

A m INVESTMENT BANK BERHAD (23742-V)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 March 2019

**AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES**

**DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
31 MARCH 2019**

CONTENTS	PAGE
DIRECTORS' REPORT	1 – 16
STATEMENT BY DIRECTORS	17
STATUTORY DECLARATION	18
INDEPENDENT AUDITORS' REPORT	19 – 22
STATEMENTS OF FINANCIAL POSITION	23
STATEMENTS OF PROFIT OR LOSS	24
STATEMENTS OF COMPREHENSIVE INCOME	25
STATEMENTS OF CHANGES IN EQUITY	26 – 29
STATEMENTS OF CASH FLOWS	30 – 32
NOTES TO THE FINANCIAL STATEMENTS	33 – 176

**AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES**

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of **AmInvestment Bank Berhad** ("the Bank") and its subsidiaries ("the Group") for the financial year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Bank is to provide a wide range of investment banking and related financial services which also include Islamic banking business, investment advisory, shares and futures broking, fund management and investment research and publication activities.

The principal activities of its subsidiaries are disclosed in Note 17 to the financial statements.

There has been no other 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	<u>34,932</u>	<u>48,453</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 operations of the Group and of the Bank for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the effects of adoption of MFRS 9 *Financial Instruments* as disclosed in Note 48 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.

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.

BUSINESS PLAN AND STRATEGY

Moving into the financial year ending 31 March 2020 (“FY 2020”), AMMB Holdings Berhad (“AMMB”) Group strategic priorities continue to focus on diversifying our top line, improving operational efficiency, driving capital accretive growth while executing on our people agenda.

In FY2020, AMMB Group will accelerate growth in its CASA (current and savings accounts) balances, leveraging on its Transaction Banking capabilities, Wealth Management propositions and strategic collaborations. Meanwhile, AMMB Group’s Global 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 facilitate 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 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, AMMB Group continues to drive operational efficiency through the Business Efficiency Transformation (“BET300”) programme which was embarked since the financial year ended 31 March 2018. 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, AMMB 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 shareholders.

By supporting and aligning their strategic priorities with the AMMB Group’s above, the Group’s business divisions focus is outlined as follows:

- i. Our Debt Capital Markets continue as a dominant market player in providing integrated debt and capital financing.
- ii. Equity Markets remain focused on share trading and margin financing activities with new digitization initiatives to enhance customer experience as well as increase penetration amongst retail investors.
- iii. Corporate Finance will focus on delivering its advisory services and transactional execution expertise across a range of products leveraging on existing client base.
- iv. Fund Management will extend its aspiration to provide comprehensive solutions to help its investors to achieve their long-term financial goals as well as to continue to grow the Islamic funds.
- v. Private Banking capitalizes the diverse strength of AMMB Group to provide a holistic investment strategy that caters to meet the sophisticated need of High Net Worth Individuals onshore in both local and foreign currencies.

DIVIDENDS

During the financial year, the following dividends in respect of the financial year ended 31 March 2018 were paid:

- i) special single-tier cash dividend of 88.63 sen per ordinary share on 200,000,000 ordinary shares amounting to RM177,257,008 was paid on 11 June 2018 arising from a gain of RM177,258,000 on disposal of securities (previously classified as securities available-for-sale) to a related company, AmBank (M) Berhad which was recognised during the financial year ended 31 March 2018; and
- ii) final single-tier cash dividend of 14.00 sen per ordinary share on 200,000,000 ordinary shares amounting to RM28,000,000 was paid on 8 August 2018.

DIVIDENDS (CONT'D.)

In respect of the current financial year, the Board of Directors ("Board") had declared an interim single-tier dividend of 10.00 sen per ordinary share on 200,000,000 ordinary shares amounting to RM20,000,000 which was paid on 30 November 2018.

On 24 April 2019, the Directors proposed the payment of final single tier dividend of 11.00 sen per ordinary share amounting to RM22,000,000 in respect of the current financial year ended 31 March 2019.

The financial statements for the current financial year do not reflect this proposed final dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained earnings in the next financial year ending 31 March 2020.

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 allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances that 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 the Bank inadequate to any substantial extent.

CURRENT ASSETS

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

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and 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 and which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Group and of the Bank that has arisen since the end of the financial year, other than those incurred in the normal course of business.

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

CHANGE OF CIRCUMSTANCES

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

ISSUE OF SHARES AND DEBENTURES

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

SHARE OPTIONS

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 AND OFFICERS

The Bank, through the ultimate holding company, 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 and its subsidiaries. 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.

DIRECTORS

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

Jeyaratnam a/l Tamotharam Pillai (Appointed on 1.10.2018)
Tan Bun Poo
Ramesh Pillai
Lum Sing Fai (Appointed on 15.1.2019)
Chee Li Har (Appointed on 8.8.2018)
Seow Yoo Lin (Appointed on 15.10.2018)
Tan Sri Azman Hashim (Retired on 1.1.2019)

DIRECTORS (CONT'D.)

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

No.	Name of subsidiaries	Directors of the subsidiaries
1.	AmFunds Management Berhad	Jeyaratnam a/l Tamotharam Pillai (Appointed on 1.4.2019) Dato' Mustafa bin Mohd Nor Tai Terk Lin Sum Leng Kuang Goh Wee Peng Seohan Soo (Appointed on 1.8.2018) Raja Maimunah binti Raja Abdul Aziz (Resigned on 1.7.2018)
2.	AmIslamic Funds Management Sdn Bhd	Chee Li Har (Appointed on 1.4.2019) Sum Leng Kuang Tai Terk Lin Zainal Abidin bin Mohd Kassim Goh Wee Peng Seohan Soo (Appointed on 1.8.2018) Raja Maimunah binti Raja Abdul Aziz (Resigned on 1.7.2018) Zairulnizad bin Shahrim (Resigned on 1.5.2019)
3.	AMMB Nominees (Tempatan) Sdn Bhd	Khoo Teck Beng Goh Wee Peng
4.	AM Nominees (Tempatan) Sdn Bhd	Khoo Teck Beng Hon Chu Nyaw (Appointed on 28.6.2018) Harinder Pal Singh a/l Joga Singh (Resigned on 29.6.2018)
5.	AM Nominees (Asing) Sdn Bhd	Khoo Teck Beng Hon Chu Nyaw (Appointed on 28.6.2018) Harinder Pal Singh a/l Joga Singh (Resigned on 29.6.2018)
6.	AMSEC Nominees (Tempatan) Sdn Bhd	Hon Chu Nyaw Gan Kim Khoon
7.	AMSEC Nominees (Asing) Sdn Bhd	Hon Chu Nyaw Gan Kim Khoon
8.	AmFraser International Pte Ltd	Lim Hock Aun Wong Yong Fei

DIRECTORS (CONT'D.)

No.	Name of subsidiaries	Directors of the subsidiaries
9.	AMMB Nominees (Asing) Sdn Bhd (Under Members' Voluntary Liquidation)	Khoo Teck Beng Goh Wee Peng
10.	AmFutures Sdn Bhd (Under Members' Voluntary Liquidation)	Stephennoel Kwong Yong Shian Hon Chu Nyaw
11.	AmResearch Sdn Bhd (Under Members' Voluntary Liquidation)	Lee Yew Kin Khoo Teck Beng

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 or its related corporations during and at the end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 30 to the financial statements or other amount received from related corporations) by reason of a contract made by the Bank or a related corporation with a director or with a firm in which a director is a member, or with a company in which a Director has a substantial financial interest, except for the related party transactions as shown in Note 35 to the financial statements.

Neither during nor at the end of the financial year was the Bank a party to any arrangements whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

AMMB EXECUTIVES' SHARE SCHEME

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

AMMB EXECUTIVES' SHARE SCHEME (CONT'D.)

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 comprise 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.

CORPORATE GOVERNANCE

(a) DIRECTORS' PROFILE

JEYARATNAM A/L TAMOTHARAM PILLAI Independent Non-Executive Chairman

Mr Jeyaratnam a/l Tamotharam Pillai ("Mr Jeyaratnam"), a Malaysian, male, aged 65, was appointed to the Board of the Bank on 1 October 2018 and as an Independent Non-Executive Chairman on 25 January 2019. He was appointed as Chairman of AmFunds Management Berhad on 1 April 2019.

With over 30 years' experience in the financial and investment banking services industry, Mr Jeyaratnam is a seasoned banker having involved in various assignments which included the listing of companies, mergers and acquisitions, takeovers, corporate restructuring and fund-raising exercises. Mr Jeyaratnam undertook Malaysia's first privatisation exercise and participated in various feasibility studies and cross border transactions in India, Ghana and the United Kingdom.

The area of expertise and experience of Mr Jeyaratnam also included deals origination, define corporate and funding structures, evaluate and negotiate deals, execution and implementation of deals. He has been working closely with various stakeholders such as corporate clients, investors, banks, government agencies, Bursa Malaysia Securities Berhad ("Bursa"), Securities Commission Malaysia ("SC") and Bank Negara Malaysia.

During his career, Mr Jeyaratnam had served as Chief Executive/Deputy Chief Executive of four investment banks over a 12-year period. He was also a member of the Sub-Committee of Bursa and the Capital Market Advisory Council of the SC. Mr Jeyaratnam was appointed by the Minister of Finance to be part of the six-member team that was responsible in formulating the Malaysian Capital Market Plan. He was overseeing the Investment Banking, Stockbroking, Fund Management and Venture Capital Activities during his tenure in Maybank as the Head of Investment Banking Division.

Mr Jeyaratnam is a member of the Institute of Chartered Accountants in England and Wales and member of the Malaysian Institute of Accountants.

LUM SING FAI Non-Independent Non-Executive Director

Mr Lum Sing Fai ("Mr Lum"), a Malaysian, male, aged 55, was appointed to the Board of the Bank on 15 January 2019 as Non-Independent Non-Executive Director. He is a Member of the Risk Management Committee of the Bank.

CORPORATE GOVERNANCE (CONT'D.)

(a) DIRECTORS' PROFILE (CONT'D.)

LUM SING FAI (CONT'D.)

Non-Independent Non-Executive Director

Mr Lum started his career in Southern Bank Berhad from 1987 to 1994 working in various capacities from operations to corporate banking. He is currently the Managing Director of Capital Markets Division in Amcorp Group Berhad where he has successfully led a broad range of financial service endeavours during his 24 years' tenure in the company.

Mr Lum sits on the Board of a public listed company, Amcorp Properties Berhad as a Non-Independent Non-Executive Director. He also sits on the Boards of private companies within Amcorp Group Berhad and MTrustee Berhad.

Mr Lum has more than 30 years of experience in the financial sector, having previously served as a Director of ECM Libra Financial Group Berhad and ECM Libra Investment Bank Berhad.

Mr Lum holds a Bachelor of Economics (Hons) (Business Administration) from the University of Malaya.

TAN BUN POO

Independent Non-Executive Director

Tan Bun Poo ("Mr Tan"), a Malaysian, male, aged 68, was appointed to the Board of the Bank on 5 June 2015 as Independent Non-Executive Director. He is the Chairman of the Audit and Examination Committee ("AEC") of the Bank.

Mr Tan is a retired Senior Partner from Messrs. Deloitte KassimChan, Chartered Accountants and he is currently a Partner of Robert Mengkwai & Loo, Chartered Accountants. He is also a Director and Member of two (2) private limited companies, namely Magnum Noble Sdn Bhd and RMKL Advisory Sdn Bhd.

Mr Tan also sits on the Boards as an Independent Non-Executive Director of AmMetLife Takaful Berhad (a related company) and four (4) public listed companies, namely Amcorp Properties Berhad, QL Resources Berhad, RCE Capital Berhad and UEM Edgenta Berhad.

Mr Tan is the Chairman of the AEC and a Member of the Nomination and Remuneration Committee and Risk Management Committee of AmMetLife Takaful Berhad.

Mr Tan holds a Bachelor of Commerce degree from the University of Newcastle, Australia. He is a Qualified Chartered Accountant from the Institute of Chartered Accountants in Australia. He is a member of the Malaysian Institute of Accountants ("MIA"), Malaysian Institute of Certified Public Accountants, Malaysian Institute of Taxation and a Fellow of the Institute of Chartered Accountants in Australia. He also serves on the Board of the Auditing and Assurance Standards Board of MIA.

RAMESH PILLAI

Independent Non-Executive Director

Ramesh Pillai ("Mr Ramesh"), a Malaysian, male, aged 54, was appointed to the Board of the Bank on 9 January 2017 as Independent Non-Executive Director. He is the Chairman of the Risk Management Committee of the Bank.

Mr Ramesh started his career with Price Waterhouse's Financial Institutions specialism in London gaining experience in Audit, Consultancy and Corporate Finance assignments. He has over 33 years of risk management experience, in both public and private sectors and has held various positions, including that of Chief Executive Officer, Finance Director and Group Chief Risk Officer (in conventional and Islamic banks). He was also with Pengurusan Danaharta Nasional as its Chief Risk Officer as well as Bank Negara Malaysia as the Head of its Deposit Insurance Taskforce.

CORPORATE GOVERNANCE (CONT'D.)

(a) DIRECTORS' PROFILE (CONT'D.)

RAMESH PILLAI (CONT'D.)

Independent Non-Executive Director

Mr Ramesh is currently the Chairman of the Board of Governors of the Institute of Enterprise Risk Practitioners (providing professional certification in Enterprise Risk Management) as well as the Group Managing Director of Friday Concepts (International), an international boutique risk management consultancy. He is also an Independent Non-Executive Director of AmGeneral Insurance Berhad (a related company), Gibraltar BSN Life Berhad as well as Insurans Islam Taib Holdings Sdn Bhd Group of Companies.

Mr Ramesh holds a Bachelor of Science (Honours) in Economics with Accountancy from Loughborough University, United Kingdom, where he specialised in Economics and Banking in general, and Islamic Banking in particular. He is a fellow of the Institute of Chartered Accountants in England and Wales (1991) as well as the Malaysian Institute of Accountants, a Certified Enterprise Risk Manager, a Certified Risk Professional, a Qualified Risk Director, a Certified Islamic Enterprise Risk Manager and a Qualified Risk Auditor.

CHEE LI HAR

Independent Non-Executive Director

Chee Li Har ("Ms Chee"), a Malaysian, female, aged 58, was appointed to the Board of the Bank on 8 August 2018 as Independent Non-Executive Director. She is a Member of the Audit and Examination Committee and Risk Management Committee of the Bank. Ms Chee was also appointed as Chairman of AmlIslamic Funds Management Sdn Bhd on 1 April 2019.

In 2013, Ms Chee returned to Malaysia under TalentCorp Malaysia Returning Expert Program where she set up a new 'central treasury' type function for Hong Leong Bank (M) Berhad named Group Assets and Liabilities ("GALCO"). In that role, Ms Chee is responsible for driving and supporting the trajectory growth in the regional business and optimising returns/costs of the bank's balance sheet. She played the key role in making both structural and tactical balance sheet decisions particularly in the areas of economic profit, liquidity and interest risk management and regulatory compliance.

Prior to her promotion to COO/Head, GALCO in Hong Leong Bank, Ms Chee was the Regional Head of Assets and Liabilities Management for South East Asia at Standard Chartered Bank, Singapore. In this role, Ms Chee led multi-cultural teams in South East Asia and traded in most interest rate products and derivatives. Ms Chee was well recognised for her leadership abilities and sent for leadership programmes at INSEAD, Asia Campus and the SAID Business School at University of Oxford.

Ms Chee believes in sharing expertise and was actively engaged in masterclass training and many speaking engagements in South East Asia, including one for Asian Development Bank.

Collaboration, Drive, Integrity and Diversity are values that are of utmost importance to Ms Chee. In living her values, she is a strong proponent of empowering woman and amongst a few initiatives that Ms Chee is currently engaged in, she sits on the committees of International Women's Federation of Commerce and Industry Malaysia (IWFCI) and a social enterprise for women in Beladin, East Malaysia.

Ms Chee is multi-talented. She is an avid artist and creator of wearable art accessories called GoCHeeKS. To date, she has held 3 art exhibitions in Singapore and Malaysia (in part to raise funds for charities and create awareness for hunger).

Ms Chee holds a Bachelor of Arts-Economics from University of Malaya and she has a Persatuan Kewangan Malaysia Certification (PKMC).

CORPORATE GOVERNANCE (CONT'D.)

(a) DIRECTORS' PROFILE (CONT'D.)

SEOW YOO LIN

Independent Non-Executive Director

Mr Seow Yoo Lin ("Mr Seow"), a Malaysian, male, aged 63, was appointed to the Board of the Bank on 15 October 2018 as Independent Non-Executive Director. He is a member of the Audit and Examination Committee ("AEC") of the Bank.

Mr Seow joined KPMG Malaysia in 1977 and qualified as a Certified Public Accountant in 1980. In 1983, he was seconded to KPMG United States to gain overseas experience, specialising in banking assignments. He returned in 1985 and was admitted as Partner in 1990.

Mr Seow has been the audit partner on a wide range of companies including public listed companies and multinationals in banking and finance, manufacturing, trading and services. In addition, he held various leadership roles including those of Human Resources Partner, Partner-in-charge of Financial Services and a member of the KPMG Asia Pacific Board.

Mr Seow was a member of Executive Committee of the Malaysian Institute of Certified Public Accountants from 2009 to 2011 and a council member of the Malaysian Institute of Accountants from 2007 to 2011. He was the Managing Partner of KPMG Malaysia from 2007 to 2010. He retired from the firm in 2011.

Mr Seow's other directorships include Southern Steel Berhad and Hume Industries Berhad. He is also an Independent Non-Executive Director of AMMB Holdings Berhad, Chairman of the AEC and a Member of the Group Information Technology Committee and Group Nomination and Remuneration Committee.

Mr Seow holds a Master of Business Administration degree from the International Management Centre, Buckingham, United Kingdom. He is a member of Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and Malaysian Institute of Management.

(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 would attend a formal induction programme to familiarise themselves with the Bank's strategy and aspiration, 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 would 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 attending the Financial Institutions Directors' Education (FIDE) Programme, accredited by International Centre for Leadership In Finance (ICLIF), and Capital Market Director Programme (CMDP), accredited by Securities Industry Development Corporation (SIDC), all Directors appointed to the Board, have also attended other relevant training programmes, talks, seminars, dialogue sessions and focus group sessions organised by the regulatory authorities, FIDE Forum (an alumni association for Financial Institutions Directors) and professional bodies to further enhance their business acumen and professionalism in discharging their duties to the Bank.

The Directors also attend off-site 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.

CORPORATE GOVERNANCE (CONT'D.)

(c) BOARD RESPONSIBILITY AND OVERSIGHT

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

The Board supervises the Management of the Bank’s businesses, policies and affairs with the goal of long-term sustainability of the Group. The Board meets eight (8) times in the financial year to carry out its duties and responsibilities, with additional Board meetings being convened, whenever required.

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

The Board currently comprises six (6) Directors with wide skills and experience, five (5) 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 members of Senior Management team of the Bank are invited to attend Board Meetings to provide presentations and detailed explanations on matters that have been tabled. The Company Secretary has been empowered by the Board to assist the Board in matters of governance and in complying with statutory duties.

(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); and
3. Group Nomination and Remuneration Committee (at AMMB Group level).

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

CORPORATE GOVERNANCE (CONT'D.)**(d) COMMITTEES OF THE BOARD (CONT'D.)**

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

Number of meetings attended in Financial Year ("FY") 2019

Directors	Board of Directors	Audit and Examination Committee	Risk Management Committee	Group Nomination and Remuneration Committee (at AMMB Group level)
Tan Sri Azman Hashim (Retired on 1.1.2019)	6/6	N/A	N/A	N/A
Jeyaratnam a/l Tamotharam Pillai (Appointed on 1.10.2018)	4/4 ^e (Chairman)	N/A	2/2 ^f	N/A
Tan Bun Poo	8/8	8/8 (Chairman)	6/6 ^a	N/A
Ramesh Pillai	7/8	6/7 ^b	7/7 (Chairman)	N/A
Chee Li Har (Appointed on 8.8.2018)	5/5	5/5 ^c	4/4 ^d	N/A
Seow Yoo Lin (Appointed on 15.10.2018)	4/4	4/4 ^g	N/A	3/3 ^h
Lum Sing Fai (Appointed on 15.1.2019)	2/2	N/A	1/1 ⁱ	N/A
Number of meetings held in FY2019	8	8	7	7

Notes:

1. All attendances reflect the number of meetings attended during the Directors' tenure of service
2. N/A - represents non-committee member
3. ^a Ceased as a member of the Risk Management Committee ("RMC") on 23.1.2019
4. ^b Ceased as a member of the Audit and Examination Committee ("AEC") on 23.1.2019
5. ^c Appointed as a member of the AEC on 8.8.2018
6. ^d Appointed as a member of the RMC on 8.8.2018
7. ^e Appointed as the Chairman of the Board on 25.1.2019
8. ^f Appointed and ceased as a member of the RMC on 1.10.2018 and 23.1.2019 respectively.
9. ^g Appointed as a member of the AEC on 15.10.2018
10. ^h Appointed as a member of the Group Nomination and Remuneration Committee on 5.11.2018
11. ⁱ Appointed as a member of the RMC on 23.1.2019

CORPORATE GOVERNANCE (CONT'D.)

(d) COMMITTEES OF THE BOARD (CONT'D.)

AUDIT AND EXAMINATION COMMITTEE

The Audit and Examination Committee (“AEC”) comprises three (3) members, all of whom are Independent Non-Executive Directors.

The Board has appointed the AEC to assist in discharging its duties of maintaining a sound system of internal controls to safeguard the Bank’s assets and stakeholders’ interest.

The AEC met eight (8) 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 the audit reports. The financial statements were reviewed by the AEC prior to their submission to the Board of the Bank for adoption.

In addition, the AEC has reviewed the procedures set up by the Bank to identify and report, and where necessary, seeks approval for related party transactions and, with the assistance of the internal auditors, reviewed related party transactions to ensure such transactions were carried out at arms-length.

INTERNAL AUDIT FUNCTION

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

The Group Chief Internal Auditor reports to the AEC. Group Internal Audit assists the AEC in assessing and reporting on business risks and internal controls, and 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 minutes of the AEC meetings are formally tabled to the Board for notation and action, where necessary. The Group Chief Internal Auditor also attends the AEC meetings by invitation and the AEC holds separate meetings with the Group Chief Internal Auditor and the external auditors, whenever necessary.

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

Group Internal Audit prioritises its efforts in performing audits in accordance with the audit plan, which is prioritised 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 the changing business and risk environment.

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

RISK MANAGEMENT COMMITTEE

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

The Risk Management Committee exercises oversight on behalf of the Board to ensure adequate overall management of credit, market, liquidity, operational, legal, regulatory capital, strategic, Shariah and cyber security risks impacting the Bank. They are assisted by AMMB Group Risk Management.

CORPORATE GOVERNANCE (CONT'D.)

(d) COMMITTEES OF THE BOARD (CONT'D.)

RISK MANAGEMENT COMMITTEE (CONT'D.)

The Committee is independent from Management and comprises three (3) members, two (2) 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 seven (7) meetings held during financial year 2019.

RISK MANAGEMENT FUNCTION

The AMMB 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. The AMMB 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.

AMMB Group Risk Management takes its lead from the AMMB Group's Board's approved Risk Appetite Framework that forms the foundation of the AMMB Group to set its risk/reward profile. The framework is approved annually 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 to take account of prevailing or expected changes to the operating environment.

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

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 is chaired by an Independent Non-Executive Director. The Bank is represented by Mr Seow Yoo Lin in the Committee. The Committee is responsible for, among others, the following:

- regularly reviewing the Board structure, size and composition, as well as making recommendations 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 contribution of the Chairman and each Director to the effectiveness of the Board;
- recommending to the Board the framework/methodology for the remuneration of the Directors, Chief Executive Officers and other Senior Management staff with the relevant experience and expertise needed to assist in managing the AMMB 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;

CORPORATE GOVERNANCE (CONT'D.)

(d) COMMITTEES OF THE BOARD (CONT'D.)

GROUP NOMINATION AND REMUNERATION COMMITTEE (CONT'D.)

- recommending the appointment of Shariah Committee members as well as reviewing the annual performance of the Shariah Committee members and recommending the remuneration for the Shariah Committee members; and
- to implement the ESS 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 AGENCY

From a credit rating perspective, we believe in providing our stakeholders with an independent view of the Bank. As such, we continue to maintain credit ratings with 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>
RAM Rating Services	December 2018	Long-term financial institution rating	AA2
		Short-term financial institution rating	P1
		Outlook	Stable

SHARIAH COMMITTEE

The Bank leverages on the Shariah Committee of AmBank Islamic Berhad, a related company, for advice and guidance on Shariah related operational matters

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

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

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

AUDITORS AND AUDITORS' REMUNERATION

The auditors, Ernst & Young, have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 29 to the financial statements.

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



JEYARATNAM A/L TAMOTHARAM PILLAI

Kuala Lumpur, Malaysia
27 May 2019



TAN BUN POO

Company No.:23742-V

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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

We, **JEYARATNAM A/L TAMOTHARAM PILLAI** and **TAN BUN POO**, being two of the Directors of **AmINVESTMENT BANK BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 23 to 176 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.



