Building a better working world

AmBank (M) Berhad
(8515-D)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 March 2016

Company No. 8515-D

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

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AMBANK (M) BERHAD
(Incorporated in Malaysia)
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DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited financial statements of AmBank (M) Berhad ("the Bank") and its subsidiaries ("the Group") for the financial year ended 31 March 2016.

PRINCIPAL ACTIVITIES

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

The principal activities of its subsidiaries are disclosed in Note 16 to the financial statements.

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

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit for the financial year	820,395	838,952
Attributable to:		
Equity holder of the Bank	820,394	838,952
Non-controlling interests	1	-
	820,395	838,952

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

In the opinion of the Directors, the results of the operations of the Group and of the Bank during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group and of the Bank for the current financial year in which this report is made.

DIVIDENDS

During the current financial year:

- the final single-tier cash dividend of 52.00 sen per ordinary share on 820,363,762 ordinary shares amounting to approximately RM426,589,156 in respect of the financial year ended 31 March 2015 was paid on 26 August 2015;

- the interim single-tier cash dividend of 25.00 sen per ordinary share on 820,363,762 ordinary shares amounting to approximately RM205,090,941 in respect of the current financial year was paid on 14 December 2015.

The directors propose the payment of a final single-tier dividend of 36.00 sen per ordinary share on 820,363,762 ordinary shares amounting to approximately RM295,330,954 in respect of the current financial year ended 31 March 2016. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2017.

BUSINESS PLAN AND STRATEGY

FY2016 was a challenging year for the Bank as it reached the end of a period of de-risking its portfolio. Beginning FY2017, AmBank's new strategic growth plan is to support AmBank Group in becoming a key player amongst the top banking groups by the year 2020 by embarking on a new growth trajectory and strengthening its franchise value.

The Bank plans to capture opportunities in the domestic market by building a business that delivers sustainable return and growth. The strategic aim is to gain market leadership in target growth segments, being retail, SME and wholesale. There will be a focus on winning in faster growing segments and attaining market leadership in key products. To support our strategic priorities, a broader people agenda has been developed to ensure that the Bank and AmBank Group are amongst the best domestic employers.

The Bank, together with other entities of AMMB Holdings Berhad ("AMMB") (referred to as "AMMB Group") will implement our strategic growth plan under two streams and with clear targets and milestones to measure its progress. Emphasis is on building up business momentum and showing early progressive results. "The Run the Bank Better" strategic phase targets value creation across the business prioritizing on quick wins, monetising collaboration opportunities, improving funding cost, attracting top talent to build up people capability and increasing efficiency by streamlining operations and improving distribution productivity.

The second stream, "Changing the Bank" strategy will centre on delivering unique "segment-of-one" value proposition to preferred customer segments. The Bank and AmBank Group will focus on harnessing the power of digital transformation and leveraging analytics to capture new sources of competitive advantage, reviewing front-back office operating models and capital structure efficiency, enhancing marketing capabilities whilst continuously emphasising on people development and culture.

OUTLOOK FOR NEXT FINANCIAL YEAR

For calendar year 2016, the Group forecasts a moderate annual Gross Domestic Product (GDP) growth of circa 4.2% led by domestic demand mainly from private expenditure and counter balanced by softer exports from lower commodity prices.

Inflation is projected to accelerate to 2.8% in 2016 from 2.1% in 2015 driven by upward adjustments in several administered prices and the weak ringgit exchange rate. However, the inflationary pressure will be mitigated by lower commodity prices, slower demand and high base effect in second half of financial year 2016. Against the backdrop of a challenging and uncertain global environment with downside risk still on the table, monetary policy will remain supportive and accommodative of economic activity.

The banking sector is poised to experience slower growth as the economy expands at a more moderate pace and subdued business sentiment. Despite the potential headwinds in the economy, there are still some bright spots and opportunities such as the Small Medium Enterprise ("SME") sector which has consistently outpaced the GDP growth since 2005, and still has room for growth. The recalibrated Budget 2016 has also provided some impetus to the domestic consumption, as well as emphasis on affordable homes and implementation of infrastructure projects.

ISSUANCE OF SHARES AND DEBENTURES

There were no issuance of shares or debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Bank to any parties during the financial year to take up unissued shares of the Bank.

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

BAD AND DOUBTFUL DEBTS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

CURRENT ASSETS

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

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

DIRECTORS

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

Tan Sri Azman Hashim
Graham Kennedy Hodges
Raymond Fam Chye Soon
Voon Seng Chuan (appointed on 18 June 2015)
Dato' Sri Abdul Hamidy Abdul Hafiz (appointed on 7 January 2016)
Tan Sri Datuk Clifford Francis Herbert (retired on 19 August 2015)
Cheah Tek Kuang (resigned on 13 October 2015)
Chin Yuen Yin (resigned on 30 October 2015)

DIRECTORS' INTERESTS

Under the Bank's Articles of Association, 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 subsidiaries during the financial year.

AMMB EXECUTIVES' SHARE SCHEME

At the 22nd Extraordinary General Meeting held on 26 September 2008, the shareholders of AMMB Holdings Berhad ("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 has since been consolidated with that of Group Nomination and Remuneration Committee ("GNRC") from 29 October 2013. The ESS was established on 12 January 2009 and would be in force for a period of ten (10) years.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors or the fixed salary of a full-time employee as shown in Note 35 to the financial statements and from related corporations) by reason of a contract made by the Bank or a related corporation with the Director or with a firm in which the Director is a member, or with a company in which the Director has a substantial financial interest, other than for the related party transactions as shown in Note 42 to the financial statements.

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

CORPORATE GOVERNANCE

(a) Board Responsibility and Oversight

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

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

The Board addresses key matters concerning strategy, finance, organisation structure, business developments, human resource (subject to matters reserved for shareholders’ meetings by law), and establishes guidelines for overall business, risk and control policies, capital allocation and approves all key business developments.

The Board currently comprises five (5) Directors with wide skills and experience, three (3) of whom are Independent Non-Executive Directors. The Directors participate fully in decision making on key issues regarding the Bank and its subsidiaries. The Independent Non-Executive Directors ensure strategies proposed by the Management are fully discussed and examined, as well as taking into account the long term interests of various stakeholders.

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

CORPORATE GOVERNANCE (CONT'D.)

(b) Committees of the Board

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

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

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

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

Number of meetings attended in Financial Year 2016 ("FY2016")				
	Board of Directors	Group Nomination and Remuneration	Audit and Examination Committee	Risk Management Committee
Tan Sri Azman Hashim	21/21 (Chairman)	N/A	N/A	N/A
Graham Kennedy Hodges	17/21	N/A	5/6[a]	6/7[a]
Raymond Fam Chye Soon	18/21	N/A	7/7[b] (Chairman)	8/8
Voon Seng Chuan (appointed on 18.6.2015)	18/18	8/8[c]	2/2[d]	3/3[e] (Chairman)
Dato' Sri Abdul Hamidy Abdul Hafiz (appointed on 7.1.2016)	7/7	N/A	N/A	N/A
Cheah Tek Kuang (resigned on 13.10.2015)	7/8 (Deputy Chairman)	N/A	N/A	N/A
Tan Sri Datuk Clifford Francis Herbert (retired on 19.8.2015)	4/6	6/6[f]	3/3[f]	3/3[f]
Chin Yuen Yin (resigned on 30.10.2015)	7/9	3/4[g]	4/5[h]	4/5[i]
Number of meetings held in FY2016	21	13	7	8

a. Appointed as Member on 28.4.2015
b. Appointed as Chairman on 19.8.2015
c. Appointed as Member on 14.7.2015
d. Appointed as Member on 27.10.2015
e. Appointed as Member on 27.10.2015 and as Chairman on 30.10.2015
f. Ceased as Chairman following retirement as Director
g. Appointed as Member on 14.7.2015 and ceased as Member following resignation as Director
h. Ceased as Member following resignation as Director
i. Appointed as Chairman on 19.8.2015 and ceased as Chairman following resignation as Director

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

CORPORATE GOVERNANCE (CONT'D.)

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

Group Nomination and Remuneration Committee

The Committee was established at Group level (AMMB) and the Committee comprises six (6) members, all of whom are Non-Executive Directors and chaired by an Independent Non-Executive Director, is responsible for:

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

The Committee met thirteen (13) times during the financial year ended 31 March 2016.

Audit and Examination Committee

The Committee comprises three (3) members, all of whom are Non-Executive Directors with majority of Independent Non-Executive Directors and chaired by an Independent Non-Executive Director. The Board has appointed the Audit and Examination Committee (“AEC”) to assist in discharging its duties of maintaining a sound system of internal controls to safeguard the Bank’s assets and shareholder’s investments.

The AEC met seven (7) times during the financial year ended 31 March 2016 to review the scope of work of both the internal audit function and the statutory auditors, the results arising thereafter as well as their evaluation of the system of internal controls. The AEC also followed up on the resolution of major issues raised by the internal auditors, statutory auditors as well as the regulatory authorities in their audit reports. The financial statements were reviewed by the AEC prior to their submission to the Board of the Bank for adoption.

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

Internal Audit Function

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

The Group Chief Internal Auditor reports to the AEC. Group Internal Audit assists the AEC in assessing and reporting on business risks and internal controls, operating within the framework defined in the Audit Charter.

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

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

CORPORATE GOVERNANCE (CONT'D.)

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

Internal Audit Function (Cont'd.)

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

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

Risk Management Committee

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

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

The Committee is independent from Management and comprises three (3) members, all of whom are Non-Executive Directors with majority of Independent Non-Executive Directors and chaired by 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.

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

The Committee met eight (8) times during the financial year 2016.

Risk Management Functions

The Risk Management Division is independent of the various business units and acts as the catalyst for the development and maintenance of comprehensive and sound risk management policies, strategies and procedures within the Bank. The Risk Management Division encompasses Wholesale Credit Risk, Retail Credit Risk, Investment Banking and Markets Risk, Operational Risk, Governance and Provisioning (which is responsible for the development of credit models), Legal Risk, Group Risk Projects and Operational Integrity.

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

CORPORATE GOVERNANCE (CONT'D.)

MANAGEMENT INFORMATION

The Directors review Board papers and reports prior to the Board meeting. Information and materials, relating to the operations of the Bank and its subsidiaries that are important to the Directors' understanding of the items in the agenda and related topics, are distributed in advance of the meeting. The Board reports include among others, minutes of meetings of all Committees of the Board, monthly performance of the Bank, credit risk management, asset liability and market risk management and industry benchmarking as well as prevailing regulatory developments and the economic and business environment.

These reports are issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Board provides input on Group policies.

HOLDING COMPANY

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

RATING BY EXTERNAL AGENCIES

The Bank continues to be accorded with strong credit and financial ratings from local and foreign rating agencies.

Standard & Poor's has upgraded its outlook on the Bank to Stable from Negative in November 2015 and at the same time, affirmed all credit ratings.

RAM Ratings has reaffirmed its ratings on the Bank in December 2015.

Moody's has revised Malaysia's sovereign rating outlook to Stable from Positive in January 2016. As a consequence, its outlook on the Bank was revised to Stable while all credit ratings were reaffirmed.

Details of the Bank's ratings are as follows:

Rating agency	Date accorded	Rating Classification	Ratings
Moody's Investors Service	January 2016	Long-term foreign currency deposit rating	Baa1
		Short-term foreign currency deposit rating	P-2
		Outlook	Stable
Standard & Poor's Ratings Services	November 2015	Foreign long-term issuer credit rating	BBB+
		Foreign short-term issuer credit rating	A-2
		Outlook	Stable
RAM Rating Services	December 2015	Long-term financial institution rating	AA2
		Short-term financial institution rating	P1
		Outlook	Stable

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AUDITORS

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

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

TAN SRI AZMAN HASHIM
Director

RAYMOND FAM CHYE SOON
Director

Kuala Lumpur, Malaysia
27 May 2016

Company No. 8515-D

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

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

We, **TAN SRI AZMAN HASHIM** and **RAYMOND FAM CHYE SOON**, being two of the Directors of **AMBANK (M) BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 16 to 174 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2016 and of their financial performance and cash flows for the financial year then ended.

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

TAN SRI AZMAN HASHIM
Director

RAYMOND FAM CHYE SOON
Director

Kuala Lumpur, Malaysia
27 May 2016

Company No. 8515-D

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

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

I, **MANDY JEAN SIMPSON**, being the Officer primarily responsible for the financial management of **AMBANK (M) BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 16 to 174 are, in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
MANDY JEAN SIMPSON at Kuala Lumpur in the Wilayah Persekutuan
27 May 2016

MANDY JEAN SIMPSON

Before me,

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

PESURUHJAYA SUMPAH
No. W 530
TAN SEOK KETT
MALAYSIA

COMMISSIONER FOR OATHS
Lodged on behalf by:
Address: 22nd Floor, Bangunan AmBank Group,
No. 55 Jalan Raja Chulan,
50200 Kuala Lumpur
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Independent auditors' report to the member of AmBank (M) Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of AmBank (M) Berhad, which comprise statements of financial position as at 31 March 2016 of the Group and of the Bank, and the income statements, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 16 to 174.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2016 and of their financial performance and cash flows for the financial year then ended, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

Report on other legal and regulatory requirements

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

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

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

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

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
27 May 2016

Company No. 8515-D

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2016

		Group			Bank		
	Note	31 March 2016 RM'000	31 March 2015 (Restated) (Note 55) RM'000	1 April 2014 (Restated) (Note 55) RM'000	31 March 2016 RM'000	31 March 2015 (Restated) (Note 55) RM'000	1 April 2014 (Restated) (Note 55) RM'000
ASSETS							
Cash and short-term funds	5	7,605,681	5,943,180	7,129,900	7,380,187	5,667,979	6,675,659
Deposits and placements with banks and other financial institutions	6	850,000	4,051,597	1,472,329	850,000	4,051,597	1,472,329
Investment account	7	1,000,000	1,363,442	449,982	1,000,000	1,363,442	449,982
Derivative financial assets	8	1,894,819	1,444,743	528,830	1,894,819	1,444,743	528,830
Financial assets held-for-trading	9	1,870,427	2,033,504	2,200,378	1,870,427	2,033,504	2,200,378
Financial investments available-for-sale	10	7,476,200	5,610,071	6,473,868	7,545,237	5,704,021	6,595,768
Financial investments held-to-maturity	11	2,828,754	2,539,842	2,487,409	2,828,754	2,539,842	2,487,409
Loans and advances	12	58,814,740	58,345,388	61,588,639	58,717,201	58,225,336	61,410,763
Receivables: Investments not quoted in active markets	13	97,181	87,181	62,181	97,181	87,181	62,181
Statutory deposit with Bank Negara Malaysia	14	1,745,554	2,162,108	2,211,321	1,745,554	2,162,108	2,211,321
Deferred tax assets	15	76,485	102,546	90,488	75,430	98,869	51,825
Investment in subsidiaries and other investment	16	-	-	-	104,277	104,277	404,277
Investment in associates	17	-	2,062	3,063	22	122	122
Other assets	18	2,032,171	2,614,609	1,790,786	2,032,443	2,570,104	1,784,839
Property and equipment	19	165,900	152,730	151,830	121,819	117,480	118,304
Intangible assets	20	350,753	334,749	334,857	344,944	327,689	330,672
Asset held for sale	21	3,167	-	-	100	-	-
TOTAL ASSETS		86,811,832	86,787,752	86,975,861	86,608,395	86,498,294	86,784,659
LIABILITIES AND EQUITY							
Deposits and placements of banks and other financial institutions	22	951,138	2,058,101	2,667,973	1,031,113	2,092,981	2,673,947
Recourse obligation on loans sold to Cagamas Berhad	23	2,807,951	1,332,810	1,249,926	2,807,951	1,332,810	1,249,926
Derivative financial liabilities	8	2,023,211	1,385,663	541,259	2,023,211	1,385,663	541,259
Deposits from customers	24	62,148,465	62,670,390	64,945,257	62,247,524	62,728,848	65,005,768
Term funding	25	5,549,451	5,243,585	4,188,566	5,549,451	5,243,585	4,188,566
Debt capital	26	2,694,550	3,458,683	3,640,204	2,694,550	3,458,683	3,640,204
Other liabilities	27	2,374,240	2,590,970	2,356,814	2,353,036	2,586,033	2,356,552
TOTAL LIABILITIES		78,549,006	78,740,202	79,589,999	78,706,836	78,828,603	79,656,222
Share capital	28	820,364	820,364	820,364	820,364	820,364	820,364
Reserves	29	7,442,400	7,227,125	6,565,438	7,081,195	6,849,327	6,308,073
Equity attributable to equity holder of the Bank		8,262,764	8,047,489	7,385,802	7,901,559	7,669,691	7,128,437
Non-controlling interests	30	62	61	60	-	-	-
TOTAL EQUITY		8,262,826	8,047,550	7,385,862	7,901,559	7,669,691	7,128,437
TOTAL LIABILITIES AND EQUITY		86,811,832	86,787,752	86,975,861	86,608,395	86,498,294	86,784,659
COMMITMENTS AND CONTINGENCIES	46	121,028,342	111,881,204	96,090,249	121,066,632	111,920,558	96,128,842
NET ASSETS PER SHARE (RM)		10.07	9.81	9.00	9.63	9.35	8.69

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

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

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

		Group		Bank	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Operating revenue	2.5w	4,559,244	4,845,561	4,625,972	4,818,127
Interest income	31	4,006,284	4,203,900	3,998,626	4,187,697
Interest expense	32	(2,404,311)	(2,298,056)	(2,414,671)	(2,300,304)
Net interest income		1,601,973	1,905,844	1,583,955	1,887,393
Net income from Islamic banking business	53	-	1	-	-
Other operating income	33	552,960	641,660	627,346	630,430
Share in results of associates		1,105	999	-	-
Net income		2,156,038	2,548,504	2,211,301	2,517,823
Other operating expenses	34	(1,254,677)	(1,215,858)	(1,316,690)	(1,338,840)
Operating profit		901,361	1,332,646	894,611	1,178,983
Writeback of allowance for impairment on loans and advances	36	160,168	157,445	160,260	156,972
Writeback of provision for commitments and contingencies	27(a)	25,243	28,790	25,268	28,772
Impairment loss on:					
Doubtful other receivables, net	18(a)	(349)	(3,263)	(146)	(3,262)
Financial investments	37	(19,799)	(26,092)	(19,799)	(26,092)
Foreclosed properties	18(c)	(277)	(5,769)	(277)	(5,769)
Property and equipment	19	(700)	-	(700)	-
Recoveries of other receivables		1,461	1,513	1,461	1,513
Profit before taxation		1,067,108	1,485,270	1,060,678	1,331,117
Taxation	38	(246,713)	(355,084)	(221,726)	(317,914)
Profit for the financial year		820,395	1,130,186	838,952	1,013,203
Attributable to:					
Equity holder of the Bank		820,394	1,130,185	838,952	1,013,203
Non-controlling interests		1	1	-	-
Profit for the financial year		820,395	1,130,186	838,952	1,013,203
Earnings per share (sen)					
Basic/Diluted	40	100.00	137.77		

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

AMBANK (M) BERHAD
(Incorporated in Malaysia)
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STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

		Group		Bank	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Profit for the financial year		820,395	1,130,186	838,952	1,013,203
Other comprehensive income/(loss):					
Items that may be reclassified subsequently to income statement					
Currency translation on foreign operations	39	12,769	52,527	10,711	47,800
Net movement on cash flow hedge	39	5,173	(4,670)	5,173	(4,670)
Net gain on financial investments available-for-sale	39	13,874	96,380	13,984	98,050
Tax effect relating to the components of other comprehensive income	15, 39	(4,387)	(22,919)	(4,413)	(23,334)
Other comprehensive income, net of tax		27,429	121,318	25,455	117,846
Total comprehensive income for the financial year, net of tax		847,824	1,251,504	864,407	1,131,049
Attributable to:					
Equity holder of the Bank		847,823	1,251,503	864,407	1,131,049
Non-controlling interests		1	1	-	-
		847,824	1,251,504	864,407	1,131,049

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

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

		Attributable to equity holder of the Bank										
			Non-distributable						Distributable			
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Statutory reserve RM'000**	**Merger reserve RM'000**	**Available-for-sale (deficit)/ reserve RM'000**	**Cash flow hedging reserve/ (deficit) RM'000**	**Foreign currency translation (deficit)/ reserve RM'000**	**Retained earnings RM'000**	**Total attributable to equity holder RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At **1 April 2014**		820,364	942,844	980,969	104,149	(71,094)	3,029	(1,990)	4,607,531	7,385,802	60	7,385,862
Profit for the financial year		-	-	-	-	-	-	-	1,130,185	1,130,185	1	1,130,186
Other comprehensive income/(loss):		-	-	-	-	72,301	(3,510)	52,527	-	121,318	-	121,318
Net gain on foreign currency translation	39	-	-	-	-	-	-	52,527	-	52,527	-	52,527
Net loss on cash flow hedge	39	-	-	-	-	-	(3,510)	-	-	(3,510)	-	(3,510)
Net gain on financial investments available-for-sale	39	-	-	-	-	72,301	-	-	-	72,301	-	72,301
Total comprehensive income/(loss) for the financial year		-	-	-	-	72,301	(3,510)	52,527	1,130,185	1,251,503	1	1,251,504
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested		-	-	-	-	-	-	-	(4,076)	(4,076)	-	(4,076)
Dividends on ordinary shares	41	-	-	-	-	-	-	-	(585,740)	(585,740)	-	(585,740)
Transactions with owner and other equity movements		-	-	-	-	-	-	-	(589,816)	(589,816)	-	(589,816)
At **31 March 2015**		820,364	942,844	980,969	104,149	1,207	(481)	50,537	5,147,900	8,047,489	61	8,047,550

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

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D.)
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

		Attributable to equity holder of the Bank										
			Non-distributable						Distributable			
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Statutory reserve RM'000**	**Merger reserve RM'000**	**Available-for-sale reserve RM'000**	**Cash flow hedging (deficit)/ reserve RM'000**	**Foreign currency translation reserve RM'000**	**Retained earnings RM'000**	**Total attributable to equity holder RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At **1 April 2015**		820,364	942,844	980,969	104,149	1,207	(481)	50,537	5,147,900	8,047,489	61	8,047,550
Profit for the financial year		-	-	-	-	-	-	-	820,394	820,394	1	820,395
Other comprehensive income		-	-	-	-	10,544	4,116	12,769	-	27,429	-	27,429
Net gain on foreign currency translation	39	-	-	-	-	-	-	12,769	-	12,769	-	12,769
Net gain on cash flow hedge	39	-	-	-	-	-	4,116	-	-	4,116	-	4,116
Net gain on financial investments available-for-sale	39	-	-	-	-	10,544	-	-	-	10,544	-	10,544
Total comprehensive income for the financial year		-	-	-	-	10,544	4,116	12,769	820,394	847,823	1	847,824
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested		-	-	-	-	-	-	-	(868)	(868)	-	(868)
Dividends on ordinary shares	41	-	-	-	-	-	-	-	(631,680)	(631,680)	-	(631,680)
Transactions with owner and other equity movements		-	-	-	-	-	-	-	(632,548)	(632,548)	-	(632,548)
At **31 March 2016**		820,364	942,844	980,969	104,149	11,751	3,635	63,306	5,335,746	8,262,764	62	8,262,826

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

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

		Attributable to equity holder of the Bank							
			Non-distributable					Distributable	
Bank	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Statutory reserve RM'000**	**Available-for-sale (deficit)/ reserve RM'000**	**Cash flow hedging reserve/ (deficit) RM'000**	**Foreign currency translation reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At **1 April 2014**		820,364	942,844	980,969	(72,233)	3,029	2,785	4,450,679	7,128,437
Profit for the financial year		-	-	-	-	-	-	1,013,203	1,013,203
Other comprehensive income/(loss)		-	-	-	73,556	(3,510)	47,800	-	117,846
Net gain on foreign currency translation	39	-	-	-	-	-	47,800	-	47,800
Net loss on cash flow hedge	39	-	-	-	-	(3,510)	-	-	(3,510)
Net gain on financial investments available-for-sale	39	-	-	-	73,556	-	-	-	73,556
Total comprehensive income/(loss) for the financial year		-	-	-	73,556	(3,510)	47,800	1,013,203	1,131,049
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested		-	-	-	-	-	-	(4,055)	(4,055)
Dividends on ordinary shares	41	-	-	-	-	-	-	(585,740)	(585,740)
Transactions with owner and other equity movements		-	-	-	-	-	-	(589,795)	(589,795)
At **31 March 2015**		820,364	942,844	980,969	1,323	(481)	50,585	4,874,087	7,669,691

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

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D.)
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

		Attributable to equity holder of the Bank							
			Non-distributable					Distributable	
Bank	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Statutory reserve RM'000**	**Available-for-sale reserve RM'000**	**Cash flow hedging (deficit)/ reserve RM'000**	**Foreign currency translation reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At **1 April 2015**		820,364	942,844	980,969	1,323	(481)	50,585	4,874,087	7,669,691
Profit for the financial year		-	-	-	-	-	-	838,952	838,952
Other comprehensive income		-	-	-	10,628	4,116	10,711	-	25,455
Net gain on foreign currency translation	39	-	-	-	-	-	10,711	-	10,711
Net gain on cash flow hedge	39	-	-	-	-	4,116	-	-	4,116
Net gain on financial investments									-
available-for-sale	39	-	-	-	10,628	-	-	-	10,628
Total comprehensive income for the financial year		-	-	-	10,628	4,116	10,711	838,952	864,407
Transfer of AMMB ESS shares recharged -									
difference on purchase price for shares vested		-	-	-	-	-	-	(859)	(859)
Dividends on ordinary shares	41	-	-	-	-	-	-	(631,680)	(631,680)
Transactions with owner and other equity movements		-	-	-	-	-	-	(632,539)	(632,539)
At **31 March 2016**		820,364	942,844	980,969	11,951	3,635	61,296	5,080,500	7,901,559

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

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

	Note	Group 2016 RM'000	Group 2015 (Restated) (Note 55) RM'000	Bank 2016 RM'000	Bank 2015 (Restated) (Note 55) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		1,067,108	1,485,270	1,060,678	1,331,117
Adjustments for:					
Accretion of discount less amortisation of premium		(47,701)	(50,101)	(47,701)	(50,101)
Amortisation of fair value gain on terminated hedge	23 & 26(a)	(27,313)	(26,664)	(27,313)	(26,664)
Amortisation of intangible assets	34	78,256	67,632	76,011	65,600
Amortisation of issuance costs and premium for term funding		9,654	5,074	9,654	5,074
Amortisation of costs for debt capital		149	140	149	140
Depreciation of property and equipment	34	40,934	43,769	35,274	38,464
Gain on disposal of foreclosed properties		-	(33)	-	(33)
(Gain)/loss on disposal of property and equipment	33	(158)	(90)	(140)	81
Dividend income from associate	33	-	-	-	(1,000)
Dividend income from financial assets held-for-trading	33	(4,862)	(6,814)	(4,862)	(6,814)
Dividend income from financial investments available-for-sale	33	(3,121)	(15,065)	(3,121)	(15,065)
Dividend income from subsidiaries	33	-	-	(90,750)	(5,467)
Impairment loss on foreclosed properties	18(c)	277	5,769	277	5,769
Impairment loss on financial investments	37	19,799	26,092	19,799	26,092
Impairment loss on other receivables	18(a)	349	3,263	146	3,262
Impairment loss on property and equipment	19	700	-	700	-
Loans and advances - allowances, net of writeback	36	297,227	328,257	297,135	328,730
Net loss/(gain) on revaluation of derivatives		192,645	(76,179)	192,645	(76,179)
Net loss/(gain) on revaluation of financial assets held-for-trading	33	417	(6,629)	417	(6,629)
Net (gain)/loss on sale of financial assets held-for-trading	33	(9,578)	20,337	(9,578)	20,337
Net gain on sale of financial investments available-for-sale	33	(20,170)	(23,403)	(20,358)	(23,403)
Property and equipment written off	34	20	96	3	61
Scheme shares and options granted under AMMB ESS	34	7,272	21,163	7,109	20,646
Share in results of associates		(1,105)	(999)	-	-

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016 (CONT'D.)

	Note	Group 2016 RM'000	Group 2015 (Restated) (Note 55) RM'000	Bank 2016 RM'000	Bank 2015 (Restated) (Note 55) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)					
Unrealised foreign exchange loss on term funding and debt capital		200,466	297,606	200,466	297,606
Writeback of provision for commitments and contingencies	27(a)	(25,243)	(28,790)	(25,268)	(28,772)
Operating profit before working capital changes		1,776,022	2,069,701	1,671,372	1,902,852
Decrease/(Increase) in operating assets:					
Deposits and placements with banks and other financial institutions		1,376,659	80,175	1,376,659	80,175
Investment account		363,442	(913,460)	363,442	(913,460)
Financial assets held-for-trading		193,207	163,247	193,207	163,247
Loans and advances		(766,579)	2,914,994	(789,000)	2,856,697
Statutory deposit with Bank Negara Malaysia		416,554	49,213	416,554	49,213
Other assets		706,255	(651,551)	659,083	(612,451)
(Decrease)/Increase in operating liabilities:					
Deposits and placements of banks and other financial institutions		(1,106,963)	(609,872)	(1,061,868)	(580,966)
Recourse obligation of loans sold to Cagamas Berhad		1,476,789	84,621	1,476,789	84,621
Deposits from customers		(521,925)	(2,274,867)	(481,324)	(2,276,920)
Term funding		150,604	696,722	150,604	696,722
Other liabilities		(14,299)	258,779	(32,688)	249,024
Cash generated from/(used in) operations		4,049,766	1,867,702	3,942,830	1,698,754
Net taxation paid		(438,869)	(385,092)	(413,638)	(382,383)
Net cash generated from/(used in) operating activities		3,610,897	1,482,610	3,529,192	1,316,371

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016 (CONT'D.)

