Tax effect	20	4,816	(52)	4,816	(52)
Financial assets at fair value through other comprehensive income					
- net unrealised gain on changes in fair value		71,824	-	72,214	-
- net gain reclassified to statements of profit or loss		(20,352)	-	(20,352)	-
- expected credit loss	13(b)	929	-	918	-
- foreign exchange differences		339	-	339	-
Tax effect	20	(12,357)	-	(12,450)	-
Financial investments available-for-sale					
- net unrealised gain on changes in fair value		-	9,216	-	9,043
- net gain classified to statements of profit or loss		-	(23,892)	-	(23,892)
Tax effect	20	-	3,521	-	3,564
Other comprehensive income/(loss), net of tax		48,239	(89,159)	48,489	(77,944)
Total comprehensive income for the financial year, net of tax		1,113,682	620,082	1,111,966	975,600
Attributable to:					
Equity holder of the Bank		1,113,584	620,081	1,111,966	975,600
Non-controlling interests		98	1	-	-
		1,113,682	620,082	1,111,966	975,600

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 2019**

Group	Note	Attributable to equity holder of the Bank										
		Non-distributable					Distributable					
		Share capital RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Merger reserve RM'000	Available-for-sale 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	Total equity RM'000
At 1 April 2017		1,763,208	980,969	163,620	104,149	(12,232)	3,010	127,243	5,657,191	8,787,358	63	8,787,421
Profit for the financial year		-	-	-	-	-	-	-	709,240	709,240	1	709,241
Other comprehensive (loss)/income		-	-	-	-	(11,155)	164	(78,168)	-	(99,159)	-	(89,159)
Total comprehensive (loss)/income for the financial year		-	-	-	-	(11,155)	164	(78,168)	709,240	620,081	1	620,082
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested		-	-	-	-	-	-	-	(1,236)	(1,236)	-	(1,236)
Transfer to retained earnings		-	(980,969)	-	-	-	-	-	980,969	-	-	-
Transfer to regulatory reserve		-	-	208,313	-	-	-	-	(208,313)	-	-	-
Dividends on ordinary shares	45	-	-	-	-	-	-	-	(496,320)	(496,320)	-	(496,320)
Transactions with owner and other equity movements		-	(980,969)	208,313	-	-	-	-	275,100	(497,556)	-	(497,556)
At 31 March 2018		1,763,208	-	372,133	104,149	(23,387)	3,174	49,075	6,641,531	8,909,883	64	8,909,947

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 2019 (CONT'D.)

Group	Note	Atributable to equity holder of the Bank									
		Non-distributable					Distributable				
		Share capital RM'000	Regulatory reserve RM'000	Merger reserve RM'000	Fair value reserve RM'000	Available- for-sale deficit RM'000	Cash flow hedging reserve/ (deficit) 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 2018		1,763,208	372,133	104,149	-	(23,387)	49,075	6,641,531	8,909,883	64	8,909,947
Effects of adoption of MFRS 9 at 1 April 2018	58(b)	-	(245,968)	-	214,350	23,387	-	(32,941)	(41,172)	-	(41,172)
Restated balance at 1 April 2018		1,763,208	126,165	104,149	214,350	-	49,075	6,608,590	8,868,711	64	8,868,775
Profit for the financial year		-	-	-	-	-	-	1,065,345	1,065,345	98	1,065,443
Other comprehensive income/(loss)		-	-	-	31,316	-	32,171	-	48,239	-	48,239
Total comprehensive income/(loss) for the financial year		-	-	-	31,316	-	32,171	1,065,345	1,113,584	98	1,113,682
Issuance of ordinary shares		177,257	-	-	-	-	-	-	177,257	-	177,257
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested	32	-	-	-	-	-	-	-	-	-	-
Transfer to regulatory reserve		-	154,391	-	-	-	-	(2,075)	(2,075)	-	(2,075)
Dividend on ordinary shares		-	-	-	-	-	-	(154,391)	-	-	-
Transactions with owner and other equity movements	45	-	-	-	-	-	-	(559,847)	(559,847)	-	(559,847)
		177,257	154,391	-	-	-	-	(716,313)	(384,666)	-	(384,666)
At 31 March 2019		1,940,465	280,558	104,149	245,666	-	81,246	6,957,822	9,597,630	162	9,597,792

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 2018 (CONT'D.)

Bank	Attributable to equity holder of the Bank								Total equity RM'000
	Non-distributable				Distributable				
	Share capital RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Available-for-sale deficit RM'000	Cash flow hedging reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000		
At 1 April 2017	1,763,208	980,969	163,820	(12,239)	3,010	119,797	5,371,939	8,390,510	
Profit for the financial year	-	-	-	-	-	-	1,053,544	1,053,544	
Other comprehensive (loss)/income	-	-	-	(11,285)	164	(66,823)	-	(77,944)	
Total comprehensive (loss)/income for the financial year	-	-	-	(11,285)	164	(66,823)	1,053,544	875,600	
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	(1,236)	(1,236)	
Transfer to retained earnings	-	(980,969)	-	-	-	-	980,969	-	
Transfer to regulatory reserve	-	-	208,313	-	-	-	(208,313)	-	
Dividends on ordinary shares	-	-	-	-	-	-	(496,320)	(496,320)	
Transactions with owner and other equity movements	-	(980,969)	208,313	-	-	-	275,100	(497,556)	
At 31 March 2018	1,763,208	-	372,133	(23,518)	3,174	52,974	6,700,563	8,868,554	

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

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019 (CONT'D.)

Bank	Note	Attributable to equity holder of the Bank							Total equity RM'000
		Non-distributable				Distributable			
		Share capital RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Available-for-sale deficit RM'000	Cash flow hedging reserve/(deficit) RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	
At 1 April 2018		1,763,208	372,133	-	(23,518)	3,174	52,974	6,700,583	8,868,554
Effects of adoption of MFRS 9 at 1 April 2018		-	(245,968)	214,234	23,518	-	-	(32,907)	(41,123)
Restated balance at 1 April 2018	58(b)	1,763,208	126,165	214,234	-	3,174	52,974	6,667,676	8,827,431
Profit for the financial year		-	-	-	-	-	-	1,063,477	1,063,477
Other comprehensive income/(loss)		-	-	31,602	-	(15,248)	32,135	-	48,489
Total comprehensive income/(loss) for the financial year		-	-	31,602	-	(15,248)	32,135	1,063,477	1,111,966
Issuance of ordinary shares		177,257	-	-	-	-	-	-	177,257
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested	32	-	-	-	-	-	-	-	-
Transfer to regulatory reserve		-	154,391	-	-	-	-	(2,075)	(2,075)
Dividend on ordinary shares	45	-	-	-	-	-	-	(154,391)	-
Transactions with owner and other equity movements		177,257	154,391	-	-	-	-	(559,847)	(559,847)
At 31 March 2019		1,940,465	280,556	245,836	-	(12,074)	85,109	7,014,840	9,554,732

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

AMBANK (M) BERHAD
(Incorporated in Malaysia)
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Note	Group		Bank	
		2019 RM'000	2018 (Restated) RM'000	2019 RM'000	2018 (Restated) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		1,405,689	892,518	1,402,132	1,231,381
Adjustments for:					
Accretion of discount less amortisation of premium		(198,837)	(93,399)	(198,837)	(93,399)
Amortisation of fair value gain on terminated hedge		(7,812)	(3,651)	(7,812)	(3,651)
Amortisation of intangible assets	38	90,282	85,244	90,282	85,244
Amortisation of issuance costs and premium for term funding	29	5,240	5,168	5,240	5,168
Amortisation of costs for debt capital	30(d)	129	165	129	165
Depreciation of property and equipment	24 & 38	36,805	50,042	36,272	49,489
Gain on disposal of foreclosed properties	37	(21,336)	(44,659)	(21,336)	(44,659)
Gain on disposal of property and equipment	37	(2,061)	(2,600)	(72)	(551)
Gain on disposal of assets held for sale	37	-	(252)	-	(252)
Dividend/distribution income	37	(9,899)	(1,492)	(12,889)	(399,364)
Impairment loss on foreclosed properties	23(c)	-	35	-	35
Impairment loss on financial investments	41	1,359	27,523	1,348	27,523
Impairment loss on investment in subsidiaries		-	-	43	42,742
Impairment loss of other financial assets	42	1,453	9,235	1,453	9,235
Reversal of impairment loss on property and equipment	24	-	(368)	-	(368)
Loans and advances - allowances, net of writeback	40	303,973	282,839	303,913	282,922
Net (gain)/loss on revaluation of derivatives		(110,701)	363,467	(110,701)	363,467
Net loss on revaluation of financial assets at fair value through profit or loss	37	44,464	-	44,432	-
Net gain on revaluation of financial assets held-for-trading	37	-	(28,648)	-	(28,648)
Net gain on sale of financial assets at fair value through profit or loss	37	(53,302)	-	(53,302)	-
Net gain on sale of financial assets held-for-trading	37	-	(27,970)	-	(27,970)
Net gain on sale of financial assets at fair value through other comprehensive income	37	(20,352)	-	(20,352)	-
Net gain on sale of financial investments available-for-sale	37	-	(66,503)	-	(66,503)

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019 (CONT'D.)

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)					
Property and equipment written off	24 & 38	61	132	61	132
Intangible asset written off	25 & 38	74	262	74	262
Scheme shares and options granted under AMMB ESS	38	(2,726)	(6,032)	(2,726)	(6,032)
Unrealised foreign exchange loss/(gain) on term funding	29	88,580	(224,000)	88,580	(224,000)
Charge/(writeback) of provision for commitments and contingencies	31(a) & (b)	(10,329)	1,179	(10,831)	1,190
Operating profit before working capital changes		1,540,754	1,218,235	1,535,101	1,203,558
(Increase)/decrease in operating assets:					
Deposits and placements with banks and other financial institutions		450,000	(50,000)	450,000	(50,000)
Securities purchased under resale agreements		-	10,369	-	10,369
Investment account		1,393,571	(1,259,110)	1,393,571	(1,259,110)
Financial assets at fair value through profit or loss		(2,332,796)	-	(2,332,796)	-
Financial assets held-for-trading		-	(2,052,993)	-	(2,052,993)
Loans and advances		(4,624,947)	(5,478,593)	(4,636,644)	(5,491,491)
Statutory deposit with Bank Negara Malaysia		(167,720)	(252,723)	(167,720)	(252,723)
Other assets		4,319	409,892	6,181	402,360
(Decrease)/increase in operating liabilities:					
Deposits from customers		6,195,792	2,344,364	6,196,586	2,271,752
Deposits and placements of banks and other financial institutions		2,458,062	1,951,053	2,457,326	1,860,873
Securities sold under repurchase agreements		5,339,422	(9,464)	5,339,422	(9,464)
Recourse obligation of loans sold to Cagamas Berhad		386,787	1,091,383	386,787	1,091,383
Term funding	29	(288,113)	(1,254,990)	(288,113)	(1,254,990)
Other liabilities		411,292	77,201	410,808	87,082
Cash generated from/(used in) from operations		10,766,423	(3,255,376)	10,750,509	(3,443,394)
Net taxation paid		(133,116)	(66,578)	(131,566)	(65,020)
Net cash generated from/(used) in operating activities		10,633,307	(3,321,954)	10,618,943	(3,508,414)

AMBANK (M) BERHAD
(Incorporated in Malaysia)
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019 (CONT'D.)

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividend/distribution income	37	9,899	1,492	12,889	399,364
Net sale of financial investments held-to-maturity		-	300,010	-	300,010
Net purchase of financial investments at fair value through other comprehensive income		(7,607,284)	-	(7,593,291)	-
Net sale of financial investments available-for-sale		-	886,481	-	902,641
Net purchase of financial investments at amortised cost		(144,809)	-	(144,809)	-
Net sales of receivables: investments not quoted in active markets		-	22,557	-	22,557
Proceeds from disposal of property and equipment		2,586	4,040	162	1,286
Proceeds from disposal of asset held for sale		-	2,941	-	2,941
Purchase of intangible assets	25	(77,814)	(82,225)	(77,814)	(82,225)
Purchase of property and equipment	24	(27,858)	(21,035)	(27,853)	(20,426)
Net cash (used in)/generated from investing activities		(7,845,280)	1,114,261	(7,830,716)	1,526,148
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	45	(559,847)	(496,320)	(559,847)	(496,320)
Issuance of share capital	32	177,257	-	177,257	-
Proceeds from issuance of Subordinated Notes	30(d)	1,000,000	1,095,000	1,000,000	1,095,000
Repayment of Subordinated Notes	30(d)	(400,000)	-	(400,000)	-
Repayment of Medium Term Note	30(a)	(600,000)	(710,000)	(600,000)	(710,000)
Repayment of Non-Innovative Tier 1 Capital Securities	30(b)	(500,000)	-	(500,000)	-
Net cash used in financing activities		(882,590)	(111,320)	(882,590)	(111,320)
Net increase/(decrease) in cash and cash equivalents		1,905,437	(2,319,013)	1,905,637	(2,093,586)
CASH AND CASH EQUIVALENTS					
AT BEGINNING OF THE FINANCIAL YEAR		3,566,029	5,889,301	3,561,118	5,658,942
Effect of exchange rate changes		(92)	(4,259)	(92)	(4,238)
CASH AND CASH EQUIVALENTS		5,471,374	3,566,029	5,466,663	3,561,118
AT END OF THE FINANCIAL YEAR		5,471,374	3,566,029	5,466,663	3,561,118

AMBANK (M) BERHAD
(Incorporated in Malaysia)
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019 (CONT'D.)

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and cash equivalents comprise:					
Cash and short-term funds	6	5,287,043	3,716,029	5,282,332	3,711,118
Deposits and placements with banks and other financial institutions	8	330,918	450,000	330,918	450,000
		<u>5,617,961</u>	<u>4,166,029</u>	<u>5,613,250</u>	<u>4,161,118</u>
Less: Deposits with original maturity more than 3 months	6 & 8	(150,000)	(600,000)	(150,000)	(600,000)
		<u>5,467,961</u>	<u>3,566,029</u>	<u>5,463,250</u>	<u>3,561,118</u>
Add: Changes in expected credit loss for cash and cash equivalents:					
Effects of adoption of MFRS 9 at 1 April 2018	6	973	-	973	-
Movement for the financial year	6 & 8	2,403	-	2,403	-
Foreign exchange differences	6	37	-	37	-
Closing balance		<u>3,413</u>	<u>-</u>	<u>3,413</u>	<u>-</u>
		<u>5,471,374</u>	<u>3,566,029</u>	<u>5,466,663</u>	<u>3,561,118</u>

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 2019**

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 21.

There has been no significant change 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, Wholesale Banking and Business 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 26 April 2019.

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 51.

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 2019.

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 its existing rights 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.

Generally, control is established when the Group holds a majority of the voting rights of an investee. 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.

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies

2.5a Business combinations and goodwill

Business combinations, other than business combinations between entities under common control, 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. For financial liabilities, 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 9 *Financial Instruments* ("MFRS 9") in profit or loss. If the contingent consideration is not within the scope of MFRS 9, it is measured at fair value at each reporting date with changes in fair value recognised in profit or loss. 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.

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").

2. ACCOUNTING POLICIES (CONT'D.)

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

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

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.

The Group applies merger accounting to account for business combinations between entities under common control. Under merger accounting, assets and liabilities acquired are not restated to their respective fair values. They are recognised at the carrying amounts from the consolidated financial statements of the ultimate common control shareholder and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised.

The acquired entity's results, assets and liabilities are consolidated as if both the acquirer and acquiree had always been combined. Consequently, the consolidated financial statements reflect both entities' full year's results. The comparative information is restated to reflect the combined results of both entities.

2.5b Investments in subsidiaries

In the Bank's separate financial statements, investments in subsidiaries are 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 Investment in an associate

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 investment in its associate 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 associate 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 associate. 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 associate, 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 associate.

The aggregate of the Group's share of profit or loss of the associate 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 associate.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5c Investment in an associate (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 associate 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 associate. At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as "impairment loss on associate" 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 associate is stated at cost less accumulated impairment losses. On disposal of such investment, the difference between the net disposal proceeds and its carrying amounts is 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 individual financial statements of each entity within the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Group's consolidated financial statements and the Bank's separate financial statements are presented in Ringgit Malaysia ("RM"), which is also the Bank's 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 recognised 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.

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.

2. ACCOUNTING POLICIES (CONTD.)

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

2.5f Property and equipment (Cont'd.)

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.

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 term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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

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. 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 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.

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 10 years. During the period of development, the asset is tested for impairment annually.

2.5i Financial instruments - initial recognition and measurement

(i) Initial recognition

Financial assets and financial liabilities are recognised when the Group and the Bank become a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised using trade date accounting or settlement date accounting. The method used is applied consistently for all purchases and sales of financial assets that belong to the same category of financial assets. The Group and the Bank apply trade date accounting for derivative financial instruments and investments in equity instruments, and settlement date accounting for investments in debt instruments.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(ii) Initial measurement

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 financial liabilities not recorded at fair value through profit or loss, net of directly attributable transaction costs.

(iii) "Day 1" profit or loss

At initial measurement, if the transaction price differs from the fair value, the Group and the Bank immediately recognise the difference between the transaction price and fair value (a "Day 1" profit or loss) in "investment and trading income" provided that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. Level 1 input) or based on a valuation technique that uses only data from observable markets. In all other cases, the difference between the transaction price and the fair value is recognised in profit or loss on a systematic and rational basis that reflects the nature of the instrument over its tenure.

2.5j Financial assets – classification and subsequent measurement (Policy applicable from 1 April 2018)

From 1 April 2018, the Group and the Bank have applied MFRS 9 and classify its financial assets in the following measurement categories:

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

The classification requirements for debt and equity instruments are described below:

(i) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification and subsequent measurement of debt instruments depend on:

Business model

The business model reflects how the Group and the Bank manage the financial assets in order to generate cash flows. That is, whether the Group's and the Bank's objective is solely to collect the contractual cash flows from the assets, or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. the financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model. Factors considered by the Group and the Bank in determining the business model for a portfolio of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, and how risks are assessed and managed.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5j Financial assets – classification and subsequent measurement (Policy applicable from 1 April 2018) (Cont'd.)

The classification requirements for debt and equity instruments are described below (Cont'd.):

(i) Debt instruments (Cont'd.)

Cash flow characteristics

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Group and the Bank assess whether the financial assets' contractual cash flows represent solely payment of principal and interest ("SPPI"). In making this assessment, the Group and the Bank consider whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

Based on these factors, the Group and the Bank classify the debt instruments into one of the following three measurement categories:

Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost using the effective interest method. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured using the methodology described in Note 2.5q. 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 effective interest rate ("EIR"). The EIR amortisation is included in "interest income" in profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in "impairment losses on financial investments" for bonds, "impairment losses on loans and advances" for loans and advances or "doubtful receivables" for losses other than bonds, loans and advances.

FVOCI

Financial assets that are held for contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and are not designated at FVTPL, are measured at FVOCI. Changes in the fair value are recognised through OCI, except for the recognition of impairment losses (measured using the methodology described in Note 2.5q), interest income and foreign exchange gains or losses on the assets' amortised cost which are recognised in profit or loss. Interest earned whilst holding the assets are reported as "interest income" using the effective interest method. The losses arising from impairment are reclassified from OCI to profit or loss in "impairment losses on financial investments". When the financial asset is derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss and recognised in "other operating income".

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5j Financial assets – classification and subsequent measurement (Policy applicable from 1 April 2018) (Cont'd.)

(i) Debt instruments (Cont'd.)

FVTPL

Financial assets that do not meet the criteria for amortised cost or FVOCI, including financial assets held-for-trading and derivatives, are measured at FVTPL. A gain or loss on an asset that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented within "investment and trading income". Interest earned whilst holding the assets are reported as "interest income" using the effective interest method.

In addition, financial assets that meet the criteria for amortised cost or FVOCI may be irrevocably designated by management as FVTPL on initial recognition, provided 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. Such designation is determined on an instrument by instrument basis. Any change in fair value is recognised in profit or loss and presented within "investment and trading income". Interest earned is recognised in "interest income" using the effective interest method.

(ii) Reclassification of debt investments

The Group and the Bank reclassify debt investments when and only when the business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the financial year.

(iii) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group and the Bank subsequently measure all equity investments at FVTPL, except where the management has elected at initial recognition to irrevocably designate an equity investment that is not held for trading at FVOCI. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Dividends earned whilst holding the equity investment are recognised in profit or loss as "other operating income" when the right to the payment has been established.

Gains and losses on equity investments at FVTPL, including dividends earned, are included in "investment and trading income" in profit or loss.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5k Financial liabilities – classification and subsequent measurement (Policy applicable from 1 April 2018)

Financial liabilities are classified and subsequently measured at amortised cost, except for:

- financial liabilities at FVTPL; and
- financial guarantee contracts and loan commitments (see Note 2.5aa).

(i) Amortised cost

Financial liabilities issued by the Group and the Bank, that are not designated at FVTPL, are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Group and the Bank 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 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.

(ii) FVTPL

This classification is applied to derivatives, financial liabilities held-for-trading and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at FVTPL are presented partially in OCI (being the amount of change in the fair value of the financial liability that is attributable to changes in credit risk of that liability) and partially in profit or loss (i.e. the remaining amount of change in fair value of the liability). This is unless such presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.51 Financial instruments – classification and subsequent measurement (Policy applicable before 1 April 2018)

(i) Classification

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

a. Financial assets and financial liabilities at FVTPL: 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 and is calculated 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 FVTPL: Designated as FVTPL

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 FVTPL 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; and
- 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 FVTPL 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, and is calculated using the effective interest method, while dividend income is recorded in "investment and trading income" when the right to the payment has been established.

The Group has not designated any financial assets at FVTPL.

c. Financial assets and financial liabilities at FVTPL: 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 FVTPL. 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 – classification and subsequent measurement (Policy applicable before 1 April 2018) (Cont'd.)

(i) Classification (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 Group has not designated any loans and advances as financial investment 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 and is calculated 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 method. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest method. 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 are also classified as financial investments AFS. To the extent that the instruments do not have a quoted market price in an active market and their fair values cannot be reliably measured, the instruments are carried at cost less impairment.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5I Financial instruments – classification and subsequent measurement (Policy applicable before 1 April 2018) (Cont'd.)

(i) Classification (Cont'd.)

e. Financial investments held-to-maturity ("HTM")

Non-derivative financial instruments with fixed or determinable payments and fixed maturities are classified as financial investments HTM when the Group has the positive intention and ability to hold them to maturity. After initial measurement, financial investments HTM 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".

If the Group was to sell or reclassify more than an insignificant amount of financial investments HTM 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 HTM 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5l Financial instruments – classification and subsequent measurement (Policy applicable before 1 April 2018) (Cont'd.)

(ii) 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.

2.5m Derecognition of financial instruments

(i) Derecognition of 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 and the Bank have transferred rights to receive cash flows from the asset or have 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 and the Bank have transferred substantially all the risks and rewards of the asset; or
 - the Group and the Bank have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Bank have transferred rights to receive cash flows from an asset or have entered into a pass-through arrangement, and have 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 and the Bank's continuing involvement in the asset. In that case, the Group and the Bank also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Bank have retained.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5m Derecognition of financial instruments (Cont'd.)

(ii) Modification of loans

The Group and the Bank sometimes renegotiate or otherwise modify the contractual cash flows of loans to customers. When this happens, the Group and the Bank assess whether or not the new terms are substantially different to the original terms. The Group and the Bank do this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share or equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group and the Bank derecognise the original financial asset and recognises a "new" asset at fair value and recalculates a new EIR for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group and the Bank also assess whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the borrower being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group and the Bank recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR.

(iii) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

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 terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EIR, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and changes in covenants are also taken into consideration. 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.

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred are adjusted to the carrying amount of the financial liability and are amortised over the remaining term of the modified financial liability.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5n 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 and the Bank retain substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the statements 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 and the Bank. 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 and the Bank reclassify those securities in the statements of financial position to "financial assets at FVTPL pledged as collateral" or to "financial investments FVOCI 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 and the Bank. 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 at FVTPL" and measured at fair value with any gains or losses included in "investment and trading income".

2.5o 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. ACCOUNTING POLICIES (CONT'D.)

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

2.5p Fair value measurement

The Group and the Bank measure financial instruments such as financial assets at FVTPL, financial investments at FVOCI 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.

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 appropriate 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; and
- 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 financial instruments that are measured at fair value are disclosed in Note 54.

The fair value hierarchies of financial assets, financial liabilities and non-financial assets that are not measured at fair value, but for which fair value is disclosed, are also disclosed in Note 54.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5q Impairment of financial assets (Policy applicable from 1 April 2018)

The Group and the Bank assess on a forward-looking basis the expected credit losses ("ECL") associated with debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group and the Bank recognise a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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 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. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring or a change in forward looking adjustments after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

The methodology applied in measuring ECL are explained in Note 53.2.

Loans together with the associated allowance are written off when all practical recovery efforts has been exhausted and there is no realistic prospect of future recovery, and all collateral has been realised or has been transferred to the Group and the Bank. The Group and the Bank may also write-off financial assets that are still subject to enforcement activity when there is no reasonable expectation of full recovery. If a write-off is later recovered, the recovery is credited to profit or loss.

(i) Rescheduled and restructured loans

Where possible, the Group and the Bank seek 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5q Impairment of financial assets (Policy applicable from 1 April 2018) (Cont'd.)

(ii) Collateral valuation

The Group and the Bank seek 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 and the Bank'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 and the Bank use 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 53.2 for further analysis of collateral).

(iii) Collateral repossessed

The Group's and the Bank's policy is to determine whether a repossessed asset is best used for internal operations or should be sold. Repossessed financial assets determined to be useful for the internal operations are classified based on their characteristics, business model and the cash flow characteristics, and are measured at their fair value in the same manner as described in Note 2.5p. 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.

2.5r Impairment of financial assets (Policy applicable before 1 April 2018)

The Group and the Bank assess, 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 53.2 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.)

2.5r Impairment of financial assets (Policy applicable before 1 April 2018) (Cont'd.)

(i) Financial assets carried at amortised cost - loans and receivables

For financial assets carried at amortised cost, the Group and the Bank first assess whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Bank determine 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 and the Bank have 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 and the Bank. 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 and the Bank'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 and the Bank. 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.)

2.5r Impairment of financial assets (Policy applicable before 1 April 2018) (Cont'd.)

(ii) Financial investments AFS

For financial investments AFS, the Group and the Bank assess 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.

2.5s Hedge accounting

The Group and the Bank make 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 and the Bank apply hedge accounting for transactions which meet specified criteria.

At inception of the hedge relationship, the Group and the Bank formally document 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 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. Hedge ineffectiveness is recognised in profit or loss. For situations where the hedged item is a forecast transaction, the Group and the Bank also assess whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5u Impairment of non-financial assets

The Group and the Bank assess 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 and the Bank estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

For assets excluding goodwill 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 and the Bank estimate 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.

2.5v 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 2.5q(iii) on collateral repossessed.

2.5w 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. ACCOUNTING POLICIES (CONT'D.)

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

2.5s Hedge accounting (Cont'd.)

(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 the statement of 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.

(ii) Cash flow hedges

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

2.5t 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. ACCOUNTING POLICIES (CONT'D.)

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

2.5x Assets held for sale

The Group and the Bank classify 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.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in profit or loss.

2.5y Provisions

Provisions are recognised when the Group and the Bank have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group and the Bank expect some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

2.5z 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 and of the Bank are 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 and of the Bank. The Group and the Bank do not recognise contingent assets in the financial statements but disclose their existence where inflows of economic benefits are probable, but not virtually certain.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5aa Financial guarantee contracts and loans commitments

Financial guarantee contracts issued by the Group and the Bank 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 amount of loss allowance (calculated as described in Note 2.5q) and the premium received on initial recognition less income recognised in accordance with the principles of MFRS 15.

Loan commitments provided by the Group and the Bank are measured at the amount of the loss allowance (calculated as described in Note 2.5q).

2.5ab Recognition of income and expenses

Operating revenue of the Group and the Bank 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.

Recognition of income and expenses relating to financial instruments

(i) Interest income and similar income and expense

For all interest-bearing financial assets and financial liabilities measured at amortised cost, interest bearing financial investments at FVOCI and financial assets and financial liabilities at FVTPL, interest income or expense is calculated using the effective interest method ("EIR"). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group and the Bank revise 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 and the Bank 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.

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.

(ii) Dividend income

Revenue is recognised when the Group's and the Bank's right to receive the payment is established, it is probable that the economic benefits will flow to the Group and the Bank and the amount of payment can be reliably measured. The conditions are generally met when shareholders approve the dividend.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

Recognition of income and expenses relating to financial instruments (Cont'd.)

(iii) Investment and trading income

Results arising from trading activities include all gains and losses from changes in fair value and dividends from financial assets at FVTPL. This includes any ineffectiveness recorded in hedging transactions.

Recognition of revenue from contracts with customers

Revenue is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group and the Bank transfer the control of the goods or services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at a point in time.

A contract with customer exists when the contract has commercial substance, the Group and the Bank and its customer have approved the contract and intend to perform their respective obligations, the Group's and the Bank's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group and the Bank will collect the consideration to which it will be entitled to in exchange of those goods or services.

At the inception of each contract with customer, the Group and the Bank assess the contract to identify distinct performance obligations, being the units of account that determine when and how revenue from the contract with customer is recognised.

Revenue is measured at the amount of consideration to which the Group and the Bank expect to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties. If the amount of consideration varies, the Group and the Bank estimate the amount of consideration that it expects to be entitled based on the expected value or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future. If the contract with customer contains more than one distinct performance obligation, the amount of consideration is allocated to each distinct performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The consideration allocated to each performance obligation is recognised as revenue when or as the customer obtains control of the goods or services. At the inception of each contract with customer, the Group and the Bank determine whether control of the goods or services for each performance obligation is transferred over time or at a point in time. Revenue is recognised over time if the control over the goods or services is transferred over time. Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

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

(i) Fee and commission income

The Group and the Bank earn 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:

Fee income earned from services that are provided over a 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, custody and other management and advisory fees. Loan commitment fees for loans that are unlikely to be drawn down are recognised over the commitment period on a straight-line basis.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

Recognition of revenue from contracts with customers (Cont'd.)

(i) Fee and commission income (Cont'd.)

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. Commission income from the sale of unit trusts is recognised upon allotment of units, calculated as a percentage of sales value.

(ii) 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 transaction on a relative stand-alone selling price basis. If stand-alone selling price of the other component is uncertain, the Group and the Bank estimate the stand-alone selling price by reference to the total transaction price less the fair value of the award credits. 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.

2.5ac 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 the Bank 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 and the Bank make contributions to the Employee Provident Fund ("EPF"), as well as defined contribution private retirement schemes 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 and the Bank have no further payment obligations.

(iii) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Bank recognise termination benefits when the Group and the Bank are 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5ac Employee benefits (Cont'd.)

(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 cost of equity-settled transactions is recognised by the Group and the Bank, together with a corresponding increase in the amount payable to, or the amount receivable from, AMMB 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 cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of equity instruments that will ultimately vest. Profit or loss expense or credit for the period is recorded in "personnel costs" and represents the movement in cumulative expense recognised from the beginning to the end of that period.

2.5ad 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 year and the date the financial statements are authorised for issue are disclosed as an event after the reporting year.

2.5ae 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.)

2.5ae 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:

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

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

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

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

2. ACCOUNTING POLICIES (CONTD.)

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

2.5ae Taxes (Cont'd.)

(ii) Deferred tax (Cont'd.)

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.

2.5af Earnings Per Share ("EPS")

The Group presents basic and diluted (where applicable) EPS data for its ordinary shares in Note 44. Basic EPS is calculated by dividing profit or loss attributable to equity holder of the Bank by the weighted average number of ordinary shares outstanding during the financial year. 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.

2.5ag 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. 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 five operating segments: retail banking, business banking, wholesale banking, investment banking and group funding and others, as disclosed in Note 56.

2.5ah 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. Changes in the fair value of the ordinary shares are not recognised in the financial statements.

3. CHANGES IN ACCOUNTING POLICIES

3.1 Adoption of Amendments and Annual Improvement to Standards

The accounting policies adopted are consistent with those adopted in 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 Bank on 1 April 2018:

- MFRS 9 *Financial Instruments*
- MFRS 15 *Revenue from Contracts with Customers*
- Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts* (Amendments to MFRS 4)
- Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)
- Transfers of Investment Property (Amendments to MFRS 140)
- Annual Improvements to MFRSs 2014-2016 Cycle - amendments to MFRS 1 and MFRS 128
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The adoption of these new standards, amendments to published standards and new interpretation did not have any material impact on the financial statements of the Group and the Bank except for those arising from the adoption of MFRS 9 as disclosed below. Other than the adoption of new accounting policies as disclosed in Notes 2.5j, 2.5k, 2.5q, 2.5aa and 2.5ab, the Group and the Bank did not have to change its accounting policies or make retrospective adjustments as a result of adopting the other amendments to published standards and new interpretation.

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

3.1a MFRS 9 *Financial Instruments*

MFRS 9 replaces the provisions of MFRS 139 *Financial Instruments: Recognition and Measurement* that relate to the recognition, classification and measurement, as well as derecognition of financial instruments, impairment of financial assets and hedge accounting. As permitted by the transitional provision of MFRS 9, comparative information have not been restated. The impact arising from the adoption of MFRS 9 are as follows:

(i) Classification and measurement

MFRS 9 requires 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 are 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 are measured at FVOCI. Any financial assets that are not measured at amortised cost or FVOCI are measured at FVTPL.

Instruments that qualify for amortised cost or FVOCI may be irrevocably designated 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 the statement of profit or loss.

Loans and advances, which form a substantial portion of the Group's and the Bank's financial assets, satisfied the conditions for classification at amortised cost and hence there is no change to the accounting of these assets. Similarly, investments in corporate bonds and sukuk classified as held-to-maturity under MFRS 139 also met the conditions for classification at amortised cost under MFRS 9.

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

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

3.1a MFRS 9 *Financial Instruments* (Cont'd.)

(i) Classification and measurement (Cont'd.)

Certain investments in corporate bonds and sukuk that were classified as available-for-sale under MFRS 139 qualified for classification at amortised cost under MFRS 9. The reclassification has been effected by way of a retrospective application of the effective interest method and accordingly, the related cumulative fair value loss has been reversed on 1 April 2018. Other investments in corporate bonds and sukuk that were classified as available-for-sale satisfied the conditions for classification at FVOCI and hence there is no change to the accounting of these assets.

The majority of the Group's and the Bank's debt investments not quoted in active market that were measured at amortised cost under MFRS 139 satisfied the conditions for classification at FVOCI and the related fair value gains have been recognised in fair value reserve on 1 April 2018. However, certain debt investments did not meet the cash flow characteristics criterion to be classified either at FVOCI or at amortised cost and have been accordingly classified at FVTPL with related fair value loss recognised in retained earnings on 1 April 2018.

All financial assets held for trading comprising derivatives, as well as investments in debt and equity instruments, continue to be measured at FVTPL.

Other than equity instruments held for long-term strategic or socioeconomic purposes, the Group and the Bank did not designate any of the equity instruments not held-for-trading at FVOCI. As a majority of the equity instruments held for long-term strategic or socioeconomic purposes are unquoted and have been measured at cost in accordance with MFRS 139, the classification of these equity instruments at FVOCI under MFRS 9 resulted in the recognition of related fair value gains in fair value reserve on 1 April 2018.

There is no impact on the Group's and the Bank's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVTPL and the Group and the Bank do not have any such liabilities.

(ii) Impairment

The loan loss impairment methodology is fundamentally changed under MFRS 9 as it replaces MFRS 139's incurred loss approach with a forward-looking 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 allowances for expected losses are determined based on the expected credit losses associated with the probability of default ("PD") 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.

The Group and the Bank have established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the next 12 months or the remaining life of the financial instrument. To calculate ECL, the Group and the Bank have estimated the risk of a default occurring on the financial instrument during the next 12 months or its expected life. ECLs are estimated based on the present value of all cash shortfalls over the next 12 months or the remaining expected life of the financial asset, i.e. the difference between the contractual cash flows that are due to the Group and the Bank under the contract and the cash flows that the Group and the Bank expect to receive, discounted at the effective interest rate of the financial asset.

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

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

3.1a MFRS 9 *Financial Instruments* (Cont'd.)

(ii) Impairment (Cont'd.)

Following the adoption of MFRS 9, the Group and the Bank recorded an additional loss allowance in respect of loans and advances, as well as investments in debt securities and other financial assets that are not classified at FVTPL, which has been adjusted to retained earnings and other reserves on 1 April 2018.

(iii) Hedge accounting

All existing hedge relationships that were designated in effective hedging relationships under MFRS 139 continue to qualify for hedge accounting under MFRS 9. As MFRS 9 did not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of MFRS 9 did not result in any significant impact on the Group's and the Bank's financial statements.

The financial impacts of the adoption of MFRS 9 on the financial statements of the Group and the Bank are as disclosed in Note 58(b).

3.1b MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 established a new five-step model that applies to revenue arising from contracts with customers, based on the underlying principle that an entity should recognise revenue in a manner which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. 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. The standard also specified the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

In accordance with the transitional provision in MFRS 15, the Group and the Bank have adopted the standard using the modified retrospective approach without any restatement to the comparative information. The adoption of MFRS 15 has resulted in changes in the Group's and the Bank's accounting policies. Nevertheless, no adjustment has been made to the amounts recognised in the financial statements as the adoption of MFRS 15 did not have any material financial impact since the Group and the Bank have been recognising revenue in a manner consistent with the principles of MFRS 15.

3.1c Annual Improvements to MFRSs 2014-2016 Cycle

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

(i) Amendments to 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. The deletion has no impact as the Group and the Bank had transitioned into MFRS in the past.

(ii) Amendments to 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. The amendment has no impact as such election is not available to the Group and the Bank.

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

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

3.1d 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 *The Effects of Changes in Foreign Exchange Rates* 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 adoption of this Interpretation did not have any material financial impact to the Group and the Bank.

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 of the 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
- MFRS 16 <i>Leases</i>	1 January 2019
- IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
- Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
- Long-term interests in Associates and Joint ventures (Amendments to MFRS 128)	1 January 2019
- Plan Amendment, Curtailment or Settlement (Amendments to MFRS119)	1 January 2019
- Annual Improvements to MFRSs 2015-2017 Cycle	1 January 2019
- Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
- Definition of a Business (Amendments to MFRS 3)	1 January 2020
- Definition of Material (Amendments to MFRS 101 and MFRS 108)	1 January 2020
- MFRS 17 <i>Insurance Contracts</i>	1 January 2021
- 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 new standards, amendments to published standards and new interpretation that are issued and relevant to the Group and the Bank but not yet effective are described below. The Group and the Bank are currently assessing the financial effects of their adoption.

3.2a 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.

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 the 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.

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 2020 (Cont'd.)

MFRS 16 Leases (Cont'd.)

The Group and the Bank will apply the simplified transition approach and will not restate comparative amounts. The Group and the Bank will apply the practical expedient as permitted by MFRS 16 paragraph C3 and accordingly will, on 1 April 2019, apply MFRS 16 only to contracts that were previously identified as containing a lease in accordance with MFRS 117 and IC Interpretation 4 *Determining whether an Arrangement contains a Lease*. In addition, the Group and the Bank will also elect to account all leases with remaining lease term of 12 months or less from 1 April 2019 as short-term leases as permitted by MFRS 16 paragraph C10(c). For the purpose of applying the exemption permitted by MFRS 16 paragraph 5(b), the threshold of low value asset is set at RM20,000.