JEYARATNAM A/L TAMOTHARAM PILLAI

Kuala Lumpur, Malaysia
27 May 2019



TAN BUN POO

Company No.:23742-V

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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

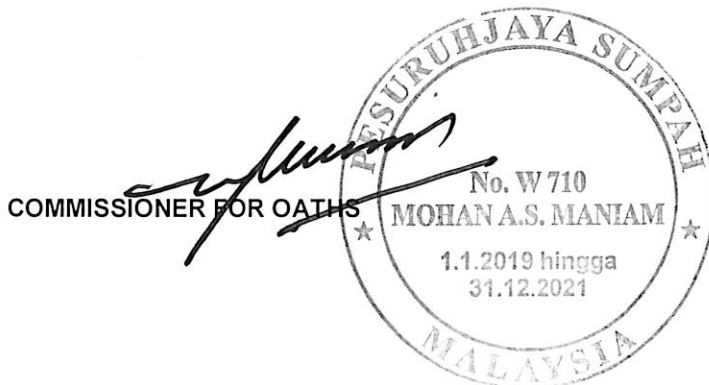
I, **LING FOU-TSONG @ JAMIE LING**, being the officer primarily responsible for the financial management of **AmINVESTMENT BANK BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 23 to 176 are, in my opinion correct, and I make this solemn declaration 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 on 27 May 2019.



LING FOU-TSONG @ JAMIE LING

Before me,



Tingkat 20 Ambank Group Building
55, Jln. Raja Chulan, 50200 Kuala Lumpur

23742-V

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of AmInvestment Bank Berhad, which comprise the statements of financial position as at 31 March 2019 of the Group and of the Bank, and 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 176.

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 audit 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 the IESBA Code.

Information other than the financial statements and auditors' report thereon

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

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

23742-V

**Independent auditors' report to the member of
AmlInvestment Bank 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 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.

23742-V

**Independent auditors' report to the member of
AmInvestment Bank 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 scepticism 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 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 the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.
- 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.

23742-V

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

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

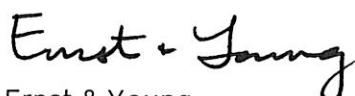
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 17 to the financial statements.

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



Wan Daneena Liza Bt Wan Abdul Rahman
No. 02978/03/2020 J
Chartered Accountant

AmINVESTMENT BANK 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 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
ASSETS					
Cash and short-term funds	6	305,489	858,503	231,681	752,000
Financial assets at fair value through profit or loss	8	427	-	427	-
Financial assets held-for-trading	9	-	1,020	-	1,020
Financial assets at fair value through other comprehensive income	10	2,889	-	2,889	-
Financial investments available-for-sale	11	-	1,457	-	1,457
Financial investments at amortised cost	12	135,425	-	135,425	-
Financial investments held-to-maturity	13	-	135,701	-	135,701
Loans and advances	14	300,715	279,074	300,715	279,074
Statutory deposit with Bank Negara Malaysia	15	4,984	3,003	4,984	3,003
Deferred tax assets	16	6,185	6,357	2,960	3,919
Investment in subsidiaries	17	-	-	56,256	68,927
Other assets	18	557,115	675,636	529,177	655,106
Property and equipment	19	17,809	19,540	17,137	18,576
Intangible assets	20	38,560	39,084	1,750	2,137
TOTAL ASSETS		1,369,598	2,019,375	1,283,401	1,920,920
LIABILITIES AND EQUITY					
Deposits and placements of a bank	21	300,000	600,000	300,000	600,000
Derivative financial liabilities	7	3	9	3	9
Other liabilities	22	498,257	659,388	480,939	643,191
TOTAL LIABILITIES		798,260	1,259,397	780,942	1,243,200
Share capital	23	200,000	200,000	200,000	200,000
Reserves	24	371,338	559,978	302,459	477,720
Equity attributable to equity holder of the Bank		571,338	759,978	502,459	677,720
TOTAL LIABILITIES AND EQUITY		1,369,598	2,019,375	1,283,401	1,920,920
COMMITMENTS AND CONTINGENCIES	40	138,781	256,582	138,781	256,582
NET ASSETS PER ORDINARY SHARE (RM)		2.86	3.80	2.51	3.39

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

AminVESTMENT BANK 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 RM'000	2019 RM'000	2018 RM'000
Operating revenue	2.5(z)	236,997	475,141	191,756	405,891
Interest income	25	33,834	35,476	32,135	33,408
Interest expense	26	(19,431)	(21,754)	(19,170)	(21,392)
Net interest income		14,403	13,722	12,965	12,016
Net income from Islamic banking business	49(xiv)	17,621	35,321	17,621	35,321
Other operating income	27	239,754	487,204	171,404	378,045
Direct costs	28	(55,168)	(83,828)	(30,360)	(41,851)
Net income		216,610	452,419	171,630	383,531
Other operating expenses	29	(173,392)	(204,684)	(109,057)	(133,015)
Operating profit		43,218	247,735	62,573	250,516
(Allowances for)/Writeback of impairment on:					
Loans and advances	31	398	(153)	398	(153)
Subsidiaries	17	-	-	(12,671)	-
Other assets		(125)	457	(11)	(352)
Allowances for provision for commitments and contingencies	22	(500)	(3,006)	(500)	(3,006)
Other recoveries		10	-	10	-
Profit before taxation		43,001	245,033	49,799	247,005
Taxation	32	(8,069)	(27,503)	(1,346)	(18,490)
Profit for the financial year attributable to equity holder of the Bank		34,932	217,530	48,453	228,515
Basic/diluted earnings per share (sen)	33	17.5	108.8		

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

**AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES**

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	34,932	217,530	48,453	228,515
Other comprehensive income/(loss):				
Items that are or may be reclassified subsequently to profit or loss				
Currency translation on foreign operations, net	316	(911)	-	-
Other comprehensive (loss)/income for the financial year, net of tax	316	(911)	-	-
Total comprehensive income for the financial year attributable to equity holder of the Bank	35,248	216,619	48,453	228,515

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

AmlINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

Group	Attributable to equity holder of the Bank						Distributable	Total Equity RM'000
	Non-distributable			Foreign currency translation				
	Share capital RM'000	Capital reserve RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Merger reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	
At 1 April 2017	200,000	2,815	200,000	2,800	82,115	3,035	95,252	586,017
Profit for the financial year	-	-	-	-	-	-	217,530	217,530
Other comprehensive loss	-	-	-	-	-	(911)	-	(911)
Total other comprehensive (loss)/income	-	-	-	-	-	(911)	217,530	216,619
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	(558)	(558)
Transfer to regulatory reserve	-	-	-	118	-	-	(118)	-
Transfer to retained earnings	-	-	(200,000)	-	-	-	200,000	-
Dividends paid (Note 34)	-	-	-	-	-	-	(42,100)	(42,100)
Transactions with owner and other equity movements	-	-	(200,000)	118	-	-	157,224	(42,658)
At 31 March 2018	200,000	2,815	-	2,918	82,115	2,124	470,006	759,978

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

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

Group	Attributable to equity holder of the Bank							Total Equity RM'000
	Non-distributable					Distributable		
	Share capital RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Merger reserve RM'000	Fair value reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	
At 1 April 2018	200,000	2,815	2,918	82,115	-	2,124	470,006	759,978
Effects of adoption of MFRS 9 (Note 48)	-	-	1,985	-	1,089	-	(833)	2,241
As restated	200,000	2,815	4,903	82,115	1,089	2,124	469,173	762,219
Profit for the financial year	-	-	-	-	-	-	34,932	34,932
Other comprehensive income	-	-	-	-	-	316	-	316
Total comprehensive income	-	-	-	-	-	316	34,932	35,248
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	(872)	(872)
Transfer from regulatory reserve	-	-	(229)	-	-	-	229	-
Dividends paid (Note 34)	-	-	-	-	-	-	(225,257)	(225,257)
Transactions with owner and other equity movements	-	-	(229)	-	-	-	(225,900)	(226,129)
At 31 March 2019	200,000	2,815	4,674	82,115	1,089	2,440	278,205	571,338

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

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	<-----Attributable to equity holder of the Bank----->				Total equity RM'000
	Share capital RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	
Bank					
At 1 April 2017	200,000	200,000	2,800	88,943	491,743
Profit for the financial year	-	-	-	228,515	228,515
Total comprehensive income	-	-	-	228,515	228,515
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested	-	-	-	(438)	(438)
Transfer to regulatory reserve	-	-	118	(118)	-
Transfer to retained earnings	-	(200,000)	-	200,000	-
Dividends paid (Note 34)	-	-	-	(42,100)	(42,100)
Transactions with owner and other equity movements	-	(200,000)	118	157,344	(42,538)
At 31 March 2018	200,000	-	2,918	474,802	677,720

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

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	<----Attributable to equity holder of the Bank----->				Total equity RM'000
	Share capital RM'000	Non-distributable Regulatory reserve RM'000	Fair value reserve RM'000	Distributable Retained earnings RM'000	
Bank					
At 1 April 2018	200,000	2,918	-	474,802	677,720
Effects of adoption of MFRS 9 (Note 48)	-	1,985	1,089	(833)	2,241
As restated	200,000	4,903	1,089	473,969	679,961
Profit for the financial year	-	-	-	48,453	48,453
Total comprehensive income	-	-	-	48,453	48,453
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested	-	-	-	(698)	(698)
Transfer from regulatory reserve	-	(229)	-	229	-
Dividend paid (Note 34)	-	-	-	(225,257)	(225,257)
Transactions with owner and other equity movements	-	(229)	-	(225,726)	(225,955)
At 31 March 2019	200,000	4,674	1,089	296,696	502,459

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

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation:		43,001	245,033	49,799	247,005
Add/(less) adjustments for:					
Allowances for/(writeback of) impairment on loans and advances	31	(398)	153	(398)	153
Amortisation of intangible assets	29	1,028	2,165	808	858
Net (accretion of discount)/amortisation of premium for securities		276	(447)	276	(447)
Depreciation of property and equipment	29	2,308	2,720	1,977	2,331
Dividend income from financial assets at fair value through profit or loss	27	(10)	-	(10)	-
Dividend income from financial assets held-for-trading	27	-	(16)	-	(16)
Dividend income from financial investments at FVOCI	27	(146)	-	(146)	-
Dividend income from financial investments available-for-sale	27	-	(1,447)	-	(1,447)
Dividend income/distribution from subsidiary	27	-	-	(56,226)	(51,553)
Impairment loss on subsidiary	17	-	-	12,671	-
Net (gain)/loss on disposal of property and equipment	27	(3)	86	(2)	87
Net loss on derivatives	27	30	12	30	12
Net loss on revaluation of financial assets at fair value through profit or loss	27	87	-	88	-
Net gain on revaluation of financial assets held-for-trading	27	-	(17)	-	(17)
Net gain from sale of financial investments available-for-sale	27	-	(177,258)	-	(177,258)
Net gain from sale of financial assets at fair value through profit or loss	27	(12)	-	(12)	-
Net gain from sale of financial assets held-for-trading	27	-	(43)	-	(43)
Property and equipment written off	19	-	2	-	2
Provision for commitments and contingencies	22	500	3,006	500	3,006
(Writeback of)/ allowances for impairment on doubtful receivables - net		195	(457)	81	352
Scheme shares granted under AMMB Executives' Share Scheme	29	(1,765)	(2,470)	(1,421)	(1,632)
Net non-trading foreign exchange loss/(gain)	27	14	(3)	-	3
Operating profit before working capital changes carried forward		<u>45,105</u>	<u>71,019</u>	<u>8,015</u>	<u>21,396</u>

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)					
Operating profit before working capital changes brought forward		45,105	71,019	8,015	21,396
Decrease/(Increase) in operating assets:					
Financial assets at fair value through profit or loss		516	-	516	-
Financial assets held-for-trading		-	(3)	-	(3)
Loans and advances		(20,296)	12,598	(20,296)	12,598
Statutory deposit with Bank Negara Malaysia		(1,981)	2,327	(1,981)	2,327
Other assets		125,046	(190,718)	133,816	(199,520)
Increase/(Decrease) in operating liabilities:					
Deposits and placements of banks and other financial institutions		(300,000)	50,000	(300,000)	50,000
Other liabilities		(161,610)	206,786	(162,877)	211,733
Cash (used in)/generated from operations		(313,220)	152,009	(342,807)	98,531
Taxation (paid)/refunded, net		(13,852)	7,885	(7,622)	15,214
Net cash (used in)/generated from operating activities		(327,072)	159,894	(350,429)	113,745
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received from other investments		156	1,463	156	1,463
Dividends/distribution received from subsidiaries		-	-	56,226	51,553
Proceeds from disposal of property and equipment		3	106	2	105
Disposal of securities – net		-	156,910	-	156,910
Purchase of computer software	20(b)	(512)	(638)	(430)	(482)
Purchase of property and equipment	19	(624)	(1,006)	(580)	(762)
Net cash (used in)/generated from investing activities		(977)	156,835	55,374	208,787

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	34	(225,257)	(42,100)	(225,257)	(42,100)
Net cash used in financing activities		<u>(225,257)</u>	<u>(42,100)</u>	<u>(225,257)</u>	<u>(42,100)</u>
Net (decrease)/increase in cash and cash equivalents		(553,306)	274,629	(520,312)	280,432
Cash and cash equivalents at beginning of the financial year		858,503	584,391	752,000	471,568
Effect of exchange rate changes		299	(517)	-	-
Cash and cash equivalents at end of the financial year		<u>305,496</u>	<u>858,503</u>	<u>231,688</u>	<u>752,000</u>
Cash and cash equivalents comprise:					
Cash and bank balances	6	117,058	432,378	57,082	339,212
Deposit placements with licensed banks and other financial institutions	6	188,438	426,125	174,606	412,788
		<u>305,496</u>	<u>858,503</u>	<u>231,688</u>	<u>752,000</u>
Note 1:					
Cash and short-term funds		305,489	858,503	231,681	752,000
Add:					
Allowances for expected credit loss		7	-	7	-
Cash and cash equivalents at end of the financial year		<u>305,496</u>	<u>858,503</u>	<u>231,688</u>	<u>752,000</u>

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

**AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2019

1. CORPORATE INFORMATION

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

The Bank provides a wide range of investment banking and related financial services which also include the Islamic banking business, investment advisory, stock and share broking, fund management and investment research and publication activities.

The principal activities of the Bank's subsidiaries are as disclosed in Note 17.

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

The Bank is a wholly-owned subsidiary of AMMB Holdings Berhad ("AMMB"), a company incorporated in Malaysia and 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 24 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 42.

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. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Basis of consolidation (Cont'd.)

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 statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The statement of profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity owner 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 a transaction with equity owner 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

2.5(a) Business combinations and goodwill

Business combinations, other than business combination 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 the 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.)

2.5(a) 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.

2.5(b) 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.

2.5(c) Investments in associates and joint ventures

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

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, i.e. joint control, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(c) Investments in associates and joint ventures (Cont'd.)

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

When the Group's share of losses in an associate or a joint venture 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 or joint venture.

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

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

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

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

As of reporting date, the Group and the Bank do not have any investment in associates and/or joint ventures.

2.5(d) Transactions with non-controlling interests

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

Non-controlling interests 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, respectively. 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. ACCOUNTING POLICIES (CONT'D.)

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

2.5(e) 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.

ii. Transactions and balances

Transactions in foreign currencies are initially recorded by the entities within the Group 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 the profit or loss, respectively).

iii. Foreign subsidiaries and operations

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 loss items 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.

2.5(f) 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(f) Property and equipment (Cont'd.)

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. Depreciation of other property and equipment is calculated on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets.

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

Leasehold land	2% or remaining lease period (whichever is shorter)
Buildings	2% or over the term of short-term lease (whichever is shorter)
Leasehold improvements	15% to 20%
Motor vehicles	10% to 20%
Computer equipment	12.5% to 33.3%
Office equipment, furniture and fittings	10% - 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 the 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. ACCOUNTING POLICIES (CONT'D.)

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

2.5(g) Leases

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

i. The Group as a lessee

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 the 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 lessor

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

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

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the profit or loss in the financial year in which the expenditure is incurred.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

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 considered 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.

2.5(i) Research and development costs

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

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development; 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 to 10 years. During the period of development, the asset is tested for impairment annually.

2.5(j) 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.)

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

2.5(k) Financial assets – classification and subsequent measurement (Policy effective from 1 April 2018)

From 1 April 2018, the Group and the Bank have applied MFRS 9 and classified 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 objectives are solely to collect the contractual cash flows from the assets, or 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.

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.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(i) Debt instruments (Cont'd.)

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 2.5(p). 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 2.5(p)), 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".

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 are 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(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 OCI 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.

2.5(l) Financial liabilities – classification and subsequent measurement (Policy effective from 1 April 2018)

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

- financial liabilities at FVTPL; and
- loan commitments (see Note 2.5(y)).

(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.)

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

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

(i) **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.

c. Financial assets and financial liabilities at FVTPL: Derivatives

The Group uses derivatives such as futures, forward foreign exchange contracts and options equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in "investment and trading income".

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(i) The subsequent measurement of financial instruments depends on their classification as described below: (Cont'd.)

c. Financial assets and financial liabilities at FVTPL: Derivatives (Cont'd.)

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

d. Financial investments available-for-sale (“AFS”)

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

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

After initial measurement, financial investments AFS are subsequently measured at fair value with unrealised gains or losses recognised in OCI in the “AFS reserve” until the investment is derecognised, at which time the cumulative gain or loss is recognised in “other operating income”, or the investment is determined to be impaired, when the cumulative loss is reclassified from the “AFS reserve” to 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 EIR 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(i) **The subsequent measurement of financial instruments depends on their classification as described below: (Cont'd.)**

d. Financial investments available-for-sale (“AFS”) (Cont'd.)

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.

e. Financial investments held-to-maturity (“HTM”)

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

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

f. Financial assets at amortised cost – loans and receivables

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

The losses arising from impairment are recognised in profit or loss in “impairment losses on loans and advances” for loans and advances or “doubtful receivables” for losses other than loans and advances.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(m) 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 receivables” 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 estimate of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

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

2.5(n) 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 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.)

2.5(n) 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 recognise a "new" asset at fair value and recalculate 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 recognise 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(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.

2.5(o) Fair value measurement

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(o) Fair value measurement (Cont'd.)

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

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

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

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

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

The fair value hierarchies of:

- i) financial instruments that are measured at fair value are disclosed in Note 45.
- ii) financial assets and financial liabilities that are not measured at fair value, but for which fair value is disclosed, are also disclosed in Note 45.

2.5(p) Financial instruments - expected credit losses (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 the 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.

For loan commitments, 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 44.2.4

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.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(p) Financial instruments - expected credit losses (Cont'd.)

(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.

(ii) Collateral valuation

The Group and the Bank seek to use collateral, where possible, to mitigate 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 property valuers, mortgage brokers, housing price indices, audited financial statements and other independent sources. (See Note 44.2 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 2.5(o). 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.

2.5(q) 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 44.2.4 Credit risk management – Impairment – Definition of past due and impaired loans.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(q) 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 first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(ii) Financial investments AFS

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

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

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in 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.

2.5(r) 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(r) Hedge accounting (Cont'd.)

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.

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.

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 roll-over (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(s) Offsetting financial instruments

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

2.5(t) 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. ACCOUNTING POLICIES (CONT'D.)

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

2.5(u) 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 2.5(p)(iii) on collateral repossessed.

2.5(v) 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 statements 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.

2.5(w) 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 the profit or loss net of any reimbursement.

2.5(x) Contingent liabilities and contingent assets

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

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

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

2.5(y) Financial guarantee contracts and loan commitments

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance (calculated as described in Note 2.5(p)) 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 2.5(p)).

2.5(z) Recognition of income and expenses

Operating revenue of the Group comprises all types of revenue derived from investment banking, nominee services and fund management.

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

a) Recognition of income and expenses relating to financial instruments

i. Interest/financing 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/financing income or expense is calculated using the effective interest method. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

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

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

a) 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 for financial assets at FVTPL. This includes any ineffectiveness recorded in hedging transactions.

b) 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 their customers 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 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 expected 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

b) Recognition of revenue from contracts with customers

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

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:

i. 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, asset management, 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.

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

2.5(aa) Employee benefits

i. Short-term benefits

Wages, salaries, bonuses and social security contributions that are expected to be settled wholly within 12 months after the end of the financial year in which the employees render the related service are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and are measured at the amounts paid or expected to be paid when the liabilities are settled. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii. Defined contribution pension plan

The Group 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 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.)

2.5(aa) Employee benefits (Cont'd.)

iv. Share-based payment transactions

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

The 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.

2.5(ab) Dividends on ordinary shares

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

Dividends for the year that are approved between the end of the reporting period and the date the financial statements are authorised for issue are disclosed as an event after the reporting period.

2.5(ac) 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 the income statement. Current taxes relating to items recognised in OCI or directly in equity is recognised in OCI or equity respectively.

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.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(ac) Taxes (Cont'd.)

ii. Deferred tax (Cont'd.)

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 profits will allow the deferred tax asset to be recovered.

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(ad) Earnings Per Share (“EPS”)

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

2.5(ae) 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 business segment results are prepared based on the Group's internal management reporting. The Group's segmental reporting is based on the following two operating segments: investment banking and group funding and others, as disclosed in Note 46.

2.5(af) 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.

2.5(ag) Fiduciary assets

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

3. CHANGES IN ACCOUNTING POLICIES

3.1 Adoption of Amendments and Annual Improvements to Standards

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new standards and amendments to published standards which became effective for the first time for the Group and the 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 2.5(k), 2.5(l), 2.5(p), 2.5(y) and 2.5(z), 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:

3.1(a) 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.

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

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

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

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

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 forms 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 classified as held-to-maturity under MFRS 139 also met the conditions for classification at amortised cost under MFRS 9.

Financial assets held for trading comprising equity instruments continue to be measured at FVTPL.

Other than equity instruments held for long-term strategic or socio-economic 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 socio-economic 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, as disclosed in Note 48.

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 allowance for expected losses are determined based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the lifetime of the asset.

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.

Following the adoption of MFRS 9, the Group and the Bank recorded a writeback of loss allowance in respect of loans and advances, which has been adjusted to retained earnings on 1 April 2018, as disclosed in Note 48.

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

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

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

(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 financial statements.

The tax treatment on the transition from MFRS 139 to MFRS 9 is in accordance with clarification provided by the Ministry of Finance in a letter dated 27 December 2018.

The financial impact of the adoption of MFRS 9 on the financial statements of the Group and the Bank are as disclosed in Note 48.

3.1(b) 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.

3.1(c) Annual Improvements to MFRSs 2014-2016 Cycle

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

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 have transitioned into MFRS in the past.

3.1(d) IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The Interpretation provides guidance on how to determine the date of the transaction when applying MFRS 121 in situations where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. For the purpose of determining the exchange rate to use on initial recognition of the related item, the Interpretation states that the date of the transaction shall be the date on which an entity initially recognises the non-monetary asset or liability arising from the advance consideration. The adoption of this Interpretation did not have any material financial impact to the Group and the Bank.

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

3.2 Standards issued but not yet effective

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

	Effective for annual period beginning on or after
MFRS 16 <i>Leases</i>	01 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	01 January 2019
Prepayment Features with Negative Compensation (Amendments to MFRS 9)	01 January 2019
Long-term interests in Associates and Joint ventures (Amendments to MFRS 128)	01 January 2019
Plan Amendment, Curtailment or Settlement (Amendments to MFRS119)	01 January 2019
Annual Improvements to MFRSs 2015-2017 Cycle	01 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	01 January 2020
Definition of a Business (Amendments to MFRS 3)	01 January 2020
Definition of Material (Amendments to MFRS 101 and MFRS 108)	01 January 2020
MFRS 17 <i>Insurance Contracts</i>	01 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

3.2a(i) 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 income statement.

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.

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 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.

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.)

3.2a(i) MFRS 16 Leases (Cont'd.)

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%.

3.2a(ii) 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.

3.2a(iii) Prepayment Features with Negative Compensation (Amendments to MFRS 9)

Under the current MFRS 9 requirements, the "solely payments of principal and interest on the principal amount outstanding" ("SPPI") 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 a 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.

3.2a(iv) 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 of the acquisition date.

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.)

3.2a(iv) Annual Improvements to MFRSs 2015-2017 Cycle (Cont'd.).

(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 amendment 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 clarify 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

3.2b(i) 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.

3.2b(ii) 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.

3.2b(iii) 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. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

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

3.2c Standard deferred to 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

4.1 Bank Negara Malaysia ("BNM") policy documents on financial reporting and financial reporting for Islamic Banking Institutions

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

- (a) Financial Reporting; and
- (b) Financial Reporting for Islamic Banking

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/Financing 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 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 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.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with MFRS 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 and the Bank'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, 10, 12, 14, 18 and 31)

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 44.2.4.

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 and the Bank's internal credit grading model which assigns Probability of Default to the individual grades.

5.2 Allowance for impairment on loans and advances (Notes 14 and 31)(Applicable before 1 April 2018)

The Group and the Bank review its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the 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 11 and 13)(Applicable before 1 April 2018)

The Group and the Bank review 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 and the Bank also record 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 and the Bank evaluate, 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 Impairment of goodwill (Note 20 (a))

The Group and the Bank test annually whether the goodwill that has an indefinite life is impaired by measuring the recoverable amount of the CGU based on the value-in-use method, which requires the use of estimates of future cash flow projections, terminal growth rates and discounts rates. Changes to the assumptions used by management, particularly the discount rate and the terminal value, may affect the results of the impairment assessment.

5.5 Deferred tax assets (Note 16) and income taxes (Note 32)

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Management 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 several jurisdictions 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.

5.6 Fair value measurement of financial instruments (Notes 8,9,10 and 45)

When the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of financial models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, 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.