		Group		Bank	
		2016	2015 (Restated) (Note 55)	2016	2015 (Restated) (Note 55)
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in collective investment scheme - reduction		-	-	-	300,000
Dividend received from financial assets held-for-trading		4,862	6,814	4,862	6,814
Dividend received from financial investments available-for-sale		3,109	14,935	3,109	14,935
Dividend received from subsidiaries		-	-	90,750	5,467
Dividend received from associate		-	2,000	-	1,000
Net purchase of financial investments held-to-maturity		(257,094)	(27,916)	(257,094)	(27,916)
Net (purchase)/sale of financial investments available-for-sale		(1,856,970)	972,991	(1,831,759)	1,002,611
Net purchase of receivables: investments not quoted in active markets		(10,000)	(25,000)	(10,000)	(25,000)
Proceeds from disposal of property and equipment		173	469	155	269
Purchase of intangible assets	20	(103,661)	(75,929)	(102,667)	(71,022)
Purchase of property and equipment	19	(62,205)	(45,532)	(47,718)	(38,484)
Net cash (used in)/generated from investing activities		(2,281,786)	822,832	(2,150,362)	1,168,674
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		(631,680)	(585,740)	(631,680)	(585,740)
Repayment of Subordinated Term Loan/ Non-Cumulative Non-Voting Guaranteed Preference Shares		(859,900)	-	(859,900)	-
Repayment of Medium Term Notes		-	(247,800)	-	(247,800)
Net cash used in financing activities		(1,491,580)	(833,540)	(1,491,580)	(833,540)
Net increase/(decrease) in cash and cash equivalents		(162,469)	1,471,902	(112,750)	1,651,505
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		8,618,118	7,145,395	8,342,917	6,691,154
Effect of exchange rate changes		32	821	20	258
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		8,455,681	8,618,118	8,230,187	8,342,917
Cash and cash equivalents comprise:					
Cash and short-term funds	5	7,605,681	5,943,180	7,380,187	5,667,979
Deposits and placements with banks and other financial institutions	6	850,000	4,051,597	850,000	4,051,597
		8,455,681	9,994,777	8,230,187	9,719,576
Less: Deposits with original maturity more than 3 months		-	(1,376,659)	-	(1,376,659)
		8,455,681	8,618,118	8,230,187	8,342,917

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

1. CORPORATE INFORMATION

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

The principal activities of its subsidiaries are disclosed in Note 16.

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

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

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

The consolidated financial statements of the Bank and its subsidiaries ("the Group") and the separate financial statements of the Bank have been approved and authorised for issue by the Board of Directors on 4 May 2016.

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, 1965 in Malaysia.

2.3 Presentation of financial statements

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

The statements of financial position are presented in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (“current”) and more than 12 months after the reporting date (“non-current”) is presented in Note 47.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 March 2016.

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

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

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

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

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group’s voting rights and potential voting rights.

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

The income statement and each component of other comprehensive income (“OCI”) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies 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 an equity transaction. If the Group losses control over a subsidiary, it:

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

The Bank adopts the purchase method in preparing the consolidated financial statements except subsidiary in which control was obtained in business combinations between entities under common control where the merger accounting method is applied.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Basis of consolidation (Cont'd.)

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

2.5 Summary of significant accounting policies

2.5a Business combinations and goodwill

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5b Investments in subsidiaries

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

2.5c Investments in associates

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

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

The Group's investments in its associates is accounted for using the equity method.

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5d Transactions with non-controlling interests

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

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

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

2.5e Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5e Foreign currencies (Cont'd.)

(iii) Group entities

On consolidation, the assets and liabilities of foreign subsidiaries and operations are translated into RM at the exchange rates prevailing at the reporting date and their income statements are translated at the average exchange rates for the financial year. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign subsidiary or operation, the component of OCI relating to that particular foreign subsidiary or operation is recognised in the income statement.

2.5f Property and equipment

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

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

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

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

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

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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5g Leases

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

(i) The Group as a lessee

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

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

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

(ii) The Group as a lessor

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

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

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5i Research and development costs

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

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

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

2.5j Financial instruments - initial recognition and subsequent measurement

(i) Date of recognition

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

(ii) Initial measurement of financial instruments

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

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

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

(iii) Subsequent measurement

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

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

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

Included in this classification are debt securities and equities.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(iii) Subsequent measurement (Cont'd.)

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(iii) Subsequent measurement (Cont'd.)

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

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

The Bank has not designated any loan and advances as AFS.

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

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

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

e. Financial investments held-to-maturity

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

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(iii) Subsequent measurement (Cont'd.)

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

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

f. Financial assets at amortised cost - loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in “interest income” in the income statement. The losses arising from impairment are recognised in the income statement in “allowance for impairment on loans and advances" for loans and advances or “impairment losses on doubtful receivables” for losses other than loans and advances.

g. Financial liabilities at amortised cost

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

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

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

(iv) “Day 1” profit or loss

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

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(v) Reclassification of financial assets

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

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

(vi) Derecognition of financial assets and financial liabilities

a. Financial assets

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

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

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

b. Financial liabilities

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5k Repurchase and reverse repurchase agreements

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

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

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

2.5l Securities lending and borrowing

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

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

2.5m Fair value measurement

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

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

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5m Fair value measurement (Cont'd.)

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

The fair value hierarchies of:

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

are disclosed in Note 50.

2.5n Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred “loss event”), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Loans, advances and receivables are classified as impaired in accordance with the criteria as disclosed in Note 49.2 Credit Risk Management - Impairment - Definition of past due on impaired loans and advances.

(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.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(i) Financial assets carried at amortised cost - loans and receivables (Cont'd.)

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(ii) Financial investments AFS

For financial investments AFS, the Group assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

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

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

(iii) Rescheduled and restructured loans

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

(iv) Collateral valuation

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

To the extent possible, the Group uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements and other independent sources. (See Note 49.2 for further analysis of collateral).

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(v) Collateral repossessed

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

2.5o Hedge accounting

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

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

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

(i) Fair value hedges

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

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

If the hedged item is derecognised, the unamortised fair value is recognised immediately in the income statement.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5o Hedge accounting (Cont'd.)

(ii) Cash flow hedges

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

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

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

(iii) Hedges of a net investment

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

2.5p 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.

2.5q Impairment of non-financial assets

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

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

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

Specific characteristics for impairment testing of goodwill is performed as follows:

- Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

- Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.5r Foreclosed properties

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

2.5s Cash and cash equivalents

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

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term funds with original maturity of less than 3 months, excluding deposits and monies held in trust and net of outstanding bank overdrafts.

2.5t Provisions

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

2.5u Contingent liabilities and contingent assets

A contingent liability is a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or in extremely rare cases whereby there is a liability that cannot be recognised because it cannot be measured with sufficient reliability. The contingent liability is not recognised but instead is disclosed in the financial statements. A possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group is also disclosed as a contingent liability unless the probability of outflow 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. The Group does not recognise contingent assets in the financial statements but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5v Financial guarantee contracts

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

2.5w Recognition of income and expenses

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

Operating revenue of the Group comprises all types of revenue derived from commercial banking and non-financial services rendered by the subsidiaries.

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

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

(i) Interest income and similar income and expense

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

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded in the income statement. However, for a reclassified financial asset for which the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

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

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(ii) Fee and commission income

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

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

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

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

b. Fee income from providing transaction services

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

(iii) Dividend income

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

(iv) Investment and trading income

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

(v) Rental income

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

(vi) Customer loyalty programmes

Award credits under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration received in respect of the initial sale is allocated between the award credits and the other components of the sale. Income generated from customer loyalty programmes is recognised in the income statement.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5x Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution pension plan

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

(iii) Termination benefits

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

(iv) Share-based payment transactions

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

The Group and the Bank recognised the cost of this equity-settled share based compensation (being the fair value at grant date) as prepayment made to the holding company on grant date, and amortised to the income statement as "personnel costs", over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date").

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

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

2.5y Dividends on ordinary shares

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5z Taxes

(i) Current tax

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

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

(ii) Deferred tax

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

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

a. where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

b. in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

a. where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

b. in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5z Taxes (Cont'd.)

(ii) Deferred tax (Cont'd.)

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

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

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

2.5aa Earnings Per Share (“EPS”)

The Group presents basic and diluted (where applicable) EPS data for its ordinary shares in Note 38. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholder of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholder and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.5ab Segment reporting

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

The Group’s segmental reporting is based on the following three operating segments: retail banking, wholesale banking and group funding and others, as disclosed in Note 52.

2.5ac Share capital and share issuance expenses

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

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

3. CHANGES IN ACCOUNTING POLICIES

3.1 Adoption of Amendments and Annual Improvement to Standards

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments and annual improvements to standards which became effective for the Group and the Bank on 1 April 2015:

- Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions
- Annual Improvements to MFRSs 2010-2012 Cycle
- Annual Improvements to MFRSs 2011-2013 Cycle

The adoption of these amendments and annual improvements to standards did not have any material impact on the financial statements of the Group and the Bank.

The nature of the new and amended standards relevant to the Bank are described below:

3.1a Annual Improvements to MFRSs 2010-2012 Cycle

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

(a) MFRS 2: Share-based Payment

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

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

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

(b) MFRS 3: Business Combinations

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

(c) MFRS 8: Operating Segments

The amendments are to be applied retrospectively and clarify that:

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

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

3.1 Adoption of amendments and annual improvement to standards (Cont'd.)

3.1b Annual Improvements to MFRSs 2010-2012 Cycle (Cont'd.)

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

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

(e) MFRS 124: Related Party Disclosures

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

3.1c Annual Improvements to MFRSs 2011-2013 Cycle

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

(a) MFRS 3: Business Combinations

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

(b) MFRS 13: Fair Value Measurement

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

(c) MFRS 140: Investment Property

The amendments to MFRS 140 clarify that an entity acquiring investment property must determine whether:

- the property meets the definition of investment property in terms of MFRS 140; and
- the transaction meets the definition of a business combination under MFRS 3,

to determine if the transaction is a purchase of an asset or is a business combination.

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

3.2 Bank Negara Malaysia (“BNM”) Policy Documents

3.2a BNM Policy Document on Classification and Impairment Provisions for Loans/Financing

On 6 April 2015, BNM issued a revised policy document on Classification and Impairment Provisions for Loans/Financing. The requirements in this revised policy document are effective for financial years beginning on or after 1 January 2015, except for the following:

(i) the requirement to classify loans/financing as rescheduled and restructured in the Central Credit Reference Information System ("CCRIS") is effective on or after 1 April 2015; and

(ii) the requirement for a banking institution to maintain, in aggregate, collective impairment allowance and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowance will be effective beginning 31 December 2015.

The revised policy did not result in significant provision charges to the Group and the Bank for the financial year. As at the end of the financial year, the Bank has complied with the requirement in 3.2a (ii) above.

3.3 Standards issued but not yet effective

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

Description	**Effective for financial year ending**
Annual Improvements to MFRSs 2012-2014 Cycle	31 March 2017
Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation	31 March 2017
Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants	31 March 2017
Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception	31 March 2017
Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations	31 March 2017
Amendments to MFRS 127 Equity Method in Separate Financial Statements	31 March 2017
Amendments to MFRS 101 Disclosure Initiatives	31 March 2017
MFRS 14 Regulatory Deferral Accounts	31 March 2017
Amendments to MFRS 107 Disclosure Initiative	31 March 2018
Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses	31 March 2018
MFRS 9 Financial Instruments	31 March 2019
MFRS 15 Revenue from Contracts with Customers	31 March 2019
MFRS 16 Leases	31 March 2020

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

Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture which was earlier announced to be effective for the financial year ending 31 March 2017 has been deferred to a date to be determined by MASB.

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

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

3.3a Standards effective for financial year ending 31 March 2017 (Cont'd.)

Annual Improvements to MFRSs 2012–2014 Cycle

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

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

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

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

(ii) MFRS 7 Financial Instruments: Disclosures

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

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

(iii) MFRS 119 Employee Benefits

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

(iv) MFRS 134 Interim Financial Reporting

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

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

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

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

3.3a Standards effective for financial year ending 31 March 2017 (Cont'd.)

Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part of the business) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted.

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate’s or joint venture’s interests in subsidiaries. The amendments are to be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

Amendments to MFRS 127 Equity Method in Separate Financial Statements

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

Amendments to MFRS 101 Disclosure Initiatives

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

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

3.3b Standards effective for financial year ending 31 March 2018

Amendments to MFRS 107 Disclosure Initiative

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

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

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

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

3.3b Standards effective for financial year ending 31 March 2018 (Cont'd.)

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

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

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

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

3.3c Standards effective for financial year ending 31 March 2019

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

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

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

3.3d Standards effective for financial year ending 31 March 2020

MFRS 16 Leases

MFRS 16 ‘Leases’ supersedes MFRS 117 ‘Leases’ and the related interpretations.

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

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

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

MFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early application permitted provided MFRS 15 is also applied.

3.3e Standard which effective date are yet to be announced

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

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 ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

4.1 Allowance for impairment on loans and advances (Notes 12 and 36)

The Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the income statement. 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).

4.2 Impairment losses on financial investments AFS and HTM (Notes 10,11 and 37)

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

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

4.3 Deferred tax assets and income taxes (Notes 15, 18 and 38)

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

The Group is subjected to income taxes in Malaysia and significant judgment is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process may involve seeking advice of experts, where appropriate. Where the final liability for taxation assessed by the Inland Revenue Board is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established.

4.4 Fair value measurement of financial instruments (Notes 8, 9, 10, 33 and 50)

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

4.5 Development costs

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

5. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	2,490,394	1,467,591	2,268,740	1,468,141
Deposit placements maturing within one month:				
Licensed banks	2,357,287	1,965,589	2,353,447	1,689,838
Bank Negara Malaysia	2,758,000	2,510,000	2,758,000	2,510,000
	7,605,681	5,943,180	7,380,187	5,667,979

6. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2016	2015 (Restated) (Note 55)
	RM'000	RM'000
Licensed banks	100,000	3,123,080
Licensed investment banks	250,000	928,517
Bank Negara Malaysia	500,000	-
	850,000	4,051,597

7. INVESTMENT ACCOUNT

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

During the current financial year, on 16 December 2015, the RIA was early redeemed by the Bank. The placement was for a tenure of 370 days, maturing on 5 February 2016. On the same day, a new contract for the sum of RM1.0 billion was entered into by the Bank with AmBank Islamic. This new contract is for a period of 5 years. On 31 December 2015, another new contract for the sum of RM300.0 million was entered into by the Bank with AmBank Islamic and this contract was for a tenure of 291 days; this contract was early redeemed by the Bank on 15 March 2016.

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Group and Bank	2016 Contract/ Notional Amount RM'000	2016 Fair Value Assets RM'000	2016 Fair Value Liabilities RM'000	2015 Contract/ Notional Amount RM'000	2015 Fair Value Assets RM'000	2015 Fair Value Liabilities RM'000
Trading Derivatives						
Interest rate related contracts						
- One year or less	7,825,391	3,518	2,438	4,102,516	1,888	6,836
- Over one year to three years	14,806,859	45,475	45,109	16,054,025	45,803	37,764
- Over three years	20,015,291	238,510	252,643	19,265,843	123,712	142,199
Foreign exchange related contracts						
- One year or less	42,733,469	1,224,495	1,399,888	33,934,956	784,769	761,987
- Over one year to three years	459,392	9,692	10,746	2,356,883	202,122	217,705
- Over three years	2,646,860	310,189	264,045	2,093,808	229,413	192,564
Credit related contracts						
- One year or less	337,027	485	176	-	-	-
- Over one year to three years	-	-	-	327,515	7,572	-
- Over three years	336,367	19,493	9,503	326,889	33,133	8,931
Equity and commodity related contracts						
- One year or less	159,106	1,878	1,826	606,219	1,504	2,079
- Over three years	73,572	1,133	1,133	69,830	1,757	1,756
Hedging Derivatives						
Interest rate related contracts						
- Interest rate swaps						
Cash flow hedge						
- One year or less	350,000	222	304	820,000	100	39
- Over one year to three years	2,435,000	6,129	3,761	1,380,000	1,165	2,641
- Over three years	3,170,000	33,600	31,639	2,590,000	11,805	11,162
Total	95,348,334	1,894,819	2,023,211	83,928,484	1,444,743	1,385,663

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

Derivative financial instruments and hedge accounting

(i) Fair value hedge

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

With the termination of the fair value hedges on these hedged instruments, the unamortised fair values are amortised to the income statement over the remaining term to maturity of the hedged instruments using effective interest rate method (Note 23 and 26(a)).

(ii) Cash flow hedge

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

All underlying hedged cash flows are expected to be recognised in the income statement in the period in which they occur which is anticipated to take place over the next 9 years (2015: 10 years).

All gains and losses associated with the ineffective portion of the hedging derivatives are recognised immediately in the income statement. The ineffectiveness recognised in the income statement during the financial year in respect of cash flow hedges amounted to a loss of RM9,415,000 (2015: loss of RM2,397,000) for the Group and the Bank.

9. FINANCIAL ASSETS HELD-FOR-TRADING

	Group and Bank 2016 RM'000	Group and Bank 2015 RM'000
At fair value		
Money market instruments:		
Bank Negara Monetary Notes	-	14,767
Government Investment Issues	206,757	340,247
Malaysian Government Securities	287,529	797,036
Malaysian Treasury Bills	-	9,830
	494,286	1,161,880
Quoted securities:		
In Malaysia:		
Shares	67,560	71,323
Unit trusts	130,272	3,187
Warrants	80	-
Private debt securities	38,962	39,394
	236,874	113,904
Outside Malaysia:		
Shares	102,101	95,933
Unquoted securities:		
In Malaysia:		
Private debt securities	1,000,756	495,266
Outside Malaysia:		
Private debt securities	36,410	166,521
	1,870,427	2,033,504

10. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
At fair value				
Money market instruments:				
Bank Negara Monetary Notes	-	379,569	-	379,569
Government Investment Issues	625,820	372,502	625,820	372,502
Islamic Treasury Bills	28,723	-	28,723	-
Malaysian Government Securities	384,777	350,238	384,777	350,238
Malaysian Treasury Bills	-	39,691	-	39,691
Negotiable Instruments of Deposits	2,049,644	600,077	2,049,644	600,077
	3,088,964	1,742,077	3,088,964	1,742,077
Quoted securities:				
In Malaysia:				
Shares	4,204	5,390	4,202	5,388
Unit trusts	137,617	171,562	137,617	171,562
	141,821	176,952	141,819	176,950
Outside Malaysia:				
Shares	47	44	8	7
Unquoted securities:				
In Malaysia:				
Private debt securities	3,845,078	3,329,354	3,914,201	3,424,429
Outside Malaysia:				
Private debt securities	312,740	273,071	312,740	273,071
At cost				
Unquoted securities:				
In Malaysia:				
Shares	87,375	87,375	87,330	87,330
Outside Malaysia:				
Shares	175	1,198	175	157
	7,476,200	5,610,071	7,545,237	5,704,021

As at 31 March 2016, the Bank owns 26.7% (2015: 26.7%) of AmFirst Real Estate Investment Trust ("REIT"). MFRS 128 Investment in Associates and Joint Ventures, presume that the Bank has significant influence over the REIT. However, the Bank has restricted voting power as stated in the Trust Deed. As such, the Bank has no significant influence and the investment is recognised as AFS.

In the previous financial year, the Bank reclassified securities amounting to RM62,181,000 that are not quoted in an active market out of the available-for-sale category to the loans and receivables category as the Bank has the intention to hold the securities until maturity.

As at 31 March 2016, the fair value gain that would have been recognised in other comprehensive income for the current financial year if the securities had not been reclassified amounted to RM4,102,000 (2015: RM3,859,000).

11. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group and Bank	
	2016	**2015**
	RM'000	**RM'000**
At amortised cost		
Money market instruments:		
Foreign Treasury bills	780,153	518,486
Unquoted securities:		
In Malaysia:		
Private debt securities	2,051,609	2,027,554
Less: Accumulated impairment losses	(3,008)	(6,198)
	2,828,754	2,539,842

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

	Group and Bank	
	2016	**2015**
	RM'000	**RM'000**
Balance at beginning of the financial year	6,198	3,644
(Writeback)/charge for the financial year, net (Note 37)	(3,190)	2,554
Balance at end of the financial year	3,008	6,198

12. LOANS AND ADVANCES

	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
At amortised cost:				
Overdrafts	2,314,683	2,336,634	2,314,683	2,336,634
Term loans	14,641,244	16,575,549	14,641,244	16,575,549
Housing loan receivables	15,673,465	14,138,571	15,493,600	13,937,306
Hire purchase receivables	12,833,088	13,145,533	12,833,088	13,145,533
Bills receivables	934,993	796,179	934,993	796,179
Trust receipts	1,114,735	1,229,607	1,114,735	1,229,607
Claims on customers under acceptance credits	2,823,822	2,660,836	2,823,822	2,660,836
Staff loans	112,094	118,501	112,094	118,501
Card receivables	1,305,021	1,434,319	1,305,021	1,434,319
Revolving credits	7,827,388	6,874,214	7,909,441	6,955,247
Others	216,359	156,562	216,359	156,562
Gross loans and advances	59,796,892	59,466,505	59,699,080	59,346,273
Allowance for impairment on loans and advances:				
- Individual allowance (Note 12 (i))	(251,303)	(167,457)	(251,303)	(167,457)
- Collective allowance (Note 12 (i))	(730,849)	(953,660)	(730,576)	(953,480)
Net loans and advances	58,814,740	58,345,388	58,717,201	58,225,336

As part of RIA arrangements with AmBank Islamic, the Bank records the amount it provides as financing under the arrangement as investment accounts (Note 7). The financing to external parties made by AmBank Islamic is recorded by AmBank Islamic as financing and advances. As losses from the business venture is borne solely by the Bank, the related collective allowance is recorded by the Bank (Note12(i)(a) and 12(i)(b)).

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

	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Domestic banking institutions	160,533	6,718	160,533	6,718
Domestic non-bank financial institutions	1,678,716	1,786,264	1,760,769	1,867,297
Domestic business enterprises				
- Small and medium enterprises	7,820,765	7,827,397	7,820,765	7,827,397
- Others	16,546,462	17,201,700	16,546,462	17,201,700
Government and statutory bodies	104,172	74,464	104,172	74,464
Individuals	32,131,490	31,079,596	31,951,625	30,878,331
Other domestic entities	108,574	139,108	108,574	139,108
Foreign individuals and entities	1,246,180	1,351,258	1,246,180	1,351,258
	59,796,892	59,466,505	59,699,080	59,346,273

12. LOANS AND ADVANCES (CONT'D.)

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

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
In Malaysia	59,161,871	58,605,093	59,064,059	58,484,861
Outside Malaysia	635,021	861,412	635,021	861,412
	59,796,892	59,466,505	59,699,080	59,346,273

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

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed rate				
- Housing loans	333,008	376,450	153,143	175,185
- Hire purchase receivables	12,058,941	12,083,943	12,058,941	12,083,943
- Other fixed rate loans	5,973,668	5,985,303	5,973,668	5,985,303
Variable rate				
- Base rate and base lending rate plus	24,787,850	24,179,990	24,787,850	24,179,990
- Cost plus	14,913,375	15,574,555	14,995,428	15,655,588
- Other variable rates	1,730,050	1,266,264	1,730,050	1,266,264
	59,796,892	59,466,505	59,699,080	59,346,273

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

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Agriculture	2,576,964	2,858,662	2,576,964	2,858,662
Mining and quarrying	1,447,730	1,399,308	1,447,730	1,399,308
Manufacturing	6,147,509	6,204,482	6,147,509	6,204,482
Electricity, gas and water	367,281	1,089,535	367,281	1,089,535
Construction	2,216,717	1,841,952	2,216,717	1,841,952
Wholesale and retail trade and hotels and restaurants	3,390,668	3,666,418	3,390,668	3,666,418
Transport, storage and communication	1,016,558	1,397,069	1,016,558	1,397,069
Finance and insurance	1,878,425	1,792,982	1,960,478	1,874,015
Real estate	6,059,302	5,836,818	6,059,302	5,836,818
Business activities	783,359	703,429	783,359	703,429
Education and health	850,666	885,585	850,666	885,585
Household of which:	32,735,468	31,499,298	32,555,603	31,298,033
- Purchase of residential properties	15,482,210	14,012,645	15,302,345	13,811,380
- Purchase of transport vehicles	12,170,346	12,310,566	12,170,346	12,310,566
- Others	5,082,912	5,176,087	5,082,912	5,176,087
Others	326,245	290,967	326,245	290,967
	59,796,892	59,466,505	59,699,080	59,346,273

12. LOANS AND ADVANCES (CONT'D.)

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

	Group		Bank	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Maturing within one year	14,352,180	11,957,254	14,432,934	12,036,988
Over one year to three years	6,864,478	7,112,526	6,856,586	7,104,634
Over three years to five years	7,623,251	8,320,603	7,615,102	8,312,454
Over five years	30,956,983	32,076,122	30,794,458	31,892,197
	59,796,892	59,466,505	59,699,080	59,346,273

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

	Group		Bank	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Balance at beginning of the financial year	963,985	1,298,511	963,361	1,296,626
Impaired during the financial year	1,003,542	1,212,816	1,002,165	1,211,907
Reclassified as performing	(15,426)	(255,955)	(15,426)	(255,945)
Recoveries	(423,800)	(542,495)	(422,138)	(540,335)
Amount written off	(434,898)	(748,892)	(434,898)	(748,892)
Balance at end of the financial year	1,093,403	963,985	1,093,064	963,361
Gross impaired loans and advances as % of gross loans and advances	1.8%	1.6%	1.8%	1.6%
Loan loss coverage	89.8%	116.3%	89.8%	116.4%

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

	Group		Bank	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
In Malaysia	992,117	963,985	991,778	963,361
Outside Malaysia	101,286	-	101,286	-
	1,093,403	963,985	1,093,064	963,361

12. LOANS AND ADVANCES (CONT'D.)

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

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Agriculture	2,272	8,788	2,272	8,788
Mining and quarrying	84,987	7,034	84,987	7,034
Manufacturing	155,617	172,735	155,617	172,735
Electricity, gas and water	265	261	265	261
Construction	45,620	12,095	45,620	12,095
Wholesale and retail trade and hotels and restaurants	29,332	36,526	29,332	36,526
Transport, storage and communication	18,272	12,201	18,272	12,201
Finance and insurance	477	418	477	418
Real estate	193,236	76,276	193,236	76,276
Business activities	5,830	9,419	5,830	9,419
Education and health	3,738	6,434	3,738	6,434
Household of which:	547,732	609,513	547,393	608,889
- Purchase of residential properties	304,227	339,768	303,888	339,144
- Purchase of transport vehicles	151,992	211,427	151,992	211,427
- Others	91,513	58,318	91,513	58,318
Others	6,025	12,285	6,025	12,285
	1,093,403	963,985	1,093,064	963,361

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

	Group and Bank	
	2016 RM'000	2015 RM'000
Individual allowance		
Balance at beginning of the financial year	167,457	133,755
Charge to income statement, net (Note 36)	111,381	45,300
Amount written off and others	(27,535)	(11,598)
Balance at end of the financial year	251,303	167,457

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Collective allowance				
Balance at beginning of the financial year	953,660	1,411,219	953,480	1,410,574
Charge to income statement, net (Note 36)	185,846	282,957	185,754	283,430
Amount transferred to AmBank Islamic (Note 12 (i)(a))	(17)	(2,463)	(17)	(2,463)
Amount written off and others	(409,920)	(740,094)	(409,920)	(740,094)
Foreign exchange differences	1,280	2,041	1,279	2,033
Balance at end of the financial year (Note 12 (i)(b))	730,849	953,660	730,576	953,480
Collective allowance as % of gross loans and advances less individual allowance	1.2%	1.6%	1.2%	1.6%

12. LOANS AND ADVANCES (CONT'D.)

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

(a) In the financial year ended 31 March 2015, on 2 May 2014 upon expiry of the RIA contract entered into with AmBank Islamic in the financial year ended 31 March 2013, the Bank had derecognised the collective allowance previously recognised in its financial statements. Accordingly, AmBank Islamic now accounts for the collective allowance amounting to RM2,463,000 in its financial statements.

On 31 December 2015, another new contract for the sum of RM300,000,000 was entered into by the Bank with AmBank Islamic. Arising from this new contract, AmBank Islamic transferred collective allowance of RM2,461,000 for the financing funded by the Bank. On 15 March 2016, AmBank early redeemed the RIA and derecognised the collective allowance previously recognised in its financial statements of RM2,478,000.

(b) As at 31 March 2016, the gross exposure and collective allowance relating to the RIA financing for the Group and the Bank amounted to RM1,003,979,000 and RM1,473,000 (31 March 2015: RM1,363,811,000 and RM1,553,000) respectively are included in the Group and the Bank's collective allowance.

There was no individual allowance provided for the RIA financing for financial years 2016 and 2015.

13. RECEIVABLES: INVESTMENTS NOT QUOTED IN ACTIVE MARKETS

	Group and Bank	
	2016	**2015**
	RM'000	**RM'000**
At amortised cost:		
Unquoted private debt securities in Malaysia	97,181	87,181

14. 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.