A lease liability and a right-of-use asset will be recognised on 1 April 2019 for all operating leases of the Group and the Bank as at 31 March 2019, measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. Based on management's preliminary assessment undertaken to date, the recognition of the lease liability and the right-of-use asset are expected to contribute to the increase in total liabilities and total assets respectively of the Group and the Bank by less than 1%.

IC Interpretation 23 *Uncertainty over Income Tax Treatments*

The Interpretation provides guidance on how to recognise and measure deferred and current income tax assets and liabilities in situations where there is uncertainty over whether the tax treatment applied by an entity will be accepted by the tax authority. If it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, the accounting for income taxes shall be determined consistently with that tax treatment. If an entity concludes that it is not probable that the treatment will be accepted, it should reflect the effect of the uncertainty in its income tax accounting in the period in which that determination is made, by applying the most likely amount method or the expected value method.

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. Entities can choose to apply the Interpretation on full retrospective basis if possible without the use of hindsight, or retrospectively with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings.

Prepayment Features with Negative Compensation (Amendments to MFRS 9)

Under the current MFRS 9 requirements, the SPP condition is not met if the lender has to make a settlement payment in the event of early termination by the borrower. The existing requirements are amended to enable entities, to measure at amortised cost or at fair value through other comprehensive income (depending on the business model), some prepayable financial assets with negative compensation if the negative compensation is a reasonable compensation for early termination of the contract. An example of such reasonable compensation is an amount that reflects the effect of the change in the relevant benchmark rate of interest at the time of termination; the calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

The amendments are effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. The amendments shall be applied retrospectively.

Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)

The amendments clarify that MFRS 9 including its impairment requirements shall be applied to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The amendments are effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. The amendments shall be applied retrospectively.

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 2020 (Cont'd.)

Annual Improvements to MFRSs 2015-2017 Cycle

The Annual Improvements to MFRSs 2015-2017 Cycle include minor amendments affecting 4 MFRSs, which are effective for annual periods beginning on or after 1 January 2019, as summarised below:

(i) **MFRS 3 *Business Combinations***

The amendments clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. The acquirer shall remeasure its previously held interest in the joint operation at fair value at the acquisition date.

(ii) **MFRS 11 *Joint Arrangements***

The amendments clarified that the party obtaining joint control of a business that is a joint operation shall not remeasure any previously held interest in the joint operation.

(iii) **MFRS 112 *Income Taxes***

The amendments clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated the distributable amounts were recognised. Hence the tax consequences are recognised in profit or loss only when an entity determines payments on such instruments are distributions of profits.

(iv) **MFRS 123 *Borrowing Costs***

The amendments clarified that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

3.2b Standards effective for financial year ending 31 March 2021

Amendments to References to the Conceptual Framework in MFRS Standards

The amendments, affecting nine published standards and five published interpretations, were issued as a consequence to the issuance of the revised Conceptual Framework for Financial Reporting ("Conceptual Framework") on 30 April 2018. The references and quotations in these published standards and interpretations to the Conceptual Framework have been updated so as to clarify the version of the Conceptual Framework these published standards and interpretations refer to. The amendments are effective for annual periods beginning on or after 1 January 2020 for entities that develop an accounting policy by reference to the Conceptual Framework.

Definition of a Business (Amendments to MFRS 3)

The amendments revised the definition of a business, whereby the term "outputs" is narrowed to focus on goods and services provided to customers, as well as generation of investment income and other income from ordinary activities; returns in the form of lower costs and other economic benefits are no longer considered. In addition, a new framework is added to help evaluate when an input and a substantive process are present.

The amendments are applied prospectively to business combinations and asset acquisitions that occur on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Early adoption is permitted.

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 2021 (Cont'd.)

Definition of Material (Amendments to MFRS 101 and MFRS 108)

The amendments clarified the definition of material and how it should be applied through the addition of definition guidance. In addition, the explanations accompanying the definition have been improved and aligned across all MFRS standards to make it easier for entities to make materiality judgements. The amendments are applied prospectively from annual reporting period beginning on or after 1 January 2020. Early adoption is permitted.

3.2c Standard effective on a date to be determined by MASB

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

Bank Negara Malaysia ("BNM") policy documents on Financial Reporting

On 2 February 2018, BNM issued the revised policy documents for Financial Reporting which are effective for financial years beginning on or after 1 January 2018.

Certain requirements in the policy documents have been revised in response to the changes in the loan loss impairment methodology arising from the ECL approach under MFRS 9. In addition, the credit-impaired classification requirements which was previously provided in BNM's policy document on Classification and Impairment Provisions for Loans have also been incorporated into the above revised policy documents.

Following the application of MFRS 9 impairment requirements, the revised policy documents require banking institutions and Islamic banking institutions to maintain, in aggregate, loss allowance for non-credit-impaired exposures (commonly referred to as Stage 1 and Stage 2 expected credit losses) and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures. This revised requirement has been applied in the computation of regulatory reserve as presented in these financial statements.

The revised policy documents also introduced the following new disclosure requirements in the annual financial statements. The applicable information is presented in the Group's and the Bank's annual financial statements for the financial year ended 31 March 2019:

- (i) a movement schedule of financial instruments classified as credit-impaired with a breakdown by class of financial instrument;
- (ii) a movement schedule of loss allowance with a breakdown by class of financial instrument and showing separately the loss allowance measured by different stages of ECL;
- (iii) intercompany charges with a breakdown by type of services received and geographical distribution; and
- (iv) nature of the underlying assets in connection with placement of funds in an investment account with an Islamic banking institution (refer Note 9 Investment Account Placement).

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 revenues, 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.

5.1 Measurement of ECL allowances (Notes 6, 8, 9, 13, 15, 17, 31, 40, 41 and 42) (Applicable from 1 April 2018)

The measurement of the ECL allowances for financial assets measured at amortised cost and FVOCI and loan commitments and financial guarantee contracts requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 2.5q.

Significant judgement is required in applying the accounting requirements for measuring ECL such as:

- determining criteria for significant increase in credit risk in the qualitative assessment and the impact of the instrument being measured at life time ECL basis due to significant increase in credit risk;
- choosing appropriate models and assumptions including the various formulas and choice of inputs for the measurement of ECL;
- establishing the number and relative weightings of forward-looking scenarios for each type of major product and the associated ECL;
- establishing groups of similar financial assets for the purposes of measuring ECL; and
- application of the Group's internal credit grading model which assigns PDs to the individual grades.

5.2 Allowance for impairment on loans and advances (Notes 17 and 40) (Applicable before 1 April 2018)

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).

5.3 Impairment losses on financial investments AFS and HTM (Notes 14, 16 and 41) (Applicable before 1 April 2018)

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

5.4 Deferred tax assets and income taxes (Notes 20, 23, 31 and 43)

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 and the Bank are 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.

5.3 Fair value measurements of financial instruments (Notes 10, 11, 12, 13, 14, 15, 16, 37 and 54)

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.

5.4 Development costs (Note 24 and 25)

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	1,320,100	1,605,992	1,318,159	1,603,614
Deposits and placements maturing within one month:				
Licensed banks	3,258,280	2,040,037	3,255,510	2,037,504
Bank Negara Malaysia	710,000	70,000	710,000	70,000
	<u>3,968,280</u>	<u>2,110,037</u>	<u>3,965,510</u>	<u>2,107,504</u>
Total cash and bank balances and deposits and placements	5,288,380	3,716,029	5,283,669	3,711,118
Less: Allowances for ECL	(1,337)	-	(1,337)	-
	<u>5,287,043</u>	<u>3,716,029</u>	<u>5,282,332</u>	<u>3,711,118</u>
Deposits and placements with original maturity of:				
Three months or less	3,818,280	1,960,037	3,815,510	1,957,504
More than three months	150,000	150,000	150,000	150,000
	<u>3,968,280</u>	<u>2,110,037</u>	<u>3,965,510</u>	<u>2,107,504</u>

Movements in allowances for ECL are as follows:

2019 Group and Bank	Stage 1	Stage 2	Total RM'000
	12-Month ECL RM'000	Lifetime ECL not credit impaired RM'000	
Balance at beginning of the financial year			
- as previously stated	-	-	-
- effects of adoption of MFRS 9 (Note 58 (b)(ii))	973	-	973
Balance at beginning of the financial year, as restated	973	-	973
Net remeasurement of allowances (Note 42)	295	32	327
Exchange difference	38	(1)	37
Balance at end of the financial year	<u>1,306</u>	<u>31</u>	<u>1,337</u>

During the current financial year, the increase in the gross carrying amount of the Group's and the Bank's deposits and placement with foreign licensed banks had correspondingly increased the allowance for ECL in Stage 1 by RM327,000.

7. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

The amount represents the liabilities in correspondence to the cash received from the sales of securities under repurchase agreements, whereby the securities are not derecognised as the Group and the Bank retain substantially all of the risks and rewards of ownership of the securities.

8. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2019	2018
	RM'000	RM'000
Licensed banks	182,994	-
Licensed investment banks	150,000	450,000
	<u>332,994</u>	<u>450,000</u>
Less: Allowance for ECL	(2,076)	-
	<u>330,918</u>	<u>450,000</u>
Deposit and placements with original maturity of:		
More than three months	-	450,000
	<u>-</u>	<u>450,000</u>

Movements in allowance for ECL are as follows:

	Stage 1
	12-Month ECL
	RM'000
2019	
Group and Bank	
Balance at beginning of the financial year	
- as previously stated	-
- effects of adoption of MFRS 9	-
Balance at beginning of the financial year, as restated	-
Net remeasurement of allowance (Note 42)	2,076
Balance at end of the financial year	<u>2,076</u>

The Group's and the Bank's placements with foreign licensed banks closer to the end of the financial year had correspondingly resulted in recognition of an allowance for ECL in Stage 1 of RM2,076,000.

9. INVESTMENT ACCOUNT PLACEMENT

	Group and Bank	
	2019	2018
	RM'000	RM'000
Licensed islamic bank	1,465,539	2,859,110
Less: Allowance for ECL	(3,659)	-
Allowance for impairment loss	-	(2,740)
	<u>1,461,880</u>	<u>2,856,370</u>

This represent investment placed under Restricted Investment Account ("RA") arrangement with AmBank Islamic Berhad ("AmBank Islamic"), a related party to the Bank. 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. The investment assets financed under this arrangement are financing and advances extended by AmBank Islamic to its external customers.

During the current financial year on 30 April 2018, 14 May 2018 and 7 February 2019, the Bank early redeemed placements which amounted to RM517.4 million, RM480.7 million and RM411.8 million respectively.

9. INVESTMENT ACCOUNT PLACEMENT (CONT'D.)

As losses are borne solely by the investor, the related ECL allowance for financing and advances extended by AmBank Islamic is recorded by the Bank. Previously, the collective allowance for financing and advances for the investment assets was presented under collective allowance for loans and advances of the Bank. During the current financial year, the ECL allowance is presented as impairment allowance for the investment account placement to better reflect its nature. Accordingly, the comparatives have been restated to conform with the current year's presentation as disclosed in Note 58(a).

As at 31 March 2019, the gross exposure relating to the RA financing for the Group and the Bank amounted to RM1,470.1 million (31 March 2018: RM2,869.6 million). No stage 3 ECL or individual allowance is provided for the RA financing as at 31 March 2019 and 31 March 2018 respectively.

Movements in allowances for ECL are as follows:

	Stage 1	Stage 2 Lifetime	
	12-Month ECL	ECL not credit impaired	Total
	RM'000	RM'000	RM'000
2019			
Group and Bank			
Balance at beginning of the financial year			
- as previously stated	-	-	-
- reclassification (Notes 17(i) and 58(a))	2,740	-	2,740
- effects of adoption of MFRS 9 (Note 58(b)(ii))	1,519	-	1,519
Balance at beginning of the financial year, as restated	4,259	-	4,259
Changes due to investment account placement movements (Note 42)	(3,311)	2,711	(600)
Transfer to Stage 2	(2,372)	13,632	11,260
Net remeasurement of allowances	(939)	(10,921)	(11,860)
Balance at end of the financial year	948	2,711	3,659

The movements in allowances for ECL during the current financial year are due to the following:

- a) Early redemption of the placements by the Group and the Bank resulted in the reduction of ECL Stage 1; and
- b) Deterioration in the credit quality of certain customers of AmBank Islamic that are funded by the placements had resulted in the transfer to ECL stage 2.

Movements in allowances for impairment loss in the prior financial year were as follows:

	2018 (Restated) (Notes 17 and 58(a)) RM'000
Balance at beginning of the financial year	
- as previously stated	-
- reclassification (Note 17(j) and 58(a))	2,299
Balance at beginning of the financial year, as restated	2,299
Charge for the financial year (Note 42)	441
Balance at end of the financial year	2,740

10. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Group and Bank	2019			2018		
	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	6,990,942	5,199	5,625	10,095,515	7,042	4,746
- Over one year to three years	19,781,144	57,838	62,842	14,390,414	44,542	33,457
- Over three years	24,503,746	222,232	225,149	26,991,612	153,418	133,429
Foreign exchange related contracts						
- One year or less	36,424,866	135,838	191,224	47,702,318	553,637	742,957
- Over one year to three years	2,411,396	41,521	83,307	1,223,565	56,490	60,702
- Over three years	2,724,902	293,765	214,021	2,826,612	279,776	252,886
Credit related contracts						
- Over one year to three years	345,108	5,417	768	-	-	-
- Over three years	-	-	-	334,505	6,537	-
Equity and commodity related contracts						
- One year or less	860,040	12,886	13,704	797,179	30,633	34,728
- Over one year to three years	190,657	2,989	2,989	418,626	1,940	1,940
Hedging Derivatives						
Interest rate related contracts						
Cash flow hedge						
- One year or less	330,000	-	484	620,000	38	220
- Over one year to three years	1,095,000	-	12,660	1,005,000	-	7,576
- Over three years	880,000	-	14,096	1,068,700	-	9,047
Total	96,537,801	777,685	826,869	107,474,046	1,134,053	1,281,688

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

Derivative financial instruments and hedge accounting

(i) Cash flow hedge

Interest rate risk

The Group's and the Bank's 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 and treasury fixed deposits and short-term treasury deposits. The amounts and timing of future principal repayment and interest cash 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 repayment 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.

The effectiveness of this hedge is assessed by comparing the changes in fair value of the interest rate swap with changes in fair value of the hedged debt attributable to the hedged risk (changes in interest rates), using the hypothetical derivative method.

The Group and the Bank establish the hedging ratio by matching the notional of the derivative with the principal of the specific debt instrument being hedged. The main source of ineffectiveness is differences in timing of cash flows between debt instruments and interest rate swaps.

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 6 years (2018: 7 years).

All gains and losses associated with the ineffective portion of the hedging derivatives are recognised immediately in profit or loss. The ineffectiveness recognised by the Group and the Bank in profit or loss during the financial year in respect of cash flow hedges amounted to a gain of RM128,000 (2018: gain of RM3,302,000).

In the previous financial year, pursuant to a review of the Bank's hedging strategy, the Bank unwound certain cash flow hedges on its variable rate housing loan portfolio using interest rate swaps with a total notional value of RM2.1 billion. The unamortised fair value gain are to be amortised to the profit or loss over the remaining life of the hedged forecast transactions. Fair value gain amortised during the current financial year was RM7,812,000 (2018: RM2,379,000).

10. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Derivative Financial Instruments and Hedge Accounting (Cont'd.)

- (ii) The following table sets out the maturity profile and average price/rate of the hedging instruments used in the Group's and the Bank's non-dynamic hedging strategies:

2019

	Maturity				
	Up to 1 month RM'000	> 1 month to 3 months RM'000	> 3 months to 1 year RM'000	>1 year to 5 years RM'000	More than 5 years RM'000
Cash flow hedge					
- Interest rate risk					
<u>Interest rate swap</u>					
Notional	200,000	-	130,000	1,745,000	230,000
Average fixed interest rate	3.92%	-	4.01%	4.07%	4.17%

- (iii) The following table contains details of the hedging instruments used in the Group's and the Bank's hedging strategies:

2019	Notional RM'000	Carrying amount of		Changes in fair value used for calculating hedge ineffectiveness during the year RM'000
		Derivative Financial Assets RM'000	Derivative Financial Liabilities RM'000	
Cash flow hedge				
Interest rate risk				
- Interest rate swaps	2,305,000	-	(27,240)	10,435

- (iv) The following table contains details of the hedged item covered by the Group's and the Bank's hedging strategies:

2019

	Carrying amount of		Statement of financial position line item	Change in value used for calculating hedge during the year RM'000	Continuing hedge RM'000	Discontinued hedge RM'000
	Assets RM'000	Liabilities RM'000				
Cash flow hedge						
Interest rate risk						
- Housing loans	-	-	Loans and advances	-	-	(11,384)
			Deposits from			
- Deposits	-	(2,305,000)	customers	(10,435)	(27,270)	-

10. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Derivative Financial Instruments and Hedge Accounting (Cont'd.)

(v) The following table contains information regarding the effectiveness of the hedging relationships designated by the Group and the Bank, as well as the impacts on profit or loss and other comprehensive income:

	Loss recognised in other comprehensive income RM'000	Hedge ineffectiveness recognised in profit or loss RM'000	Statement of profit or loss/other comprehensive income line item that includes hedge ineffectiveness	Amounts reclassified from reserves to profit or loss		Profit or loss line item that includes reclassified amount RM'000
				Hedged cash flows will no longer occur RM'000	Hedged item affecting profit or loss RM'000	
2019						
Cash flow hedges						
Interest rate risk						
- Deposits	(12,124)	(128)	Other operating income			

(vi) The following table shows a reconciliation of each component of equity and an analysis of other comprehensive income in relation to hedge accounting:

	Cash flow hedging reserve / (deficit) RM'000
Cash flow hedges	
Interest rate risk:	
Balance at 1 April 2018	3,174
Effective portion of changes in fair value of interest rate swaps	(12,124)
Amortisation of fair value	(7,812)
Amount reclassified from reserves to profit or loss	(128)
Taxation	4,816
Balance at 31 March 2019	(12,074)

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At fair value				
Money market instruments:				
Bank Negara Monetary Notes	4,096,745	-	4,096,745	-
Islamic Treasury Bills	43,727	-	43,727	-
Malaysian Government Investment Issues	692,224	-	692,224	-
Malaysian Government Securities	3,670,874	-	3,670,874	-
Malaysian Treasury Bills	689,738	-	689,738	-
	<u>9,193,308</u>	<u>-</u>	<u>9,193,308</u>	<u>-</u>
Quoted securities:				
<i>In Malaysia:</i>				
Shares	199,594	-	199,594	-
Unit trusts	22,616	-	22,616	-
Sukuk	37,937	-	37,937	-
	<u>260,147</u>	<u>-</u>	<u>260,147</u>	<u>-</u>
<i>Outside Malaysia:</i>				
Shares	117,961	-	117,958	-
Unquoted securities:				
<i>In Malaysia:</i>				
Shares	45	-	-	-
Corporate bonds and sukuk	1,075,374	-	1,075,374	-
	<u>1,075,419</u>	<u>-</u>	<u>1,075,374</u>	<u>-</u>
	<u>10,646,835</u>	<u>-</u>	<u>10,646,787</u>	<u>-</u>

12. FINANCIAL ASSETS HELD-FOR-TRADING

	Group and Bank	
	2019 (Note 58(b)) RM'000	2018 RM'000
At fair value		
Money market instruments:		
Bank Negara Monetary Notes	-	4,808,484
Government Investment Issues	-	428,254
Islamic Treasury Bills	-	327,942
Malaysian Government Securities	-	311,458
Malaysian Treasury Bills	-	52,540
	-	<u>5,928,678</u>
Quoted securities:		
<i>In Malaysia:</i>		
Shares	-	268,992
Unit trusts	-	60,573
Sukuk	-	37,962
	-	<u>367,527</u>
<i>Outside Malaysia:</i>		
Shares	-	120,095
Unquoted securities:		
<i>In Malaysia:</i>		
Corporate bonds and sukuk	-	1,625,641
	-	<u>8,041,941</u>

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At fair value				
Money market instruments:				
Malaysian Government Investment Issues	2,326,431	-	2,326,431	-
Malaysian Government Securities	2,841,697	-	2,841,697	-
Islamic Negotiable Instruments of Deposit	99,398	-	99,398	-
Negotiable Instruments of Deposit	299,979	-	299,979	-
	<u>5,567,505</u>	<u>-</u>	<u>5,567,505</u>	<u>-</u>
Quoted securities:				
<i>In Malaysia:</i>				
Unit trusts	98,167	-	98,167	-
	<u>98,167</u>	<u>-</u>	<u>98,167</u>	<u>-</u>
Unquoted securities:				
<i>In Malaysia:</i>				
Corporate bonds and sukuk	6,119,342	-	6,140,239	-
Shares	518,533	-	518,533	-
	<u>6,637,875</u>	<u>-</u>	<u>6,658,772</u>	<u>-</u>
<i>Outside Malaysia:</i>				
Corporate bonds and sukuk	106,132	-	106,132	-
Shares	531	-	531	-
	<u>106,663</u>	<u>-</u>	<u>106,663</u>	<u>-</u>
	<u>12,410,210</u>	<u>-</u>	<u>12,431,107</u>	<u>-</u>

- (a) Equity investments at fair value through other comprehensive income comprise of the following individual investments:

2019	Group and Bank	
	Carrying value RM'000	Dividend income RM'000
Quoted securities in Malaysia:		
Unit trusts		
AmFIRST Real Estate Investment Trust	98,167	7,248
Unquoted securities in Malaysia:		
Shares		
ABM Investments Sdn Bhd	31	-
Cagamas Holdings Berhad	273,113	2,413
Credit Guarantee Corporation Malaysia Berhad	87,753	-
Financial Park (Labuan) Sdn Bhd	82,055	-
Payments Network Malaysia Sdn Bhd	63,317	-
RAM Holdings Berhad	12,264	238
	<u>518,533</u>	<u>2,651</u>
Unquoted securities outside Malaysia:		
Shares		
S.W.I.F.T. scri	531	-

13. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONT'D.)

- (a) Equity investments at fair value through other comprehensive income comprise of the following individual investments (Cont'd.):

The Group and the Bank elected to present in other comprehensive income changes in the fair value of the above equity investments because these equity investments are held for long-term strategic or socioeconomic purposes instead of for selling in the near term or for short-term profit taking. The above equity investments were previously classified as financial investments available-for-sale. Following the reclassification on 1 April 2018, the net fair value gains of RM201.4 million in connection with these equity investments were recorded in fair value reserves.

The Bank owned 26.7% of AmFIRST Real Estate Investment Trust ("AmFirst REIT"). However, the Bank has restricted voting power as stated in the Trust Deed. As such, the Bank is deemed to have no significant influence and the investment was recognised as financial investments at fair value through other comprehensive income.

There have been no new acquisition or disposal of equity investments at fair value through other comprehensive income during the financial year.

- (b) Movements in allowances for ECL are as follows:

	Stage 1 12-Month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2019				
Group				
Balance at beginning of the financial year				
- as previously stated	-	-	7,318	7,318
- effects of adoption of MFRS 9 (Note 58(b)(iv))	8,708	3,132	(2,318)	9,522
Balance at beginning of the financial year, as restated	8,708	3,132	5,000	16,840
Changes due to FVOCI movements (Note 41):	866	63	-	929
New financial assets originated	13,159	281	-	13,440
Financial assets derecognised	(3,785)	-	-	(3,785)
Net remeasurement of allowances	(8,508)	(218)	-	(8,726)
Write-off during the financial year	-	-	(5,000)	(5,000)
Exchange difference	340	-	-	340
Balance at end of the financial year	9,914	3,195	-	13,109

13. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONT'D.)

(b) Movements in allowances for ECL are as follows (Cont'd.):

	Stage 1 12-Month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Bank				
Balance at beginning of the financial year				
- as previously stated	-	-	7,318	7,318
- effects of adoption of MFRS 9 (Note 58(b)(iv))	8,740	3,132	(2,318)	9,554
Balance at beginning of the financial year, as restated	8,740	3,132	5,000	16,872
Changes due to FVOCI movements (Note 41):	855	63	-	918
New financial assets originated	13,159	281	-	13,440
Financial assets derecognised	(3,785)	-	-	(3,785)
Net remeasurement of allowances	(8,519)	(218)	-	(8,737)
Write-off during the financial year	-	-	(5,000)	(5,000)
Exchange difference	339	-	-	339
Balance at end of the financial year	9,934	3,195	-	13,129

The movements in allowances of ECL during the current financial year are mainly contributed by the following:

- a) Net increase in the Group's and the Bank's ECL Stage 1 by RM1,206,000 and RM1,194,000 respectively due to net additions in investments in money market instruments, corporate bonds and sukuk during the year.
- b) Write-off of impaired bonds in Stage 3 of RM5,000,000, which is in line with the Group's policy in writing off the gross carrying amount of financial assets when the Group and the Bank have no reasonable expectations of recovering the financial assets.

14. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Bank	
	2019 (Note 58(b)) RM'000	2018 RM'000	2019 (Note 58(b)) RM'000	2018 RM'000
At fair value				
Money market instruments:				
Malaysian Government Investment Issues	-	314,152	-	314,152
Foreign Government Investment Issues	-	11,493	-	11,493
Malaysian Government Securities	-	232,917	-	232,917
	-	558,562	-	558,562
Quoted securities:				
<i>In Malaysia:</i>				
Shares	-	98	-	98
Unit trusts	-	110,093	-	110,093
	-	110,191	-	110,191
<i>Outside Malaysia:</i>				
Shares	-	40	-	7
Unquoted securities:				
<i>In Malaysia:</i>				
Corporate bonds and sukuk	-	3,556,154	-	3,590,653
Shares	-	46,677	-	46,677
	-	3,602,831	-	3,637,330
<i>Outside Malaysia:</i>				
Corporate bonds and sukuk	-	252,349	-	252,349
At cost				
Unquoted securities:				
<i>In Malaysia:</i>				
Shares *	-	270,830	-	270,785
<i>Outside Malaysia:</i>				
Shares	-	188	-	188
	-	4,794,991	-	4,829,412

The Bank owned 26.7% of AmFIRST REIT. However, the Bank has restricted voting power as stated in the Trust Deed. As such, the Bank is deemed to have no significant influence and the investment was recognised as financial investments available-for-sale ("AFS").

- * In the previous financial year ended 31 March 2018, the Bank had purchased unquoted shares from a related company, AmInvestment Bank Berhad for cash consideration of RM187.5 million.

15. FINANCIAL INVESTMENTS AT AMORTISED COST

	Group and Bank	
	2019	2018
	RM'000	RM'000
At amortised cost		
Money market instruments:		
Malaysian Government Investment Issues	151,331	-
Unquoted securities:		
<i>In Malaysia:</i>		
Corporate bonds and sukuk	3,159,196	-
Less: Allowances for ECL	(5,091)	-
	<u>3,305,436</u>	<u>-</u>

Movements in allowances for ECL are as follows:

	Stage 1	Stage 2	Stage 3	Total
	12-Month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
	RM'000	RM'000	RM'000	RM'000
2019				
Group and Bank				
Balance at beginning of the financial year				
- as previously stated	-	-	2,550	2,550
- effects of adoption of MFRS 9 (Note 58 (b)(ii))	3,202	-	-	3,202
Balance at beginning of the financial year, as restated	3,202	-	2,550	5,752
Changes due to financial investments at amortised cost movements (Note 41):	1,889	-	(1,459)	430
Net remeasurement of allowances	1,889	-	-	1,889
Financial assets derecognised	-	-	(1,459)	(1,459)
Amount written-off	-	-	(1,091)	(1,091)
Balance at end of the financial year	<u>5,091</u>	<u>-</u>	<u>-</u>	<u>5,091</u>

The movements in allowances for ECL during the current financial year are mainly contributed by the following:

- Additions in investments during the year which resulted in the increase in ECL stage 1 of RM1,889,000; and
- Partial redemption of impaired bonds and write-off of impaired bonds in Stage 3 in line with the Group's policy in writing off the gross carrying amount of financial assets when the Group has no reasonable expectation of recovering the financial assets.

16. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group and Bank	
	2019	2018
	(Note 58(b))	
	RM'000	RM'000
At amortised cost		
Unquoted securities:		
<i>In Malaysia:</i>		
Corporate bonds and sukuk	-	1,805,155
Less: Accumulated impairment losses	-	(2,550)
	<u>-</u>	<u>1,802,605</u>

17. LOANS AND ADVANCES

	Group		Bank	
	2019	2018 (Restated) (Notes 9 and 58(a))	2019	2018 (Restated) (Notes 9 and 58(a))
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Overdrafts	2,804,689	2,546,703	2,804,689	2,546,703
Term loans	17,047,940	14,532,383	17,047,940	14,532,383
Housing loan receivables	24,208,913	22,009,341	24,064,713	21,850,682
Hire purchase receivables	11,877,428	13,173,584	11,877,428	13,173,584
Bills receivables	1,467,993	1,064,506	1,467,993	1,064,506
Trust receipts	1,548,143	1,634,359	1,548,143	1,634,359
Claims on customers under acceptance credits	3,527,019	3,237,968	3,527,019	3,237,968
Card receivables	1,695,862	1,560,226	1,695,862	1,560,226
Revolving credits	7,572,004	7,866,973	7,657,857	7,955,585
Staff loans	94,624	100,637	94,624	100,637
Others	377,006	276,722	377,006	276,722
Gross loans and advances	72,221,621	68,003,402	72,163,274	67,933,355
Less: Allowances for impairment on loans and advances				
Allowances for ECL (Note 17(i)):				
- Stage 1 - 12 month ECL	(194,437)	-	(194,440)	-
- Stage 2 - Lifetime ECL not credit impaired	(415,068)	-	(415,058)	-
- Stage 3 - Lifetime ECL credit impaired	(278,012)	-	(277,888)	-
Individual allowance (Note 17(j))	-	(181,100)	-	(181,100)
Collective allowance (Note 17(j))	-	(497,812)	-	(497,776)
Net loans and advances	71,334,104	67,324,490	71,275,888	67,254,479

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

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Domestic banking institutions	123,956	216	123,956	216
Domestic non-bank financial institutions	1,170,815	1,544,384	1,256,668	1,632,996
Domestic business enterprises				
- Small and medium enterprises	14,422,280	11,396,083	14,422,280	11,396,083
- Others	14,758,129	14,783,349	14,758,129	14,783,349
Government and statutory bodies	45,047	3	45,047	3
Individuals	40,468,966	39,089,885	40,324,766	38,931,226
Other domestic entities	7,357	7,521	7,357	7,521
Foreign individuals and entities	1,225,071	1,181,961	1,225,071	1,181,961
	72,221,621	68,003,402	72,163,274	67,933,355

17. LOANS AND ADVANCES (CONT'D.)

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
In Malaysia	71,943,528	67,775,699	71,885,181	67,705,652
Outside Malaysia	278,093	227,703	278,093	227,703
	<u>72,221,621</u>	<u>68,003,402</u>	<u>72,163,274</u>	<u>67,933,355</u>

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed rate				
- Housing loans	253,292	279,506	109,092	120,847
- Hire purchase receivables	11,032,531	12,137,937	11,032,531	12,137,937
- Other fixed rate loans	6,369,570	5,411,233	6,369,570	5,411,233
Variable rate				
- Base rate and base lending rate plus	35,907,199	31,853,878	35,907,199	31,853,878
- Cost plus	13,611,676	13,788,707	13,697,529	13,877,319
- Other variable rates	5,047,353	4,532,141	5,047,353	4,532,141
	<u>72,221,621</u>	<u>68,003,402</u>	<u>72,163,274</u>	<u>67,933,355</u>

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Agriculture	1,635,457	1,602,895	1,635,457	1,602,895
Mining and quarrying	1,039,055	864,688	1,039,055	864,688
Manufacturing	7,802,012	6,502,898	7,802,012	6,502,898
Electricity, gas and water	306,570	847,981	306,570	847,981
Construction	3,416,194	2,860,344	3,416,194	2,860,344
Wholesale and retail trade and hotels and restaurants	5,214,788	4,635,523	5,214,788	4,635,523
Transport, storage and communication	1,309,669	1,145,419	1,309,669	1,145,419
Finance and insurance	1,316,011	1,563,370	1,401,864	1,651,982
Real estate	6,150,427	6,025,534	6,150,427	6,025,534
Business activities	1,570,314	1,232,608	1,570,314	1,232,608
Education and health	838,329	627,112	838,329	627,112
Household of which:	41,392,207	39,997,162	41,248,007	39,838,503
- Purchase of residential properties	23,680,763	21,523,361	23,536,563	21,364,702
- Purchase of transport vehicles	10,793,015	12,327,254	10,793,015	12,327,254
- Others	6,918,429	6,146,547	6,918,429	6,146,547
Others	230,588	97,868	230,588	97,868
	<u>72,221,621</u>	<u>68,003,402</u>	<u>72,163,274</u>	<u>67,933,355</u>

17. LOANS AND ADVANCES (CONT'D.)

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Maturing within one year	15,255,244	14,601,773	15,339,372	14,689,847
Over one year to three years	5,379,090	5,125,625	5,372,355	5,121,947
Over three years to five years	6,259,538	7,356,814	6,248,175	7,348,390
Over five years	45,327,749	40,919,190	45,203,372	40,773,171
	<u>72,221,621</u>	<u>68,003,402</u>	<u>72,163,274</u>	<u>67,933,355</u>

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Balance at beginning of the financial year	1,053,800	1,198,462	1,053,616	1,198,052
Impaired during the financial year	746,162	802,564	745,539	802,048
Reclassified as performing	(175,073)	(74,898)	(175,073)	(74,833)
Recoveries	(179,578)	(413,904)	(179,514)	(413,227)
Amount written off	(404,015)	(441,873)	(404,015)	(441,873)
Foreign exchange differences	5,146	(16,551)	5,146	(16,551)
Balance at end of the financial year	<u>1,046,442</u>	<u>1,053,800</u>	<u>1,045,699</u>	<u>1,053,616</u>
Gross impaired loans and advances as % of gross loans and advances	<u>1.45%</u>	<u>1.55%</u>	<u>1.45%</u>	<u>1.55%</u>
Loan loss coverage (including regulatory reserve)*	<u>119.1%</u>	<u>99.7%</u>	<u>119.2%</u>	<u>99.8%</u>

* Upon the adoption of MFRS 9 from 1 April 2018, loan loss allowance includes provision for commitment and contingencies for loan commitments and financial guarantees, which is presented under other liabilities in Note 31.

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
In Malaysia	988,218	994,850	987,475	994,666
Outside Malaysia	58,224	58,950	58,224	58,950
	<u>1,046,442</u>	<u>1,053,800</u>	<u>1,045,699</u>	<u>1,053,616</u>

17. LOANS AND ADVANCES (CONT'D.)

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Agriculture	549	265	549	265
Mining and quarrying	76,272	82,711	76,272	82,711
Manufacturing	142,342	81,147	142,342	81,147
Electricity, gas and water	140	110	140	110
Construction	19,824	37,226	19,824	37,226
Wholesale and retail trade and hotels and restaurants	45,787	28,054	45,787	28,054
Transport, storage and communication	7,074	8,966	7,074	8,966
Finance and insurance	-	-	-	-
Real estate	248,411	291,255	248,411	291,255
Business activities	9,689	8,097	9,689	8,097
Education and health	9,627	18,333	9,627	18,333
Household of which:	484,526	495,401	483,783	495,217
- Purchase of residential properties	319,784	282,769	319,041	282,585
- Purchase of transport vehicles	71,370	132,187	71,370	132,187
- Others	93,372	80,445	93,372	80,445
Others	2,201	2,235	2,201	2,235
	<u>1,046,442</u>	<u>1,053,800</u>	<u>1,045,699</u>	<u>1,053,616</u>

(i) Movements in allowances for ECL are as follows:

	Stage 1	Stage 2	Stage 3	Total
	12-Month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2019				
Group				
Balance at beginning of the financial year				
- as previously stated				681,652
- reclassification to Investment account placement (Notes 9 and 58(a))				(2,740)
- effects of adoption of MFRS 9 (Note 58(b)(ii))				311,358
Balance at beginning of the financial year, as restated	191,967	484,323	313,980	990,270
Changes due to loans and advances movements (Note 40):	2,233	(69,321)	371,061	303,973
- Transfer to Stage 1	9,379	(101,861)	(4,839)	(97,321)
- Transfer to Stage 2	(14,101)	137,437	(17,179)	106,157
- Transfer to Stage 3	(1,959)	(26,642)	157,421	128,820
New financial assets originated	52,015	111,818	7,465	171,298
Net remeasurement of allowances	(8,106)	(150,510)	284,595	125,979
Modification of contractual cash flows of financial assets	(1,111)	(730)	112	(1,729)
Financial assets derecognised	(33,884)	(38,833)	(56,514)	(129,231)
Foreign exchange differences	237	66	(3,014)	(2,711)
Amount written-off	-	-	(404,015)	(404,015)
Balance at end of the financial year	<u>194,437</u>	<u>415,068</u>	<u>278,012</u>	<u>887,517</u>

17. LOANS AND ADVANCES (CONT'D.)

(i) Movements in allowances for ECL are as follows (Cont'd.):

	Stage 1 12-Month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2019				
Bank				
Balance at beginning of the financial year				
- as previously stated				681,616
- reclassification to Investment account placement (Notes 9 and 58(a))				(2,740)
- effects of adoption of MFRS 9 (Note 58(b)(ii))				311,322
Balance at beginning of the financial year, as restated	191,967	484,292	313,939	990,198
Changes due to loans and advances movements (Note 40):	2,234	(69,297)	370,976	303,913
- Transfer to Stage 1	9,379	(101,861)	(4,839)	(97,321)
- Transfer to Stage 2	(14,101)	137,433	(17,179)	106,153
- Transfer to Stage 3	(1,958)	(26,625)	157,322	128,739
New financial assets originated	52,007	111,818	7,465	171,290
Net remeasurement of allowances	(8,101)	(150,508)	284,595	125,986
Modification of contractual cash flows of financial assets	(1,111)	(730)	112	(1,729)
Financial assets derecognised	(33,881)	(38,824)	(56,500)	(129,205)
Foreign exchange differences	239	63	(3,012)	(2,710)
Amount written-off	-	-	(404,015)	(404,015)
Balance at end of the financial year	194,440	415,058	277,888	887,386

The following explains how significant changes in the gross carrying amount of loans and advances during the financial year have contributed to the changes in the allowance for impairment on loans and advances for the Bank.

Overall, the total allowance for impairment on loans and advances for the Bank had increased due to the following:

- 12-month ECL (Stage 1) – increase of RM2,473,000 mainly due to newly originated loans and advances; partially offset by loans and advances derecognized and migrated into Stage 2.
- Lifetime ECL not credit-impaired (Stage 2) – decrease of RM69,234,000 mainly due to improvement in credit quality; partially offset by newly originated loans and advances that have deteriorated during the same financial year.
- Lifetime ECL credit-impaired (Stage 3) – decrease by RM36,051,000 mainly due to amounts written off and financial assets derecognised during the year. This is partially offset by net remeasurement of allowances.

17. LOANS AND ADVANCES (CONT'D.)

(j) Movements in allowances for impairment loans and advances in the prior year were as follows:

	Group and Bank	
	2018	
	RM'000	
Individual allowance		
Balance at beginning of the financial year		240,793
Charge for the financial year, net (Note 40)		76,158
Amount written off		(128,355)
Foreign exchange differences		(7,496)
Balance at end of the financial year		<u>181,100</u>
	Group	Bank
	2018	2018
	(Restated)	(Restated)
	(Notes 9	(Notes 9
	and 58(a))	and 58(a))
	RM'000	RM'000
Collective allowance		
Balance at beginning of the financial year		
- as previously stated	608,795	608,676
- reclassification to investment account placement (Notes 9 & 58(a))	(2,299)	(2,299)
Balance at beginning of the financial year, as restated	<u>606,496</u>	<u>606,377</u>
Charge for the financial year, net (Note 40)	206,681	206,764
Amount written off	(313,518)	(313,518)
Foreign exchange differences	(1,847)	(1,847)
Balance at end of the financial year	<u>497,812</u>	<u>497,776</u>
Collective allowance (including regulatory reserve) as % of gross loans and advances less individual allowance	<u>1.28%</u>	<u>1.28%</u>

18. RECEIVABLES: INVESTMENTS NOT QUOTED IN ACTIVE MARKETS

	Group and Bank	
	2019	2018
	(Note 58(b))	
	RM'000	RM'000
At amortised cost		
Corporate bonds in Malaysia	-	1,149,600

19. 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.