5.7 Development costs

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

6. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	117,058	432,378	57,082	339,212
Deposit placements maturing within one month:				
Licensed banks	175,432	413,487	161,600	400,150
Other financial institutions	13,006	12,638	13,006	12,638
	<u>305,496</u>	<u>858,503</u>	<u>231,688</u>	<u>752,000</u>
Less: Allowances for ECL				
- Stage 1 - 12-month ECL	(6)	-	(6)	-
- Stage 2 - Lifetime ECL not credit impaired	(1)	-	(1)	-
	<u>305,489</u>	<u>858,503</u>	<u>231,681</u>	<u>752,000</u>

Movements in allowances for ECL:

	Stage 1	Stage 2	Total
	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 48)	7	-	7
Balance at beginning of the financial year, as restated	<u>7</u>	<u>-</u>	<u>7</u>
Transfer from Stage 1 to Stage 2	(1)	1	-
Balance at end of the financial year	<u>6</u>	<u>1</u>	<u>7</u>

Movement of ECL during the year was due to change of credit risk rating for bank balances held with foreign banks.

7. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Group and Bank	Contract/ Notional Amount RM'000	2019		Contract/ Notional Amount RM'000	2018	
		Fair Value			Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading derivatives						
Foreign exchange related contracts:						
One year or less	390	-	3	3,411	-	9

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Bank	
	2019	2018
	RM'000	RM'000
At Fair Value		
Quoted Securities:		
In Malaysia:		
Unit trusts	427	-

9. FINANCIAL ASSETS HELD-FOR-TRADING

	Group and Bank	
	2019	2018
	RM'000	RM'000
	(Note 48)	
At Fair Value		
Quoted Securities:		
In Malaysia:		
Unit trusts	-	1,020

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group and Bank	
	2019	2018
	RM'000	RM'000
At Cost		
Unquoted Securities:		
In Malaysia:		
Shares	2,872	-
Outside Malaysia:		
Shares	17	-
	<u>2,889</u>	<u>-</u>

Equity investments at fair value through other comprehensive income comprise of the following individual investments:

	Fair value as at 31 March 2019	Dividend income for FYE 31 March 2019 (Note 27)
Unquoted Securities in Malaysia		
Malaysia South-South Corporation Berhad	2,872	146
Unquoted Securities outside Malaysia		
S.W.I.F.T SCRL	17	-
	<u>2,889</u>	<u>146</u>

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 socio-economic 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 RM1,089,000 in connection with these equity investments were recorded in fair value reserves.

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

11. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group and Bank	
	2019	2018
	RM'000	RM'000
	(Note 48)	
At Cost		
Unquoted Securities:		
In Malaysia:		
Shares	-	1,450
Outside Malaysia:		
Shares	-	7
	-	1,457

12. FINANCIAL INVESTMENTS AT AMORTISED COST

	Group and Bank	
	2019	2018
	RM'000	RM'000
At Amortised Cost		
Money Market Securities:		
Malaysian Government Investment Certificates	60,325	-
Unquoted Securities:		
In Malaysia:		
Private debt securities	75,100	-
	135,425	-

13. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group and Bank	
	2019	2018
	RM'000	RM'000
	(Note 48)	
At Amortised Cost		
Money Market Securities:		
Malaysian Government Investment Certificates	-	60,601
Unquoted Securities:		
In Malaysia:		
Private debt securities	-	75,100
	-	135,701

14. LOANS AND ADVANCES

	Group and Bank	
	2019	2018
	RM'000	RM'000
At Amortised Cost		
Share margin financing	266,314	242,880
Revolving credits	35,161	37,695
Staff loans	915	1,520
Gross loans and advances	302,390	282,095
Less: Allowance for impairment on loans and advances		
Allowances for ECL (Note 14(i)):		
- Stage 1 - 12-month ECL	(4)	-
- Stage 2 - Lifetime ECL not credit impaired	-	-
- Stage 3 - Lifetime ECL credit impaired	(1,671)	-
Individual allowance (Note 14 (j))	-	(2,067)
Collective allowance (Note 14 (j))	-	(954)
Net loans and advances	300,715	279,074

14. LOANS AND ADVANCES (CONT'D.)

(a) Gross loans and advances analysed by types of customers are as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
Domestic business enterprises		
- Small and medium enterprises	13,932	3,458
- Others	59,798	50,867
Individuals	228,660	227,770
	<u>302,390</u>	<u>282,095</u>

(b) All gross loans and advances reside in Malaysia.

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

	Group and Bank	
	2019	2018
	RM'000	RM'000
Fixed rate		
- Staff housing loans	866	1,381
- Staff hire purchase receivables	49	139
- Other fixed rate loans	266,314	242,880
Variable rate		
- Cost-plus	35,161	37,695
	<u>302,390</u>	<u>282,095</u>

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

	Group and Bank	
	2019	2018
	RM'000	RM'000
Agriculture	863	862
Real estate	3,813	3,809
Business activities	58,503	49,654
Household, of which:	239,211	227,770
- Purchase of residential properties	866	1,381
- Purchase of transport vehicles	49	139
- Others	238,296	226,250
	<u>302,390</u>	<u>282,095</u>

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

	Group and Bank	
	2019	2018
	RM'000	RM'000
Maturing within one year	301,496	280,627
Over one year to three years	98	130
Over three years to five years	113	81
Over five years	683	1,257
	<u>302,390</u>	<u>282,095</u>

14. LOANS AND ADVANCES (CONT'D.)

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

	Group and Bank	
	2019	2018
	RM'000	RM'000
Balance at beginning of the financial year	2,067	2,163
Recoveries	(396)	(96)
Balance at end of the financial year	<u>1,671</u>	<u>2,067</u>
Gross impaired loans and advances as % of gross loans and advances	<u>0.55%</u>	<u>0.73%</u>
Loan loss coverage (including Regulatory Reserve)	<u>379.95%</u>	<u>287.32%</u>

(g) All impaired loans and advances reside in Malaysia.

(h) All impaired loans and advances are in the business activities sector.

(i) 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
Group and Bank				
Balance at the beginning of the year				
- as previously stated	871	-	2,150	3,021
- effects of adoption of MFRS 9 (Note 48)	(865)	-	(83)	(948)
Balance at beginning of the financial year, as restated	6	-	2,067	2,073
Changes due to loan and advances movements (Note 31):				
Financial assets derecognised	(2)	-	(396)	(398)
Balance at end of the financial year	<u>4</u>	<u>-</u>	<u>1,671</u>	<u>1,675</u>

The net decrease in ECL balances in Stage 1 and Stage 3 was due to repayments of outstanding balances during the reporting period.

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

	Group and Bank 2018 RM'000
Individual allowance	
Balance at beginning of the financial year	2,163
Written back during the financial year (Note 31)	(96)
Balance at end of the financial year	<u>2,067</u>
Collective allowance	
Balance at beginning of the financial year	705
Charged during the the financial year (Note 31)	249
Balance at end of the financial year	<u>954</u>

15. 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.

16. DEFERRED TAX ASSETS

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Balance at beginning of the financial year				
- as previously stated	6,357	8,868	3,919	6,863
- effects of adoption of MFRS 9 (Note 48)	(482)	-	(482)	-
Balance at the beginning of the financial year, as restated	5,875	8,868	3,437	6,863
Recognised in profit or loss (Note 32)	310	(2,511)	(477)	(2,944)
Balance at the end of the financial year	6,185	6,357	2,960	3,919

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 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets	6,185	6,357	2,960	3,919

16. 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 (Note 48)	Balance at beginning of the financial year, as restated	Recognised in profit or loss	Balance at end of the financial year
	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred tax assets					
31 March 2019					
Provision for commitments and contingencies	283	(139)	144	-	144
Provision for expenses	5,722	-	5,722	239	5,961
Other temporary differences	428	-	428	221	649
	<u>6,433</u>	<u>(139)</u>	<u>6,294</u>	<u>460</u>	<u>6,754</u>
31 March 2018					
Provision for commitments and contingencies	137	-	137	146	283
Provision for expenses	6,114	-	6,114	(392)	5,722
Other temporary differences	3,253	-	3,253	(2,825)	428
	<u>9,504</u>	<u>-</u>	<u>9,504</u>	<u>(3,071)</u>	<u>6,433</u>
Deferred tax liabilities					
31 March 2019					
Fair value reserve	-	(343)	(343)	-	(343)
Excess of capital allowances over depreciation	(76)	-	(76)	(150)	(226)
	<u>(76)</u>	<u>(343)</u>	<u>(419)</u>	<u>(150)</u>	<u>(569)</u>
31 March 2018					
Excess of capital allowances over depreciation	(636)	-	(636)	560	(76)
	<u>(636)</u>	<u>-</u>	<u>(636)</u>	<u>560</u>	<u>(76)</u>

16. DEFERRED TAX ASSETS (CONT'D.)

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

Bank	Balance at beginning of the financial year RM'000	Effects of adoption of MFRS 9 (Note 48) RM'000	Balance at beginning of the financial year, as restated RM'000	Recognised in profit or loss RM'000	Balance at end of the financial year RM'000
Deferred tax assets					
31 March 2019					
Provision for commitments and contingencies	283	(139)	144	-	144
Provision for expenses	3,639	-	3,639	(663)	2,976
Other temporary differences	428	-	428	(26)	402
	<u>4,350</u>	<u>(139)</u>	<u>4,211</u>	<u>(689)</u>	<u>3,522</u>
31 March 2018					
Provision for commitments and contingencies	137	-	137	146	283
Provision for expenses	4,162	-	4,162	(523)	3,639
Other temporary differences	3,362	-	3,362	(2,934)	428
	<u>7,661</u>	<u>-</u>	<u>7,661</u>	<u>(3,311)</u>	<u>4,350</u>
Deferred tax liabilities					
31 March 2019					
Fair value reserve	-	(343)	(343)	-	(343)
Excess of capital allowances over depreciation	(431)	-	(431)	212	(219)
	<u>(431)</u>	<u>(343)</u>	<u>(774)</u>	<u>212</u>	<u>(562)</u>
31 March 2018					
Excess of capital allowances over depreciation	(798)	-	(798)	367	(431)
	<u>(798)</u>	<u>-</u>	<u>(798)</u>	<u>367</u>	<u>(431)</u>

17. INVESTMENT IN SUBSIDIARIES

	Bank	
	2019	2018
	RM'000	RM'000
Unquoted shares, at cost	73,701	73,701
Less: Impairment loss	(17,445)	(4,774)
	<u>56,256</u>	<u>68,927</u>

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

Subsidiaries	Principal Activities	Effective Equity Interest	
		2019	2018
		%	%
Incorporated in Malaysia			
AMMB Nominees (Tempatan) Sdn Bhd	Dormant	100	100
AMMB Nominees (Asing) Sdn Bhd @	Dormant	100	100
AM Nominees (Tempatan) Sdn Bhd #	Dormant	100	100
AM Nominees (Asing) Sdn Bhd	Dormant	100	100
AMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	100	100
AMSEC Nominees (Asing) Sdn Bhd	Nominee services	100	100
AmResearch Sdn Bhd @	Dormant	100	100
AmFutures Sdn Bhd @	Dormant	100	100
AmFunds Management Berhad	Fund management	100	100
AmIslamic Funds Management Sdn Bhd	Fund management	100	100
Incorporated in Singapore			
AmFraser International Pte Ltd ("FIPL") *	Investment holding	100	100
AmGlobal Investments Pte Ltd@@	Dormant	-	100

* Subsidiaries audited by a firm affiliated with Ernst & Young Malaysia

Subsidiary audited by a firm other than Ernst & Young

@ Subsidiaries under members' voluntary liquidation

@@ Subsidiary dissolved on 3 July 2018

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.

The movement in allowances for impairment is as follows:

	Bank	
	2019	2018
	RM'000	RM'000
Balance at beginning of the financial year	4,774	4,774
Allowances made during the financial year	12,671	-
Balance at end of the financial year	<u>17,445</u>	<u>4,774</u>

During the current financial year, AmFutures, a subsidiary under member's voluntary winding up process returned capital of RM15,000,000 to the Bank.

The Bank had accounted for this receipt as distribution income (Note 27) and concurrently, had provided for impairment loss in respect of the investment in the subsidiary which amounted to RM12,665,000 arising from the return of capital. At Group level, the impairment charge is eliminated upon consolidation.

18. OTHER ASSETS

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables	441,411	587,698	434,828	587,644
Other receivables, deposits and prepayments	44,865	49,017	22,282	23,814
Interest receivable	1,442	1,526	1,436	1,520
Tax recoverable	23,917	18,604	22,102	15,575
Margin deposits	47,651	26,416	47,651	26,416
Amount due from:				
Holding company	592	70	495	70
Subsidiaries	-	-	2,987	2,954
Related companies	346	460	340	460
	<u>560,224</u>	<u>683,791</u>	<u>532,121</u>	<u>658,453</u>
Less:				
Allowances for ECL:				
- Stage 1 - 12-month ECL	(4)	-	(4)	-
- Stage 3 - Lifetime ECL credit impaired	(3,105)	-	(2,940)	-
Allowance for impairment loss	<u>-</u>	<u>(8,155)</u>	<u>-</u>	<u>(3,347)</u>
	<u>557,115</u>	<u>675,636</u>	<u>529,177</u>	<u>655,106</u>

Trade receivables mainly relate to those in respect of the Group's stock and futures broking operations and fund management operations, which include amount outstanding from purchase contracts and management fees receivables in respect of funds under the subsidiaries' management.

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

Movements in allowances for ECL:

Group	Stage 1	Stage 3	Total
	12-month ECL	Lifetime ECL credit impaired	
2019	RM'000	RM'000	RM'000
Balance at beginning of the financial year			
- as previously stated	-	8,155	8,155
- effects of adoption of MFRS 9 (Note 48)	3	-	3
Balance at beginning of the financial year, as restated	<u>3</u>	<u>8,155</u>	<u>8,158</u>
Allowance made during the financial year, net	1	195	196
Amount written-off	-	(5,355)	(5,355)
Reclassification/transfer	-	5	5
Foreign exchange differences	-	105	105
Balance at end of the financial year	<u>4</u>	<u>3,105</u>	<u>3,109</u>
Bank			
2019			
Balance at beginning of the financial year			
- as previously stated	-	3,347	3,347
- effects of adoption of MFRS 9 (Note 48)	3	-	3
Balance at beginning of the financial year, as restated	<u>3</u>	<u>3,347</u>	<u>3,350</u>
Allowance made during the financial year, net	1	81	82
Amount written-off	-	(493)	(493)
Reclassification/transfer	-	5	5
Balance at end of the financial year	<u>4</u>	<u>2,940</u>	<u>2,944</u>

18. OTHER ASSETS (CONT'D.)

Overall, the total allowance for impairment on other assets for the Group and the Bank had decreased due to the following:

- i) Stage 1 12-month ECL - minimal increase is mainly due to change of credit risk for Group and Bank.
- ii) Stage 3 Lifetime credit impaired - significant decrease is mainly due to amount written off during the year. For the Group, the amount written off is mainly due to a write-off of a receivable account of RM4,862,000 related to a subsidiary which is under member's voluntary liquidation. For the Bank, the amount written off is mainly due to a write-off of a receivable account of RM493,000 related to fee receivable account.

The movements in allowances for impairment for other assets in prior year are as follows:

	Group 2018 RM'000	Bank 2018 RM'000
Balance at beginning of financial year	9,773	3,789
Allowance (written back)/made during the financial year, net	(475)	334
Amount written-off	(780)	(780)
Reclassification/transfer	4	4
Foreign exchange differences	(367)	-
Balance at end of the financial year	<u>8,155</u>	<u>3,347</u>

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

As at reporting date, trade receivables of the Group and of the Bank that are classified as impaired amounted to RM1,596,000 (2018: RM1,437,000) and RM1,436,000 (2018: RM1,437,000), respectively.

19. PROPERTY AND EQUIPMENT

2019 Group	Long term leasehold land RM'000	Leasehold buildings RM'000	Leasehold improvements RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost							
At beginning of the financial year	3,000	17,133	17,929	22,977	26,133	1,105	88,277
Additions	-	-	379	82	163	-	624
Disposals	-	-	-	(52)	(202)	-	(254)
Transfer to a related company, net Reclassification/Adjustments	-	-	-	(23)	(30)	-	(53)
	-	-	-	-	1	(1)	-
At end of the financial year	<u>3,000</u>	<u>17,133</u>	<u>18,308</u>	<u>22,984</u>	<u>26,065</u>	<u>1,104</u>	<u>88,594</u>
Accumulated Depreciation							
At beginning of the financial year	945	5,462	16,444	20,935	24,105	846	68,737
Depreciation charge for the financial year (Note 29)	60	343	540	522	830	13	2,308
Disposals	-	-	-	(52)	(195)	-	(247)
Transfer to a related company, net Reclassification/Adjustments	-	-	-	(5)	(11)	-	(16)
	-	-	-	-	3	-	3
At end of the financial year	<u>1,005</u>	<u>5,805</u>	<u>16,984</u>	<u>21,400</u>	<u>24,732</u>	<u>859</u>	<u>70,785</u>
Carrying Amount							
At end of the financial year	<u>1,995</u>	<u>11,328</u>	<u>1,324</u>	<u>1,584</u>	<u>1,333</u>	<u>245</u>	<u>17,809</u>

19. PROPERTY AND EQUIPMENT (CONT'D.)

2018 Group	Long term leasehold land RM'000	Leasehold buildings RM'000	Leasehold improvements RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost							
At beginning of the financial year	3,000	17,133	17,475	24,206	27,173	1,716	90,703
Additions	-	-	454	202	350	-	1,006
Disposals	-	-	-	(9)	(741)	(641)	(1,391)
Reclassification/Adjustments	-	-	-	325	711	40	1,076
Written off	-	-	-	(1,747)	(1,360)	(10)	(3,117)
At end of the financial year	<u>3,000</u>	<u>17,133</u>	<u>17,929</u>	<u>22,977</u>	<u>26,133</u>	<u>1,105</u>	<u>88,277</u>
Accumulated Depreciation							
At beginning of the financial year	885	5,120	15,799	21,738	24,452	1,263	69,257
Depreciation charge for the financial year (Note 29)	60	343	645	666	972	34	2,720
Disposals	-	-	-	(9)	(741)	(449)	(1,199)
Reclassification/Adjustments	-	(1)	-	286	781	8	1,074
Written off	-	-	-	(1,746)	(1,359)	(10)	(3,115)
At end of the financial year	<u>945</u>	<u>5,462</u>	<u>16,444</u>	<u>20,935</u>	<u>24,105</u>	<u>846</u>	<u>68,737</u>
Carrying Amount							
At end of the financial year	<u>2,055</u>	<u>11,671</u>	<u>1,485</u>	<u>2,042</u>	<u>2,028</u>	<u>259</u>	<u>19,540</u>

19. PROPERTY AND EQUIPMENT (CONT'D.)

2019 Bank	Long term leasehold land RM'000	Leasehold buildings RM'000	Leasehold improvements RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost							
At beginning of the financial year	3,000	17,133	17,212	21,802	24,935	1,104	85,186
Additions	-	-	378	82	120	-	580
Disposals	-	-	-	(52)	(195)	-	(247)
Transfer to a related company, net	-	-	-	(23)	(30)	-	(53)
Reclassification/Adjustments	-	-	(1)	-	(1)	-	(2)
At end of the financial year	<u>3,000</u>	<u>17,133</u>	<u>17,589</u>	<u>21,809</u>	<u>24,829</u>	<u>1,104</u>	<u>85,464</u>
Accumulated Depreciation							
At beginning of the financial year	945	5,462	15,927	20,163	23,268	845	66,610
Depreciation charge for the financial year (Note 29)	60	343	463	404	694	13	1,977
Disposals	-	-	-	(52)	(195)	-	(247)
Transfer to a related company, net	-	-	-	(5)	(11)	-	(16)
Reclassification/Adjustments	-	-	-	2	1	-	3
At end of the financial year	<u>1,005</u>	<u>5,805</u>	<u>16,390</u>	<u>20,512</u>	<u>23,757</u>	<u>858</u>	<u>68,327</u>
Carrying Amount							
At end of the financial year	<u>1,995</u>	<u>11,328</u>	<u>1,199</u>	<u>1,297</u>	<u>1,072</u>	<u>246</u>	<u>17,137</u>

19. PROPERTY AND EQUIPMENT (CONT'D.)

2018 Bank	Long term leasehold land RM'000	Leasehold buildings RM'000	Leasehold improvements RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost							
At beginning of the financial year	3,000	17,133	16,856	23,420	26,746	1,755	88,910
Additions	-	-	356	137	269	-	762
Disposals	-	-	-	(9)	(741)	(641)	(1,391)
Written off	-	-	-	(1,743)	(1,339)	(10)	(3,092)
Reclassification/Adjustments	-	-	-	(3)	-	-	(3)
At end of the financial year	<u>3,000</u>	<u>17,133</u>	<u>17,212</u>	<u>21,802</u>	<u>24,935</u>	<u>1,104</u>	<u>85,186</u>
Accumulated Depreciation							
At beginning of the financial year	885	5,121	15,395	21,376	24,525	1,270	68,572
Depreciation charge for the financial year (Note 29)	60	343	533	539	822	34	2,331
Disposals	-	-	-	(8)	(741)	(449)	(1,198)
Written off	-	-	-	(1,742)	(1,338)	(10)	(3,090)
Reclassification/Adjustments	-	(2)	(1)	(2)	-	-	(5)
At end of the financial year	<u>945</u>	<u>5,462</u>	<u>15,927</u>	<u>20,163</u>	<u>23,268</u>	<u>845</u>	<u>66,610</u>
Carrying Amount							
At end of the financial year	<u>2,055</u>	<u>11,671</u>	<u>1,285</u>	<u>1,639</u>	<u>1,667</u>	<u>259</u>	<u>18,576</u>

19. PROPERTY AND EQUIPMENT (CONT'D.)

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

	Group and Bank	
	2019	2018
	RM'000	RM'000
Not later than one year	60	60
Later than one year but not later than five years	240	240
Later than five year	1,695	1,755
	<u>1,995</u>	<u>2,055</u>

20. INTANGIBLE ASSETS

		Group		Bank	
	Note	2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Goodwill	(a)	36,442	36,442	-	-
Computer software	(b)	2,118	2,642	1,750	2,137
		<u>38,560</u>	<u>39,084</u>	<u>1,750</u>	<u>2,137</u>

The movement in intangible assets is as follows:

(a) Goodwill

	Group	
	2019	2018
	RM'000	RM'000
At beginning/end of financial year	<u>36,442</u>	<u>36,442</u>

Impairment assessment on goodwill

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

	Group	
	2019	2018
	RM'000	RM'000
Fund management	<u>36,442</u>	<u>36,442</u>

The recoverable amount of the CGU, which is a reportable business segment, has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the Board. The discount rate applied to the cash flow projections is derived from the pre-tax weighted average cost of capital plus a reasonable risk premium at the date of assessment of the CGU.

The cash flow projections for the CGU are based on the financial budgets approved by management covering a one-year period (2018: one-year period), taking into account the projected regulatory capital requirements, as well as the projected annual growth rate of 4.8% to 12.5% (2018: 4.8% to 12.5%) based on long-term inflation forecast and expectations of market opportunities. Estimated cash flows into the perpetuity are extrapolated using terminal growth rate of 4.8% (2018: 4.8%). The discount rate applied is 7.9% (2018: 8.5%).

20. INTANGIBLE ASSETS (CONT'D.)

(a) Goodwill (Cont'd.)

The terminal growth rates used do not exceed the long-term average growth rate for the markets in which the businesses operate. Impairment is recognised in the statement of profit or loss when the carrying amount of a CGU exceeds its recoverable amount.

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

(b) Computer software

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cost				
At beginning of the financial year	25,353	24,715	17,492	17,010
Additions	512	638	430	482
Transfer to a related company, net	(9)	-	(9)	-
Reclassification/Adjustments	(31)	-	(1)	-
At end of the financial year	<u>25,825</u>	<u>25,353</u>	<u>17,912</u>	<u>17,492</u>
Accumulated Amortisation				
At beginning of the financial year	22,711	20,545	15,355	14,497
Amortisation for the financial year (Note 29)	1,028	2,165	808	858
Transfer to a related company, net	(2)	-	(2)	-
Reclassification/Adjustments	(30)	1	1	-
At end of the financial year	<u>23,707</u>	<u>22,711</u>	<u>16,162</u>	<u>15,355</u>
Carrying amount	<u>2,118</u>	<u>2,642</u>	<u>1,750</u>	<u>2,137</u>

21. DEPOSITS AND PLACEMENTS OF A BANK

	Group and Bank	
	2019	2018
	RM'000	RM'000
Licensed bank, a related bank (Note 35)	300,000	600,000

22. OTHER LIABILITIES

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Trade payables	442,832	589,590	442,832	589,590
Other payables and accruals	39,597	48,571	25,950	35,247
Interest payable	2,223	4,444	2,223	4,444
Provision for commitments and contingencies (i)	1,100	1,178	1,100	1,178
Amounts due to:				
Related companies	12,505	15,605	8,834	12,732
	<u>498,257</u>	<u>659,388</u>	<u>480,939</u>	<u>643,191</u>

Trade payables mainly relate to the Bank's stock and futures broking operations and represent amount payable in respect of outstanding sales contracts.

As at the reporting date, the holding company, AMMB has given an unsecured guarantee amounting to RM50,000,000 (2018: RM70,000,000) on behalf of the Bank for the payment and discharge of all monies due on trading accounts maintained by a customer in respect of its future trading activity with the Bank.

Amounts due to related companies are unsecured, non-interest bearing, repayable on demand which include expenses paid on behalf of the Bank.