15. DEFERRED TAX ASSETS

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 appropiate offsetting:

	Group		Bank	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets	76,485	102,546	75,430	98,869

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

	Group		Bank	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferrred tax assets	145,970	149,473	142,636	144,813
Deferred tax liabilities	(69,485)	(46,927)	(67,206)	(45,944)
	76,485	102,546	75,430	98,869

15. DEFERRED TAX ASSETS (CONT'D.)

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

	Balance at beginning of the financial year RM'000	Recognised in income statement RM'000	Recognised in other comprehensive income RM'000	Balance at end of the financial year RM'000
Group				
Deferred Tax Assets				
2016				
Allowance for impairment of foreclosed properties	3,004	66	-	3,070
Provision for expenses	71,964	(719)	-	71,245
Provision for commitments and contingencies	21,795	(5,787)	-	16,008
Unutilised tax losses	2,498	(2,498)	-	-
Other temporary differences	50,212	5,435	-	55,647
	149,473	(3,503)	-	145,970
2015				
Allowance for impairment of foreclosed properties	1,687	1,317	-	3,004
Provision for expenses	80,485	(8,521)	-	71,964
Provision for commitments and contingencies	30,640	(8,845)	-	21,795
Unutilised tax losses	39,044	(36,546)	-	2,498
Other temporary differences	(15,266)	65,478	-	50,212
	136,590	12,883	-	149,473
Deferred Tax Liabilities				
2016				
Deferred charges	(17,172)	565	-	(16,607)
Excess of capital allowance over depreciation	(29,522)	(18,736)	-	(48,258)
Available-for-sale reserve	(384)	-	(3,330)	(3,714)
Cash flow hedging deficit/(reserve)	151	-	(1,057)	(906)
	(46,927)	(18,171)	(4,387)	(69,485)
2015				
Deferred charges	(25,046)	7,874	-	(17,172)
Excess of capital allowance over depreciation	(43,742)	14,220	-	(29,522)
Available-for-sale deficit/(reserve)	23,695	-	(24,079)	(384)
Cash flow hedging (reserve)/deficit	(1,009)	-	1,160	151
	(46,102)	22,094	(22,919)	(46,927)

15. DEFERRED TAX ASSETS (CONT'D.)

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

	Balance at beginning of the financial year RM'000	Recognised in income statement RM'000	Recognised in other comprehensive income RM'000	Balance at end of the financial year RM'000
Bank				
Deferred Tax Assets				
2016				
Allowance for impairment of foreclosed properties	3,004	66	-	3,070
Provision for expenses	69,552	(752)	-	68,800
Provision for commitments and contingencies	21,795	(5,787)	-	16,008
Other temporary differences	50,311	5,353	-	55,664
Cash flow hedging deficit/(reserve)	151	-	(1,057)	(906)
	144,813	(1,120)	(1,057)	142,636
2015				
Allowance for impairment of foreclosed properties	1,687	1,317	-	3,004
Provision for expenses	80,485	(10,933)	-	69,552
Provision for commitments and contingencies	30,640	(8,845)	-	21,795
Other temporary differences	(15,266)	65,577	-	50,311
Cash flow hedging (reserve)/deficit	(1,009)	-	1,160	151
	96,537	47,116	1,160	144,813
Deferred Tax Liabilities				
2016				
Deferred charges	(17,172)	564	-	(16,608)
Excess of capital allowance over depreciation	(28,354)	(18,470)	-	(46,824)
Available-for-sale reserve	(418)	-	(3,356)	(3,774)
	(45,944)	(17,906)	(3,356)	(67,206)
2015				
Available-for-sale deficit/(reserve)	24,076	-	(24,494)	(418)
Deferred charges	(25,046)	7,874	-	(17,172)
Excess of capital allowance over depreciation	(43,742)	15,388	-	(28,354)
	(44,712)	23,262	(24,494)	(45,944)

As at 31 March 2016, the Group and the Bank respectively, have unabsorbed capital allowances of approximately RM285,967,000 and RM169,971,000 (2015: RM464,919,000 and RM178,951,000 for the Group and the Bank respectively) that are available for offset against future taxable profit of leasing business. Deferred tax assets are not recognised due to uncertainty in timing of their recoverability.

16. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENT

	Note	Bank 2016 RM'000	Bank 2015 RM'000
Investment in subsidiaries:	(a)		
Unquoted shares, at cost			
Balance at beginning of the financial year		98,796	102,188
Dissolved during the financial year		-	(3,392)
Balance at end of the financial year		98,796	98,796
Less: Impairment loss			
Balance at beginning of the financial year		24,519	27,911
Dissolved during the financial year		-	(3,392)
Balance at end of the financial year		24,519	24,519
		74,277	74,277
Investment in a collective investment scheme:	(b)		
At cost			
Balance at beginning of the financial year		30,000	330,000
Redeemed during the financial year		-	(300,000)
Balance at end of the financial year		30,000	30,000
		104,277	104,277

(a) Investment in subsidiaries

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

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Effective equity interest 2016 %	Effective equity interest 2015 %
AmCard Services Berhad	Credit card-related services and asset financing agency	100.0	100.0
AmPremier Capital Berhad	Issue of subordinated securities	100.0	100.0
AmMortgage One Berhad	Securitisation of mortgage loans	100.0	100.0
AmProperty Holdings Sdn. Bhd.	Property investment	100.0	100.0
Bougainvillaea Development Sdn. Bhd.	Property investment	100.0	100.0
MBf Information Services Sdn. Bhd.	Property investment	100.0	100.0
MBf Trustees Berhad *	Trustee services	60.0	60.0
MBf Nominees (Tempatan) Sdn. Bhd.	Nominee services	100.0	100.0
Teras Oak Pembangunan Sendirian Berhad	Dormant	100.0	100.0

16. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENT (CONT'D.)

(a) Investment in subsidiaries (Cont'd.)

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

Name of subsidiary	Principal activities	Effective equity interest 2016 %	2015 %
Komuda Credit & Leasing Sdn. Bhd. #	Dormant	100.0	100.0
Everflow Credit & Leasing Corporation Sdn. Bhd. #	Dormant	100.0	100.0
Malco Properties Sdn. Bhd.	Dormant	81.5	81.5
Economical Enterprises Sendirian Berhad. #	Dormant	100.0	100.0
AmLabuan Holdings (L) Ltd@	Investment holding	100.0	100.0
AMBB Capital (L) Ltd @	Issue of Hybrid Capital securities	100.0	100.0
AmTrade Services Limited ^	Trade finance services	100.0	100.0

* The investment in MBf Trustees Berhad is classified as investment in subsidiary at Group level through additional equity interests held by two other subsidiaries of the Bank, MBf Information Services Sdn. Bhd and MBf Nominees (Tempatan) Sdn. Bhd. (see Note 17).

^ Audited by an affiliate of Ernst & Young.

@ Incorporated under the Labuan Companies Act, 1990.

\# Subsidiaries under member's voluntary winding-up process pursuant to Section 254(1)(b) of the Companies Act, 1965.

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

(b) Investment in a collective investment scheme

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

Name of fund	Category/Type of fund	Effective equity interest 2016 %	2015 %
AmCash Premium	Wholesale (Fixed Income Fund)	100.0	100.0

17. INVESTMENT IN ASSOCIATES

	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Unquoted shares, at cost	-	200	50	150
Less: Impairment loss	-	-	(28)	(28)
	-	200	22	122
Group's share of post-acquisition reserve	-	1,862	-	-
	-	2,062	22	122

Details of the associates, which are both incorporated and with principal place of business in Malaysia, are as follows:

	Principal activity	Group Effective equity interest 2016 %	Group Effective equity interest 2015 %	Bank Effective equity interest 2016 %	Bank Effective equity interest 2015 %
AmTrustee Berhad	Trustee Services	40.0	40.0	20.0	20.0
MBf Trustees Berhad	Trustee Services	- *	- *	20.0	20.0

* The investment in MBf Trustees Berhad is classified as investment in subsidiary at Group level through additional equity interests held by two other subsidiaries of the Bank (see Note 16).

The summarised financial information of AmTrustee Berhad is as follows:

	Group 2016 RM'000	Group 2015 RM'000
Total assets	13,833	8,925
Total liabilities	4,807	2,653
Operating revenue	8,301	8,645
Profit for the year from continuing operations	2,762	2,498
Total comprehensive income	2,762	2,498

AmTrustee Berhad does not have any commitments and other contingent liabilities except as mentioned in Note 46.

During the financial year, the Board had approved a proposal to dispose an associate company, AmTrustee Berhad, accordingly, the investment in AmTrustee Berhad had been reclassified as asset held for sale (Note 21).

18. OTHER ASSETS

	Note	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Other receivables, deposits and prepayments	(a)	344,441	1,021,696	329,094	1,006,275
Interest receivable, net of allowance for impairment	(a)	220,566	205,998	220,582	206,002
Amount due from originators	(b)	304,803	328,015	304,803	328,015
Amount due from subsidiary and related companies	(c)	34,794	55,442	40,733	14,116
Collateral pledged for derivative transactions	51	670,715	682,843	670,715	682,843
Foreclosed properties	(d)	78,711	74,496	78,404	74,189
Deferred charges		79,050	83,697	79,050	83,697
Tax recoverable	(e)	347,741	215,158	344,960	215,147
Less: Accumulated impairment losses		(48,650)	(52,736)	(35,898)	(40,180)
		2,032,171	2,614,609	2,032,443	2,570,104

(a) Other receivables, deposits and prepayments of the Group and the Bank are shown net of impairment losses of RM33,841,000 (2015: RM37,286,000) and RM21,246,000 (2015: RM24,887,000) respectively.

Interest receivable of the Group and the Bank are shown net of impairment losses of RM1,858,000 (2015: RM2,776,000).

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

	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Balance at beginning of the financial year	40,062	39,443	27,663	27,045
Impairment loss during the financial year, net	349	3,263	146	3,262
Amount written-off	(4,712)	(2,644)	(4,705)	(2,644)
Balance at end of the financial year	35,699	40,062	23,104	27,663

(b) Amount due from originators represents personal and housing loans acquired from originators for onward sale to Cagamas Berhad as mentioned in Note 23.

(c) Amounts due from subsidiary and related companies are unsecured, non-interest bearing and are repayable on demand.

18. OTHER ASSETS (CONT'D)

(d) The movement in impairment loss on foreclosed properties is as follows:

	Group		Bank	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Balance at beginning of the financial year	12,674	6,905	12,517	6,748
Impairment loss during the financial year	277	5,769	277	5,769
Balance at end of the financial year	12,951	12,674	12,794	12,517

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

During the financial year, the Bank was successful in its appeals for the majority of the tax matters under dispute and had received Notices of Reduced Assessment for year of assessment 2008 from the IRB. The Bank's application to the Special Commissioners of Income Tax for the notice of assessment for the year of assessment 2009 is still pending and the next case management is scheduled on 21 June 2016.

19. PROPERTY AND EQUIPMENT

2016 Group	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Leasehold improve-ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Cost										
At beginning of the financial year	8,989	4,977	534	39,242	142,583	158,929	364,226	6,117	16,923	742,520
Additions	-	-	-	-	4,903	17,963	8,309	892	29,998	62,065
Transfer from related companies, net	-	-	-	-	-	-	-	455	-	455
Disposals	-	-	-	-	-	(1,242)	(29,704)	(72)	-	(31,018)
Reclassification/Adjustments	-	-	-	-	2,356	(2,355)	7,359	-	(14,747)	(7,387)
Written off	-	-	-	-	-	(8,658)	(5,602)	-	-	(14,260)
Foreign exchange differences	-	-	-	25	-	87	16	7	-	135
At end of the financial year	8,989	4,977	534	39,267	149,842	164,724	344,604	7,399	32,174	752,510
Accumulated depreciation and impairment losses										
At beginning of the financial year	-	1,848	290	16,740	116,063	135,746	314,848	4,255	-	589,790
Depreciation charge for the financial year (Note 34)	-	94	10	744	9,303	9,272	21,208	303	-	40,934
Transfer from related companies, net	-	-	-	-	-	-	-	315	-	315
Disposals	-	-	-	-	-	(1,235)	(29,696)	(72)	-	(31,003)
Reclassification/Adjustments	-	-	-	-	2,304	(2,299)	(5)	-	-	-
Written off	-	-	-	-	-	(8,641)	(5,599)	-	-	(14,240)
Impairment loss	-	-	-	-	700	-	-	-	-	700
Foreign exchange differences	-	-	-	9	-	82	15	8	-	114
At end of the financial year	-	1,942	300	17,493	128,370	132,925	300,771	4,809	-	586,610
Analysed as:										
Accumulated depreciation	-	1,688	300	16,607	127,670	132,925	300,771	4,809	-	584,770
Accumulated impairment losses	-	254	-	886	700	-	-	-	-	1,840
	-	1,942	300	17,493	128,370	132,925	300,771	4,809	-	586,610
Carrying Amount										
At end of the financial year	8,989	3,035	234	21,774	21,472	31,799	43,833	2,590	32,174	165,900

19. PROPERTY AND EQUIPMENT (CONT'D.)

2015 Group	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Leasehold improve-ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Cost										
At beginning of the financial year	8,989	4,977	534	39,186	135,149	155,458	365,379	6,750	3,926	720,348
Additions	-	-	-	-	9,918	11,105	9,744	-	14,765	45,532
Disposals	-	-	-	-	-	(484)	(8,602)	(652)	-	(9,738)
Reclassification/Adjustments	-	-	-	-	(42)	28	1,349	-	(1,768)	(433)
Written off	-	-	-	-	(2,442)	(7,368)	(3,680)	-	-	(13,490)
Foreign exchange differences	-	-	-	56	-	190	36	19	-	301
At end of the financial year	8,989	4,977	534	39,242	142,583	158,929	364,226	6,117	16,923	742,520
Accumulated depreciation and impairment losses										
At beginning of the financial year	-	1,755	281	15,952	108,560	134,296	303,494	4,180	-	568,518
Depreciation charge for the financial year (Note 34)	-	93	9	767	9,884	9,053	23,565	398	-	43,769
Disposals	-	-	-	-	-	(450)	(8,569)	(340)	-	(9,359)
Written off	-	-	-	-	(2,381)	(7,336)	(3,677)	-	-	(13,394)
Foreign exchange differences	-	-	-	21	-	183	35	17	-	256
At end of the financial year	-	1,848	290	16,740	116,063	135,746	314,848	4,255	-	589,790
Analysed as:										
Accumulated depreciation	-	1,594	290	15,854	116,063	135,746	314,848	4,255	-	588,650
Accumulated impairment losses	-	254	-	886	-	-	-	-	-	1,140
	-	1,848	290	16,740	116,063	135,746	314,848	4,255	-	589,790
Carrying amount										
At end of the financial year	8,989	3,129	244	22,502	26,520	23,183	49,378	1,862	16,923	152,730

19. PROPERTY AND EQUIPMENT (CONT'D.)

2016 Bank	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Leasehold improve-ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Cost										
At beginning of the financial year	90	3,806	303	16,663	131,236	111,348	329,876	5,711	16,708	615,741
Additions	-	-	-	-	4,629	3,858	8,201	892	29,998	47,578
Transfer from related companies, net	-	-	-	-	-	-	-	455	-	455
Disposals	-	-	-	-	-	(1,242)	(27,197)	-	-	(28,439)
Reclassification/Adjustments	-	-	-	-	38	(37)	7,359	-	(14,747)	(7,387)
Written off	-	-	-	-	-	(1,970)	(5,602)	-	-	(7,572)
At end of the financial year	90	3,806	303	16,663	135,903	111,957	312,637	7,058	31,959	620,376
Accumulated depreciation and impairment losses										
At beginning of the financial year	-	1,545	178	6,564	105,585	97,041	283,498	3,850	-	498,261
Depreciation charge for the financial year (Note 34)	-	76	3	330	8,820	5,835	19,907	303	-	35,274
Transfer from related companies, net	-	-	-	-	-	-	-	315	-	315
Disposals	-	-	-	-	-	(1,235)	(27,189)	-	-	(28,424)
Written off	-	-	-	-	-	(1,970)	(5,599)	-	-	(7,569)
Impairment loss	-	-	-	-	700	-	-	-	-	700
At end of the financial year	-	1,621	181	6,894	115,105	99,671	270,617	4,468	-	498,557
Analysed as:										
Accumulated depreciation	-	1,367	181	6,008	114,405	99,671	270,617	4,468	-	496,717
Accumulated impairment losses	-	254	-	886	700	-	-	-	-	1,840
	-	1,621	181	6,894	115,105	99,671	270,617	4,468	-	498,557
Carrying amount										
At end of the financial year	90	2,185	122	9,769	20,798	12,286	42,020	2,590	31,959	121,819

19. PROPERTY AND EQUIPMENT (CONT'D.)

2015 Bank	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Leasehold improve- ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Work-in- progress RM'000	Total RM'000
Cost										
At beginning of the financial year	90	3,806	303	16,663	124,099	105,967	327,188	6,363	3,711	588,190
Additions	-	-	-	-	9,620	5,522	8,577	-	14,765	38,484
Disposals	-	-	-	-	-	(161)	(5,995)	(652)	-	(6,808)
Reclassification/Adjustments	-	-	-	-	(42)	28	1,349	-	(1,768)	(433)
Written off	-	-	-	-	(2,441)	(8)	(1,243)	-	-	(3,692)
At end of the financial year	90	3,806	303	16,663	131,236	111,348	329,876	5,711	16,708	615,741
Accumulated depreciation and impairment losses										
At beginning of the financial year	-	1,469	175	6,234	98,868	90,828	268,519	3,793	-	469,886
Depreciation charge for the financial year (Note 34)	-	76	3	330	9,097	6,377	22,184	397	-	38,464
Disposals	-	-	-	-	-	(156)	(5,962)	(340)	-	(6,458)
Written off	-	-	-	-	(2,380)	(8)	(1,243)	-	-	(3,631)
At end of the financial year	-	1,545	178	6,564	105,585	97,041	283,498	3,850	-	498,261
Analysed as:										
Accumulated depreciation	-	1,291	178	5,678	105,585	97,041	283,498	3,850	-	497,121
Accumulated impairment losses	-	254	-	886	-	-	-	-	-	1,140
	-	1,545	178	6,564	105,585	97,041	283,498	3,850	-	498,261
Carrying amount										
At end of the financial year	90	2,261	125	10,099	25,651	14,307	46,378	1,861	16,708	117,480

20. INTANGIBLE ASSETS

	Computer software RM'000	Work-in-progress RM'000	Total RM'000
Group			
2016			
Cost			
At beginning of the financial year	799,804	73,913	873,717
Additions	34,921	68,740	103,661
Disposals	(919)	-	(919)
Written off	(1)	-	(1)
Reclassification/Adjustments	99,402	(108,803)	(9,401)
Foreign exchange differences	5	-	5
At end of the financial year	933,212	33,850	967,062
Accumulated amortisation			
At beginning of the financial year	538,968	-	538,968
Amortisation for the financial year (Note 34)	78,256	-	78,256
Disposals	(919)	-	(919)
Written off	(1)	-	(1)
Foreign exchange differences	5	-	5
At end of the financial year	616,309	-	616,309
Carrying amount			
At end of the financial year	316,903	33,850	350,753
2015			
Cost			
At beginning of the financial year	756,729	49,458	806,187
Additions	15,164	60,765	75,929
Reclassification/Adjustments	27,905	(36,310)	(8,405)
Foreign exchange differences	6	-	6
At end of the financial year	799,804	73,913	873,717
Accumulated amortisation			
At beginning of the financial year	471,330	-	471,330
Amortisation for the financial year (Note 34)	67,632	-	67,632
Foreign exchange differences	6	-	6
At end of the financial year	538,968	-	538,968
Carrying amount			
At end of the financial year	260,836	73,913	334,749

20. INTANGIBLE ASSETS (CONT'D.)

	Computer software RM'000	Work-in-progress RM'000	Total RM'000
Bank			
2016			
Cost			
At beginning of the financial year	762,949	73,708	836,657
Additions	33,945	68,722	102,667
Disposals	(919)	-	(919)
Written off	(1)	-	(1)
Reclassification/Adjustments	99,402	(108,803)	(9,401)
At end of the financial year	895,376	33,627	929,003
Accumulated amortisation			
At beginning of the financial year	508,968	-	508,968
Amortisation for the financial year (Note 34)	76,011	-	76,011
Disposals	(919)	-	(919)
Written off	(1)	-	(1)
At end of the financial year	584,059	-	584,059
Carrying amount			
At end of the financial year	311,317	33,627	344,944
2015			
Cost			
At beginning of the financial year	724,713	49,327	774,040
Additions	10,331	60,691	71,022
Reclassification/Adjustments	27,905	(36,310)	(8,405)
At end of the financial year	762,949	73,708	836,657
Accumulated amortisation			
At beginning of the financial year	443,368	-	443,368
Amortisation for the financial year (Note 34)	65,600	-	65,600
At end of the financial year	508,968	-	508,968
Carrying amount			
At end of the financial year	253,981	73,708	327,689

21. ASSET HELD FOR SALE

During the current financial year, the Board approved the proposal to dispose AmTrustee Berhad ("The proposed disposal"), an associate of the Group. The proposed disposal will not result in any significant impact on the Group's income statement or statement of financial position of the Group.

Accordingly, the investment in AmTrustee Berhad had been reclassified as asset held for sale.

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted shares, at cost	200	-	100	-
Group's share of post-acquisition reserve	2,967	-	-	-
	3,167	-	100	-

22. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Licensed banks	334,831	913,644	334,831	913,817
Licensed investment banks	123,953	552,081	123,953	552,081
Other financial institutions	469,970	562,078	549,945	596,785
Bank Negara Malaysia	22,384	30,298	22,384	30,298
	951,138	2,058,101	1,031,113	2,092,981

23. RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

Recourse obligation on loans sold to Cagamas Berhad represents the proceeds received from the sale of loans directly from the Bank or acquired from the originators (as disclosed in Note 18(b)) to Cagamas Berhad with recourse. Under this arrangement, the Bank undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans, which are regarded as defective based on prudential criteria with recourse to the Bank. Under the back-to-back arrangement with the originators, the Bank acts as the intermediary financial institution and undertakes to administer the receivables on behalf of Cagamas Berhad and to buy back any receivables which are regarded as defective based on prudential criteria with recourse against the originators.

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

Consequently, the fair value credit adjustment previously recognised of RM10,420,000 is amortised to the income statement over the remaining term to maturity of the loans using the effective interest rate method. As at 31 March 2016, the unamortised fair value adjustments included in the carrying amount of the recourse obligation on loans sold to Cagamas Berhad, after amortisation recognised during the current financial year of RM1,648,000 (2015: RM1,737,000), amounted to RM7,282,000 (2015: RM5,635,000).

24. DEPOSITS FROM CUSTOMERS

	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Demand deposits	9,689,196	9,701,374	9,690,746	9,702,618
Savings deposits	3,317,483	3,356,402	3,317,483	3,356,402
Term/Investment deposits	49,141,538	49,608,047	49,239,047	49,665,261
Negotiable instruments of deposits	248	4,567	248	4,567
	62,148,465	62,670,390	62,247,524	62,728,848

Included in deposits from customers of the Group and the Bank are deposits of RM1,251,782,000 (2015: RM1,308,704,000 for the Group and the Bank) held as collateral for loans and advances.

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

	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Government and other statutory bodies	4,261,283	3,845,436	4,261,283	3,845,436
Business enterprises	27,963,073	27,561,311	28,062,132	27,619,769
Individuals	27,894,358	28,868,684	27,894,358	28,868,684
Others	2,029,751	2,394,959	2,029,751	2,394,959
	62,148,465	62,670,390	62,247,524	62,728,848

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

	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Due within six months	37,107,011	36,246,422	37,204,520	36,303,636
Over six months to one year	9,325,469	10,494,544	9,325,469	10,494,544
Over one year to three years	2,268,642	2,252,256	2,268,642	2,252,256
Over three years to five years	440,664	619,392	440,664	619,392
	49,141,786	49,612,614	49,239,295	49,669,828

25. TERM FUNDING

	Note	Group and Bank 2016 RM'000	Group and Bank 2015 RM'000
Senior Notes	(a)	3,902,438	3,820,270
Credit-Linked Notes	(b)	284,863	281,823
Other borrowings (net of unamortised issuance expenses of RM3,550,000; 2015: RM6,709,000)	(c)	1,362,150	1,141,492
		5,549,451	5,243,585

(a) Senior Notes comprise of the following:

	Note	2016 RM'000	2015 RM'000
Senior Notes	(i)	2,349,595	2,348,975
Euro Medium Term Note (net of unamortised issuance expenses of RM5,324,000; 2015: RM6,812,000)	(ii)	1,552,843	1,471,295
		3,902,438	3,820,270

25. TERM FUNDING (CONT'D.)

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

(i) Senior Notes

The Senior Notes issued by the Bank is under a Senior Notes Programme ("SNP") of up to RM7.0 billion nominal value. The proceeds from the issuance of the Senior Notes is to be utilised for the Bank's general working capital requirements.

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

The Senior Notes rank pari-passu with all other present and future unsecured and unsubordinated obligations (excluding deposits) of the Bank. RAM Ratings has assigned a long-term rating of AA2/Stable to the SNP. The Senior Notes issued which remain outstanding as at reporting date have a fixed interest rate ranging from 4.25% to 5.25% per annum (2015: 4.25% to 5.25% per annum) and are payable semi-annually. The Senior Notes outstanding are repayable between 1 month to 3 years (2015: 1 year to 4.5 years).

(ii) Euro Medium Term Note

On 3 July 2014, the Bank issued USD400 million Senior Notes under its USD 2 billion Euro Medium Term Note Programme in nominal value (or its equivalent in other currencies) ("EMTNP"). The EMTNP was approved by the Securities Commission under its deemed approval process.

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

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

The nominal value of CLNs issued and outstanding at reporting date amounted to RM300.0 million (2015: RM300.0 million). The CLNs carry a fixed interest rate ranging from 4.0% to 4.7% per annum (2015: 4.0% to 4.7%) and will mature between 2 months to 5.5 years (2015: 1 year to 6.5 years).

(c) Other borrowings comprise of the the following:

		Group and Bank	
		2016	2015
	Note	RM'000	RM'000
Term loans and revolving credit	(i)	1,362,150	1,141,392
Structured deposit	(ii)	-	100
		1,362,150	1,141,492

25. TERM FUNDING (CONT'D.)

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

(i) The salient terms of the term loans and revolving credits drawn by the Bank's Labuan offshore branch are as follows:

- USD300 million term loan from Singapore branch of ANZ was drawn on 31 March 2014 for refinancing, working capital, general banking and other corporate purposes. This term loan bears interest at 0.90% (2015: 0.90%) per annum above LIBOR. This term loan shall be due and payable in full 3 years after the drawdown date.

- USD50 million term loan drawn on 16 June 2015 for working capital purposes. This term loan bears interest at 0.85% per annum above LIBOR. This term loan shall be due and payable in full 2 years after the drawdown date.

(ii) Structured deposit

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

26. DEBT CAPITAL

		Group		Bank	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Subordinated Term Loan	(a)	-	-	-	764,282
Non-Cumulative Non-Voting Guaranteed Preference Shares	(b)	-	764,282	-	-
Medium Term Notes	(c)	1,310,000	1,310,000	1,310,000	1,310,000
Non-Innovative Tier 1 Capital Securities	(d)	500,000	500,000	500,000	500,000
Innovative Tier 1 Capital Securities	(e)	485,000	485,000	485,000	485,000
Subordinated notes (net of unamortised issuance costs of RM450,000; 2015: RM599,000)	(f)	399,550	399,401	399,550	399,401
		2,694,550	3,458,683	2,694,550	3,458,683

(a) Subordinated term loan

The subordinated term loan (USD200 million) which was on-lent from a wholly-owned subsidiary of the Bank, AMBB Capital (L) Ltd, from the proceeds of the issue of the Hybrid Securities as explained in Note 26(b), is for a period of 50 years, maturing on 27 January 2056 with an option to make a first call on 27 January 2016.

The interest rate of the subordinated term loan has been fixed at 6.77% per annum from the date of issue to the date of the first call on 27 January 2016. Thereafter, a floating rate per annum of three (3) months US Dollar LIBOR plus 2.90% will be charged till 27 January 2056.

Previously, the Bank had undertaken a fair value hedge on the interest rate risk of the subordinated term loan but the hedge was terminated during the financial year ended 31 March 2012.

Consequently, the fair value credit adjustment previously recognised of RM93,475,000 is amortised to the income statement over the remaining term to maturity of the loans using the effective interest rate method. Upon approval from Bank Negara Malaysia on 3 November 2015, on the first call date of 27 January 2016, the subordinated term loan was redeemed by the Bank. The proceeds of the repayment is used by AMBB Capital (L) Ltd to redeem its Hybrid Securities in whole on the same day. For current financial year, total amortisation recognised in the income statement amounted to RM25,665,000 (2015: RM24,927,000).

26. DEBT CAPITAL (CONT'D.)

(b) Non-Cumulative Non-Voting Guaranteed Preference Shares

On 27 January 2006, AMBB Capital (L) Ltd, a wholly-owned subsidiary of the Bank, issued USD200,000,000 Hybrid Capital comprising 2,000 preference shares of USD100,000 each ("Hybrid Securities"). The Hybrid Securities are guaranteed by the Bank on a subordinated basis. The gross proceeds of USD200,000,000 from the issue of Hybrid Securities were on-lent to the Bank in the form of a subordinated term loan on 27 January 2006 for the purpose of supplementing the Bank's working capital requirements.

The salient features of the Hybrid Securities are as follows:

(i) The Hybrid Securities bear non-cumulative dividends from the issue date to (but excluding) 27 January 2016 at 6.77% per annum and thereafter, at a floating rate equal to three (3) months US dollar LIBOR plus 2.90% if not redeemed on 27 January 2016. The non-cumulative dividends are payable on semi-annual basis.

(ii) The Hybrid Securities are perpetual securities and have no fixed final redemption date. The Hybrid Securities may be redeemed in whole but not in part at the option of the issuer (but not the holders) under certain circumstances.

The Hybrid Securities are listed on both the Labuan International Financial Exchange Inc. and the Singapore Exchange Securities Trading Limited and are offered to international institutional investors outside Malaysia.

The Hybrid Securities qualify as Tier 1 Capital under BNM's capital adequacy framework up to 31 December 2012. Effective 1 January 2013, the Hybrid Securities qualify as Additional Tier 1 Capital as a capital instrument eligible for gradual phase-out treatment under the transitional arrangements of the Basel III accord.

On the first call date of 27 January 2016, the Hybrid Securities were redeemed by the Group. The guarantee is automatically terminated upon redemption.

(c) Medium Term Notes

In the financial year ended 31 March 2008, the Bank implemented a RM2.0 billion nominal value Medium Term Notes Programme ("MTN Programme") whereby the proceeds raised from the MTN Programme had been and will be utilised for the refinancing of existing subordinated debts and for general working capital requirements.

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

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

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

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

(ii) Tranche 8 amounting to RM710 million, which was issued on 16 October 2012 with a tenure of 10 years Non-Callable 5 years, bears interest at 4.45% per annum.