20. DEFERRED TAX ASSETS

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Balance at beginning of the financial year				
- as previously stated	42,835	(96,837)	42,813	(97,828)
- effects of adoption of MFRS 9 (Note 58(b)(ii))	(21,336)	-	(21,336)	-
Balance at beginning of the financial year, as restated	21,499	(96,837)	21,477	(97,828)
Recognised in statements of profit or loss (Note 43)	15,836	136,203	15,904	137,129
Recognised in other comprehensive income	(4,678)	3,469	(4,771)	3,512
Balance at end of the financial year	32,657	42,835	32,610	42,813

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	
	2019	2018	2018	2018
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	32,657	42,835	32,610	42,813
	<u>32,657</u>	<u>42,835</u>	<u>32,610</u>	<u>42,813</u>

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

Deferred tax assets	105,234	98,765	105,234	98,792
Deferred tax liabilities	(72,577)	(55,930)	(72,624)	(55,979)
	<u>32,657</u>	<u>42,835</u>	<u>32,610</u>	<u>42,813</u>

20. DEFERRED TAX ASSETS (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	Effects of adoption of MFRS 9	Balance at beginning of the financial year, as restated	Recognised in statement of profit or loss	Recognised in other comprehensive income	Balance at end of the financial year
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred tax assets						
2019						
Provision for expenses	62,056	-	62,056	15,093	-	77,149
Provision for commitments and contingencies	13,684	(13,585)	69	12,829	-	12,898
Available-for-sale reserve	7,380	(7,380)	-	-	-	-
Other temporary differences	15,675	-	15,675	(488)	-	15,187
	<u>98,765</u>	<u>(20,965)</u>	<u>77,800</u>	<u>27,434</u>	-	<u>105,234</u>
2018						
Allowance for impairment of foreclosed properties	3,152	-	3,152	(3,152)	-	-
Provision for expenses	67,600	-	67,600	(5,544)	-	62,056
Provision for commitments and contingencies	13,181	-	13,181	473	-	13,654
Available-for-sale deficit	3,859	-	3,859	-	3,521	7,380
Other temporary differences	13,407	-	13,407	2,268	-	15,675
	<u>101,199</u>	-	<u>101,199</u>	<u>(5,955)</u>	<u>3,521</u>	<u>98,765</u>
Deferred tax liabilities						
2019						
Deferred charges	(25,216)	-	(25,216)	(197)	-	(25,413)
Excess of capital allowance over depreciation	(29,431)	-	(29,431)	(442)	-	(29,873)
Allowances for ECL	-	-	-	(10,846)	-	(10,846)
Unrealised foreign exchange gain	(280)	-	(280)	(113)	-	(393)
Fair value reserve	(1,003)	(371)	(371)	-	(9,494)	(9,865)
Cash flow hedging reserve	(55,930)	(371)	(1,003)	-	4,816	3,813
	<u>(55,930)</u>	<u>(371)</u>	<u>(56,301)</u>	<u>(11,598)</u>	<u>(4,678)</u>	<u>(72,577)</u>
2018						
Deferred charges	(16,885)	-	(16,885)	(8,331)	-	(25,216)
Excess of capital allowance over depreciation	(41,996)	-	(41,996)	12,565	-	(29,431)
Unrealised foreign exchange gain	(138,204)	-	(138,204)	137,924	-	(280)
Cash flow hedging deficit	(951)	-	(951)	-	(52)	(1,003)
	<u>(198,036)</u>	-	<u>(198,036)</u>	<u>142,158</u>	<u>(52)</u>	<u>(55,930)</u>

20. DEFERRED TAX ASSETS (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	Effects of adoption of MFRS 9 (Note 8(b))	Balance at beginning of the financial year, as restated (Note 58(b))	Recognised in statement of profit or loss	Recognised in other comprehensive income	Balance at end of the financial year
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred tax assets						
2019						
Provision for expenses	62,036	-	62,036	15,115	-	77,151
Provision for commitments and contingencies	13,654	(13,585)	69	12,827	-	12,896
Available-for-sale reserve	7,427	(7,427)	-	-	-	-
Other temporary differences	15,675	-	15,675	(488)	-	15,187
	<u>98,792</u>	<u>(21,012)</u>	<u>77,780</u>	<u>27,454</u>	<u>-</u>	<u>105,234</u>
2018						
Allowance for impairment of foreclosed properties	3,152	-	3,152	(3,152)	-	-
Provision for expenses	65,155	-	65,155	(3,119)	-	62,036
Provision for commitments and contingencies	13,181	-	13,181	473	-	13,654
Available-for-sale deficit	3,863	-	3,863	-	3,564	7,427
Other temporary differences	13,424	-	13,424	2,251	-	15,675
	<u>98,775</u>	<u>-</u>	<u>98,775</u>	<u>(3,547)</u>	<u>3,564</u>	<u>96,792</u>
Deferred tax liabilities						
2019						
Deferred charges	(25,217)	-	(25,217)	(197)	-	(25,414)
Excess of capital allowance over depreciation	(29,479)	-	(29,479)	(394)	-	(29,873)
Allowances for ECL	-	-	-	(10,846)	-	(10,846)
Unrealised foreign exchange gain	(280)	-	(280)	(113)	-	(393)
Fair value reserve	-	(324)	(324)	-	(9,587)	(9,911)
Cash flow hedging deficit	(1,003)	-	(1,003)	-	4,816	3,813
	<u>(55,979)</u>	<u>(324)</u>	<u>(56,303)</u>	<u>(11,550)</u>	<u>(4,771)</u>	<u>(72,624)</u>
2018						
Deferred charges	(16,886)	-	(16,886)	(8,331)	-	(25,217)
Excess of capital allowance over depreciation	(40,562)	-	(40,562)	11,083	-	(29,479)
Unrealised foreign exchange gain	(138,204)	-	(138,204)	137,924	-	(280)
Cash flow hedging deficit	(951)	-	(951)	-	(52)	(1,003)
	<u>(196,603)</u>	<u>-</u>	<u>(196,603)</u>	<u>140,676</u>	<u>(52)</u>	<u>(55,979)</u>

As at 31 March 2019, the Group and the Bank respectively, have unabsorbed capital allowances of approximately RM451,273,000 and RM165,304,000 (2018: RM453,086,000 and RM167,117,000 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.

21. INVESTMENT IN SUBSIDIARIES

	Bank	
	2019 RM'000	2018 RM'000
Unquoted shares, at cost	98,796	98,796
Less: Accumulated impairment losses	<u>(67,304)</u>	<u>(67,261)</u>
	<u>31,492</u>	<u>31,535</u>

All subsidiaries are incorporated in Malaysia.

a) Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Effective equity interest	
		2019 %	2018 %
AmCard Services Berhad	Outsourcing service for mortgage related services	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
Bougainvillaea Development Sdn Bhd	Property investment	100.0	100.0
MBf Information Services Sdn Bhd	Property investment	100.0	100.0
MBf Trustees Berhad *	Dormant	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
Malco Properties Sdn Bhd	Dormant	81.5	81.5
AmLabuan Holdings (L) Ltd @	Investment holding	100.0	100.0
AMBB Capital (L) Ltd @ #	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 22).

@ Incorporated under the Labuan Companies Act 1990.

Subsidiary under member's voluntary liquidation.

b) 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.

c) Transactions subsequent to the financial year:

Dissolution of a wholly-owned dormant subsidiary

The Bank's wholly-owned subsidiary, AMBB Capital (L) Ltd (incorporated in Labuan), has been dissolved by way of member's voluntary liquidation pursuant to Section 439(1)(b) of the Companies Act 2016 on 8 April 2019. As the subsidiary was dormant, there was no significant impact on the Group's statement of profit or loss or statement of financial position arising from the dissolution.

d) The subsidiaries which are not wholly-owned are not material individually or in aggregate to the financial position or performance of the Group. Hence the disclosure requirements under MFRS12 *Disclosure of Interest in Other Entities* paragraph 12 were not presented.

22. INVESTMENT IN AN ASSOCIATE

	Bank	
	2019 RM'000	2018 RM'000
Unquoted shares, at cost	50	50
Less: Accumulated impairment losses	(28)	(28)
	22	22

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

Name of associate	Principal activity	Bank	
		Effective equity interest 2019 %	2018 %
MBf Trustees Berhad	Dormant	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 21).

23. OTHER ASSETS

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other receivables, deposits and prepayments	(a)	268,257	525,519	266,762	523,806
Interest receivable	(a)	347,112	237,745	347,115	237,754
Amount due from subsidiaries and related companies	(b)	52,071	31,959	53,211	35,087
Collateral pledged for derivative transactions	55	386,679	247,839	386,679	247,839
Foreclosed properties	(c)	2,596	4,497	2,289	4,190
Deferred charges	(d)	109,389	116,234	109,389	116,234
Tax recoverable	(e)	12,995	133,852	4,213	125,087
		1,179,099	1,297,645	1,169,658	1,289,997
Less: Accumulated impairment losses		(3,980)	(19,687)	(3,521)	(19,141)
		1,175,119	1,277,958	1,166,137	1,270,856

23. OTHER ASSETS (CONT'D.)

- (a) As at 31 March 2019, the impairment losses for other receivables, deposits and prepayments of the Group and the Bank are RM3,823,000 (2018: RM18,809,000) and RM3,521,000 (2018: RM18,420,000) respectively.

No impairment losses for interest receivable of the Group and the Bank as at 31 March 2019 (2018: RM721,000).

The movements in accumulated impairment losses of other receivables, deposits and prepayments, including interest receivable are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Balance at beginning of the financial year	19,530	35,323	19,141	22,913
Impairment (writeback)/loss during the financial year, net	(350)	8,794	(350)	8,794
Amount written off	(15,357)	(24,587)	(15,270)	(12,566)
Balance at end of the financial year	<u>3,823</u>	<u>19,530</u>	<u>3,521</u>	<u>19,141</u>

- (b) Amounts due from subsidiaries and related companies are unsecured, non-interest bearing and are repayable on demand.
- (c) The movement in accumulated impairment losses on foreclosed properties is as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Balance at beginning of the financial year	157	13,291	-	13,134
Impairment loss during the financial year	-	35	-	35
Disposal	-	(13,169)	-	(13,169)
Balance at end of the financial year	<u>157</u>	<u>157</u>	<u>-</u>	<u>-</u>

- (d) Deferred charges represent prepaid expenses for handling fees as well as marketing promotion expenses relating to loan and advances.
- (e) In the financial year ended 31 March 2015, 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. The tax paid of approximately RM203,500,700 was recognised in the financial year ended 31 March 2015 as tax recoverable as the Bank was of the opinion that it has strong grounds to succeed in its appeals. The Bank was successful in its appeals for the majority of the tax matters under dispute and had since received a full refund from the IRB for years of assessment 2008 and 2009.

24. PROPERTY AND EQUIPMENT

2019 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	321	37,074	159,443	159,410	346,023	4,922	1,548	722,707
Additions	-	-	-	-	11,783	4,004	4,789	-	7,282	27,858
Transfer from related companies, net	-	-	-	-	-	23	21	-	-	44
Disposals	-	-	-	(734)	(70)	(1,036)	(7,260)	(392)	-	(9,492)
Written off	-	-	-	-	(8)	(1,249)	(6)	-	-	(1,263)
Reclassification/Adjustments	-	-	-	-	(66)	(71)	4,304	-	(1,702)	2,465
Foreign exchange differences	-	-	-	28	-	94	18	9	-	149
At end of the financial year	8,989	4,977	321	36,368	171,082	161,175	347,889	4,539	7,128	742,468
Accumulated depreciation										
At beginning of the financial year	-	1,872	226	16,515	143,906	134,220	292,043	3,261	-	592,043
Depreciation charge for the financial year (Note 38)	-	91	8	714	7,405	9,983	18,423	181	-	36,805
Transfer from related companies, net	-	-	-	-	-	5	8	-	-	13
Disposals	-	-	-	(299)	(70)	(1,021)	(7,258)	(319)	-	(8,967)
Written off	-	-	-	-	(8)	(1,189)	(5)	-	-	(1,202)
Reclassification/Adjustments	-	-	-	-	-	-	128	-	-	128
Foreign exchange differences	-	-	-	13	-	93	18	9	-	133
At end of the financial year	-	1,963	234	16,943	151,233	142,091	303,357	3,132	-	618,953
Accumulated impairment losses										
At beginning and end of the financial year	-	254	-	886	-	-	-	-	-	1,140
Carrying amount										
At end of the financial year	8,989	2,760	87	18,539	19,849	19,084	44,532	1,407	7,128	122,375

24. PROPERTY AND EQUIPMENT (CONT'D.)

2018 Group	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
Cost										
At beginning of the financial year	8,989	4,977	534	39,334	152,842	172,027	357,288	7,352	13,426	756,769
Additions	-	-	-	-	6,582	2,226	10,345	-	1,882	21,035
Transfer to related companies, net	-	-	-	-	(55)	(30)	-	-	-	(85)
Disposals	-	-	(213)	(2,188)	(1)	(184)	(25,425)	(2,406)	-	(30,419)
Written off	-	-	-	-	(1,454)	(14,381)	(6,802)	-	-	(22,637)
Reclassification/Adjustments	-	-	-	-	1,529	(10)	10,663	-	(13,760)	(1,578)
Foreign exchange differences	-	-	-	(72)	-	(238)	(46)	(22)	-	(378)
At end of the financial year	8,989	4,977	321	37,074	159,443	159,410	346,023	4,922	1,548	722,707
Accumulated depreciation										
At beginning of the financial year	-	1,781	309	17,404	136,414	137,435	295,359	4,768	-	593,470
Depreciation charge for the financial year (Note 38)	-	91	8	746	8,665	11,551	28,772	209	-	50,042
Transfer to related companies, net	-	-	-	-	(48)	(29)	-	-	-	(77)
Disposals	-	-	(97)	(1,607)	(1)	(171)	(25,417)	(1,694)	-	(28,987)
Written off	-	-	-	-	(1,121)	(14,320)	(6,732)	-	-	(22,173)
Reclassification/Adjustments	-	-	6	3	(3)	(11)	107	-	-	102
Foreign exchange differences	-	-	-	(31)	-	(235)	(46)	(22)	-	(334)
At end of the financial year	-	1,872	226	16,515	143,906	134,220	292,043	3,261	-	592,043
Accumulated impairment losses										
At beginning of the financial year	-	254	-	886	700	-	-	-	-	1,840
Written off	-	-	-	-	(332)	-	-	-	-	(332)
Reversal	-	-	-	-	(368)	-	-	-	-	(368)
At end of the financial year	-	254	-	886	-	-	-	-	-	1,140
Carrying amount										
At end of the financial year	8,989	2,851	95	19,673	15,537	25,190	53,980	1,661	1,548	129,524

24. PROPERTY AND EQUIPMENT (CONT'D.)

	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
2019										
Bank										
Cost										
At beginning of the financial year	90	3,806	303	16,663	158,799	157,720	345,707	4,767	1,547	689,402
Additions	-	-	-	-	11,783	3,999	4,789	-	7,282	27,853
Transfer from related companies, net	-	-	-	-	-	23	21	-	-	44
Disposals	-	-	-	-	(70)	(967)	(7,260)	(392)	-	(8,689)
Written off	-	-	-	-	(8)	(1,244)	(5)	-	-	(1,257)
Reclassification/Adjustments	-	-	-	-	(67)	(71)	4,304	-	(1,702)	2,464
At end of the financial year	90	3,806	303	16,663	170,437	159,460	347,556	4,375	7,127	709,817
Accumulated depreciation										
At beginning of the financial year	-	1,519	187	6,668	143,766	132,537	291,725	3,106	-	579,508
Depreciation charge for the financial year (Note 38)	-	76	3	330	7,283	9,976	18,423	181	-	36,272
Transfer from related companies, net	-	-	-	-	-	5	8	-	-	13
Disposals	-	-	-	-	(70)	(952)	(7,258)	(319)	-	(8,599)
Written off	-	-	-	-	(8)	(1,183)	(5)	-	-	(1,196)
Reclassification/Adjustments	-	-	-	-	(8)	-	128	-	-	128
At end of the financial year	-	1,595	190	6,998	150,971	140,363	303,021	2,968	-	606,126
Accumulated impairment losses										
At beginning and end of the financial year	-	254	-	886	-	-	-	-	-	1,140
Carrying amount										
At end of the financial year	90	1,957	113	8,779	19,466	19,077	44,535	1,407	7,127	102,551

24. PROPERTY AND EQUIPMENT (CONT'D.)

2018 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
Cost										
At beginning of the financial year	90	3,806	303	16,663	152,806	170,083	356,908	7,175	13,426	721,260
Additions	-	-	-	-	5,973	2,226	10,345	-	1,882	20,426
Transfer to related companies, net	-	-	-	-	(55)	(24)	2	-	-	(77)
Disposals	-	-	-	-	(1)	(184)	(25,425)	(2,408)	-	(28,018)
Written off	-	-	-	-	(1,454)	(14,381)	(6,802)	-	-	(22,637)
Reclassification/Adjustments	-	-	-	-	1,530	-	10,679	-	(13,761)	(1,552)
At end of the financial year	90	3,806	303	16,663	158,799	157,720	345,707	4,767	1,547	689,402
Accumulated depreciation										
At beginning of the financial year	-	1,443	184	6,338	136,376	135,516	294,985	4,591	-	579,433
Depreciation charge for the financial year (Note 38)	-	76	3	330	8,560	11,541	28,770	209	-	49,489
Transfer to related companies, net	-	-	-	-	(48)	(29)	-	-	-	(77)
Disposals	-	-	-	-	(1)	(171)	(25,417)	(1,694)	-	(27,283)
Written off	-	-	-	-	(1,121)	(14,320)	(6,732)	-	-	(22,173)
Reclassification/Adjustments	-	-	-	-	-	-	119	-	-	119
At end of the financial year	-	1,519	187	6,668	143,766	132,537	291,725	3,106	-	579,508
Accumulated impairment losses										
At beginning of the financial year	-	254	-	886	700	-	-	-	-	1,840
Written off	-	-	-	-	(332)	-	-	-	-	(332)
Reversal	-	-	-	-	(368)	-	-	-	-	(368)
At end of the financial year	-	254	-	886	-	-	-	-	-	1,140
Carrying amount										
At end of the financial year	90	2,033	116	9,109	15,033	25,183	53,982	1,661	1,547	108,754

25. INTANGIBLE ASSETS

Group	Computer software RM'000	Work-in- progress RM'000	Total RM'000
2019			
Cost			
At beginning of the financial year	1,104,592	64,231	1,168,823
Additions	20,075	57,739	77,814
Transfer from related companies, net	4	-	4
Written off	-	(74)	(74)
Reclassification/Adjustments	61,364	(80,678)	(19,314)
Foreign exchange differences	3	-	3
At end of the financial year	<u>1,186,038</u>	<u>41,218</u>	<u>1,227,256</u>
Accumulated amortisation			
At beginning of the financial year	768,447	-	768,447
Amortisation for the financial year (Note 38)	90,282	-	90,282
Reclassification/Adjustments	(128)	-	(128)
Transfer to related companies, net	(2)	-	(2)
Foreign exchange differences	3	-	3
At end of the financial year	<u>858,602</u>	<u>-</u>	<u>858,602</u>
Carrying amount			
At end of the financial year	<u>327,436</u>	<u>41,218</u>	<u>368,654</u>
2018			
Cost			
At beginning of the financial year	1,023,999	80,935	1,104,934
Additions	18,521	63,704	82,225
Transfer from related companies, net	2	-	2
Written off	(15,229)	(127)	(15,356)
Reclassification/Adjustments	77,307	(80,281)	(2,974)
Foreign exchange differences	(8)	-	(8)
At end of the financial year	<u>1,104,592</u>	<u>64,231</u>	<u>1,168,823</u>
Accumulated amortisation			
At beginning of the financial year	698,428	-	698,428
Amortisation for the financial year (Note 38)	85,244	-	85,244
Written off	(15,094)	-	(15,094)
Reclassification/Adjustments	(123)	-	(123)
Foreign exchange differences	(8)	-	(8)
At end of the financial year	<u>768,447</u>	<u>-</u>	<u>768,447</u>
Carrying amount			
At end of the financial year	<u>336,145</u>	<u>64,231</u>	<u>400,376</u>

25. INTANGIBLE ASSETS (CONT'D.)

	Computer software RM'000	Work-in- progress RM'000	Total RM'000
Bank			
2019			
Cost			
At beginning of the financial year	1,104,541	64,231	1,168,772
Additions	20,075	57,739	77,814
Transfer from related companies, net	4	-	4
Written off	-	(74)	(74)
Reclassification/Adjustments	61,364	(80,678)	(19,314)
At end of the financial year	<u>1,185,984</u>	<u>41,218</u>	<u>1,227,202</u>
Accumulated amortisation			
At beginning of the financial year	768,396	-	768,396
Amortisation for the financial year (Note 38)	90,282	-	90,282
Transfer to related companies, net	(2)	-	(2)
Reclassification/Adjustments	(128)	-	(128)
At end of the financial year	<u>858,548</u>	<u>-</u>	<u>858,548</u>
Carrying amount			
At end of the financial year	<u>327,436</u>	<u>41,218</u>	<u>368,654</u>
2018			
Cost			
At beginning of the financial year	1,023,934	80,935	1,104,869
Additions	18,521	63,704	82,225
Transfer from related companies, net	2	-	2
Written off	(15,229)	(127)	(15,356)
Reclassification/Adjustments	77,313	(80,281)	(2,968)
At end of the financial year	<u>1,104,541</u>	<u>64,231</u>	<u>1,168,772</u>
Accumulated amortisation			
At beginning of the financial year	698,365	-	698,365
Amortisation for the financial year (Note 38)	85,244	-	85,244
Written off	(15,094)	-	(15,094)
Reclassification/Adjustments	(119)	-	(119)
At end of the financial year	<u>768,396</u>	<u>-</u>	<u>768,396</u>
Carrying amount			
At end of the financial year	<u>336,145</u>	<u>64,231</u>	<u>400,376</u>

26. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Demand deposits	12,671,394	10,433,073	12,673,943	10,435,202
Savings deposits	3,390,134	3,304,968	3,390,134	3,304,968
Term/Investment deposits	56,875,971	55,115,487	56,877,919	55,117,061
Negotiable instruments of deposits	3,011,821	900,000	3,011,821	900,000
	<u>75,949,320</u>	<u>69,753,528</u>	<u>75,953,817</u>	<u>69,757,231</u>

Included in deposits from customers of the Group and the Bank are deposits of RM1,558,424,000 (2018: RM1,460,695,000 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Government and other statutory bodies	886,663	1,928,246	886,663	1,928,246
Business enterprises	33,282,772	32,553,376	33,287,269	32,557,079
Individuals	35,449,908	32,110,042	35,449,908	32,110,042
Others	6,329,977	3,161,864	6,329,977	3,161,864
	<u>75,949,320</u>	<u>69,753,528</u>	<u>75,953,817</u>	<u>69,757,231</u>

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Due within six months	44,417,743	37,958,354	44,419,691	37,959,927
Over six months to one year	13,766,032	16,058,089	13,766,032	16,058,089
Over one year to three years	1,217,031	1,214,097	1,217,031	1,214,097
Over three years to five years	486,986	784,947	486,986	784,948
	<u>59,887,792</u>	<u>56,015,487</u>	<u>59,889,740</u>	<u>56,017,061</u>

27. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Licensed banks	3,941,099	1,260,015	3,941,099	1,260,015
Licensed investment banks	170,208	541,513	170,208	541,513
Other financial institutions	1,149,061	1,099,410	1,160,424	1,111,509
Bank Negara Malaysia	119,205	20,573	119,205	20,573
	<u>5,379,573</u>	<u>2,921,511</u>	<u>5,390,936</u>	<u>2,933,610</u>

28. 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 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.

The Group and the Bank had previously undertaken a fair value hedge on the interest rate risk of the loans sold directly to Cagamas Berhad but the hedge was terminated in prior years.

The fair value gain previously recognised was fully amortised as at 31 March 2018 and the amortisation for the financial year ended 31 March 2018 was RM1,272,000.

29. TERM FUNDING

	Note	Group and Bank	
		2019 RM'000	2018 RM'000
Senior Notes	(a)	2,333,203	2,541,957
Credit-Linked Notes	(b)	139,791	138,259
Other borrowings	(c)	81,533	68,604
		<u>2,554,527</u>	<u>2,748,820</u>
 (a) Senior Notes comprise of the following:			
Senior Notes	(i)	700,000	1,000,000
Euro Medium Term Note (Net of unamortised issuance expenses of 2019: RM560,000; 2018: RM2,198,000)	(ii)	<u>1,633,203</u>	<u>1,541,957</u>
		<u>2,333,203</u>	<u>2,541,957</u>

29. TERM FUNDING (CONT'D.)

(a) Senior Notes comprise of the following (Cont'd.):

(i) Senior Notes

The movements in Senior Notes are as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
Balance at beginning of the financial year	1,000,000	2,024,965
Repayment during the financial year	(1,000,000)	(1,025,000)
Issuance during the financial year	700,000	-
Amortisation of premium	-	35
Balance at end of the financial year	<u>700,000</u>	<u>1,000,000</u>

The Senior Notes issued by the Bank is under a Senior Notes Programme ("SNP") of up to RM7.0 billion nominal value. The proceeds from the issuance of the Senior Notes are 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 Tranche 5 and Tranche 6 of the Senior Notes with nominal value of RM400.0 million and RM600.0 million respectively and issued Tranche 7 of the Senior Notes with nominal value of RM700.0 million. The Senior Notes issued, which remain outstanding as at reporting date, have a fixed interest rate of 4.50% per annum (2018: 4.30% to 4.40% per annum) and are payable semi-annually. The Senior Notes outstanding are repayable within 1 year and 3 months (2018: 1 year).

(ii) Euro Medium Term Note

The movements in Euro Medium Term Note are as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
Balance at beginning of the financial year	1,541,957	1,763,309
Foreign exchange differences	88,580	(224,000)
Amortisation of issuance expenses	1,638	1,588
Amortisation of premium	1,028	1,060
Balance at end of the financial year	<u>1,633,203</u>	<u>1,541,957</u>

On 3 July 2014, the Bank issued USD400.0 million Senior Notes under its USD2.0 billion Euro Medium Term Note Programme ("EMTNP") in nominal value (or its equivalent in other currencies). 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 A3 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.

29. TERM FUNDING (CONTD.)

(b) The movements in Credit-Linked Notes ("CLNs") are as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
Balance at beginning of the financial year	138,259	136,769
Amortisation of premium	1,532	1,490
Balance at end of the financial year	<u>139,791</u>	<u>138,259</u>

The 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 RM150.0 million (2018: RM150.0 million). The CLNs carry a fixed interest rate at 4.0% per annum (2018: 4.0%) and will mature on 14 September 2021.

(c) Other borrowings comprise of the the following:

		Group and Bank	
		2019	2018
	Note	RM'000	RM'000
Term loans and revolving credit	(i)	-	-
Structured deposit	(ii)	81,533	68,604
		<u>81,533</u>	<u>68,604</u>

(i) Term loans and revolving credit

The movement is as follows:

	Group and Bank
	2018
	RM'000
Balance at beginning of the financial year	221,150
Foreign exchange differences	(7,300)
Repayment during the financial year	<u>(213,850)</u>
Balance at end of the financial year	<u>-</u>

(ii) Structured deposit

This includes non-principal guaranteed deposit placed by customers and structured products that are only principal guaranteed on maturity. The structured products include investment products with an embedded derivative, where the embedded derivative is normally linked to the performance of an underlying asset such as interest rates, equities, commodities and foreign currency rates. Upon maturity, the customer will receive either cash payment or pre-determined units of the underlying asset. The structured products will mature from 1 month to 2 years (2018: 1 month to 2 years).

The movement is as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
Balance at beginning of the financial year	68,604	83,749
Net issuance/(redemption) during the financial year	11,887	(16,140)
Amortisation of premium	1,042	995
Balance at end of the financial year	<u>81,533</u>	<u>68,604</u>

30. DEBT CAPITAL

	Note	Group and Bank	
		2019 RM'000	2018 RM'000
Medium Term Notes	(a)	-	600,000
Non-Innovative Tier 1 Capital Securities	(b)	-	500,000
Innovative Tier 1 Capital Securities	(c)	485,000	485,000
Subordinated notes (net of unamortised issuance costs for 2019: Nil, 2018: RM129,000)	(d)	<u>2,595,000</u>	<u>1,994,871</u>
		<u>3,080,000</u>	<u>3,579,871</u>

(a) Medium Term Notes

The movements in Medium Term Notes are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Balance at beginning of the financial year	600,000	1,310,000
Repayment during the financial year	<u>(600,000)</u>	<u>(710,000)</u>
Balance at end of the financial year	<u>-</u>	<u>600,000</u>

In the financial year ended 31 March 2008, the Bank implemented a RM2.0 billion nominal value Medium Term Notes Programme ("MTN Programme") whereby the proceeds raised from the MTN Programme have 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 were 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.

On its first call date on 9 April 2018, Tranche 6 amounting to RM600.0 million, which was issued on 9 April 2008 with a tenure of 15 years Non-Callable of 10 years, bears interest at 6.25% per annum (step up by 0.5% per annum after its first call date) has been fully redeemed by the Bank.

30. DEBT CAPITAL (CONT'D.)**(b) Non-Innovative Tier 1 Capital Securities**

The movements in Non-Innovative Tier 1 Capital Securities are as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
Balance at beginning of the financial year	500,000	500,000
Repayment during the financial year	(500,000)	-
Balance at end of the financial year	<u>-</u>	<u>500,000</u>

In the financial year ended 31 March 2009, the Bank issued RM500.0 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 have 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.

On its first call date of 27 February 2019 and 6 March 2019, the Bank fully redeemed Tranche 1 and Tranche 2 of the Non-Innovative Tier 1 Capital Securities with nominal amount of RM200.0 million and RM300.0 million respectively. The programme was cancelled after the redemption.

(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.

30. DEBT CAPITAL (CONT'D.)

(d) Subordinated notes

The movements in Subordinated Notes are as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
Balance at beginning of the financial year	1,994,871	899,706
Amortisation of issuance expenses	129	165
Repayment during the financial year	(400,000)	-
Issuance during the financial year	1,000,000	1,095,000
Balance at end of the financial year	<u>2,595,000</u>	<u>1,994,871</u>

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 spell 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").

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

- (i) Tranche 1 amounting to RM400.0 million was issued on 30 December 2013 with a tenure of 10 years (callable in 5th year). The interest rate is 5.20%, payable on a half-yearly basis. The Tranche 1 was fully redeemed on its first call date on 31 December 2018.
- (ii) Tranche 2 amounting to RM500.0 million was issued on 15 March 2017 with a tenure of 10 years (callable in 5th year). The interest rate is 5.20%, payable on a half-yearly basis.
- (iii) Tranche 3 amounting to RM570.0 million was issued on 16 October 2017 with a tenure of 10 years (callable in 5th year). The interest rate is 4.90%, payable on a half-yearly basis.
- (iv) Tranche 4 amounting to RM175.0 million was issued on 23 February 2018 with a tenure of 10 years (callable in 5th year). The interest rate is 5.23%, payable on a half-yearly basis.
- (v) Tranche 5 amounting to RM350.0 million was issued on 14 March 2018 with a tenure of 10 years (callable in 5th year). The interest rate is 5.23%, payable on a half-yearly basis.
- (v) Tranche 6 amounting to RM1.0 billion was issued on 15 November 2018 with a tenure of 10 years (callable in 5th year). The interest rate is 4.98%, payable on a half-yearly basis.

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

31. OTHER LIABILITIES

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other payables and accruals		1,215,736	987,218	1,203,985	975,931
Interest payable		743,818	643,071	743,820	643,076
Amount due to holding company and other related companies		238,412	139,204	238,412	139,204
Collateral received for derivative transactions	55	140,104	270,412	140,104	270,412
Lease deposits and advance rentals		28,270	16,262	28,270	16,262
Provision for commitments and contingencies	(a)	-	61,434	-	61,480
- loan commitments and financial guarantees		-	61,434	-	61,480
- others		54,514	280	54,014	280
Allowances for ECL on loan commitments and financial guarantees	(b)	78,520	-	78,552	-
Provision for taxation		1,033	31	1,033	20
Deferred income		65,560	67,116	65,560	67,116
		<u>2,565,967</u>	<u>2,185,028</u>	<u>2,553,750</u>	<u>2,173,781</u>

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

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Balance at beginning of the financial year				
- as previously stated	61,714	62,585	61,760	62,620
- effects of adoption of MFRS 9 (Note 58(b)(ii))	(61,434)	-	(61,480)	-
Balance at beginning of the financial year, as restated	280	62,585	280	62,620
Charge during the financial year	720	1,179	220	1,190
Provision taken up under impaired loans and advances recovered*	53,514	-	53,514	-
Foreign exchange differences	-	(2,050)	-	(2,050)
Balance at end of the financial year	<u>54,514</u>	<u>61,714</u>	<u>54,014</u>	<u>61,760</u>

* Arising from the disposal of non-performing loans, the Bank had set aside provision to cover the expenditure required to settle any put-back by the purchaser of the disposed non-performing loans (refer Note 57(b)).

31. OTHER LIABILITIES (CONT'D.)

- (b) Movements in allowances for ECL on loan commitments and financial guarantees which reflect the ECL model on impairment are as follows:

	Stage 1 12-Month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2019 Group				
Balance at beginning of the financial year				
- as previously stated				61,434
- effects of adoption of MFRS 9 (Note 58(b)(ii))				28,066
Balance at beginning of the financial year, as restated	49,253	40,039	208	89,500
Changes due to loan commitments and financial guarantees movements:	(7,790)	(13,942)	10,683	(11,049)
- Transfer to 12 month ECL (Stage 1)	1,147	(12,295)	-	(11,148)
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,704)	8,535	-	6,831
- Transfer to Lifetime ECL credit impaired (Stage 3)	(91)	(132)	10,893	10,670
New financial instruments originated	15,925	9,732	-	25,657
Net remeasurement of allowances	(8,359)	(9,117)	(210)	(17,686)
Financial assets derecognised	(14,708)	(10,665)	-	(25,373)
Foreign exchange differences	106	(39)	2	69
Balance at end of the financial year	41,569	26,058	10,893	78,520
Bank				
Balance at beginning of the financial year				
- as previously stated				61,480
- effects of adoption of MFRS 9 (Note 58(b)(ii))				28,053
Balance at beginning of the financial year, as restated	49,286	40,039	208	89,533
Changes due to loan commitments and financial guarantees movements:	(7,792)	(13,942)	10,683	(11,051)
- Transfer to 12 month ECL (Stage 1)	1,147	(12,295)	-	(11,148)
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,704)	8,535	-	6,831
- Transfer to Lifetime ECL credit impaired (Stage 3)	(91)	(132)	10,893	10,670
New financial instruments originated	15,925	9,732	-	25,657
Net remeasurement of allowances	(8,361)	(9,117)	(210)	(17,688)
Financial assets derecognised	(14,708)	(10,665)	-	(25,373)
Foreign exchange differences	108	(39)	1	70
Balance at end of the financial year	41,602	26,058	10,892	78,552

The movements in allowances for ECL during the current financial year are due to the following:

- Overall ECL for Stage 1 decreased due to reduction in exposure;
- Overall ECL for Stage 2 decreased due to on going improvement in managing the portfolio performance coupled with net reduction in exposure as a result of new drawdown; and
- ECL for Stage 3 increased for a corporate customer that turned impaired during the year.

32. SHARE CAPITAL

	Number of ordinary shares			
	Group and Bank		Group and Bank	
	2019	2018	2019	2018
	Units'000	Units'000	RM'000	RM'000
Issued and fully paid				
Balance at beginning of the financial year	820,364	820,364	1,763,208	1,763,208
Issuance of ordinary shares	16,489	-	177,257	-
Balance at end of the financial year	<u>836,853</u>	<u>820,364</u>	<u>1,940,465</u>	<u>1,763,208</u>

On 28 June 2018, the Bank increased its issued and paid-up ordinary share capital by RM177.3 million through the issuance of 16,489,024 new ordinary shares at an issue price of RM10.75 per ordinary share. The new ordinary shares issued during the current financial year rank pari passu in all respects with the existing ordinary shares of the Bank.

33. RESERVES

	Note	Group		Bank	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Regulatory reserve	(a)	280,556	372,133	280,556	372,133
Merger reserve	(b)	104,149	104,149	-	-
Fair value reserve	(c)	245,666	-	245,836	-
Available-for-sale deficit	(d)	-	(23,387)	-	(23,518)
Cash flow hedging (deficit)/reserve	(e)	(12,074)	3,174	(12,074)	3,174
Foreign currency translation reserve	(f)	81,246	49,075	85,109	52,974
Retained earnings	(g)	6,957,622	6,841,531	7,014,840	6,700,583
		<u>7,657,165</u>	<u>7,146,675</u>	<u>7,614,267</u>	<u>7,105,346</u>

- (a) 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.
- (b) 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.
- (c) The fair value reserve comprises fair value gains (net of fair value losses) on financial investments measured at FVOCI. In addition, the loss allowance arising from the recognition of expected credit losses on financial investments measured at FVOCI are accumulated in fair value reserve instead of reducing the carrying amount of the assets. Before the adoption of MFRS 9, the fair value gains/(losses) on financial investments measured at FVOCI was taken up in available-for-sale reserve/(deficit).
- (d) Available-for-sale deficit represents the net unrealised fair value losses on financial investments available-for-sale.
- (e) Cash flow hedging (deficit)/reserve comprises the portion of the (losses)/gains on hedging instruments in a cash flow hedge that is determined to be an effective hedge.
- (f) 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.
- (g) The Bank can distribute dividends out of its entire retained earnings under the single-tier system.