(i) The movements in provision for commitments and contingencies are as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
Balance at beginning of the financial year		
- as previously stated	1,178	573
- effects of adoption of MFRS 9 (Note 48)	(578)	-
Balance at beginning of the financial year, as restated	<u>600</u>	<u>573</u>
Charge during the financial year	500	3,006
Settlement during the financial year	-	(2,401)
Balance at end of the financial year	<u>1,100</u>	<u>1,178</u>

23. SHARE CAPITAL

	Group and Bank	
	2019	2018
	RM'000	RM'000
Issued and fully paid:		
Ordinary shares		
Balance at the beginning and end of the financial year	200,000	200,000

The holder of fully paid ordinary shares, is entitled to receive dividends as and when declared by the Bank. All fully paid ordinary shares carry one vote per share without restrictions and rank equally with regards to the Bank's residual assets.

24. RESERVES

	Note	Group		Bank	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Capital reserve	(i)	2,815	2,815	-	-
Regulatory reserve	(ii)	4,674	2,918	4,674	2,918
Merger reserve	(iii)	82,115	82,115	-	-
Fair value reserve	(iv)	1,089	-	1,089	-
Foreign currency translation reserve	(v)	2,440	2,124	-	-
Retained earnings	(vi)	278,205	470,006	296,696	474,802
Total reserves		371,338	559,978	302,459	477,720

- (i) Capital reserve is in respect of dilution and accretion in net attributable assets of the Group arising from capitalisation of subsidiaries' bonus issues.
- (ii) Regulatory reserve is held as a buffer to absorb potential credit loss as required by Bank Negara Malaysia in excess of the requirements of the accounting standards.
- (iii) Merger reserve represents reserve arising from the acquisition of certain subsidiaries which was accounted for using the merger accounting method.
- (iv) 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.
- (v) Foreign currency translation reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.
- (vi) The Bank can distribute dividends out of its entire retained earnings under the single tier system.

25. INTEREST INCOME

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and short-term funds	8,028	9,811	6,329	7,743
Financial investments at amortised cost	5,322	-	5,322	-
Financial investments held-to-maturity	-	4,950	-	4,950
Loans and advances	19,372	19,965	19,372	19,965
Others	1,112	750	1,112	750
	<u>33,834</u>	<u>35,476</u>	<u>32,135</u>	<u>33,408</u>

26. INTEREST EXPENSE

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits and placements of a bank	18,907	21,044	18,907	21,044
Others	524	710	263	348
	<u>19,431</u>	<u>21,754</u>	<u>19,170</u>	<u>21,392</u>

27. OTHER OPERATING INCOME

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fee and commission income:				
Brokerage fees and commission	62,612	77,220	62,612	77,220
Corporate advisory	14,901	13,288	14,901	13,288
Fees on loans and securities	6,580	13,339	6,580	13,339
Guarantee fees	-	(181)	-	(181)
Portfolio management fees	36,379	36,834	628	2,319
Underwriting commission	870	990	870	990
Wealth management fees	12,736	27,401	21,340	35,811
Unit trust management fees	84,401	98,864	-	-
Unit trust service charges	9,336	24,845	-	-
Other fee and commission income	3,689	5,116	3,806	4,297
	<u>231,504</u>	<u>297,716</u>	<u>110,737</u>	<u>147,083</u>
Investment and trading income:				
Dividend income/distribution ¹ from:				
Subsidiaries	-	-	56,226	51,553
Financial assets at FVTPL	10	-	10	-
Financial assets held-for-trading	-	16	-	16
Financial investments at FVOCI	146	-	146	-
Financial investments available-for-sale	-	1,447	-	1,447
Net foreign exchange gain/(loss) ²	1,302	(3,318)	1,445	(2,411)
Net loss on derivatives	(30)	(12)	(30)	(12)
Net loss on revaluation of financial assets at FVTPL	(87)	-	(88)	-
Net gain on revaluation of financial assets held-for-trading	-	17	-	17
Net gain from sale of financial assets at FVTPL	12	-	12	-
Net gain from sale of financial assets held-for-trading	-	43	-	43
Net gain from sale of financial investments available-for-sale to a related bank (Note 34)	-	177,258	-	177,258
	<u>1,353</u>	<u>175,451</u>	<u>57,721</u>	<u>227,911</u>

27. OTHER OPERATING INCOME (CONT'D.)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other income:				
Net gain/(loss) on disposal of property and equipment	3	(86)	2	(87)
Net non-trading foreign exchange (loss)/gain	(14)	3	-	(3)
Rental income	2,309	2,307	2,309	2,307
Others	4,599	11,813	635	834
	<u>6,897</u>	<u>14,037</u>	<u>2,946</u>	<u>3,051</u>
	<u>239,754</u>	<u>487,204</u>	<u>171,404</u>	<u>378,045</u>

¹ Consists of dividend income from subsidiaries of RM41,226,000 (31 March 2018 : RM51,553,000) and distribution from capital repayment by a subsidiary (AmFutures Sdn Bhd which is under Member's Voluntary liquidation process) of RM15,000,000 (31 March 2018 : Nil).

² Foreign exchange gain/(loss) includes gains and losses from spot and forward contracts and other currency derivatives.

28. DIRECT COSTS

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Dealers incentive	2,279	3,324	2,279	3,324
Brokerage commission	18,177	21,464	18,177	21,464
Unit trust commission and other direct costs	24,808	41,977	-	-
Others	9,904	17,063	9,904	17,063
	<u>55,168</u>	<u>83,828</u>	<u>30,360</u>	<u>41,851</u>

29. OTHER OPERATING EXPENSES

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Personnel costs:					
- Contributions to EPF/Private Retirement Scheme		13,019	14,728	8,702	10,629
- Salaries, allowances and bonuses		80,698	89,293	54,054	65,311
- Scheme shares and options granted under AMMB ESS		(1,765)	(2,470)	(1,421)	(1,632)
- Social security costs		508	529	342	364
- Others		7,420	13,828	4,541	7,675
		<u>99,880</u>	<u>115,908</u>	<u>66,218</u>	<u>82,347</u>
Establishment costs:					
- Amortisation of intangible assets	20(b)	1,028	2,165	808	858
- Cleaning, maintenance and security		1,260	1,193	1,171	1,109
- Computerisation costs		8,352	9,580	8,038	9,292
- Depreciation of property and equipment	19	2,308	2,720	1,977	2,331
- Rental of premises		9,020	9,794	7,192	7,771
- Others		1,823	1,495	1,663	1,196
		<u>23,791</u>	<u>26,947</u>	<u>20,849</u>	<u>22,557</u>

29. OTHER OPERATING EXPENSES (CONT'D.)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Marketing and communication expenses:				
- Advertising, promotional and other marketing activities	739	776	919	694
- Sales commission	203	402	20	269
- Travel and entertainment	1,378	1,623	1,023	1,319
- Communication expenses	2,367	2,816	1,949	1,639
- Others	492	564	134	292
	<u>5,179</u>	<u>6,181</u>	<u>4,045</u>	<u>4,213</u>
Administration and general expenses:				
- Professional services	16,644	17,531	1,827	2,212
- Travelling	322	494	211	337
- Others	11,960	25,030	4,195	13,082
	<u>28,926</u>	<u>43,055</u>	<u>6,233</u>	<u>15,631</u>
Service transfer pricing, net	15,616	12,593	11,712	8,267
	<u>173,392</u>	<u>204,684</u>	<u>109,057</u>	<u>133,015</u>

Included in other operating expenses are the following:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Auditors' remuneration:				
Parent auditor:				
Audit	226	220	172	166
Regulatory and assurance related	223	232	161	171
Other services	4	8	4	8
Firms affiliated with parent auditor:				
Audit	13	13	-	-
Other auditor	3	3	-	-
Hire of motor vehicles and office equipment	762	694	697	528
Property and equipment written off	-	2	-	2

Personnel costs include salaries, bonuses, contributions to Employees Provident Fund ("EPF"), a substantial shareholder of the holding company, and Private Retirement Scheme and all other staff related expenses. Contributions to EPF for the Group and the Bank amounted to RM13,020,000 and RM8,702,000 (31 March 2018: RM13,598,000 and RM9,870,000) respectively.

30. CHIEF EXECUTIVE OFFICER'S AND DIRECTORS' REMUNERATION

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

	Fees	Salaries	Bonus	Other	Benefits-	Total
	RM'000	RM'000	RM'000	Emolument	in-kind	RM'000
				RM'000	RM'000	RM'000
2019						
CEO:						
Seohan Soo (from 1 July 2018)	-	990	-	384	5	1,379
Raja Maimunah Binti Raja Abdul Aziz (from 1 Feb 2017 to 30 June 2018)	-	360	266	171	38	835
	<u>-</u>	<u>1,350</u>	<u>266</u>	<u>555</u>	<u>43</u>	<u>2,214</u>
Non-Executive Directors:						
Tan Sri Azman Hashim*	121	-	-	190	-	311
Jeyaratnam a/l Tamotharam Pillai**	77	-	-	60	2	139
Lum Sing Fai***	31	-	-	14	-	45
Tan Bun Poo	150	-	-	89	1	240
Ramesh Pillai	150	-	-	87	-	237
Chee Li Har^	97	-	-	66	-	163
Seow Yoo Lin^^	69	-	-	29	-	98
	<u>695</u>	<u>-</u>	<u>-</u>	<u>535</u>	<u>3</u>	<u>1,233</u>
Total Directors' and CEO's remuneration	<u>695</u>	<u>1,350</u>	<u>266</u>	<u>1,090</u>	<u>46</u>	<u>3,447</u>

* Retired on 1 January 2019

** Appointed on 1 October 2018

*** Appointed on 15 January 2019

^ Appointed on 8 August 2018

^^ Appointed on 15 October 2018

2018

CEO:						
Raja Maimunah binti Raja Abdul Aziz	-	1,440	200	610	147	2,397
Non-Executive Directors:						
Tan Sri Azman Hashim	160	-	-	251	-	411
Dato' Rohana Tan Sri Mahmood #	123	-	-	48	-	171
Tan Bun Poo	150	-	-	76	-	226
Ramesh Pillai	150	-	-	70	-	220
	<u>583</u>	<u>-</u>	<u>-</u>	<u>445</u>	<u>-</u>	<u>1,028</u>
Total Directors' and CEO's remuneration	<u>583</u>	<u>1,440</u>	<u>200</u>	<u>1,055</u>	<u>147</u>	<u>3,425</u>

Resigned on 25 January 2018

31. (ALLOWANCES FOR)/WRITEBACK OF IMPAIRMENT ON LOANS AND ADVANCES

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(Allowances for)/writeback of allowance for impairment on loans and advances:				
Allowances for ECL (Note 14(i))	398	-	398	-
Individual allowance (Note 14(j))	-	96	-	96
Collective allowance (Note 14(j))	-	(249)	-	(249)
	<u>398</u>	<u>(153)</u>	<u>398</u>	<u>(153)</u>

32. TAXATION

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current tax:				
Estimated tax payable	8,624	17,032	1,083	7,597
(Over)/Under provision of taxation in respect of prior financial years	(245)	7,960	(214)	7,949
	<u>8,379</u>	<u>24,992</u>	<u>869</u>	<u>15,546</u>
Deferred tax (Note 16):				
Relating to origination and reversal of temporary differences	(293)	(768)	494	(335)
(Over)/Under provision of deferred tax in prior financial year	(17)	3,279	(17)	3,279
	<u>(310)</u>	<u>2,511</u>	<u>477</u>	<u>2,944</u>
Taxation	<u>8,069</u>	<u>27,503</u>	<u>1,346</u>	<u>18,490</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.

32. 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	43,001	245,033	49,799	247,005
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	10,320	58,808	11,952	59,281
Income not subject to tax	(3,121)	(47,245)	(14,147)	(55,420)
Expenses not deductible for tax purposes	1,140	4,701	3,780	3,401
Tax recoverable recognised on income subject to tax remission	(8)	-	(8)	-
(Over)/Under provision of current tax in prior years	(245)	7,960	(214)	7,949
(Over)/Under provision of deferred tax in prior years	(17)	3,279	(17)	3,279
Taxation	8,069	27,503	1,346	18,490

33. BASIC/DILUTED EARNINGS PER SHARE

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net profit attributable to shareholder of the Bank	34,932	217,530	48,453	228,515
Weighted average number of ordinary shares in issue	200,000	200,000	200,000	200,000
Basic/diluted earnings per share (sen)	17.5	108.8	24.2	114.3

34. DIVIDENDS

	Group and Bank	
	2019	2018
	RM'000	RM'000
Recognised during the financial year:		
Special single tier cash dividend of 88.63 sen per ordinary share in respect of financial year ended 31 March 2018 (2018: NIL)	177,257	-
Final single tier cash dividend of 14.00 sen per ordinary share in respect of financial year ended 31 March 2018 (2017: 10.15 sen per ordinary share in respect of financial year ended 31 March 2017)	28,000	20,300
Interim single tier cash dividend of 10.00 sen per ordinary share in respect of financial year ended 31 March 2019 (2018: 10.90 sen per ordinary share in respect of financial year ended 31 March 2018)	<u>20,000</u>	<u>21,800</u>
	<u>225,257</u>	<u>42,100</u>
Proposed but not recognised as a liability:		
No special single tier cash dividend proposed in the current financial year (2018: Special dividend of 88.63 sen per ordinary share in respect of financial year ended 31 March 2018)	<u>-</u>	<u>177,257</u>
Final single tier cash dividend of 11.00 sen per ordinary share in respect of financial year ended 31 March 2019 (2018: 14.00 sen per ordinary share in respect of financial year ended 31 March 2018)	<u>22,000</u>	<u>28,000</u>

On 24 April 2019, the Directors proposed the payment of final single tier dividend of 11.00 sen per ordinary share amounting to RM22,000,000 in respect of the current financial year ended 31 March 2019. Such dividends will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2020.

35. RELATED PARTY TRANSACTIONS

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

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

(i) Subsidiaries

Details of the subsidiaries are disclosed in Note 17.

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

(ii) Related companies

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

(iii) Key management personnel

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

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

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

35. RELATED PARTY TRANSACTIONS (CONT'D.)

The related parties of the Group and of the Bank are (cont'd.):

- (v) Companies which have significant influence over the Group

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

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

Group and Bank	Companies in which certain Directors have substantial financial interest	
	2019	2018
	RM'000	RM'000
Expenses		
Insurance premiums	-	72
Marketing expenses	19	15
Travelling expenses	149	646
	<u>168</u>	<u>733</u>

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

Group	Related Companies	
	2019	2018
	RM'000	RM'000
Income		
Interest on deposits and placements	14,558	16,116
Gain from sale of financial investments available-for-sale (Note (d))	-	177,258
Rental income	2,156	1,960
	<u>16,714</u>	<u>195,334</u>
Expenses		
Interest on deposits and placements	19,863	22,011
Service transfer pricing, net	15,616	12,593
	<u>35,479</u>	<u>34,604</u>
Group		
Amount due from related parties		
Cash and short-term funds	189,013	715,435
Interest receivable	274	364
Others	938	530
	<u>190,225</u>	<u>716,329</u>
Amount due to related parties		
Deposits and placements of banks and other financial institutions	300,000	600,000
Interest payable	2,223	4,444
Others	12,505	15,605
	<u>314,728</u>	<u>620,049</u>

35. RELATED PARTY TRANSACTIONS (CONT'D.)

	Subsidiaries		Related Companies	
	2019	2018	2019	2018
Bank	RM'000	RM'000	RM'000	RM'000
Income				
Interest on deposits and placements	-	-	13,752	15,468
Gain from sale of financial investments available-for-sale (Note (d))	-	-	-	177,258
Rental income	-	-	2,156	1,960
	<u>-</u>	<u>-</u>	<u>15,908</u>	<u>194,686</u>
Expenses				
Interest on deposits and placements	-	-	19,863	22,011
Service transfer pricing, net	(60)	(55)	11,772	8,322
	<u>(60)</u>	<u>(55)</u>	<u>31,635</u>	<u>30,333</u>

	Subsidiaries		Related Companies	
	2019	2018	2019	2018
Bank	RM'000	RM'000	RM'000	RM'000
Amount due from related parties				
Cash and short-term funds	-	-	175,182	702,098
Interest receivable	-	-	268	358
Others	2,987	2,954	835	530
	<u>2,987</u>	<u>2,954</u>	<u>176,285</u>	<u>702,986</u>

Amount due to related parties				
Deposits and placements of a bank			300,000	600,000
Interest payable			2,223	4,444
Others			8,834	12,732
			<u>311,057</u>	<u>617,176</u>

Group and Bank

	Related Companies	
	2019	2018
	RM'000	RM'000
Operating lease commitments		
Rental of premises	<u>7,072</u>	<u>17,837</u>

- (b) There were no loans granted to the Directors of the Bank. Loans made to other key management personnel of the Group and the Bank are on similar terms and conditions generally available to other employees of the Group. All related party transactions are conducted at terms agreed between parties during the financial year.
- (c) The Group and the Bank incur intercompany charges for shared operating costs of AMMB Group in Malaysia as disclosed under Service Transfer Pricing expenses. The services received related to expenses incurred for group shared services in respect of internal audit, finance, human resource, marketing and communications, legal, company secretarial, organisation and development and information systems.
- (d) The gain of RM177,258,000 is from the disposal of securities (previously classified as securities available-for-sale) to a related company, AmBank (M) Berhad which was recognised during the financial year ended 31 March 2018.

35. RELATED PARTY TRANSACTIONS (CONT'D.)

(e) Key management personnel compensation

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors:				
Fees	695	583	695	583
Other emoluments	538	445	538	445
Total short-term employee benefits	<u>1,233</u>	<u>1,028</u>	<u>1,233</u>	<u>1,028</u>
Other key management personnel:				
Salaries and other emoluments	1,874	1,440	1,874	1,440
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	340	957	340	957
Share based payment	-	-	-	-
Total short-term employee benefits	<u>2,214</u>	<u>2,397</u>	<u>2,214</u>	<u>2,397</u>

36. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

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

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

Credit transactions and exposures to connected parties include the extension of credit facilities and/or commitments and contingencies transactions that give rise to credit/counterparty risk, the underwriting and acquisition of equities and private debt securities 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 no more favourable than those entered into with other counterparties with similar circumstances and credit worthiness. Due care has been taken to ensure that the credit worthiness of the connected party is not less than that normally required of other persons.

There are no outstanding credit transactions and exposures with connected parties as at 31 March 2019 and 31 March 2018.

37. FIDUCIARY DUTY IN RESPECT OF INVESTMENT PORTFOLIO MANAGEMENT

Investment portfolio funds managed by the Group and the Bank on behalf of customers as at 31 March 2019 amounted to RM48,638,678,000 (2018 : RM43,188,000,000) and RM8,162,667,000 (2018 : RM7,462,000,000) respectively.

38. CAPITAL COMMITMENTS

	Group and Bank	
	2019	2018
	RM'000	RM'000
Authorised and contracted for:		
Purchase of office equipment, information technology equipment and solutions	-	1,729
Authorised but not contracted for:		
Purchase of office equipment, information technology equipment and solutions	-	889
	-	2,618

39. OPERATING LEASE COMMITMENTS

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

	Group and Bank	
	2019	2018
	RM'000	RM'000
<u>12 months ending 31 March</u>		
One year or less	1,843	12,612
Over one year to five years	5,229	5,225
	7,072	17,837

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

40. COMMITMENTS AND CONTINGENCIES

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

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

	Group and Bank	
	2019	2018
	RM'000	RM'000
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	138,372	197,249
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	19	19
	<u>138,391</u>	<u>197,268</u>
Contingent Liabilities		
Obligations under an on-going underwriting agreement	<u>-</u>	<u>55,903</u>
Derivative Financial Instruments		
Foreign exchange related contracts:		
- One year or less	<u>390</u>	<u>3,411</u>
	<u>138,781</u>	<u>256,582</u>

41. MONIES IN TRUST

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

	Group and Bank	
	2019	2018
	RM'000	RM'000
Clients trust balances and dealers representative balances	236,146	293,000
Remisiers trust balances	24,039	24,452
	<u>260,185</u>	<u>317,452</u>

42. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
2019 Group			
ASSETS			
Cash and short-term funds	305,489	-	305,489
Financial assets at FVTPL	427	-	427
Financial investments at FVOCI	-	2,889	2,889
Financial investments at amortised cost	-	135,425	135,425
Loans and advances	299,955	760	300,715
Statutory deposit with Bank Negara Malaysia	-	4,984	4,984
Deferred tax assets	-	6,185	6,185
Other assets	547,080	10,035	557,115
Property and equipment	-	17,809	17,809
Intangible assets	-	38,560	38,560
TOTAL ASSETS	1,152,951	216,647	1,369,598
LIABILITIES			
Deposits and placements of banks and other financial institutions	300,000	-	300,000
Derivative financial liabilities	3	-	3
Other liabilities	497,121	1,136	498,257
TOTAL LIABILITIES	797,124	1,136	798,260
2018 Group			
ASSETS			
Cash and short-term funds	858,503	-	858,503
Financial assets held-for-trading	1,020	-	1,020
Financial investments available-for-sale	-	1,457	1,457
Financial investments held-to-maturity	-	135,701	135,701
Loans and advances	277,792	1,282	279,074
Statutory deposit with Bank Negara Malaysia	-	3,003	3,003
Deferred tax assets	-	6,357	6,357
Other assets	664,338	11,298	675,636
Property and equipment	-	19,540	19,540
Intangible assets	-	39,084	39,084
TOTAL ASSETS	1,801,653	217,722	2,019,375
LIABILITIES			
Deposits and placements of banks and other financial institutions	600,000	-	600,000
Derivative financial liabilities	9	-	9
Other liabilities	659,077	311	659,388
TOTAL LIABILITIES	1,259,086	311	1,259,397

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

2019	Less than	Over	
Bank	12 months	12 months	Total
	RM'000	RM'000	RM'000
ASSETS			
Cash and short-term funds	231,681	-	231,681
Financial assets at FVTPL	427	-	427
Financial investments at FVOCI	-	2,889	2,889
Financial investments at amortised cost	-	135,425	135,425
Loans and advances	299,955	760	300,715
Statutory deposit with Bank Negara Malaysia	-	4,984	4,984
Deferred tax assets	-	2,960	2,960
Investments in subsidiaries	-	56,256	56,256
Other assets	519,142	10,035	529,177
Property and equipment	-	17,137	17,137
Intangible assets	-	1,750	1,750
TOTAL ASSETS	1,051,205	232,196	1,283,401
LIABILITIES			
Deposits and placements of banks and other financial institutions	300,000	-	300,000
Derivative financial liabilities	3	-	3
Other liabilities	479,885	1,054	480,939
TOTAL LIABILITIES	779,888	1,054	780,942
2018	Less than	Over	
Bank	12 months	12 months	Total
	RM'000	RM'000	RM'000
ASSETS			
Cash and short-term funds	752,000	-	752,000
Financial assets held-for-trading	1,020	-	1,020
Financial investments available-for-sale	-	1,457	1,457
Financial investments held-to-maturity	-	135,701	135,701
Loans and advances	277,792	1,282	279,074
Statutory deposit with Bank Negara Malaysia	-	3,003	3,003
Deferred tax assets	-	3,919	3,919
Investments in subsidiaries	-	68,927	68,927
Other assets	643,808	11,298	655,106
Property and equipment	-	18,576	18,576
Intangible assets	-	2,137	2,137
TOTAL ASSETS	1,674,620	246,300	1,920,920
LIABILITIES			
Deposits and placements of banks and other financial institutions	600,000	-	600,000
Derivative financial liabilities	9	-	9
Other liabilities	642,880	311	643,191
TOTAL LIABILITIES	1,242,889	311	1,243,200

43. CAPITAL ADEQUACY

The Group's capital management is focused on maintaining a strong capital position to support business growth, and to meet the requirements of the Group's stakeholders including regulators, shareholders and rating agencies.

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 the 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 risks not captured under regulatory capital requirements and stress test results.

The Group uses internal models and other quantitative techniques in its internal risk and capital assessment. They help to estimate potential future losses arising from credit, market and other material risks, and supplement the regulatory formulae to simulate the amount of capital required to support them.

Stress testing and scenario analysis are used to ensure that the Group's internal capital assessment considers the impact of extreme but probable scenarios on its risk profile and capital position. They provide an insight into the potential impact of significant adverse events on the Group and how these events could be mitigated. 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 Group's assessment of risk appetite is closely integrated with the Group's strategy, business planning and capital assessment processes, and is used to inform senior management's views on the level of capital required to support the Group's business activities.

The capital that the 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 systems. BNM has the right to impose further capital requirements on Malaysian Financial Institutions.

The Group has in place processes and controls to monitor and manage capital adequacy across the organisation. The Group Asset and Liability Committee ("GALCO") is responsible for overseeing and managing the Group's statement of financial position, capital and liquidity positions.

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.

43. CAPITAL ADEQUACY (CONT'D.)

GALCO proposes internal capital triggers and targets on an annual basis and operationally oversees compliance with the internal capital targets ("ICT") which are approved by the Board.

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

(a) 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:				
CET1 Capital Ratio	43.008%	45.466%	43.711%	41.194%
Tier 1 Capital Ratio	43.008%	45.466%	43.711%	41.194%
Total Capital Ratio	43.394%	45.713%	44.174%	41.452%
After deducting proposed dividend:				
CET1 Capital Ratio	41.193%	32.349%	41.539%	27.529%
Tier 1 Capital Ratio	41.193%	32.349%	41.539%	27.529%
Total Capital Ratio	41.579%	32.596%	42.001%	27.787%

- (i) The capital adequacy ratios are computed in accordance to BNM's guidelines on Capital Adequacy Framework (Capital Components) issued by Bank Negara Malaysia on 2 February 2018, 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) issued on 2 February 2018.
- (ii) Pursuant to the BNM's guidelines on Capital Adequacy Framework (Capital Components) issued, a financial institution is required to hold and maintain, at all times, minimum capital adequacy ratios at 4.5% for CET1 Capital, 6.0% for Tier 1 Capital and 8.0% for Total Capital Ratio. In addition, a financial institution is also required to hold and maintain capital buffers in the form of CET1 Capital above the minimum CET1 Capital, Tier 1 Capital and Total Capital adequacy levels. 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 banking institution has credit exposures.