26. DEBT CAPITAL (CONT'D.)

(d) Non-Innovative Tier 1 Capital Securities

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

(i) Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by the Bank and stapled to the Subordinated Notes described below; and

(ii) Subordinated Notes ("SubNotes"), which are issued by AmPremier Capital Berhad ("AmPremier"), a wholly-owned subsidiary of the Bank.

(collectively known as "Stapled Capital Securities")

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

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

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

(e) Innovative Tier 1 Capital Securities

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

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

(f) Subordinated notes

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

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

On 30 December 2013, the Bank issued the first tranche of the Subordinated Notes amounting to RM400.0 million. The interest rate of this tranche is 5.20%, payable on a half-yearly basis for a tenure of 10 years. The full amount issued qualifies as Tier 2 Capital for the purpose of capital adequacy ratio computation.

27. OTHER LIABILITIES

	Note	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Other payables and accruals		1,095,582	1,490,578	1,074,435	1,470,877
Interest payable		636,611	588,645	636,618	588,665
Amount due to holding, subsidiaries and related companies		91,790	46,910	91,788	61,813
Collateral received for derivative transactions	51	469,030	277,727	469,030	277,727
Lease deposits and advance rentals		8,332	8,442	8,332	8,442
Provision for commitments and contingencies	(a)	72,793	97,308	72,813	97,353
Provision for taxation		102	81,360	20	81,156
		2,374,240	2,590,970	2,353,036	2,586,033

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

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

	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Balance at beginning of the financial year	97,308	125,550	97,353	125,577
Writeback during the financial year, net	(25,243)	(28,790)	(25,268)	(28,772)
Foreign exchange differences	728	548	728	548
Balance at end of the financial year	72,793	97,308	72,813	97,353

28. SHARE CAPITAL

	Group and Bank 2016 '000	Group and Bank 2015 '000
Authorised		
Ordinary shares of RM1.00 each	1,386,250	1,386,250
6% Irredeemable Non-Cumulative Convertible Preference Shares of RM1.00 each	2,500,000	2,500,000
Balance at beginning and end of the financial year	3,886,250	3,886,250
	RM'000	**RM'000**
Issued and fully paid		
Ordinary shares of RM1.00 each:		
Balance at beginning and at end of the financial year	820,364	820,364

29. RESERVES

	Note	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Share premium	(a)	942,844	942,844	942,844	942,844
Other reserves	(b)	1,163,810	1,136,381	1,057,851	1,032,396
Retained earnings	(c)	5,335,746	5,147,900	5,080,500	4,874,087
		7,442,400	7,227,125	7,081,195	6,849,327

(a) Share premium is used to record premium arising from new shares issued in the Bank.

(b) The other reserves comprise:

	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Statutory reserve	980,969	980,969	980,969	980,969
Merger reserve	104,149	104,149	-	-
Available-for-sale reserve	11,751	1,207	11,951	1,323
Cash flow hedging reserve/(deficit)	3,635	(481)	3,635	(481)
Foreign currency translation reserve	63,306	50,537	61,296	50,585
	1,163,810	1,136,381	1,057,851	1,032,396

i) Statutory reserve - This is maintained in compliance with Section 47(2)(f) of the Financial Service Act, 2013 and is not distributable as cash dividends.

ii) Merger reserve - This represents reserve arising from the acquisitions of AmLabuan Holdings (L) Ltd and AmCard Services Berhad which were accounted for using the merger accounting method.

iii) Available-for-sale reserve - This represents the unrealised fair value gains/(losses) on financial investments available-for-sale.

iv) Cash flow hedging reserve/(deficit) - This comprises the portion of the gains/(losses) on hedging instruments in a cash flow hedge that is determined to be an effective hedge.

v) Foreign currency translation reserve - This represents foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Bank's and the Group's functional currency.

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

30. NON-CONTROLLING INTERESTS

	Group 2016 RM'000	Group 2015 RM'000
Balance at beginning of the financial year	61	60
Share in net results of subsidiaries	1	1
Balance at end of the financial year	62	61

31. INTEREST INCOME

	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Short-term funds and deposits with financial institutions	176,865	202,768	174,601	192,907
Financial assets held-for-trading	70,592	72,833	70,592	72,833
Financial investments available-for-sale	282,726	240,810	286,920	246,409
Financial investments held-to-maturity	84,162	79,466	84,162	79,466
Loans and advances	3,263,573	3,565,361	3,254,029	3,553,593
Investment accounts	62,216	12,206	62,216	12,206
Impaired loans and advances	8,409	7,055	8,409	7,055
Others	57,741	23,401	57,697	23,228
	4,006,284	4,203,900	3,998,626	4,187,697

32. INTEREST EXPENSE

	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Deposits from customers	1,885,688	1,826,361	1,894,876	1,828,717
Deposits and placements of banks and other financial institutions	48,094	48,194	48,096	48,205
Recourse obligation on loans sold to Cagamas Berhad	70,842	40,764	70,842	40,764
Term funding	198,113	170,842	198,113	170,842
Debt capital	196,560	207,251	196,560	207,132
Others	5,014	4,644	6,184	4,644
	2,404,311	2,298,056	2,414,671	2,300,304

33. OTHER OPERATING INCOME

	Note	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Fee and commission income:					
Bancassurance commission		28,995	30,829	28,992	30,803
Brokerage fees, commission and rebates		2,706	1,852	2,706	1,852
Fees on loans, advances and securities		156,537	238,552	137,841	216,221
Guarantee fees		55,348	57,192	55,348	57,192
Underwriting commission		-	3,397	-	3,397
Remittances		22,249	23,438	22,249	23,438
Service charges fee		15,317	14,330	15,749	15,058
Other fee and commission income		35,228	40,873	35,211	40,827
		316,380	410,463	298,096	388,788
Investment and trading income:					
Foreign exchange gain[1]		140,224	35,576	140,224	35,576
Dividend income from:					
Associate		-	-	-	1,000
Financial assets held-for-trading		4,862	6,814	4,862	6,814
Financial investments available-for-sale		3,121	15,065	3,121	15,065
Subsidiaries		-	-	90,750	5,467
Net gain/(loss) on sale/redemption of:					
Financial assets held-for-trading		9,578	(20,337)	9,578	(20,337)
Financial investments available-for-sale	39	20,170	23,403	20,358	23,403
Net (loss)/gain on revaluation of financial assets held-for-trading		(417)	6,629	(417)	6,629
Net (loss)/gain on derivatives		(11,542)	103,670	(11,542)	103,670
Others		8,091	891	9,218	5,967
		174,087	171,711	266,152	183,254
Other income:					
Net gain/(loss) on disposal of property and equipment		158	90	140	(81)
Net non-trading foreign exchange (loss)/gain		(820)	18,748	354	18,649
Profit from sale of goods and services		41,229	30,808	41,229	30,808
Rental income		3,788	3,795	3,310	3,140
Others		18,138	6,045	18,065	5,872
		62,493	59,486	63,098	58,388
		552,960	641,660	627,346	630,430

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

34. OTHER OPERATING EXPENSES

	Note	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Personnel costs:					
Medical		19,152	16,677	17,783	15,908
Insurance		18,380	21,635	17,260	20,245
Contributions to Employees' Provident Fund		100,158	109,578	94,078	103,093
Salaries, bonuses, allowances and incentives		660,732	678,193	624,566	639,538
Shares and options granted under ESS		7,272	21,163	7,109	20,646
Social security cost		5,094	5,086	4,740	4,721
Recruitment costs		12,631	2,750	12,514	2,654
Training		8,339	14,624	8,131	14,312
Others		12,542	13,360	12,183	13,094
Expenses capitalised		(10,648)	(10,167)	(10,648)	(10,167)
		833,652	872,899	787,716	824,044
Establishment costs:					
Amortisation of intangible assets	20	77,573	67,441	75,328	65,409
Cleaning, maintenance and security		26,578	27,245	25,607	25,767
Computerisation cost		183,632	168,577	180,665	168,319
Depreciation of property and equipment	19	40,846	43,725	35,186	38,420
Rental of premises		86,057	81,421	82,360	77,542
Others		37,619	38,342	36,338	36,953
Expenses capitalised		(2,171)	(1,984)	(2,171)	(1,984)
		450,134	424,767	433,313	410,426
Marketing and communication expenses:					
Advertising and marketing		35,954	33,360	35,709	33,342
Commission		14,623	9,073	14,621	9,067
Communication		48,513	41,709	46,202	39,354
Others		7,832	6,751	6,596	5,423
		106,922	90,893	103,128	87,186
Administration and general expenses:					
Bank charges		6,158	5,644	6,155	5,627
Card operation charges		-	-	162,877	223,439
Insurance		4,680	5,041	4,595	4,908
Professional services		90,351	85,589	90,235	84,934
Travelling		2,920	6,426	2,773	6,245
Subscriptions, newspaper and periodical		4,689	2,082	4,688	2,046
Others	(a)	60,216	25,439	59,321	24,300
		169,014	130,221	330,644	351,499
Service transfer pricing recovery, net		(308,524)	(342,942)	(341,590)	(374,335)
Acquisition and business efficiency costs	(b)	3,479	40,020	3,479	40,020
		1,254,677	1,215,858	1,316,690	1,338,840

34. OTHER OPERATING EXPENSES (CONT'D.)

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

(b) Acquisition and business efficiency costs

		Group and Bank	
		2016	**2015**
	Note	**RM'000**	**RM'000**
Business efficiency costs:			
Personnel costs		-	22,846
Professional costs		1,584	16,705
Depreciation of property and equipment	19	88	44
Amortisation of intangible assets	20	683	191
Other		1,124	234
		3,479	40,020

Included in operating expenses are the following statutory disclosure:

		Group		**Bank**	
		2016	**2015**	**2016**	**2015**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Auditors' remuneration:					
Parent auditor					
Audit		1,255	1,142	1,138	1,027
Regulatory and assurance related		2,972	731	2,972	731
Other services		-	1,073	-	1,073
Firm affiliated with parent auditor					
Audit		21	21	-	-
Hire of office equipment		9,568	8,349	9,505	8,270
Operating lease		30,123	30,066	30,123	30,066
Property and equipment written off	19	20	96	3	61
Rental of premises					
- subsidiaries		-	-	2,178	2,191
- others		86,057	81,421	80,182	75,351

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

35. CHIEF EXECUTIVE OFFICER'S AND DIRECTORS' REMUNERATION

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

	Remuneration received from Group and Bank					
2016	**Fees RM'000**	**Salaries RM'000**	**Bonus RM'000**	**Other emoluments RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
Chief Executive Officer:						
Dato' Sulaiman Bin Mohd Tahir * (Appointed on 23 November 2015)	-	-	-	-	-	-
	-	-	-	-	-	-
Non-Executive Directors:						
Tan Sri Azman Hashim	160	-	-	409	-	569
Graham Kennedy Hodges	150	-	-	65	-	215
Raymond Fam Chye Soon	150	-	-	77	-	227
Voon Seng Chuan	118	-	-	43	-	161
Dato' Sri Abdul Hamidy Abdul Aziz	35	-	-	8	-	43
Tan Sri Datuk Clifford Francis Herbert	57	-	-	30	-	87
Cheah Tek Kuang	85	-	-	34		119
Chin Yuen Yin	87	-	-	39	-	126
	842	-	-	705	-	1,547
Total remuneration (Note 42(d))	842	-	-	705	-	1,547
2015						
Chief Executive Officer/Executive Director:						
Ashok Ramamurthy	-	1,794	1,829	917	42	4,582
	-	1,794	1,829	917	42	4,582
Non-Executive Directors:						
Tan Sri Azman Hashim	160	-	-	419	-	579
Cheah Tek Kuang	160	-	-	53	-	213
Tun Mohammed Hanif Omar	150	-	-	9	-	159
Tan Sri Datuk Clifford Francis Herbert	150	-	-	72	-	222
Chin Yuen Yin	150	-	-	65	-	215
Graham Kennedy Hodges	22	-	-	1	-	23
Raymond Fam Chye Soon	31	-	-	13	-	44
Loh Chen Peng	37	-	-	13	-	50
Dato' Gan Nyap Liou @ Gan Nyap Liow	113	-	-	53	-	166
	973	-	-	698	-	1,671
Total remuneration (Note 42(d))	973	1,794	1,829	1,615	42	6,253

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

36. ALLOWANCE FOR IMPAIRMENT ON LOANS AND ADVANCES - CHARGE/(WRITEBACK)

	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Allowance for impaired loans and advances:				
Individual allowance (Note 12 (i))	111,381	45,300	111,381	45,300
Collective allowance (Note 12 (i))	185,846	282,957	185,754	283,430
Impaired loans and advances recovered, net	(455,806)	(483,970)	(455,806)	(483,970)
Recovery from loans sold to Danaharta	(1,589)	(1,732)	(1,589)	(1,732)
	(160,168)	(157,445)	(160,260)	(156,972)

37. IMPAIRMENT LOSS/(WRITEBACK) ON FINANCIAL INVESTMENTS

	Group and Bank 2016 RM'000	Group and Bank 2015 RM'000
Financial investments available-for-sale	22,989	23,538
Financial investments held-to-maturity (Note 11)	(3,190)	2,554
	19,799	26,092

38. TAXATION

	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Current tax:				
Estimated tax payable	232,752	393,473	210,410	390,470
Over provision in prior financial years	(7,713)	(3,412)	(7,710)	(2,178)
	225,039	390,061	202,700	388,292
Deferred tax (Note 15):				
- Effect of change in tax rate	-	4,216	-	4,123
- Origination and reversal of temporary differences	22,381	(37,937)	21,266	(73,543)
- Over provision of deferred tax in prior financial years	(707)	(1,256)	(2,240)	(958)
	21,674	(34,977)	19,026	(70,378)
Taxation	246,713	355,084	221,726	317,914

Domestic income tax is calculated at the statutory tax rate of 24% (2015: 25%) on the estimated chargeable profit for the financial year. Taxation in foreign jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The computation of deferred tax for the current financial year is based on the tax rate of 24% (2015: 24%).

38. 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	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before taxation	1,067,108	1,485,270	1,060,678	1,331,117
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	256,106	371,317	254,563	332,779
Effect of change in tax rate	-	4,216	-	4,123
Effect of different tax rates in Labuan	(9,919)	(12,779)	(9,960)	(12,529)
Expenses not deductible for tax purposes	13,449	9,789	13,127	9,078
Income not subject to tax	(13,549)	(11,844)	(35,365)	(11,704)
Tax on share in results of associates	(265)	(250)	-	-
Tax provision for potential tax liability	11,746	3,000	11,746	3,000
Tax recoverable recognised on income subject to tax remission	(2,435)	(3,697)	(2,435)	(3,697)
Over provision of current tax in prior financial years	(7,713)	(3,412)	(7,710)	(2,178)
Over provision of deferred tax in prior financial years	(707)	(1,256)	(2,240)	(958)
Total taxation	246,713	355,084	221,726	317,914

39. OTHER COMPREHENSIVE INCOME/(LOSS)

	Group		Bank	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Currency translation on:				
- foreign operations	12,769	52,527	10,711	47,800
Cash flow hedge:				
Losses arising during the financial year	(4,242)	(7,067)	(4,242)	(7,067)
Less: Reclassification adjustments for loss included in the income statement	9,415	2,397	9,415	2,397
	5,173	(4,670)	5,173	(4,670)
Financial investments available-for-sale:				
Gain arising during the financial year	34,044	119,783	34,342	121,453
Less: Reclassification adjustments for gains included in the income statement (Note 33)	(20,170)	(23,403)	(20,358)	(23,403)
	13,874	96,380	13,984	98,050
Total other comprehensive income	31,816	144,237	29,868	141,180
Income tax relating to other comprehensive loss (Note 15 and Note 39(a))	(4,387)	(22,919)	(4,413)	(23,334)
Total other comprehensive income as disclosed in statements of changes in equity	27,429	121,318	25,455	117,846

39. OTHER COMPREHENSIVE INCOME/(LOSS) (CONT'D.)

(a) Income tax effects relating to other comprehensive income/(loss).

	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
Group			
2016			
Cash flow hedge	5,173	(1,057)	4,116
Financial investments available-for-sale	13,874	(3,330)	10,544
	19,047	(4,387)	14,660
2015			
Cash flow hedge	(4,670)	1,160	(3,510)
Financial investments available-for-sale	96,380	(24,079)	72,301
	91,710	(22,919)	68,791
Bank			
2016			
Cash flow hedge	5,173	(1,057)	4,116
Financial investments available-for-sale	13,984	(3,356)	10,628
	19,157	(4,413)	14,744
2015			
Cash flow hedge	(4,670)	1,160	(3,510)
Financial investments available-for-sale	98,050	(24,494)	73,556
	93,380	(23,334)	70,046

40. EARNINGS PER SHARE

	Group 2016	Group 2015	Bank 2016	Bank 2015
Net profit attributable to equity holder of the Bank (RM'000)	820,394	1,130,185	838,952	1,013,203
Number of ordinary shares at beginning and end of the financial year representing weighted average number of ordinary shares in issue ('000)	820,364	820,364	820,364	820,364
Basic/Diluted earnings per share (sen)	100.00	137.77	102.27	123.51

41. DIVIDENDS

	Group and Bank 2016 RM'000	Group and Bank 2015 RM'000
Recognised during the financial year:		
Final single tier cash dividend of 52.00 sen per ordinary share in respect of financial year ended 31 March 2015 (2015: 26.40 sen per ordinary share in respect of the financial year ended 31 March 2014)	426,589	216,576
First interim single tier cash dividend of 25.00 sen per ordinary share in respect of financial year ended 31 March 2016 (2015: 45.00 sen per ordinary share in respect of the financial year ended 31 March 2015)	205,091	369,164
	631,680	585,740
Proposed but not recognised as a liability:		
Final single tier cash dividend of 36.00 sen per ordinary share in respect of financial year ended 31 March 2016 (2015: 52.00 sen per ordinary share)	295,331	426,589

The directors now propose the payment of a final single-tier dividend of 36.00 sen per ordinary share on 820,363,762 ordinary shares amounting to approximately RM295,330,954 in respect of the current financial year ended 31 March 2016. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2017.

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

The related parties of the Group and the Bank are:

(a) Subsidiaries

Details of subsidiaries are disclosed in Note 16.

(b) Related companies

These are subsidiaries of the holding company.

(c) Associates and Joint Venturers of the holding company ("Associates and Joint Venture")

Details of associates are disclosed in Note 17.

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

(d) Key management personnel

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

(e) Companies in which certain directors have substantial financial interest

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

(f) Companies which have significant influence over the Group

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

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

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

Group	Related companies 2016 RM'000	Related companies 2015 RM'000	Associates and joint ventures 2016 RM'000	Associates and joint ventures 2015 RM'000	Key management personnel 2016 RM'000	Key management personnel 2015 RM'000	Companies in which certain Directors have substantial financial interest 2016 RM'000	Companies in which certain Directors have substantial financial interest 2015 RM'000	Companies which significant influence over the Group 2016 RM'000	Companies which significant influence over the Group 2015 RM'000
Income										
Bancassurance commission	20,699	24,504	8,293	6,298	-	-	-	-	-	-
Fee income	-	-	-	-	10	8	-	-	-	-
Interest on deposits	46,845	71,854	-	-	-	-	-	-	-	-
Interest on investment accounts	62,216	12,206	-	-	-	-	-	-	-	-
Interest on financial investments available-for-sale	-	1,639	-	-	-	-	-	-	-	-
Interest on loans and advances	-	1,502	-	-	80	65	-	-	-	-
Gain on derivatives	1,079	1,238	-	-	-	-	-	-	-	-
Card operation income	18,124	20,819	-	-	-	-	-	-	-	-
Service transfer pricing income	339,344	393,855	658	499	-	-	-	-	-	-
	488,307	527,617	8,951	6,797	90	73	-	-	-	-
Expenses										
Interest on term funding	-	-	-	-	-	-	-	-	19,393	14,933
Interest on deposits	11,714	24,939	-	-	1,290	1,411	144	137	3,516	2,407
Professional fees	544	850	-	-	-	-	-	-	1,605	5,922
Rental	-	2,271	-	-	-	-	432	348	-	-
Service transfer pricing expense	31,478	51,412	-	-	-	-	-	-	-	-
Marketing	-	-	-	-	-	-	12	-	-	-
Customer royalty programme	-	-	-	4,006	-	-	-	-	-	-
	43,736	79,472	-	4,006	1,290	1,411	588	485	24,514	23,262

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

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

	Subsidiaries		Related companies		Associates and joint ventures		Key management personnel		Companies in which certain Directors have substantial financial interest		Companies which have significant influence over the Group	
Bank	**2016 RM'000**	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Income												
Bancassurance commission	-	-	20,699	24,504	8,293	6,298	-	-	-	-	-	-
Fee income	-	1	-	-	-	-	10	8	-	-	-	-
Interest on deposits	-	3	44,587	67,399	-	-	-	-	-	-	-	-
Interest on investment accounts	-	-	62,216	12,206	-	-	-	-	-	-	-	-
Interest on financial investments available-for-sale	4,195	5,599	-	1,639	-	-	-	-	-	-	-	-
Interest on loans and advances	4,615	4,570	-	1,039	-	-	80	65	-	-	-	-
Gain on derivatives	-	-	1,079	1,238	-	-	-	-	-	-	-	-
Service fee	1,316	916	-		-	-	-	-	-	-	-	-
Service transfer pricing income	33,066	31,865	339,344	393,855	658	499	-	-	-	-	-	-
	43,192	42,954	467,925	501,880	8,951	6,797	90	73	-	-	-	-
Expenses												
Card operation charges	162,877	223,439	-	-	-	-	-	-	-	-	-	-
Interest on debt capital and term funding	89,989	90,280	-	-	-	-	-	-	-	-	19,393	14,933
Interest on deposits	2,056	1,864	11,714	25,248	3	3	1,290	1,411	144	137	3,516	2,407
Professional fees	-	-	544	850	-	-	-	-	-	-	1,605	5,922
Rental	-	-	-	2,271	-	-	-	-	432	348	-	-
Service transfer pricing expense	-	472	31,478	51,412	-	-	-	-	-	-	-	-
Marketing	-	-	-	-	-	-	-	-	12	-	-	-
Customer royalty programme	-	-	-	-	-	4,006	-	-	-	-	-	-
	254,922	316,055	43,736	79,781	3	4,009	1,290	1,411	588	485	24,514	23,262

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

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

Group	Related companies 2016 RM'000	Related companies 2015 RM'000	Associates and joint ventures 2016 RM'000	Associates and joint ventures 2015 RM'000	Key management personnel 2016 RM'000	Key management personnel 2015 RM'000	Companies in which certain Directors have substantial financial interest 2016 RM'000	Companies in which certain Directors have substantial financial interest 2015 RM'000	Companies which have significant influence over the Group 2016 RM'000	Companies which have significant influence over the Group 2015 RM'000
Assets:										
Cash and short-term funds	153,839	478,103	-	-	-	-	-	-	-	-
Deposits and placements	250,000	2,141,959	-	-	-	-	-	-	-	-
Investment Account	1,000,000	1,363,442	-	-	-	-	-	-	-	-
Derivative financial assets	28,489	32,212	-	-	-	-	-	-	-	-
Loans and advances	-	-	-	-	3,431	1,357	-	-	-	-
Interest receivable	3,582	17,044	-	-	-	-	-	-	-	-
	1,435,910	4,032,760	-	-	3,431	1,357	-	-	-	-
Liabilities:										
Deposits and placements	158,005	715,373	-	-	85,792	81,284	40,968	5,205	50,000	128,107
Term Funding	-	-	-	-	-	-	-	-	1,170,600	1,111,065
Derivative financial liabilities	39,603	2,464	-	-	-	-	-	-	-	-
Interest payable	7,894	4,132	-	-	-	-	-	-	102	36
Other liabilities	-	-	-	-	-	-	-	-	-	163
	205,502	721,969	-	-	85,792	81,284	40,968	5,205	1,220,702	1,239,371
Commitments and contingencies:										
Contingent liabilities	15,160	3,315	-	-	-	-	-	-	587,087	525,879
Commitments	491,036	520,657	2,000	2,000	-	-	1,000	1,000	315,000	609,092
Contract/Notional amount for derivatives	1,744,159	1,204,253	-	-	-	-	-	-	-	-
	2,250,355	1,728,225	2,000	2,000	-	-	1,000	1,000	902,087	1,134,971

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

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

Bank	Subsidiaries 2016 RM'000	Subsidiaries 2015 RM'000	Related companies 2016 RM'000	Related companies 2015 RM'000	Associates and joint ventures 2016 RM'000	Associates and joint ventures 2015 RM'000	Key management personnel 2016 RM'000	Key management personnel 2015 RM'000	Companies in which certain Directors have substantial financial interest 2016 RM'000	Companies in which certain Directors have substantial financial interest 2015 RM'000	Companies which have significant influence over the Group 2016 RM'000	Companies which have significant influence over the Group 2015 RM'000
Assets:												
Cash and short-term funds	-	-	150,000	202,352	-	-	-	-	-	-	-	-
Deposits and placements	-	-	250,000	2,141,959	-	-	-	-	-	-	-	-
Investment Account	-	-	1,000,000	1,363,442	-	-	-	-	-	-	-	-
Derivative financial assets	-	-	28,489	32,212	-	-	-	-	-	-	-	-
Financial investments available-for-sale	69,123	95,075	-	-	-	-	-	-	-	-	-	-
Loans and advances	81,983	80,940	-	-	2	-	3,431	1,357	-	-	-	-
Interest receivable	-	-	3,582	17,021	-	-	-	-	-	-	-	-
	151,106	176,015	1,432,071	3,756,986	2	-	3,431	1,357	-	-	-	-
Liabilities:												
Deposits and placements	177,312	91,995	158,005	715,373	100	100	85,792	81,284	40,968	5,205	50,000	128,107
Term funding	-	-	-	-	-	-	-	-	-	-	1,170,600	1,111,065
Debt capital	500,000	1,240,710	-	-	-	-	-	-	-	-	-	-
Derivative financial liabilities	-	-	39,603	2,464	-	-	-	-	-	-	-	-
Interest payable	3,432	12,482	21	4,083	3	3	-	-	-	-	102	36
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	163
	680,744	1,345,187	197,629	721,920	103	103	85,792	81,284	40,968	5,205	1,220,702	1,239,371
Commitments and contingencies:												
Contingent liabilities	19,510	18,518	15,160	3,315	-	-	-	-	-	-	587,087	525,879
Commitments	2,490	39,404	491,036	520,657	2,000	2,000	-	-	1,000	1,000	315,000	609,092
Contract/Notional amount for derivatives	-	-	1,744,159	1,204,253	-	-	-	-	-	-	-	-
	22,000	57,922	2,250,355	1,728,225	2,000	2,000	-	-	1,000	1,000	902,087	1,134,971

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

(c) The transactions between the Bank and related parties were executed at terms agreed between the parties during the financial year.

(d) Key management personnel compensation

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

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors:				
Fees	842	973	842	973
Salaries and other remuneration	-	3,623	-	3,623
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	705	1,657	705	1,657
	1,547	6,253	1,547	6,253
Other key management personnel:				
Salaries and other remuneration	9,872	18,833	9,872	18,833
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	243	6,392	243	6,392
	10,115	25,225	10,115	25,225

43. CREDIT TRANSACTIONS AND EXPOSURE WITH CONNECTED PARTIES

	Group		Bank	
	2016	2015	2016	2015
Outstanding credit exposures with connected parties (RM'000)	2,214,847	2,407,451	2,282,395	2,600,699
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures (%)	3.02	3.34	3.12	3.61
Percentage of outstanding credit exposures to connected parties which is impaired or in default (%)	0.13	0.57	0.12	0.53

The disclosure on credit transactions and exposure with connected parties above is presented in accordance with Para 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties issued on 16 July 2014. Based on these guidelines, a connected party refers to the following:

(a) directors of the Bank and their close relatives;

(b) controlling shareholder and his close relatives;

(c) Influential shareholder and his close relatives;

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

(e) officers and his close relatives; officer refers to those responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually;

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

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

(g) any person for whom the persons listed in (a) to (e) above is a guarantor; and

(h) subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed include the extension of credit facility and/or commitments and contingencies transactions that give rise to credit/counterparty risk, the underwriting and acquisition of equities and 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 not more favourable than those entered with other counterparties with similar circumstances and credit worthiness. Due care has been taken to ensure that the credit worthiness of the connected party is not less than that normally required of other persons.

44. CAPITAL COMMITMENTS

	Group and Bank	
	2016 RM'000	2015 RM'000
Authorised and contracted for:		
Purchase of computer equipment and software	3,460	63,332
Leasehold improvements	3,460	3,075
	6,920	66,407
Authorised but not contracted for:		
Purchase of computer equipment and software	203,907	143,909
	210,827	210,316

45. OPERATING LEASE COMMITMENTS

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

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
One year or less	42,170	54,644	42,170	54,613
Over one year to five years	35,464	23,210	35,464	23,210
Over five years	11	17	11	17
	77,645	77,871	77,645	77,840

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.