34. NON-CONTROLLING INTERESTS

	Group	
	2019	2018
	RM'000	RM'000
Balance at beginning of the financial year	64	63
Share in net results of subsidiaries	98	1
Balance at end of the financial year	162	64

35. INTEREST INCOME

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Short-term funds and deposits with financial institutions	115,535	126,236	115,399	122,783
Financial assets at fair value through profit or loss	342,773	-	342,773	-
Financial assets held-for-trading	-	212,321	-	212,321
Financial investments at fair value through other comprehensive income	336,555	-	338,002	-
Financial investments available-for-sale	-	220,970	-	223,185
Financial investments at amortised cost	136,889	-	136,889	-
Financial investments held-to-maturity	-	77,716	-	77,716
Loans and advances	3,762,125	3,424,177	3,756,351	3,417,114
Investment account	84,674	92,281	84,674	92,281
Impaired loans and advances	19,337	18,183	19,337	18,183
Others	22,905	84,343	22,905	84,343
	4,820,793	4,256,227	4,816,330	4,247,926

36. INTEREST EXPENSE

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	2,435,186	2,033,891	2,435,246	2,034,486
Deposits and placements of banks and other financial institutions	164,449	97,667	164,561	99,254
Securities sold under repurchase agreements	43,044	22	43,044	22
Recourse obligation on loans sold to Cagamas Berhad	169,235	129,809	169,235	129,809
Term funding	118,913	141,788	118,913	141,788
Debt capital	198,107	201,226	198,107	201,226
Others	8,956	8,734	8,956	8,734
	3,137,890	2,613,137	3,138,062	2,615,319

37. OTHER OPERATING INCOME

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fee and commission income:					
Bancassurance commission		24,686	29,802	24,686	29,801
Brokerage fees, commission and rebates		2,213	3,417	2,213	3,417
Fees on loans, advances and securities		148,640	151,217	148,632	151,114
Fees, service and commission charges		31,154	33,971	30,907	33,932
Guarantee fees		58,001	62,517	58,001	62,517
Remittances		21,948	20,792	21,948	20,792
Other fee and commission income		59,649	54,782	59,649	54,773
		<u>346,291</u>	<u>356,498</u>	<u>346,036</u>	<u>356,346</u>
Investment and trading income:					
Foreign exchange gain ¹		160,110	12,126	160,110	12,126
Dividend income/distribution from:					
Financial assets at fair value through profit or loss		11,479	-	11,479	-
Financial assets held-for-trading		-	8,868	-	8,868
Financial investments at fair value through other comprehensive income		9,899	-	9,899	-
Financial investments available-for-sale		-	1,492	-	1,492
Subsidiaries ²		-	-	2,990	397,872
Net gain on sale/redemption of:					
Financial assets at fair value through profit or loss		53,302	-	53,302	-
Financial assets held-for-trading		-	27,970	-	27,970
Financial investments at fair value through other comprehensive income		20,352	-	20,352	-
Financial investments available-for-sale		-	66,503	-	66,503
Net loss on revaluation of financial assets at fair value through profit or loss		(44,464)	-	(44,432)	-
Net gain on revaluation of financial assets held-for-trading		-	28,648	-	28,648
Net (loss)/gain on derivatives		(31,645)	57,139	(31,645)	57,139
Others		5,092	7,867	5,092	7,867
		<u>184,125</u>	<u>210,613</u>	<u>187,147</u>	<u>608,485</u>
Other income:					
Gain on disposal of foreclosed properties		21,336	44,659	21,336	44,659
Gain on repayment of capital by a subsidiary		-	7,679	-	-
Net gain on disposal of asset held for sale		-	252	-	252
Net gain on disposal of property and equipment		2,061	2,600	72	551
Net non-trading foreign exchange gain		1,373	1,206	1,374	1,198
Profit from sale of goods and services		18,486	12,864	18,486	12,864
Rental income		5,727	4,452	5,331	4,035
Others		7,143	9,200	6,792	14,467
		<u>56,126</u>	<u>82,912</u>	<u>53,391</u>	<u>78,026</u>
		<u>586,542</u>	<u>650,023</u>	<u>586,574</u>	<u>1,042,857</u>

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

² Previous financial year's balances comprise of dividend income from subsidiaries of RM54,176,000 and distribution from capital repayment by subsidiaries of RM343,696,000.

38. OTHER OPERATING EXPENSES

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Personnel costs¹:					
Medical		22,836	33,036	22,836	33,022
Insurance		22,506	25,472	22,510	25,452
Contributions to EPF/Private Retirement Scheme					
		118,993	121,382	118,993	121,492
Salaries, bonuses, allowances and incentives		772,971	757,524	772,971	758,207
Shares and options granted under ESS					
ESS - writeback		(2,726)	(6,032)	(2,726)	(6,032)
Social security cost		6,505	7,040	6,505	7,038
Recruitment costs		4,835	27,386	4,835	27,386
Training		10,368	12,360	10,368	12,360
Other staff benefits		5,955	120,527	5,935	120,503
		<u>962,243</u>	<u>1,098,695</u>	<u>962,227</u>	<u>1,099,428</u>
Establishment costs:					
Amortisation of intangible assets	25	90,282	85,244	90,282	85,244
Cleaning, maintenance and security		23,574	19,859	22,570	19,075
Computerisation cost		159,949	140,873	159,949	140,873
Depreciation of property and equipment	24	36,805	50,042	36,272	49,489
Rental of premises		74,284	81,921	76,222	83,971
Others		32,041	31,938	31,516	31,411
		<u>416,935</u>	<u>409,877</u>	<u>416,811</u>	<u>410,063</u>
Marketing and communication expenses:					
Advertising and marketing		10,519	14,690	10,519	14,689
Commission		9,721	4,770	9,721	4,770
Communication		37,264	40,477	37,153	40,578
Others		6,729	5,891	6,729	5,891
		<u>64,233</u>	<u>65,828</u>	<u>64,122</u>	<u>65,928</u>
Administration and general expenses:					
Bank charges		7,988	7,853	7,987	7,850
Insurance		3,876	3,434	3,823	3,375
Professional services ¹		56,933	97,441	56,781	97,189
Travelling		4,009	4,473	4,009	4,471
Subscriptions, newspaper and periodical		884	1,212	884	1,212
Others		41,946	104,827	41,887	104,785
		<u>115,636</u>	<u>219,240</u>	<u>115,371</u>	<u>218,882</u>
Service transfer pricing recovery, net		(298,883)	(365,601)	(298,883)	(365,610)
		<u>1,260,164</u>	<u>1,428,039</u>	<u>1,259,648</u>	<u>1,428,691</u>

¹ In the previous financial year, the AMMB Group had offered its eligible employees a Mutual Separation Scheme ("MSS"). As at 31 March 2018, the AMMB Group had completed its MSS exercise and the payout by the Bank from this exercise taken up under personnel costs and professional fees amounted to approximately RM141.2 million. The MSS was introduced as part of the AMMB Group's Top Four Strategy, to enhance efficiency and productivity within the AMMB Group. To aid employees with this transition, career transition programmes, workshops and on-ground job search support continues to be provided.

38. OTHER OPERATING EXPENSES (CONT'D.)

Included in operating expenses are the following:

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Auditors' remuneration:					
Parent auditor					
- Audit		4,135	2,857	4,093	2,815
- Regulatory and assurance related		1,709	978	1,709	978
- Other services		1,162	1,559	1,162	1,559
Hire of office equipment		9,780	7,762	9,780	7,762
Operating lease		26,509	26,639	26,509	26,639
Property and equipment written off	24	61	132	61	132
Intangible assets written off	25	74	262	74	262
Rental of premises					
- Subsidiaries		-	-	1,938	2,050
- Others		74,284	81,921	74,284	81,921

39. 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						Total RM'000
	Fees RM'000	Salary RM'000	Other emoluments RM'000	Benefits-in-kind RM'000			
2019	-	1,814	415	20		2,249	
	-	1,814	415	20		2,249	
Chief Executive Officer:							
Dato' Sulaiman Bin Mohd Tahir *							
Non-Executive Directors:							
Tan Sri Azman Hashim	120	-	341	7		468	
Voon Seng Chuan	152	-	132	1		285	
Raymond Fam Chye Soon	150	-	100	2		252	
Dato' Sri Abdul Hamidy Abdul Aziz	150	-	95	1		246	
Dr Veerinderjeet Singh a/l Tejwant Singh	150	-	91	2		243	
U Chen Hock	112	-	75	1		188	
Soo Kim Wai	37	-	27	-		64	
Ng Chih Kaye	37	-	30	1		68	
	908	-	891	15		1,814	
Total remuneration (Note 46(g))	908	1,814	1,306	35		4,063	
2018							
Chief Executive Officer:							
Dato' Sulaiman Bin Mohd Tahir *	-	2,093	451	30		2,574	
	-	2,093	451	30		2,574	
Non-Executive Directors:							
Tan Sri Azman Hashim	160	-	422	-		582	
Raymond Fam Chye Soon	150	-	85	1		236	
Voon Seng Chuan	150	-	77	-		227	
Dato' Sri Abdul Hamidy Abdul Aziz	150	-	61	5		216	
Dr Veerinderjeet Singh a/l Tejwant Singh	125	-	65	-		190	
	735	-	710	6		1,451	
Total remuneration (Note 46(g))	735	2,093	1,161	36		4,025	

* The remuneration for Chief Executive Officer of the Bank includes an amount of RM1,850,000 (2018: RM2,574,000), representing the remuneration prior to January 2019, which was paid by AIMB and subsequently reimbursed by the Bank under service transfer pricing expenses. Effective from January 2019, the remuneration for Chief Executive Officer was paid by the Bank.

40. WRITEBACK OF ALLOWANCE FOR IMPAIRMENT ON LOANS AND ADVANCES

	Group		Bank	
	2019	2018 (Restated)	2019	2018 (Restated)
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment on loans and advances:				
Allowances for ECL (Note 17(i))	303,973	-	303,913	-
Individual allowance (Note 17(j))	-	76,158	-	76,158
Collective allowance (Note 17(j))	-	206,681	-	206,764
	<u>303,973</u>	<u>282,839</u>	<u>303,913</u>	<u>282,922</u>
Impaired loans and advances recovered, net	<u>(686,896)</u>	<u>(345,911)</u>	<u>(686,896)</u>	<u>(345,911)</u>
	<u>(382,923)</u>	<u>(63,072)</u>	<u>(382,983)</u>	<u>(62,989)</u>

41. IMPAIRMENT LOSS ON FINANCIAL INVESTMENTS

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Financial investments available-for-sale	-	27,523	-	27,523
Financial investments at fair value through other comprehensive income (Note 13(b))	929	-	918	-
Financial investments at amortised cost (Note 15)	430	-	430	-
	<u>1,359</u>	<u>27,523</u>	<u>1,348</u>	<u>27,523</u>

42. IMPAIRMENT LOSS ON OTHER FINANCIAL ASSETS

	Group and Bank	
	2019	2018 (Restated)
	RM'000	RM'000
Cash and short-term funds (Note 6)	327	-
Deposits and placements with banks and other financial institutions (Note 8)	2,076	-
Investment account placement (Note 9)	(600)	441
Other assets	(350)	8,794
	<u>1,453</u>	<u>9,235</u>

43. TAXATION

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Estimated tax payable	373,124	247,280	371,556	244,578
(Over)/under provision in prior financial years	(17,042)	72,199	(16,997)	70,388
	<u>356,082</u>	<u>319,479</u>	<u>354,559</u>	<u>314,966</u>
Deferred tax (Note 20):				
- Origination and reversal of temporary differences	(17,154)	(82,707)	(17,154)	(82,964)
- Under/(over) provision of deferred tax in prior financial years	1,318	(53,495)	1,250	(54,165)
	<u>(15,836)</u>	<u>(136,202)</u>	<u>(15,904)</u>	<u>(137,129)</u>
Taxation	<u>340,246</u>	<u>183,277</u>	<u>338,655</u>	<u>177,837</u>

Domestic income tax is calculated at the statutory tax rate of 24% (2018: 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% (2018: 24%).

43. 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before taxation	1,405,689	892,518	1,402,132	1,231,381
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	337,365	214,204	336,512	295,531
Effect of different tax rates in Labuan	(7,123)	(9,979)	(7,111)	(9,979)
Expenses not deductible for tax purposes	38,012	18,564	37,701	28,634
Income not subject to tax	(10,118)	(56,402)	(10,534)	(150,758)
Tax recoverable recognised on income subject to tax remission	(2,166)	(1,814)	(2,166)	(1,814)
(Over)/under provision of current tax in prior financial years	(17,042)	72,199	(16,997)	70,388
Under/(over) provision of deferred tax in prior financial years	1,318	(53,495)	1,250	(54,165)
Total taxation	340,246	183,277	338,655	177,837

44. BASIC/DILUTED EARNINGS PER SHARE

	Group		Bank	
	2019	2018	2019	2018
Net profit attributable to equity holder of the Bank (RM'000)	1,065,345	709,240	1,063,477	1,053,544
Number of ordinary shares at beginning of the financial year ('000)	820,364	820,364	820,364	820,364
Effect of issuance of new ordinary shares ('000)	12,514	-	12,514	-
Weighted average number of ordinary shares in issue at the end of the financial year ('000)	832,878	820,364	832,878	820,364
Basic/Diluted earnings per share (sen)	127.91	86.45	127.69	128.42

45. DIVIDENDS

	Group and Bank	
	2019	2018
	RM'000	RM'000
Recognised during the financial year:		
Final single-tier cash dividend of 30.50 sen per ordinary share in respect of financial year ended 31 March 2018 (2018: 39.50 sen per ordinary share in respect of the financial year ended 31 March 2017)	250,211	324,044
First interim single-tier cash dividend of 37.00 sen per ordinary share in respect of financial year ended 31 March 2019 (2018: 21.00 sen per ordinary share in respect of the financial year ended 31 March 2018)	309,636	172,276
	<u>559,847</u>	<u>496,320</u>
Proposed but not recognised as a liability:		
Final single-tier cash dividend of 38.00 sen per ordinary share in respect of financial year ended 31 March 2019 (2018: 30.50 sen per ordinary share)	318,004	250,211

The Directors propose the payment of a final single-tier dividend of 38.00 sen per ordinary share on 836,852,786 ordinary shares amounting to approximately RM318,004,059 in respect of the current financial year ended 31 March 2019. 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 2020.

46. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

- (a) 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:

- (i) Subsidiaries

Details of subsidiaries are disclosed in Note 21.

- (ii) Related companies

These are subsidiaries of the holding company.

- (iii) Associates and joint ventures of the holding company ("Associates and joint ventures")

Details of the associate of the Bank are disclosed in Note 22.

The associates of the holding company are AmFirst REIT and Bonuskad Loyalty Sdn Bhd.

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

- (iv) Key management personnel ("KMP")

KMP 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 include 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).

- (v) Companies in which certain directors and/or KMP have substantial financial interest

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

- (vi) 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.

- (b) There were no granting of loans to the Directors of the Bank. Loans made to other key management personnel of the Group is on similar terms and conditions generally available to other employees within the Group. No provisions have been recognised in respect of loans given to key management personnel.
- (c) During the current financial year, the Bank disposed non-performing loans to Aiqon Amanah Sdn Bhd ("Aiqon Amanah") which is a subsidiary of Aiqon Capital Sdn Bhd ("Aiqon Capital"). Aiqon Capital is jointly controlled by an entity that is controlled by the Group Executive Chairman/ Chief Executive Officer of Aiqon Capital, who is a close family member of a director and major shareholder of AMMB. The disposal generated a gain on disposal (after deducting incidental costs of disposal) amounting to RM290.9 million which has been accounted for under impaired loans and advances recovered in the statement of profit or loss (Note 40).
- (d) The transactions between the Bank and related parties were executed at terms agreed between the parties during the financial year.

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

(e) 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		KMP		Companies in which certain Directors/ KMP have substantial financial interest	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income								
Bancassurance commission	12,799	18,187	11,686	11,570	-	-	-	-
Fee income	-	-	-	-	1	31	-	-
Interest on deposits	21,581	25,483	-	-	-	-	-	-
Interest on investment accounts	84,674	92,281	-	-	-	-	-	-
Interest on financial investments at FVOCI	3,652	-	-	-	-	-	-	-
Interest on loans and advances	297	209	22,567	24,330	115	147	11,863	9,341
Gain/(Loss) on derivatives	5,908	(1,515)	-	-	-	-	-	-
Service transfer pricing income	312,141	390,819	-	-	-	-	-	-
	441,052	525,464	34,253	35,900	116	178	11,863	9,341
Expenses								
Interest on debt capital and term funding	38,079	27,831	-	-	-	-	-	-
Interest on deposits	10,414	11,719	-	-	1,106	1,284	300	194
Insurance premium	-	-	23,923	21,733	-	-	-	-
Rental	2,156	1,960	2,130	2,681	-	-	426	496
Service transfer pricing expense	13,258	25,218	-	-	-	-	-	-
Training	-	-	-	-	-	-	431	285
Marketing	-	-	-	1,524	-	-	73	1,683
Travelling	-	-	-	-	-	-	1,414	1,098
Entertainment	-	-	-	-	-	-	42	28
	63,907	66,728	26,053	25,938	1,106	1,284	2,686	3,784

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

(e) 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		KMP		Companies in which certain Directors/ KMP have substantial financial interest	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income										
Bancassurance commission	-	-	12,789	18,187	11,686	11,570	-	-	-	-
Fee income	-	-	-	-	-	-	1	31	-	-
Interest on deposits	-	-	21,446	22,030	-	-	-	-	-	-
Interest on investment accounts	-	-	84,674	92,281	-	-	-	-	-	-
Interest on financial investments at FVOCI	1,450	-	3,652	-	-	-	-	-	-	-
Interest on financial investments available-for-sale	-	2,215	-	-	-	-	-	-	-	-
Interest on loans and advances	5,286	4,953	297	209	22,567	24,330	115	147	11,863	9,341
Gain/(Loss) on derivatives	-	-	5,908	(1,515)	-	-	-	-	-	-
Service fee	1,198	1,495	-	-	-	-	-	-	-	-
Service transfer pricing income	-	9	312,141	390,819	-	-	-	-	-	-
	7,934	8,672	440,917	522,011	34,253	35,900	116	178	11,863	9,341
Expenses										
Interest on debt capital and term funding	41,449	45,000	38,079	27,831	-	-	-	-	-	-
Interest on deposits	57	593	10,414	11,719	-	3	1,106	1,284	300	194
Insurance premium	-	-	-	-	23,923	21,733	-	-	-	-
Rental	1,938	2,050	2,156	1,960	2,130	2,681	-	-	426	496
Service transfer pricing expense	-	-	13,258	25,218	-	-	-	-	-	-
Training	-	-	-	-	-	-	-	-	431	285
Marketing	-	-	-	-	-	1,524	-	-	73	1,683
Travelling	-	-	-	-	-	-	-	-	1,414	1,098
Entertainment	-	-	-	-	-	-	-	-	42	28
	43,444	47,643	63,907	66,728	26,053	25,941	1,106	1,284	2,686	3,784

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

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

Group	Related companies		Associates and joint ventures		KMP		Companies in which KMP have substantial financial interest		Companies which have significant influence over the Group	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets:										
Cash and short-term funds	152,770	152,533	-	-	-	-	-	-	-	-
Deposits and placements	150,000	450,000	-	-	-	-	-	-	-	-
Investment account	1,461,880	2,859,110	-	-	-	-	-	-	-	-
Derivative financial assets	22,070	13,270	-	-	-	-	-	-	-	-
Financial investments at FVOCI	99,460	-	-	-	-	-	-	-	-	-
Loans and advances	10,137	6,692	392,403	546,431	2,773	3,344	200,563	200,395	-	-
Interest receivable	7,650	15,932	-	-	-	-	-	-	-	-
	1,903,967	3,497,537	392,403	546,431	2,773	3,344	200,563	200,395	-	-
Liabilities:										
Deposits and placements	140,250	518,379	271	-	36,319	58,841	95,018	30,879	6,384	12,329
Debt capital	-	1,025,000	-	-	-	-	-	-	-	-
Derivative financial liabilities	34,816	82,575	-	-	-	-	-	-	-	-
Interest payable	267	4,002	-	-	1	1	1	-	-	-
	175,333	1,629,956	271	-	36,320	58,842	95,019	30,879	6,384	12,329
Commitments and contingencies:										
Contingent liabilities										
Commitments	17,427	16,388	2,480	2,410	-	-	-	-	180,881	179,161
Contract/Notional amount for derivatives	136,403	537,920	29,315	34,880	3,401	3,832	44,000	137,500	295,000	260,000
	2,588,111	1,673,763	-	-	-	-	-	-	-	-
	2,741,941	2,228,071	31,795	37,300	3,401	3,832	44,000	137,500	475,881	439,161
Operating lease commitments	16,844	34,300	-	-	-	-	514	425	-	-

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

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

Bank	Subsidiaries		Related companies		Associates and joint ventures		KMP		Companies in which certain Directors have substantial financial interest		Companies which have significant influence over the Group	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets:												
Cash and short-term funds	-	-	150,000	150,000	-	-	-	-	-	-	-	-
Deposits and placements	-	-	150,000	450,000	-	-	-	-	-	-	-	-
Investment account	-	-	1,481,880	2,859,110	-	-	-	-	-	-	-	-
Derivative financial assets	-	-	22,070	13,270	-	-	-	-	-	-	-	-
Financial investments at FVOCI	20,896	-	99,460	-	-	-	-	-	-	-	-	-
Financial investments available-for-sale	-	34,499	-	-	-	-	-	-	-	-	-	-
Loans and advances	85,853	88,612	10,137	6,682	392,403	546,431	2,773	3,344	200,563	200,395	-	-
Interest receivable	-	-	7,648	15,932	-	-	-	-	-	-	-	-
	106,749	123,111	1,901,195	3,495,004	392,403	546,431	2,773	3,344	200,563	200,395	-	-
Liabilities:												
Deposits and placements	13,309	13,569	140,250	518,379	271	103	36,319	58,841	95,018	30,879	6,384	12,329
Debt capital	-	500,000	-	1,025,000	-	-	-	-	-	-	-	-
Derivative financial liabilities	-	-	34,816	82,575	-	-	-	-	-	-	-	-
Interest payable	2	3,552	267	4,002	-	3	1	1	1	-	-	-
	13,311	517,121	175,333	1,629,956	271	106	36,320	58,842	95,019	30,879	6,384	12,329
Commitments and contingencies:												
Contingent liabilities	-	-	17,427	16,388	2,480	2,410	-	-	-	-	180,881	179,161
Commitments	64,584	61,839	136,403	537,920	29,315	34,890	3,401	3,832	44,000	137,500	295,000	260,000
Contract/Notional amount for derivatives	64,584	61,839	2,741,941	2,228,071	31,795	37,300	3,401	3,832	44,000	137,500	475,881	439,161
Operating lease commitments	1,531	3,345	16,844	34,300	-	-	-	-	514	425	-	-

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

(g) Key management personnel compensation

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

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors:					
Fees	39	908	735	908	735
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	39	906	716	906	716
		<u>1,814</u>	<u>1,451</u>	<u>1,814</u>	<u>1,451</u>
Other key management personnel:					
Salaries and other remuneration		8,138	6,432	8,138	6,432
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)		5,534	5,352	5,534	5,352
		<u>13,672</u>	<u>11,784</u>	<u>13,672</u>	<u>11,784</u>

47. CREDIT TRANSACTIONS AND EXPOSURE WITH CONNECTED PARTIES

	Group		Bank	
	2019	2018	2019	2018
Outstanding credit exposures with connected parties (RM'000)	1,594,659	2,168,123	1,714,325	2,303,602
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures (%)	1.91	2.71	2.06	2.89
Percentage of outstanding credit exposures to connected parties which is impaired or in default (%)	0.37	0.42	0.34	0.40

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:

- directors of the Bank and their close relatives;
- controlling shareholder and his close relatives;
- influential shareholder and his close relatives;
- 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;
- 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;

47. 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 parties are not less than that normally required of other persons.

48. CAPITAL COMMITMENTS

	Group and Bank	
	2019	2018
	RM'000	RM'000
Authorised and contracted for:		
Purchase of computer equipment and software	24,898	34,088
Leasehold improvements	13,692	4,740
	<u>38,590</u>	<u>38,828</u>
Authorised but not contracted for:		
Purchase of computer equipment and software	69,964	79,607
	<u>108,554</u>	<u>118,435</u>

49. 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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
One year or less	51,612	63,768	51,612	63,768
Over one year to five years	57,804	49,259	57,804	49,259
	<u>109,416</u>	<u>113,027</u>	<u>109,416</u>	<u>113,027</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.

50. 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Contingent liabilities				
Direct credit substitutes	2,038,003	1,832,161	2,038,003	1,832,161
Transaction related contingent items	4,564,609	5,033,552	4,564,609	5,033,552
Short term self liquidating trade related contingencies	809,932	638,415	809,932	638,415
Obligations under on-going underwriting agreements	100,000	50,000	100,000	50,000
	<u>7,512,544</u>	<u>7,554,128</u>	<u>7,512,544</u>	<u>7,554,128</u>
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	12,490,756	13,522,423	12,555,340	13,584,262
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,463,522	3,294,066	2,463,522	3,294,066
Unutilised credit card lines	3,840,372	3,918,163	3,840,372	3,918,163
Forward asset purchases	1,397,583	138,023	1,397,583	138,023
Others	-	-	50	50
	<u>20,192,233</u>	<u>20,872,675</u>	<u>20,256,867</u>	<u>20,934,564</u>
Derivative financial instruments				
Foreign exchange related contracts				
- One year or less	36,424,866	47,702,318	36,424,866	47,702,318
- Over one year to five years	3,748,430	2,574,260	3,748,430	2,574,260
- Over five years	1,387,868	1,475,917	1,387,868	1,475,917
Interest rate related contracts				
- One year or less	7,320,942	10,715,515	7,320,942	10,715,515
- Over one year to five years	35,809,669	32,408,108	35,809,669	32,408,108
- Over five years	10,450,221	11,047,618	10,450,221	11,047,618
Credit related contracts				
- Over one year to five years	345,108	334,505	345,108	334,505
Equity and commodity related contracts				
- One year or less	860,040	797,179	860,040	797,179
- Over one year to five years	190,657	418,626	190,657	418,626
	<u>96,537,801</u>	<u>107,474,046</u>	<u>96,537,801</u>	<u>107,474,046</u>
Total	<u>124,242,578</u>	<u>135,900,849</u>	<u>124,307,212</u>	<u>135,962,738</u>

51. 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 12 months RM'000	Over 12 months RM'000	Total RM'000
2019			
ASSETS			
Cash and short-term funds	5,287,043	-	5,287,043
Deposits and placements with banks and other financial institutions	330,918	-	330,918
Investment account	999,380	462,500	1,461,880
Derivative financial assets	152,838	624,847	777,685
Financial assets at fair value through profit or loss	8,220,385	2,426,450	10,646,835
Financial investments at fair value through other comprehensive income	4,501,647	7,908,563	12,410,210
Financial investments at amortised cost	94,502	3,210,934	3,305,436
Loans and advances	15,067,776	56,266,328	71,334,104
Statutory deposit with Bank Negara Malaysia	-	2,180,557	2,180,557
Deferred tax assets	-	32,657	32,657
Other assets	1,059,011	116,108	1,175,119
Property and equipment	-	122,375	122,375
Intangible assets	-	368,654	368,654
TOTAL ASSETS	35,713,500	73,719,973	109,433,473
LIABILITIES			
Deposits from customers	74,245,303	1,704,017	75,949,320
Deposits and placements of banks and other financial institutions	5,261,199	118,374	5,379,573
Securities sold under repurchase agreements	5,339,422	-	5,339,422
Recourse obligation on loans sold to Cagamas Berhad	2,315,001	1,825,002	4,140,003
Derivative financial liabilities	206,361	620,508	826,869
Term funding	1,707,765	846,762	2,554,527
Debt capital	485,000	2,595,000	3,080,000
Other liabilities	2,490,489	75,478	2,565,967
TOTAL LIABILITIES	92,050,540	7,785,141	99,835,681

51. 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	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
2018 (Restated)			
ASSETS			
Cash and short-term funds	3,716,029	-	3,716,029
Deposits and placements with banks and other financial institutions	450,000	-	450,000
Investment account	495,285	2,361,085	2,856,370
Derivative financial assets	591,350	542,703	1,134,053
Financial assets held-for-trading	6,917,649	1,124,292	8,041,941
Financial investments available-for-sale	356,062	4,438,929	4,794,991
Financial investments held-to-maturity	49	1,802,556	1,802,605
Loans and advances	14,455,408	52,869,082	67,324,490
Receivables: Investments not quoted in active markets	-	1,149,600	1,149,600
Statutory deposit with Bank Negara Malaysia	-	2,012,837	2,012,837
Deferred tax assets	-	42,835	42,835
Other assets	1,048,719	229,239	1,277,958
Property and equipment	-	129,524	129,524
Intangible assets	-	400,376	400,376
TOTAL ASSETS	28,030,551	67,103,058	95,133,609
LIABILITIES			
Deposits from customers	67,754,483	1,999,045	69,753,528
Deposits and placements of banks and other financial institutions	2,872,038	49,473	2,921,511
Recourse obligation on loans sold to Cagamas Berhad	2,528,214	1,225,002	3,753,216
Derivative financial liabilities	782,651	499,037	1,281,688
Term funding	1,040,066	1,708,754	2,748,820
Debt capital	1,499,871	2,080,000	3,579,871
Other liabilities	2,106,317	78,711	2,185,028
TOTAL LIABILITIES	78,583,640	7,640,022	86,223,662

51. 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			
2019			
ASSETS			
Cash and short-term funds	5,282,332	-	5,282,332
Deposits and placements with banks and other financial institutions	330,918	-	330,918
Investment account	999,380	462,500	1,461,880
Derivative financial assets	152,838	624,847	777,685
Financial assets at fair value through profit or loss	8,220,385	2,426,402	10,646,787
Financial investments at fair value through other comprehensive income	4,501,647	7,929,460	12,431,107
Financial investments at amortised cost	94,502	3,210,934	3,305,436
Loans and advances	15,150,744	56,125,144	71,275,888
Statutory deposit with Bank Negara Malaysia	-	2,180,557	2,180,557
Deferred tax assets	-	32,610	32,610
Investment in subsidiaries	-	31,492	31,492
Investment in an associate	-	22	22
Other assets	1,050,179	115,958	1,166,137
Property and equipment	-	102,551	102,551
Intangible assets	-	368,654	368,654
TOTAL ASSETS	35,782,925	73,611,131	109,394,056
LIABILITIES			
Deposits from customers	74,249,800	1,704,017	75,953,817
Deposits and placements of banks and other financial institutions	5,272,562	118,374	5,390,936
Securities sold under repurchase agreements	5,339,422	-	5,339,422
Recourse obligation on loans sold to Cagamas Berhad	2,315,001	1,825,002	4,140,003
Derivative financial liabilities	206,361	620,508	826,869
Term funding	1,707,765	846,762	2,554,527
Debt capital	485,000	2,595,000	3,080,000
Other liabilities	2,478,272	75,478	2,553,750
TOTAL LIABILITIES	92,054,183	7,785,141	99,839,324

51. 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			
2018 (Restated)			
ASSETS			
Cash and short-term funds	3,711,118	-	3,711,118
Deposits and placements with banks and other financial institutions	450,000	-	450,000
Investment account	495,285	2,361,085	2,856,370
Derivative financial assets	591,350	542,703	1,134,053
Financial assets held-for-trading	6,917,649	1,124,292	8,041,941
Financial investments available-for-sale	356,062	4,473,350	4,829,412
Financial investments held-to-maturity	49	1,802,556	1,802,605
Loans and advances	14,542,455	52,712,024	67,254,479
Receivables: Investments not quoted in active markets	-	1,149,600	1,149,600
Statutory deposit with Bank Negara Malaysia	-	2,012,837	2,012,837
Deferred tax assets	-	42,813	42,813
Investment in subsidiaries and other investment	-	31,535	31,535
Investment in an associate	-	22	22
Other assets	1,041,850	229,006	1,270,856
Property and equipment	-	108,754	108,754
Intangible assets	-	400,376	400,376
TOTAL ASSETS	28,105,818	66,990,953	95,096,771
LIABILITIES			
Deposits from customers	67,758,186	1,999,045	69,757,231
Deposits and placements of banks and other financial institutions	2,884,137	49,473	2,933,610
Recourse obligation on loans sold to Cagamas Berhad	2,528,214	1,225,002	3,753,216
Derivative financial liabilities	782,651	499,037	1,281,688
Term funding	1,040,066	1,708,754	2,748,820
Debt capital	1,499,871	2,080,000	3,579,871
Other liabilities	2,095,070	78,711	2,173,781
TOTAL LIABILITIES	78,588,195	7,640,022	86,228,217

52. 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; and
- (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 ("RMC") 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.

52. CAPITAL MANAGEMENT (CONT'D.)

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 as at 31 March are as follows:

	Group		Bank	
	2019	2018	2019	2018
Before deducting proposed dividend				
CET 1 Capital ratio	11.868%	11.057%	11.752%	10.955%
Tier 1 Capital ratio	12.524%	12.009%	12.406%	11.903%
Total Capital ratio	17.169%	16.571%	17.038%	16.451%
After deducting proposed dividend				
CET 1 Capital ratio	11.437%	10.714%	11.323%	10.613%
Tier 1 Capital ratio	12.094%	11.666%	11.977%	11.561%
Total Capital ratio	16.739%	16.228%	16.609%	16.109%

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 2 February 2018, (replacing the same guidelines issued previously 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).

52. CAPITAL MANAGEMENT (CONT'D.)

(a) Capital adequacy ratios (Cont'd.)

Notes:

(ii) Pursuant to the revised BNM's guidelines on Capital Adequacy Framework (Capital Components) issued on 2 February 2018, the minimum capital adequacy ratios maintained under the guidelines remain consistent at 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%

52. 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CET 1 Capital				
Ordinary shares	1,940,465	1,763,208	1,940,465	1,763,208
Retained earnings	6,957,622	6,641,531	7,014,840	6,700,583
Fair value reserve	245,666	-	245,836	-
Available-for-sale deficit	-	(23,387)	-	(23,518)
Foreign currency translation reserve	81,246	49,075	85,109	52,974
Regulatory reserve	280,556	372,133	280,556	372,133
Merger reserve	104,149	104,149	-	-
Cash flow hedging (deficit)/reserve	(12,074)	3,174	(12,074)	3,174
Less : Regulatory adjustments applied on CET 1 Capital				
Intangible assets	(368,654)	(400,376)	(368,654)	(400,376)
Deferred tax assets	(57,636)	(66,659)	(57,589)	(66,637)
55% of cumulative gains of fair value reserve	(135,116)	-	(135,210)	-
Cash flow hedging reserve/(deficit)	12,074	(3,174)	12,074	(3,174)
Regulatory reserve attributable to loans	(280,556)	(372,133)	(280,556)	(372,133)
Investments in ordinary shares of unconsolidated financial and insurance/takaful entities	-	-	(8,488)	(8,488)
Total CET 1 Capital	8,767,742	8,067,541	8,716,309	8,017,746
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	485,000	694,040	485,000	694,040
Qualifying CET1, Additional Tier 1 capital instruments held by third parties	3	2	-	-
Total Tier 1 Capital	9,252,745	8,761,583	9,201,309	8,711,786
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	2,595,000	1,995,000	2,595,000	1,995,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	-	600,000	-	600,000
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	1	1	-	-
General provisions*	836,609	-	840,495	-
Collective allowance and regulatory reserves	-	733,999	-	734,013
Total Tier 2 Capital	3,431,610	3,329,000	3,435,495	3,329,013
Total Capital	12,684,355	12,090,583	12,636,804	12,040,799

* Consists of stage 1 and stage 2 loss allowances and regulatory reserve.

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Credit RWA	66,928,716	65,724,455	67,239,575	65,981,322
Market RWA	2,358,954	2,861,357	2,358,358	2,861,798
Operational RWA	4,059,205	4,001,549	4,037,878	3,973,753
Large exposure risk RWA for equity holdings	531,402	373,899	531,402	373,899
Total RWA	73,878,277	72,961,260	74,167,213	73,190,772

53. RISK MANAGEMENT

53.1 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 risk-weighted assets ("RWA") 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/triggers for Credit Risk, Traded Market Risk, Non-Traded Market Risk and Operational Risk incorporating, inter alia, limits/controls for countries, industries, single counterparty group, products, value at risk, stop loss, stable funding ratio, liquidity and operational risk.

The AMMB Group Risk Direction

The AMMB Group's strategic direction is to be top 4 in each of the 4 growth segments (Mass Affluent, Affluent, Small and Medium Enterprise ("SME"), Mid-Corp), top 4 in each of the 4 focus products (Cards & Merchants, Transaction Banking, Markets, Wealth Management) and to sustain top 4 position in each of the current engines (Corporate Loans, Debt Capital Market ("DCM"), Funds Management).

1. The AMMB Group aspires to improve on its current external rating of AA2 based on reference ratings by RAM Rating Services Berhad ("RAM").
2. The AMMB Group aims to achieve and sustain a Return on Risk Weighted Assets ("RoRWA") in the range of 1.5% to 1.8% and an RWA efficiency (CRWA/EAD) in the range of 50% to 60%, both based on Foundation Internal Ratings-Based ("FIRB").
3. The AMMB Group aims to maintain Available Financial Resources in excess of the capital requirements as estimated in the Internal Capital Adequacy Assessment Process ("ICAAP").
4. The AMMB Group recognise the importance of funding its own business. It aims to maintain the following:
 - a. Liquidity Coverage Ratio ("LCR") at least 10 percentage points above prevailing regulatory minimum;
 - b. Stressed LCR above the regulatory requirement; and
 - c. Net Stable Funding Ratio ("NSFR") above the prevailing regulatory minimum (effective from 2019).
5. The AMMB Group aims to maintain the following Capital Adequacy Ratios (CARs) under normal conditions: CET 1, Tier 1 and Total Capital ratio of at least 1 percentage point above their respective regulatory minimum, including prescribed regulatory buffers.
6. The AMMB Group aims to maintain adequate controls for all key operational risks (including but not limited to regulatory, compliance, technology, conduct and reputational risks):
 - a. Keep operational losses and regulatory penalties below 2% of PATMI¹; and
 - b. Remain vigilant in risk identification and management to protect its reputation and business franchise.
7. The AMMB Group aims to limit the Group's earnings volatility such that mean Adjusted Return volatility over a period of the last 3 years is Below 0.3. (as per Perbadanan Insurans Deposit Malaysia ("PIDM") definition).

¹ Profit after tax and non-controlling interest

53. RISK MANAGEMENT (CONT'D.)

53.1 GENERAL RISK MANAGEMENT DISCLOSURE (CONT'D.)

Risk Management Governance

The Board is ultimately responsible for the management of risks within the Group. The RMC is formed to assist the Board in discharging its duties in overseeing the overall management of all risks including but not limited to market risk, liquidity risk, credit risk, operational risk, IT and cyber risk.

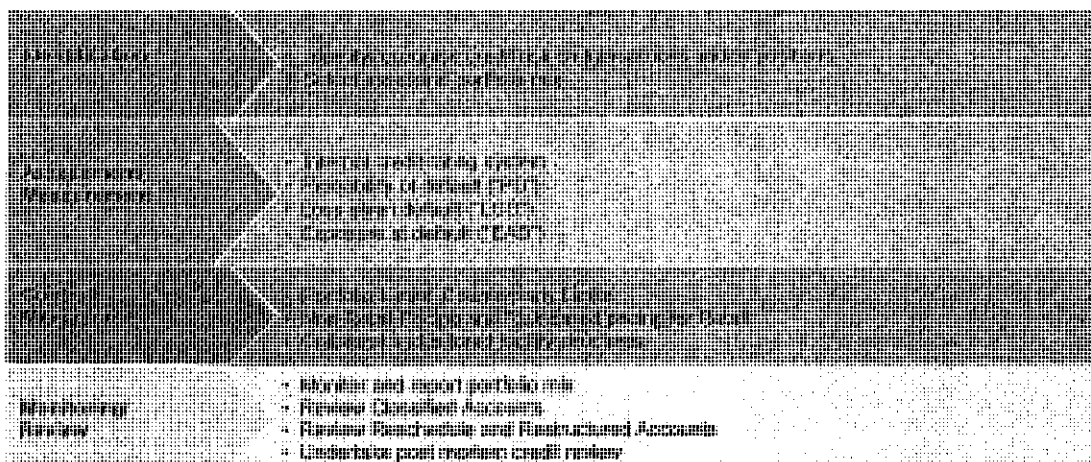
The Board has also established the Management Risk Committees to assist it in managing the risks and businesses of the Group. The Management Risk Committees address all classes of risk within its Board delegated mandate: balance sheet risk, credit risk, legal risk, operational risk, market risk, compliance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

The AMMB Group has an independent risk management function, headed by the Group Chief Risk Officer who:

- is responsible for establishing an enterprise wide risk management framework in all areas including financial, credit, market, operational, reputational, security, technological and emerging risks;
- essentially champions and embeds a positive risk culture across the Group to ensure that risk taking activities across the Group are aligned to the Group's risk appetite and strategies; and
- through the RMC, has access to the Board and the boards of the respective banking entities to facilitate suitable escalation of issues of concern across the organisation.