The CCB requirements phased-in under transitional arrangements for calendar year 2018 is 1.875% and for calendar year 2019 onwards is 2.5%.

BNM will communicate any decision on the CCyB rate by up to 12 months before the date from which the rate applies for exposures in Malaysia.

43. CAPITAL ADEQUACY (CONT'D.)

(b) The components of CET1, Tier 2 Capital 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
CET1 Capital				
Ordinary shares	200,000	200,000	200,000	200,000
Retained earnings	278,205	470,006	296,696	474,802
Fair value reserve	1,089	-	1,089	-
Foreign currency translation reserve	2,440	2,124	-	-
Regulatory reserve	4,674	2,918	4,674	2,918
Capital reserve	2,815	2,815	-	-
Merger reserve	82,115	82,115	-	-
Less: Regulatory adjustments applied on CET1 Capital				
Goodwill	(36,442)	(36,442)	-	-
Other intangibles	(2,118)	(2,642)	(1,750)	(2,137)
Deferred tax assets	(6,276)	(6,523)	(3,051)	(4,085)
55% of fair value reserve	(599)	-	(599)	-
Regulatory reserve	(4,674)	(2,918)	(4,674)	(2,918)
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	-	-	(49,809)	(49,809)
CET1 Capital/Tier 1 Capital	521,229	711,453	442,576	618,771
Tier 2 Capital				
General provisions*	4,684	-	4,684	-
Collective allowances and regulatory reserves	-	3,871	-	3,871
Tier 2 Capital	4,684	3,871	4,684	3,871
Total Capital	525,913	715,324	447,260	622,642

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

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Credit RWA	693,311	924,371	732,342	1,123,584
Market RWA	48,379	126,151	28,644	105,011
Operational RWA	470,246	514,296	251,510	273,498
Total RWA	1,211,936	1,564,818	1,012,496	1,502,093

44. RISK MANAGEMENT

44.1 GENERAL RISK MANAGEMENT

The Risk Management Framework 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 Risk Appetite Framework is approved annually by the Board 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 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 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/triggers for countries, industries, single counterparty group, products, value at risk, stop-loss, stable funding ratio, liquidity and operational risk.

AMMB Group Risk Direction

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/Foreign Exchange ("FX"), Wealth Management) and to sustain top 4 position in each of the current engines (Corporate Loans, Debt Capital Market ("DCM"), Funds Management).

1. AMMB Group aims to maintain an external rating of AA1 or better based on reference ratings by RAM Rating Services Berhad ("RAM").
2. 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 (Credit RWA ("CRWA")/Exposure At Default ("EAD")) in the range of 50% to 60%, both based on Foundation Internal Ratings Based ("FIRB").
3. 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. AMMB Group recognises the importance of funding its own business. It aims to maintain the following:
 - a. Liquidity Coverage Ratio ("LCR") at least 10 percentage point above prevailing regulatory minimum of 100%;
 - b. Stressed LCR above the regulatory requirement of 100%; and
 - c. Net Stable Funding Ratio ("NSFR") above the prevailing regulatory minimum of 100% (effective from 2019).
5. AMMB Group aims to maintain the following capital adequacy ratios ("CARs") under normal condition:
 - a. CET1, Tier 1 and Total Capital Ratio of at least 1 percentage point above their respective regulatory minimum, including prescribed regulatory buffers.
6. 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 Profit After Tax and Minority Interest ("PATMI"); and
 - b. Remain vigilant in risk identification and management to protect its reputation and business franchise.
7. 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.

44. RISK MANAGEMENT (CONT'D.)

44.1 GENERAL RISK MANAGEMENT DISCLOSURE (CONT'D.)

Risk Management Governance

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

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

AMMB Group has an independent risk management function, headed by AMMB 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 AMMB Group to ensure that risk taking activities across the AMMB Group are aligned to the AMMB Group's risk appetite and strategies; and
- through the Risk Management Committee of the Bank, has access to AMMB Board and the Boards of the respective banking entities to facilitate suitable escalation of issues of concern across the organisation.

44.2 CREDIT RISK MANAGEMENT

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

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

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 as well as Shariah compliance risk.

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

44. RISK MANAGEMENT (CONT'D.)

44.2 CREDIT RISK MANAGEMENT (CONT'D.)

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 Group's credit exposure. The overall credit assessment is conducted either through a program lending or discretionary lending approach.

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 limits for asset-backed loans (i.e. property exposures and other collateral);
- Classified Account processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers;
- Rescheduled and Restructured ("R&R") Account Management sets out the controls in managing R&R loan and advances pursuant to the BNM's revised policy on Classification and Impairment Provisions for Loans; and
- Setting Non-Retail Pricing guidelines which serve as a guide 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 the Board for review or approval, as the case may be. Portfolio credit risk is reported to the relevant management and board committees.

The AMMB GMRC regularly meets to review the quality and diversification of the Group's loans portfolio, and review the portfolio risk profile against the GRAF and recommend or approve new and amended credit risk policy.

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

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

44. RISK MANAGEMENT (CONT'D.)

44.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Risk Exposure and Concentration

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

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

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

44. RISK MANAGEMENT (CONT'D.)

44.2 CREDIT RISK MANAGEMENT (CONT'D.)

44.2.1a Industry Analysis of the Group

Group	Agriculture	Mining and	Manufacturing	Electricity, Gas and Water	Construction	Wholesale, Retail, Restaurant, and Hotel	Transport, Storage and Communication	Finance and Insurance	Government and Central Banks	Real Estate	Business Activities	Education and Health	Household	Others	Total
2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	-	-	-	-	-	-	-	305,412	84	-	-	-	-	-	305,496
Less : Allowances for ECL	-	-	-	-	-	-	-	(7)	-	-	-	-	-	-	(7)
Financial investments at amortised cost															305,489
Money Market Securities	-	-	-	-	-	-	-	-	60,325	-	-	-	-	-	60,325
Unquoted Corporate Bonds	-	-	-	-	-	-	-	75,100	-	-	-	-	-	-	75,100
Loans and advances															
Other loans and advances	863	-	-	-	-	-	-	-	-	3,813	58,503	-	239,211	-	302,390
Less : Allowances for ECL	-	-	-	-	-	-	-	-	-	-	(1,671)	-	(4)	-	(1,675)
Other financial assets	206	-	3,485	46	433	726	65	157,260	106	4,554	29,858	1,173	37,721	296,845	532,478
Less : Allowances for ECL	-	-	(144)	-	(50)	(150)	-	(165)	-	(67)	-	-	-	(2,533)	(3,109)
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-	4,984	-	-	-	-	-	4,984
Total financial assets	1,069	-	3,341	46	383	576	65	537,600	65,499	8,300	86,690	1,173	276,928	294,312	1,275,982
Commitments															
Irrevocable commitments to extend credit	-	-	-	-	-	-	-	80	-	-	-	-	113,937	24,374	138,391
Contingent liabilities															
Obligations under on-going underwriting agreement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total commitments and contingent liabilities	-	-	-	-	-	-	-	80	-	-	-	-	113,937	24,374	138,391

44. RISK MANAGEMENT (CONT'D.)

44.2 CREDIT RISK MANAGEMENT (CONT'D.)

44.2.1a Industry Analysis of the Group (Cont'd.)

Group	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail, Restaurant, and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Group 2018															
Cash and short-term funds	-	-	-	-	-	-	-	858,383	120	-	-	-	-	-	858,503
Financial investments held- to-maturity															
Money Market Securities	-	-	-	-	-	-	-	-	60,601	-	-	-	-	-	60,601
Unquoted Corporate Bonds	-	-	-	-	-	-	-	75,100	-	-	-	-	-	-	75,100
Gross loans and advances															
Other loans and advances net of individual allowance	862	-	-	-	-	-	-	-	-	3,809	47,587	-	227,770	-	280,028
Less : Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(954)
															279,074
Other financial assets	478	22	603	216	1,616	311	222	169,143	6,481	601	60,530	15	26,506	397,632	664,376
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-	3,003	-	-	-	-	-	3,003
Total financial assets	1,340	22	603	216	1,616	311	222	1,102,626	70,205	4,410	108,117	15	254,276	397,632	1,940,657
Commitments															
Irrevocable commitments to extend credit	-	-	-	-	-	-	-	-	-	8,450	-	-	188,818	-	197,268
Contingent liabilities															
Obligations under on-going underwriting agreement	-	-	-	-	55,903	-	-	-	-	-	-	-	-	-	55,903
Total commitments and contingent liabilities	-	-	-	-	55,903	-	-	-	-	8,450	-	-	188,818	-	253,171

44. RISK MANAGEMENT (CONT'D.)

44.2 CREDIT RISK MANAGEMENT (CONT'D.)

44.2.1a Industry Analysis of the Bank

	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail, Restaurant, and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Bank 2019															
Cash and short-term funds	-	-	-	-	-	-	-	231,604	84	-	-	-	-	-	231,688
Less : Allowances for ECL	-	-	-	-	-	-	-	(7)	-	-	-	-	-	-	(7)
															231,681
Financial investments at amortised cost															
Money Market Securities	-	-	-	-	-	-	-	-	60,325	-	-	-	-	-	60,325
Unquoted Corporate Bonds	-	-	-	-	-	-	-	75,100	-	-	-	-	-	-	75,100
Loans and advances															
Other loans and advances	863	-	-	-	-	-	-	-	-	3,813	58,503	-	239,211	-	302,390
Less : Allowances for ECL	-	-	-	-	-	-	-	-	-	-	(1,671)	-	(4)	-	(1,675)
															300,715
Other financial assets	206	-	3,485	46	433	726	65	129,199	106	4,554	29,858	1,173	37,721	296,801	504,373
Less : Allowances for ECL	-	-	(144)	-	(50)	(150)	-	-	-	(67)	-	-	-	(2,533)	(2,944)
															501,429
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-	4,984	-	-	-	-	-	4,984
Total financial assets	1,069	-	3,341	46	383	576	65	435,896	65,499	8,300	86,690	1,173	276,928	294,268	1,174,234
Commitments															
Irrevocable commitments to extend credit	-	-	-	-	-	-	-	80	-	-	-	-	113,937	24,374	138,391
Contingent liabilities															
Obligations under on-going underwriting agreement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total commitments and contingent liabilities	-	-	-	-	-	-	-	80	-	-	-	-	113,937	24,374	138,391

44. RISK MANAGEMENT (CONT'D.)

44.2 CREDIT RISK MANAGEMENT (CONT'D.)

44.2.1a Industry Analysis of the Bank (Cont'd.)

	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail, Restaurant, and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Bank 2018															
Cash and short-term funds	-	-	-	-	-	-	-	751,880	120	-	-	-	-	-	752,000
Financial investments held- to-maturity															
Money Market Securities	-	-	-	-	-	-	-	-	60,601	-	-	-	-	-	60,601
Unquoted Corporate Bonds	-	-	-	-	-	-	-	75,100	-	-	-	-	-	-	75,100
Loans and advances															
Other loans and advances net of individual allowance	862	-	-	-	-	-	-	-	-	3,809	47,587	-	227,770	-	280,028
Less : Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(954)
															279,074
Other financial assets	478	22	603	216	1,616	311	222	148,991	6,481	601	60,530	15	26,506	396,803	643,395
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-	3,003	-	-	-	-	-	3,003
Total financial assets	1,340	22	603	216	1,616	311	222	975,971	70,205	4,410	108,117	15	254,276	396,803	1,813,173
Commitments															
Irrevocable commitments to extend credit	-	-	-	-	-	-	-	-	-	8,450	-	-	188,818	-	197,268
Contingent liabilities															
Obligations under on-going underwriting agreement	-	-	-	-	55,903	-	-	-	-	-	-	-	-	-	55,903
Total commitments and contingent liabilities	-	-	-	-	55,903	-	-	-	-	8,450	-	-	188,818	-	253,171

44. RISK MANAGEMENT (CONT'D.)**44.2 CREDIT RISK MANAGEMENT (CONT'D.)****44.2.1b Geographical Analysis of the Group**

	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Group			
2019			
Cash and short-term funds	263,833	41,663	305,496
Less: Allowances for ECL	-	(7)	(7)
	<u>263,833</u>	<u>41,656</u>	<u>305,489</u>
Financial investments at amortised cost			
Money Market Securities	60,325	-	60,325
Unquoted Private Debt Securities	75,100	-	75,100
Loans and advances			
Other loans and advances net of individual allowance	302,390	-	302,390
Less : Allowances for ECL	(1,675)	-	(1,675)
	<u>300,715</u>	<u>-</u>	<u>300,715</u>
Other financial assets	526,176	6,302	532,478
Less : Allowances for ECL	(3,109)	-	(3,109)
	<u>523,067</u>	<u>6,302</u>	<u>529,369</u>
Statutory deposit with Bank Negara Malaysia	4,984	-	4,984
Total financial assets	<u>1,228,024</u>	<u>47,958</u>	<u>1,275,982</u>
Commitments			
Irrevocable commitments to extend credit	138,391	-	138,391
Contingent liabilities			
Obligations under on-going underwriting agreement	-	-	-
Total commitments and contingent liabilities	<u>138,391</u>	<u>-</u>	<u>138,391</u>

44. RISK MANAGEMENT (CONT'D.)**44.2 CREDIT RISK MANAGEMENT (CONT'D.)****44.2.1b Geographical Analysis of the Group (Cont'd.)**

	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Group 2018			
Cash and short-term funds	821,414	37,089	858,503
Financial investments held-to-maturity			
Money Market Securities	60,601	-	60,601
Unquoted Private Debt Securities	75,100	-	75,100
Loans and advances			
Other loans and advances net of individual allowance	280,028	-	280,028
Less : Collective allowance	(954)	-	(954)
	279,074	-	279,074
Other financial assets	663,473	903	664,376
Statutory deposit with Bank Negara Malaysia	3,003	-	3,003
Total financial assets	1,902,665	37,992	1,940,657
Commitments			
Irrevocable commitments to extend credit	197,268	-	197,268
Contingent liabilities			
Obligations under on-going underwriting agreement	55,903	-	55,903
Total commitments and contingent liabilities	253,171	-	253,171

44. RISK MANAGEMENT (CONT'D.)**44.2 CREDIT RISK MANAGEMENT (CONT'D.)****44.2.1b Geographical Analysis of the Bank**

	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Bank			
2019			
Cash and short-term funds	204,117	27,571	231,688
Less: Allowances for ECL	-	(7)	(7)
	<u>204,117</u>	<u>27,564</u>	<u>231,681</u>
Financial investments at amortised cost			
Money Market Securities	60,325	-	60,325
Unquoted Private Debt Securities	75,100	-	75,100
Loans and advances			
Other loans and advances net of individual allowance	302,390	-	302,390
Less : Allowances for ECL	(1,675)	-	(1,675)
	<u>300,715</u>	<u>-</u>	<u>300,715</u>
Other financial assets	504,353	20	504,373
Less : Allowances for ECL	(2,944)	-	(2,944)
	<u>501,409</u>	<u>20</u>	<u>501,429</u>
Statutory deposit with Bank Negara Malaysia	4,984	-	4,984
Total financial assets	<u>1,146,650</u>	<u>27,584</u>	<u>1,174,234</u>
Commitments			
Irrevocable commitments to extend credit	138,391	-	138,391
Contingent liabilities			
Obligations under on-going underwriting agreement	-	-	-
Total commitments and contingent liabilities	<u>138,391</u>	<u>-</u>	<u>138,391</u>

44. RISK MANAGEMENT (CONT'D.)**44.2 CREDIT RISK MANAGEMENT (CONT'D.)****44.2.1b Geographical Analysis of the Bank (Cont'd.)**

	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Bank 2018			
Cash and short-term funds	728,455	23,545	752,000
Financial investments held-to-maturity			
Money Market Securities	60,601	-	60,601
Unquoted Private Debt Securities	75,100	-	75,100
Loans and advances			
Other loans and advances net of individual allowance	280,028	-	280,028
Less : Collective allowance	-	-	(954)
	<u>280,028</u>	<u>-</u>	<u>279,074</u>
Other financial assets	643,317	78	643,395
Statutory deposit with Bank Negara Malaysia	3,003	-	3,003
Total financial assets	<u>1,790,504</u>	<u>23,623</u>	<u>1,813,173</u>
Commitments			
Irrevocable commitments to extend credit	197,268	-	197,268
Contingent liabilities			
Obligations under on-going underwriting agreement	55,903	-	55,903
Total commitments and contingent liabilities	<u>253,171</u>	<u>-</u>	<u>253,171</u>

44. RISK MANAGEMENT (CONT'D.)

44.2 CREDIT RISK MANAGEMENT (CONT'D.)

44.2.2 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; and
- Unit trusts (including Amanah Saham Nasional, Amanah Saham Bumiputera and mutual funds).

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, and not supported by collateral.

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

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

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

Use of Credit Derivatives and Netting for Risk Mitigation

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

Transaction Structuring to Mitigate Credit Risk

Besides tangible security 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 exchange traded shares and unit trusts.

44. RISK MANAGEMENT (CONT'D.)**44.2 CREDIT RISK MANAGEMENT (CONT'D.)****44.2.3 Credit Quality**

The credit quality of financial assets are analysed based on broad categories. Internal credit rating grades assigned to corporate and retail lending business are currently aligned to 8 rating categories (7 for non-defaulted and 1 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 Non-Retail

Credit quality classification	Description
Exceptionally strong	Highest rating, for exceptionally strong government institutions and a small number of very large multinational institutional clients. The key characteristics are:- i. Exceptionally solid and stable operating and financial performance. ii. Debt servicing capacity has been exceptionally strong over the long-term. iii. 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. iv. Highly unlikely to be adversely affected by foreseeable events.
Very strong	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:- i. Based on their activities, financial profile and past capacity to repay, counterparties with this rating carry a small, but clearly identifiable degree of risk. ii. Debt servicing capacity in previous period has been substantial and solid, and is projected to continue over the medium-term but may be more vulnerable to changes in business, economic and financial conditions than is the case for stronger ratings.
Strong	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:- i. Counterparties present an identifiable degree of generally acceptable risk, possibly expressing itself as variability in financial and/or operating performance. ii. Debt servicing capacity is quite good but adverse changes in circumstances and economic conditions are more likely to impair this capacity.
Satisfactory	Counterparties demonstrate adequate medium-term operational and financial stability. Protection factors are considered sufficient for prudent investment. The key characteristics are:- i. Counterparties present a mostly satisfactory risk that requires mitigation, possibly expressing itself as variability in financial and/or operating performance. ii. Debt servicing capacity is satisfactory but adverse changes in circumstances and economic condition may impair this capacity. iii. 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.

44. RISK MANAGEMENT (CONT'D.)**44.2 CREDIT RISK MANAGEMENT (CONT'D.)****44.2.3 Credit Quality (Cont'd.)****Description of the categories for Non-Retail (Cont'd.)**

Credit quality classification	Description
Moderate	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:- i. Capacity for timely fulfillment of financial obligations exists. ii. Adverse economic condition or changing business environment is more likely to lead to weakened capacity to meet timely repayment in the long run. iii. Overall credit quality may be more volatile within this category.
Marginal	Counterparties demonstrate sustained operational and financial instability. The key characteristics are:- i. Erratic performance with one or more recent loss periods, increased borrowings or patchy account conduct. ii. Often under strong, sustained competitive pressure. iii. Variability and uncertainty in profitability and liquidity is projected to continue over the short and possibly medium-term. iv. Significant changes and instability in senior management may be observed.
Substandard	Lowest rating for counterparties that continuously demonstrate operational and financial instability. The key characteristics are:- i. Mediocre financials with consistent loss periods, increased borrowings and/or poor account conduct. ii. Current and expected debt servicing capacity is inadequate. iii. Financial solvency is questionable and/or financial structure is weak. iv. Deteriorating state of business and require significant changes in strategies or practices to return business to sustainable state. v. Experiencing difficulties, which may result in default in the next one to two years.
Impaired	Impaired account. The key characteristic is that the counterparty has been classified as "impaired" as per the AMMB Group Classified Account Management Policy for Credit Facility for Investment Banking.

44. RISK MANAGEMENT (CONT'D.)

44.2 CREDIT RISK MANAGEMENT (CONT'D.)

44.2.4 Impairment

Definition of past due and impaired loans and 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 and advance is classified as impaired under the following circumstances:

- (a) when the principal or interest or both is past due or the amount outstanding is in excess of approved limit (for revolving facilities), each for more than 90 days or 3 months on any material obligation¹; or
- (b) for loans and advances where repayments are scheduled on intervals of 3 months or longer, the loan and advance is to be classified as impaired 1+30 days or 1 day+1 month past due (the 30-day grace period is to allow for exclusion of administrative default²).
- (c) for trade bills/facilities, an account is deemed defaulted and impaired when the past due is 90 days from due date of the bill.
- (d) a loan and advance may also be classified as impaired if amongst others:
 - i. If it is probable that the Bank will be unable to collect all amounts due (including both interest/profit and principal) according to the contractual terms of the agreement; or
 - ii. Due to cross-default. Cross-default occurs when:
 - a default of a loan and advance obligation of a customer triggers a default of another loan and advance obligation of the same customer; or
 - a default of a loan and advance obligation of a customer triggers a default of a loan and advance obligation of other customers 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 Material obligation as determined by Management. Current "material" threshold is set at more than RM200.00.

² 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.

44. RISK MANAGEMENT (CONT'D.)

44.2 CREDIT RISK MANAGEMENT (CONT'D.)

44.2.4 Impairment (Cont'd.)

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

- (e) Debt instruments (for example, fixed income securities, 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 Agent³ for reasons other than payment in default (as outlined in the Trust Deeds Guidelines issued by the Securities Commission of Malaysia ("SC")); or
 - iii. Where it is deemed appropriate to classify as impaired and approved by the Watchlist Forum.
- (f) in the case of stock broking and futures broking:
 - i. For margin financing, the account is impaired after 7 days when there is shortfall to market value i.e. the collateral value is lower than the outstanding balance.
 - ii. For futures business, the account is impaired when the losses are not remedied within 30 days and are not secured against dealer's retention funds.
- (g) The loan is deemed impaired when it is classified as R&R in the Central Credit Reference Information System ("CCRIS").

Group Provisioning Methodology

The Group's provisioning methodology complies with MFRS 9 where the Group and the Bank recognise 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 FVOCI, 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. The Bank calculates 12-month ECL for Stage 1 and lifetime ECL for Stage 2 and Stage 3 exposures.

³ 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.

44. RISK MANAGEMENT (CONT'D.)

44.2 CREDIT RISK MANAGEMENT (CONT'D.)

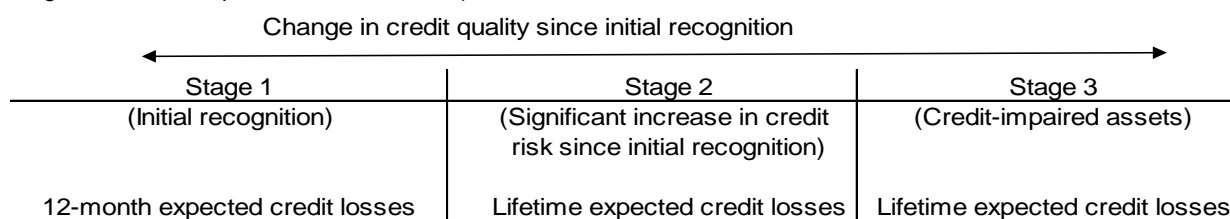
44.2.4 Impairment (Cont'd.)

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 is explained below.
- If the financial instrument is credit-impaired (as defined below), 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 is 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).

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 Significant Increase in Credit Risk (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.

44. RISK MANAGEMENT (CONT'D.)

44.2 CREDIT RISK MANAGEMENT (CONT'D.)

44.2.4 Impairment (Cont'd.)

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

Significant increase in credit risk (SICR) (Cont'd.)

(i) 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.

(ii) 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.

The assessment of SICR incorporates forward-looking information and is performed on a monthly basis at a portfolio level for all financial instruments held by the Group.

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:

Quantitative criteria

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

Qualitative criteria

The borrower meets unlikelihood 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); and
- 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.

44. RISK MANAGEMENT (CONT'D.)

44.2 CREDIT RISK MANAGEMENT (CONT'D.)

44.2.4 Impairment (Cont'd.)

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

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 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.

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 Macroeconomic Variables (MEVs). For most exposures, key macroeconomic indicators include Gross Domestic Product growth, Kuala Lumpur Interbank Offered Rate, and Consumer Price Index.

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.

44. RISK MANAGEMENT (CONT'D.)

44.2 CREDIT RISK MANAGEMENT (CONT'D.)

44.2.4 Impairment (Cont'd.)

Write off policy

(i) 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. There are no such assets written off during the year ended 31 March 2019. If there are any, the Group would still seek legal recovery action, as such, credit exposures for these continue unabated.

(ii) 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.

There are no financial assets with lifetime ECL whose cash flows were modified during the financial year.