46. COMMITMENTS AND CONTINGENCIES

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

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

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Contingent Liabilities				
Direct credit substitutes	2,014,648	788,743	2,014,648	788,743
Transaction related contingent items	4,305,652	5,609,010	4,305,652	5,609,010
Short term self liquidating trade related contingencies	528,516	634,176	528,516	634,176
Obligations under on-going underwriting agreements	60,000	250,000	60,000	250,000
	6,908,816	7,281,929	6,908,816	7,281,929
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	11,841,565	12,491,550	11,879,905	12,530,954
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	3,703,251	3,993,436	3,703,251	3,993,436
Unutilised credit card lines	2,369,650	3,361,539	2,369,650	3,361,539
Forward asset purchases	856,526	824,066	856,526	824,066
Others	200	200	150	150
	18,771,192	20,670,791	18,809,482	20,710,145
Derivative Financial Instruments				
Foreign exchange related contracts				
- One year or less	42,733,469	33,934,956	42,733,469	33,934,956
- Over one year to five years	1,125,883	2,500,277	1,125,883	2,500,277
- Over five years	1,980,369	1,950,414	1,980,369	1,950,414
Interest rate related contracts				
- One year or less	8,175,391	4,922,516	8,175,391	4,922,516
- Over one year to five years	31,003,999	30,856,561	31,003,999	30,856,561
- Over five years	9,423,151	8,433,307	9,423,151	8,433,307
Credit related contracts				
- One year or less	337,027	-	337,027	-
- Over one year to five years	336,367	327,515	336,367	327,515
- Over five years	-	326,889	-	326,889
Equity and commodity related contracts				
- One year or less	159,106	606,219	159,106	606,219
- Over one year to five years	73,572	69,830	73,572	69,830
	95,348,334	83,928,484	95,348,334	83,928,484
Total	121,028,342	111,881,204	121,066,632	111,920,558

46. COMMITMENTS AND CONTINGENCIES (CONT'D.)

(b) Legal suits:

- Zurich Insurance Malaysia Bhd ("Zurich") -V- AmTrustee Bhd ("AmTrustee") & Meridian Asset Management S/B ("Meridian") (“Zurich Suit”)

- Meridian Asset Management S/B -V- AmTrustee Bhd (“Meridian Suit”)

(Currently pending before the Federal Court)

Nature of Claim:

Zurich Suit: Zurich claims for breach of trust for losses suffered by it when Zurich appointed Meridian as an external fund manager for certain of its insurance funds. Meridian appointed AmTrustee as custodian for the said insurance funds.

Meridian Suit: Meridian claims for losses suffered by it arising from the custodian services provided by AmTrustee to Meridian. The losses are funds invested by Zurich and Kumpulan Wang Persaraan ("KWAP"), with Meridian.

Status:

High Court
Zurich Suit: High Court dismissed Zurich’s claim against AmTrustee. Meridian was found to be fully liable to Zurich.

Meridian Suit: High Court held AmTrustee liable to contribute to Meridian for 40% of the sum amount that Meridian pays Zurich and KWAP. Until Meridian pays Zurich and KWAP, there is no liability on AmTrustee to contribute (reimburse).
Parties then appealed to the Court of Appeal.

Court of Appeal
Zurich Suit: High Court decision varied. AmTrustee and Meridian were now held to be severally liable to Zurich. This means that both AmTrustee and Meridian are fully liable for the amount and Zurich may elect whom to pursue.

Meridian Suit: the High Court decision was maintained.

Parties applied for leave (i.e. permission) to appeal to the Federal Court.

Federal Court
Due to the winding up of Meridian and subsequent appointment of the Insolvency Department over Meridian, the Insolvency Department sought an adjournment of the hearing of AmTrustee’s leave application to enable them to obtain instructions from the contributories and creditors of Meridian. The Federal Court granted the adjournment and fixed the leave application for Case Management on 24.3.2016, for the Insolvency Department to revert with their instructions. On 24.3.2016, the Insolvency Department sought for another adjournment as they are as yet unable to revert with their instructions. This adjourned Case Management took place on 22.4.2016 and the Court then fixed AmTrustee’s leave application for hearing on 29.6.2016.

Solicitors’ Opinion :

Solicitors are of the view that AmTrustee would be able to satisfy the threshold set out under section 96 of the Court of Judicature Act (CJA) and be granted permission to appeal. The threshold requires permission to be granted when there is public importance or the issue in the appeal has not been previously decided by the Federal Court. AmTrustee’s solicitors take the view that as the questions of law posed to the Federal Court in the Leave Application have never before been decided by the Federal Court, AmTrustee has good prospects of obtaining permission to appeal.

AmTrustee’s solicitors opine that AmTrustee has a reasonably good chance to overturn the Court of Appeal’s decision at the full appeal hearing.

No provision has been made in AmTrustee's financial statements.

47. 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
Group			
2016			
ASSETS			
Cash and short-term funds	7,605,681	-	7,605,681
Deposits and placements with banks and other financial institutions	850,000	-	850,000
Investment account	-	1,000,000	1,000,000
Derivative financial assets	1,232,589	662,230	1,894,819
Financial assets held-for-trading	1,870,427	-	1,870,427
Financial investments available-for-sale	2,579,040	4,897,160	7,476,200
Financial investments held-to-maturity	780,153	2,048,601	2,828,754
Loans and advances	18,773,213	40,041,527	58,814,740
Receivables: Investments not quoted in active markets	-	97,181	97,181
Statutory deposit with Bank Negara Malaysia	-	1,745,554	1,745,554
Deferred tax assets	-	76,485	76,485
Other assets	1,568,555	463,616	2,032,171
Property and equipment	-	165,900	165,900
Intangible assets	-	350,753	350,753
Asset held for sale	3,167	-	3,167
TOTAL ASSETS	35,262,825	51,549,007	86,811,832
LIABILITIES			
Deposits and placements of banks and other financial institutions	850,210	100,928	951,138
Recourse obligation on loans sold to Cagamas Berhad	146,934	2,661,017	2,807,951
Derivative financial liabilities	1,406,623	616,588	2,023,211
Deposits from customers	59,439,159	2,709,306	62,148,465
Term funding	1,641,557	3,907,894	5,549,451
Debt capital	-	2,694,550	2,694,550
Other liabilities	2,299,523	74,717	2,374,240
TOTAL LIABILITIES	65,784,006	12,765,000	78,549,006

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

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

	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
Group			
2015			
ASSETS			
Cash and short-term funds	5,943,180	-	5,943,180
Deposits and placements with banks and other financial institutions	4,051,597	-	4,051,597
Investment account	1,363,442	-	1,363,442
Derivative financial assets	790,160	654,583	1,444,743
Financial assets held-for-trading	2,033,504	-	2,033,504
Financial investments available-for-sale	1,419,784	4,190,287	5,610,071
Financial investments held-to-maturity	518,486	2,021,356	2,539,842
Loans and advances	18,070,668	40,274,720	58,345,388
Receivables: Investments not quoted in active markets	-	87,181	87,181
Statutory deposit with Bank Negara Malaysia	-	2,162,108	2,162,108
Deferred tax assets	-	102,546	102,546
Investment in associates	-	2,062	2,062
Other assets	1,941,729	672,880	2,614,609
Property and equipment	-	152,730	152,730
Intangible assets	-	334,749	334,749
TOTAL ASSETS	36,132,550	50,655,202	86,787,752
LIABILITIES			
Deposits and placements of banks and other financial institutions	1,893,499	164,602	2,058,101
Recourse obligation on loans sold to Cagamas Berhad	23,266	1,309,544	1,332,810
Derivative financial liabilities	772,838	612,825	1,385,663
Deposits from customers	59,798,742	2,871,648	62,670,390
Term funding	37,136	5,206,449	5,243,585
Debt capital	764,282	2,694,401	3,458,683
Other liabilities	2,490,432	100,538	2,590,970
TOTAL LIABILITIES	65,780,195	12,960,007	78,740,202

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

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

	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
Bank			
2016			
ASSETS			
Cash and short-term funds	7,380,187	-	7,380,187
Deposits and placements with banks and other financial institutions	850,000	-	850,000
Investment account	-	1,000,000	1,000,000
Derivative financial assets	1,232,589	662,230	1,894,819
Financial assets held-for-trading	1,870,427	-	1,870,427
Financial investments available-for-sale	2,578,954	4,966,283	7,545,237
Financial investments held-to-maturity	780,153	2,048,601	2,828,754
Loans and advances	18,800,391	39,916,810	58,717,201
Receivables: Investments not quoted in active markets	-	97,181	97,181
Statutory deposit with Bank Negara Malaysia	-	1,745,554	1,745,554
Deferred tax assets	-	75,430	75,430
Investment in subsidiaries and other investment	-	104,277	104,277
Investment in associates	-	22	22
Other assets	1,571,036	461,407	2,032,443
Property and equipment	-	121,819	121,819
Intangible assets	-	344,944	344,944
Asset held for sale	100	-	100
TOTAL ASSETS	35,063,837	51,544,558	86,608,395
LIABILITIES			
Deposits and placements of banks and other financial institutions	930,185	100,928	1,031,113
Recourse obligation on loans sold to Cagamas Berhad	146,934	2,661,017	2,807,951
Derivative financial liabilities	1,406,623	616,588	2,023,211
Deposits from customers	59,538,218	2,709,306	62,247,524
Term funding	1,641,557	3,907,894	5,549,451
Debt capital	-	2,694,550	2,694,550
Other liabilities	2,278,399	74,637	2,353,036
TOTAL LIABILITIES	65,941,916	12,764,920	78,706,836

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

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

	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
Bank			
2015			
ASSETS			
Cash and short-term funds	5,667,979	-	5,667,979
Deposits and placements with banks and other financial institutions	4,051,597	-	4,051,597
Investment account	1,363,442		1,363,442
Derivative financial assets	790,160	654,583	1,444,743
Financial assets held-for-trading	2,033,504	-	2,033,504
Financial investments available-for-sale	1,418,660	4,285,361	5,704,021
Financial investments held-to-maturity	518,486	2,021,356	2,539,842
Loans and advances	18,132,324	40,093,012	58,225,336
Receivables: Investments not quoted in active markets	-	87,181	87,181
Statutory deposit with Bank Negara Malaysia	-	2,162,108	2,162,108
Deferred tax assets	-	98,869	98,869
Investment in subsidiaries and other investment	-	104,277	104,277
Investment in associates	-	122	122
Other assets	1,897,568	672,536	2,570,104
Property and equipment	-	117,480	117,480
Intangible assets	-	327,689	327,689
TOTAL ASSETS	35,873,720	50,624,574	86,498,294
LIABILITIES			
Deposits and placements of banks and other financial institutions	1,928,379	164,602	2,092,981
Recourse obligation on loans sold to Cagamas Berhad	23,266	1,309,544	1,332,810
Derivative financial liabilities	772,838	612,825	1,385,663
Deposits from customers	59,857,199	2,871,649	62,728,848
Term funding	37,136	5,206,449	5,243,585
Debt capital	764,282	2,694,401	3,458,683
Other liabilities	2,485,842	100,191	2,586,033
TOTAL LIABILITIES	65,868,942	12,959,661	78,828,603

48. CAPITAL MANAGEMENT

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

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

The capital plan takes the following into account:

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

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

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

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

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

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

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

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

48. CAPITAL MANAGEMENT (CONT'D.)

Group CEOs Committee proposes internal triggers and target ranges for capital management and operationally oversees adherence with these. For the current financial year ended 31 March 2016 ("FY16"), these ranges are 8.1% to 10.1% for the Common Equity Tier 1 ("CET 1") capital ratio, 9.6% to 11.6% for the Tier 1 capital ratio and 14.0% to 16.0% for the Total capital ratio. The Group has been operating within these ranges.

The Capital and Balance Sheet Management Department, is responsible for the ongoing assessment of the demand for capital and the updating of the Group's capital plan.

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

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

(a) Capital adequacy ratios

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

	Group		Bank	
	2016	**2015**	**2016**	**2015**
Before deducting proposed dividends				
CET 1 Capital ratio	11.701%	11.228%	11.082%	10.653%
Tier 1 Capital ratio	13.182%	13.021%	12.555%	12.446%
Total Capital ratio	16.435%	16.649%	15.770%	16.020%
After deducting proposed dividends				
CET 1 Capital ratio	11.257%	10.599%	10.640%	10.023%
Tier 1 Capital ratio	12.738%	12.391%	12.114%	11.816%
Total Capital ratio	15.991%	16.019%	15.328%	15.390%

The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. With effect from 1 January 2013, the capital adequacy ratios are computed in accordance with BNM's guidelines on Capital Adequacy Framework (Capital Components) issued on 28 November 2012, which is based on the Basel III capital accord. The minimum regulatory capital adequacy under transitional arrangements are set out as follows:

	Calendar 2013	Calendar year 2014	Calendar year 2015 onwards*
CET 1 Capital ratio	3.5%	4.0%	4.5%
Tier 1 Capital ratio	4.5%	5.5%	6.0%
Total Capital ratio	8.0%	8.0%	8.0%

* excluding capital conservation buffer of 2.5% of total risk weighted assets ("RWA") and countercyclical capital buffer ranging between 0% and 2.5% of total RWA and additional buffer requirements that may be specified by BNM.

48. CAPITAL MANAGEMENT (CONT'D.)

With effect from 1 January 2016, pursuant to BNM's guidelines on Capital Adequacy Framework (Capital Components) issued on 13 October 2015, the minimum capital adequacy ratio to be maintained under the guidelines remained at 4.5% for CET1 captal, 6.0% for Tier 1 capital and 8% for total capital ratio. Banking institutions are also required to maintain capital buffers. The capital buffers shall comprise the sum of the following:

(a) a Capital Conservation Buffer ("CCB") of 2.5%; and
(b) a Countercyclical Capital Buffer (CCyB) determined as the weighted-average of the prevailing CCyB rates applied in the jurisdictions in which the Bank has credit exposures

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

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

48. CAPITAL MANAGEMENT (CONT'D.)

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

	Group		Bank	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
CET 1 Capital				
Ordinary shares	820,364	820,364	820,364	820,364
Share premium	942,844	942,844	942,844	942,844
Retained earnings	5,335,746	5,147,900	5,080,500	4,874,087
Available-for-sale reserve	11,751	1,207	11,951	1,323
Foreign currrency translation reserve	63,306	50,537	61,296	50,585
Statutory reserve	980,969	980,969	980,969	980,969
Merger reserve	104,149	104,149	-	-
Cash flow hedging reserve/(deficit)	3,635	(481)	3,635	(481)
Qualifying minority interest	2	-	-	-
Less : Regulatory adjustments applied on CET 1 Capital				
- Intangible assets	(350,753)	(334,749)	(344,944)	(327,689)
- Deferred tax assets	(116,234)	(102,546)	(115,179)	(98,869)
- 55% of cumulative gains of available- for-sale financial instruments	(6,463)	(664)	(6,573)	(728)
- Cash flow hedging (deficit)/reserve	(3,635)	481	(3,635)	481
- Investments in ordinary shares of unconsolidated financial and insurance/takaful entities	-	(825)	(23,106)	(28,652)
Total CET 1 Capital	7,785,681	7,609,186	7,408,122	7,214,234
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	985,000	1,214,570	985,000	1,214,570
Total Tier 1 Capital	8,770,681	8,823,756	8,393,122	8,428,804
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	400,000	400,000	400,000	400,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	1,180,680	1,310,000	1,180,680	1,310,000
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	1	-	-	-
Collective allowance and regulatory reserves	583,699	749,739	583,675	753,172
Less : Regulatory adjustments applied on Tier 2 Capital	-	(1,237)	(15,404)	(42,978)
Total Tier 2 Capital	2,164,380	2,458,502	2,148,951	2,420,194
Total Capital	10,935,061	11,282,258	10,542,073	10,848,998

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

	Group		Bank	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Credit RWA	59,276,073	59,979,086	60,022,744	60,253,770
Market RWA	2,231,172	2,774,956	2,231,172	2,774,466
Operational RWA	5,029,942	5,012,317	4,595,005	4,694,931
Large exposure risk RWA for equity holdings	-	1,036	-	-
Total RWA	66,537,187	67,767,395	66,848,921	67,723,167

49. RISK MANAGEMENT

49.1 GENERAL RISK MANAGEMENT DISCLOSURE

Risk Management Framework

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

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

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

Board Approved Risk Appetite Statement

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

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

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

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

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

49. RISK MANAGEMENT (CONT'D.)

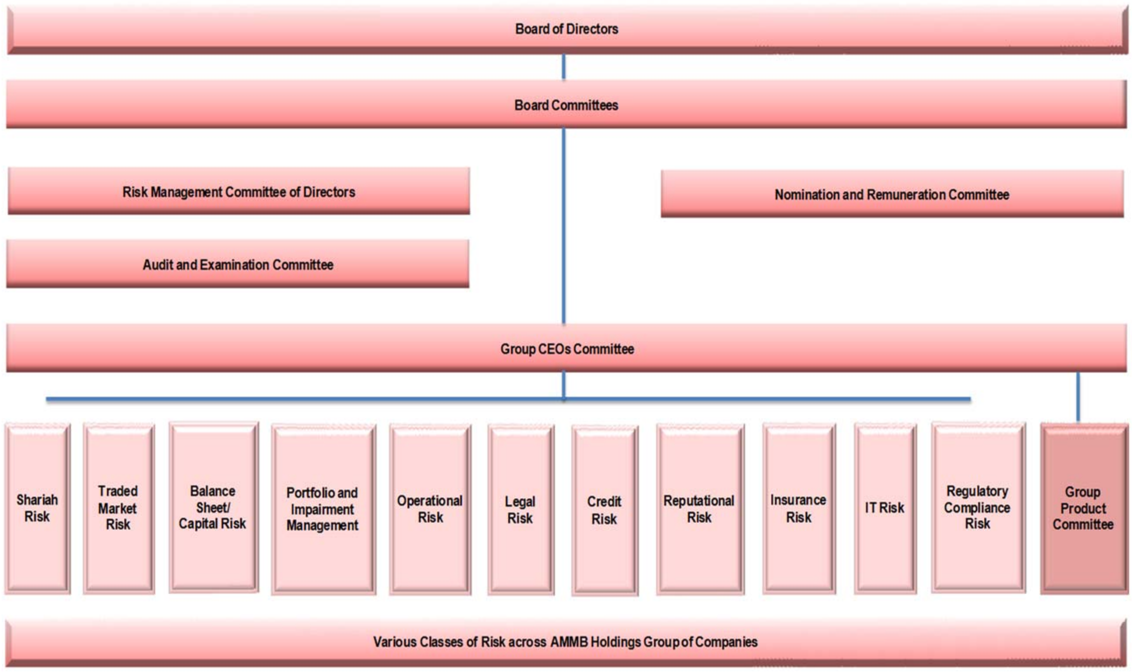
49.1 GENERAL RISK MANAGEMENT DISCLOSURE (CONT'D.)

Risk Management Governance

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

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

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



49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT

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

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

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Group's transactions and/or positions.

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

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

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.

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

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

- Concentration threshold/review trigger:
  - single counterparty credit;
  - industry sector; and
  - country.
- Setting Loan to Value limits for asset backed loans (that is, property exposures and other collateral);
- Classified Account processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers;
- Rescheduled and Restructured ("R&R") Account Management sets out the controls in managing R&R loan/financing pursuant to the BNM's revised policy on Classification and Impairment Provisions for Loans/ Financing issued in April 2015; and
- Setting Guidelines on Wholesale Pricing/Benchmark Returns which serve as a guide as to the minimum returns the Group requires for the risk undertaken, taking into account operating expenses and cost of capital.

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

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

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

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

Credit Risk Exposure and Concentration

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

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

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

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

(a) Industry Analysis

2016 Group	**Agriculture RM'000**	**Mining and quarrying RM'000**	**Manufacturing RM'000**	**Electricity, gas and water RM'000**	**Construction RM'000**	**Wholesale and retail trade and hotel and restaurants RM'000**	**Transport, storage and communication RM'000**	**Subtotal RM'000**
Cash and short-term funds	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Investment account	-	-	-	-	-	-	-	-
Derivative financial assets	46,989	130,468	110,571	-	10	35,085	10,893	334,016
Financial assets held-for-trading								
Money Market Securities	-	-	-	-	-	-	-	-
Quoted Private Debt Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	-	-	-	20,065	290,000	-	51,448	361,513
Total financial assets held-for-trading	-	-	-	20,065	290,000	-	51,448	361,513
Financial investments available-for-sale								
Money Market Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	83,095	-	70,490	219,745	1,052,501	93,686	274,615	1,794,132
Total financial investments available-for-sale	83,095	-	70,490	219,745	1,052,501	93,686	274,615	1,794,132
Financial investments held-to-maturity								
Money Market Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	-	-	-	-	569,277	-	-	569,277
Total financial investments held-to-maturity	-	-	-	-	569,277	-	-	569,277
Loans and advances								
Hire purchase	1,888	472	6,978	484	12,682	40,452	7,530	70,486
Mortgage	14,542	1,951	79,396	2,626	79,248	120,907	13,149	311,819
Credit card	-	-	260	-	-	-	-	260
Others	25,491	10,105	118,204	1,674	85,120	189,640	42,179	472,413
Corporate loans and advances:								
Term loans and bridging loans	1,565,152	1,116,379	1,308,128	328,018	590,589	1,082,717	399,225	6,390,208
Revolving credits	736,271	283,507	1,228,777	30,309	708,847	246,017	358,927	3,592,655
Overdrafts	128,783	19,075	355,094	2,678	278,448	379,524	91,459	1,255,061
Trade	104,837	4,394	2,920,674	1,492	286,997	1,323,743	94,654	4,736,791
Factoring	-	-	8,125	-	163,364	4,469	-	175,958
Collective Allowance	-	-	-	-	-	-	-	-
Total loans and advances	2,576,964	1,435,883	6,025,636	367,281	2,205,295	3,387,469	1,007,123	17,005,651
Receivables: Investment not quoted in active markets	-	-	-	-	62,181	-	-	62,181
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-
Other financial assets	340	1,949	1,845	4,070	19,626	1,564	19,242	48,636
Commitments	603,484	322,872	3,067,948	317,812	2,956,247	1,761,928	670,992	9,701,283
Contingent liabilities	41,025	492,323	1,175,007	577,952	2,047,828	497,986	245,873	5,077,994
Total commitments and contingent liabilities	644,509	815,195	4,242,955	895,764	5,004,075	2,259,914	916,865	14,779,277

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

(a) Industry Analysis

2016 Group	Subtotal from previous page RM'000	Finance and insurance RM'000	Government and central banks RM'000	Real estate RM'000	Business activities RM'000	Education and health RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	-	4,826,233	2,779,448	-	-	-	-	-	7,605,681
Deposits and placements with banks and other financial institutions	-	350,000	500,000	-	-	-	-	-	850,000
Investment account	-	1,000,000	-	-	-	-	-	-	1,000,000
Derivative financial assets	334,016	1,555,211	295	4,282	774	225	-	16	1,894,819
Financial assets held-for-trading									
Money Market Securities	-	-	494,286	-	-	-	-	-	494,286
Quoted Private Debt Securities	-	38,962	-	-	-	-	-	-	38,962
Unquoted Private Debt Securities	361,513	206,731	-	40,047	-	-	-	428,875	1,037,166
Total financial assets held-for-trading	361,513	245,693	494,286	40,047	-	-	-	428,875	1,570,414
Financial investments available-for-sale									
Money Market Securities	-	2,049,644	1,039,320	-	-	-	-	-	3,088,964
Unquoted Private Debt Securities	1,794,132	1,334,196	-	277,725	19,409	-	-	732,356	4,157,818
Total financial investments available-for-sale	1,794,132	3,383,840	1,039,320	277,725	19,409	-	-	732,356	7,246,782
Financial investments held-to-maturity									
Money Market Securities	-	-	780,153	-	-	-	-	-	780,153
Unquoted Private Debt Securities	569,277	416,527	1,062,797	-	-	-	-	-	2,048,601
Total financial investments held-to-maturity	569,277	416,527	1,842,950	-	-	-	-	-	2,828,754
Loans and advances									
Hire purchase	70,486	5,253	-	786	7,562	12,143	12,252,239	4,615	12,353,084
Mortgage	311,819	181	-	121,319	69,334	91,103	17,878,704	40,109	18,512,569
Credit card	260	-	-	-	-	-	1,322,936	18	1,323,214
Others	472,413	2,406	-	9,766	54,484	31,775	237,813	41,705	850,362
Corporate loans and advances:									
Term loans and bridging loans	6,390,208	748,673	-	3,757,798	199,897	629,015	101,647	125,962	11,953,200
Revolving credits	3,592,655	1,071,587	-	1,592,521	362,898	63,837	917,365	37,136	7,637,999
Overdrafts	1,255,061	929	-	492,319	87,328	12,572	18,463	29,542	1,896,214
Trade	4,736,791	10,218	-	1,074	35,401	10,221	-	46,755	4,840,460
Factoring	175,958	-	-	-	2,529	-	-	-	178,487
Collective Allowance	-	-	-	-	-	-	-	-	(730,849)
Total loans and advances	17,005,651	1,839,247	-	5,975,583	819,433	850,666	32,729,167	325,842	58,814,740
Receivables: Investment not quoted in active markets	62,181	25,000	-	-	-	10,000	-	-	97,181
Statutory deposit with Bank Negara Malaysia	-	-	1,745,554	-	-	-	-	-	1,745,554
Other financial assets	48,636	1,209,276	36,002	5,761	121,047	267	1,663	89,459	1,512,111
Commitments	9,701,283	715,006	754,396	1,345,189	213,733	183,034	5,635,012	223,539	18,771,192
Contingent liabilities	5,077,994	782,104	-	801,059	103,300	38,721	405	105,233	6,908,816
Total commitments and contingent liabilities	14,779,277	1,497,110	754,396	2,146,248	317,033	221,755	5,635,417	328,772	25,680,008

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

(a) Industry Analysis (Cont'd.)

2015 Group	Agriculture RM'000	Mining and quarrying RM'000	Manufacturing RM'000	Electricity, gas and water RM'000	Construction RM'000	Wholesale and retail trade and hotel and restaurants RM'000	Transport, storage and communication RM'000	Subtotal RM'000
Cash and short-term funds	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Investment account	-	-	-	-	-	-	-	-
Derivative financial assets	2,090	82,303	100,124	-	5,613	9,168	8,031	207,329
Financial assets held-for-trading								
Money Market Securities	-	-	-	-	-	-	-	-
Quoted Private Debt Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	-	56,227	-	19,592	5,065	-	40,504	121,388
Total financial assets held-for-trading	-	56,227	-	19,592	5,065	-	40,504	121,388
Financial investments available-for-sale								
Money Market Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	67,991	164,914	90,607	183,722	985,023	94,854	244,421	1,831,532
Total financial investments available-for-sale	67,991	164,914	90,607	183,722	985,023	94,854	244,421	1,831,532
Financial investments held-to-maturity								
Money Market Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	-	-	-	-	570,170	-	-	570,170
Total financial investments held-to-maturity	-	-	-	-	570,170	-	-	570,170
Loans and advances								
Hire purchase	3,424	955	8,258	914	22,046	24,435	13,197	73,229
Mortgage	14,510	2,999	77,459	2,730	83,639	140,517	14,491	336,345
Credit card	-	-	185	-	-	-	-	185
Others	57,753	19,041	164,676	5,146	106,355	239,069	65,836	657,876
Corporate loans and advances:								
Term loans and bridging loans	1,751,464	1,030,140	1,285,522	1,058,870	671,058	1,240,356	560,046	7,597,456
Revolving credits	811,455	322,691	1,462,514	260	347,019	242,408	552,264	3,738,611
Overdrafts	116,867	16,253	349,541	16,905	292,809	401,593	113,595	1,307,563
Trade	103,189	1,279	2,743,308	4,710	212,498	1,367,567	75,322	4,507,873
Factoring	-	-	3,019	-	104,118	2,325	-	109,462
Collective Allowance	-	-	-	-	-	-	-	-
Total loans and advances	2,858,662	1,393,358	6,094,482	1,089,535	1,839,542	3,658,270	1,394,751	18,328,600
Receivables: Investment not quoted in active markets	-	-	-	-	62,181	-	-	62,181
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-
								-
Other financial assets	222	10,792	1,163	5,446	14,232	1,552	7,104	40,511
Commitments	513,765	308,677	3,153,296	164,848	2,818,878	1,525,945	489,367	8,974,776
Contingent liabilities	52,224	535,222	1,239,526	508,312	2,086,187	583,164	277,115	5,281,750
Total commitments and contingent liabilities	565,989	843,899	4,392,822	673,160	4,905,065	2,109,109	766,482	14,256,526

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

(a) Industry Analysis (Cont'd.)

2015 Group	Subtotal from previous page RM'000	Finance and insurance RM'000	Government and central banks RM'000	Real estate RM'000	Business activities RM'000	Education and health RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	-	3,427,998	2,515,182	-	-	-	-	-	5,943,180
Deposits, placements and investment accounts with banks and other financial institutions	-	4,051,597	-	-	-	-	-	-	4,051,597
Investment account	-	1,363,442	-	-	-	-	-	-	1,363,442
Derivative financial assets	207,329	1,199,203	-	2,399	35,684	126	-	2	1,444,743
Financial assets held-for-trading									
Money Market Securities	-	-	1,161,880	-	-	-	-	-	1,161,880
Quoted Private Debt Securities	-	39,394	-	-	-	-	-	-	39,394
Unquoted Private Debt Securities	121,388	285,621	18,702	141,162	-	-	-	94,914	661,787
Total financial assets held-for-trading	121,388	325,015	1,180,582	141,162	-	-	-	94,914	1,863,061
Financial investments available-for-sale									
Money Market Securities	-	600,077	1,142,000	-	-	-	-	-	1,742,077
Unquoted Private Debt Securities	1,831,532	1,101,815	110,798	129,927	79,251	-	-	349,102	3,602,425
Total financial investments available-for-sale	1,831,532	1,701,892	1,252,798	129,927	79,251	-	-	349,102	5,344,502
Financial investments held-to-maturity									
Money Market Securities	-	-	518,486	-	-	-	-	-	518,486
Unquoted Private Debt Securities	570,170	417,367	1,033,819	-	-	-	-	-	2,021,356
Total financial investments held-to-maturity	570,170	417,367	1,552,305	-	-	-	-	-	2,539,842
Loans and advances									
Hire purchase	73,229	10,767	-	761	11,290	22,819	12,379,214	8,889	12,506,969
Mortgage	336,345	209	-	123,131	75,552	97,335	16,232,991	48,592	16,914,155
Credit card	185	-	-	-	-	-	1,457,410	19	1,457,614
Others	657,876	3,054	-	32,263	63,211	41,919	328,066	96,641	1,223,030
Corporate loans and advances:									
Term loans and bridging loans	7,597,456	1,017,796	-	4,203,477	257,908	632,220	37,481	60,480	13,806,818
Revolving credits	3,738,611	835,658	-	953,348	166,271	79,024	949,763	30,897	6,753,572
Overdrafts	1,307,563	-	-	467,126	76,045	9,007	319	32,231	1,892,291
Trade	4,507,873	6,531	-	31,666	47,205	2,283	-	37,440	4,632,998
Factoring	109,462	-	-	-	2,139	-	-	-	111,601
Collective Allowance	-	-	-	-	-	-	-	-	(953,660)
Total loans and advances	18,328,600	1,874,015	-	5,811,772	699,621	884,607	31,385,244	315,189	58,345,388
Receivables: Investment not quoted in active markets	62,181	25,000	-	-	-	-	-	-	87,181
Statutory deposit with Bank Negara Malaysia	-	-	2,162,108	-	-	-	-	-	2,162,108
Other financial assets	40,511	590,726	400,286	17,103	403,111	19	2,355	731,578	2,185,689
Commitments	8,974,776	2,087,726	-	28,678	1,815,834	320,988	7,342,735	100,054	20,670,791
Contingent liabilities	5,281,750	1,021,865	-	628,459	97,860	39,505	285	212,205	7,281,929
Total commitments and contingent liabilities	14,256,526	3,109,591	-	657,137	1,913,694	360,493	7,343,020	312,259	27,952,720

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

(a) Industry Analysis (Cont'd.)