53.2 CREDIT RISK MANAGEMENT

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



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 assessment is a combination of both qualitative and quantitative assessment (including the financial standing of the customer or counterparty using the Bank's credit rating model where the scores are translated into rating grade) on the customer or counterparty. The assigned credit rating grade forms a crucial part of the credit analysis undertaken for each of the Bank's credit exposures and the overall credit assessment is conducted either through a program lending or discretionary lending approach.

53. RISK MANAGEMENT (CONT'D.)

53.2 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 GRAF 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 ("LTV") limits for asset backed loans (that is, property exposures and other collateral);
- Non-Retail Credit Policy ("NRCP") sets out the credit principles and managing credit risk in the Wholesale Banking ("WB") and Business Banking ("BB") portfolios;
- Classified Account processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers;
- Rescheduled and Restructured ("R&R") Account Management (embedded within the NRCP for WB and BB) sets out the controls in managing R&R loans pursuant to the BNM's revised policy on Financial Reporting; and
- Setting Non-Retail Pricing Guidelines 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 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.

53. RISK MANAGEMENT (CONTD.)
53.2 CREDIT RISK MANAGEMENT (CONTD.)

(a) Industry Analysis

2019 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 hotel 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	4,728	120,603	27,367	-	-	2,117	32,716	187,533
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
<i>Money Market Securities</i>	-	-	-	-	-	-	-	-
Quoted Sukuk	-	-	-	-	-	-	-	-
Unquoted Corporate bonds and sukuk	-	-	-	-	382,939	-	-	382,939
Total financial assets at fair value through profit or loss	-	-	-	-	382,939	-	-	382,939
Financial investments at fair value through other comprehensive income	-	-	-	-	-	-	-	-
<i>Money Market Securities</i>	-	-	-	-	-	-	-	-
Unquoted Corporate bonds and sukuk	-	-	49,769	457,878	560,429	330,150	752,437	2,150,483
Total financial investments at fair value through other comprehensive income	-	-	49,769	457,878	560,429	330,150	752,437	2,150,483
Financial investments at amortised cost	-	-	-	-	-	-	-	-
<i>Money Market Securities</i>	-	-	-	-	-	-	-	-
Unquoted Corporate bonds and sukuk	94,575	-	65,824	40,864	1,130,011	-	74,363	1,405,737
Allowance for ECL	-	-	-	-	-	-	-	-
Total financial investments at amortised cost	94,575	-	65,824	40,864	1,130,011	-	74,363	1,405,737
Loans and advances	-	-	-	-	-	-	-	-
Hire purchase	1,000	352	6,561	186	10,618	74,170	3,771	96,639
Mortgage	4,743	1,585	55,400	2,488	61,900	95,628	12,693	224,437
Credit card	-	-	-	-	-	-	-	-
Others	55,266	31,286	487,674	8,030	367,383	768,936	102,701	1,801,280
Corporate loans and advances:	-	-	-	-	-	-	-	-
Term loans and bridging loans	804,914	747,313	2,308,454	238,369	403,661	1,470,888	456,951	6,428,850
Revolving credits	529,895	211,125	1,083,618	38,709	1,126,970	337,022	372,327	3,679,866
Overdrafts	53,789	23,341	489,327	6,771	897,163	510,686	71,753	1,831,812
Trade (include Factoring)	185,948	24,050	3,430,780	15,037	748,189	1,987,478	289,473	6,650,884
Allowance for ECL	-	-	-	-	-	-	-	-
Total loans and advances	1,635,457	1,038,054	7,802,014	306,670	3,418,194	5,214,790	1,309,669	20,723,748
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-
Other financial assets	508	1,986	2,850	19,849	48,528	1,330	14,968	90,037
Commitments	412,454	548,828	4,257,839	577,011	2,744,178	1,559,078	505,854	10,606,240
Contingent liabilities	54,998	680,405	1,338,122	466,534	2,903,513	557,509	153,508	6,155,586
Total commitments and contingent liabilities	467,452	1,230,231	5,596,961	1,043,545	5,647,691	2,116,583	659,363	16,761,826

53. RISK MANAGEMENT (CONTD.)
53.2 CREDIT RISK MANAGEMENT (CONTD.)

(a) Industry Analysis (Cont'd.)

2019 Group	Subtotal from previous page	Finance and insurance	Government and central banks	Real estate	Business activities	Education and health	Household	Others	Allowances for ECL	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	-	4,512,472	775,806	-	-	-	-	-	(1,337)	5,287,043
Deposits and placements with banks and other financial institutions	-	332,984	-	-	-	-	-	-	(2,076)	330,918
Investment account	-	1,485,539	-	-	-	-	-	-	(3,659)	1,481,880
Derivative financial assets	187,533	556,578	-	1,934	2,148	100	737	28,857	-	777,685
Financial assets at fair value through profit or loss										
Money Market Securities	-	4,086,746	5,066,562	-	-	-	-	-	-	9,153,308
Quoted Sukuk	-	37,937	-	-	-	-	-	-	-	37,937
Unquoted Corporate bonds and sukuk	382,939	215,281	-	60,041	-	-	-	417,113	-	1,075,374
Total financial assets at fair value through profit or loss	382,939	4,349,864	5,066,562	60,041	-	-	-	417,113	-	10,306,619
Financial investments at fair value through other comprehensive income										
Money Market Securities	-	389,377	5,188,128	-	-	-	-	-	-	5,577,505
Unquoted Corporate bonds and sukuk	2,150,463	3,075,828	40,063	250,327	-	10,161	-	698,932	-	6,225,474
Total financial investments at fair value through other comprehensive income	2,150,463	3,475,205	5,208,191	250,327	-	10,161	-	698,932	-	11,792,979
Financial investments at amortised cost										
Money Market Securities	-	151,331	-	-	-	-	-	-	-	151,331
Unquoted Corporate bonds and sukuk	1,405,737	842,086	565,163	310,400	20,000	-	-	195,810	-	3,159,196
Allowance for ECL	-	-	-	-	-	-	-	-	(5,081)	(5,081)
Total financial investments at amortised cost	1,405,737	842,086	736,494	310,400	20,000	-	-	195,810	(5,081)	3,305,436
Loans and advances										
Hire purchase	96,639	137	-	2,163	21,781	5,179	10,842,898	138	-	10,968,935
Mortgage	224,437	4,349	-	105,016	55,034	84,700	28,739,552	3,304	-	27,196,392
Credit card	-	-	-	-	3	-	1,826,966	-	-	1,828,969
Others	1,801,280	24,371	-	241,958	155,244	208,926	54,183	39,189	-	2,525,041
Corporate loans and advances:										
Term loans and bridging loans	6,428,850	318,800	-	3,840,353	987,183	512,282	815,283	59,296	-	13,032,127
Revolving credits	3,679,868	865,585	-	1,686,203	137,680	7,028	921,354	22,539	-	7,290,255
Overdrafts	1,831,912	41,746	-	204,246	169,719	40,234	106,139	106,110	-	2,500,006
Trade (include Factoring)	6,660,884	146,774	-	586	73,670	-	-	-	-	6,881,894
Allowance for ECL	-	-	-	-	-	-	-	-	(887,517)	(887,517)
Total loans and advances	20,723,748	1,401,864	-	6,150,425	1,570,314	838,329	41,306,355	230,586	(887,517)	71,334,104
Statutory deposit with Bank Negara Malaysia	-	-	2,180,557	-	-	-	-	-	-	2,180,557
Other financial assets	90,037	770,326	101,997	21,859	13,828	283	4,377	15,736	(3,823)	1,014,400
Commitments	10,606,240	1,178,591	767,053	637,719	561,881	84,163	6,356,806	-	-	20,182,233
Contingent liabilities	6,135,586	355,350	-	819,972	183,175	147,184	433	50,864	-	7,512,544
Total commitments and contingent liabilities	18,761,828	1,533,941	767,053	1,257,691	744,856	231,327	6,357,239	50,864	-	27,704,777

63. RISK MANAGEMENT (CONTD.)
63.2 CREDIT RISK MANAGEMENT (CONTD.)

(a) Industry Analysis (Cont'd.)

2018 (Restated) 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	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Investment account	-	-	-	-	-	-	-	-
Derivative financial assets	15,888	85,031	85,525	-	743	8,023	13,502	186,712
Financial assets held-for-trading	-	-	-	-	-	-	-	-
Money Market Securities	-	-	-	-	-	-	-	-
Quoted Sukuk	-	-	-	-	-	-	-	-
Unquoted Corporate bonds and sukuk	-	-	-	-	277,686	-	-	277,686
Total financial assets held-for-trading	-	-	-	-	277,686	-	-	277,686
Financial investments available-for-sale	-	-	-	-	-	-	-	-
Money Market Securities	-	-	-	-	-	-	-	-
Unquoted Corporate bonds and sukuk	83,475	-	70,574	282,285	887,825	91,015	138,088	1,573,242
Total financial investments available-for-sale	83,475	-	70,574	282,285	887,825	91,015	138,088	1,573,242
Financial investments held-to-maturity	-	-	-	-	-	-	-	-
Unquoted Corporate bonds and sukuk	-	-	-	-	534,000	-	-	534,000
Total financial investments held-to-maturity	-	-	-	-	534,000	-	-	534,000
Loans and advances	-	-	-	-	-	-	-	-
Hire purchase	1,066	1,386	9,166	133	10,801	66,093	34,869	123,334
Mortgage	6,091	1,685	87,302	2,637	65,675	101,685	14,488	261,753
Credit card	-	-	34	-	-	-	-	34
Others	76,014	11,052	281,542	7,077	227,018	483,651	89,743	1,166,297
Corporate loans and advances:	-	-	-	-	-	-	-	-
Term loans and bridging loans	814,575	686,304	1,460,451	544,324	702,886	1,245,392	398,377	5,853,309
Revolving credits	432,716	91,346	1,088,512	278,078	753,244	393,583	366,939	3,414,498
Overdrafts	120,758	30,983	487,104	7,897	468,245	439,840	61,007	1,566,845
Trade (include Factoring)	148,672	35,545	3,127,391	9,735	830,242	1,896,064	188,611	8,045,360
Collective Allowance	-	-	-	-	-	-	-	-
Total loans and advances	1,602,893	858,411	6,491,502	847,981	2,858,111	4,626,768	1,144,864	18,431,530
Receivables: Investment not quoted in active markets	-	222,419	50,000	-	62,181	5,000	700,000	1,039,600
Statutory deposit with Bank Negeri Malaysia	-	-	-	-	-	-	-	-
Other financial assets	497	6,786	2,766	5,046	41,104	1,643	17,784	75,636
Commitments	530,989	583,625	3,504,560	275,858	3,636,721	1,686,602	891,082	10,919,417
Contingent liabilities	59,929	589,408	1,181,638	478,888	3,187,269	504,803	313,466	8,303,191
Total commitments and contingent liabilities	590,918	1,193,033	4,686,198	752,746	6,803,990	2,191,205	1,004,518	17,222,808

63. RISK MANAGEMENT (CONTD.)
53.2 CREDIT RISK MANAGEMENT (CONTD.)

(a) Industry Analysis (Cont'd.)

2018 (Restated) 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	Collective allowance RM'000	Total RM'000
Cash and short-term funds and other financial institutions Investment account Derivative financial assets	-	3,608,284	107,745	-	-	-	-	-	-	3,716,029
Financial assets held-for-trading Money Market Securities Quoted Sukuk Unquoted Corporate bonds and sukuk Total financial assets held-for-trading	-	4,808,484	1,120,194	-	-	-	-	-	-	5,928,678
Financial investments available-for-sale Money Market Securities Unquoted Corporate bonds and sukuk Total financial investments available-for-sale	277,688	913,378	-	150,451	-	-	-	284,128	-	37,962
Financial investments held-for-trading Money Market Securities Unquoted Corporate bonds and sukuk Total financial investments held-for-trading	277,686	5,729,824	1,120,194	150,451	-	-	-	284,128	-	1,625,641
Financial investments held-to-maturity Unquoted Corporate bonds and sukuk Total financial investments held-to-maturity	1,573,242	1,101,081	-	222,233	19,478	-	-	892,469	-	558,582
Financial investments held-to-maturity Unquoted Corporate bonds and sukuk Total financial investments held-to-maturity	1,573,242	1,101,081	-	222,233	19,478	-	-	892,469	-	3,808,503
Loans and advances Hire purchase Mortgage Credit card Others Corporate loans and advances: Term loans and bridging loans Revolving credits Overdrafts Trade (include Factoring) Collective Allowance Total loans and advances	123,334	235	-	2,749	9,732	7,148	12,395,884	695	-	12,539,757
	261,753	-	-	125,269	65,706	72,911	24,540,378	6,846	-	25,072,863
	34	-	-	-	-	-	1,846,482	62	-	1,846,578
	1,188,287	233	-	105,304	123,288	114,528	45,593	13,868	-	1,599,109
	5,853,309	366,876	-	3,407,590	749,336	365,980	292,530	28,344	-	11,063,975
	3,414,488	1,182,127	-	1,820,459	132,016	39,222	964,472	18,660	-	7,552,454
	1,588,945	14,913	-	413,489	93,498	24,175	107,706	-	-	2,220,736
	6,045,360	18,986	-	588	59,062	-	-	32,844	-	6,156,830
	18,431,530	1,583,370	-	5,875,458	1,232,608	623,972	39,953,025	102,339	(497,812)	67,324,430
Receivables: Investment not quoted in active markets	1,038,800	25,000	-	75,000	-	10,000	-	-	-	1,149,600
Statutory deposit with Bank Negara Malaysia	-	-	2,012,837	-	-	-	-	-	-	2,012,837
Other financial assets	75,836	468,418	311,195	7,632	64,645	263	6,026	60,567	-	994,382
Commitments Contingent liabilities Total commitments and contingent liabilities	10,919,417	830,984	56,355	891,588	429,232	322,489	7,364,282	28,319	-	20,872,675
	6,303,191	256,005	-	686,268	122,507	66,914	606	118,637	-	7,554,128
	17,222,608	1,086,989	56,355	1,577,856	551,739	389,412	7,394,888	146,956	-	28,426,803

63. RISK MANAGEMENT (CONT'D.)
63.2 CREDIT RISK MANAGEMENT (CONT'D.)

(a) Industry Analysis (Cont'd.)

2019 Bank	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 hotel 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	4,728	120,603	27,367	-	-	2,117	32,718	187,533
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
Money Market Securities	-	-	-	-	-	-	-	-
Quoted Sukuk	-	-	-	-	-	-	-	-
Unquoted Corporate bonds and sukuk	-	-	-	-	352,939	-	-	352,939
Total financial assets at fair value through profit or loss	-	-	-	-	352,939	-	-	352,939
Financial investments at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Money Market Securities	-	-	-	-	-	-	-	-
Unquoted Corporate bonds and sukuk	-	-	49,769	457,678	560,428	330,150	752,437	2,150,463
Total financial investments at fair value through other comprehensive income	-	-	49,769	457,678	560,428	330,150	752,437	2,150,463
Financial investments at amortised cost	-	-	-	-	-	-	-	-
Money Market Securities	-	-	-	-	-	-	-	-
Unquoted Corporate bonds and sukuk	84,575	-	65,824	40,984	1,130,011	-	74,363	1,405,737
Allowance for ECL	-	-	-	-	-	-	-	-
Total financial investments at amortised cost	84,575	-	65,824	40,984	1,130,011	-	74,363	1,405,737
Loans and advances	-	-	-	-	-	-	-	-
Hire purchase	1,000	352	6,561	166	10,619	74,170	3,771	96,639
Mortgage	4,743	1,585	55,400	2,488	61,900	85,828	12,663	224,437
Credit card	-	-	-	-	-	-	-	-
Others	55,268	31,288	467,674	8,030	367,363	768,836	102,701	1,801,280
Corporate loans and advances:	-	-	-	-	-	-	-	-
Term loans and bridging loans	804,914	747,313	2,308,454	236,368	403,981	1,470,868	455,951	6,428,850
Revolving credits	529,895	211,125	1,083,818	38,708	1,126,970	337,022	372,327	3,679,866
Overdrafts	53,788	23,341	469,327	5,771	697,163	510,668	71,753	1,831,812
Trade (includes Factoring)	165,848	24,050	3,430,780	15,037	748,198	1,667,478	289,473	6,660,864
Allowance for ECL	-	-	-	-	-	-	-	-
Total loans and advances	1,635,457	1,039,054	7,802,014	306,570	3,416,194	5,214,760	1,309,889	20,723,748
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-
Other financial assets	508	1,966	2,650	19,848	48,526	1,330	14,988	90,037
Commitments	412,454	549,828	4,257,839	577,011	2,744,178	1,599,078	505,854	10,606,240
Contingent liabilities	54,988	660,405	1,339,122	466,534	2,903,513	567,505	153,509	6,155,586
Total commitments and contingent liabilities	467,452	1,230,231	5,596,961	1,043,545	5,647,691	2,116,583	659,363	16,761,826

53. RISK MANAGEMENT (CONT'D.)
53.2 CREDIT RISK MANAGEMENT (CONT'D.)

(a) Industry Analysis (Cont'd.)

2019 Bank	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	Allowances for ECL RM'000	Total RM'000
Cash and short-term funds	-	4,511,820	772,049	-	-	-	-	-	(1,337)	5,282,332
Deposits and placements with banks and other financial institutions	-	332,984	-	-	-	-	-	-	(2,076)	330,918
Investment account	-	1,465,539	-	-	-	-	-	-	(3,659)	1,461,880
Derivative financial assets	187,533	556,578	-	1,934	2,146	100	737	28,657	-	777,665
Financial assets at fair value through profit or loss										
Money Market Securities	-	4,096,746	5,086,562	-	-	-	-	-	-	9,193,308
Quoted Sukuk	-	37,937	-	-	-	-	-	-	-	37,937
Unquoted Corporate bonds and sukuk	382,939	215,281	-	80,041	-	-	-	417,113	-	1,075,374
Total financial assets at fair value through profit or loss	382,939	4,349,964	5,086,562	80,041	-	-	-	417,113	-	10,306,619
Financial investments at fair value through other comprehensive income										
Money Market Securities	-	399,377	5,168,128	-	-	-	-	-	-	5,567,505
Unquoted Corporate bonds and sukuk	2,150,463	3,096,725	40,063	250,327	-	10,161	-	898,632	-	6,246,371
Total financial investments at fair value through other comprehensive income	2,150,463	3,496,102	5,208,191	250,327	-	10,161	-	898,632	-	11,613,876
Financial investments at amortised cost										
Money Market Securities	-	-	151,331	-	-	-	-	-	-	151,331
Unquoted Corporate bonds and sukuk	1,405,737	842,086	565,163	310,400	20,000	-	-	195,610	-	3,156,196
Allowance for ECL	-	-	-	-	-	-	-	-	(5,081)	(5,081)
Total financial investments at amortised cost	1,405,737	842,086	736,494	310,400	20,000	-	-	195,610	(5,081)	3,305,436
Loans and advances										
Hire purchase	96,639	137	-	2,163	21,781	5,179	10,842,898	139	-	10,968,935
Mortgage	224,437	4,349	-	105,016	55,034	64,700	26,681,205	3,304	-	27,138,045
Credit card	-	-	-	-	3	-	1,828,966	-	-	1,828,969
Others	1,801,280	24,371	-	241,868	155,244	208,926	54,163	39,189	-	2,525,041
Corporate loans and advances:										
Term loans and bridging loans	6,428,650	318,900	-	3,940,353	957,183	512,282	815,283	59,296	-	13,032,127
Revolving credits	3,879,666	865,565	-	1,656,203	137,680	7,028	921,354	22,539	-	7,290,255
Overdrafts	1,631,812	41,748	-	204,246	169,719	40,234	106,139	106,110	-	2,500,008
Trade (include Factoring)	6,660,864	146,774	-	588	73,670	-	-	-	-	6,861,694
Allowance for ECL	-	-	-	-	-	-	-	-	(887,386)	(887,386)
Total loans and advances	20,723,748	1,401,864	-	6,150,425	1,570,314	838,329	41,248,008	230,586	(887,386)	71,275,898
Statutory deposit with Bank Negara Malaysia	-	-	2,180,537	-	-	-	-	-	-	2,180,537
Other financial assets	90,037	781,653	101,997	21,659	13,381	263	4,376	15,324	(3,521)	1,095,189
Commitments	10,608,240	1,243,225	787,053	837,719	561,681	84,163	6,356,808	-	-	20,258,887
Contingent liabilities	6,155,586	355,350	-	619,972	189,175	147,164	433	50,884	-	7,512,544
Total commitments and contingent liabilities	16,761,826	1,598,575	787,053	1,257,691	744,836	231,327	6,357,239	50,884	-	27,769,411

53. RISK MANAGEMENT (CONTD.)

53.2 CREDIT RISK MANAGEMENT (CONTD.)

(a) Industry Analysis (Cont'd.)

2018 (Restated)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Subtotal
Bank	Agriculture	Mining and quarrying	Manufacturing	Electricity, gas and water	Construction	Wholesale and retail trade and hotels and restaurants	Transport, storage and communication			RM'000
Cash and short-term funds	-	-	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-	-
Investment account	-	-	-	-	-	-	-	-	-	-
Derivative financial assets	15,888	85,031	65,525	-	743	8,023	13,502	-	-	186,712
Financial assets held-for-trading	-	-	-	-	-	-	-	-	-	-
<i>Money Market Securities</i>	-	-	-	-	-	-	-	-	-	-
<i>Quoted Sukuk</i>	-	-	-	-	-	-	-	-	-	-
<i>Unquoted Corporate bonds and sukuk</i>	-	-	-	-	-	-	-	-	-	-
Total financial assets held-for-trading	-	-	-	-	277,886	-	-	-	-	277,886
Financial investments available-for-sale	-	-	-	-	-	-	-	-	-	-
<i>Money Market Securities</i>	-	-	-	-	-	-	-	-	-	-
<i>Unquoted Corporate bonds and sukuk</i>	83,475	-	70,574	282,285	897,825	91,015	138,088	-	-	1,573,242
Total financial investments available-for-sale	83,475	-	70,574	282,285	897,825	91,015	138,088	-	-	1,573,242
Financial investments held-to-maturity	-	-	-	-	534,000	-	-	-	-	534,000
<i>Unquoted Corporate bonds and sukuk</i>	-	-	-	-	534,000	-	-	-	-	534,000
Loans and advances	-	-	-	-	-	-	-	-	-	-
<i>Hire purchase</i>	1,066	1,386	8,188	133	10,601	88,093	34,689	-	-	123,334
<i>Mortgage</i>	8,091	1,685	67,302	2,637	65,675	101,866	14,498	-	-	261,753
<i>Credit card</i>	-	-	34	-	-	-	-	-	-	34
<i>Others</i>	78,014	11,052	281,542	7,077	227,018	483,851	68,743	-	-	1,166,297
<i>Corporate loans and advances:</i>	-	-	-	-	-	-	-	-	-	-
<i>Term loans and bridging loans</i>	814,575	686,304	1,480,451	544,324	702,888	1,245,392	398,377	-	-	5,853,309
<i>Revolving credits</i>	432,716	91,346	1,098,512	276,078	753,244	393,663	368,939	-	-	3,414,488
<i>Overdrafts</i>	120,759	30,993	437,104	7,987	489,245	439,840	61,007	-	-	1,566,945
<i>Trade (include Factoring)</i>	149,872	35,645	3,127,391	8,735	630,242	1,896,064	196,611	-	-	6,045,360
<i>Collective Allowance</i>	-	-	-	-	-	-	-	-	-	-
Total loans and advances	1,802,893	858,411	6,481,502	847,961	2,859,111	4,826,768	1,144,864	-	-	18,431,530
Receivables: Investment not quoted in active markets	-	222,419	50,000	-	62,181	5,000	700,000	-	-	1,039,600
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-	-	-
Other financial assets	487	6,786	2,766	5,046	41,104	1,643	17,784	-	-	75,636
Commitments	530,889	593,625	3,504,560	275,858	3,636,721	1,666,602	691,062	-	-	10,918,417
Contingent liabilities	59,829	589,408	1,181,638	476,888	3,187,269	504,603	313,456	-	-	6,303,191
Total commitments and contingent liabilities	590,916	1,183,033	4,686,198	752,746	6,803,990	2,181,205	1,004,518	-	-	17,222,608

63. RISK MANAGEMENT (CONTD.)
53.2 CREDIT RISK MANAGEMENT (CONTD.)

(e) Industry Analysis (Cont'd.)

2018 (Restated) Bank	Subtotal from previous page RM'000	Finance and insurance RM'000	Government and central bank RM'000	Real estate RM'000	Business activities RM'000	Education and health RM'000	Household RM'000	Others RM'000	Collective allowance RM'000	Total RM'000
Cash and short-term funds	-	3,603,373	107,745	-	-	-	-	-	-	3,711,118
Deposits, placements and investment accounts with banks and other financial institutions	-	450,000	-	-	-	-	-	-	-	450,000
Investment account	-	2,856,370	-	-	-	-	-	-	-	2,856,370
Derivative financial assets	186,712	857,200	32,303	1,659	1,284	326	1,745	52,824	-	1,134,053
Financial assets held-for-trading										
Money Market Securities	-	4,808,484	1,120,194	-	-	-	-	-	-	5,928,678
Quoted Sukuk	-	37,962	-	-	-	-	-	-	-	37,962
Unquoted Corporate bonds and sukuk	277,666	913,378	-	150,451	-	-	-	284,126	-	1,625,641
Total financial assets held-for-trading	277,666	5,759,824	1,120,194	150,451	-	-	-	284,126	-	7,592,281
Financial investments available-for-sale										
Money Market Securities	-	-	566,582	-	-	-	-	-	-	566,582
Unquoted Corporate bonds and sukuk	1,573,242	1,135,550	-	222,233	19,478	-	-	892,469	-	3,843,002
Total financial investments available-for-sale	1,573,242	1,135,550	566,582	222,233	19,478	-	-	892,469	-	4,401,564
Financial investments held-to-maturity										
Unquoted Corporate bonds and sukuk	534,000	353,605	850,000	255,000	-	-	-	-	-	1,802,605
Total financial investments held-to-maturity	534,000	353,605	850,000	255,000	-	-	-	-	-	1,802,605
Loans and advances										
Hire purchase	123,334	235	-	2,749	9,732	7,148	12,395,864	695	-	12,538,757
Mortgage	261,753	-	-	125,269	65,708	72,911	24,381,719	6,846	-	24,914,204
Credit card	34	-	-	-	-	-	1,646,482	62	-	1,646,578
Others	1,166,297	233	-	105,304	123,268	114,526	45,593	13,888	-	1,563,109
Corporate loans and advances:										
Term loans and bridging loans	5,853,309	365,876	-	3,407,590	749,338	365,980	282,530	28,344	-	11,063,975
Revolving credits	3,414,488	1,250,739	-	1,920,459	132,016	39,222	964,472	19,660	-	7,641,066
Overdrafts	1,566,945	14,913	-	413,499	93,498	24,175	107,706	-	-	2,220,736
Trade (include Factoring)	8,045,360	18,988	-	588	59,052	-	-	32,844	-	6,156,830
Collective Allowance	-	-	-	-	-	-	-	-	(497,776)	(497,776)
Total loans and advances	18,431,530	1,651,992	-	5,875,456	1,232,508	523,972	39,834,356	102,339	(497,776)	67,254,479
Receivables: Investment not quoted in active markets	1,039,600	25,000	-	75,000	-	10,000	-	-	-	1,149,600
Statutory deposit with Bank Negara Malaysia	-	-	2,012,837	-	-	-	-	-	-	2,012,837
Other financial assets	75,636	470,656	311,195	7,632	64,420	263	6,026	60,448	-	996,276
Commitments	10,918,417	892,873	56,355	891,588	429,232	322,498	7,394,282	28,319	-	20,934,564
Contingent liabilities	6,303,191	253,005	-	686,268	122,507	66,914	606	118,637	-	7,554,128
Total commitments and contingent liabilities	17,222,608	1,146,878	56,355	1,577,856	551,739	389,412	7,394,888	146,956	-	28,488,692

53. RISK MANAGEMENT (CONT'D.)

53.2 CREDIT RISK MANAGEMENT (CONT'D.)

(b) Geographical Analysis

	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
2019 Group			
Cash and short-term funds	4,103,738	1,184,642	5,288,380
<i>Less: Allowances for ECL</i>	-	(1,337)	(1,337)
	<u>4,103,738</u>	<u>1,183,305</u>	<u>5,287,043</u>
Deposits and placements with banks and other financial institutions	169,594	163,400	332,994
<i>Less: Allowances for ECL</i>	-	(2,076)	(2,076)
	<u>169,594</u>	<u>161,324</u>	<u>330,918</u>
Investment account	1,465,539	-	1,465,539
<i>Less: Allowances for ECL</i>	(3,659)	-	(3,659)
	<u>1,461,880</u>	<u>-</u>	<u>1,461,880</u>
Derivative financial assets	<u>488,427</u>	<u>289,258</u>	<u>777,685</u>
Financial assets at fair value through profit or loss			
<i>Money Market Securities</i>	9,193,308	-	9,193,308
<i>Quoted Sukuk</i>	37,937	-	37,937
<i>Unquoted Corporate bonds and sukuk</i>	1,075,374	-	1,075,374
Total financial assets at fair value through profit or loss	<u>10,306,619</u>	<u>-</u>	<u>10,306,619</u>
Financial investments at fair value through other comprehensive income			
<i>Money Market Securities</i>	5,567,505	-	5,567,505
<i>Unquoted Corporate bonds and sukuk</i>	6,119,342	106,132	6,225,474
Total financial investments at fair value through other comprehensive income	<u>11,686,847</u>	<u>106,132</u>	<u>11,792,979</u>
Financial investments at amortised cost			
<i>Money Market Securities</i>	151,331	-	151,331
<i>Unquoted Corporate bonds and sukuk</i>	3,159,196	-	3,159,196
<i>Less: Allowances for ECL</i>	(5,091)	-	(5,091)
Total financial investments at amortised cost	<u>3,305,436</u>	<u>-</u>	<u>3,305,436</u>
Loans and advances			
<i>Hire purchase</i>	10,968,935	-	10,968,935
<i>Mortgage</i>	27,196,392	-	27,196,392
<i>Credit card</i>	1,826,969	-	1,826,969
<i>Others</i>	2,525,041	-	2,525,041
<i>Corporate loans and advances:</i>			
<i>Term loans and bridging loans</i>	12,855,314	176,813	13,032,127
<i>Revolving credits</i>	7,188,975	101,280	7,290,255
<i>Overdrafts</i>	2,500,008	-	2,500,008
<i>Trade (include Factoring)</i>	6,881,894	-	6,881,894
<i>Less: Allowances for ECL</i>	(876,348)	(11,169)	(887,517)
Total loans and advances	<u>71,067,180</u>	<u>266,924</u>	<u>71,334,104</u>
Statutory deposit with Bank Negara Malaysia	<u>2,180,557</u>	<u>-</u>	<u>2,180,557</u>
Other financial assets	877,373	140,850	1,018,223
<i>Less: Allowances for ECL</i>	(3,823)	-	(3,823)
Total other financial assets	<u>873,550</u>	<u>140,850</u>	<u>1,014,400</u>
Commitments	20,021,527	170,706	20,192,233
Contingent liabilities	7,471,694	40,850	7,512,544
Total commitments and contingent liabilities	<u>27,493,221</u>	<u>211,556</u>	<u>27,704,777</u>

53. RISK MANAGEMENT (CONT'D.)

53.2 CREDIT RISK MANAGEMENT (CONT'D.)

(b) Geographical Analysis (Cont'd.)

2018 (Restated) Group	In Malaysia	Outside Malaysia	Total
	RM'000	RM'000	RM'000
Cash and short-term funds	2,774,489	941,540	3,716,029
Deposits, placements with banks and other financial institutions	450,000	-	450,000
Investment account	2,856,370	-	2,856,370
Derivative financial assets	942,073	191,980	1,134,053
Financial assets held-for-trading			
<i>Money Market Securities</i>	5,928,678	-	5,928,678
<i>Quoted Sukuk</i>	37,962	-	37,962
<i>Unquoted Corporate bonds and sukuk</i>	1,625,641	-	1,625,641
Total financial assets held-for-trading	7,592,281	-	7,592,281
Financial investments available-for-sale			
<i>Money Market Securities</i>	547,069	11,493	558,562
<i>Unquoted Corporate bonds and sukuk</i>	3,556,155	252,348	3,808,503
Total financial investments available-for-sale	4,103,224	263,841	4,367,065
Financial investments held-to-maturity			
<i>Unquoted Corporate bonds and sukuk</i>	1,802,605	-	1,802,605
Total financial investments held-to-maturity	1,802,605	-	1,802,605
Loans and advances			
<i>Hire purchase</i>	12,539,757	-	12,539,757
<i>Mortgage</i>	25,072,863	-	25,072,863
<i>Credit card</i>	1,646,578	-	1,646,578
<i>Others</i>	1,569,109	-	1,569,109
<i>Corporate loans and advances:</i>			
<i>Term loans and bridging loans</i>	10,970,969	93,006	11,063,975
<i>Revolving credits</i>	7,453,791	98,663	7,552,454
<i>Overdrafts</i>	2,220,736	-	2,220,736
<i>Trade (include Factoring)</i>	6,120,796	36,034	6,156,830
<i>Collective Allowance</i>	(495,852)	(1,960)	(497,812)
Total loans and advances	67,098,747	225,743	67,324,490
Receivables: Investment not quoted in active markets	1,149,600	-	1,149,600
Statutory deposit with Bank Negara Malaysia	2,012,837	-	2,012,837
Other financial assets	857,204	137,178	994,382
Commitments	20,800,019	72,656	20,872,675
Contingent liabilities	7,494,985	59,143	7,554,128
Total commitments and contingent liabilities	28,295,004	131,799	28,426,803

53. RISK MANAGEMENT (CONT'D.)

53.2 CREDIT RISK MANAGEMENT (CONT'D.)

(b) Geographical Analysis (Cont'd.)

	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
2019			
Bank			
Cash and short-term funds	4,099,700	1,183,969	5,283,669
<i>Less: Allowances for ECL</i>	-	(1,337)	(1,337)
	<u>4,099,700</u>	<u>1,182,632</u>	<u>5,282,332</u>
Deposits and placements with banks and other financial institutions	169,594	163,400	332,994
<i>Less: Allowances for ECL</i>	-	(2,076)	(2,076)
	<u>169,594</u>	<u>161,324</u>	<u>330,918</u>
Investment account	1,465,539	-	1,465,539
<i>Less: Allowances for ECL</i>	(3,659)	-	(3,659)
	<u>1,461,880</u>	<u>-</u>	<u>1,461,880</u>
Derivative financial assets	<u>488,427</u>	<u>289,258</u>	<u>777,685</u>
Financial assets at fair value through profit or loss			
<i>Money Market Securities</i>	9,193,308	-	9,193,308
<i>Quoted Sukuk</i>	37,937	-	37,937
<i>Unquoted Corporate bonds and sukuk</i>	1,075,374	-	1,075,374
Total financial assets at fair value through profit or loss	<u>10,306,619</u>	<u>-</u>	<u>10,306,619</u>
Financial investments at fair value through other comprehensive income			
<i>Money Market Securities</i>	5,567,505	-	5,567,505
<i>Unquoted Corporate bonds and sukuk</i>	6,140,239	106,132	6,246,371
Total financial investments at fair value through other comprehensive income	<u>11,707,744</u>	<u>106,132</u>	<u>11,813,876</u>
Financial investments at amortised cost			
<i>Money Market Securities</i>	151,331	-	151,331
<i>Unquoted Corporate bonds and sukuk</i>	3,159,196	-	3,159,196
<i>Less: Allowances for ECL</i>	(5,091)	-	(5,091)
Total financial investments at amortised cost	<u>3,305,436</u>	<u>-</u>	<u>3,305,436</u>
Loans and advances			
<i>Hire purchase</i>	10,968,935	-	10,968,935
<i>Mortgage</i>	27,138,045	-	27,138,045
<i>Credit card</i>	1,826,969	-	1,826,969
<i>Others</i>	2,525,041	-	2,525,041
<i>Corporate loans and advances:</i>			
<i>Term loans and bridging loans</i>	12,855,314	176,813	13,032,127
<i>Revolving credits</i>	7,188,975	101,280	7,290,255
<i>Overdrafts</i>	2,500,008	-	2,500,008
<i>Trade (include Factoring)</i>	6,881,894	-	6,881,894
<i>Less: Allowances for ECL</i>	(876,217)	(11,169)	(887,386)
Total loans and advances	<u>71,008,964</u>	<u>266,924</u>	<u>71,275,888</u>
Statutory deposit with Bank Negara Malaysia	<u>2,180,557</u>	<u>-</u>	<u>2,180,557</u>
Other financial assets	867,887	140,803	1,008,690
<i>Less: Allowances for ECL</i>	(3,521)	-	(3,521)
Total other financial assets	<u>864,366</u>	<u>140,803</u>	<u>1,005,169</u>
Commitments	20,086,161	170,706	20,256,867
Contingent liabilities	7,471,694	40,850	7,512,544
Total commitments and contingent liabilities	<u>27,557,855</u>	<u>211,556</u>	<u>27,769,411</u>

53. RISK MANAGEMENT (CONTD.)

53.2 CREDIT RISK MANAGEMENT (CONTD.)

(b) Geographical Analysis (Cont'd.)

2018 (Restated)	In	Outside	Total
	Malaysia	Malaysia	
Bank	RM'000	RM'000	RM'000
Cash and short-term funds	2,769,855	941,263	3,711,118
Deposits, placements with banks and other financial institutions	450,000	-	450,000
Investment account	2,856,370	-	2,856,370
Derivative financial assets	942,073	191,980	1,134,053
Financial assets held-for-trading			
<i>Money Market Securities</i>	5,928,678	-	5,928,678
<i>Quoted Sukuk</i>	37,962	-	37,962
<i>Unquoted Corporate bonds and sukuk</i>	1,625,641	-	1,625,641
Total financial assets held-for-trading	7,592,281	-	7,592,281
Financial investments available-for-sale			
<i>Money Market Securities</i>	547,069	11,493	558,562
<i>Unquoted Corporate bonds and sukuk</i>	3,590,654	252,348	3,843,002
Total financial investments available-for-sale	4,137,723	263,841	4,401,564
Financial investments held-to-maturity			
<i>Unquoted Corporate bonds and sukuk</i>	1,802,605	-	1,802,605
Total financial investments held-to-maturity	1,802,605	-	1,802,605
Loans and advances			
<i>Hire purchase</i>	12,539,757	-	12,539,757
<i>Mortgage</i>	24,914,204	-	24,914,204
<i>Credit card</i>	1,646,578	-	1,646,578
<i>Others</i>	1,569,109	-	1,569,109
<i>Corporate loans and advances:</i>			
<i>Term loans and bridging loans</i>	10,970,969	93,006	11,063,975
<i>Revolving credits</i>	7,542,403	98,663	7,641,066
<i>Overdrafts</i>	2,220,736	-	2,220,736
<i>Trade (include Factoring)</i>	6,120,796	36,034	6,156,830
<i>Collective Allowance</i>	(495,816)	(1,960)	(497,776)
Total loans and advances	67,028,736	225,743	67,254,479
Receivables: Investment not quoted in active markets	1,149,600	-	1,149,600
Statutory deposit with Bank Negara Malaysia	2,012,837	-	2,012,837
Other financial assets	859,144	137,132	996,276
Commitments	20,861,908	72,656	20,934,564
Contingent liabilities	7,494,985	59,143	7,554,128
Total commitments and contingent liabilities	28,356,893	131,799	28,488,692

53. RISK MANAGEMENT (CONT'D.)

53.2 CREDIT RISK MANAGEMENT (CONT'D.)

COLLATERAL AND OTHER CREDIT ENHANCEMENT

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.