44. RISK MANAGEMENT (CONT'D.)**44.2 CREDIT RISK MANAGEMENT (CONT'D.)****44.2.5 Group Credit Quality By Class of Financial Assets****Maximum exposure to credit risk - Financial instruments subject to impairment**

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

Financial investments at amortised cost

	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
Group and Bank 2019				
Risk Grade				
Very strong	135,325	-	-	135,325
Unrated	100	-	-	100
Gross exposure	135,425	-	-	135,425
Expected credit loss	-	-	-	-
Net exposure	<u>135,425</u>	<u>-</u>	<u>-</u>	<u>135,425</u>

Loans and advances

	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
Group and Bank 2019				
Risk Grade				
Very strong	863	-	-	863
Satisfactory	235,143	38,129	-	273,272
Moderate	3,886	16	-	3,902
Substandard	12,716	9,966	-	22,682
Unrated	-	-	-	-
Impaired	-	-	1,671	1,671
Gross exposure	252,608	48,111	1,671	302,390
Expected credit loss	(4)	-	(1,671)	(1,675)
Net exposure	<u>252,604</u>	<u>48,111</u>	<u>-</u>	<u>300,715</u>

44. RISK MANAGEMENT (CONT'D.)**44.2 CREDIT RISK MANAGEMENT (CONT'D.)****44.2.5 Group 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 and Bank's internal credit rating system (Cont'd.)

Other Financial Assets

	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime ECL	Lifetime ECL	
	ECL	not credit	credit	
	RM'000	impaired	impaired	RM'000
	RM'000	RM'000	RM'000	RM'000
Group				
2019				
Risk Grade				
Exceptionally strong	1	-	-	1
Very strong	78,200	13	-	78,213
Strong	58,812	-	-	58,812
Satisfactory	14,009	-	-	14,009
Moderate	38	-	-	38
Substandard	14,969	-	-	14,969
Unrated	362,887	-	-	362,887
Impaired	-	-	3,549	3,549
Gross Other Financial Assets	528,916	13	3,549	532,478
Expected credit loss	(4)	-	(3,105)	(3,109)
Net Other Financial Assets	528,912	13	444	529,369

Bank
2019

Risk Grade				
Exceptionally strong	1	-	-	1
Very strong	57,387	13	-	57,400
Strong	58,812	-	-	58,812
Satisfactory	14,009	-	-	14,009
Moderate	38	-	-	38
Substandard	14,969	-	-	14,969
Unrated	355,760	-	-	355,760
Impaired	-	-	3,384	3,384
Gross Other Financial Assets	500,976	13	3,384	504,373
Expected credit loss	(4)	-	(2,940)	(2,944)
Net Other Financial Assets	500,972	13	444	501,429

44. RISK MANAGEMENT (CONT'D.)**44.2 CREDIT RISK MANAGEMENT (CONT'D.)****44.2.5 Group 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 and Bank's internal credit rating system (Cont'd.)

Cash and short-term funds	Stage 1	Stage 2	Total
	12-month ECL	Lifetime ECL not credit impaired	
	RM'000	RM'000	RM'000
Group			
2019			
Exceptionally strong	27,569	-	27,569
Very strong	277,924	-	277,924
Strong	1	-	1
Substandard	-	2	2
Gross exposure	305,494	2	305,496
Expected credit loss	(6)	(1)	(7)
Net exposure	305,488	1	305,489
Bank			
2019			
Exceptionally strong	27,569	-	27,569
Very strong	204,116	-	204,116
Strong	1	-	1
Substandard	-	2	2
Gross exposure	231,686	2	231,688
Expected credit loss	(6)	(1)	(7)
Net exposure	231,680	1	231,681
Statutory deposit with Bank Negara Malaysia			
Group and Bank			Stage 1
2019			12-month
			ECL
			RM'000
Very strong			4,984
Loan commitments			
	Stage 1	Stage 2	Stage 3
	12-month	Lifetime ECL	Lifetime ECL
	ECL	not credit	credit
	RM'000	impaired	impaired
Group and Bank			Total
2019			RM'000
Satisfactory	130,837	-	-
Moderate	19	-	-
Substandard	7,535	-	-
Gross exposure	138,391	-	-
Expected credit loss	-	-	-
Net exposure	138,391	-	-

44. RISK MANAGEMENT (CONT'D.)**44.2 CREDIT RISK MANAGEMENT (CONT'D.)****44.2.5 Group Credit Quality By Class of Financial Assets (Cont'd.)**

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

	← Neither past due nor impaired →									Total	Gross Amount Individually Impaired	Individual Allowance	
	Exceptionally Strong Credit Profile	Very Strong Credit Profile	Strong Credit Profile	Satisfactory Risk	Moderate Risk	Marginal Risk	Substandard	Unrated	Past Due but not Impaired				Impaired
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000				RM'000
Group 2018													
Cash and short-term funds	23,545	834,957	1	-	-	-	-	-	-	-	858,503	-	-
Financial investments held-to-maturity													
Money Market Securities	-	60,601	-	-	-	-	-	-	-	-	60,601	-	-
Unquoted Private Debt Securities	-	75,000	-	-	-	-	-	100	-	-	75,100	-	-
Gross loans and advances													
Other loans and advances	-	-	-	278,508	1,520	-	-	-	-	2,067	282,095	2,067	(2,067)
Other financial assets	3	51,821	143,586	13,016	1,103	-	18,407	435,064	767	6,672	670,439	6,672	(6,062)
Statutory deposit with Bank Negara Malaysia	-	3,003	-	-	-	-	-	-	-	-	3,003	-	-
	<u>23,548</u>	<u>1,025,382</u>	<u>143,587</u>	<u>291,524</u>	<u>2,623</u>	<u>-</u>	<u>18,407</u>	<u>435,164</u>	<u>767</u>	<u>8,739</u>	<u>1,949,741</u>	<u>8,739</u>	<u>(8,129)</u>

44. RISK MANAGEMENT (CONT'D.)

44.2 CREDIT RISK MANAGEMENT (CONT'D.)

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

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

	← Neither past due nor impaired →									Total	Gross Amount Individually Impaired	Individual Allowance	
	Exceptionally Strong Credit Profile	Very Strong Credit Profile	Strong Credit Profile	Satisfactory Risk	Moderate Risk	Marginal Risk	Substandard	Unrated	Past Due but not Impaired				Impaired
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000				RM'000
Bank 2018													
Cash and short-term funds	23,545	728,454	1	-	-	-	-	-	-	-	752,000	-	-
Derivative financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial investments held-to-maturity													
Money Market Securities	-	60,601	-	-	-	-	-	-	-	-	60,601	-	-
Unquoted Private Debt Securities	-	75,000	-	-	-	-	-	100	-	-	75,100	-	-
Gross loans and advances													
Other loans and advances	-	-	-	278,508	1,520	-	-	-	-	2,067	282,095	2,067	(2,067)
Other financial assets	3	36,611	138,657	13,016	1,103	-	18,407	434,222	767	1,888	644,674	1,888	(1,278)
Statutory deposit with Bank Negara Malaysia	-	3,003	-	-	-	-	-	-	-	-	3,003	-	-
	<u>23,548</u>	<u>903,669</u>	<u>138,658</u>	<u>291,524</u>	<u>2,623</u>	<u>-</u>	<u>18,407</u>	<u>434,322</u>	<u>767</u>	<u>3,955</u>	<u>1,817,473</u>	<u>3,955</u>	<u>(3,345)</u>

44. RISK MANAGEMENT (CONT'D.)**44.2 CREDIT RISK MANAGEMENT (CONT'D.)****44.2.6 Aging Analysis of Past Due But Not Impaired By Class of Financial Assets**

	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Total RM'000
Group 2018					
Other financial assets	-	697	70	-	767
Bank 2018					
Other financial assets	-	697	70	-	767

44.2.7 Estimated Value of Collateral for Gross Loans and Advances

	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 and Bank						
Gross loans and advances						
Share margin financing	266,314	242,880	264,643	240,813	1,671	2,067
Revolving credits	35,161	37,695	35,161	37,695	-	-
Staff loans	916	1,520	916	1,520	-	-
	<u>302,391</u>	<u>282,095</u>	<u>300,720</u>	<u>280,028</u>	<u>1,671</u>	<u>2,067</u>

44. RISK MANAGEMENT (CONT'D.)

44.3 LIQUIDITY RISK MANAGEMENT

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

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

Identification	<ul style="list-style-type: none"> • Identify liquidity risk within existing and new business activities • Review market-related information such as market trend and economic data • Keep abreast with regulatory requirements
Assessment/ Measurement	<ul style="list-style-type: none"> • Liquidity Coverage Ratio ('LCR') • Other Detailed Controls
Control/ Mitigation	<ul style="list-style-type: none"> • LCR Limits • Other Detailed Limits/Triggers
Monitoring/ Review	<ul style="list-style-type: none"> • Monitor limits • Periodical review and reporting

The liquidity risk management of the Bank is aligned to the "LCR" policy 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 objectives are to ensure an optimal funding structure and to balance the key liquidity risk management objectives, which includes diversification of funding sources, customer base and maturity period.

The Board 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 is the management committee 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 to identify early warning signals of possible liquidity problems. 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 liquidity measurement such as BNM LCR that support the broader strategic objectives of the Bank. 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.

In preparation to the impending implementation of BNM's Basel III Net Stable Funding Ratio ("NSFR"), the Bank is already monitoring the NSFR and continue to pursue strategies to ensure the availability of cost effective liquidity.

44. RISK MANAGEMENT (CONT'D.)**44.3 Liquidity Risk Management (Cont'd.)****44.3.1 Analysis of Assets and Liabilities By Remaining Contractual Maturities as per requirement of BNM's policy document on Financial Reporting**

Group	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
2019								
Assets								
Cash and short-term funds	305,489	-	-	-	-	-	-	305,489
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	427	427
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	2,889	2,889
Financial investments at amortised cost	-	-	-	-	60,325	75,100	-	135,425
Loans and advances	297,565	2,276	38	76	417	343	-	300,715
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	4,984	-	4,984
Deferred tax assets	-	-	-	-	-	-	6,185	6,185
Other assets	518,997	4,057	1,076	22,950	9,445	590	-	557,115
Property and equipment	-	-	-	-	-	-	17,809	17,809
Intangible assets	-	-	-	-	-	-	38,560	38,560
Total Assets	1,122,051	6,333	1,114	23,026	70,187	81,017	65,870	1,369,598
Liabilities								
Deposits and placements of banks and other financial institutions	150,000	150,000	-	-	-	-	-	300,000
Derivative financial liabilities	3	-	-	-	-	-	-	3
Other liabilities	467,027	26,284	3,534	276	1,136	-	-	498,257
Total Liabilities	617,030	176,284	3,534	276	1,136	-	-	798,260
Net Gap	505,021	(169,951)	(2,420)	22,750	69,051	81,017	65,870	571,338

44. RISK MANAGEMENT (CONT'D.)**44.3 Liquidity Risk Management (Cont'd.)****44.3.1 Analysis of Assets and Liabilities By Remaining Contractual Maturities as per requirement of BNM's policy document on Financial Reporting (Cont'd.)**

Group	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
2018 (Restated)								
Assets								
Cash and short-term funds	858,503	-	-	-	-	-	-	858,503
Financial assets held-for-trading	-	-	-	-	-	-	1,020	1,020
Financial investments available-for-sale	-	-	-	-	-	-	1,457	1,457
Financial investments held-to-maturity	-	-	-	-	60,701	75,000	-	135,701
Loans and advances	274,761	2,856	70	105	646	636	-	279,074
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	3,003	-	3,003
Deferred tax assets	-	-	-	-	-	-	6,357	6,357
Other assets	640,779	1,824	2,068	19,667	8,199	3,099	-	675,636
Property and equipment	-	-	-	-	-	-	19,540	19,540
Intangible assets	-	-	-	-	-	-	39,084	39,084
Total Assets	1,774,043	4,680	2,138	19,772	69,546	81,738	67,458	2,019,375
Liabilities								
Deposits and placements of banks and other financial institutions	150,000	300,000	150,000	-	-	-	-	600,000
Derivative financial liabilities	9	-	-	-	-	-	-	9
Other liabilities	629,398	23,749	2,020	3,910	311	-	-	659,388
Total Liabilities	779,407	323,749	152,020	3,910	311	-	-	1,259,397
Net Gap	994,636	(319,069)	(149,882)	15,862	69,235	81,738	67,458	759,978

44. RISK MANAGEMENT (CONT'D.)**44.3 Liquidity Risk Management (Cont'd.)****44.3.1 Analysis of Assets and Liabilities By Remaining Contractual Maturities (Cont'd.)**

Bank	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
2019								
Assets								
Cash and short-term funds	231,681	-	-	-	-	-	-	231,681
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	427	427
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	2,889	2,889
Financial investments at amortised cost	-	-	-	-	60,325	75,100	-	135,425
Loans and advances	297,565	2,276	38	76	417	343	-	300,715
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	4,984	-	4,984
Deferred tax assets	-	-	-	-	-	-	2,960	2,960
Investment in subsidiaries	-	-	-	-	-	-	56,256	56,256
Other assets	491,427	3,720	1,045	22,950	9,445	590	-	529,177
Property and equipment	-	-	-	-	-	-	17,137	17,137
Intangible assets	-	-	-	-	-	-	1,750	1,750
Total Assets	1,020,673	5,996	1,083	23,026	70,187	81,017	81,419	1,283,401
Liabilities								
Deposits and placements of banks and other financial institutions	150,000	150,000	-	-	-	-	-	300,000
Derivative financial liabilities	3	-	-	-	-	-	-	3
Other liabilities	459,619	16,456	3,534	276	1,054	-	-	480,939
Total Liabilities	609,622	166,456	3,534	276	1,054	-	-	780,942
Net Gap	411,051	(160,460)	(2,451)	22,750	69,133	81,017	81,419	502,459

44. RISK MANAGEMENT (CONT'D.)**44.3 Liquidity Risk Management (Cont'd.)****44.3.1 Analysis of Assets and Liabilities By Remaining Contractual Maturities (Cont'd.)**

Bank	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
2018 (Restated)								
Assets								
Cash and short-term funds	752,000	-	-	-	-	-	-	752,000
Financial assets held-for-trading	-	-	-	-	-	-	1,020	1,020
Financial investments available-for-sale	-	-	-	-	-	-	1,457	1,457
Financial investments held-to-maturity	-	-	-	-	60,701	75,000	-	135,701
Loans and advances	274,761	2,856	70	105	646	636	-	279,074
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	3,003	-	3,003
Deferred tax assets	-	-	-	-	-	-	3,919	3,919
Investment in subsidiaries	-	-	-	-	-	-	68,927	68,927
Other assets	625,591	1,824	208	16,185	8,199	3,099	-	655,106
Property and equipment	-	-	-	-	-	-	18,576	18,576
Intangible assets	-	-	-	-	-	-	2,137	2,137
Total Assets	1,652,352	4,680	278	16,290	69,546	81,738	96,036	1,920,920
Liabilities								
Deposits and placements of banks and other financial institutions	150,000	300,000	150,000	-	-	-	-	600,000
Derivative financial liabilities	9	-	-	-	-	-	-	9
Other liabilities	617,971	18,981	2,020	3,908	311	-	-	643,191
Total Liabilities	767,980	318,981	152,020	3,908	311	-	-	1,243,200
Net Gap	884,372	(314,301)	(151,742)	12,382	69,235	81,738	96,036	677,720

44. RISK MANAGEMENT (CONT'D.)**44.3 Liquidity Risk Management (Cont'd.)****44.3.1 Analysis of Assets and Liabilities By Remaining Contractual Maturities on undiscounted basis**

Group	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
2019								
Liabilities								
Deposits and placements of banks and other financial institutions	151,820	150,865	-	-	-	-	-	302,685
Derivative financial liabilities	3	-	-	-	-	-	-	3
Other liabilities	466,334	24,060	3,534	276	1,136	-	694	496,034
Total Undiscounted Liabilities	618,157	174,925	3,534	276	1,136	-	694	798,722
Commitments								
Irrevocable commitments to extend credit	131,353	6,730	100	189	19	-	-	138,391
Total commitments and contingent liabilities	131,353	6,730	100	189	19	-	-	138,391
Group								
2018								
Liabilities								
Deposits and placements of banks and other financial institutions	151,765	303,630	151,962	-	-	-	-	607,357
Derivative financial liabilities	9	-	-	-	-	-	-	9
Other liabilities	628,870	23,749	2,020	3,910	311	-	-	658,860
Total Undiscounted Liabilities	780,644	327,379	153,982	3,910	311	-	-	1,266,226
Commitments								
Irrevocable commitments to extend credit	-	177,485	100	16,083	3,600	-	-	197,268
Contingent liabilities								
Obligations under on-going underwriting agreement	55,903	-	-	-	-	-	-	55,903
Total commitments and contingent liabilities	55,903	177,485	100	16,083	3,600	-	-	253,171

44. RISK MANAGEMENT (CONT'D.)**44.3 Liquidity Risk Management (Cont'd.)****44.3.1 Analysis of Assets and Liabilities By Remaining Contractual Maturities on undiscounted basis (Cont'd.)**

	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Bank								
2019								
Liabilities								
Deposits and placements of banks and other financial institutions	151,820	150,865	-	-	-	-	-	302,685
Derivative financial liabilities	3	-	-	-	-	-	-	3
Other liabilities	459,620	14,232	3,534	276	1,054	-	-	478,716
Total Undiscounted Liabilities	611,443	165,097	3,534	276	1,054	-	-	781,404
Commitments								
Irrevocable commitments to extend credit	131,353	6,730	100	189	19	-	-	138,391
Contingent liabilities								
Obligations under on-going underwriting agreement	-	-	-	-	-	-	-	-
Total commitments and contingent liabilities	131,353	6,730	100	189	19	-	-	138,391
Bank								
2018								
Liabilities								
Deposits and placements of banks and other financial institutions	151,765	303,630	151,962	-	-	-	-	607,357
Derivative financial liabilities	9	-	-	-	-	-	-	9
Other liabilities	613,527	18,981	2,020	3,908	311	-	-	638,747
Total Undiscounted Liabilities	765,301	322,611	153,982	3,908	311	-	-	1,246,113
Commitments								
Irrevocable commitments to extend credit	-	177,485	100	16,083	3,600	-	-	197,268
Contingent liabilities								
Obligations under on-going underwriting agreement	55,903	-	-	-	-	-	-	55,903
Total commitments and contingent liabilities	55,903	177,485	100	16,083	3,600	-	-	253,171

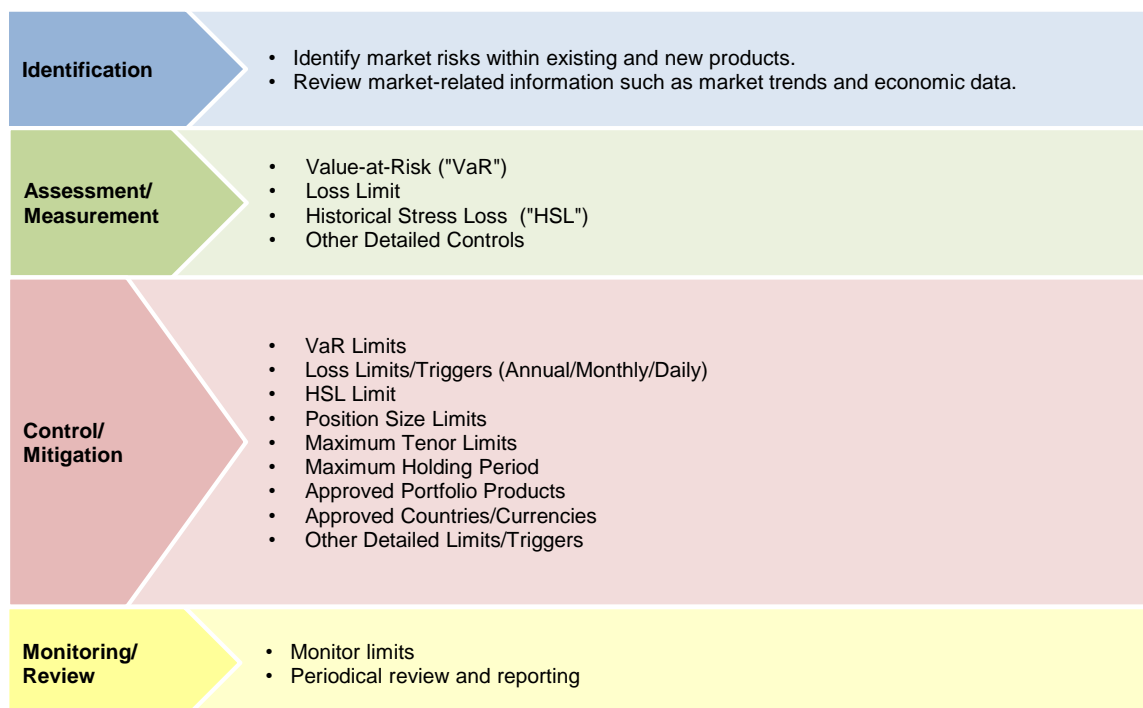
44. RISK MANAGEMENT (CONT'D.)

44.4 MARKET RISK MANAGEMENT

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

Traded Market Risk

The TMR management process is depicted in the table below.



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

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

44. RISK MANAGEMENT (CONT'D.)

44.4 MARKET RISK MANAGEMENT (CONT'D.)

Traded Market Risk (Cont'd.)

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

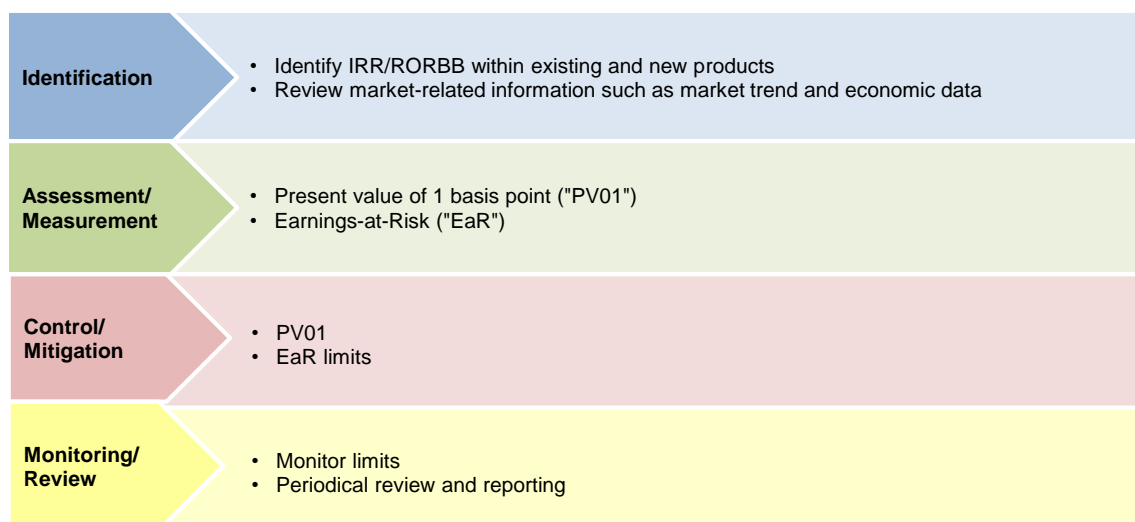
The Bank adopts the Standardised Approach for market risk capital charge computation. The capital charge serves as a buffer against losses from potential adverse market movements.

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 investment banking lending activities (primarily revolving credit facilities) 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.

44. RISK MANAGEMENT (CONT'D.)**44.4 MARKET RISK MANAGEMENT (CONT'D.)**

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 the Bank's risk appetite and funding needs, taking into consideration 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 used borrowings 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.

The Bank measures the risk of losses arising from potential adverse movements in market interest/profit rates and volatilities using PV01. PV01 is a quantitative measure of IRR/RORBB which applies recent historic market conditions to estimate the potential loss in economic value, at a certain confidence level and over a specified holding period.

The 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 rates and spreads, changes in loan and deposit product balances due to behavioural characteristics under different interest rate environments. Material assumptions include the repricing characteristics and the stickiness of indeterminate or non-maturity deposits and loans/advances.

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 Bank'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. These approaches are governed by Bank's policies in the areas of product and liquidity management as well as the Trading Book and Banking Book Policy, hedging policies and Non-Traded Interest/Profit Rate Risk Framework.

IRR/RORBB exposures are monitored by IBMR and positions reported to the Group CEOs Committee, RMCD and Board.

Market Risk Sensitivity**(i) Interest Rate Risk/Rate of Return Risk**

Interest rate risk/rate of return risk ("IRR/ROR") is the risk that the value of a financial instrument will fluctuate due to changes in market interest rate and is managed through gap and sensitivity analysis. Interest 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 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 rate with all other variables remaining constant.