2016 Bank	**Agriculture RM'000**	**Mining and quarrying RM'000**	**Manufacturing RM'000**	**Electricity, gas and water RM'000**	**Construction RM'000**	**Wholesale and retail trade and hotel and restaurants RM'000**	**Transport, storage and communication RM'000**	**Subtotal RM'000**
Cash and short-term funds	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Investment account	-	-	-	-	-	-	-	-
Derivative financial assets	46,989	130,468	110,571	-	10	35,085	10,893	334,016
Financial assets held-for-trading								
Money Market Securities	-	-	-	-	-	-	-	-
Quoted Private Debt Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	-	-	-	20,065	290,000	-	51,448	361,513
Total financial assets held-for-trading	-	-	-	20,065	290,000	-	51,448	361,513
Financial investments available-for-sale								
Money Market Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	83,095	-	70,490	219,745	1,052,501	93,686	274,615	1,794,132
Total financial investments available-for-sale	83,095	-	70,490	219,745	1,052,501	93,686	274,615	1,794,132
Financial investments held-to-maturity								
Money Market Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	-	-	-	-	569,277	-	-	569,277
Total financial investments held-to-maturity	-	-	-	-	569,277	-	-	569,277
Loans and advances								
Hire purchase	1,888	472	6,978	484	12,682	40,452	7,530	70,486
Mortgage	14,542	1,951	79,396	2,626	79,248	120,907	13,149	311,819
Credit card	-	-	260	-	-	-	-	260
Others	25,491	10,105	118,204	1,674	85,120	189,640	42,179	472,413
Corporate loans and advances:								
Term loans and bridging loans	1,565,152	1,116,379	1,308,128	328,018	590,589	1,082,717	399,225	6,390,208
Revolving credits	736,271	283,507	1,228,777	30,309	708,847	246,017	358,927	3,592,655
Overdrafts	128,783	19,075	355,094	2,678	278,448	379,524	91,459	1,255,061
Trade	104,837	4,394	2,920,674	1,492	286,997	1,323,743	94,654	4,736,791
Factoring	-	-	8,125	-	163,364	4,469	-	175,958
Collective Allowance	-	-	-	-	-	-	-	-
Total loans and advances	2,576,964	1,435,883	6,025,636	367,281	2,205,295	3,387,469	1,007,123	17,005,651
Receivables: Investment not quoted in active markets	-	-	-	-	62,181	-	-	62,181
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-
Other financial assets	340	1,949	1,845	4,070	19,626	1,564	19,242	48,636
Commitments	603,484	322,872	3,067,948	317,812	2,956,247	1,761,928	670,992	9,701,283
Contingent liabilities	41,025	492,323	1,175,007	577,952	2,047,828	497,986	245,873	5,077,994
Total commitments and contingent liabilities	644,509	815,195	4,242,955	895,764	5,004,075	2,259,914	916,865	14,779,277

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

(a) Industry Analysis (Cont'd.)

2016 Bank	Subtotal from previous page RM'000	Finance and insurance RM'000	Government and central banks RM'000	Real estate RM'000	Business activities RM'000	Education and health RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	-	4,600,739	2,779,448	-	-	-	-	-	7,380,187
Deposits and placements with banks and other financial institutions	-	350,000	500,000	-	-	-	-	-	850,000
Investment account	-	1,000,000	-	-	-	-	-	-	1,000,000
Derivative financial assets	334,016	1,555,211	295	4,282	774	225	-	16	1,894,819
Financial assets held-for-trading									
Money Market Securities	-	-	494,286	-	-	-	-	-	494,286
Quoted Private Debt Securities	-	38,962	-	-	-	-	-	-	38,962
Unquoted Private Debt Securities	361,513	206,731	-	40,047	-	-	-	428,875	1,037,166
Total financial assets held-for-trading	361,513	245,693	494,286	40,047	-	-	-	428,875	1,570,414
Financial investments available-for-sale									
Money Market Securities	-	2,049,644	1,039,320	-	-	-	-	-	3,088,964
Unquoted Private Debt Securities	1,794,132	1,403,319	-	277,725	19,409	-	-	732,356	4,226,941
Total financial investments available-for-sale	1,794,132	3,452,963	1,039,320	277,725	19,409	-	-	732,356	7,315,905
Financial investments held-to-maturity									
Money Market Securities	-	-	780,153	-	-	-	-	-	780,153
Unquoted Private Debt Securities	569,277	416,527	1,062,797	-	-	-	-	-	2,048,601
Total financial investments held-to-maturity	569,277	416,527	1,842,950	-	-	-	-	-	2,828,754
Loans and advances									
Hire purchase	70,486	5,253	-	786	7,562	12,143	12,252,239	4,615	12,353,084
Mortgage	311,819	181	-	121,319	69,334	91,103	17,698,839	40,109	18,332,704
Credit card	260	-	-	-	-	-	1,322,936	18	1,323,214
Others	472,413	2,406	-	9,766	54,484	31,775	237,813	41,705	850,362
Corporate loans and advances:									
Term loans and bridging loans	6,390,208	748,673	-	3,757,798	199,897	629,015	101,647	125,962	11,953,200
Revolving credits	3,592,655	1,153,640	-	1,592,521	362,898	63,837	917,365	37,136	7,720,052
Overdrafts	1,255,061	929	-	492,319	87,328	12,572	18,463	29,542	1,896,214
Trade	4,736,791	10,218	-	1,074	35,401	10,221	-	46,755	4,840,460
Factoring	175,958	-	-	-	2,529	-	-	-	178,487
Collective Allowance	-	-	-	-	-	-	-	-	(730,576)
Total loans and advances	17,005,651	1,921,300	-	5,975,583	819,433	850,666	32,549,302	325,842	58,717,201
Receivables: Investment not quoted in active markets	62,181	25,000	-	-	-	10,000	-	-	97,181
Statutory deposit with Bank Negara Malaysia	-	-	1,745,554	-	-	-	-	-	1,745,554
Other financial assets	48,636	1,215,302	36,002	3,656	120,982	267	1,663	89,055	1,515,563
Commitments	9,701,283	753,296	754,396	1,345,189	213,733	183,034	5,635,012	223,539	18,809,482
Contingent liabilities	5,077,994	782,104	-	801,059	103,300	38,721	405	105,233	6,908,816
Total commitments and contingent liabilities	14,779,277	1,535,400	754,396	2,146,248	317,033	221,755	5,635,417	328,772	25,718,298

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

(a) Industry Analysis (Cont'd.)

2015 **Bank**	**Agriculture** **RM'000**	**Mining and quarrying** **RM'000**	**Manufacturing** **RM'000**	**Electricity, gas and water** **RM'000**	**Construction** **RM'000**	**Wholesale and retail trade and hotel and restaurants** **RM'000**	**Transport, storage and communication** **RM'000**	**Subtotal** **RM'000**
Cash and short-term funds	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Investment account	-	-	-	-	-	-	-	-
Derivative financial assets	2,090	82,303	100,124	-	5,613	9,168	8,031	207,329
Financial assets held-for-trading								
Money Market Securities	-	-	-	-	-	-	-	-
Quoted Private Debt Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	-	56,227	-	19,592	5,065	-	40,504	121,388
Total financial assets held-for-trading	-	56,227	-	19,592	5,065	-	40,504	121,388
Financial investments available-for-sale								
Money Market Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	67,991	164,914	90,607	183,722	985,023	94,854	244,421	1,831,532
Total financial investments available-for-sale	67,991	164,914	90,607	183,722	985,023	94,854	244,421	1,831,532
Financial investments held-to-maturity								
Money Market Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	-	-	-	-	570,170	-	-	570,170
Total financial investments held-to-maturity	-	-	-	-	570,170	-	-	570,170
Loans and advances								
Hire purchase	3,424	955	8,258	914	22,046	24,435	13,197	73,229
Mortgage	14,510	2,999	77,459	2,730	83,639	140,517	14,491	336,345
Credit card	-	-	185	-	-	-	-	185
Others	57,753	19,041	164,676	5,146	106,355	239,069	65,836	657,876
Corporate loans and advances:								
Term loans and bridging loans	1,751,464	1,030,140	1,285,522	1,058,870	671,058	1,240,356	560,046	7,597,456
Revolving credits	811,455	322,691	1,462,514	260	347,019	242,408	552,264	3,738,611
Overdrafts	116,867	16,253	349,541	16,905	292,809	401,593	113,595	1,307,563
Trade	103,189	1,279	2,743,308	4,710	212,498	1,367,567	75,322	4,507,873
Factoring	-	-	3,019	-	104,118	2,325	-	109,462
Collective Allowance	-	-	-	-	-	-	-	-
Total loans and advances	2,858,662	1,393,358	6,094,482	1,089,535	1,839,542	3,658,270	1,394,751	18,328,600
Receivables: Investment not quoted in active markets	-	-	-	-	62,181	-	-	62,181
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-
Other financial assets	222	10,792	1,163	5,446	14,232	1,552	7,104	40,511
Commitments	513,765	308,677	3,153,296	164,848	2,818,878	1,525,945	489,367	8,974,776
Contingent liabilities	52,224	535,222	1,239,526	508,312	2,086,187	583,164	277,115	5,281,750
Total commitments and contingent liabilities	565,989	843,899	4,392,822	673,160	4,905,065	2,109,109	766,482	14,256,526

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

(a) Industry Analysis (Cont'd.)

2015 Bank	Subtotal from previous page RM'000	Finance and insurance RM'000	Government and central banks RM'000	Real estate RM'000	Business activities RM'000	Education and health RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	-	3,152,797	2,515,182	-	-	-	-	-	5,667,979
Deposits, placements and investment accounts with banks and other financial institutions	-	4,051,597	-	-	-	-	-	-	4,051,597
Investment account	-	1,363,442	-	-	-	-	-	-	1,363,442
Derivative financial assets	207,329	1,199,203	-	2,399	35,684	126	-	2	1,444,743
Financial assets held-for-trading									
Money Market Securities	-	-	1,161,880	-	-	-	-	-	1,161,880
Quoted Private Debt Securities	-	39,394	-	-	-	-	-	-	39,394
Unquoted Private Debt Securities	121,388	285,621	18,702	141,162	-	-	-	94,914	661,787
Total financial assets held-for-trading	121,388	325,015	1,180,582	141,162	-	-	-	94,914	1,863,061
Financial investments available-for-sale									
Money Market Securities	-	600,077	1,142,000	-	-	-	-	-	1,742,077
Unquoted Private Debt Securities	1,831,532	1,196,890	110,798	129,927	79,251	-	-	349,102	3,697,500
Total financial investments available-for-sale	1,831,532	1,796,967	1,252,798	129,927	79,251	-	-	349,102	5,439,577
Financial investments held-to-maturity									
Money Market Securities	-	-	518,486	-	-	-	-	-	518,486
Unquoted Private Debt Securities	570,170	417,367	1,033,819	-	-	-	-	-	2,021,356
Total financial investments held-to-maturity	570,170	417,367	1,552,305	-	-	-	-	-	2,539,842
Loans and advances									
Hire purchase	73,229	10,767	-	761	11,290	22,819	12,379,214	8,889	12,506,969
Mortgage	336,345	209	-	123,131	75,552	97,335	16,112,759	48,592	16,793,923
Credit card	185	-	-	-	-	-	1,457,410	19	1,457,614
Others	657,876	3,054	-	32,263	63,211	41,919	328,066	96,641	1,223,030
Corporate loans and advances:									
Term loans and bridging loans	7,597,456	1,017,796	-	4,203,477	257,908	632,220	37,481	60,480	13,806,818
Revolving credits	3,738,611	835,658	-	953,348	166,271	79,024	949,763	30,897	6,753,572
Overdrafts	1,307,563	-	-	467,126	76,045	9,007	319	32,231	1,892,291
Trade	4,507,873	6,531	-	31,666	47,205	2,283	-	37,440	4,632,998
Factoring	109,462	-	-	-	2,139	-	-	-	111,601
Collective Allowance	-	-	-	-	-	-	-	-	(953,480)
Total loans and advances	18,328,600	1,874,015	-	5,811,772	699,621	884,607	31,265,012	315,189	58,225,336
Receivables: Investment not quoted in active markets	62,181	25,000	-	-	-	-	-	-	87,181
Statutory deposit with Bank Negara Malaysia	-	-	2,162,108	-	-	-	-	-	2,162,108
Other financial assets	40,511	570,171	400,286	15,451	388,183	19	2,071	731,099	2,147,791
Commitments	8,974,776	2,127,079	-	28,678	1,815,834	320,988	7,342,735	100,055	20,710,145
Contingent liabilities	5,281,750	1,021,865	-	628,459	97,860	39,505	285	212,205	7,281,929
Total commitments and contingent liabilities	14,256,526	3,148,944	-	657,137	1,913,694	360,493	7,343,020	312,260	27,992,074

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

(b) Geographical Analysis

2016 Group	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	5,890,343	1,715,338	7,605,681
Deposits and placements with banks and other financial institutions	850,000	-	850,000
Investment account	1,000,000	-	1,000,000
Derivative financial assets	1,456,703	438,116	1,894,819
Financial assets held-for-trading			
Money Market Securities	494,286	-	494,286
Quoted Private Debt Securities	38,962	-	38,962
Unquoted Private Debt Securities	1,000,756	36,410	1,037,166
Total financial assets held-for-trading	1,534,004	36,410	1,570,414
Financial investments available-for-sale			
Money Market Securities	3,088,964	-	3,088,964
Unquoted Private Debt Securities	3,845,078	312,740	4,157,818
Total financial investments available-for-sale	6,934,042	312,740	7,246,782
Financial investments held-to-maturity			
Money Market Securities	-	780,153	780,153
Unquoted Private Debt Securities	2,048,601	-	2,048,601
Total financial investments held-to-maturity	2,048,601	780,153	2,828,754
Loans and advances			
Hire purchase	12,353,084	-	12,353,084
Mortgage	18,512,569	-	18,512,569
Credit card	1,323,214	-	1,323,214
Others	830,728	19,634	850,362
Corporate loans and advances:			
Term loans and bridging loans	11,596,923	356,277	11,953,200
Revolving credits	7,394,622	243,377	7,637,999
Overdrafts	1,896,214	-	1,896,214
Trade	4,834,192	6,268	4,840,460
Factoring	178,487	-	178,487
Collective Allowance	(713,941)	(16,908)	(730,849)
Total loans and advances	58,206,092	608,648	58,814,740
Receivables: Investment not quoted in active markets	97,181	-	97,181
Statutory deposit with Bank Negara Malaysia	1,745,554	-	1,745,554
Other financial assets	1,329,130	182,981	1,512,111
Commitments	18,620,626	150,566	18,771,192
Contingent liabilities	6,718,723	190,093	6,908,816
Total commitments and contingent liabilities	25,339,349	340,659	25,680,008

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

(b) Geographical Analysis (Cont'd.)

2015 Group	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	5,064,852	878,328	5,943,180
Deposits, placements and investment accounts with banks and other financial institutions	4,051,597	-	4,051,597
Investment account	1,363,442	-	1,363,442
Derivative financial assets	1,027,446	417,297	1,444,743
Financial assets held-for-trading			
Money Market Securities	1,161,880	-	1,161,880
Quoted Private Debt Securities	39,394	-	39,394
Unquoted Private Debt Securities	495,266	166,521	661,787
Total financial assets held-for-trading	1,696,540	166,521	1,863,061
Financial investments available-for-sale			
Money Market Securities	1,742,077	-	1,742,077
Unquoted Private Debt Securities	3,329,354	273,071	3,602,425
Total financial investments available-for-sale	5,071,431	273,071	5,344,502
Financial investments held-to-maturity			
Money Market Securities	-	518,486	518,486
Unquoted Private Debt Securities	2,021,356	-	2,021,356
Total financial investments held-to-maturity	2,021,356	518,486	2,539,842
Loans and advances			
Hire purchase	12,506,969	-	12,506,969
Mortgage	16,914,155	-	16,914,155
Credit card	1,457,614	-	1,457,614
Others	1,198,810	24,220	1,223,030
Corporate loans and advances:			
Term loans and bridging loans	13,347,089	459,729	13,806,818
Revolving credits	6,429,306	324,266	6,753,572
Overdrafts	1,892,291	-	1,892,291
Trade	4,579,801	53,197	4,632,998
Factoring	111,601	-	111,601
Collective Allowance	(951,928)	(1,732)	(953,660)
Total loans and advances	57,485,708	859,680	58,345,388
Receivables: Investment not quoted in active markets	87,181	-	87,181
Statutory deposit with Bank Negara Malaysia	2,162,108	-	2,162,108
Other financial assets	1,965,591	220,098	2,185,689
Commitments	20,560,239	110,552	20,670,791
Contingent liabilities	7,110,745	171,184	7,281,929
Total commitments and contingent liabilities	27,670,984	281,736	27,952,720

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

(b) Geographical Analysis (Cont'd.)

2016 Bank	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	5,705,218	1,674,969	7,380,187
Deposits and placements with banks and other financial institutions	850,000	-	850,000
Investment account	1,000,000	-	1,000,000
Derivative financial assets	1,456,703	438,116	1,894,819
Financial assets held-for-trading			
Money Market Securities	494,286	-	494,286
Quoted Private Debt Securities	38,962	-	38,962
Unquoted Private Debt Securities	1,000,756	36,410	1,037,166
Total financial assets held-for-trading	1,534,004	36,410	1,570,414
Financial investments available-for-sale			
Money Market Securities	3,088,964	-	3,088,964
Unquoted Private Debt Securities	3,914,201	312,740	4,226,941
Total financial investments available-for-sale	7,003,165	312,740	7,315,905
Financial investments held-to-maturity			
Money Market Securities	-	780,153	780,153
Unquoted Private Debt Securities	2,048,601	-	2,048,601
Total financial investments held-to-maturity	2,048,601	780,153	2,828,754
Loans and advances			
Hire purchase	12,353,084	-	12,353,084
Mortgage	18,332,704	-	18,332,704
Credit card	1,323,214	-	1,323,214
Others	830,728	19,634	850,362
Corporate loans and advances:			
Term loans and bridging loans	11,596,923	356,277	11,953,200
Revolving credits	7,476,675	243,377	7,720,052
Overdrafts	1,896,214	-	1,896,214
Trade	4,834,192	6,268	4,840,460
Factoring	178,487	-	178,487
Collective Allowance	(713,668)	(16,908)	(730,576)
Total loans and advances	58,108,553	608,648	58,717,201
Receivables: Investment not quoted in active markets	97,181	-	97,181
Statutory deposit with Bank Negara Malaysia	1,745,554	-	1,745,554
Other financial assets	1,332,640	182,923	1,515,563
Commitments	18,658,916	150,566	18,809,482
Contingent liabilities	6,718,723	190,093	6,908,816
Total commitments and contingent liabilities	25,377,639	340,659	25,718,298

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

(b) Geographical Analysis (Cont'd.)

2015 Bank	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	4,789,885	878,094	5,667,979
Deposits, placements and investment accounts with banks and other financial institutions	4,051,597	-	4,051,597
Investment account	1,363,442	-	1,363,442
Derivative financial assets	1,027,446	417,297	1,444,743
Financial assets held-for-trading			
Money Market Securities	1,161,880	-	1,161,880
Quoted Private Debt Securities	39,394	-	39,394
Unquoted Private Debt Securities	495,266	166,521	661,787
Total financial assets held-for-trading	1,696,540	166,521	1,863,061
Financial investments available-for-sale			
Money Market Securities	1,742,077	-	1,742,077
Unquoted Private Debt Securities	3,424,429	273,071	3,697,500
Total financial investments available-for-sale	5,166,506	273,071	5,439,577
Financial investments held-to-maturity			
Money Market Securities	-	518,486	518,486
Unquoted Private Debt Securities	2,021,356	-	2,021,356
Total financial investments held-to-maturity	2,021,356	518,486	2,539,842
Loans and advances			
Hire purchase	12,506,969	-	12,506,969
Mortgage	16,793,923	-	16,793,923
Credit card	1,457,614	-	1,457,614
Others	1,198,810	24,220	1,223,030
Corporate loans and advances:			
Term loans and bridging loans	13,347,089	459,729	13,806,818
Revolving credits	6,429,306	324,266	6,753,572
Overdrafts	1,892,291	-	1,892,291
Trade	4,579,801	53,197	4,632,998
Factoring	111,601	-	111,601
Collective Allowance	(951,748)	(1,732)	(953,480)
Total loans and advances	57,365,656	859,680	58,225,336
Receivables: Investment not quoted in active markets	87,181	-	87,181
Statutory deposit with Bank Negara Malaysia	2,162,108	-	2,162,108
Other financial assets	1,964,819	182,972	2,147,791
Commitments	20,599,593	110,552	20,710,145
Contingent liabilities	7,110,745	171,184	7,281,929
Total commitments and contingent liabilities	27,710,338	281,736	27,992,074

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

Main Types of Collateral Taken by the Group

Collateral is generally taken as security for credit exposures as a secondary source of repayment in case the counterparty cannot meet its contractual repayment obligations from cash flow generation. Types of collateral typically taken by the Group include:

- Cash and term deposits;
- Exchange traded shares, bonds, sukuk, convertible bonds and marketable securities;
- Non-exchange traded debt securities/sukuk;
- Unit trusts (including Amanah Saham Nasional, Amanah Saham Bumiputera and mutual funds);
- Non-exchange traded shares;
- Residential and non-residential property;
- Plantation land, mining land, quarry land and vacant land;
- Passenger vehicle, commercial vehicle, construction vehicle and vessel; and
- Plant and machineries.

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

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

The Group Collateral Policy, issued in August 2015, is the internally recognised collateral framework for lending/ financing purposes as well as for regulatory capital.

Processes for Collateral Management

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

Guarantee Support

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

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

Use of Credit Derivatives and Netting for Risk Mitigation

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

Transaction Structuring to Mitigate Credit Risk

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

The main types of collateral undertaken by the Group are properties, motor vehicles and exchange traded shares.

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality

The credit quality of financial assets are analysed based on broad categories. Internal credit rating grades assigned to corporate and retail lending business were realigned in 2015 from existing 5 rating categories to 8 rating categories (seven for non-defaulted and one for those that have defaulted) in accordance with the Capital Adequacy Framework (Basel II – Risk-Weighted Assets). The following categories based on the descriptions are appended below.

Description of the categories for Retail Banking

Risk Grade	Category	PD Ranges	Description
1 to 6	Exceptionally strong	0.0001% to 0.0737%	• Exceptionally good credit risk profile. • Very strong willingness to meet its financial commitments. • Exhibits high degree resilience to adverse development.
7 to 12	Very strong	0.0738% to 0.5942%	• Very good credit risk profile. • Strong willingness to meet its financial commitments. • Exhibits high degree resilience to adverse development.
13 to 14	Strong	0.5943% to 1.0159%	• Good credit risk profile. • Exhibit willingness to meet its financial commitments. • Generally in a position to withstand adverse development.
15 to 16	Satisfactory	1.0160% to 2.2722%	• Satisfactory credit risk profile. • Adequate willingness to meet its financial commitments. • Generally in a position to resolve any apparent shortcoming within an acceptable time frame.
17 to 18	Moderate	2.2723% to 4.1028%	• Moderate credit risk profile. • Willingness to meet its financial commitments would be uncertain in the event of adverse changes in circumstances and economic conditions.
19 to 20	Marginal	4.1029% to 8.2931%	• Marginal credit risk profile. • Willingness to meet its financial commitments would be uncertain under normal circumstances and economic conditions.
21 to 24	Substandard	>= 8.2932%	• Substandard credit risk profile. • Exhibit less willingness to meet its financial commitments under normal circumstances and economic conditions.
99	Impaired	100%	• Classified as impaired as per the Policy on Definition of Default / Impaired for Credit Facility.

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality (Cont'd.)

Description of the categories for Wholesale Banking

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: - Exceptionally solid and stable operating and financial performance. - Debt servicing capacity has been exceptionally strong over the long term. - All available information, of which there is a substantial quantity of extremely high quality, supports the view that these historical performance standards will be maintained for the foreseeable future. - Highly unlikely to be adversely affected by foreseeable events.
Very strong	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: - Based on their activities, financial profile and past capacity to repay, counterparties with this rating carry a small, but clearly identifiable degree of risk. - Debt servicing capacity in previous period has been substantial and solid, and is projected to continue over the medium term but may be more vulnerable to changes in business, economic and financial conditions than is the case for stronger ratings.
Strong	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: - Counterparties present an identifiable degree of generally acceptable risk, possibly expressing itself as variability in financial and/ or operating performance. - Debt servicing capacity is quite good but adverse changes in circumstances and economic conditions are more likely to impair this capacity.
Satisfactory	Counterparties demonstrate adequate medium term operational and financial stability. Protection factors are considered sufficient for prudent investment. The key characteristics are: - Counterparties present a mostly satisfactory risk that requires mitigation, possibly expressing itself as variability in financial and/ or operating performance. - Debt servicing capacity is satisfactory but adverse changes in circumstances and economic condition may impair this capacity. - Counterparty's financial and/ or non-financial profile provides a limited buffer to mitigate the negative impact of any future adverse changes in circumstances and economic conditions.
Moderate	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: - Capacity for timely fulfillment of financial obligations exists. - Adverse economic condition or changing business environment is more likely to lead to weakened capacity to meet timely repayment in the long run. - Overall credit quality may be more volatile within this category.
Marginal	Counterparties demonstrate sustained operational and financial instability. The key characteristics are: - Erratic performance with one or more recent loss periods, increased borrowings or patchy account conduct. - Debt servicing capacity is marginal. - Often under strong, sustained competitive pressure. - Variability and uncertainty in profitability and liquidity is projected to continue over the short and possibly medium term. - Significant changes and instability in senior management may be observed.

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit Quality (Cont'd.)

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

Substandard	Lowest rating for counterparties that continuously demonstrate operational and financial instability. The key characteristics are: - Mediocre financials with consistent loss periods, increased borrowings and/ or poor account conduct. - Current and expected debt servicing capacity is inadequate. - Financial solvency is questionable and/ or financial structure is weak. - Deteriorating state of business and require significant changes in strategies or practices to return business to sustainable state. - Experiencing difficulties, which may result in default in the next one to two years.
Impaired	Impaired account. The key characteristic is that the counterparty has been classified as “impaired” as per the Classified Account Management Policy for Credit Facility.

The table below provides the External Credit Assessment Institutions ("ECAIs") ratings that broadly corresponds to the broad internal credit quality categories which are applicable to Wholesale Banking.

Credit quality classification	Moody's	S & P	Fitch	RAM	MARC
Exceptionally Strong	Aaa to A2	AAA to A	AAA to A		
Very Strong	A3 to Baa3	A- to BBB-	A- to BBB-	AAA to AA3	AAA to AA
Strong	Ba1 to Ba2	BB+ to BB	BB+ to BB	A1 to A2	
Satisfactory	Ba3	BB-	BB-	A3 to BBB2	AA- to A+
Moderate	B1 to B2	B+ to B	B+ to B	BBB3 to BB1	A to A-
Marginal	B3	B-	B-	BB2 to B1	BBB+ to BBB-
Substandard	Caa1 to C	CCC+ to C	CCC to C	B2 to C3	BB+ to C
Impaired	D	D	D	D	D

The above ECAIs used by the Group are:

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

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

Impairment

Definition of past due and impaired loans and advances

All loans and advances are categorised as either:

- neither past due nor impaired;
- past due but not impaired; or
- impaired

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

A loan is classified as impaired under the following circumstances:

(a) When the principal or interest or both is past due[1] 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 obligation[2]; or

(b) For loans where repayments are scheduled on intervals of 3 months or longer, the loan is to be classified as impaired 1+30 days or 1 day+1 month past due (the 30-days grace period is to allow for exclusion of administrative default[3]); or

(c) For trade bills/facilities, an account is deemed default and impaired when the past due is 90 days from due date of the bill.

(d) A loan may also be classified as impaired:

i. If it is probable that the bank will be unable to collect all amounts due (including both interest/ profit and principal) according to the contractual terms of the agreement; or

ii. Due to cross-default. Cross-default occurs when:
   - a default of a loan obligation of a customer triggers a default of another loan/financing obligation of the same customer; or
   - a default of a loan obligation of a customer triggers a default of a loan obligation of other customer within the same customer group.

   The Credit and Commitments Committee (CACC) is allowed to waive the declaration of cross-default across all accounts of the same customer or accounts of all borrowers within the same customer group; or

iii. If deemed appropriate by the Watchlist Committee.

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[1] *For credit card facilities, an account is "past due" when the card member fails to settle the minimum monthly repayment due before the next billing date.*
[2] *Material obligation as determined by Management.*
[3] *Administrative defaults include cases where exposures become overdue because of oversight on the part of the obligor and/or the banking institution. Instances of administrative defaults may be excluded from the historical default count, subject to appropriate policies and procedures established by the banking institution to evaluate and approve such cases.*

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

Definition of past due and impaired loans and advances (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 Agent[4] for reasons other than payment in default (as outlined in the Trust Deeds Guidelines issued by the Securities Commission of Malaysia); or

iii. Where it is deemed appropriate to classify as impaired and approved by the Watchlist Committee.