The Group's policies regarding obtaining collateral have not significantly changed during the financial year and there has been no significant change in the overall quality of the collateral held by the Group since the previous financial year.

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.

53. RISK MANAGEMENT (CONT'D.)**53.2 CREDIT RISK MANAGEMENT (CONT'D.)****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, cash, motor vehicles and exchange traded shares.

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 eight 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 with exceptionally low PD of <0.1%. Exceptionally strong capacity and willingness to meet its financial commitments as evidenced by prompt repayment track record. Exhibits high degree resilience to adverse development in view of its very established employment profile and track record.
7 to 12	Very strong	0.0738% to 0.5942%	<ul style="list-style-type: none"> Very good credit risk profile with very low PD of <0.6%. Very strong capacity and willingness to meet its financial commitments as evidenced by generally prompt repayment track record. Exhibits high degree resilience to adverse development in view of its established employment profile and track record.
13 to 14	Strong	0.5943% to 1.0159%	<ul style="list-style-type: none"> Good credit risk profile with low PD of <1.1%. Exhibit willingness to meet its financial commitments as evidenced by good repayment track record. Generally in a position to withstand adverse development in view of its favorable employment profile and track record.
15 to 16	Satisfactory	1.0160% to 2.2722%	<ul style="list-style-type: none"> Satisfactory credit risk profile with acceptable PD of <2.3%. Adequate willingness to meet its financial commitments as evidenced by satisfactory repayment track record. Generally in a position to resolve any apparent shortcoming within an acceptable time frame in view of its satisfactory employment profile and track record.

53. RISK MANAGEMENT (CONT'D.)

53.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality (Cont'd.)

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

Risk Grade	Category	PD Ranges	Description
17 to 18-	Moderate	2.2723% to 4.1028%	<ul style="list-style-type: none"> Moderate credit risk profile with moderate PD of up to 4.1%. Willingness to meet its financial commitments would be uncertain in the event of adverse changes in circumstances and economic conditions as evidenced by generally satisfactory repayment track record. Generally in position to resolve any apparent shortcoming within an acceptable time frame in view of its moderate employment profile and track record.
19+ to 20-	Marginal	4.1029% to 8.2931%	<ul style="list-style-type: none"> Marginal credit risk profile with higher PD of up to 8.2931%. Willingness to meet its financial commitments would be uncertain under normal and economic conditions as generally circumstances evidenced by fair repayment track record. would be uncertain under normal Moderate employment profile and track record.
21 to 24	Substandard	>= 8.2932%	<ul style="list-style-type: none"> Substandard credit risk profile with poor PD of >= 8.2932%. Exhibit less willingness to meet its financial commitments under normal circumstances and economic conditions as generally evidenced by poor repayment track record. Unfavorable employment profile and track record.
99	Impaired	100%	<ul style="list-style-type: none"> Impaired account. Classified as impaired as per the prevailing Classified Account Management Policy.

Description of the categories for Non-Retail 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.

53. RISK MANAGEMENT (CONT'D.)

53.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality (Cont'd.)

Description of the categories for Non-Retail Banking (Cont'd.)

Credit quality classification	Description
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.
Substandard	<p>Lowest rating for counterparties that continuously demonstrate operational and financial instability. The key characteristics are:</p> <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	<p>Impaired account. The key characteristic is that the counterparty has been classified as "impaired" as per the Classified Account Management Policy for Credit Facility.</p>

53. RISK MANAGEMENT (CONT'D.)

53.2 CREDIT RISK MANAGEMENT (CONT'D.)

Impairment

Definition of past due and impaired loans, advances and debt instruments

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/debt instrument is classified as impaired under the following circumstances amongst others:

- (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
- (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 Group and the Bank will be unable to collect all amounts due (including both interest 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 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 Watchlist and Classification Committee ("WACC") is allowed to waive the declaration of cross-default across all accounts of the same customer or accounts of all customers within the same customer group.

or

- iii. if deemed appropriate by the WACC or CACC.

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.

53. RISK MANAGEMENT (CONT'D.)

53.2 CREDIT RISK MANAGEMENT (CONT'D.)

Impairment (Cont'd.)

Definition of past due and impaired loans, advances and debt instruments (Cont'd.)

- (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 WACC.
- (f) The loan is deemed impaired when it is classified as Rescheduled or Restructured ("R&R") in the Central Credit Reference Information System ("CCRIS").

Group Provisioning Methodology

The AMMB group's provisioning methodology complies with MFRS 9 where the Group and the Bank recognise Expected Credit Loss ("ECL") at all time to reflect changes in the credit risk of a financial instrument. The methodology incorporates historical, current and forecasted information into ECL estimation. Consequently, more timely information is required to be provided about expected credit losses.

MFRS 9 applies to all financial assets classified as amortised cost and fair value through other comprehensive income, lease receivables, trade receivables, and commitments to lend money and financial guarantee contracts.

Under MFRS 9, financial instruments are segregated into 3 stages depending on the changes in credit quality since initial recognition. We calculate 12-month ECL for Stage 1 and lifetime ECL for Stage 2 and Stage 3 exposures.

Measurement of Expected Credit Loss ("ECL")

MFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. A description of how the Group determines when a significant increase in credit risk has occurred as explained below.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. A description of inputs, assumptions and estimation techniques used in measuring the ECL as explained below.
- A pervasive concept in measuring ECL in accordance with MFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

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.

53. RISK MANAGEMENT (CONT'D.)

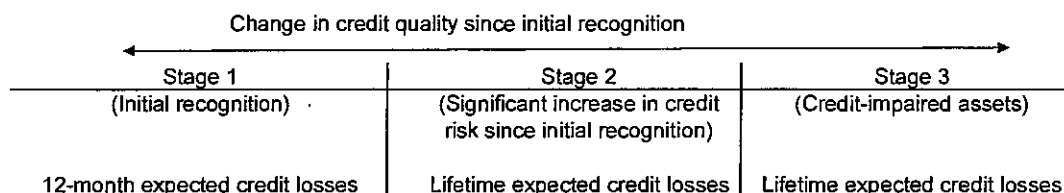
53.2 CREDIT RISK MANAGEMENT (CONT'D.)

Measurement of Expected Credit Loss ("ECL") (Cont'd.)

ECL can be assessed individually or collectively. Financial assets that are not individually significant or not individually credit impaired are collectively assessed. For financial assets that are individually significant, an assessment is performed to determine whether objective evidence of impairment exists individually.

Individual assessment is divided into two main processes - trigger assessment and measurement of impairment loss. Financial assets which are triggered by the impairment triggers will be measured for evidence of high likelihood of impairment, i.e. estimated recoveries (based on the discounted cash flow projection method and taking into account economic conditions) is less than carrying value.

The following diagram summarises the impairment requirements under MFRS 9 (other than purchased or originated credit-impaired financial assets):



The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below.

Significant increase in credit risk ("SICR")

The Group considers a financial instrument to have experienced a SICR when it is more than 30 days past due on its contractual payments. This includes both quantitative and qualitative analysis, based on the Group's historical experience, expert credit assessment and forward looking information. The requirement is to calculate remaining Lifetime ECL at the reporting date when the financial instrument experienced SICR, compared to one year ECL calculation when exposure was initially recognised.

Quantitative

Each exposure is allocated to a credit risk grade at initial recognition based on a variety of data that is determined to be predictive of the risk of default and experienced credit judgement about the borrower. Factors determining credit risk grades vary depending on nature of exposures and type of borrowers. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. There are 3 risk bands with Exceptionally Strong to Strong in the first risk band, Moderate to Satisfactory in the second risk band and Marginal to Substandard in the third risk band. Risk grade movement to a higher risk category may result in SICR.

Qualitative

The Group may determine that an exposure has undergone a significant increase in credit risk experiences using its expert credit risk judgment and where possible, relevant historical experience based on qualitative indicators specified by the Group's watchlist criteria that it considers as such and whose effect may not otherwise be fully reflected in quantitative analysis on a timely basis.

In relation to non-retail financial instruments, where a watchlist is used to monitor credit risk, this assessment is performed at the counterparty borrower basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the Wholesale Credit Risk team.

Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

(a) Quantitative criteria

The borrower is considered in default if its contractual payments is more than 90 days past due.

53. RISK MANAGEMENT (CONT'D.)

53.2 CREDIT RISK MANAGEMENT (CONT'D.)

Measurement of Expected Credit Loss ("ECL") (Cont'd.)

Definition of default and credit-impaired assets (Cont'd.)

(b) Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in breach of non-financial covenant, for example guarantor is deceased or become of unsound mind or non compliance of security ratio;
- The borrower is insolvent;
- The borrower is in breach of financial covenant(s); or
- The borrower has ceased operations due to financial distress.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Exposure at Default (EAD), Probability of Default (PD) and Loss given Default (LGD) throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The key inputs into the measurement of ECL are the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward looking information.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between rating classes, then this will lead to a change in associated PD.

Credit risk grades are a primary input of into the determination of PD term structure for exposures. The Group collects performance and default information about its credit risk exposures analysed by portfolio. The Group employs statistical models to analyse data collected and generate estimates of the remaining lifetime PD of exposures.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry, and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, Loan-to-Value ("LTV") ratios are a key parameter in determining LGD. They are calculated on a discounted cash flow basis using the effective interest rate as the discount factor.

EAD represents the expected exposure in the event of default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, and potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward looking forecasts. EAD for term loan is based on amortisation schedule whereas EAD for revolving and bullet loan is determined to be constant.

53. RISK MANAGEMENT (CONT'D.)

53.2 CREDIT RISK MANAGEMENT (CONT'D.)

Measurement of Expected Credit Loss ("ECL") (Cont'd.)**Forward-looking information incorporated in the ECL models**

Forward looking models are built based on statistical relationship established between Observed Default Rate ("ODR") and macroeconomic variables ("MEVs").

This analysis includes the identification and calibration of relationships between changes in default rates and changes in MEVs. For most exposures, key macroeconomic indicators include GDP growth, KLIBOR, and CPI.

There are 3 scenarios for forward looking namely base, best and worst which requires management judgement of the economic situation i.e. normal, bullish or downturn. A weightage is applied to the scenarios to produce an appropriate forward looking ECL to best reflect the forward looking economic outlook.

Key variables / assumptions for ECL calculations

The recognition and measurement of ECL is highly complex and involves the use of significant judgement and estimation. Thus includes establishing the forward-looking macroeconomic conditions into ECL as required under MFRS9, the allowance for ECL is sensitive to the input used and economic assumption underlying the estimate.

The following table shows the forecast of key economic variables used in Forward Looking models for ECL calculations for financial year ended 31 March 2019.
(Yearly values = average of forecasted quarterly values)

Macroeconomy Variable	ECL Scenario	Assigned Probabilities (%)	2019	2020	2021	2022	2023
Consumer Price Index (%)	Base Case	80%	1.45	2.1	1.78	2.25	2.88
	Optimistic	10%	1.41	2.05	1.73	2.19	2.8
	Conservative	10%	1.49	2.15	1.82	2.31	2.95
GDP Growth (%)	Base Case	80%	4.45	5.15	5.47	5.8	5.35
	Optimistic	10%	4.56	5.28	5.61	5.95	5.48
	Conservative	10%	4.34	5.02	5.34	5.66	5.22
House Price Index (%)	Base Case	80%	2.15	2.65	3.4	4.05	5.86
	Optimistic	10%	2.2	2.72	3.49	4.15	6.01
	Conservative	10%	2.1	2.58	3.32	3.95	5.72
USD/MYR Exchange Rate	Base Case	80%	4.07	3.99	3.89	3.79	3.9
	Optimistic	10%	3.97	3.6	3.56	3.49	3.8
	Conservative	10%	4.17	4.4	4.35	4.27	4
Brent Oil Price (USD/barrel)	Base Case	80%	62.5	72.25	74.5	75.5	78
	Optimistic	10%	64.06	74.06	76.36	77.39	79.95
	Conservative	10%	60.94	70.44	72.64	73.61	76.05

53. RISK MANAGEMENT (CONT'D.)

53.2 CREDIT RISK MANAGEMENT (CONT'D.)

Measurement of Expected Credit Loss ("ECL") (Cont'd.)

Write-off policy

Stage 1 write-off

The Group may partially write-off financial assets where full recovery is not possible taking proceeds from value of securities or where customer has been allowed time to repay on negotiated settlement basis. The outstanding contractual amounts of such assets written off during the year ended 31 March 2019 was RM393.7 million. The Group still seeks legal recovery action, as such, credit exposures for these continue unabated.

Stage 2 write-off

The Group writes off financial assets in whole when it has exhausted all necessary recovery actions against credit exposures and there is minimal prospect of recovery and/or further recovery is not economical, then the credit exposures will be written off from both the general ledger and subsidiary ledger.

Modified financial assets

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more. The Group continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets.

The following table includes summary information for financial assets with lifetime ECL whose cash flows were modified during the financial year as part of the Group's and the Bank's restructuring activities and their respective effect on the Group's and the Bank's financial performance:

	Loans and advances to customers RM'000
2019	
Group and Bank	
Amortised cost before modification	<u>467,410</u>
Net modification loss	<u>(5,317)</u>

53. RISK MANAGEMENT (CONT'D.)

53.2 CREDIT RISK MANAGEMENT (CONT'D.)

(c) Credit Quality By Class of Financial Assets

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.

Cash and Short-Term Funds

	2019		Total RM'000
	Stage 1	Stage 2	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	
Group			
Risk grade			
Exceptionally strong	10,228	-	10,228
Very strong	2,478,996	-	2,478,996
Strong	2,799,125	-	2,799,125
Satisfactory	-	-	-
Moderate	-	-	-
Marginal	-	-	-
Substandard	-	31	31
Unrated	-	-	-
Impaired	-	-	-
Gross exposure	5,288,349	31	5,288,380
Less: Allowances for ECL	(1,306)	(31)	(1,337)
Net exposure	5,287,043	-	5,287,043

	2019		Total RM'000
	Stage 1	Stage 2	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	
Bank			
Risk grade			
Exceptionally strong	6,370	-	6,370
Very strong	2,478,143	-	2,478,143
Strong	2,799,125	-	2,799,125
Satisfactory	-	-	-
Moderate	-	-	-
Marginal	-	-	-
Substandard	-	31	31
Unrated	-	-	-
Impaired	-	-	-
Gross exposure	5,283,638	31	5,283,669
Less: Allowances for ECL	(1,306)	(31)	(1,337)
Net exposure	5,282,332	-	5,282,332

53. RISK MANAGEMENT (CONT'D.)

53.2 CREDIT RISK MANAGEMENT (CONT'D.)

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

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 (Cont'd.).

Investment account

	2019		Total RM'000
	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	
Group			
Risk grade			
Exceptionally strong	1,277,348	188,191	1,465,539
Very strong	-	-	-
Strong	-	-	-
Satisfactory	-	-	-
Moderate	-	-	-
Marginal	-	-	-
Substandard	-	-	-
Unrated	-	-	-
Impaired	-	-	-
Gross exposure	1,277,348	188,191	1,465,539
Less: Allowances for ECL	(948)	(2,711)	(3,659)
Net exposure	1,276,400	185,480	1,461,880

	2019		Total RM'000
	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	
Bank			
Risk grade			
Exceptionally strong	1,277,348	188,191	1,465,539
Very strong	-	-	-
Strong	-	-	-
Satisfactory	-	-	-
Moderate	-	-	-
Marginal	-	-	-
Substandard	-	-	-
Unrated	-	-	-
Impaired	-	-	-
Gross exposure	1,277,348	188,191	1,465,539
Less: Allowances for ECL	(948)	(2,711)	(3,659)
Net exposure	1,276,400	185,480	1,461,880

53. RISK MANAGEMENT (CONT'D.)

53.2 CREDIT RISK MANAGEMENT (CONT'D.)

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

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 (Cont'd.).

Financial investments at fair value through other comprehensive income

Group	Stage 1	2019		Total
		12-month ECL	Stage 2 Lifetime ECL not credit impaired	
	RM'000	RM'000	RM'000	RM'000
Risk grade				
Exceptionally strong	86,037	-		86,037
Very strong	10,947,912	-		10,947,912
Strong	376,737	-		376,737
Satisfactory	155,555	100,753		256,308
Moderate	50,311	75,674		125,985
Marginal	-	-		-
Substandard	-	-		-
Unrated	-	-		-
Impaired	-	-		-
Gross exposure	11,616,552	176,427		11,792,979
Less: Allowances for ECL	(9,914)	(3,195)		(13,109)
Net exposure	11,606,638	173,232		11,779,870

Bank	Stage 1	2019		Total
		12-month ECL	Stage 2 Lifetime ECL not credit impaired	
	RM'000	RM'000	RM'000	RM'000
Risk grade				
Exceptionally strong	86,037	-		86,037
Very strong	10,968,809	-		10,968,809
Strong	376,737	-		376,737
Satisfactory	155,555	100,753		256,308
Moderate	50,311	75,674		125,985
Marginal	-	-		-
Substandard	-	-		-
Unrated	-	-		-
Impaired	-	-		-
Gross exposure	11,637,449	176,427		11,813,876
Less: Allowances for ECL	(9,934)	(3,195)		(13,129)
Net exposure	11,627,515	173,232		11,800,747

53. RISK MANAGEMENT (CONT'D.)

53.2 CREDIT RISK MANAGEMENT (CONT'D.)

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

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 (Cont'd.).

Gross loans and advances

	2019			Total RM'000
	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	
Group				
Risk grade				
Exceptionally strong	11,261	100	-	11,361
Very strong	26,987,952	143,964	-	27,131,916
Strong	10,672,582	341,290	-	11,013,872
Satisfactory	12,729,963	1,269,189	-	13,999,152
Moderate	6,196,286	1,275,148	-	7,471,434
Marginal	1,533,785	1,433,160	-	2,966,945
Substandard	1,091,537	2,347,596	-	3,439,133
Unrated	4,738,425	402,941	-	5,141,366
Impaired	-	-	1,046,442	1,046,442
Gross exposure	63,961,791	7,213,388	1,046,442	72,221,621
Less: Allowances for ECL	(194,437)	(415,068)	(278,012)	(887,517)
Net exposure	63,767,354	6,798,320	768,430	71,334,104

	2019			Total RM'000
	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	
Bank				
Risk grade				
Exceptionally strong	11,261	100	-	11,361
Very strong	27,073,804	143,964	-	27,217,768
Strong	10,672,582	341,290	-	11,013,872
Satisfactory	12,586,205	1,269,189	-	13,855,394
Moderate	6,196,286	1,275,148	-	7,471,434
Marginal	1,533,516	1,433,118	-	2,966,634
Substandard	1,091,537	2,347,470	-	3,439,007
Unrated	4,739,164	402,941	-	5,142,105
Impaired	-	-	1,045,699	1,045,699
Gross exposure	63,904,355	7,213,220	1,045,699	72,163,274
Less: Allowances for ECL	(194,440)	(415,058)	(277,888)	(887,386)
Net exposure	63,709,915	6,798,162	767,811	71,275,888

53. RISK MANAGEMENT (CONT'D.)

53.2 CREDIT RISK MANAGEMENT (CONT'D.)

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

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 (Cont'd.).

Other financial assets

Group	Stage 1	2019		Total
		12-month ECL	Stage 2 Lifetime ECL not credit impaired	
Risk grade	RM'000	RM'000	RM'000	RM'000
Exceptionally strong	129,623	-	-	129,623
Very strong	617,905	-	-	617,905
Strong	211,125	-	-	211,125
Satisfactory	15,517	-	-	15,517
Moderate	2,195	-	-	2,195
Marginal	1,023	-	-	1,023
Substandard	168	-	-	168
Unrated	36,686	-	-	36,686
Impaired	-	-	3,981	3,981
Gross exposure	1,014,242	-	3,981	1,018,223
Less: Allowances for ECL	-	-	(3,823)	(3,823)
Net exposure	1,014,242	-	158	1,014,400

Bank	Stage 1	2019		Total
		12-month ECL	Stage 2 Lifetime ECL not credit impaired	
Risk grade	RM'000	RM'000	RM'000	RM'000
Exceptionally strong	129,623	-	-	129,623
Very strong	617,902	-	-	617,902
Strong	211,125	-	-	211,125
Satisfactory	15,517	-	-	15,517
Moderate	2,195	-	-	2,195
Marginal	1,023	-	-	1,023
Substandard	168	-	-	168
Unrated	27,616	-	-	27,616
Impaired	-	-	3,521	3,521
Gross exposure	1,005,169	-	3,521	1,008,690
Less: Allowances for ECL	-	-	(3,521)	(3,521)
Net exposure	1,005,169	-	-	1,005,169

53. RISK MANAGEMENT (CONT'D.)

53.2 CREDIT RISK MANAGEMENT (CONT'D.)

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

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 (Cont'd.).

Loans commitments and financial guarantee contracts

Group	Stage 1 12-month ECL RM'000	2019		Total RM'000
		Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	
Risk grade				
Exceptionally strong	1,358,008	4,024	-	1,362,032
Very strong	9,808,083	22,392	-	9,830,475
Strong	4,230,388	40,443	-	4,270,831
Satisfactory	6,230,786	384,851	-	6,615,637
Moderate	2,107,511	228,782	-	2,336,293
Marginal	161,895	297,072	-	458,967
Substandard	187,137	218,031	-	405,168
Unrated	806,498	33,551	-	840,049
Impaired	-	-	87,742	87,742
Gross exposure	24,890,306	1,229,146	87,742	26,207,194
Less: Allowances for ECL	(41,569)	(26,058)	(10,893)	(78,520)
Net exposure	24,848,737	1,203,088	76,849	26,128,674

Bank	Stage 1 12-month ECL RM'000	2019		Total RM'000
		Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	
Risk grade				
Exceptionally strong	1,358,008	4,024	-	1,362,032
Very strong	9,872,667	22,392	-	9,895,059
Strong	4,230,388	40,443	-	4,270,831
Satisfactory	6,230,786	384,851	-	6,615,637
Moderate	2,107,511	228,782	-	2,336,293
Marginal	161,895	297,072	-	458,967
Substandard	187,137	218,031	-	405,168
Unrated	806,498	33,551	-	840,049
Impaired	-	-	87,742	87,742
Gross exposure	24,954,890	1,229,146	87,742	26,271,778
Less: Allowances for ECL	(41,602)	(26,058)	(10,892)	(78,552)
Net exposure	24,913,288	1,203,088	76,850	26,193,226

53. RISK MANAGEMENT (CONT'D.)

53.2 CREDIT RISK MANAGEMENT (CONT'D.)

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

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 (Cont'd.).

	Deposits and placements with banks and other financial institutions RM'000	Financial investments at amortised cost RM'000	Statutory deposit with Bank Negara Malaysia RM'000
Stage 1			
2019			
Group and Bank			
Exceptionally strong	-	-	-
Very strong	150,000	2,053,125	2,180,557
Strong	182,994	156,418	-
Satisfactory risk	-	1,065,125	-
Moderate risk	-	35,000	-
Marginal risk	-	-	-
Sub-standard	-	-	-
Unrated	-	859	-
Gross exposure	332,994	3,310,527	2,180,557
Less: Allowances for ECL	(2,076)	(5,091)	-
Net exposure	330,918	3,305,436	2,180,557

Maximum exposure to credit risk - financial instruments not subject to impairment.

The table below shows the credit quality of financial assets measured at FVTPL:

	Financial assets at fair value through profit or loss RM'000	Derivative financial assets RM'000
2019		
Group and Bank		
Exceptionally strong	25,029	28,004
Very strong	9,908,534	411,677
Strong	373,056	299,327
Satisfactory risk	-	31,498
Moderate risk	-	3,673
Marginal risk	-	1,504
Sub-standard	-	2
Unrated	-	2,000
Carrying amount	10,306,619	777,685

63. RISK MANAGEMENT (CONTD.)
63.2 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 (Cont'd.).

2018 (Restated) Group	Neither past due nor impaired										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			Total RM'000
Cash and short-term funds	1,408,318	2,307,711	-	-	-	-	-	-	-	-	3,716,029	-	-
Deposits and placements with banks and other financial institutions	-	450,000	-	-	-	-	-	-	-	-	450,000	-	-
Investment account	-	2,856,370	-	-	-	-	-	-	-	-	2,856,370	-	-
Derivative financial assets	35,380	785,162	239,050	52,812	13,989	3,318	1	4,351	-	-	1,344,053	-	-
Financial assets held-for-trading	-	5,928,878	-	-	-	-	-	-	-	-	5,928,878	-	-
Money Market Securities	-	37,992	-	-	-	-	-	-	-	-	37,992	-	-
Quoted Sukuk	-	970,072	561,812	93,757	-	-	-	-	-	-	1,625,641	-	-
Unquoted Corporate bonds and sukuk	-	6,938,712	681,812	93,757	-	-	-	-	-	-	7,692,281	-	-
Total financial assets held-for-trading	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial investments available-for-sale	-	558,562	-	-	-	-	-	-	-	-	558,562	-	-
Money Market Securities	163,686	1,982,620	878,813	474,682	150,414	-	132,530	47,758	-	-	3,808,503	5,000	(5,000)
Unquoted Corporate bonds and sukuk	153,686	2,521,182	876,813	474,682	150,414	-	132,530	47,758	-	-	4,367,065	5,000	(5,000)
Total financial investments available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial investments held-to-maturity *	-	1,801,696	-	-	-	-	-	859	-	2,600	1,805,155	2,600	(2,650)
Unquoted Corporate bonds and sukuk	-	1,801,696	-	-	-	-	-	859	-	2,600	1,805,155	2,600	(2,650)
Total financial investments held-to-maturity	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross loans and advances *	-	-	-	-	-	-	-	-	-	-	-	-	-
Hire purchase	1,618	5,189,792	1,700,224	1,389,133	622,402	157,388	128,944	-	3,204,489	134,629	12,539,757	-	-
Mortgage	1,749	9,828,146	4,516,897	3,827,637	2,384,487	727,518	574,578	-	2,863,970	328,757	25,073,521	4,361	(658)
Credit card	-	89,208	-	745,021	307,577	120,165	104,951	-	257,836	22,322	1,646,578	-	-
Others	-	80,950	92,364	370,835	454,127	181,144	292,424	-	75,167	24,811	1,571,842	3,299	(2,733)
Corporate loans and advances:	-	-	-	-	-	-	-	-	-	-	-	-	-
Term loans and bridging loans	-	4,152,954	1,655,856	2,845,696	1,065,683	337,398	85,343	-	74,115	399,259	11,236,604	348,045	(172,628)
Revolving credits	1,001	2,861,259	1,249,621	2,003,643	901,838	259,186	338,952	-	70,573	67,179	7,653,052	67,179	(698)
Overdrafts	2	305,288	294,664	891,208	545,975	288,151	76,871	-	4,637	39,381	2,223,977	16,080	(3,241)
Trade (include Factoring)	10,472	2,327,415	1,817,678	1,581,593	505,743	53,635	12,257	-	11,816	37,462	6,158,071	10,140	(1,241)
Total gross loans and advances	15,042	24,645,012	11,127,204	13,654,966	7,407,612	2,102,523	1,615,120	-	6,562,123	1,053,800	66,003,402	449,104	(161,100)
Receivables: Investment not quoted in active markets	-	1,007,419	117,181	25,000	-	-	-	-	-	-	1,149,600	-	-
Statutory deposit with Bank Negara Malaysia	-	2,012,637	-	-	-	-	-	-	-	-	2,012,637	-	-
Other financial assets*	126,316	678,404	53,511	7,512	12,189	269	1,045	113,625	20,046	1,012,897	20,046	-	(18,515)

* The amounts presented above are gross of impairment allowances.

53. RISK MANAGEMENT (CONTD.)

53.2 CREDIT RISK MANAGEMENT (CONTD.)

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

	Neither past due nor impaired										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			Total RM'000
2018 (Restated) Bank	1,408,238	2,302,882	-	-	-	-	-	-	-	-	3,711,118	-	-
Cash and short-term funds	-	450,000	-	-	-	-	-	-	-	-	450,000	-	-
Deposits and placements with banks and other financial institutions	-	2,858,370	-	-	-	-	-	-	-	-	2,858,370	-	-
Investment account	35,380	765,162	239,080	52,812	13,989	3,318	1	4,351	-	-	1,134,053	-	-
Derivative financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets held-for-trading	-	5,928,878	-	-	-	-	-	-	-	-	5,928,878	-	-
Money Market Securities	-	37,862	-	-	-	-	-	-	-	-	37,862	-	-
Quoted Sukuk	-	870,072	581,812	93,757	-	-	-	-	-	-	1,625,641	-	-
Unquoted Corporate bonds and sukuk	-	8,035,712	581,812	93,757	-	-	-	-	-	-	7,592,281	-	-
Total financial assets held-for-trading	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial investments available-for-sale	-	558,562	-	-	-	-	-	-	-	-	558,562	-	-
Money Market Securities	163,686	1,987,119	876,813	474,682	150,414	-	-	47,758	-	-	3,843,002	5,000	(5,000)
Unquoted Corporate bonds and sukuk	163,686	2,555,681	876,813	474,682	150,414	-	-	47,758	-	-	4,401,584	5,000	(5,000)
Total financial investments available-for-sale	-	1,801,688	-	-	-	-	-	859	-	2,600	1,805,155	2,600	(2,550)
Financial investments held-to-maturity *	-	1,801,688	-	-	-	-	-	859	-	2,600	1,805,155	2,600	(2,550)
Unquoted Corporate bonds and sukuk	-	1,801,688	-	-	-	-	-	859	-	2,600	1,805,155	2,600	(2,550)
Total financial investments held-to-maturity	-	1,801,688	-	-	-	-	-	859	-	2,600	1,805,155	2,600	(2,550)
Gross loans and advances *	-	-	-	-	-	-	-	-	-	-	-	-	-
Hire purchase	1,616	5,199,792	1,700,224	1,369,133	622,402	157,326	129,844	-	3,204,489	134,829	12,538,757	-	-
Mortgage	1,749	9,828,147	4,518,897	3,970,684	2,384,487	727,518	574,578	-	2,862,449	328,573	24,914,852	4,361	(658)
Credit card	-	89,205	-	745,021	307,577	120,165	104,951	-	257,338	22,322	1,646,578	-	-
Others	-	80,950	92,364	370,835	454,127	181,144	292,424	-	75,187	24,811	1,571,842	3,299	(2,733)
Corporate loans and advances:	-	-	-	-	-	-	-	-	-	-	-	-	-
Term loans and bridging loans	1,001	4,152,854	1,655,956	2,845,698	1,685,683	337,398	85,343	-	74,115	399,259	11,236,604	348,045	(172,829)
Revolving credits	2	2,749,871	1,249,521	2,003,643	801,638	256,186	338,652	-	70,573	67,179	7,841,664	67,179	(598)
Overdrafts	10,472	305,288	294,664	891,208	545,975	288,151	76,671	-	4,637	39,381	2,223,977	16,080	(3,241)
Trade (includes Factoring)	15,042	2,927,415	1,817,678	1,581,583	505,743	53,835	12,257	-	11,816	37,462	6,158,071	10,140	(1,241)
Total gross loans and advances	-	24,793,623	11,127,204	13,288,013	7,407,812	2,102,523	1,815,120	-	5,560,602	1,053,616	67,933,355	448,104	(161,100)
Receivables: Investment not quoted in active markets	-	1,007,419	117,181	25,000	-	-	-	-	-	-	1,149,600	-	-
Statutory deposit with Bank Negara Malaysia	-	2,012,837	-	-	-	-	-	-	-	-	2,012,837	-	-
Other financial assets*	126,316	680,841	53,511	7,512	12,199	268	1,045	113,475	-	19,757	1,014,865	19,757	(18,419)

* The amounts presented above are gross of impairment allowances.

53. RISK MANAGEMENT (CONT'D.)

53.2 CREDIT RISK MANAGEMENT (CONT'D.)

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

	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	Total RM'000
2018				
Group				
Gross loans and advances				
Hire purchase	2,664,847	539,642	-	3,204,489
Mortgage	2,195,855	688,115	-	2,883,970
Credit card	194,866	62,470	-	257,336
Others	53,170	22,017	-	75,187
Corporate loans and advances:				
Term loans and bridging loans	60,980	13,135	-	74,115
Revolving credits	70,573	-	-	70,573
Overdrafts	4,637	-	-	4,637
Trade (include Factoring)	7,409	4,407	-	11,816
Total gross loans and advances	<u>5,252,337</u>	<u>1,329,786</u>	<u>-</u>	<u>6,582,123</u>
Bank				
Gross loans and advances				
Hire purchase	2,664,847	539,642	-	3,204,489
Mortgage	2,194,803	687,646	-	2,882,449
Credit card	194,866	62,470	-	257,336
Others	53,170	22,017	-	75,187
Corporate loans and advances:				
Term loans and bridging loans	60,980	13,135	-	74,115
Revolving credits	70,573	-	-	70,573
Overdrafts	4,637	-	-	4,637
Trade (include Factoring)	7,409	4,407	-	11,816
Total gross loans and advances	<u>5,251,285</u>	<u>1,329,317</u>	<u>-</u>	<u>6,580,602</u>

53. RISK MANAGEMENT (CONT'D.)

53.2 CREDIT RISK MANAGEMENT (CONT'D.)

(e) Estimated value of collateral for financial assets

	Gross exposure to credit risk		Financial effect of collateral		Unsecured portion of credit exposure	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Group						
Gross loans and advances						
Hire purchase	10,968,935	12,539,757	10,192,416	11,759,907	776,519	779,850
Mortgage	27,196,392	25,073,521	26,847,228	24,726,995	349,164	346,526
Credit card	1,826,969	1,646,578	34,423	21,675	1,792,546	1,624,903
Others	2,525,041	1,571,842	986,386	553,863	1,538,655	1,017,979
Corporate loans and advances:						
Term loans and bridging loans	13,032,127	11,236,604	9,039,412	6,516,982	3,992,715	4,719,622
Revolving credits	7,290,255	7,553,052	2,942,472	2,831,958	4,347,783	4,721,094
Overdrafts	2,500,008	2,223,977	1,494,234	1,269,088	1,005,774	954,889
Trade (include Factoring)	6,881,894	6,158,071	2,010,062	1,582,274	4,871,832	4,575,797
Total	72,221,621	68,003,402	53,546,633	49,262,742	18,674,988	18,740,660
Bank						
Gross loans and advances						
Hire purchase	10,968,935	12,539,757	10,192,416	11,759,907	776,519	779,850
Mortgage	27,138,045	24,914,862	26,790,411	24,571,206	347,634	343,656
Credit card	1,826,969	1,646,578	34,423	21,675	1,792,546	1,624,903
Others	2,525,041	1,571,842	986,386	553,863	1,538,655	1,017,979
Corporate loans and advances:						
Term loans and bridging loans	13,032,127	11,236,604	9,039,412	6,516,982	3,992,715	4,719,622
Revolving credits	7,290,255	7,641,664	2,942,472	2,831,958	4,347,783	4,809,706
Overdrafts	2,500,008	2,223,977	1,494,234	1,269,088	1,005,774	954,889
Trade (include Factoring)	6,881,894	6,158,071	2,010,062	1,582,274	4,871,832	4,575,797
Total	72,163,274	67,933,355	53,489,816	49,106,953	18,673,458	18,826,402

53. RISK MANAGEMENT (CONT'D.)

53.2 CREDIT RISK MANAGEMENT (CONT'D.)

(f) Collateral Repossessed

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Properties:				
Residential, net of impairment	150	150	-	-
Non-residential, net of impairment	2,289	4,190	2,289	4,190
	<u>2,439</u>	<u>4,340</u>	<u>2,289</u>	<u>4,190</u>

The above assets are accounted for as foreclosed properties under other assets (Note 23). There were no new assets obtained for the financial year 2019 and 2018.

53. RISK MANAGEMENT (CONT'D.)

53.2 CREDIT RISK MANAGEMENT (CONT'D.)

(g) Collateral held for credit impaired financial assets

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

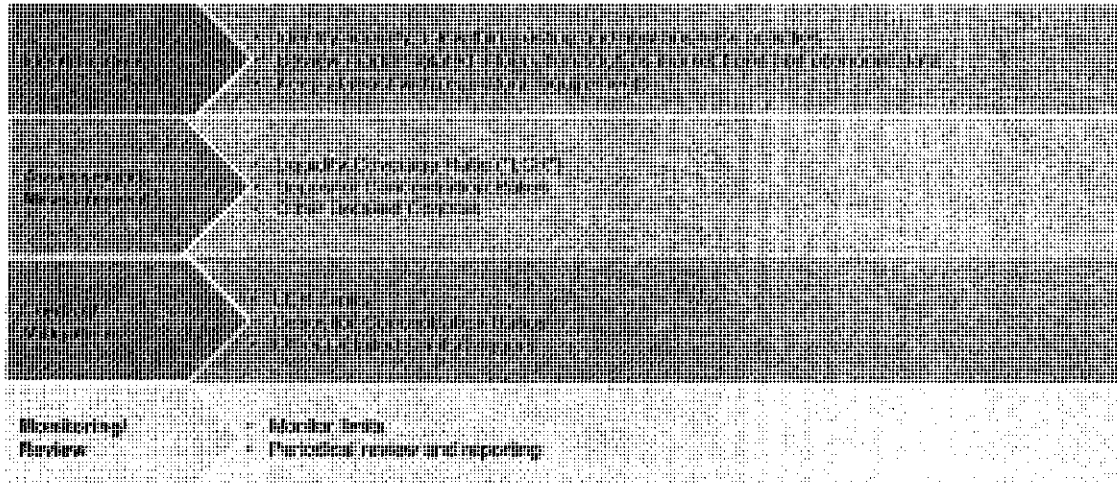
	Gross exposure RM'000	Impairment allowance RM'000	Carrying amount RM'000	Fair value of collateral RM'000
2019				
Group				
Credit-impaired financial assets				
Hire purchase	131,783	44,254	87,529	117,666
Mortgage	353,099	76,350	276,749	322,257
Credit card	25,838	17,460	8,378	351
Other loans and financing	34,203	9,098	25,105	17,285
Corporate loans and advances				
Term loans and bridging loans	323,334	71,979	251,355	288,590
Revolving credits	119,156	41,172	77,984	119,156
Overdrafts	42,358	10,486	31,872	35,339
Trade	16,671	7,213	9,458	9,432
Total credit-impaired financial assets	<u>1,046,442</u>	<u>278,012</u>	<u>768,430</u>	<u>910,076</u>
Bank				
Credit-impaired financial assets				
Hire purchase	131,783	44,254	87,529	117,666
Mortgage	352,356	76,226	276,130	321,514
Credit card	25,838	17,460	8,378	351
Other loans and financing	34,203	9,098	25,105	17,285
Corporate loans and advances				
Term loans and bridging loans	323,334	71,979	251,355	288,590
Revolving credits	119,156	41,172	77,984	119,156
Overdrafts	42,358	10,486	31,872	35,339
Trade	16,671	7,213	9,458	9,432
Total credit-impaired financial assets	<u>1,045,699</u>	<u>277,888</u>	<u>767,811</u>	<u>909,333</u>

53. RISK MANAGEMENT (CONT'D.)

53.3 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:



The liquidity risk management of the Bank is aligned to 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.