The Group and the Bank

	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)
Impact on Profit Before Taxation	336	(336)	360	(360)

44. RISK MANAGEMENT (CONT'D.)**44.4 MARKET RISK MANAGEMENT (CONT'D.)****Market Risk Sensitivity (Cont'd.)****(i) Interest Rate Risk/Rate of Return Risk (Cont'd.)**

Note:

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

(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 being exposed 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	Foreign exchange rate	Foreign exchange rate	Foreign exchange rate
	+ 10 % (RM'000)	- 10 % (RM'000)	+ 10 % (RM'000)	- 10 % (RM'000)
Group				
USD	2,716	(2,716)	4,169	(4,169)
SGD	601	(601)	633	(633)
AUD	44	(44)	(41)	41
EUR	(0)	0	81	(81)
JPY	1	(1)	11	(11)
GBP	1	(1)	-	-
Others	25	(25)	1	(1)
Bank				
USD	2,214	(2,214)	1,806	(1,806)
SGD	565	(565)	543	(543)
AUD	1	(1)	1	(1)
EUR	(0)	0	2	(2)
JPY	1	(1)	11	(11)
GBP	1	(1)	-	-
Others	25	(25)	1	(1)

44. RISK MANAGEMENT (CONT'D.)**44.4 MARKET RISK MANAGEMENT (CONT'D.)****Market Risk Sensitivity (Cont'd.)****(iii) Equity Price Risk**

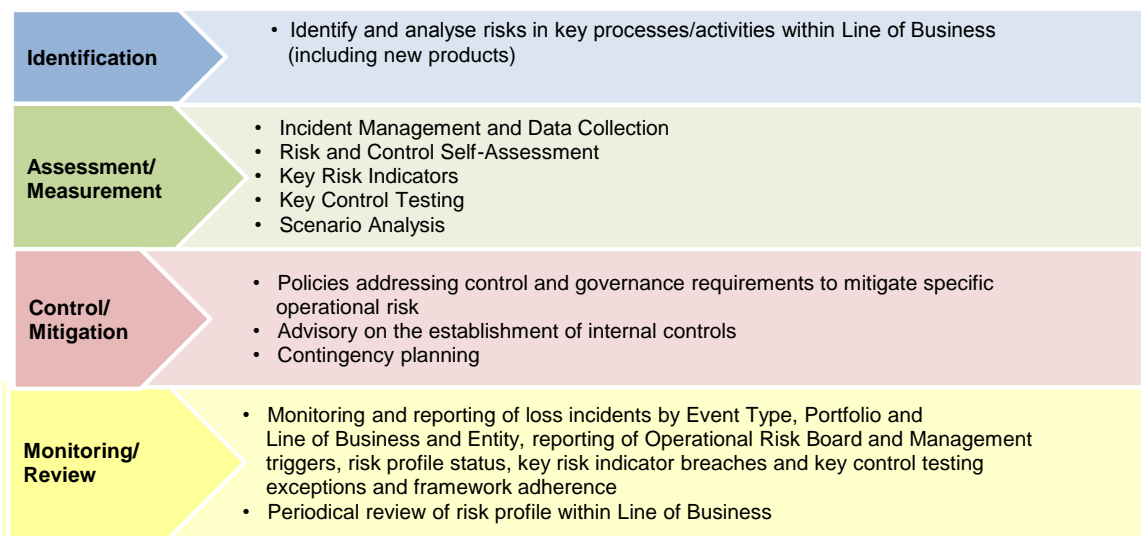
Price risk arises from the adverse movements in the price of equities. Equity price risk is controlled via position size, loss limits and VaR limits.

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

	2019		2018	
	Prices + 10 % (RM'000)	Prices - 10 % (RM'000)	Prices + 10 % (RM'000)	Prices - 10 % (RM'000)
The Group				
Impact on profit before taxation	43	(43)	102	(102)
The Bank				
Impact on profit before taxation	43	(43)	102	(102)

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

44. RISK MANAGEMENT (CONT'D.)

44.5 OPERATIONAL RISK MANAGEMENT (CONT'D.)

Operational Risk Appetite ("ORA") is set as part of overall Group Risk Appetite Framework ("GRAF"), which sets the acceptable tolerance levels of operational risk that the Group is willing to accept, taking into consideration of the relevant financial and non financial risk or return attributes in order to support the achievement of Group's strategic plan and business objectives. The ORA statements and measurements are classified based on operational risk loss event types, which are grouped into five (5) categories as below and monitored via Incident Management and Data Collection, Key Risk Indicator and Key Control Testing.

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

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

- The first line of defence is the responsibility of the management of operational risk to ensure 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 ("FLOD") 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, validation of FLOD effectiveness and capital allocation, Operational Risk Management ("ORM") training and reporting of operational risk issues to GMRC, RMCD and Board.
- Group Internal Audit acts as the third and final line of defence by providing independent assurance on the internal control effectiveness through periodic audit programme.

Group Operational Risk maintains close working relationships with all Business and Functional Lines, 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 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 testings implemented.
- 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, RMCD and Board are the main reporting and escalation committees for operational risk matters including outsourcing risk, information technology (including cyber) risk, shariah risk, legal risk and business continuity management.

44. RISK MANAGEMENT (CONT'D.)

44.5 OPERATIONAL RISK MANAGEMENT (CONT'D.)

Business Continuity Management

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



The Business Continuity Management (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 the Group’s stakeholders by protecting the organisation’s franchise 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 arrangements and effective communication during interruptions.

The Bank is continuously reviewing the level of business operations resiliency 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.

44.6 CYBER RISKS 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.

44.7 LEGAL RISK

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

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

44. RISK MANAGEMENT (CONT'D.)

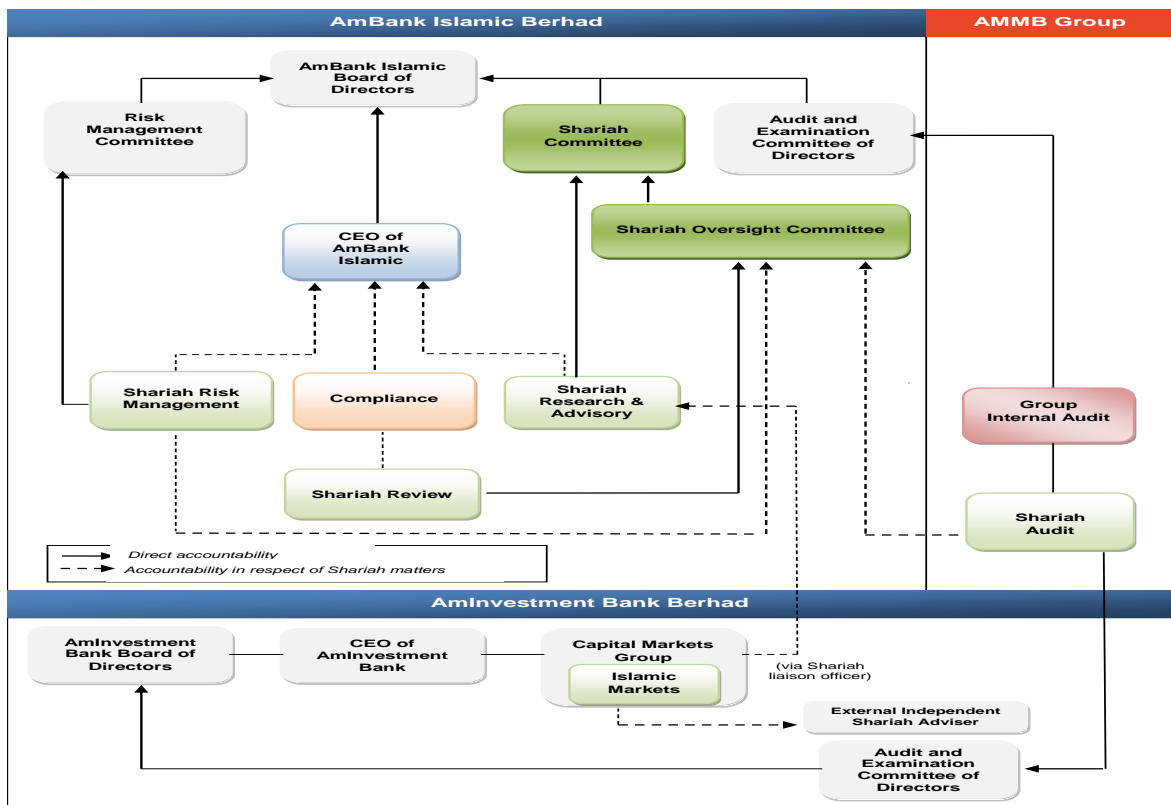
44.8 REGULATORY COMPLIANCE RISK

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

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

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

44.9 SHARIAH GOVERNANCE STRUCTURE



A Shariah governance framework is put in place in the organizational structure of the Group for its Islamic Banking Operation, in accordance with the requirements of BNM's "Shariah Governance Framework for Islamic Financial Institutions". This is to ensure the Islamic operations and business activities of the Group, including the Bank comply with Shariah principles and its requirements as prescribed by the Islamic Financial Services Act, 2013 ("IFSA 2013") and the relevant guidelines issued by Securities Commission Malaysia ("SC").

The Bank adopts a leverage model (with some minor refinements/enhancements during the current financial year) whereby, through its Islamic window i.e. Islamic Markets ("IM"), it leverages on AmBank Islamic Shariah Governance Structure, including the Shariah Committee of AmBank Islamic Berhad. Alternatively, IM may also opt for independent external Shariah advisor(s) as approved by the SC when necessary and will be on ad-hoc basis.

Board of Directors

The Board of the Bank is accountable and responsible for the overall oversight on the Shariah governance and Shariah compliance pursuant to the IFSA 2013. The Board performs its oversight through various committees such as the AEC, RMC and the Shariah Committee.

44. RISK MANAGEMENT (CONT'D.)

44.9 SHARIAH GOVERNANCE STRUCTURE (CONT'D.)

Audit Examination Committee ("AEC")

AEC is a Board committee of the Bank responsible for assisting the Board in ensuring Islamic Banking/Islamic capital markets operations of the Group are Shariah compliant through oversight of the Shariah Audit function performed by AMMB Group Internal Audit Department.

Risk Management Committee ("RMC")

RMC is a Board Committee of the Bank responsible for assisting the Board in ensuring risk management and control process are in place and functioning, including Shariah risk management.

Shariah Committee

The Shariah Committee is responsible and accountable on matters related to Shariah. This includes advising the Board and Management on Shariah matters and endorsing and validating Islamic capital market products and services, Shariah policies and the relevant documentation in relation to the Bank's Islamic finance and Islamic capital markets operations and business activities.

Shariah Liaison Officer, IM

As per the leveraging model, the Bank via IM leverages on AmBank Islamic Shariah Governance Structure, through its appointed Shariah Liaison Officer(s) who shall communicate with the Shariah secretariat at AmBank Islamic ("Shariah Secretariat") which is part of the Shariah Research & Advisory, in escalating Shariah matters/issues to the Shariah Committee, if any. IM is a one-stop centre and point-of-reference for the relevant line of businesses ("LOBs") under the Bank with regards to Islamic capital market products and services.

Shariah Oversight Committee

The Shariah Oversight Committee, which is a sub-committee to the Shariah Committee, performs an oversight function on Islamic capital markets product and services from Shariah perspective. In that regard, the Shariah Oversight Committee is responsible to oversee on Shariah aspects, the functions of Shariah Review, Shariah Risk Management, and Shariah Audit. The Shariah Oversight Committee also provides guidance and advice on matters pertaining to Shariah non-compliant incidences as well as treatment of Shariah non-compliant income (if any).

Management

Management via IM, including the Chief Executive Officer ("CEO") of the Bank, is responsible to make reference to the Shariah Committee or the external independent Shariah advisor and/or the Shariah Oversight Committee on Shariah matters and to take necessary measures for implementation. The Management or the CEO is also responsible in setting the infrastructure and providing the environment and adequate resources to support the Shariah governance structure. This includes putting in place adequate systems and controls in order to ensure compliance with Shariah and to mitigate Shariah non-compliance risk.

Shariah Research & Advisory

Shariah research

IM will be undertaking the Shariah research, which will include study or research of new Islamic capital market product and services, policies and guidelines (where relevant). As per the leveraging model, the findings of the Shariah research will be forwarded to the Shariah Committee (via the Shariah Secretariat) for final Shariah decisions or fatwa.

Alternatively, IM can also undertake the Shariah research with the appointed external independent Shariah adviser(s). Final Shariah decisions or fatwa by the external independent Shariah adviser(s) will then be shared by IM to the Shariah Committee, via the Shariah Secretariat.

44. RISK MANAGEMENT (CONT'D.)

44.9 SHARIAH GOVERNANCE STRUCTURE (CONT'D.)

Shariah Research & Advisory (Cont'd.)

Shariah Advisory

IM provides Shariah advisory which shall be based on the Shariah resolutions (fatwa) issued by the Shariah Advisory Council ("SAC") of BNM and/or SC. As per the leveraging model, IM shall also provide Shariah advisory based on the Shariah decision/pronouncement/resolution issued by the Shariah Committee.

Alternatively, the provision of Shariah advisory by IM can also be based on the decision/pronouncement/resolution issued by the external independent Shariah adviser(s).

Ultimately, all Shariah advice dispensed by IM shall be in line with the Shariah Resolutions (fatwa) issued by the SAC of BNM and SC, at all times.

Shariah Risk Management

IM's Shariah Risk Management role is accountable to the RMC. A designated team namely the Shariah Risk Management team within the AMMB Group Operational Risk is responsible for the management of Shariah risk for the Bank. The Shariah Risk Management is a function to systematically identify, measure, monitor and control the occurrence of Shariah non-compliance risks and to mitigate any possible non-compliant events. Endorsement by the appointed Shariah adviser for all Islamic capital markets products shall provide the assurance that the Islamic capital markets products satisfy the Shariah compliance.

The Shariah Risk Management is executed through the three lines of defence in managing Shariah risk. The three lines of defence are: 1st - Capital Markets Group (via Islamic Markets unit); 2nd – Shariah Risk Management, the Bank's Compliance and the appointed Shariah Adviser (Shariah Committee and/or independent Shariah adviser), where applicable; 3rd – AMMB Group Internal Audit Department.

Shariah Review

The Shariah Review's role which is undertaken by AMMB Group Compliance is to review the activities of Capital Markets Group which covers the function of Islamic Markets and Islamic capital markets product including and not limited to sukuk issuance and Islamic financing syndication process. Endorsement by the appointed Shariah adviser which is part of the requirements by the SC for all Islamic capital markets products serves as assurance that the Islamic capital markets products are Shariah compliant and ready for market distribution.

Shariah Audit

The Shariah Audit function is accountable to the AEC. A designated team within the AMMB Group Internal Audit Department is responsible to conduct independent assessment on the level of Shariah compliance of Islamic capital market products and services operations through the Shariah Audit function. The Shariah audit covers all activities particularly the operational components of AmlInvestment Islamic window that are subjected to the risk of Shariah non-compliance including but not limited to products, operational processes, the technology supporting the operations, the people involved in key areas of risk, documentation and contracts, policies and procedures and other activities that require the adherence to Shariah principles.

Shariah Non-Compliant Income

There had been no Shariah non-compliant incidents and purification of income for the financial year ended 31 March 2019 and year ended 31 March 2018.

45. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair value 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 investments in subsidiaries and other investment 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.

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

Group and Bank

	2019		2018	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial Assets				
Financial investments at amortised cost	135,425	136,814	-	-
Financial investments held-to-maturity	-	-	135,701	133,297

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

45.2 The following table provides the fair value measurement hierarchy of the Group's and the Bank's assets and liabilities:

2019	<----- Group ----->				<----- Bank ----->			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets measured at fair value								
Financial assets at FVTPL								
- Quoted Securities	427	-	-	427	427	-	-	427
Financial investments at FVOCI								
- Unquoted securities	-	-	2,889	2,889	-	-	2,889	2,889
	<u>427</u>	<u>-</u>	<u>2,889</u>	<u>3,316</u>	<u>427</u>	<u>-</u>	<u>2,889</u>	<u>3,316</u>
Assets for which fair values are disclosed								
Financial investments held-to-maturity								
- Money Market Securities	-	60,516	-	60,516	-	60,516	-	60,516
- Unquoted private debt securities	-	76,198	100	76,298	-	76,198	100	76,298
	<u>-</u>	<u>136,714</u>	<u>100</u>	<u>136,814</u>	<u>-</u>	<u>136,714</u>	<u>100</u>	<u>136,814</u>
Liabilities measured at fair value								
Derivative financial liabilities								
	<u>3</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>3</u>
2018								
	<----- Group ----->				<----- Bank ----->			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets measured at fair value								
Financial assets held-for-trading								
- Quoted Securities	1,020	-	-	1,020	1,020	-	-	1,020
	<u>1,020</u>	<u>-</u>	<u>-</u>	<u>1,020</u>	<u>1,020</u>	<u>-</u>	<u>-</u>	<u>1,020</u>
Assets for which fair values are disclosed								
Financial investments held-to-maturity								
- Money Market Securities	-	60,553	-	60,553	-	60,553	-	60,553
- Unquoted private debt securities	-	72,644	100	72,744	-	72,644	100	72,744
	<u>-</u>	<u>133,197</u>	<u>100</u>	<u>133,297</u>	<u>-</u>	<u>133,197</u>	<u>100</u>	<u>133,297</u>
Liabilities measured at fair value								
Derivative financial liabilities								
	<u>9</u>	<u>-</u>	<u>-</u>	<u>9</u>	<u>9</u>	<u>-</u>	<u>-</u>	<u>9</u>

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

45.3 Determination of fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

(a) Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity, loans and advances, demand deposits and savings accounts without a specific maturity, the carrying amounts approximate their fair value. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was initially recognised.

(b) Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were initially recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

(c) Contingent liabilities and undrawn credit facilities

The fair value of contingent liabilities and undrawn credit facilities are not readily ascertainable. These financial instruments are presently not sold or traded. They generate fees that are in line with market prices for similar arrangements. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs and potential loss that may arise should these commitments crystallise. The Group and Bank assess that their respective fair values are unlikely to be significant given that the overall level of fees involved is not significant and no provision is necessary to be made.

(d) Financial investments available-for-sale

Financial investments available-for-sale are valued using valuation techniques or pricing models primarily consist of unquoted equities and debt securities.

(e) Other trading assets

Other trading assets valued using a valuation technique consists of certain debt securities and asset-backed securities. The Group and Bank value the securities using discounted cash flow valuation models which incorporate observable and unobservable data. Observable inputs include assumptions regarding current rates of interest and broker statements. Unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as described in Note 2.5(k).

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the AMMB Group's own models whereby the majority of assumptions are market observable.

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)**45.3 Determination of fair value (Cont'd.)**

Non-market observable inputs means that fair values are determined, in whole or in part, using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data. The main asset classes in this category are unlisted equity investments and debt instruments. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group or the Bank. Therefore, unobservable inputs reflect the Group's and the Bank's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's and the Bank's own data.

45.4 Movements In Level 3 financial instruments measured at fair value

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

	Equity instruments at FVOCI	
	2019 RM'000	2018 RM'000
Group and Bank		
Balance at the beginning of financial year		
- as previously stated	-	-
- effects of adoption of MFRS 9 (Note 48)	2,889	-
Balance at beginning of the financial year, as restated	<u>2,889</u>	-
Exchange fluctuation taken up in statement of other comprehensive income	-	-
Balance at end of the financial year	<u>2,889</u>	-

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

46. BUSINESS SEGMENT ANALYSIS

Segment information is presented in respect of the Group's business segments. The business segment information is prepared based on internal management reports, which are regularly reviewed by the Chief Operating Decision-Maker in order to allocate resources to segment and to assess its performance. The division forms the basis on which the Group reports its segment information.

1. The Group comprises the following main business segments:

(a) Investment banking

The Investment banking division of the Group, offers a full range of investment banking solutions and services, encompassing the following business segments:

- i. Equity Markets – provides clients an investment avenue to participate in the equity markets through its multiple distribution channels, including remisiers, Bank Branch Broking, salaried dealers, and the internet trading platform, offering clients the flexibility to trade equities, futures and equity derivatives both online and offline;
- ii. Fund Management – comprises the asset and fund management services, offering a variety of investment solutions for various assets classes to retail, corporate and institutional clients;
- iii. Private Banking – manages the private wealth of high net worth individuals, family groups and companies by offering comprehensive wealth management solutions and integrated access to expertise and resources of AMMB Group;
- iv. Corporate finance – provides an extensive range of corporate finance and advisory services which include mergers and acquisitions, divestitures, take-overs, initial public offerings, restructuring, privatisations, issuance of equity and equity-linked instruments as well as valuation support;
- v. Capital markets – provides debt financing solutions to clients through a wide array of products which include conventional and Islamic Private Debt Securities, loan syndication, capital and project advisory as well as structured finance and securitization deals;
- vi. Others – other Investment Banking supporting function within the Group.

(b) 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.

2. Measurements of Segment Performance

The segment performance is measured on income, expenses and profit basis. These are shown after allocation of certain centralised cost, funding income and expenses 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.

3. Operating Revenue

Operating revenue of the Group comprises all type of revenue derived from the business segments but after elimination of all related companies transactions.

4. Major customers

No revenue from one single customer amounted to greater than 10% of the Group's revenue for the current and previous financial years.

Note:

- (i) 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.
- (ii) The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia.
- (iii) During the current financial year, pursuant to internal restructuring, certain operations under Equity Markets and Others under Investment Banking business segment were reclassified to Group Funding and Others business segment. Accordingly, the comparatives have been restated to conform with the current year's presentation.

46. BUSINESS SEGMENT ANALYSIS (CONT'D.)

2019 Group	Equity Markets RM'000	Fund Management RM'000	Private Banking RM'000	Corporate Finance RM'000	Capital Markets RM'000	Others RM'000	Group Funding and Others RM'000	Total RM'000
External revenue	58,100	100,785	23,136	16,835	14,402	-	23,739	236,997
Revenue from other segments	67	-	(1,499)	(65)	(678)	16	2,159	-
Revenue	58,167	100,785	21,637	16,770	13,724	16	25,898	236,997
Net interest income/(expense)	20,172	1,038	320	(64)	(678)	15	1,625	22,428
Other operating income (net of direct costs)	37,732	99,486	21,317	16,834	14,402	1	4,410	194,182
Total income	57,904	100,524	21,637	16,770	13,724	16	6,035	216,610
Other operating expenses	(50,476)	(64,167)	(18,098)	(13,025)	(9,818)	(4,930)	(12,878)	(173,392)
of which:								
<i>Depreciation of property and equipment</i>	(608)	(331)	(162)	(53)	(42)	(9)	(1,103)	(2,308)
<i>Amortisation of intangible assets</i>	(537)	(220)	(133)	(4)	(11)	-	(122)	(1,027)
Profit/(loss) before impairment losses	7,428	36,357	3,539	3,745	3,906	(4,914)	(6,843)	43,218
Writeback of impairment on loan and advances	396	-	-	-	-	-	2	398
Writeback of/(allowance for) impairment losses on other assets	73	(141)	-	(83)	-	-	26	(125)
Allowance for provision for commitments and contingencies	-	-	-	-	-	-	(500)	(500)
Other recoveries	-	-	-	-	-	10	-	10
Profit/(loss) before taxation	7,897	36,216	3,539	3,662	3,906	(4,904)	(7,315)	43,001
Taxation	(1,896)	(6,670)	(849)	(879)	(937)	1,177	1,985	(8,069)
Profit/(loss) for the financial year	6,001	29,546	2,690	2,783	2,969	(3,727)	(5,330)	34,932
Other information:								
Total segment assets	784,471	95,328	39,783	5,583	2,801	65	441,567	1,369,598
Total segment liabilities	447,949	22,614	3,764	1,418	2,512	509	319,494	798,260
Cost to income ratio	87.2%	63.8%	83.6%	77.7%	71.5%	>100%	>100%	80.0%
Gross loans and advances	266,314	-	35,161	-	-	-	915	302,390
Net loans and advances	264,643	-	35,161	-	-	-	911	300,715
Impaired loans and advances	1,671	-	-	-	-	-	-	1,671
Total deposits and placements	-	-	-	-	-	-	300,000	300,000
Additions to:								
Property and equipment	268	45	11	26	-	116	158	624
Intangible assets	399	81	-	3	-	16	13	512

46. BUSINESS SEGMENT ANALYSIS (CONT'D.)

2018 (Restated) Group	Equity Markets RM'000	Fund Management RM'000	Private Banking RM'000	Corporate Finance RM'000	Capital Markets RM'000	Others RM'000	Group Funding and Others RM'000	Total RM'000
External revenue	67,504	113,309	33,720	16,202	37,786	-	206,620	475,141
Revenue from other segments	505	-	(1,489)	(12)	(178)	18	1,156	-
Revenue	68,009	113,309	32,231	16,190	37,608	18	207,776	475,141
Net interest income/(expense)	20,737	1,057	447	(12)	(178)	18	(252)	21,817
Other operating income (net of direct costs)	46,924	111,890	31,784	16,202	37,786	-	186,016	430,602
Total income	67,661	112,947	32,231	16,190	37,608	18	185,764	452,419
Other operating expenses	(54,220)	(71,282)	(18,095)	(16,194)	(15,568)	(4,164)	(25,161)	(204,684)
of which:								
<i>Depreciation of property and equipment</i>	(779)	(389)	(228)	(61)	(41)	(24)	(1,197)	(2,719)
<i>Amortisation of intangible assets</i>	(623)	(1,308)	(113)	(3)	(9)	(3)	(107)	(2,166)
Profit/(loss) before impairment losses	13,441	41,665	14,136	(4)	22,040	(4,146)	160,603	247,735
(Allowance for)/writeback of impairment on loan and advances	(223)	-	72	-	-	-	(2)	(153)
(Allowance for)/writeback of impairment losses on other assets	(425)	(24)	-	91	-	-	815	457
(Allowance for)/writeback of provision for commitments and contingencies	(21)	-	13	-	-	(2,400)	(598)	(3,006)
Profit/(loss) before taxation	12,772	41,641	14,221	87	22,040	(6,546)	160,818	245,033
Taxation	(3,079)	(8,785)	(3,413)	(21)	(5,290)	1,571	(8,486)	(27,503)
Profit/(loss) for the financial year	9,693	32,856	10,808	66	16,750	(4,975)	152,332	217,530
Other information:								
Total segment assets	903,720	105,326	40,789	4,657	7,472	51	957,360	2,019,375
Total segment liabilities	596,786	21,614	5,146	2,007	3,681	599	629,564	1,259,397
Cost to income ratio	80.1%	63.1%	56.1%	>100%	41.4%	>100%	13.5%	45.2%
Gross loans and advances	242,880	-	37,695	-	-	-	1,520	282,095
Net loans and advances	240,013	-	37,639	-	-	2	1,420	279,074
Impaired loans and advances	2,067	-	-	-	-	-	-	2,067
Total deposits and placements	-	-	-	-	-	-	600,000	600,000
Additions to:								
Property and equipment	237	243	21	100	-	180	225	1,006
Intangible assets	320	156	106	-	-	25	31	638