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

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

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

(c) Credit Quality By Class of Financial Assets

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

	Neither past due nor impaired												
	Exceptionally strong credit profile	**Very strong credit profile**	**Strong credit profile**	**Satisfactory risk**	**Moderate risk**	**Marginal risk**	**Sub-standard**	**Unrated**	**Past due but not impaired**	**Impaired**	**Total**	**Gross amount individually impaired**	**Individual allowance**
2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group													
Cash and short-term funds	1,734,384	5,823,297	48,000	-	-	-	-	-	-	-	7,605,681	-	-
Deposits and placements with banks and other financial institutions	-	850,000	-	-	-	-	-	-	-	-	850,000	-	-
Investment account	-	1,000,000	-	-	-	-	-	-	-	-	1,000,000	-	-
Derivative financial assets	47,525	1,096,117	627,584	77,256	30,155	1,247	8,588	6,347	-	-	1,894,819	-	-
Financial assets held-for-trading													
Money Market Securities	-	494,286	-	-	-	-	-	-	-	-	494,286	-	-
Quoted Private Debt Securities	-	38,962	-	-	-	-	-	-	-	-	38,962	-	-
Unquoted Private Debt Securities	-	877,080	-	160,086	-	-	-	-	-	-	1,037,166	-	-
Total financial assets held-for-trading	-	1,410,328	-	160,086	-	-	-	-	-	-	1,570,414	-	-
Financial investments available-for-sale													
Money Market Securities	-	3,088,964	-	-	-	-	-	-	-	-	3,088,964	-	-
Unquoted Private Debt Securities	11,683	3,999,689	-	146,446	-	-	-	-	-	-	4,157,818	5,000	(5,000)
Total financial investments available-for-sale	11,683	7,088,653	-	146,446	-	-	-	-	-	-	7,246,782	5,000	(5,000)
Financial investments held-to-maturity *													
Money Market Securities	780,153	-	-	-	-	-	-	-	-	-	780,153	-	-
Unquoted Private Debt Securities	-	2,047,505	-	-	-	-	-	1,005	-	3,099	2,051,609	3,099	(3,008)
Total financial investments held-to-maturity	780,153	2,047,505	-	-	-	-	-	1,005	-	3,099	2,831,762	3,099	(3,008)
Gross loans and advances *													
Hire purchase	5,745	5,481,552	1,309,388	1,113,935	509,521	315,150	79,090	-	3,376,187	162,516	12,353,084	-	-
Mortgage	-	6,392,715	5,906,635	1,157,439	1,673,488	303,233	685,469	-	2,048,205	348,973	18,516,157	12,369	(3,588)
Credit card	-	89,494	80,159	705,733	105,305	65,159	39,445	-	216,726	21,193	1,323,214	-	-
Others	-	8,477	22,206	319,960	140,038	117,986	84,336	-	83,267	77,121	853,391	9,106	(3,029)
Corporate loans and advances:													
Term loans and bridging loans	16,449	3,793,770	2,143,323	2,279,084	1,763,995	1,465,188	252,124	-	93,709	315,514	12,123,156	285,487	(169,956)
Revolving credits	-	2,715,130	1,063,138	2,177,509	1,377,850	50,802	178,677	-	3,578	106,451	7,673,135	89,050	(35,136)
Overdrafts	-	253,202	181,144	442,558	476,236	391,139	137,975	-	1,486	40,508	1,924,248	34,908	(28,034)
Trade	18,837	2,113,050	856,315	929,221	565,615	258,442	81,852	-	7,561	19,786	4,850,679	21,485	(10,219)
Factoring	-	2,970	10,100	78,342	35,858	50,235	982	-	-	1,341	179,828	1,407	(1,341)
Total gross loans and advances	41,031	20,850,360	11,572,408	9,203,781	6,647,906	3,017,334	1,539,950	-	5,830,719	1,093,403	59,796,892	453,812	(251,303)
Receivables: Investment not quoted in active markets	-	-	-	-	-	-	-	97,181	-	-	97,181	-	-
Statutory deposit with Bank Negara Malaysia	-	1,745,554	-	-	-	-	-	-	-	-	1,745,554	-	-
Other financial assets	183,201	879,698	43,473	14,098	213,438	11	-	176,801	7	1,384	1,512,111	15,104	(15,069)

* The amounts presented above are gross of impairment allowances.

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

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

	Neither past due nor impaired												
	Exceptionally strong credit profile	Very strong credit profile	Strong credit profile	Satisfactory risk	Moderate risk	Marginal risk	Sub-standard	Unrated	Past due but not impaired	Impaired	Total	Gross amount individually impaired	Individual allowance
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group													
Cash and short-term funds	871,646	5,071,534	-	-	-	-	-	-	-	-	5,943,180	-	-
Deposits, placements and investment accounts with banks and other financial institutions	-	4,051,597	-	-	-	-	-	-	-	-	4,051,597	-	-
Derivative financial assets	40,869	914,871	425,596	49,088	8,458	1,832	519	3,510	-	-	1,444,743	-	-
Investment account	-	1,363,442	-	-	-	-	-	-	-	-	1,363,442	-	-
Financial assets held-for-trading													
Money Market Securities	-	1,161,880	-	-	-	-	-	-	-	-	1,161,880	-	-
Quoted Private Debt Securities	-	39,394	-	-	-	-	-	-	-	-	39,394	-	-
Unquoted Private Debt Securities	56,227	605,560	-	-	-	-	-	-	-	-	661,787	-	-
Total financial assets held-for-trading	56,227	1,806,834	-	-	-	-	-	-	-	-	1,863,061	-	-
Financial investments available-for-sale													
Money Market Securities	-	1,742,077	-	-	-	-	-	-	-	-	1,742,077	-	-
Unquoted Private Debt Securities	-	3,285,120	164,914	152,382	-	-	-	-	-	9	3,602,425	5,009	(5,000)
Total financial investments available-for-sale	-	5,027,197	164,914	152,382	-	-	-	-	-	9	5,344,502	5,009	(5,000)
Financial investments held-to-maturity *													
Money Market Securities	518,486	-	-	-	-	-	-	-	-	-	518,486	-	-
Unquoted Private Debt Securities	-	2,019,473	-	-	-	-	-	1,883	-	6,198	2,027,554	6,198	(6,198)
Total financial investments held-to-maturity	518,486	2,019,473	-	-	-	-	-	1,883	-	6,198	2,546,040	6,198	(6,198)
Gross loans and advances *													
Hire purchase	30,453	5,036,870	1,037,988	1,168,822	471,245	322,434	157,313	-	4,051,565	230,779	12,507,469	509	(500)
Mortgage	2,637	7,339,731	2,807,624	3,129,240	618,345	352,996	294,150	-	1,993,449	382,879	16,921,051	13,947	(6,896)
Credit card	-	68,623	95,978	823,803	87,635	40,086	16,971	-	308,186	16,332	1,457,614	-	-
Others	4,042	108,360	57,530	401,895	159,265	234,295	68,796	-	123,519	86,025	1,243,727	26,464	(20,697)
Corporate loans and advances:													
Term loans and bridging loans	-	2,931,920	2,057,357	2,538,925	1,998,085	2,870,995	1,221,524	-	99,540	163,126	13,881,472	156,928	(74,654)
Revolving credits	-	1,864,428	1,464,068	1,982,928	673,302	217,049	547,083	-	4,714	28,239	6,781,811	32,009	(28,239)
Overdrafts	-	198,480	277,791	334,852	460,594	467,673	135,908	-	2,797	24,307	1,902,402	17,483	(10,111)
Trade	11,245	1,662,046	599,565	996,621	839,050	476,513	43,430	-	799	29,951	4,659,220	29,799	(26,222)
Factoring	-	2,894	936	22,075	38,195	45,292	-	-	-	2,347	111,739	141	(138)
Total gross loans and advances	48,377	19,213,352	8,398,837	11,399,161	5,345,716	5,027,333	2,485,175	-	6,584,569	963,985	59,466,505	277,280	(167,457)
Receivables: Investment not quoted in active markets	-	-	-	-	-	-	-	87,181	-	-	87,181	-	-
Statutory deposit with Bank Negara Malaysia	-	2,162,108	-	-	-	-	-	-	-	-	2,162,108	-	-
Other financial assets	174,236	1,125,563	81,959	13,740	325,919	-	5	460,776	21	3,470	2,185,689	17,082	(17,078)

* The amounts presented above are gross of impairment allowances.

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

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

	Neither past due nor impaired												
2016	**Exceptionally strong credit profile**	**Very strong credit profile**	**Strong credit profile**	**Satisfactory risk**	**Moderate risk**	**Marginal risk**	**Sub-standard**	**Unrated**	**Past due but not impaired**	**Impaired**	**Total**	**Gross amount individually impaired**	**Individual allowance**
Bank	**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	1,663,925	5,668,262	48,000	-	-	-	-	-	-	-	7,380,187	-	-
Deposits and placements with banks and other financial institutions	-	850,000	-	-	-	-	-	-	-	-	850,000	-	-
Investment account	-	1,000,000	-	-	-	-	-	-	-	-	1,000,000	-	-
Derivative financial assets	47,525	1,096,117	627,584	77,256	30,155	1,247	8,588	6,347	-	-	1,894,819	-	-
Financial assets held-for-trading													
Money Market Securities	-	494,286	-	-	-	-	-	-	-	-	494,286	-	-
Quoted Private Debt Securities	-	38,962	-	-	-	-	-	-	-	-	38,962	-	-
Unquoted Private Debt Securities	-	877,080	-	160,086	-	-	-	-	-	-	1,037,166	-	-
Total financial assets held-for-trading	-	1,410,328	-	160,086	-	-	-	-	-	-	1,570,414	-	-
Financial investments available-for-sale													
Money Market Securities	-	3,088,964	-	-	-	-	-	-	-	-	3,088,964	-	-
Unquoted Private Debt Securities	11,683	4,068,812	-	146,446	-	-	-	-	-	-	4,226,941	5,000	(5,000)
Total financial investments available-for-sale	11,683	7,157,776	-	146,446	-	-	-	-	-	-	7,315,905	5,000	(5,000)
Financial investments held-to-maturity *													
Money Market Securities	780,153	-	-	-	-	-	-	-	-	-	780,153	-	-
Unquoted Private Debt Securities	-	2,047,505	-	-	-	-	-	1,005	-	3,099	2,051,609	3,099	(3,008)
Total financial investments held-to-maturity	780,153	2,047,505	-	-	-	-	-	1,005	-	3,099	2,831,762	3,099	(3,008)
Gross loans and advances *													
Hire purchase	5,745	5,481,552	1,309,388	1,113,935	509,521	315,150	79,090	-	3,376,187	162,516	12,353,084	-	-
Mortgage	-	6,392,715	5,906,635	978,673	1,673,488	303,233	685,469	-	2,047,445	348,634	18,336,292	12,369	(3,588)
Credit card	-	89,494	80,159	705,733	105,305	65,159	39,445	-	216,726	21,193	1,323,214	-	-
Others	-	8,477	22,206	319,960	140,038	117,986	84,336	-	83,267	77,121	853,391	9,106	(3,029)
Corporate loans and advances:													
Term loans and bridging loans	16,449	3,793,770	2,143,323	2,279,084	1,763,995	1,465,188	252,124	-	93,709	315,514	12,123,156	285,487	(169,956)
Revolving credits	-	2,797,183	1,063,138	2,177,509	1,377,850	50,802	178,677	-	3,578	106,451	7,755,188	89,050	(35,136)
Overdrafts	-	253,202	181,144	442,558	476,236	391,139	137,975	-	1,486	40,508	1,924,248	34,908	(28,034)
Trade	18,837	2,113,050	856,315	929,221	565,615	258,442	81,852	-	7,561	19,786	4,850,679	21,485	(10,219)
Factoring	-	2,970	10,100	78,342	35,858	50,235	982	-	-	1,341	179,828	1,407	(1,341)
Total gross loans and advances	41,031	20,932,413	11,572,408	9,025,015	6,647,906	3,017,334	1,539,950	-	5,829,959	1,093,064	59,699,080	453,812	(251,303)
Receivables: Investment not quoted in active markets	-	-	-	-	-	-	-	97,181	-	-	97,181	-	-
Statutory deposit with Bank Negara Malaysia	-	1,745,554	-	-	-	-	-	-	-	-	1,745,554	-	-
Other financial assets	183,196	885,655	43,473	14,098	213,438	11	-	174,342	-	1,350	1,515,563	15,000	(15,000)

* The amounts presented above are gross of impairment allowances.

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

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

	Neither past due nor impaired												
	Exceptionally strong credit profile	Very strong credit profile	Strong credit profile	Satisfactory risk	Moderate risk	Marginal risk	Sub-standard	Unrated	Past due but not impaired	Impaired	Total	Gross amount individually impaired	Individual allowance
2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank													
Cash and short-term funds	871,569	4,796,410	-	-	-	-	-	-	-	-	5,667,979	-	-
Deposits, placements and investment accounts with banks and other financial institutions	-	4,051,597	-	-	-	-	-	-	-	-	4,051,597	-	-
Derivative financial assets	40,869	914,871	425,596	49,088	8,458	1,832	519	3,510	-	-	1,444,743	-	-
Investment account	-	1,363,442	-	-	-	-	-	-	-	-	1,363,442	-	-
Financial assets held-for-trading													
Money Market Securities	-	1,161,880	-	-	-	-	-	-	-	-	1,161,880	-	-
Quoted Private Debt Securities	-	39,394	-	-	-	-	-	-	-	-	39,394		
Unquoted Private Debt Securities	56,227	605,560	-	-	-	-	-	-	-	-	661,787	-	-
Total financial assets held-for-trading	56,227	1,806,834	-	-	-	-	-	-	-	-	1,863,061	-	-
Financial investments available-for-sale													
Money Market Securities	-	1,742,077	-	-	-	-	-	-	-	-	1,742,077	-	-
Unquoted Private Debt Securities	-	3,380,195	164,914	152,382	-	-	-	-	-	9	3,697,500	5,009	(5,000)
Total financial investments available-for-sale	-	5,122,272	164,914	152,382	-	-	-	-	-	9	5,439,577	5,009	(5,000)
Financial investments held-to-maturity *													
Money Market Securities	518,486	-	-	-	-	-	-	-	-	-	518,486	-	-
Unquoted Private Debt Securities	-	2,019,473	-	-	-	-	-	1,883	-	6,198	2,027,554	6,198	(6,198)
Total financial investments held-to-maturity	518,486	2,019,473	-	-	-	-	-	1,883	-	6,198	2,546,040	6,198	(6,198)
Gross loans and advances *													
Hire purchase	30,453	5,036,870	1,037,988	1,168,822	471,245	322,434	157,313	-	4,051,565	230,779	12,507,469	509	(500)
Mortgage	2,637	7,339,731	2,807,624	3,011,508	618,345	352,996	294,150	-	1,991,573	382,255	16,800,819	13,947	(6,896)
Credit card	-	68,623	95,978	823,803	87,635	40,086	16,971	-	308,186	16,332	1,457,614	-	-
Others	4,042	108,360	57,530	401,895	159,265	234,295	68,796	-	123,519	86,025	1,243,727	26,464	(20,697)
Corporate loans and advances:													
Term loans and bridging loans	-	2,931,920	2,057,357	2,538,925	1,998,085	2,870,995	1,221,524	-	99,540	163,126	13,881,472	156,928	(74,654)
Revolving credits	-	1,864,428	1,464,068	1,982,928	673,302	217,049	547,083	-	4,714	28,239	6,781,811	32,009	(28,239)
Overdrafts	-	198,480	277,791	334,852	460,594	467,673	135,908	-	2,797	24,307	1,902,402	17,483	(10,111)
Trade	11,245	1,662,046	599,565	996,621	839,050	476,513	43,430	-	799	29,951	4,659,220	29,799	(26,222)
Factoring	-	2,894	936	22,075	38,195	45,292	-	-	-	2,347	111,739	141	(138)
Total gross loans and advances	48,377	19,213,352	8,398,837	11,281,429	5,345,716	5,027,333	2,485,175	-	6,582,693	963,361	59,346,273	277,280	(167,457)
Receivables: Investment not quoted in active markets	-	-	-	-	-	-	-	87,181	-	-	87,181	-	-
Statutory deposit with Bank Negara Malaysia	-	2,162,108	-	-	-	-	-	-	-	-	2,162,108	-	-
Other financial assets	174,236	1,125,546	46,547	13,740	325,919	-	5	458,434	-	3,364	2,147,791	17,065	(17,065)

* The amounts presented above are gross of impairment allowances.

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

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

Group	Up to 1 month RM'000	>1 month to 3 months RM'000	Total RM'000
2016			
Gross loans and advances			
Hire purchase	2,688,994	687,193	3,376,187
Mortgage	1,374,393	673,812	2,048,205
Credit card	149,638	67,088	216,726
Others	58,182	25,085	83,267
Corporate loans and advances:			
Term loans and bridging loans	81,459	12,250	93,709
Revolving credits	3,578	-	3,578
Overdrafts	1,486	-	1,486
Trade	4,740	2,821	7,561
Total gross loans and advances	4,362,470	1,468,249	5,830,719
Other financial assets	7	-	7
2015			
Gross loans and advances			
Hire purchase	2,747,972	1,303,593	4,051,565
Mortgage	1,204,319	789,130	1,993,449
Credit card	196,014	112,172	308,186
Others	56,604	66,915	123,519
Corporate loans and advances:			
Term loans and bridging loans	49,537	50,003	99,540
Revolving credits	4,714	-	4,714
Overdrafts	2,797	-	2,797
Trade	582	217	799
Total gross loans and advances	4,262,539	2,322,030	6,584,569
Other financial assets	21	-	21

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

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

Bank	Up to 1 month RM'000	>1 month to 3 months RM'000	Total RM'000
2016			
Gross loans and advances			
Hire purchase	2,688,994	687,193	3,376,187
Mortgage	1,373,962	673,483	2,047,445
Credit card	149,638	67,088	216,726
Others	58,182	25,085	83,267
Corporate loans and advances:			
Term loans and bridging loans	81,459	12,250	93,709
Revolving credits	3,578	-	3,578
Overdrafts	1,486	-	1,486
Trade	4,740	2,821	7,561
Total gross loans and advances	4,362,039	1,467,920	5,829,959
2015			
Gross loans and advances			
Hire purchase	2,747,972	1,303,593	4,051,565
Mortgage	1,203,420	788,153	1,991,573
Credit card	196,014	112,172	308,186
Others	56,604	66,915	123,519
Corporate loans and advances:			
Term loans and bridging loans	49,537	50,003	99,540
Revolving credits	4,714	-	4,714
Overdrafts	2,797	-	2,797
Trade	582	217	799
Total gross loans and advances	4,261,640	2,321,053	6,582,693

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

(e) Estimated value of collateral for financial assets

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

	Gross exposure to credit risk		Financial effect of collateral		Unsecured portion of credit exposure	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Group						
Gross loans and advances						
Hire purchase	12,353,084	12,507,469	11,049,438	5,967,464	1,303,646	6,540,005
Mortgage	18,516,157	16,921,051	18,308,407	16,800,765	207,750	120,286
Credit card	1,323,214	1,457,614	19,153	18,374	1,304,061	1,439,240
Others	853,391	1,243,727	230,605	698,069	622,786	545,658
Corporate loans and advances:						
Term loans and bridging loans	12,123,156	13,881,472	7,275,940	8,079,892	4,847,216	5,801,580
Revolving credits	7,673,135	6,781,811	3,146,312	3,134,440	4,526,823	3,647,371
Overdrafts	1,924,248	1,902,402	1,160,751	1,100,836	763,497	801,566
Trade	4,850,679	4,659,220	929,450	888,046	3,921,229	3,771,174
Factoring	179,828	111,739	11,620	11,216	168,208	100,523
Total	59,796,892	59,466,505	42,131,676	36,699,102	17,665,216	22,767,403
Bank						
Gross loans and advances						
Hire purchase	12,353,084	12,507,469	11,049,438	5,967,464	1,303,646	6,540,005
Mortgage	18,336,292	16,800,819	18,129,029	16,599,882	207,263	200,937
Credit card	1,323,214	1,457,614	19,153	18,374	1,304,061	1,439,240
Others	853,391	1,243,727	230,605	698,069	622,786	545,658
Corporate loans and advances:						
Term loans and bridging loans	12,123,156	13,881,472	7,275,940	8,079,892	4,847,216	5,801,580
Revolving credits	7,755,188	6,781,811	3,146,312	3,134,440	4,608,876	3,647,371
Overdrafts	1,924,248	1,902,402	1,160,751	1,100,836	763,497	801,566
Trade	4,850,679	4,659,220	929,450	888,046	3,921,229	3,771,174
Factoring	179,828	111,739	11,620	11,216	168,208	100,523
Total	59,699,080	59,346,273	41,952,298	36,498,219	17,746,782	22,848,054

49. RISK MANAGEMENT (CONT'D.)

49.2 CREDIT RISK MANAGEMENT (CONT'D.)

(f) Collateral Repossessed

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Properties:				
Residential	150	150	-	-
Non-residential	65,610	61,672	65,610	61,672
	65,760	61,822	65,610	61,672

The above assets are accounted for as foreclosed properties under other assets (Note 18). There were no new assets obtained for the financial year 2016 and 2015.

Methodology for Determination of Individual and Collective Allowances

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

Individual Assessment

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

(a) Trigger management

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

(b) Valuation of assets

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

Collective Assessment

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

With effect from 31 December 2015, the Group is required to maintain, in aggregate, collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans[5] net of individual impairment.

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

49. RISK MANAGEMENT (CONT'D.)

49.3 LIQUIDITY RISK MANAGEMENT

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

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

Identification	• 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	• Liquidity Coverage Ratio ("LCR") • Depositor Concentration Ratios • Loans to Deposit Ratio ("LDR") • Other Detailed Management Controls
Control/ Mitigation	• LCR Limits • Depositor Concentration Ratios • LDR Limits • Other Detailed Management Limits
Monitoring/ Review	• Monitor limits • Periodical review and reporting

The liquidity risk management of the Bank is aligned to BNM's Liquidity Coverage Ratio ("LCR") issued by BNM on 31 March 2015. The primary objective of the Bank's liquidity risk management is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments when they fall due. This objective is partly managed through maintenance of a portfolio of high-quality liquid assets to protect against adverse funding conditions and support day-to-day operations. The secondary objective is to ensure an optimal funding structure and to balance the key liquidity risk management objectives, which includes diversification of funding sources, customer base and maturity period.

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

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

49. RISK MANAGEMENT (CONT'D.)

49.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

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

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

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

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

49. RISK MANAGEMENT (CONT'D.)

49.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

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

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

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

2016	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Group								
Assets								
Cash and short-term funds	7,609,945	-	-	-	-	-	-	7,609,945
Deposits, placements and investment accounts with banks and other financial institutions	-	854,361	-	-	-	-	-	854,361
Investment account	4,441	6,422	9,903	20,006	1,137,371	-	-	1,178,143
Derivative financial assets	218,154	318,835	607,367	345,575	387,285	126,135	-	2,003,351
Financial assets held-for-trading	458,761	108,169	108,339	20,318	439,673	770,657	300,013	2,205,930
Financial investments available-for-sale	1,554,232	509,586	219,537	319,222	2,182,387	4,322,018	229,418	9,336,400
Financial investments held-to-maturity	390,200	395,033	21,309	26,416	853,464	2,051,505	-	3,737,927
Loans and advances	2,870,076	5,968,262	6,034,738	6,912,803	28,261,716	28,778,430	-	78,826,025
Receivables: Investment not quoted in active market	291	-	810	6,005	48,668	84,715	-	140,489
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	1,745,554	-	1,745,554
Deferred tax assets	-	-	-	-	-	-	76,485	76,485
Investment in associates	-	-	-	-	-	-	-	-
Other assets	859,739	170,386	59,157	301,158	463,616	-	66,036	1,920,092
Property and equipment	-	-	-	-	-	-	165,900	165,900
Intangible assets	-	-	-	-	-	-	350,753	350,753
Asset held for sale	-	-	-	3,167	-	-	-	3,167
Total Undiscounted Assets	13,965,839	8,331,054	7,061,160	7,954,670	33,774,180	37,879,014	1,188,605	110,154,522
Liabilities								
Deposits and placements of banks and other financial institutions	532,696	162,080	6,539	168,119	101,367	1,647	-	972,448
Recourse obligation on loans sold to Cagamas Berhad	55,771	4,656	5,805	186,965	2,837,502	-	-	3,090,699
Derivative financial liabilities	253,585	369,389	654,626	367,452	391,527	105,262	-	2,141,841
Deposits from customers	27,292,661	11,326,387	12,532,464	9,518,213	2,768,792	-	-	63,438,517
Term funding	339,233	118,631	113,959	1,240,705	4,044,869	156,000	-	6,013,397
Debt capital	35,021	10,428	42,547	87,427	3,016,181	-	-	3,191,604
Other liabilities	1,304,789	292,338	38,366	93,354	71,863	2,854	27,237	1,830,801
Total Undiscounted Liabilities	29,813,756	12,283,909	13,394,306	11,662,235	13,232,101	265,763	27,237	80,679,307
Net Undiscounted Assets/(Liabilities)	(15,847,917)	(3,952,855)	(6,333,146)	(3,707,565)	20,542,079	37,613,251	1,161,368	29,475,215

49. RISK MANAGEMENT (CONT'D.)

49.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

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

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

2016	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
Commitments								
Irrevocable commitments to extend credit	590,626	2,358,028	2,211,707	3,279,835	839,244	6,265,376	-	15,544,816
Unutilised credit card lines	2,369,650	-	-	-	-	-	-	2,369,650
Forward asset purchase	856,526	-	-	-	-	-	-	856,526
Others	-	-	-	-	-	200	-	200
Contingent Liabilities								
Direct credit substitutes	17,169	101,720	154,028	652,520	1,059,211	30,000	-	2,014,648
Certain transaction-related contingent items	125,907	181,535	552,528	913,545	2,387,255	144,882	-	4,305,652
Short-term self liquidating trade-related contingencies	164,197	148,721	97,653	55,328	62,617	-	-	528,516
Obligations under underwriting agreements	60,000	-	-	-	-	-	-	60,000
Total commitments and contingent liabilities	4,184,075	2,790,004	3,015,916	4,901,228	4,348,327	6,440,458	-	25,680,008

49. RISK MANAGEMENT (CONT'D.)

49.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

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

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

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

2015	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
Assets								
Cash and short-term funds	5,951,755	-	-	-	-	-	-	5,951,755
Deposits, placements and investment accounts with banks and other financial institutions	-	3,695,337	356,774	33,467	-	-	-	4,085,578
Investment account	-	-	-	1,427,950	-	-	-	1,427,950
Derivative financial assets	254,202	251,879	187,139	387,808	259,029	146,618	-	1,486,675
Financial assets held-for-trading	78,122	63,561	85,521	66,664	825,834	1,190,136	170,443	2,480,281
Financial investments available-for-sale	997,822	74,373	110,437	222,120	1,876,578	3,686,618	276,525	7,244,473
Financial investments held-to-maturity	-	523,304	21,323	26,277	613,461	2,349,591	-	3,533,956
Loans and advances	3,429,798	5,276,175	5,477,408	6,985,205	29,710,245	27,445,655	-	78,324,486
Receivables: Investment not quoted in active market	-	-	810	5,758	47,939	79,381		133,888
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	2,162,108	-	2,162,108
Deferred tax assets	-	-	-	-	-	-	102,546	102,546
Investment in associates	-	-	-	-	-	-	2,062	2,062
Other assets	1,587,411	125,572	50,971	51,544	626,048	-	63,038	2,504,584
Property and equipment	-	-	-	-	-	-	152,730	152,730
Intangible assets	-	-	-	-	-	-	334,749	334,749
Asset held for sale	-	-	-	-	-	-	-	-
Total Undiscounted Assets	12,299,110	10,010,201	6,290,383	9,206,793	33,959,134	37,060,107	1,102,093	109,927,821
Liabilities								
Deposits and placements of banks and other financial institutions	1,689,087	145,203	24,590	73,424	167,350	561	-	2,100,215
Recourse obligation on loans sold to Cagamas Berhad	22,366	4,482	5,675	32,835	1,390,168	-	-	1,455,526
Derivative financial liabilities	270,845	253,384	230,552	374,996	233,617	99,293	-	1,462,687
Deposits from customers	30,406,149	8,717,937	11,172,611	10,705,421	2,933,810	-	-	63,935,928
Term funding	14,823	13,266	98,426	76,295	5,506,831	161,967	-	5,871,608
Debt capital	34,453	10,372	67,651	853,715	3,191,604	-	-	4,157,795
Other liabilities	1,231,862	483,503	45,674	192,051	83,311	2,277	59,715	2,098,393
Total Undiscounted Liabilities	33,669,585	9,628,147	11,645,179	12,308,737	13,506,691	264,098	59,715	81,082,152
Net Undiscounted Assets/(Liabilities)	(21,370,475)	382,054	(5,354,796)	(3,101,944)	20,452,443	36,796,009	1,042,378	28,845,669

49. RISK MANAGEMENT (CONT'D.)

49.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

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

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

2015	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Group								
Commitments								
Irrevocable commitments to extend credit	1,088,410	2,101,937	2,839,907	3,779,999	1,691,510	4,983,223	-	16,484,986
Unutilised credit card lines	3,361,539	-	-	-	-	-	-	3,361,539
Forward asset purchase	824,066	-	-	-	-	-	-	824,066
Others	-	-	-	-	-	200	-	200
Contingent Liabilities								
Direct credit substitutes	31,648	98,043	51,095	108,322	329,810	169,825	-	788,743
Certain transaction-related contingent items	53,771	373,208	636,766	1,200,132	3,131,678	213,455	-	5,609,010
Short-term self liquidating trade-related contingencies	217,544	120,368	32,396	193,557	69,313	998	-	634,176
Obligations under underwriting agreements	250,000	-	-	-	-	-	-	250,000
Total commitments and contingent liabilities	5,826,978	2,693,556	3,560,164	5,282,010	5,222,311	5,367,701	-	27,952,720