53. RISK MANAGEMENT (CONT'D.)

53.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

The Board provides the liquidity risk management oversight including setting and reviewing the liquidity risk appetite and approves the Bank's liquidity management strategy while the GALCO and/or GMRC are management committees established by the Board to oversee the overall liquidity management of the Bank. Investment Banking and Market Risk ("IBMR") jointly with Group Treasury and Markets ("GTM") and Capital and Balance Sheet Management ("CBSM") develop the liquidity scenario assumptions that are to be approved by the Board.

The AMMB Group has put in place a Contingency Funding Plan which is established by CBSM 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 Bank has in place various liquidity measurements that support the broader strategic objectives of the Bank and amongst others include the BNM LCR, Depositor Concentration Ratio and other Liquidity Ratios. IBMR is responsible for developing and monitoring the controls and limits while GTM is responsible for the consolidated liquidity management execution and 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 the stable funding sources to finance placement and loans to customers. They are monitored using the loans to available funds ratio, which compares loans and advances to customers as a percentage of the Bank's total available funds.

To measure the quality of the Bank's funding sources, the composition of core funds indicators is monitored on a regular basis. The core funds is defined as deposits from retail and small business customers, operational deposits, non-financial institutions deposits more than 1 year and debt instrument/long term borrowings more than 1 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.

53. RISK MANAGEMENT (CONT'D.)

53.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

(a) Analysis of Assets and Liabilities By Remaining Contractual Maturities as per requirement of BNM's policy document Financial Reporting

2019	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	5,287,043	-	-	-	-	-	-	5,287,043
Deposits, placements and investment accounts with banks and other financial institutions	-	330,918	-	-	-	-	-	330,918
Investment account	-	-	-	999,380	-	-	-	999,380
Derivative financial assets	47,737	53,955	24,567	26,579	462,500	-	-	1,461,880
Financial assets at fair value through profit or loss	3,273,453	1,787,056	1,299,770	1,542,630	1,235,050	327,165	-	777,685
Financial investments at fair value through other comprehensive income	-	-	-	-	-	1,168,660	340,216	10,648,835
Financial investments at amortised cost	724,472	244,496	849,487	2,683,212	5,451,777	1,839,555	617,231	12,410,210
Loans and advances	-	84,406	-	96	1,389,949	1,820,885	-	3,306,436
Statutory deposit with Bank Negara Malaysia	12,843,510	589,771	814,204	920,291	11,485,603	44,770,725	-	71,334,104
Deferred tax assets	-	-	-	-	-	2,180,557	-	2,180,557
Other assets	616,352	115,259	27,641	299,759	112,973	3,135	32,657	32,657
Property and equipment	-	-	-	-	-	-	-	1,175,119
Intangible assets	-	-	-	-	-	-	-	122,375
Total Assets	22,792,567	3,215,881	3,015,649	6,371,947	20,445,554	52,110,782	1,481,133	109,433,473
Liabilities								
Deposits from customers	33,127,401	13,665,253	13,686,617	13,766,082	1,704,017	-	-	75,949,320
Deposits and placements of banks and other financial institutions	4,152,702	586,536	234,349	287,612	17,174	101,200	-	5,379,573
Securities sold under resale agreements	2,586,712	2,740,710	-	-	-	-	-	5,339,422
Recourse obligation on loans sold to Cagamas Berhad	-	100,000	1,415,001	600,000	1,825,002	-	-	4,140,003
Derivative financial liabilities	52,514	82,987	41,124	29,736	331,305	289,203	-	826,869
Term funding	40,432	4,550	1,662,783	-	846,762	-	-	2,554,527
Debt capital	-	-	-	-	-	3,080,000	-	3,080,000
Other liabilities	1,072,867	397,415	186,580	823,627	71,984	3,514	-	2,565,967
Total Liabilities	41,044,628	17,577,451	17,236,454	15,707,007	4,796,224	3,473,917	-	99,835,681
Net Gap	(18,252,061)	(14,361,590)	(14,220,805)	(9,335,060)	15,649,310	48,636,865	1,481,133	9,597,792

63. RISK MANAGEMENT (CONT'D.)

53.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

(a) Analysis of Assets and Liabilities By Remaining Contractual Maturities as per requirement of BNM's policy document Financial Reporting (Cont'd.)

2018	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	3,716,029	-	-	-	-	-	-	3,716,029
Deposits, placements and investment accounts with banks and other financial institutions	-	300,000	150,000	-	-	-	-	450,000
Derivative financial assets	-	-	-	495,285	2,262,510	98,575	-	2,856,370
Financial assets held-for-trading	191,085	121,162	82,282	196,841	272,000	270,703	-	1,134,053
Financial investments available-for-sale	1,587,032	3,887,554	810,612	263,364	372,271	691,448	449,860	8,041,941
Financial investments held-to-maturity	-	37,003	85,341	233,718	1,556,978	2,454,025	427,926	4,794,991
Loans and advances	49	-	-	-	985,153	817,403	-	1,802,605
Receivables: Investment not quoted in active market	11,755,780	720,411	547,702	1,431,515	12,360,058	40,509,024	-	67,324,490
Statutory deposit with Bank Negara Malaysia	-	-	-	-	1,072,419	77,181	-	1,149,600
Deferred tax assets	-	-	-	-	-	2,012,837	-	2,012,837
Other assets	-	-	-	-	-	-	42,835	42,835
Property and equipment	717,279	178,714	57,243	95,483	229,006	233	-	1,277,958
Intangible assets	-	-	-	-	-	-	129,524	129,524
Total Assets	17,947,234	5,244,844	1,733,180	2,716,206	19,110,395	46,931,429	1,450,321	95,133,609
Liabilities								
Deposits from customers	30,471,277	9,621,904	11,603,213	16,056,089	1,999,045	-	-	69,753,528
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-	-
Securities sold under resale agreements	1,758,187	820,091	152,062	141,878	49,473	-	-	2,921,511
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	-	-	-	-
Derivative financial liabilities	-	700,000	-	1,828,214	1,225,002	-	-	3,753,216
Term funding	178,356	306,666	129,724	167,905	288,108	210,929	-	1,281,688
Debt capital	38,940	401,126	-	600,000	1,708,754	-	-	2,748,820
Other liabilities	1,121,390	593,116	185,068	206,743	73,198	3,579,871	-	3,579,871
Total Liabilities	33,568,150	12,442,903	12,070,087	19,002,629	5,343,580	3,796,313	-	86,223,662
Net Gap	(15,620,916)	(7,198,059)	(10,336,907)	(16,286,423)	13,766,815	43,135,116	1,450,321	8,909,947

53. RISK MANAGEMENT (CONTD.)

53.3 LIQUIDITY RISK MANAGEMENT (CONTD.)

(e) Analysis of Assets and Liabilities By Remaining Contractual Maturities as per requirement of BNM's policy document Financial Reporting (Cont'd.)

2019	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	5,282,332	-	-	-	-	-	-	5,282,332
Deposits, placements and investment accounts with banks and other financial institutions	-	330,918	-	-	-	-	-	330,918
Investment account	-	-	-	999,380	462,500	-	-	1,461,880
Derivative financial assets	47,737	53,955	24,567	26,579	287,682	327,165	-	777,685
Financial assets at fair value through profit or loss	3,273,453	1,787,056	1,299,770	1,542,630	1,235,050	1,168,660	340,168	10,646,787
Financial investments at fair value through other comprehensive income	724,472	244,496	849,467	2,683,212	5,451,777	1,860,452	617,231	12,431,107
Financial investments at amortised cost	-	94,406	-	96	1,389,849	1,820,985	-	3,305,436
Loans and advances	12,926,497	589,766	814,197	820,284	11,477,634	44,647,510	-	71,275,888
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	2,180,557	-	2,180,557
Investment in subsidiaries	-	-	-	-	-	-	31,492	31,492
Investment in associates	-	-	-	-	-	-	22	22
Deferred tax assets	-	-	-	-	-	-	32,610	32,610
Other assets	607,520	115,259	27,641	299,759	112,973	2,985	-	1,166,137
Property and equipment	-	-	-	-	-	-	102,551	102,551
Intangible assets	-	-	-	-	-	-	368,654	368,654
Total Assets	22,862,011	3,215,856	3,015,642	6,371,940	20,427,555	52,008,314	1,492,728	109,394,056
Liabilities								
Deposits from customers	33,131,898	13,665,253	13,686,617	13,766,032	1,704,017	-	-	75,953,817
Deposits and placements of banks and other financial institutions	4,194,065	586,536	234,349	287,612	17,174	101,200	-	5,390,336
Securities sold under resale agreements	2,586,712	2,740,710	-	-	-	-	-	5,339,422
Recourse obligation on loans sold to Cagamas Berhad	-	100,000	1,415,001	800,000	1,825,002	-	-	4,140,003
Derivative financial liabilities	52,514	82,987	41,124	29,736	331,305	289,203	-	826,869
Term funding	40,432	4,550	1,662,783	-	846,762	-	-	2,554,527
Debt capital	-	-	-	-	-	3,080,000	-	3,080,000
Other liabilities	1,060,650	397,415	196,580	823,627	71,984	3,514	-	2,553,750
Total Liabilities	41,048,271	17,577,451	17,236,454	15,707,007	4,796,224	3,473,917	-	99,839,324
Net Gap	(18,186,260)	(14,361,595)	(14,220,812)	(9,335,067)	15,631,341	48,534,397	1,492,728	9,554,732

53. RISK MANAGEMENT (CONT'D.)

53.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

(a) Analysis of Assets and Liabilities By Remaining Contractual Maturities as per requirement of BNM's policy document Financial Reporting (Cont'd.)

2018	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 8 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								
Assets								
Cash and short-term funds	3,711,118	-	-	-	-	-	-	3,711,118
Deposits, placements and investment accounts with banks and other financial institutions	-	300,000	150,000	-	-	-	-	450,000
Investment account	-	-	-	485,285	-	98,575	-	2,856,370
Derivative financial assets	191,065	121,182	82,282	198,841	2,262,510	270,703	-	1,134,053
Financial assets held-for-trading	1,567,032	3,837,554	810,612	263,364	372,271	691,448	-	8,041,941
Financial investments available-for-sale	-	37,003	85,341	233,718	1,556,978	2,488,525	449,660	4,829,412
Financial investments held-to-maturity	49	-	-	-	965,153	817,403	-	1,802,605
Loans and advances	11,842,854	720,403	547,687	1,431,501	12,347,955	40,364,069	-	67,254,479
Receivables: investment not quoted in active market	-	-	-	-	1,072,419	77,161	-	1,149,600
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	2,012,837	-	2,012,837
Deferred tax assets	-	-	-	-	-	-	42,813	42,813
Investment in subsidiaries and other investment	-	-	-	-	-	-	31,535	31,535
Investment in associates	-	-	-	-	-	-	22	22
Other assets	720,406	178,714	57,243	85,487	229,006	-	-	1,270,856
Property and equipment	-	-	-	-	-	-	108,754	108,754
Intangible assets	-	-	-	-	-	-	400,376	400,376
Total Assets	18,032,524	5,244,836	1,733,175	2,708,196	19,098,292	46,820,741	1,461,007	95,086,771
Liabilities								
Deposits from customers	30,474,980	9,621,904	11,603,213	16,058,089	1,999,045	-	-	69,757,231
Deposits and placements of banks and other financial institutions	1,770,286	820,091	152,082	141,678	49,473	-	-	2,933,610
Recourse obligation on loans sold to Cagames Berhad	-	700,000	-	1,828,214	1,225,002	-	-	3,753,216
Derivative financial liabilities	178,356	306,688	129,724	167,905	288,108	210,929	-	1,281,688
Term funding	38,940	401,126	-	600,000	1,708,754	-	-	2,748,820
Debt capital	1,122,801	583,116	185,068	194,085	73,188	3,579,871	-	3,579,871
Other liabilities	33,585,363	12,442,903	12,070,087	18,869,971	5,343,580	5,513	-	2,173,781
Total Liabilities	(15,552,839)	(7,198,067)	(10,336,912)	(16,283,775)	13,754,712	43,024,428	1,461,007	8,868,554
Net Gap								

53. RISK MANAGEMENT (CONT'D.)
53.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

(a) Analysis of Liabilities By Remaining Contractual Maturities on Undiscounted basis

2019 Group	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
Liabilities								
Deposits from customers	34,108,284	14,089,819	14,091,815	14,173,581	1,754,465	-	-	78,197,964
Deposits and placements of banks ' and other financial institutions	4,287,344	603,901	241,287	286,127	17,682	104,196	-	5,550,537
Securities sold under resale agreements	2,611,242	2,758,990	-	-	-	-	-	5,370,232
Recourse obligation on loans sold to Cagamas Berhad	25,856	143,821	1,446,337	863,899	1,926,968	-	-	4,406,879
Derivative financial liabilities	63,421	98,782	67,794	95,717	566,616	135,357	-	1,027,687
Term funding	93,029	33,940	1,754,640	67,477	1,035,124	-	-	2,984,210
Debt capital	13,927	24,900	531,944	65,619	3,012,415	-	-	3,648,805
Other liabilities	828,739	367,942	124,208	293,860	71,864	3,514	-	1,788,227
Total Undiscounted Liabilities	42,129,842	18,102,095	18,256,025	15,856,280	8,385,232	243,087	-	102,874,541
Commitments								
Irrevocable commitments to extend credit	433,869	1,094,526	782,096	593,842	389,490	11,680,455	-	14,954,278
Unutilised credit card lines	3,840,372	-	-	-	-	-	-	3,840,372
Forward asset purchase	1,397,583	-	-	-	-	-	-	1,397,583
Contingent Liabilities								
Direct credit substitutes	135,997	212,394	228,784	854,991	807,835	2	-	2,038,003
Certain transaction-related contingent items	148,985	111,475	786,265	748,781	2,389,628	380,475	-	4,564,609
Short-term self liquidating trade-related contingencies	463,171	167,682	25,953	131,343	21,783	-	-	809,932
Obligations under underwriting agreements	103,000	-	-	-	-	-	-	100,000
Total commitments and contingent liabilities	6,519,977	1,586,077	1,600,098	2,328,957	3,408,736	12,060,932	-	27,704,777

53. RISK MANAGEMENT (CONT'D.)
53.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

(a) Analysis of Liabilities By Remaining Contractual Maturities on Undiscounted basis (Cont'd.)

2018	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
Group								
Liabilities								
Deposits from customers	31,129,661	9,829,744	11,853,850	16,404,852	2,042,226	-	-	71,260,333
Deposits and placements of banks and other financial institutions	1,796,427	837,806	155,367	144,738	50,542	-	-	2,984,880
Recourse obligation on loans sold to Cagamas Berhad	65,510	712,985	-	1,893,742	1,342,086	-	-	4,014,323
Derivative financial liabilities	179,438	338,129	188,309	543,749	382,445	44,366	-	1,656,436
Term funding	38,103	409,863	43,225	637,084	1,767,515	-	-	2,896,790
Debt capital	632,626	10,400	89,254	993,411	2,401,949	-	-	4,107,640
Other liabilities	977,354	437,469	29,723	82,268	58,380	7,011	-	1,592,205
Total Undiscounted Liabilities	34,820,119	12,576,396	12,319,728	20,699,844	8,045,143	51,377	-	88,512,607
Commitments								
Irrevocable commitments to extend credit	235,980	725,130	907,358	661,078	338,502	13,948,441	-	16,816,489
Unutilised credit card lines	3,918,163	-	-	-	-	-	-	3,918,163
Forward asset purchase	138,023	-	-	-	-	-	-	138,023
Contingent Liabilities								
Direct credit substitutes	11,642	133,990	283,095	799,065	596,743	27,626	-	1,832,161
Certain transaction-related contingent items	327,349	353,582	614,652	708,205	2,530,330	499,434	-	5,033,552
Short-term self liquidating trade-related contingencies	205,510	275,519	22,843	121,411	13,132	-	-	638,415
Obligations under underwriting agreements	50,000	-	-	-	-	-	-	50,000
Total commitments and contingent liabilities	4,886,667	1,485,221	1,807,948	2,286,759	3,478,707	14,475,501	-	28,426,803

53. RISK MANAGEMENT (CONT'D.)

53.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

(a) Analysis of Liabilities By Remaining Contractual Maturities on Undiscounted basis (Cont'd.)

2019	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
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank								
Liabilities								
Deposits from customers	34,108,284	14,069,819	14,091,815	14,173,581	1,754,465	-	-	78,197,964
Deposits and placements of banks and other financial institutions	4,287,344	603,901	241,287	296,127	17,682	104,196	-	5,550,537
Securities sold under resale agreements	2,611,242	2,758,980	-	-	-	-	-	5,370,232
Recourse obligation on loans sold to Cagamas Berhad	25,856	143,821	1,446,337	863,899	1,826,966	-	-	4,406,879
Derivative financial liabilities	63,421	98,782	67,794	95,717	566,616	-	-	1,027,687
Term funding	93,029	33,940	1,754,640	67,477	1,035,124	135,357	-	2,984,210
Debt capital	13,927	24,900	531,944	65,619	3,012,415	-	-	3,648,805
Other liabilities	928,318	367,942	124,208	293,860	71,964	3,514	-	1,769,806
Total Undiscounted Liabilities	42,131,421	16,102,095	16,256,025	15,856,280	8,385,232	243,067	-	102,976,120
Commitments								
Irrevocable commitments to extend credit	433,869	1,084,526	762,096	658,426	389,490	11,680,455	-	15,018,862
Unutilised credit card lines	3,840,372	-	-	-	-	-	-	3,840,372
Forward asset purchase	1,397,583	-	-	-	-	-	-	1,397,583
Others	-	-	-	-	-	50	-	50
Contingent Liabilities								
Direct credit substitutes	135,997	212,394	226,784	854,991	607,835	-	-	2,038,003
Certain transaction-related contingent items	148,985	111,475	785,265	748,781	2,389,628	380,475	-	4,564,609
Short-term self liquidating trade-related contingencies	463,171	167,682	25,953	131,343	21,783	-	-	809,932
Obligations under underwriting agreements	100,000	-	-	-	-	-	-	100,000
Total commitments and contingent liabilities	6,519,877	1,586,077	1,600,098	2,383,541	3,408,736	12,060,982	-	27,769,411

53. RISK MANAGEMENT (CONT'D.)
53.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

(a) Analysis of Liabilities By Remaining Contractual Maturities on Undiscounted basis (Cont'd.)

2018	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
Liabilities								
Deposits from customers	31,133,001	9,829,662	11,853,751	16,404,818	2,042,209	-	-	71,263,441
Deposits and placements of banks and other financial institutions sold to Cagamas Berhad	1,909,511	837,799	155,366	144,737	50,541	-	-	2,996,954
Recurse obligation on loans	65,510	712,985	-	1,893,742	1,342,086	-	-	4,014,323
Derivative financial liabilities	179,438	338,129	168,309	543,748	382,445	44,366	-	1,656,456
Term funding	38,103	409,863	43,225	637,084	1,767,515	-	-	2,896,790
Debt capital	632,628	10,400	69,264	993,411	2,401,849	-	-	4,107,640
Other liabilities	976,865	477,920	29,723	82,257	58,380	7,011	-	1,632,156
Total Undiscounted Liabilities	34,835,054	12,616,758	12,319,628	20,699,798	8,045,125	51,377	-	68,567,740
Commitments								
Irrevocable commitments to extend credit	235,980	725,130	907,358	722,917	338,502	13,948,441	-	16,878,328
Unutilised credit card lines	3,918,163	-	-	-	-	-	-	3,918,163
Forward asset purchase	138,023	-	-	-	-	-	-	138,023
Others	-	-	-	-	-	50	-	50
Contingent Liabilities								
Direct credit substitutes	11,642	133,890	263,095	799,065	596,743	27,626	-	1,832,161
Certain transaction-related contingent items	327,349	353,582	614,652	708,205	2,530,330	499,434	-	5,033,552
Short-term self liquidating trade-related contingencies	205,510	275,519	22,843	121,411	13,132	-	-	638,415
Obligations under underwriting agreements	50,000	-	-	-	-	-	-	50,000
Total commitments and contingent liabilities	4,886,667	1,488,221	1,807,948	2,351,598	3,476,707	14,475,551	-	28,488,692

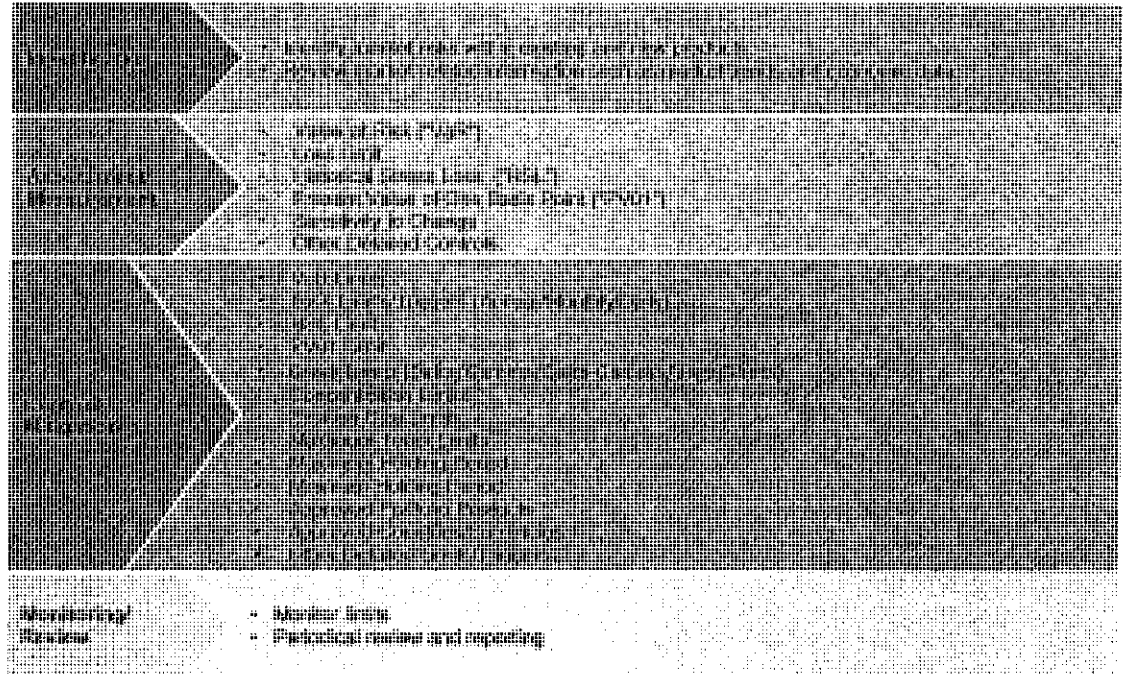
53. RISK MANAGEMENT (CONT'D.)

53.4 MARKET RISK MANAGEMENT

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

Traded Market Risk

The TMR management process is depicted in the table below:



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 AMMB 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.

53. RISK MANAGEMENT (CONT'D.)

53.4 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 values 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, RMC 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 and to provide an action plan to address any non-adherence to limits. The action plan must be approved by Senior Management.

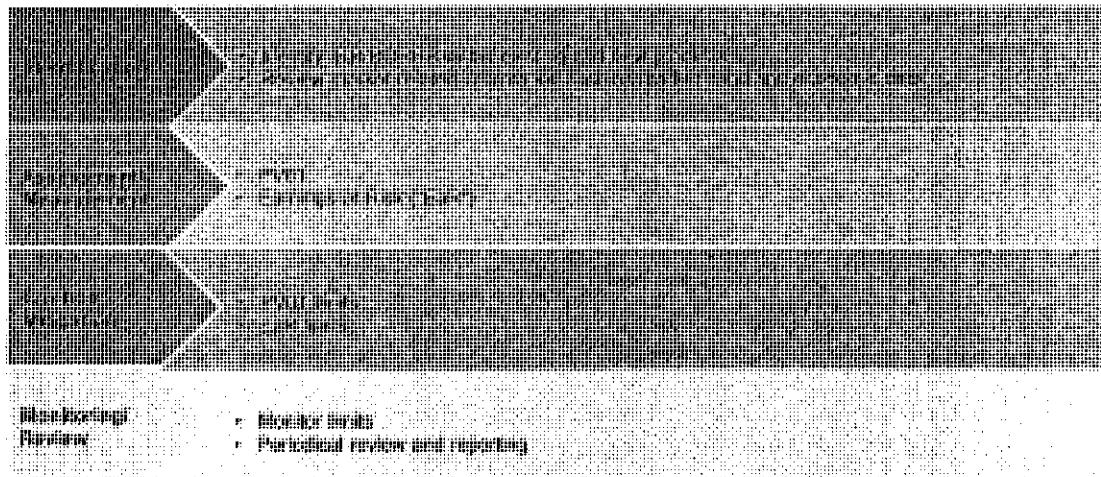
The Group adopts the Standardised Approach for market risk capital charge computation. The capital charge serves as a buffer against losses from potential adverse market movements.

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 Bank's statement of financial position.

The principal objectives of balance sheet risk management are to manage interest/profit income sensitivity while maintaining acceptable levels of IRR/RORBB and funding risk, and to manage the economic value of Bank'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 Management-established limits.

53. RISK MANAGEMENT (CONT'D.)**53.4 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 Bank measures the IRR/RORBB exposures using PV01. PV01 is a quantitative measure to assess the impact of an absolute change in economic value due to 1 basis point movement in market interest/profit rates.

The Bank complements PV01 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.

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 Bank's strategy seeks to optimise exposure to IRR/RORBB within Management-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 interest/profit rate hedging activities using interest/profit rate swaps and other derivatives. These approaches are governed by the Bank's policies in the areas of product and liquidity management as well as the banking book policy statements, hedging policies and Non Traded Interest/Profit Rate Risk Framework.

IRR/RORBB exposures are monitored by IBMR and positions are reported to the GALCO and/or GMRC, RMC 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:

	2019		2018	
	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	(46,438)	48,939	(18,977)	22,120

53. RISK MANAGEMENT (CONT'D.)

53.4 MARKET RISK MANAGEMENT (CONT'D.)

Market Risk Sensitivity (Cont'd.)

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

Non-Traded Market Risk:

	2019		2018	
	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	472,960	(472,960)	434,622	(434,622)
Impact on equity	(265,277)	281,741	(181,850)	198,257
Bank				
Impact on profit before taxation	473,757	(473,757)	435,444	(435,444)
Impact on equity	(270,219)	287,210	(186,701)	203,624

(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:

Currency	2019		2018	
	Foreign exchange rate + 10 % (RM'000)	Foreign exchange rate - 10 % (RM'000)	Foreign exchange rate + 10 % (RM'000)	Foreign exchange rate - 10 % (RM'000)
Group				
USD	(57,537)	57,537	(63,263)	63,263
SGD	10,839	(10,839)	13,251	(13,251)
EUR	1,485	(1,485)	144	(144)
AUD	1,506	(1,506)	243	(243)
GBP	252	(252)	(774)	774
JPY	(893)	893	(1,344)	1,344
Others	236	(236)	846	(846)
Bank				
USD	(57,537)	57,537	(63,263)	63,263
SGD	10,839	(10,839)	13,251	(13,251)
EUR	1,485	(1,485)	144	(144)
AUD	1,506	(1,506)	243	(243)
GBP	252	(252)	(774)	774
JPY	(893)	893	(1,344)	1,344
Others	236	(236)	846	(846)

53. RISK MANAGEMENT (CONT'D.)

53.4 MARKET RISK MANAGEMENT (CONT'D.)

Market Risk Sensitivity (Cont'd.)

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

Impact on equity:

	2019		2018	
	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	27,975	(27,975)	52,125	(52,125)
EUR	53	(53)	19	(19)
Bank				
USD	27,967	(27,967)	52,114	(52,114)
EUR	53	(53)	19	(19)

(iii) Equity Price Risk

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

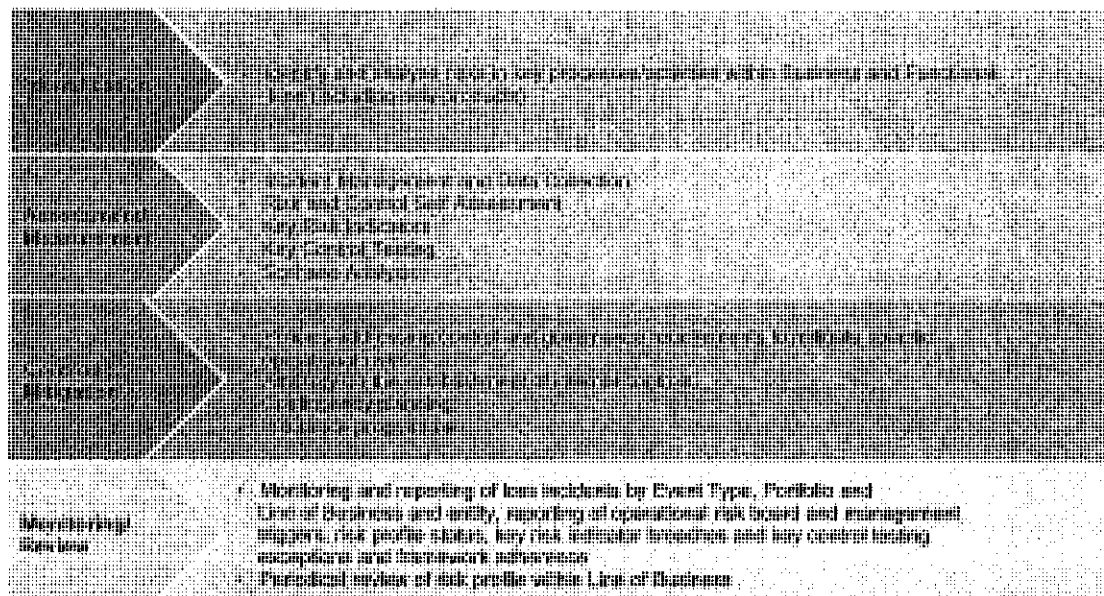
The following table demonstrates the sensitivity of the Group's and the Bank's profit before taxation and equity to a reasonable possible change in prices with all other variables remaining constant:

	2019		2018	
	Prices + 10 % (RM'000)	Prices - 10 % (RM'000)	Prices + 10 % (RM'000)	Prices - 10 % (RM'000)
Group				
Impact on profit before taxation	3,354	(3,354)	10,336	(10,336)
Impact on equity	9,817	(9,817)	11,023	(11,023)
Bank				
Impact on profit before taxation	3,354	(3,354)	10,336	(10,336)
Impact on equity	9,817	(9,817)	11,020	(11,020)

53. RISK MANAGEMENT (CONT'D.)

53.5 OPERATIONAL RISK MANAGEMENT

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



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, outsourcing risk and technology (including cyber) risk. It excludes strategic, systemic and reputational risk.

Operational Risk Appetite ("ORA") is set as part of overall 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 ("FLOD") 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 and communication, quality assurance of internal controls, operational risk measurement and communication, validation of FLOD effectiveness and capital allocation, Operational Risk Management ("ORM") training and reporting of operational risk issues to GMRC, RMC and the Board; and
- 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.

53. RISK MANAGEMENT (CONT'D.)

53.5 OPERATIONAL RISK MANAGEMENT (CONT'D.)

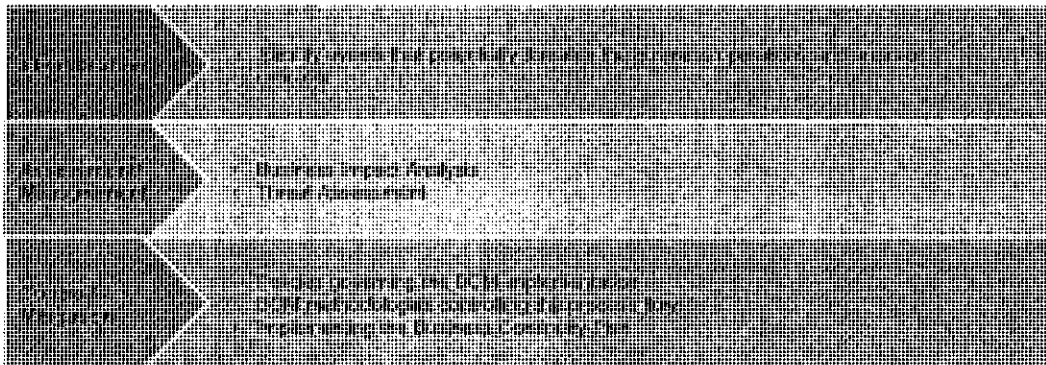
Group Operational Risk maintains close working relationships with all Line of Business, continually assisting in the identification of operational risks inherent in their respective business activities, assessing the impact and significance of these risks and ensuring that satisfactory risk mitigation measures and controls are in place. Various tools and methods are employed to identify, measure, control and monitor/report operational risk issues within the Group. The ORM process contains the following ORM tools:

- The Incident Management and Data Collection ("IMDC") module provides a common platform for reporting operational risk incidents that fall within one of the seven Event Types as stated in Basel II. IMDC also serves as a centralised database of operational risk incidents to model the potential exposure to operational risks in future and estimate the amount of economic capital charge;
- The Risk and Control Self Assessment ("RCSA") is a process of continual identification, assessment of risks and controls effectiveness. By using structured questionnaires to assess and measure key risk and its corresponding controls effectiveness, RCSA provides risk profiling across the Group;
- The Key Risk Indicators ("KRI") module provides early warning of increasing risk and/or control failures by monitoring the changes of the underlying risk measurements;
- The Key Control Testing ("KCT") is the test steps or assessment performed periodically to assure that the key controls are in place and they are operating as intended or effective in managing the operational risks;
- Periodic validation of the RCSA/KRIs/KCTs are conducted by the Operational Risk Relationship Managers within Group Operational Risk to provide assurance on the integrity and continued relevance of the controls and testing implemented; and
- Scenario analysis is a forward looking assessment tool to assess the severity impact on the Bank's profitability and capital adequacy should the plausible and worse case scenarios materialise.

The GMRC, RMC and Board are the main reporting and escalation committees for operational risk matters including outsourcing risk, information technology risk (including cyber risk), legal risk and business continuity management.

(i) Business Continuity Management ("BCM")

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



53. RISK MANAGEMENT (CONT'D.)

53.5 OPERATIONAL RISK MANAGEMENT (CONT'D.)

(i) Business Continuity Management ("BCM") (Cont'd.)

The BCM function is 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 the attendant establishing 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 that the Group has the required critical capabilities and resources, such as IT system disaster recovery, alternate workspace arrangement and effective communication during interruptions.

The Group is continuously reviewing the level of business operations resiliency and to enhance the BCM capability throughout all critical departments and branches across the region. Training is an integral part of the process to heighten BCM awareness and inculcate a business resiliency culture.

53.6 CYBER RISK MANAGEMENT

Cyber threat is an emerging risk as the migration to electronic platforms intensify, in part driven by the increased sophistication of cyber threats and security breaches that occurred over the past year. The AMMB Group recognises that these are constantly evolving threats, and the resilience of the AMMB Group's IT infrastructure and cyber security capabilities are of paramount importance, especially with regards to safeguarding customers' information. To mitigate the risk, AMMB Group embarked on a three-year Cyber Security Maturity Improvement Programme in FY18 to strengthen the cyber security posture and ability to protect and manage sensitive data. AMMB Group continue to further enhance the cyber security controls framework, as well as continue ongoing initiatives to educate the employees and customers about cyber security and what they can do to protect data. In FY19, the AMMB Group broadened its technology risk management capabilities by setting up a Cyber Offence team to proactively test and simulate cyber-attacks on the AMMB Group's security controls to identify potential threats and vulnerabilities that pose a risk to the AMMB Group.

53.7 LEGAL RISK

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

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

53.8 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 and Senior Management lead by example.

The AMMB 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.

54. FAIR VALUE MEASUREMENTS 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 investments and deferred taxation are excluded, as they do not fall within the scope of MFRS 7 Financial Instruments: Disclosures, 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
2019				
Financial Assets				
Financial investments at amortised cost	3,305,436	3,332,900	3,305,436	3,332,900
Loans and advances*	10,987,764	11,235,180	10,843,769	11,083,818
	<u>14,293,200</u>	<u>14,568,080</u>	<u>14,149,205</u>	<u>14,416,718</u>
Financial Liabilities				
Recourse obligation of loans				
sold to Cagamas Berhad	4,140,003	4,188,391	4,140,003	4,188,391
Term funding	2,554,527	2,579,586	2,554,527	2,579,586
Debt capital	3,080,000	3,129,261	3,080,000	3,129,261
	<u>9,774,530</u>	<u>9,897,238</u>	<u>9,774,530</u>	<u>9,897,238</u>
2018 (Restated)				
Financial Assets				
Financial investments held-to-maturity	1,802,605	1,743,986	1,802,605	1,743,986
Loans and advances*	12,165,872	12,439,052	12,007,353	12,289,870
Receivables: Investments not quoted in active markets	1,149,600	1,176,019	1,149,600	1,176,019
	<u>15,118,077</u>	<u>15,359,057</u>	<u>14,959,558</u>	<u>15,209,875</u>
Financial Liabilities				
Recourse obligation of loans				
sold to Cagamas Berhad	3,753,216	3,803,662	3,753,216	3,803,662
Term funding	2,748,820	2,781,055	2,748,820	2,781,055
Debt capital	3,579,871	3,633,340	3,579,871	3,633,340
	<u>10,081,907</u>	<u>10,218,057</u>	<u>10,081,907</u>	<u>10,218,057</u>

Note:

- * Excluding loans and advances of RM60,346,340,045 and RM60,432,119,072 for Group and the Bank respectively (2018: RM55,158,618,000 and RM55,247,126,000 for the Group and the Bank respectively) where the carrying amounts are reasonable approximation of their fair values.

54. 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			Total	Valuation techniques			Total
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
2019								
Financial assets measured at fair value								
Derivative financial assets	655	777,030	-	777,685	655	777,030	-	777,685
Financial assets at fair value through profit or loss								
- Money market securities	-	9,193,308	-	9,193,308	-	9,193,308	-	9,193,308
- Shares	317,555	-	45	317,600	317,552	-	-	317,552
- Unit trust	22,616	-	-	22,616	22,616	-	-	22,616
- Quoted sukuk	-	37,937	-	37,937	-	37,937	-	37,937
- Unquoted corporate bond and sukuk	-	1,075,374	-	1,075,374	-	1,075,374	-	1,075,374
Financial investments at fair value through other comprehensive income								
- Money market securities	-	5,567,505	-	5,567,505	-	5,567,505	-	5,567,505
- Shares	-	-	519,064	519,064	-	-	519,064	519,064
- Unit trust	98,167	-	-	98,167	98,167	-	-	98,167
- Unquoted corporate bond and sukuk	-	6,225,474	-	6,225,474	-	6,225,474	20,897	6,246,371
Financial assets for which fair values are disclosed								
Financial investments at amortised cost	-	3,331,945	955	3,332,900	-	3,331,945	955	3,332,900
Loans and advances	-	11,235,180	-	11,235,180	-	11,083,818	-	11,083,818
	<u>438,993</u>	<u>37,443,753</u>	<u>520,064</u>	<u>38,402,810</u>	<u>438,990</u>	<u>37,292,391</u>	<u>540,916</u>	<u>38,272,297</u>
Financial liabilities measured at fair value								
Derivative financial liabilities	1,297	825,572	-	826,869	1,297	825,572	-	826,869
Financial liabilities for which fair values are disclosed								
Recourse obligation of loans sold to Cagamas Berhad	-	4,188,391	-	4,188,391	-	4,188,391	-	4,188,391
Term funding	-	2,579,586	-	2,579,586	-	2,579,586	-	2,579,586
Debt capital	-	3,129,261	-	3,129,261	-	3,129,261	-	3,129,261
	<u>1,297</u>	<u>10,722,810</u>	<u>-</u>	<u>10,724,107</u>	<u>1,297</u>	<u>10,722,810</u>	<u>-</u>	<u>10,724,107</u>

54. 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	
2018								
Financial assets measured at fair value								
Derivative financial assets								
Financial assets held-for-trading								
- Money market securities								
- Shares								
- Unit trust								
- Quoted sukuk								
- Unquoted corporate bond and sukuk								
Financial investments available-for-sale								
- Money market securities								
- Shares								
- Unit trust								
- Unquoted corporate bond and sukuk								
Financial assets for which fair values are disclosed								
Financial investments held-to-maturity								
Loans and advances								
Receivables: Investments not quoted in active markets								
	597,856	28,332,275	128,893	29,059,024	597,823	28,183,093	163,392	28,944,308
Financial liabilities measured at fair value								
Derivative financial liabilities								
	6,145	1,275,543	-	1,281,688	6,145	1,275,543	-	1,281,688
Financial liabilities for which fair values are disclosed								
Recourse obligation of loans sold to Cagamas Berhad								
Term funding								
Debt capital								
	6,145	11,493,600	-	11,499,745	6,145	11,493,600	-	11,499,745

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

54. 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) Financial assets and financial liabilities for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than six months), the carrying amounts approximate to their fair value.