47. OFFSETTING OF FINANCIAL ASSET AND FINANCIAL LIABILITIES

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

Group	Gross amount of recognised financial assets/liabilities RM'000	Gross amount offset in the statements of financial position RM'000	Amount 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	
31 March 2019						
Other assets	582,757	(25,642)	557,115	(43,209)	(9,799)	504,107
Other liabilities	523,899	(25,642)	498,257	-	-	498,257
31 March 2018						
Other assets	694,693	(19,057)	675,636	(36,472)	(5,938)	633,226
Other liabilities	678,445	(19,057)	659,388	-	-	659,388
Bank						
31 March 2019						
Other assets	554,819	(25,642)	529,177	(43,209)	(9,799)	476,169
Other liabilities	506,581	(25,642)	480,939	-	-	480,939
31 March 2018						
Other assets	674,163	(19,057)	655,106	(36,472)	(5,938)	612,696
Other liabilities	662,248	(19,057)	643,191	-	-	643,191

48. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS**a) Adoption of new standards and amendments to published standards****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 the 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 RM'000	Remeasurements RM'000	Under MFRS 9 RM'000
Financial assets					
Cash and short-term funds	Amortised cost (Loans and receivables)	Amortised cost	858,503	(7)	858,496
Financial assets held-for-trading	FVTPL (HFT)	FVTPL	1,020	-	1,020
Financial investments available-for-sale	FVOCI (AFS)	FVOCI (Equity)	1,457	1,432	2,889
Financial investments held-to-maturity	Amortised Cost (HTM)	Amortised cost	135,701	-	135,701
Loans and advances	Amortised cost (Loans and receivables)	Amortised cost	279,074	948	280,022
Other assets	Amortised cost (Loans and receivables)	Amortised cost	675,636	(3)	675,633
Bank					
Financial assets					
Cash and short-term funds	Amortised cost (Loans and receivables)	Amortised cost	752,000	(7)	751,993
Financial assets held-for-trading	FVTPL (HFT)	FVTPL	1,020	-	1,020
Financial investments available-for-sale	FVOCI (AFS)	FVOCI (Equity)	1,457	1,432	2,889
Financial investments held-to-maturity	Amortised Cost (HTM)	Amortised cost	135,701	-	135,701
Loans and advances	Amortised cost (Loans and receivables)	Amortised cost	279,074	948	280,022
Other assets	Amortised cost (Loans and receivables)	Amortised cost	655,106	(3)	655,103

48. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS (CONT'D.)**a) Adoption of new standards and amendments to published standards (Cont'd.)****MFRS 9 Financial Instruments (Cont'd.)**

ii. Reconciliation of financial instruments from MFRS 139 to MFRS 9

	Group RM'000	Bank RM'000
Cash and short-term funds		
Closing balance under MFRS 139 as at 31 March 2018	858,503	752,000
Allowance for ECL (Note 6)	(7)	(7)
Opening balance under MFRS 9 as at 1 April 2018	<u>858,496</u>	<u>751,993</u>
Financial assets at FVTPL		
Closing balance under MFRS 139 as at 31 March 2018	-	-
Reclassification from Financial investments held-for-trading	1,020	1,020
Opening balance under MFRS 9 as at 1 April 2018	<u>1,020</u>	<u>1,020</u>
Financial assets held-for-trading		
Closing balance under MFRS 139 as at 31 March 2018	1,020	1,020
Reclassification to Financial assets at FVTPL	(1,020)	(1,020)
Opening balance under MFRS 9 as at 1 April 2018	<u>-</u>	<u>-</u>
Financial assets at FVOCI (equity)		
Closing balance under MFRS 139 as at 31 March 2018	-	-
Reclassification from financial investments available-for-sale	1,457	1,457
Remeasurement from amortised cost to FV	1,432	1,432
Opening balance under MFRS 9 as at 1 April 2018	<u>2,889</u>	<u>2,889</u>
Financial assets available-for-sale		
Closing balance under MFRS 139 as at 31 March 2018	1,457	1,457
Reclassification to financial investments at FVOCI (equity)	(1,457)	(1,457)
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	135,701	135,701
Opening balance under MFRS 9 as at 1 April 2018	<u>135,701</u>	<u>135,701</u>
Financial investments held-to-maturity		
Closing balance under MFRS 139 as at 31 March 2018	135,701	135,701
Reclassification to Financial Investments at amortised cost	(135,701)	(135,701)
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	279,074	279,074
Writeback of allowance under MFRS 139 (Note 14(i))	954	954
Allowance for ECL (Note 14(i))	(6)	(6)
Opening balance under MFRS 9 as at 1 April 2018	<u>280,022</u>	<u>280,022</u>

48. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS (CONT'D.)**a) Adoption of new standards and amendments to published standards (Cont'd.)****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	6,357	3,919
Tax impact on FVOCI reserve	(343)	(343)
Tax impact on provision for commitment and contingencies under MFRS 139	(139)	(139)
Opening balance under MFRS 9 as at 1 April 2018	<u>5,875</u>	<u>3,437</u>
Other assets		
Closing balance under MFRS 139 as at 31 March 2018	675,636	655,106
Tax impact on provision for commitment and contingencies under MFRS 139	139	139
Tax impact on reversal of impairment	(364)	(364)
Allowance for ECL (Note 18)	(3)	(3)
Opening balance under MFRS 9 as at 1 April 2018	<u>675,408</u>	<u>654,878</u>
Other liabilities		
Closing balance under MFRS 139 as at 31 March 2018	659,388	643,191
Writeback of provision for commitment and contingencies under MFRS 139 (Note 22)	(578)	(578)
Opening balance under MFRS 9 as at 1 April 2018	<u>658,810</u>	<u>642,613</u>

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	470,006	474,802
Recognition of allowance for ECL	1,516	1,516
Tax impact on allowance for ECL	(364)	(364)
Transfer to regulatory reserve	(1,985)	(1,985)
Opening balance under MFRS 9 as at 1 April 2018	<u>469,173</u>	<u>473,969</u>
Regulatory reserve		
Closing balance under MFRS 139 as at 31 March 2018	2,918	2,918
Transfer from retained earnings	1,985	1,985
Opening balance under MFRS 9 as at 1 April 2018	<u>4,903</u>	<u>4,903</u>
Fair value reserve		
Closing balance under MFRS 139 as at 31 March 2018	-	-
Fair value changes on financial investments at FVOCI	1,432	1,432
Tax impact on fair value changes	(343)	(343)
Opening balance under MFRS 9 as at 1 April 2018	<u>1,089</u>	<u>1,089</u>

48. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS (CONT'D.)**a) Adoption of new standards and amendments to published standards (Cont'd.)****MFRS 9 Financial Instruments (Cont'd.)**

iv. Reconciliation of impairment allowances balance

The following table reconciles the prior period'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 and Bank			
Loans and receivables under MFRS 139/Financial assets at amortised cost under MFRS 9			
Cash and short-term funds	-	7	7
Loans and advances	954	(948)	6
Other assets	-	3	3
Total	954	(938)	16
Loan commitments			
Loan commitments	578	(578)	-

b) The adoption of MFRS 9 resulted in the following financial effects to the financial statements of the Group and of the Bank:

i) Reconciliation of statement of financial position

Group	31 March 2018 RM'000	Reclassification and remeasurement RM'000	Impairment RM'000	1 April 2018 RM'000
ASSETS				
Cash and short-term funds	858,503	-	(7)	858,496
Financial assets held-for-trading	1,020	(1,020)	-	-
Financial assets at fair value through profit or loss	-	1,020	-	1,020
Financial investments available-for-sale Financial investments at fair value	1,457	(1,457)	-	-
through other comprehensive income	-	2,889	-	2,889
Financial investments held-to-maturity	135,701	(135,701)	-	-
Financial investments at amortised cost	-	135,701	-	135,701
Loans and advances	279,074	-	948	280,022
Statutory deposit with Bank				
Negara Malaysia	3,003	-	-	3,003
Deferred tax assets	6,357	(343)	(139)	5,875
Other assets	675,636	-	(228)	675,408
Property and equipment	19,540	-	-	19,540
Intangible assets	39,084	-	-	39,084
TOTAL ASSETS	2,019,375	1,089	574	2,021,038
LIABILITIES AND EQUITY				
Deposits and placements of banks and other financial institutions	600,000	-	-	600,000
Derivative financial liabilities	9	-	-	9
Other liabilities	659,388	-	(578)	658,810
TOTAL LIABILITIES	1,259,397	-	(578)	1,258,819

48. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS (CONT'D.)

b) The adoption of MFRS 9 resulted in the following financial effects to the financial statements of the Group and of the Bank (Cont'd.) :

i) Reconciliation of statement of financial position (Cont'd.)

Group	31 March 2018 RM'000	Reclassification and remeasurement RM'000	Impairment RM'000	1 April 2018 RM'000
Share capital	200,000	-	-	200,000
Reserves	559,978	1,089	1,152	562,219
<i>Retained earnings</i>	470,006	-	(833)	469,173
<i>Capital reserve</i>	2,815	-	-	2,815
<i>Regulatory reserve</i>	2,918	-	1,985	4,903
<i>Merger reserve</i>	82,115	-	-	82,115
<i>Fair value reserve</i>	-	1,089	-	1,089
<i>Foreign currency translation reserve</i>	2,124	-	-	2,124
Equity attributable to equity holder of the Bank	759,978	1,089	1,152	762,219
TOTAL EQUITY	759,978	1,089	1,152	762,219
TOTAL LIABILITIES AND EQUITY	2,019,375	1,089	574	2,021,038
NET ASSETS PER SHARE (RM)	3.80			3.81
Bank				
ASSETS				
Cash and short-term funds	752,000	-	(7)	751,993
Financial assets held-for-trading	1,020	(1,020)	-	-
Financial assets at fair value through profit or loss	-	1,020	-	1,020
Financial investments available-for-sale	1,457	(1,457)	-	-
Financial investments at fair value through other comprehensive income	-	2,889	-	2,889
Financial investments held-to-maturity	135,701	(135,701)	-	-
Financial investments at amortised cost	-	135,701	-	135,701
Loans and advances	279,074	-	948	280,022
Statutory deposit with Bank				
Negara Malaysia	3,003	-	-	3,003
Deferred tax assets	3,919	(343)	(139)	3,437
Investments in subsidiaries	68,927	-	-	68,927
Other assets	655,106	-	(228)	654,878
Property and equipment	18,576	-	-	18,576
Intangible assets	2,137	-	-	2,137
TOTAL ASSETS	1,920,920	1,089	574	1,922,583
LIABILITIES AND EQUITY				
Deposits and placements of banks and other financial institutions	600,000	-	-	600,000
Derivative financial liabilities	9	-	-	9
Other liabilities	643,191	-	(578)	642,613
TOTAL LIABILITIES	1,243,200	-	(578)	1,242,622
Share capital	200,000	-	-	200,000
Reserves	477,720	1,089	1,152	479,961
<i>Retained earnings</i>	474,802	-	(833)	473,969
<i>Regulatory reserve</i>	2,918	-	1,985	4,903
<i>Fair value reserve</i>	-	1,089	-	1,089
Equity attributable to equity holder of the Bank	677,720	1,089	1,152	679,961
TOTAL EQUITY	677,720	1,089	1,152	679,961
TOTAL LIABILITIES AND EQUITY	1,920,920	1,089	574	1,922,583
NET ASSETS PER SHARE (RM)	3.39			3.40

48. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS (CONT'D.)**b) The adoption of MFRS 9 resulted in the following financial effects to the financial statements of the Group and of the Bank (Cont'd.) :**

ii) Impact on the capital ratios

	31 March 2018	Effects of adoption of MFRS 9	1 April 2018
Group			
CET 1 Capital (RM'000)	711,453	140	711,593
Tier 1 Capital (RM'000)	711,453	140	711,593
Total Capital (RM'000)	715,324	1,187	716,511
Risk weighted assets (RM'000)	1,564,818	2,149	1,566,967
Before deducting proposed dividends:			
CET 1 Capital Ratio	45.466%	-0.053%	45.412%
Tier 1 Capital Ratio	45.466%	-0.053%	45.412%
Total Capital Ratio	45.713%	0.013%	45.726%
After deducting proposed dividends:			
CET 1 Capital Ratio	32.349%	-0.035%	32.313%
Tier 1 Capital Ratio	32.349%	-0.035%	32.313%
Total Capital Ratio	32.596%	0.031%	32.627%
Bank			
CET 1 Capital (RM'000)	618,771	140	618,911
Tier 1 Capital (RM'000)	618,771	140	618,911
Total Capital (RM'000)	622,642	1,187	623,829
Risk weighted assets (RM'000)	1,502,093	2,149	1,504,242
Before deducting proposed dividends:			
CET 1 Capital Ratio	41.194%	-0.050%	41.144%
Tier 1 Capital Ratio	41.194%	-0.050%	41.144%
Total Capital Ratio	41.452%	0.020%	41.471%
After deducting proposed dividends:			
CET 1 Capital Ratio	27.529%	-0.030%	27.499%
Tier 1 Capital Ratio	27.529%	-0.030%	27.499%
Total Capital Ratio	27.787%	0.039%	27.826%

49. ISLAMIC BANKING BUSINESS**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

		Group and Bank	
	Note	2019	2018
		RM'000	RM'000
ASSETS			
Cash and short-term funds	(ii)	61,882	339,499
Other receivables, deposits and prepayments		36,238	6,621
Deferred tax assets	(iii)	240	306
Property and equipment	(iv)	4	6
TOTAL ASSETS		<u>98,364</u>	<u>346,432</u>
LIABILITIES AND ISLAMIC BANKING FUNDS			
Other liabilities	(vi)	6,273	116,682
TOTAL LIABILITIES		<u>6,273</u>	<u>116,682</u>
ISLAMIC BANKING FUNDS			
Capital funds	(vii)	30,000	30,000
Reserves		62,091	199,750
Islamic Banking Funds		<u>92,091</u>	<u>229,750</u>
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		<u>98,364</u>	<u>346,432</u>

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

49. ISLAMIC BANKING BUSINESS (CONT'D.)**STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

	Note	Group and Bank	
		2019	2018
		RM'000	RM'000
Income derived from investment of depositors' funds and others	(viii)	3,037	3,053
Total attributable income		<u>3,037</u>	<u>3,053</u>
Income attributable to the depositors	(ix)	(956)	(968)
Profit attributable to the Group and the Bank		<u>2,081</u>	<u>2,085</u>
Income derived from investment of Islamic banking funds	(x)	15,640	33,407
Direct costs	(xi)	(100)	(171)
Total net income		<u>17,621</u>	<u>35,321</u>
Other operating expenses	(xii)	(1,257)	(1,925)
Profit before taxation		<u>16,364</u>	<u>33,396</u>
Taxation	(xiii)	(4,023)	(8,008)
Profit after taxation		<u><u>12,341</u></u>	<u><u>25,388</u></u>

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

49. ISLAMIC BANKING BUSINESS (CONT'D.)**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

	<u>Non-distributable</u>	<u>Distributable</u>	
	Capital Funds RM'000	Retained Earnings RM'000	Total RM'000
Group and Bank			
At 1 April 2017	30,000	174,362	204,362
Profit for the financial year	-	25,388	25,388
At 31 March 2018	<u>30,000</u>	<u>199,750</u>	<u>229,750</u>
At 1 April 2018	30,000	199,750	229,750
Profit for the financial year	-	12,341	12,341
Amount retained by conventional operations	-	(150,000)	(150,000)
At 31 March 2019	<u>30,000</u>	<u>62,091</u>	<u>92,091</u>

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

49. ISLAMIC BANKING BUSINESS (CONT'D.)**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

		Group and Bank	
		2019	2018
	Note	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		16,364	33,396
Add adjustment for:			
Depreciation of property and equipment	(iv)	<u>2</u>	<u>6</u>
Operating profit before working capital changes		16,366	33,402
Increase in operating assets:			
Other receivables, deposits and prepayments		(29,617)	(485)
(Decrease)/increase in operating liabilities:			
Other liabilities		<u>(114,366)</u>	<u>4,995</u>
Net cash (used in)/generated from operating activities		<u>(127,617)</u>	<u>37,912</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Funds transferred to conventional operations		<u>(150,000)</u>	-
Net cash used in financing activities		<u>(150,000)</u>	-
Net (decrease)/increase in cash and cash equivalents		(277,617)	37,912
Cash and cash equivalents at beginning of the financial year		<u>339,499</u>	<u>301,587</u>
Cash and cash equivalents at end of the financial year	(ii)	<u>61,882</u>	<u>339,499</u>

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

49. ISLAMIC BANKING BUSINESS (CONT'D.)**NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS****(i) ISLAMIC BANKING BUSINESS**Disclosure of Shariah Advisors

The Group's and Bank's Islamic banking activities are subject to conformity with Shariah requirements and confirmation by the Shariah Advisors, Assoc. Prof. Dr Amir Husin bin Mohd Nor, Assoc. Prof. Datin Dr. Noor Naemah binti Abdul Rahman, Dr. Adnan bin Yusoff, Asst. Professor Dr. Tajul Aris bin Ahmad Bustami and Dr. Asmak binti Ab Rahman. The roles and authorities of the Shariah Advisors are as follows:

- (a) Advise and provide guidance on all matters pertaining to Shariah principles including product development, marketing and implementation activities.
- (b) Assist in the setting up of business and operational procedures with respect to compliance with Shariah principles.

Zakat obligations

The Group and Bank do not pay zakat on behalf of the shareholders or depositors.

(ii) CASH AND SHORT-TERM FUNDS

	Group and Bank	
	2019	2018
	RM'000	RM'000
Cash and bank balances	11,282	298,849
Deposit placement maturing within one month:		
Licensed banks	50,600	40,650
	<u>61,882</u>	<u>339,499</u>

(iii) DEFERRED TAX ASSETS

	Group and Bank	
	2019	2018
	RM'000	RM'000
Balance at beginning of financial year	306	333
Recognised in statements of profit or loss (Note xiii)	(66)	(27)
Balance at end of the financial year	<u>240</u>	<u>306</u>

The deferred taxation asset/(liability) is in respect of the following:

Temporary difference between depreciation and tax allowance	(1)	(2)
Temporary differences from provisions	241	308
	<u>240</u>	<u>306</u>

49. ISLAMIC BANKING BUSINESS (CONT'D.)**(iv) PROPERTY AND EQUIPMENT**

Group and Bank	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
2019				
COST				
At beginning and end of the financial year	88	44	81	213
ACCUMULATED DEPRECIATION				
At beginning of the financial year	88	39	80	207
Depreciation charge for financial year	-	2	-	2
At end of the financial year	88	41	80	209
NET BOOK VALUE				
At end of the financial year	-	3	1	4
2018				
COST				
At beginning of the financial year	88	54	81	223
Reclassification/transfer	-	(10)	-	(10)
At end of the financial year	88	44	81	213
ACCUMULATED DEPRECIATION				
At beginning of the financial year	88	47	76	211
Depreciation charge for financial year	-	2	4	6
Reclassification/transfer	-	(10)	-	(10)
At end of the financial year	88	39	80	207
NET BOOK VALUE				
At end of the financial year	-	5	1	6

49. ISLAMIC BANKING BUSINESS (CONT'D.)**(v) INTANGIBLE ASSETS**

Computer Software	Group and Bank	
	2019	2018
	RM'000	RM'000
COST		
Balance at beginning of the financial year	16	19
Reclassification	-	(3)
Balance at end of the financial year	<u>16</u>	<u>16</u>
ACCUMULATED AMORTISATION		
Balance at beginning of the financial year	16	19
Reclassification	-	(3)
Balance at end of financial year	<u>16</u>	<u>16</u>
NET CARRYING AMOUNT	<u>-</u>	<u>-</u>

(vi) OTHER LIABILITIES

	Group and Bank	
	2019	2018
	RM'000	RM'000
Trade payables	1,150	17
Other payables and accruals	1,166	994
Amount due to head office	-	107,680
Taxation	3,957	7,991
	<u>6,273</u>	<u>116,682</u>

Amount due to head office in prior year was unsecured, non-profit bearing and repayable on demand.

(vii) CAPITAL FUNDS

	Group and Bank	
	2019	2018
	RM'000	RM'000
Allocated:		
Balance at beginning and end of the financial year	<u>30,000</u>	<u>30,000</u>
Utilised:		
Balance at beginning and end of the financial year	<u>30,000</u>	<u>30,000</u>

49. ISLAMIC BANKING BUSINESS (CONT'D.)**(viii) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS**

	Group and Bank	
	2019	2018
	RM'000	RM'000
Income derived from investment of other deposits	<u>3,037</u>	<u>3,053</u>

Income derived from investment of other deposits is derived from finance income and hibah from deposits with banks and other financial institutions.

(ix) INCOME ATTRIBUTABLE TO THE DEPOSITORS

	Group and Bank	
	2019	2018
	RM'000	RM'000
Other deposit and placement from Head Office	<u>956</u>	<u>968</u>

(x) INCOME DERIVED FROM INVESTMENT OF ISLAMIC BANKING FUNDS

	Group and Bank	
	2019	2018
	RM'000	RM'000
Finance income and hibah:		
Deposits with a bank	<u>5,944</u>	<u>6,012</u>
Fee and commission income:		
Brokerage fees and commissions	511	1,087
Corporate advisory	1,000	1,083
Fees on financing and securities	<u>8,196</u>	<u>25,225</u>
	<u>9,707</u>	<u>27,395</u>
Other operating income	(11)	-
Total	<u>15,640</u>	<u>33,407</u>

(xi) DIRECT COSTS

	Group and Bank	
	2019	2018
	RM'000	RM'000
Brokerage commission	78	26
Others	22	145
	<u>100</u>	<u>171</u>

49. ISLAMIC BANKING BUSINESS (CONT'D.)**(xii) OTHER OPERATING EXPENSES**

	Group and Bank	
	2019	2018
	RM'000	RM'000
Personnel costs	869	1,460
Establishment costs	5	65
Marketing and communication expenses	18	39
Administration and general expenses	227	209
Service transfer pricing expenses	138	152
	<u>1,257</u>	<u>1,925</u>

(xiii) TAXATION

	Group and Bank	
	2019	2018
	RM'000	RM'000
Income tax expense	3,931	7,991
Under/(Over) provision of tax expense in prior financial year	26	(10)
Deferred taxation	66	27
	<u>4,023</u>	<u>8,008</u>

(xiv) NET INCOME FROM ISLAMIC BANKING BUSINESS

For consolidation with the conventional operations, income from Islamic banking business comprises the following items:

	Group and Bank	
	2019	2018
	RM'000	RM'000
Income derived from investment of depositors' funds	3,037	3,053
Less: Income attributable to depositors	(956)	(968)
Income attributable to the Group and the Bank	<u>2,081</u>	<u>2,085</u>
Net income derived from Islamic banking funds	<u>15,540</u>	<u>33,236</u>
	<u>17,621</u>	<u>35,321</u>

49. ISLAMIC BANKING BUSINESS (CONT'D.)**(xv) CAPITAL ADEQUACY RATIO**

(a) The capital adequacy ratios of the Islamic banking business of the Group and the Bank are as follows:

	Group and Bank	
	2019	2018
CET1 Capital Ratio	97.460%	179.983%
T1 Capital Ratio	97.460%	179.983%
Total Capital Ratio	97.460%	179.983%

The capital adequacy ratios are computed in accordance to BNM's guidelines on Capital Adequacy Framework for Islamic Banks (Capital Components) issued by Bank Negara Malaysia on 2 February 2018, which is based on the Basel III Capital Accord. The Group and the Bank has 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 for Islamic Banks (Risk-Weighted Assets) issued on 2 February 2018.

Pursuant to the BNM's guidelines on Capital Adequacy Framework for Islamic Banks (Capital Components) issued, a financial institution is required to hold and maintain, at all times, minimum capital adequacy ratios at 4.5% for CET1 Capital, 6.0% for Tier 1 Capital and 8.0% for Total Capital ratio. In addition, a financial institution is also required to hold and maintain capital buffers in the form of CET1 Capital above the minimum CET1 Capital, Tier 1 Capital and Total Capital adequacy levels. 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 banking institution has credit exposures.

The CCB requirements phased-in under transitional arrangements for calendar year 2018 is 1.875% and for calendar year 2019 onwards is 2.5%.

BNM will communicate any decision on the CCyB rate by up to 12 months before the date from which the rate applies for exposures in Malaysia.

- (b) The components of Tier 1 and Tier 2 and Total Capital of the Islamic banking business of the Group and the Bank are as follows:

Group and Bank	2019	2018
	RM'000	RM'000
<u>CET1 Capital</u>		
Capital funds	30,000	30,000
Retained earnings	62,091	199,750
Less : Regulatory adjustments applied on CET1 Capital		
Deferred tax assets	(240)	(306)
CET1 Capital/ Tier 1 Capital/Total Capital	<u>91,851</u>	<u>229,444</u>

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

	Group and Bank	
	2019	2018
	RM'000	RM'000
Credit risk	48,600	74,510
Operational risk	45,645	52,971
Total risk-weighted assets	<u>94,245</u>	<u>127,481</u>