49. RISK MANAGEMENT (CONT'D.)

49.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

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

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

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

2016	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank								
Assets								
Cash and short-term funds	7,384,452	-	-	-	-	-	-	7,384,452
Deposits, placements and investment accounts with banks and other financial institutions	-	854,361	-	-	-	-	-	854,361
Investment account	4,441	6,422	9,903	20,006	1,137,371	-	-	1,178,143
Derivative financial assets	218,154	318,835	607,367	345,575	387,285	126,135	-	2,003,351
Financial assets held-for-trading	458,761	108,169	108,339	20,318	439,673	770,657	300,013	2,205,930
Financial investments available-for-sale	1,554,232	509,586	219,537	319,222	2,182,387	4,390,891	229,332	9,405,187
Financial investments held-to-maturity	390,200	395,033	21,309	26,416	853,464	2,051,505	-	3,737,927
Loans and advances	2,950,057	5,964,155	6,028,680	6,901,097	28,180,463	28,652,800	-	78,677,252
Receivables: Investment not quoted in active market	291	-	810	6,005	48,668	84,715	-	140,489
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	1,745,554	-	1,745,554
Deferred tax assets	-	-	-	-	-	-	75,430	75,430
Investment in subsidiaries and other investment	-	-	-	-	-	-	104,277	104,277
Investment in associates	-	-	-	-	-	-	22	22
Other assets	865,211	170,386	59,157	298,377	461,407	-	65,803	1,920,341
Property and equipment	-	-	-	-	-	-	121,819	121,819
Intangible assets	-	-	-	-	-	-	344,944	344,944
Asset held for sale	-	-	-	100	-	-	-	100
Total Undiscounted Assets	13,825,799	8,326,947	7,055,102	7,937,116	33,690,718	37,822,257	1,241,640	109,899,579
Liabilities								
Deposits and placements of banks and other financial institutions	612,671	162,080	6,539	168,119	101,367	1,647	-	1,052,423
Recourse obligation on loans sold to Cagamas Berhad	55,771	4,656	5,805	186,965	2,837,502	-	-	3,090,699
Derivative financial liabilities	253,585	369,389	654,626	367,452	391,527	105,262	-	2,141,841
Deposits from customers	27,391,720	11,326,387	12,532,464	9,518,213	2,768,792	-	-	63,537,576
Term funding	339,233	118,631	113,959	1,240,705	4,044,869	156,000	-	6,013,397
Debt capital	35,021	10,428	42,547	87,427	3,016,181	-	-	3,191,604
Other liabilities	1,290,041	295,428	38,366	93,272	71,783	2,854	27,237	1,818,981
Total Undiscounted Liabilities	29,978,042	12,286,999	13,394,306	11,662,153	13,232,021	265,763	27,237	80,846,521
Net Undiscounted Assets/(Liabilities)	(16,152,243)	(3,960,052)	(6,339,204)	(3,725,037)	20,458,697	37,556,494	1,214,403	29,053,058

49. RISK MANAGEMENT (CONT'D.)

49.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

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

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

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

49. RISK MANAGEMENT (CONT'D.)

49.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

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

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

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

2015	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank								
Assets								
Cash and short-term funds	5,676,552	-	-	-	-	-	-	5,676,552
Deposits, placements and investment accounts with banks and other financial institutions	-	3,695,337	356,774	33,467	-	-	-	4,085,578
Investment account	-	-	-	1,427,950	-	-	-	1,427,950
Derivative financial assets	254,202	251,879	187,139	387,808	259,029	146,618	-	1,486,675
Financial assets held-for-trading	78,122	63,561	85,521	66,664	825,834	1,190,136	170,443	2,480,281
Financial investments available-for-sale	997,822	74,373	110,437	222,120	1,876,578	3,781,693	275,401	7,338,424
Financial investments held-to-maturity	-	523,304	21,323	26,277	613,461	2,349,591	-	3,533,956
Loans and advances	3,427,875	5,352,099	5,470,523	6,971,879	29,621,006	27,303,151	-	78,146,533
Receivables: Investment not quoted in active market	-	-	810	5,758	47,939	79,381	-	133,888
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	2,162,108	-	2,162,108
Deferred tax assets	-	-	-	-	-	-	98,869	98,869
Investment in subsidiaries and other investment	-	-	-	-	-	-	104,277	104,277
Investment in associates	-	-	-	-	-	-	122	122
Other assets	1,546,082	125,400	50,961	51,544	624,396	-	61,833	2,460,216
Property and equipment	-	-	-	-	-	-	117,480	117,480
Intangible assets	-	-	-	-	-	-	327,689	327,689
Asset held for sale	-	-	-	-	-	-	-	-
Total Undiscounted Assets	11,980,655	10,085,953	6,283,488	9,193,467	33,868,243	37,012,678	1,156,114	109,580,598
Liabilities								
Deposits and placements of banks and other financial institutions	1,723,967	145,203	24,590	73,424	167,350	561	-	2,135,095
Recourse obligation on loans sold to Cagamas Berhad	22,366	4,482	5,675	32,835	1,390,168	-	-	1,455,526
Derivative financial liabilities	270,845	253,384	230,552	374,996	233,617	99,293	-	1,462,687
Deposits from customers	30,464,506	8,717,937	11,172,611	10,705,521	2,933,810	-	-	63,994,385
Term funding	14,823	13,266	98,426	76,295	5,506,931	161,967	-	5,871,708
Debt capital	34,453	10,372	67,651	113,005	3,191,604	-	-	3,417,085
Other liabilities	1,246,615	475,081	45,652	191,755	83,244	2,277	48,092	2,092,716
Total Undiscounted Liabilities	33,777,575	9,619,725	11,645,157	11,567,831	13,506,724	264,098	48,092	80,429,202
Net Undiscounted Assets/(Liabilities)	(21,796,920)	466,228	(5,361,669)	(2,374,364)	20,361,519	36,748,580	1,108,022	29,151,396

49. RISK MANAGEMENT (CONT'D.)

49.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

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

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

2015	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank								
Commitments								
Irrevocable commitments to extend credit	1,088,410	2,101,937	2,839,907	3,819,403	1,691,510	4,983,223	-	16,524,390
Unutilised credit card lines	3,361,539	-	-	-	-	-	-	3,361,539
Forward asset purchase	824,066	-	-	-	-	-	-	824,066
Others	-	-	-	-	-	150	-	150
Contingent Liabilities								
Direct credit substitutes	31,648	98,043	51,095	108,322	329,810	169,825	-	788,743
Certain transaction-related contingent items	53,771	373,208	636,766	1,200,132	3,131,678	213,455	-	5,609,010
Short-term self liquidating trade-related contingencies	217,544	120,368	32,396	193,557	69,313	998	-	634,176
Obligations under underwriting agreements	250,000	-	-	-	-	-	-	250,000
Total commitments and contingent liabilities	5,826,978	2,693,556	3,560,164	5,321,414	5,222,311	5,367,651	-	27,992,074

49. RISK MANAGEMENT (CONT'D.)

49.4 MARKET RISK MANAGEMENT

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

Traded Market Risk

The TMR management process is depicted in the table below.

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

TMR arises from transactions in which the Group acts as principal with clients or the market. It involves taking positions in fixed income, equity, foreign exchange, commodities and/or derivatives. The objectives of TMR management are to understand, accurately measure and work with the business to ensure exposures are managed within the Board and 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 Group is able to absorb extreme, unanticipated market movements.

49. RISK MANAGEMENT (CONT'D.)

49.4 MARKET RISK MANAGEMENT (CONT'D.)

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

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

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

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

Non-Traded Market Risk

Interest Rate Risk/Rate of Return Risk in Banking Book ("IRR/RORBB")

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

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

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

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

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

49. RISK MANAGEMENT (CONT'D.)

49.4 MARKET RISK MANAGEMENT (CONT'D.)

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

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

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

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

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

IRR/RORBB exposures are monitored by IBMR and positions reported to the 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/profit rate and is managed through gap and sensitivity analysis. Interest/profit rate movements also affect the Group’s income and expense from assets and liabilities as well as capital fund. The Group has adopted IRR/ROR hedging measures to cushion the interest/profit rate volatility.

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

Traded Market Risk:

	2016		2015	
	Interest rate + 100 bps (RM'000)	Interest rate - 100 bps (RM'000)	Interest rate + 100 bps (RM'000)	Interest rate - 100 bps (RM'000)
Group and Bank				
Impact on profit before taxation	(30,848)	34,925	(53,732)	60,134

49. RISK MANAGEMENT (CONT'D.)

49.4 MARKET RISK MANAGEMENT (CONT'D.)

Market Risk Sensitivity (Cont'd.)

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

Non-Traded Market Risk:

	2016		2015	
	Interest rate + 100 bps (RM'000)	Interest rate - 100 bps (RM'000)	Interest rate + 100 bps (RM'000)	Interest rate - 100 bps (RM'000)
Group				
Impact on profit before taxation	352,322	(352,322)	344,216	(344,216)
Impact on equity	(239,536)	262,819	(199,805)	219,465
Bank				
Impact on profit before taxation	353,079	(353,079)	344,964	(344,964)
Impact on equity	(243,497)	267,213	(205,176)	225,420

(ii) Foreign Exchange Risk

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

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

Impact on profit before taxation:

	2016		2015	
Currency	Foreign exchange rate + 10 % (RM'000)	Foreign exchange rate - 10 % (RM'000)	Foreign exchange rate + 10 % (RM'000)	Foreign exchange rate - 10 % (RM'000)
Group				
USD	7,177	(7,177)	(11,632)	11,632
SGD	7,822	(7,822)	9,850	(9,850)
EUR	(2,255)	2,255	311	(311)
JPY	280	(280)	(614)	614
Others	15	(15)	824	(824)
Bank				
USD	7,177	(7,177)	(11,632)	11,632
SGD	7,822	(7,822)	9,850	(9,850)
EUR	(2,255)	2,255	311	(311)
JPY	280	(280)	(614)	614
Others	15	(15)	824	(824)

49. RISK MANAGEMENT (CONT'D.)

49.4 MARKET RISK MANAGEMENT (CONT'D.)

Market Risk Sensitivity (Cont'd.)

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

Impact on equity:

	2016		2015	
Currency	**Foreign exchange rate + 10 % (RM'000)**	**Foreign exchange rate - 10 % (RM'000)**	**Foreign exchange rate + 10 % (RM'000)**	**Foreign exchange rate - 10 % (RM'000)**
Group				
USD	49,919	(49,919)	38,022	(38,022)
EUR	17	(17)	15	(15)
Bank				
USD	49,918	(49,918)	37,915	(37,915)
EUR	17	(17)	15	(15)

(iii) Price Risk

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

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

	2016		2015	
	Prices + 10 % (RM'000)	**Prices - 10 % (RM'000)**	**Prices + 10 % (RM'000)**	**Prices - 10 % (RM'000)**
Group				
Impact on profit before taxation	29,808	(29,808)	14,184	(19,516)
Impact on equity	14,187	(14,187)	17,700	(17,700)
Bank				
Impact on profit before taxation	29,808	(29,808)	14,184	(19,516)
Impact on equity	14,183	(14,183)	17,696	(17,696)

49. RISK MANAGEMENT (CONT'D.)

49.5 OPERATIONAL RISK MANAGEMENT

Identification	• Identify and analyse risks in key processes/activities within Line of Business (including new products)
Assessment/ Measurement	• Incident Management and Data Collection • Risk and Control Self Assessment • Key Risk Indicators • Key Control Testing • Risk Treatment Plan
Control/ Mitigation	• Policies addressing control and governance requirements to mitigate specific operational risk • Advisory on the establishment of internal controls • Contingency planning
Monitoring/ Review	• Monitoring and reporting of loss incidents by Event Type, Portfolio and Line of Business and entity, reporting of operational risk board and management triggers, risk profile status, key risk indicator breaches and key control testing exceptions • Periodical review of risk profile within Line of Business

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external incidents which includes but is not limited to legal risk. It excludes strategic, systemic and reputational risk.

Operational Risk Appetite ("ORA") is set as part of overall Group Risk Appetite Framework ("GRAF"), which sets the acceptable tolerance levels of operational risk that the Group is willing to accept, taking into consideration of the relevant financal 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 Worksplace Safety;
- Client, Products and Business Practices;
- Business Disruption, System Failures and Damage to Physical Assets; and
- Execution, Delivery and Process Management.

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

- the first line of defence is responsible for the management of operational risk in order that accountability and ownership is as close as possible to the activity that creates the risk and ensuring that effective action is taken to manage them. Enhanced First Line of Defence provides a business specific focus on the implementation of operational risk management activities and supports more effective day-to-day monitoring of operational risks.

- in the second line, Group Operational Risk is responsible for exercising governance over operational risk through the management of the operational risk framework, policy development, quality assurance of internal controls, operational risk measurement and capital allocation, fraud strategy and reporting of operational risk issues to Group CEOs Committee ("GCC"), Risk Management Committee of Directors ("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.

49. RISK MANAGEMENT (CONT'D.)

49.5 OPERATIONAL RISK MANAGEMENT (CONTD.)

(i) **Business Continuity Management (“BCM”)**

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

Identification	• Identify events that potentially threaten the business operations and areas of criticality
Assessment/ Measurement	• Business Impact Analysis • Threat Assessment
Control/ Mitigation	• Policies governing the BCM implementation • BCM methodologies controlling the process flow • Implementing the Business Continuity Plan
Monitoring/ Review	• BCM Plan testing and exercise • Review of BCM Plan • Plan maintenance

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

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

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

49.6 LEGAL RISK

In all the jurisdictions that the Group conducts its business, it is subject to legal risks arising from potential breaches of applicable laws, unenforceability of contracts, lawsuits, or adverse judgment, which may lead to incurrence of losses, disruption or otherwise impact on the Group's financials or reputation.

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

49.7 REGULATORY COMPLIANCE RISK

The Group has established a compliance policy which sets out the roles and responsibilities of the Board, Senior Management, Business Units, Group Shared Services, Group Compliance and Group Internal Audit to oversee the management of compliance risk with the aim to promote the safety of the Group by minimising financial, reputational and operational risks arising from legal and regulatory non-compliance.

The Group has put in place the processes to manage the compliance functions in identifying, assessing and monitoring the following activities:

- Management of Anti Money Laundering/Counter Financing Terrorism ("AML/CFT") ongoing due diligence via tracking, monitoring and reporting of suspicious transactions
- Management of new regulations including timely dissemination, engagement and monitoring
- Undertake periodic compliance assessment including onsite, offsite, thematic and initial one-off onsite validation
- Review of new or variation to existing products and services

Training is provided to employees of the AMMB Group on relevant legal and regulatory requirements governing its activities and guidance on implementation of internal controls to manage compliance risk.

50. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

	Group		Bank	
	Carrying value RM'000	**Fair value RM'000**	**Carrying value RM'000**	**Fair value RM'000**
2016				
Financial Assets				
Financial investments held-to-maturity	2,828,754	2,782,354	2,828,754	2,782,354
Loans and advances*	12,032,675	12,310,063	11,848,553	12,133,561
Receivables: Investments not quoted in active markets	97,181	104,354	97,181	104,354
	14,958,610	15,196,771	14,774,488	15,020,269
Financial Liabilities				
Recourse obligation of loans sold to Cagamas Berhad	2,807,951	2,853,072	2,807,951	2,853,072
Term funding	5,549,451	5,603,208	5,549,451	5,603,208
Debt capital	2,694,550	2,823,493	2,694,550	2,823,493
	11,051,952	11,279,773	11,051,952	11,279,773
2015				
Financial Assets				
Financial investments held-to-maturity	2,539,842	1,962,995	2,539,842	1,962,995
Loans and advances*	11,826,379	11,777,412	11,619,514	11,583,285
Receivables: Investments not quoted in active markets	87,181	90,182	87,181	90,182
	14,453,402	13,830,589	14,246,537	13,636,462
Financial Liabilities				
Recourse obligation of loans sold to Cagamas Berhad	1,332,810	1,366,996	1,332,810	1,366,996
Term funding	5,243,585	5,286,627	5,243,585	5,286,627
Debt capital	3,458,683	3,612,041	3,458,683	3,612,041
	10,035,078	10,265,664	10,035,078	10,265,664

Note:

* Excluding loans and advances of RM46,782,064,716 and RM46,868,648,390 for Group and the Bank respectively (2015: RM46,519,009,000 and RM46,605,822,000 for the Group and the Bank respectively) where the carrying amounts are reasonable approximation of their fair values.

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

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

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

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

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

	Group				Bank			
	Valuation techniques				Valuation techniques			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2015								
Financial assets measured at fair value								
Derivative financial assets	-	1,444,743	-	1,444,743	-	1,444,743	-	1,444,743
Financial assets held-for-trading								
- Money market securities	-	1,161,880	-	1,161,880	-	1,161,880	-	1,161,880
- Equities	170,443	-	-	170,443	170,443	-	-	170,443
- Quoted private debt securities	39,394	-	-	39,394	39,394	-	-	39,394
- Unquoted private debt securities	-	661,787	-	661,787	-	661,787	-	661,787
Financial investments available-for-sale								
- Money market securities	-	1,742,077	-	1,742,077	-	1,742,077	-	1,742,077
- Equities	176,996	-	-	176,996	176,957	-	-	176,957
- Unquoted private debt securities	-	3,602,425	-	3,602,425	-	3,602,424	95,076	3,697,500
Assets for which fair values are disclosed								
Financial investments held-to-maturity	-	1,961,112	1,883	1,962,995	-	1,961,112	1,883	1,962,995
Loans and advances	-	11,777,412	-	11,777,412	-	11,583,285	-	11,583,285
Receivables: Investments not quoted in active markets	-	22,009	68,173	90,182	-	22,009	68,173	90,182
	386,833	22,373,445	70,056	22,830,334	386,794	22,179,317	165,132	22,731,243
Financial liabilities measured at fair value								
Derivative financial liabilities	2,702	1,382,961	-	1,385,663	2,702	1,382,961	-	1,385,663
Liabilities for which fair values are disclosed								
Recourse obligation of loans sold to Cagamas Berhad	-	1,366,996	-	1,366,996	-	1,366,996	-	1,366,996
Term funding	-	5,286,627	-	5,286,627	-	5,286,627	-	5,286,627
Debt capital	-	3,612,041	-	3,612,041	-	3,612,041	-	3,612,041
	2,702	11,648,625	-	11,651,327	2,702	11,648,625	-	11,651,327

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

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

Determination of fair value

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

(a) Assets for which fair value approximates carrying value

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

(b) Fixed rate financial instruments

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

(c) Financial investments available-for-sale

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

(d) Securities purchased under resale agreements

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

(e) Recourse obligation on loans sold to Cagamas Berhad

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

(f) Contingent liabilities and undrawn credit facilities

The fair value of contingent liabilities and undrawn credit facilities are not readily ascertainable. These financial instruments are presently not sold or traded. They generate fees that are in line with market prices for similar arrangements. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs and potential loss that may arise should these commitments crystallise. The Group and the Bank assess that their respective fair values are unlikely to be significant given that the overall level of fees involved is not significant.

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

Determination of fair value hierarchy

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

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

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

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

About 0.6% (2015: 1.0%) of the total Bank's financial assets recorded at fair value, are based on estimates and recorded as Level 3 investments. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. While such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not change the fair value significantly.

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

Movements In Level 3 financial instruments measured at fair value

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

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Financial investment available-for-sale:				
Balance at beginning of the financial year	-	417	95,076	123,317
Total gains recognised in:				
- income statement:				
- other operating income	1,235	325	1,235	325
- impairment writeback	10,956	-	10,956	-
- other comprehensive income	-	-	111	1,667
Settlements	(12,191)	(742)	(38,255)	(30,233)
Balance at end of the financial year	-	-	69,123	95,076

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

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Financial investment available-for-sale:				
Total gains included in:				
- impairment writeback	10,956	-	10,956	-
- other comprehensive income	-	-	111	1,667

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

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

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

51. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	Gross amount of recognised financial assets/liabilities RM'000	Gross amounts offset in the statements of financial position RM'000	Amounts presented in the statements of financial position RM'000	Amount not offset in the statements of financial position		Net amount RM'000
				Financial instruments RM'000	Cash collateral received/pledged RM'000	
Group and Bank						
2016						
Derivative financial assets	1,894,819	-	1,894,819	(956,549)	469,030	1,407,300
	1,894,819	-	1,894,819	(956,549)	469,030	1,407,300
					(Note 27)	
Derivative financial liabilities	2,023,211	-	2,023,211	(956,549)	670,715	1,737,377
	2,023,211	-	2,023,211	(956,549)	670,715	1,737,377
					(Note 18)	
2015						
Derivative financial assets	1,444,743	-	1,444,743	(589,928)	(277,727)	577,088
	1,444,743	-	1,444,743	(589,928)	(277,727)	577,088
					(Note 27)	
Derivative financial liabilities	1,385,663	-	1,385,663	(589,928)	(682,843)	112,892
	1,385,663	-	1,385,663	(589,928)	(682,843)	112,892
					(Note 18)	

52. BUSINESS SEGMENT ANALYSIS

Segment information is presented in respect of the Group's business segments. The business segment information is prepared based on internal management reports, which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance. The Group comprises the following main business segments:

The Group comprises the following main business segments:

(a) Retail Banking

Retail Banking will focus on building emerging affluent and small business customers and the mass market. Retail banking offers products and financial solutions which includes auto financing, mortgage and personal loans, credit cards, small business loans, priority banking services, wealth management, remittance services and deposits.

(b) Wholesale Banking

Wholesale Banking comprises Corporate and Commercial

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

(ii) Markets includes proprietary trading as well as providing full range of products and services relating to treasury activities, including foreign exchange, derivatives, and fixed income.

(iii) Investment Banking develops and trades equity derivatives such as structured warrants listed on Bursa Malaysia Securities Berhad. It also offers customised equity linked solutions, for high net worth individuals and corporate clients, to cater for their unique investment management strategy.

(c) Group Funding and Others (previously known as Operating Segments)

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.

During the current financial quarter, the Group:

(i) has presented allowances for impairment on financing and advances separately from other assets to better align with internal information used to manage the business; and

(ii) expanded the disclosure for Wholesale Banking Division to provide disclosures that help investors and other stakeholders understand the Group's performance.

Accordingly, comparatives have been restated to conform with current period's presentation.

Measurement of segment performance

The segment performance is measured on income, expenses and profit basis. These are shown after allocation of certain centralised cost, funding income and expenses and expenses directly associated with each segment. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

Operating Revenue

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

Major customers

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

52. BUSINESS SEGMENT ANALYSIS (CONT'D.)

Group 2016	Retail banking RM'000	Wholesale Banking: Corporate and commercial banking RM'000	Wholesale Banking: Markets RM'000	Wholesale Banking: Investment banking RM'000	Group funding and others RM'000	Total RM'000
External revenue	2,149,158	1,503,167	409,360	41,249	456,310	4,559,244
Revenue from other segments	(72,048)	141,930	(230,011)	(21,052)	181,181	-
Total operating revenue	2,077,110	1,645,097	179,349	20,197	637,491	4,559,244
Net interest Income	868,637	555,424	31,467	15,165	131,280	1,601,973
Other operating income	253,459	139,583	118,700	5,032	36,186	552,960
Income	1,122,096	695,007	150,167	20,197	167,466	2,154,933
Share in results of associates	-	-	-	-	1,105	1,105
Other operating expenses	(702,803)	(178,325)	(70,323)	(12,376)	(290,850)	(1,254,677)
of which:						
Depreciation of Property and Equipment	(22,686)	(1,227)	(865)	(64)	(16,092)	(40,934)
Amortisation of Intangible Assets	(8,935)	(2,989)	(6,482)	(14)	(59,836)	(78,256)
Profit/(Loss) before impairment losses	419,293	516,682	79,844	7,821	(122,279)	901,361
(Allowance)/Writeback for impairment losses on loans and advances	76,841	104,986	-	(3,429)	(18,230)	160,168
Writeback of provision/(provision) for commitments and contingencies	1,653	23,664	-	(49)	(25)	25,243
(Allowance)/Writeback for impairment losses on other assets	(1,148)	10,680	(209)	-	(28,988)	(19,665)
Profit/(Loss) before taxation	496,639	656,012	79,635	4,343	(169,522)	1,067,107
Taxation	(119,697)	(149,352)	(19,112)	1,140	40,308	(246,713)
Profit/(Loss) for the year	376,942	506,660	60,523	5,483	(129,214)	820,394
Other information						
Total segment assets	33,384,771	25,821,510	8,618,721	1,451,809	17,535,021	86,811,832
Total segment liabilities	31,577,122	32,323,858	5,042,101	6,724	9,599,201	78,549,006
Cost to income ratio	62.6%	25.7%	46.8%	61.3%	172.5%	58.2%
Gross loans and advances	32,968,127	25,774,791	-	1,058,308	(4,334)	59,796,892
Net loans and advances	32,642,419	25,418,876	-	1,050,227	(296,782)	58,814,740
Impaired loans and advances	609,803	483,600	-	-	-	1,093,403
Deposits	31,139,824	31,501,062	247,757	-	210,960	63,099,603
Additions to:						
Property and equipment	23,296	490	388	5	37,886	62,065
Intangible assets	15,192	137	1,870	133	86,329	103,661

52. BUSINESS SEGMENT ANALYSIS (CONT'D.)

Group 2015	Retail banking RM'000	Wholesale Banking: Corporate and commercial banking RM'000	Wholesale Banking: Markets RM'000	Wholesale Banking: Investment banking RM'000	Group funding and others RM'000	Total RM'000
External revenue	2,339,075	1,580,382	375,214	45,429	505,461	4,845,561
Revenue from other segments	(87,222)	137,970	(180,060)	(19,034)	148,346	-
Total operating revenue	2,251,853	1,718,352	195,154	26,395	653,807	4,845,561
Net interest Income	1,033,658	640,679	34,591	12,666	184,250	1,905,844
Other operating income	276,345	176,029	136,515	13,726	39,046	641,661
Income	1,310,003	816,708	171,106	26,392	223,296	2,547,505
Share in results of associates	-	-	-	-	999	999
Other operating expenses	(670,654)	(209,405)	(69,772)	(14,308)	(251,719)	(1,215,858)
of which:						
Depreciation of Property and Equipment	(24,711)	(1,919)	(1,376)	(54)	(15,709)	(43,769)
Amortisation of Intangible Assets	(8,045)	(3,493)	(4,453)	(10)	(51,631)	(67,632)
Profit/(Loss) before impairment losses	639,349	607,303	101,334	12,084	(27,424)	1,332,646
(Allowance)/Writeback for impairment losses on loans and advances	(111,729)	183,994	-	3,624	81,556	157,445
Writeback of provision/(provision) for commitments and contingencies	9,623	14,953	-	(944)	5,158	28,790
Writeback/(Allowance) for impairment losses on other assets	218	(5,770)	(245)	-	(27,814)	(33,611)
Profit before taxation	537,461	800,480	101,089	14,764	31,476	1,485,270
Taxation	(134,235)	(186,779)	(25,272)	(3,175)	(5,623)	(355,084)
Profit for the year	403,226	613,701	75,817	11,589	25,853	1,130,186
Other information						
Total segment assets	32,245,902	26,396,801	7,929,487	1,274,380	18,941,182	86,787,752
Total segment liabilities	32,939,124	31,734,464	4,251,109	8,692	9,806,813	78,740,202
Cost to income ratio	51.2%	25.6%	40.8%	54.2%	112.2%	47.7%
Gross loans and advances	32,016,137	26,322,265	-	1,121,277	6,826	59,466,505
Net loans and advances	31,554,503	25,985,074	-	1,118,577	(312,766)	58,345,388
Impaired loans and advances	716,015	245,469	-	2,501	-	963,985
Deposits	32,353,714	30,835,350	270,577	-	1,268,850	64,728,491
Additions to:						
Property and equipment	23,735	480	210	17	21,090	45,532
Intangible assets	9086	1,112	6,164	-	59,567	75,929

Note:

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

2 Certain comparative figures have been restated to conform with current year's presentation.

53. ISLAMIC BANKING BUSINESS

The Islamic banking business of the Group is attributable to its wholly-owned offshore banking subsidiary, AmLabuan Holdings (L) Ltd. The subsidiary had ceased to carry on Labuan banking business effective 31 December 2014.

54. SUBSEQUENT EVENT

Subsequent to the financial year, the Board of Directors had approved the proposal to assume the card operation management and processes ("Proposed transfer") outsourced currently to its wholly-owned subsidiary, AmCard Services Berhad. The Proposed transfer is part of the Group's internal reorganisation plans to achieve operational efficiencies in the cards business. The Proposed transfer is expected to be completed by the first quarter of the financial year ending 31 March 2017.

55. RESTATEMENT OF COMPARATIVE INFORMATION

During the current financial year, the Bank had restated the placement with a related company, previously classified as Deposits and placements of banks and other financial insitutions to Investment account as the placement was not principal guaranteed. Accordingly, the comparatives have been restated to provide a more meaningful information.

For the purpose of the statements of cash flows, the Group and the Bank has restated deposits and placements with banks and other financial institutions with original maturity of more than 3 months previously included as cash and cash equivalents to conform with current financial year basis of presentation.

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

(i) Reconciliation of statements of financial position

	As previously reported RM'000	Reclasification RM'000	As restated RM'000
Group and Bank			
As at 1 April 2014			
Deposits and placements with banks and other financial institutions	1,922,311	(449,982)	1,472,329
Investment account	-	449,982	449,982
As at 31 March 2015			
Deposits and placements with banks and other financial institutions	5,415,039	(1,363,442)	4,051,597
Investment account	-	1,363,442	1,363,442

(ii) Reconciliation of statements of cash flows

	As previously reported RM'000	Reclasification RM'000	As restated RM'000
Group and Bank			
For the financial year ended 31 March 2015			
(Increase)/decrease in operating assets:			
Deposits and placements with banks and other financial institutions	(3,492,728)	3,572,903	80,175
Investment account	-	(913,460)	(913,460)