(b) Financial investments at amortised cost

Fair value of securities is based on observable mid prices at reporting date and where observable mid prices are not available, the fair value is based on net tangible asset backing.

(c) Loans and advances

The fair value of variable rate loans and advances are estimated to approximate their carrying values. For fixed rate loans and advances, the fair values are estimated based on expected future cashflows of contractual instalments discounted at prevailing indicative rates adjusted for credit risk. For impaired loans and advances, the fair values are deemed to approximate the carrying value (net of impairment losses).

(d) Term funding and debt capital

The Group uses observable mid prices to estimate the fair values and where mid prices are not available, the fair values are estimated by discounting the expected future cashflows using market indicative rates of instruments with similar risk profile.

(e) Recourse obligation on loans sold to Cagamas Berhad

The fair value for Recourse obligation on loans sold to Cagamas Berhad is determined based on the discounted cash flows of future instalment payments at prevailing rates quoted by Cagamas Berhad as at reporting date.

54. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTD.)

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 unquoted 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, as well as financial information of the counterparties.

About 2.2% and 2.3% of the Group's and the Bank's (2018: 0.3% and 0.6% of the Bank's) total 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.

54. 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 year. The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets which are recorded at fair value:

2019 Group	Equity instruments at FVTPL RM'000	Equity instruments at FVOCI RM'000	Financial investments available- for-sale RM'000	Total RM'000
Balance at beginning of the financial year	-	-	46,677	46,677
Effects of adoption of MFRS 9	45	518,798	(46,677)	472,166
Adjusted at beginning of the financial year	45	518,798	-	518,843
Addition	-	288	-	288
Exchange fluctuation taken up in statement of profit or loss	-	(22)	-	(22)
Balance at end of the financial year	45	519,064	-	519,109

2019 Bank	Debt instruments at FVOCI RM'000	Equity instruments at FVOCI RM'000	Financial investments available- for-sale RM'000	Total RM'000
Balance at beginning of the financial year	-	-	81,176	81,176
Effects of adoption of MFRS 9	34,499	518,798	(81,176)	472,121
Adjusted at beginning of the financial year	34,499	518,798	-	553,297
Addition	-	288	-	288
Settlements	(13,993)	-	-	(13,993)
Total losses recognised in other comprehensive income	391	-	-	391
Exchange fluctuation taken up in statement of profit or loss	-	(22)	-	(22)
Balance at end of the financial year	20,897	519,064	-	539,961

Financial investments available-for-sale	Group 2018 RM'000	Bank 2018 RM'000
Balance at beginning of the financial year	-	50,842
Addition	46,677	46,677
Total loss recognised in:		
- other comprehensive income	-	(177)
Settlements	-	(16,166)
Balance at end of the financial year	46,677	81,176

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

Movements In Level 3 financial instruments measured at fair value (Cont'd.)

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

	Group RM'000	Bank RM'000
2019		
Financial investments at FVOCI		
Total (losses)/gains included in:		
- other comprehensive income	-	391
- profit or loss	<u>(22)</u>	<u>(22)</u>
	Group RM'000	Bank RM'000
2018		
Financial investments available-for-sale		
Total losses included in other comprehensive income	<u>-</u>	<u>(177)</u>

There are no transfers between Level 2 and Level 3 during the current and previous financial year 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.

55. 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						
2019						
Derivative financial assets (Note 10)	777,685	-	777,685	(397,477)	(140,104)	240,104
	<u>777,685</u>	<u>-</u>	<u>777,685</u>	<u>(397,477)</u>	<u>(140,104)</u>	<u>240,104</u>
					(Note 31)	
Derivative financial liabilities (Note 10)	826,869	-	826,869	(397,477)	(386,679)	42,713
	<u>826,869</u>	<u>-</u>	<u>826,869</u>	<u>(397,477)</u>	<u>(386,679)</u>	<u>42,713</u>
					(Note 23)	
2018						
Derivative financial assets (Note 10)	1,134,053	-	1,134,053	(591,146)	(270,412)	272,495
	<u>1,134,053</u>	<u>-</u>	<u>1,134,053</u>	<u>(591,146)</u>	<u>(270,412)</u>	<u>272,495</u>
					(Note 31)	
Derivative financial liabilities (Note 10)	1,281,688	-	1,281,688	(591,146)	(247,839)	442,703
	<u>1,281,688</u>	<u>-</u>	<u>1,281,688</u>	<u>(591,146)</u>	<u>(247,839)</u>	<u>442,703</u>
					(Note 23)	

56. 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:

(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) Business Banking

Business Banking ("BB") focuses on the small and medium sized enterprises segment, which comprises Enterprise Banking and Commercial Banking. Solutions offered to Enterprise Banking customers encompass Capital Expenditure ("CAPEX") financing, Working Capital financing and Cash Management, and while Commercial Banking offers the same suite of products, it also provides more sophisticated structures such as Contract Financing, Development Loans, and Project Financing. Previously, Business Banking was not included as a reportable segment and included in Wholesale Banking division in view of its contribution to the Group in terms of revenue, profit and total assets. Accordingly, the comparatives have been restated to conform with the current financial year's presentation.

(c) Wholesale Banking

Wholesale Banking comprises Corporate Banking and Group Treasury and Markets.

(i) Corporate Banking

Corporate 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) Group Treasury and Markets

Group Treasury and 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.

(d) Investment Banking

Under the Investment Banking division of AmBank, the core products are capital markets group, private banking and equity markets.

Capital Markets focuses on providing integrated financing solutions to our corporate and institutional clients. It offers a full suite of customised debt and capital financing solutions which include 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. Equity markets offers margin financing to retail and corporate clients.

56. BUSINESS SEGMENT ANALYSIS (CONTD.)

(e) 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.

56. BUSINESS SEGMENT ANALYSIS (CONT'D.)

2019 Group	Wholesale Banking						Total RM'000
	Retail banking RM'000	Business banking RM'000	Corporate banking RM'000	Group treasury and markets RM'000	Investment banking RM'000	Group funding and others RM'000	
External revenue	2,488,202	444,716	1,304,830	787,535	65,635	316,417	5,407,335
Revenue from other segments	(112,738)	(88,658)	(822,272)	293,220	(28,150)	558,598	-
Total operating revenue	2,375,464	356,058	682,558	1,080,755	37,485	875,015	5,407,335
Net interest income	846,463	181,973	431,942	75,322	26,841	120,562	1,682,903
Other operating income	227,726	69,445	150,000	103,074	(4,433)	40,730	586,542
Total income	1,074,189	251,418	581,942	178,396	22,208	161,292	2,269,445
Other operating expenses of which:	(638,304)	(113,116)	(164,208)	(57,425)	(8,556)	(278,555)	(1,260,164)
Depreciation of Property and Equipment	(20,897)	(594)	(785)	(312)	(16)	(14,201)	(36,805)
Amortisation of Intangible Assets	(16,026)	(54)	(3,478)	(2,331)	-	(68,393)	(90,282)
Profit/(loss) before impairment losses	435,885	138,302	417,734	120,971	13,652	(117,263)	1,009,281
Writeback of/(allowance for)							
impairment on loans and advances	136,909	(594)	254,900	-	6,601	(14,893)	382,923
Writeback of/(provision for)							
commitments and contingencies	11,738	2,921	3,786	-	-	(8,116)	10,329
Impairment writeback/(loss) on other assets	1,136	4	600	22	-	(4,574)	(2,812)
Other recoveries, net	30	-	5,747	-	-	191	5,968
Profit/(loss) before taxation	585,698	140,633	682,767	120,993	20,253	(144,655)	1,406,689
Taxation	(140,567)	(33,102)	(160,956)	(30,185)	(3,403)	27,969	(340,246)
Profit/(loss) for the financial year	445,131	107,531	521,809	90,808	16,850	(116,686)	1,066,443
Other information							
Total segment assets	43,053,950	6,845,400	22,391,687	23,523,628	1,516,208	12,102,600	109,433,473
Total segment liabilities	39,996,791	4,596,734	7,444,862	25,902,514	747,292	21,147,488	99,836,681
Cost to income ratio	59.4%	45.0%	28.2%	32.2%	38.5%	>100.0%	55.5%
Gross loans and advances	42,603,190	6,896,278	21,517,697	-	1,290,309	(85,853)	72,221,621
Net loans and advances	42,058,682	6,840,365	21,268,273	-	1,290,309	(123,515)	71,334,104
Impaired loans and advances	544,926	134,096	367,420	-	-	-	1,046,442
Deposits	39,228,296	4,502,922	7,232,096	22,649,328	743,811	6,972,440	81,328,893
Additions to:							
Property and equipment	9,882	1,363	1,891	220	-	14,502	27,858
Intangible assets	14,062	119	19,353	579	-	43,701	77,814

56. BUSINESS SEGMENT ANALYSIS (CONT'D.)

2018 (Restated) Group	Wholesale Banking					Total RM'000	
	Retail banking RM'000	Business banking RM'000	Corporate banking RM'000	Group treasury and markets RM'000	Investment banking RM'000		Group funding and others RM'000
External revenue	2,338,034	343,342	1,303,787	560,934	67,340	292,803	4,906,250
Revenue from other segments	(333,463)	(65,572)	(596,565)	589,789	(16,557)	422,388	-
Total operating revenue	2,004,571	277,770	707,212	1,150,723	50,783	715,191	4,906,250
Net interest income	813,414	148,709	444,774	35,476	21,593	178,124	1,643,080
Other operating income	291,745	56,464	166,851	142,859	15,680	(23,576)	650,023
Total income	1,105,159	205,173	611,625	178,335	37,273	155,548	2,293,113
Other operating expenses	(717,189)	(104,295)	(161,772)	(62,336)	(10,502)	(371,945)	(1,428,039)
of which:							
Depreciation of Property and Equipment	(27,951)	(272)	(789)	(502)	(33)	(20,495)	(50,042)
Amortisation of Intangible Assets	(12,082)	(34)	(1,842)	(3,914)	(1)	(67,371)	(85,244)
Profit/(loss) before impairment losses	387,970	100,878	449,853	115,899	26,771	(216,397)	865,074
Writeback of (allowance for)							
impairment on loans and advances	9,558	(22,425)	(9,646)	-	1,952	83,633	63,072
(Provision for)/writeback of provision for							
commitments and contingencies	(3,947)	(2,821)	5,759	-	(180)	10	(1,179)
Impairment loss on other assets	(8,671)	(5)	(636)	-	-	(27,113)	(36,425)
Other recoveries, net	11			58		1,909	1,976
Profit/(loss) before taxation	384,821	75,627	445,330	116,055	28,543	(157,958)	882,518
Taxation	(92,381)	(18,949)	(100,800)	(26,414)	(4,624)	59,891	(183,277)
Profit/(loss) for the financial year	292,540	56,678	344,530	89,641	23,919	(98,067)	709,241
Other information							
Total segment assets	41,544,742	5,347,942	21,632,773	13,607,408	1,729,814	11,270,930	95,133,609
Total segment liabilities	35,627,198	3,349,836	5,942,532	29,328,817	790,307	11,184,972	86,223,662
Cost to income ratio	64.9%	50.8%	26.4%	35.0%	28.2%	>100.0%	62.3%
Gross loans and advances	40,831,697	5,397,341	20,574,432	-	1,288,544	(88,612)	68,003,402
Net loans and advances	40,515,113	5,344,163	20,357,091	-	1,283,406	(175,283)	67,324,490
Impaired loans and advances	510,519	135,074	408,207	-	-	-	1,053,800
Deposits	35,079,798	3,285,964	5,656,439	25,425,312	783,245	2,444,281	72,675,039
Additions to:							
Property and equipment	11,279	1,775	1,185	7	26	6,763	21,035
Intangible assets	22,872	179	7,118	174	-	51,882	82,225

Note:

- The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia.
- The comparatives have been restated to conform with current business realignment and restatements as per Note 58(a).

57. SIGNIFICANT EVENTS

(a) AMMB's debt restructuring programme

On 11 December 2018, at two Extraordinary General Meetings ("EGM") of the holding company, AMMB Holdings Berhad ("AMMB"):

- (i) the holders of Senior Notes issued under the AMMB's Senior and/or Subordinated Medium Term Notes programme of up to RM2.0 billion in nominal value approved the early redemption of the outstanding RM500.0 million Senior Notes due to mature on 8 August 2019. As at 18 December 2018, AMMB had fully settled the outstanding Senior Notes with nominal value of RM500.0 million;
- (ii) the holders of AMMB's Subordinated Notes issued under a Tier 2 Subordinated Notes programme of up to RM10.0 billion approved a bond swap of the outstanding RM1.425 billion in nominal value of Subordinated Notes in exchange for AMMB's:
 - RM1.025 billion in nominal value of Subordinated Notes issued by the Bank under a Subordinated Notes programme of up to RM4.0 billion; and
 - RM400.0 million in nominal value of Subordinated Sukuk issued by AmBank Islamic, under a Subordinated Sukuk Murabahah programme of up to RM3.0 billion.

On the same day, the Bank and AmBank Islamic held two separate EGM to obtain consent from Noteholders and Sukukholders respectively to revise the terms and conditions of the Subordinated Notes/Sukuk for outstanding tranches and new issuances. The revision was made to incorporate a non-viability trigger event in relation to the financial group ("Group-level Trigger") as the two programmes were structured previously with loss absorption at point of non-viability referenced to the entity only, without Group-level Trigger. The above revisions were approved by Bank Negara Malaysia via letters dated 24 July 2018 and the Noteholders and Sukukholders at the EGM for the Bank and AmBank Islamic respectively. The bond swap transaction was completed on 18 December 2018.

The early redemption of Senior Notes and bond swap transaction undertaken was part of AMMB's debt restructuring programme to maintain the Group's Tier 2 debt rating at AA3.

(b) Disposal of non-performing loans

After implementing a two-phase competitive bidding process, the Bank on 3 January 2019 entered into a sale and purchase agreement ("SPA") to dispose its non-performing loans to Aiqon Amanah Sdn Bhd. Aiqon Amanah Sdn Bhd is a subsidiary of Aiqon Capital Sdn Bhd which is jointly controlled by an entity that is controlled by the Group Executive Chairman/Chief Executive Officer of Aiqon Capital Sdn Bhd, who is a close family member of a director and major shareholder of AMMB.

The disposal involves an outright sale of portfolio of accounts ("Portfolio") which includes industrial hire-purchase, small and medium industry loans, auto financing, mortgage, personal loans under cooperative and credit cards previously had been written-off in full from the Bank's books. The disposal forms part of the Bank's debt recovery strategy to reduce its loans recovery management and to monetise the Portfolio.

The disposal was completed prior to 31 March 2019 with the granting of order by the High Court for the vesting of the Portfolio on 22 February 2019, and the gain on disposal (after deducting incidental costs of disposal) which amounted to RM290.9 million has been accounted for under impaired loans and advances recovered in the statements of profit or loss (Note 40).

This disposal is a related party transaction as disclosed in Note 46.

For a period of 2 years from the completion of the disposal, Aiqon Amanah is entitled to put-back to or require the repurchase by the Bank any of the loans in the Portfolio that are not conforming to the representations made under the SPA. The occurrence of put-back is assessed to be probable. In making this judgement, the Bank considered, among others, the voluminous nature and the age of the Portfolio. As at 31 March 2019, a provision of RM53.5 million has been recognised in the statements of financial position, representing the estimated expenditure required to settle any obligations arising from the put-back, as disclosed in Note 31(a). The provision amount shall be assessed periodically and adjusted to reflect the current best estimate of the expenditure required to settle the obligation until the expiry of the put-back period in the financial year ending 31 March 2021.

58. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION**(a) Restatement of comparative information**

Previously, the collective allowance for financing and advances for the investment assets was presented under collective allowance for loans and advances of the Bank. During the current financial year, the ECL allowance is presented as impairment allowance for the investment account placement to better reflect its nature.

Accordingly, the comparatives have been restated to conform with current year's presentation, which resulted in the following financial effects to the statements of the Group and the Bank:

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
31 March 2018			
Reconciliation of statements of financial position			
Group			
Investment account	2,859,110	(2,740)	2,856,370
Loans and advances	67,321,750	2,740	67,324,490
Bank			
Investment account	2,859,110	(2,740)	2,856,370
Loans and advances	67,251,739	2,740	67,254,479
Reconciliation of statements of profit or loss			
Group			
Writeback of allowance for impairment on loans and advances	62,631	441	63,072
Impairment loss on:			
Other financial assets	(8,794)	(441)	(9,235)
Bank			
Writeback of allowance for impairment on loans and advances	62,548	441	62,989
Impairment loss on:			
Other financial assets	(8,794)	(441)	(9,235)
Reconciliation of statements of cash flows			
Group			
Impairment loss of other financial assets	8,794	441	9,235
Loans and advances - allowances, net of writeback	283,280	(441)	282,839
Bank			
Impairment loss of other financial assets	8,794	441	9,235
Loans and advances - allowances, net of writeback	283,363	(441)	282,922

58. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

(b) Adoption of MFRS 9 Financial Instruments

i. Classification and measurement of financial instruments

On 1 April 2018, Group management has assessed which business models apply to the financial assets held by the Group and the Bank at the date of initial application of MFRS 9 (1 April 2018) and has classified its financial instruments into the appropriate MFRS 9 categories. The main effects resulting from this reclassification are as follows:

Group	Measurement category		Carrying amount		
	Under MFRS 139	Under MFRS 9	Under MFRS 139	Remeasurement, and Impairment	Under MFRS 9
			RM'000	RM'000	RM'000
Financial assets					
Cash and short-term funds	Amortised cost (Loans and receivables)	Amortised cost	3,716,029	(973)	3,715,056
Investment account placement	Amortised cost	Amortised cost	2,856,370	(1,519)	2,854,851
Financial assets held-for-trading	FVTPL (HFT)	FVTPL	8,041,941	-	8,041,941
Financial investments available-for-sale	FVOCI (AFS)	FVOCI (Debt)	3,049,673	-	3,049,673
Financial investments available-for-sale	FVOCI (AFS)	FVOCI (Equity)	427,525	201,366	628,891
Financial investments available-for-sale	FVOCI (AFS)	FVTPL	402	(218)	184
Financial investments available-for-sale	FVOCI (AFS)	Amortised Cost	1,317,391	21,855	1,339,246
Financial investments held-to-maturity	Amortised Cost (HTM)	Amortised Cost	1,802,605	-	1,802,605
Loans and advances	Amortised cost (Loans and receivables)	Amortised cost	67,324,490	(311,358)	67,013,132
Receivables: Investments not quoted in active markets	Amortised cost (Loans and receivables)	FVTPL	87,181	(9,216)	77,965
Receivables: Investments not quoted in active markets	Amortised cost (Loans and receivables)	FVOCI (Debt)	1,062,419	7,189	1,069,608

58. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

(b) Adoption of MFRS 9 Financial Instruments (Cont'd.)

i. Classification and measurement of financial instruments (Cont'd.)

Bank	Measurement category		Carrying amount		
	Under MFRS 139	Under MFRS 9	Under MFRS 139	Remeasurement, and Impairment	Under MFRS 9
			RM'000	RM'000	RM'000
Financial assets					
Cash and short-term funds	Amortised cost (Loans and receivables)	Amortised cost	3,711,118	(973)	3,710,145
Investment account placement	Amortised cost	Amortised cost	2,856,370	(1,519)	2,854,851
Financial assets held-for-trading	FVTPL (HFT)	FVTPL	8,041,941	-	8,041,941
Financial investments available-for-sale	FVOCI (AFS)	FVOCI (Debt)	3,084,173	-	3,084,173
Financial investments available-for-sale	FVOCI (AFS)	FVOCI (Equity)	427,525	201,366	628,891
Financial investments available-for-sale	FVOCI (AFS)	FVTPL	323	(218)	105
Financial investments available-for-sale	FVOCI (AFS)	Amortised Cost	1,317,391	21,855	1,339,246
Financial investments held-to-maturity	Amortised Cost (HTM)	Amortised Cost	1,802,605	-	1,802,605
Loans and advances	Amortised cost (Loans and receivables)	Amortised cost	67,254,479	(311,322)	66,943,157
Receivables: Investments not quoted in active markets	Amortised cost (Loans and receivables)	FVTPL	87,181	(9,216)	77,965
Receivables: Investments not quoted in active markets	Amortised cost (Loans and receivables)	FVOCI (Debt)	1,062,419	7,189	1,069,608

58. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

(b) Adoption of MFRS 9 Financial Instruments (Cont'd.)

ii. Reconciliation of financial instruments from MFRS 139 to MFRS 9 (Cont'd.)

	Group RM'000	Bank RM'000
Cash and short-term funds		
Closing balance under MFRS 139 as at 31 March 2018	3,716,029	3,711,118
Allowance for ECL (Note 6)	(973)	(973)
Opening balance under MFRS 9 as at 1 April 2018	<u>3,715,056</u>	<u>3,710,145</u>
Investment account placement		
Closing balance under MFRS 139 as at 31 March 2018	2,856,370	2,856,370
Allowance for ECL (Note 9)	(1,519)	(1,519)
Opening balance under MFRS 9 as at 1 April 2018	<u>2,854,851</u>	<u>2,854,851</u>
Financial investments held-to-maturity		
Closing balance under MFRS 139 as at 31 March 2018	1,802,605	1,802,605
Reclassification to financial investments at amortised cost	(1,802,605)	(1,802,605)
Opening balance under MFRS 9 as at 1 April 2018	<u>-</u>	<u>-</u>
Loans and advances		
Closing balance under MFRS 139 as at 31 March 2018	67,324,490	67,254,479
Allowance for ECL (Note 17(i))	(311,358)	(311,322)
Opening balance under MFRS 9 as at 1 April 2018	<u>67,013,132</u>	<u>66,943,157</u>
Receivables: Investments not quoted in active markets		
Closing balance under MFRS 139 as at 31 March 2018	1,149,600	1,149,600
Reclassification to financial assets at FVTPL	(87,181)	(87,181)
Reclassification to financial investments at FVOCI (debt)	(1,062,419)	(1,062,419)
Opening balance under MFRS 9 as at 1 April 2018	<u>-</u>	<u>-</u>
Financial assets at amortised cost		
Closing balance under MFRS 139 as at 31 March 2018	-	-
Reclassification from financial investments held-to-maturity	1,802,605	1,802,605
Reclassification from financial investments available-for-sale	1,317,391	1,317,391
Remeasurement from FV to amortised cost	25,057	25,057
Allowance for ECL (Note 15)	(3,202)	(3,202)
Opening balance under MFRS 9 as at 1 April 2018	<u>3,141,851</u>	<u>3,141,851</u>

58. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

(b) Adoption of MFRS 9 Financial Instruments (Cont'd.)

ii. Reconciliation of financial instruments from MFRS 139 to MFRS 9 (Cont'd.)

	Group RM'000	Bank RM'000
Financial assets held-for-trading		
Closing balance under MFRS 139 as at 31 March 2018	8,041,941	8,041,941
Reclassification to financial assets at FVTPL	(8,041,941)	(8,041,941)
Opening balance under MFRS 9 as at 1 April 2018	-	-
Financial assets at FVTPL		
Closing balance under MFRS 139 as at 31 March 2018	-	-
Reclassification from financial investments held-for-trading	8,041,941	8,041,941
Reclassification from financial investments available-for-sale	402	323
Remeasurement for reclassification	(218)	(218)
Reclassification from Receivables: Investments not quoted in active markets	87,181	87,181
Remeasurement for reclassification	(9,216)	(9,216)
Opening balance under MFRS 9 as at 1 April 2018	8,120,090	8,120,011
Financial investments available-for-sale		
Closing balance under MFRS 139 as at 31 March 2018	4,794,991	4,829,412
Reclassification to financial assets at FVTPL	(402)	(323)
Reclassification to financial investments at amortised cost	(1,317,391)	(1,317,391)
Reclassification to financial investments at FVOCI (equity)	(427,525)	(427,525)
Reclassification to financial investments at FVOCI (debt)	(3,049,673)	(3,084,173)
Opening balance under MFRS 9 as at 1 April 2018	-	-
Financial investments at FVOCI (debt)		
Closing balance under MFRS 139 as at 31 March 2018	-	-
Reclassification from financial investments available-for-sale	3,049,673	3,084,173
Reclassification from Receivables: Investments not quoted in active markets	1,062,419	1,062,419
Remeasurement from amortised cost	7,189	7,189
Opening balance under MFRS 9 as at 1 April 2018	4,119,281	4,153,781
Financial investments at FVOCI (equity)		
Closing balance under MFRS 139 as at 31 March 2018	-	-
Reclassification from financial investments available-for-sale	427,525	427,525
Remeasurement from amortised cost	201,366	201,366
Opening balance under MFRS 9 as at 1 April 2018	628,891	628,891
Total financial assets measured at fair value through other comprehensive income	4,748,172	4,782,672

58. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

(b) Adoption of MFRS 9 Financial Instruments (Cont'd.)

ii. Reconciliation of financial instruments from MFRS 139 to MFRS 9 (Cont'd.)

	Group RM'000	Bank RM'000
Deferred tax assets		
Closing balance under MFRS 139 as at 31 March 2018	42,835	42,813
Tax impact on unrealised loss on FVOCI reserve (Note 20)	(7,751)	(7,751)
Tax impact on impairment (Note 20)	(13,585)	(13,585)
Opening balance under MFRS 9 as at 1 April 2018	<u>21,499</u>	<u>21,477</u>
Other assets		
Closing balance under MFRS 139 as at 31 March 2018	1,277,958	1,270,856
Tax impact on remeasurement of investments to FVTPL	2,269	2,269
Tax impact on impairment	98,835	98,835
Opening balance under MFRS 9 as at 1 April 2018	<u>1,379,062</u>	<u>1,371,960</u>
Other liabilities		
Closing balance under MFRS 139 as at 31 March 2018	2,185,028	2,173,781
Allowance for ECL for provision for commitments and contingencies (Note 31(b))	28,066	28,053
Opening balance under MFRS 9 as at 1 April 2018	<u>2,213,094</u>	<u>2,201,834</u>

58. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

(b) Adoption of MFRS 9 Financial Instruments (Cont'd.)

- iii. The following is the reconciliation of prior year's closing equity balances which have been impacted from the adoption of MFRS 9 arising from the reclassifications and remeasurements to the restated opening balance as at 1 April 2018:

	Group RM'000	Bank RM'000
Retained earnings		
Closing balance under MFRS 139 as at 31 March 2018	6,641,531	6,700,583
Recognition of allowance for ECL	(356,958)	(356,941)
Tax impact on allowance for ECL	85,250	85,250
Transfer from regulatory reserve	245,968	245,968
Fair value changes on financial assets at FVTPL	(9,470)	(9,453)
Tax impact on remeasurement of assets to FVTPL	2,269	2,269
Opening balance under MFRS 9 as at 1 April 2018	<u>6,608,590</u>	<u>6,667,676</u>
Regulatory reserve		
Closing balance under MFRS 139 as at 31 March 2018	372,133	372,133
Transfer to retained earnings	(245,968)	(245,968)
Opening balance under MFRS 9 as at 1 April 2018	<u>126,165</u>	<u>126,165</u>
Available-for-sale deficit		
Closing balance under MFRS 139 as at 31 March 2018	(23,387)	(23,518)
Transfer to fair value reserve	23,387	23,518
Opening balance under MFRS 9 as at 1 April 2018	<u>-</u>	<u>-</u>
Fair value reserve		
Closing balance under MFRS 139 as at 31 March 2018	-	-
Transfer from available-for-sale deficit	(23,370)	(23,518)
Fair value changes for financial investments available-for-sale reclassified to financial investments at amortised cost	25,057	25,057
Fair value changes for financial investments available-for-sale reclassified to financial assets at FVTPL	19	19
Fair value changes on financial investments at FVOCI	208,555	208,555
Recognition of allowance for ECL	11,840	11,872
Tax impact on unrealised fair value changes	(7,751)	(7,751)
Opening balance under MFRS 9 as at 1 April 2018	<u>214,350</u>	<u>214,234</u>

iv. Reconciliation of impairment allowances balance

The following table reconciles the prior year's closing impairment allowance measured in accordance with the MFRS 139 incurred loss model or provision under MFRS 137 to the new impairment allowance measured in accordance with the MFRS 9 expected loss model at 1 April 2018:

	Loss allowance under MFRS 139/ Provision under MFRS 137 RM'000	Remeasure- ments RM'000	Loss allowance under MFRS 9 RM'000
Group			
Loans and receivables and held-to-maturity under MFRS 139/Financial assets at amortised cost under MFRS 9			
Cash and short-term funds	-	973	973
Investment account placement	2,740	1,519	4,259
Financial investments at amortised cost	2,550	3,202	5,752
Loans and advances	678,912	311,358	990,270
Total	<u>684,202</u>	<u>317,052</u>	<u>1,001,254</u>

58. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

(b) Adoption of MFRS 9 Financial Instruments (Cont'd.)

iv. Reconciliation of impairment allowances balance (Cont'd.)

	Loss allowance under MFRS 139/ Provision under MFRS 137 RM'000	Remeasure- ments RM'000	Loss allowance under MFRS 9 RM'000
Group			
Available-for-sale under MFRS 9/Financial assets at FVOCI under MFRS 9			
Financial investments at fair value through other comprehensive income			
- debt	5,000	11,840	16,840
- equity	2,318	(2,318)	-
Total (Note 13(b))	<u>7,318</u>	<u>9,522</u>	<u>16,840</u>
Loan commitments and financial guarantee contracts issued			
Loan commitments	51,538	25,817	77,355
Financial guarantee contracts	9,896	2,249	12,145
Total	<u>61,434</u>	<u>28,066</u>	<u>89,500</u>
Bank			
Loans and receivables and held-to-maturity under MFRS 139/Financial assets at amortised cost under MFRS 9			
Cash and short-term funds	-	973	973
Investment account placement	2,740	1,519	4,259
Financial investments at amortised cost	2,550	3,202	5,752
Loans and advances	678,876	311,322	990,198
Total	<u>684,166</u>	<u>317,016</u>	<u>1,001,182</u>
Available-for-sale under MFRS 9/Financial assets at FVOCI under MFRS 9			
Financial investments at fair value through other comprehensive income			
- debt	5,000	11,872	16,872
- equity	2,318	(2,318)	-
Total (Note 13(b))	<u>7,318</u>	<u>9,554</u>	<u>16,872</u>
Loan commitments and financial guarantee contracts issued			
Loan commitments	51,584	25,804	77,388
Financial guarantee contracts	9,896	2,249	12,145
Total	<u>61,480</u>	<u>28,053</u>	<u>89,533</u>

AmBank (M) Berhad
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And Its Subsidiaries

58. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

(b) Adoption of MFRS 9 Financial Instruments (Cont'd.)

v. The adoption of MFRS 9 resulted in the following financial effects to the statements of the Group and of the Bank:

Reconciliation of statement of financial position

Group

	31 March 2018 RM'000	Remeasurement RM'000	Impairment RM'000	1 April 2018 RM'000
ASSETS				
Cash and short-term funds	3,716,029	-	(973)	3,715,056
Deposits and placements with banks and other financial institutions	450,000	-	-	450,000
Investment account placement	2,856,370	-	(1,519)	2,854,851
Derivative financial assets	1,134,053	-	-	1,134,053
Financial assets held-for-trading	8,041,941	(8,041,941)	-	-
Financial assets at fair value through profit or loss	-	8,120,090	-	8,120,090
Financial investments available-for-sale	4,794,991	(4,794,991)	-	-
Financial investments at fair value through other comprehensive income	-	4,748,172	-	4,748,172
Financial investments held-to-maturity	1,802,605	(1,802,605)	-	-
Financial investments at amortised cost	-	3,145,053	(3,202)	3,141,851
Loans and advances	67,324,490	-	(311,358)	67,013,132
Receivables: Investments not quoted in active markets	1,149,600	(1,149,600)	-	-
Statutory deposit with Bank Negara Malaysia	2,012,837	-	-	2,012,837
Deferred tax assets	42,835	(7,751)	(13,585)	21,499
Other assets	1,277,958	2,269	98,835	1,379,062
Property and equipment	129,524	-	-	129,524
Intangible assets	400,376	-	-	400,376
TOTAL ASSETS	95,133,609	218,696	(231,802)	95,120,503
LIABILITIES AND EQUITY				
Deposits from customers	69,753,528	-	-	69,753,528
Deposits and placements of banks and other financial institutions	2,921,511	-	-	2,921,511
Recourse obligation on loans sold to Cagamas Berhad	3,753,216	-	-	3,753,216
Derivative financial liabilities	1,281,688	-	-	1,281,688
Term funding	2,748,820	-	-	2,748,820
Debt capital	3,579,871	-	-	3,579,871
Other liabilities	2,185,028	-	28,066	2,213,094
TOTAL LIABILITIES	86,223,662	-	28,066	86,251,728
Share capital	1,763,208	-	-	1,763,208
Reserves	7,146,675	218,696	(259,868)	7,105,503
Retained earnings	6,641,531	(7,201)	(25,740)	6,608,590
Regulatory reserve	372,133	-	(245,968)	126,165
Merger reserve	104,149	-	-	104,149
AFS reserve/(deficit)	(23,387)	23,387	-	-
Fair value reserve	-	202,510	11,840	214,350
Cash flow hedging reserve	3,174	-	-	3,174
Foreign currency translation reserve	49,075	-	-	49,075
Equity attributable to equity holder of the Bank	8,909,883	218,696	(259,868)	8,868,711
Non-controlling interests	64	-	-	64
TOTAL EQUITY	8,909,947	218,696	(259,868)	8,868,775
TOTAL LIABILITIES AND EQUITY	95,133,609	218,696	(231,802)	95,120,503
NET ASSETS PER SHARE (RM)	10.86			10.81

58. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

(b) Adoption of MFRS 9 Financial Instruments (Cont'd.)

v. The adoption of MFRS 9 resulted in the following financial effects to the statements of the Group and of the Bank (Cont'd.):

Reconciliation of statement of financial position (Cont'd.)

	31 March 2018 RM'000	Remeasurement RM'000	Impairment RM'000	1 April 2018 RM'000
Bank				
ASSETS				
Cash and short-term funds	3,711,118	-	(973)	3,710,145
Deposits and placements with banks and other financial institutions	450,000	-	-	450,000
Investment account	2,856,370	-	(1,519)	2,854,851
Derivative financial assets	1,134,053	-	-	1,134,053
Financial assets at fair value through profit or loss	-	8,120,011	-	8,120,011
Financial assets held-for-trading	8,041,941	(8,041,941)	-	-
Financial investments at fair value through other comprehensive income	-	4,782,672	-	4,782,672
Financial investments available-for-sale	4,829,412	(4,829,412)	-	-
Financial investments at amortised cost	-	3,145,053	(3,202)	3,141,851
Financial investments held-to-maturity	1,802,605	(1,802,605)	-	-
Loans and advances	67,254,479	-	(311,322)	66,943,157
Receivables: Investments not quoted in active markets	1,149,600	(1,149,600)	-	-
Statutory deposit with Bank Negara Malaysia	2,012,837	-	-	2,012,837
Deferred tax assets	42,813	(7,751)	(13,585)	21,477
Investment in subsidiaries	31,535	-	-	31,535
Investment in associate	22	-	-	22
Other assets	1,270,856	2,269	98,835	1,371,960
Property and equipment	108,754	-	-	108,754
Intangible assets	400,376	-	-	400,376
TOTAL ASSETS	95,096,771	218,696	(231,766)	95,083,701
LIABILITIES AND EQUITY				
Deposits from customers	69,757,231	-	-	69,757,231
Deposits and placements of banks and other financial institutions	2,933,610	-	-	2,933,610
Recourse obligation on loans sold to Cagamas Berhad	3,753,216	-	-	3,753,216
Derivative financial liabilities	1,281,688	-	-	1,281,688
Term funding	2,748,820	-	-	2,748,820
Debt capital	3,579,871	-	-	3,579,871
Other liabilities	2,173,781	-	28,053	2,201,834
TOTAL LIABILITIES	86,228,217	-	28,053	86,256,270
Share capital	1,763,208	-	-	1,763,208
Reserves	7,105,346	218,696	(259,819)	7,064,223
Retained earnings	6,700,583	(7,184)	(25,723)	6,667,676
Regulatory reserve	372,133	-	(245,968)	126,165
AFS reserve/(deficit)	(23,518)	23,518	-	-
Fair value reserve	-	202,362	11,872	214,234
Cash flow hedging reserve	3,174	-	-	3,174
Foreign currency translation reserve	52,974	-	-	52,974
Equity attributable to equity holder of the Bank	8,868,554	218,696	(259,819)	8,827,431
TOTAL EQUITY	8,868,554	218,696	(259,819)	8,827,431
TOTAL LIABILITIES AND EQUITY	95,096,771	218,696	(231,766)	95,083,701
NET ASSETS PER SHARE (RM)	10.81			10.76

58. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

(b) Adoption of MFRS 9 Financial Instruments (Cont'd.)

v. The adoption of MFRS 9 resulted in the following financial effects to the statements of the Group and of the Bank (Cont'd.):

The capital adequacy ratios of the Group and the Bank

	31 March 2018	Effects of adoption of MFRS 9	1 April 2018
Group			
CET 1 Capital (RM'000)	8,067,541	108,240	8,175,781
Tier 1 Capital (RM'000)	8,761,583	108,240	8,869,823
Total Capital (RM'000)	12,090,583	200,070	12,290,653
Risk weighted assets (RM'000)	72,961,260	533,407	73,494,667
Before deducting proposed dividends			
CET 1 Capital Ratio (%)	11.057	0.067	11.124
Tier 1 Capital Ratio (%)	12.009	0.060	12.069
Total Capital Ratio (%)	16.571	0.152	16.723
After deducting proposed dividends			
CET 1 Capital Ratio (%)	10.714	0.070	10.784
Tier 1 Capital Ratio (%)	11.666	0.062	11.728
Total Capital Ratio (%)	16.228	0.155	16.383
Bank			
CET 1 Capital (RM'000)	8,017,746	108,352	8,126,098
Tier 1 Capital (RM'000)	8,711,786	108,352	8,820,138
Total Capital (RM'000)	12,040,799	203,379	12,244,178
Risk weighted assets (RM'000)	73,190,772	533,398	73,724,170
Before deducting proposed dividends			
CET 1 Capital Ratio (%)	10.955	0.067	11.022
Tier 1 Capital Ratio (%)	11.903	0.061	11.964
Total Capital Ratio (%)	16.451	0.157	16.608
After deducting proposed dividends			
CET 1 Capital Ratio (%)	10.613	0.070	10.683
Tier 1 Capital Ratio (%)	11.561	0.063	11.624
Total Capital Ratio (%)	16.109	0.160	16.269