GROWING AND WINNING TOGETHER

Evolving with the times

Innovating and exploring new possibilities are at the core of our purpose to grow and win with you.

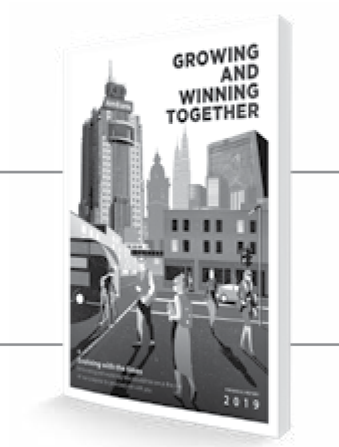
FINANCIAL REPORT

2019

Inside this report

GROWING AND WINNING TOGETHER

"Evolving with the times. Innovating and exploring new possibilities are at the core of our purpose to grow and win with you."



Financial Statements

Pillar 3 Disclosure

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of AMMB Holdings Berhad ("the Company") and its subsidiaries ("the Group") for the financial year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company.

The subsidiaries, as listed in Note 20 to the financial statements, provide a wide range of retail banking, business banking, wholesale banking, investment banking, Islamic banking and related financial services which also include underwriting of general insurance, stock and share-broking, futures broking, investment advisory asset, real estate investment trust and unit trust management.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	1,603,069	1,090,830
Attributable to:		
Equity holders of the Company	1,505,289	1,090,830
Non-controlling interests	97,780	-
Profit for the financial year	1,603,069	1,090,830

OUTLOOK FOR NEXT FINANCIAL YEAR

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

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

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

Directors' Report

BUSINESS PLAN AND STRATEGY

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

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

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

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

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors, the results of operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the effects of the disposal of non-performing loans/financing as disclosed in Notes 45 and 59 to the financial statements and adoption of MFRS 9 *Financial Instruments* as disclosed in Note 60 to the financial statements.

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

DIVIDENDS

During the financial year, the Company paid a final single-tier dividend of 10.0 sen per share in respect of the financial year ended 31 March 2018 which amounted to RM301,418,484. This amount was noted in the directors' report for that financial year and paid on 28 August 2018 to shareholders whose names appeared in the Record of Depositors on 13 August 2018.

An interim single-tier dividend of 5.0 sen per share for the financial year ended 31 March 2019 which amounted to RM150,709,243 was paid on 28 December 2018 to shareholders whose names appeared in the Record of Depositors on 17 December 2018.

The directors propose the payment of a final single-tier dividend of 15.0 sen per share in respect of the current financial year ended 31 March 2019, to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the directors. The financial statements for the current financial year do not reflect this proposed dividend and will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2020.

Directors' Report

RESERVES, PROVISIONS AND ALLOWANCES

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

BAD AND DOUBTFUL DEBTS AND FINANCING

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company 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 Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or

(b) any contingent liability in respect of the Group and of the Company 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 Company.

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

Directors' Report

ISSUANCE OF SHARES AND DEBENTURES

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

1. Issuance of debt securities

   By subsidiaries:

   (a) AmBank (M) Berhad ("AmBank")

      (i) On 26 June 2018, AmBank issued Tranche 7 of Senior Notes with nominal amount of RM700.0 million under its Senior Notes programme of RM7.0 billion. This tranche bears interest at 4.5% payable semi-annually and is for a tenor of 2 years.

      (ii) On 15 November 2018, AmBank issued Tranche 6 of Subordinated Notes with nominal amount of RM1.0 billion under its Subordinated Notes programme of up to RM4.0 billion. This tranche bears interest at 4.98% payable semi-annually and is for a tenor of 10 years.

   (b) AmBank Islamic Berhad ("AmBank Islamic")

      On 18 October 2018, AmBank Islamic Berhad ("AmBank Islamic") issued Tranche 7 of Subordinated Sukuk Murabahah with nominal amount of RM500.0 million under its Subordinated Sukuk Murabahah programme of RM3.0 billion. This tranche bears profit at 4.88% payable semi-annually and is for a tenor of 10 years.

2. Redemption of debt securities

   By the Company

   On 11 December 2018, at two Extraordinary General Meetings ("EGM") of the Company:

   (i) the holders of the Company's Senior Notes issued under the Senior and/or Subordinated Medium Term Notes programme of up to RM2.0 billion in nominal value approved the early redemption of the outstanding RM500.0 million Senior Notes due to mature on 8 August 2019. As at 18 December 2018, the Company had fully settled the outstanding Senior Notes with nominal value of RM500.0 million;

   (ii) the holders of the Subordinated Notes issued under a Tier 2 Subordinated Notes programme of up to RM10.0 billion approved a bond swap of the Company's outstanding RM1.425 billion in nominal value of Subordinated Notes in exchange for the Company's:

      - RM1.025 billion in nominal value of Subordinated Notes issued by its subsidiary, AmBank to the Company under a Subordinated Notes programme of up to RM4.0 billion;

      - RM400.0 million in nominal value of Subordinated Sukuk issued by its subsidiary, AmBank Islamic to the Company under a Subordinated Sukuk Murabahah programme of up to RM3.0 billion.

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

      The early redemption of Senior Notes and bond swap transaction undertaken was part of the Company's debt restructuring exercise for the Company to attain a debt-free status. The Group's rating was upgraded to AA2 on 19 December 2018 following the completion of the debt restructuring exercise.

Directors' Report

ISSUANCE OF SHARES AND DEBENTURES (CONT'D.)

The following are changes during the financial year in debt and equity securities that were issued by the Group and the Company (Cont'd.)

2. Redemption of debt securities (Cont'd.)

   By subsidiaries:

   (a) AmBank

   (i) On its first call date on 9 April 2018, AmBank fully redeemed Tranche 6 of Medium Term Notes with nominal amount of RM600.0 million issued under its Medium Term Notes Programme of up to RM2.0 billion.

   (ii) On 21 May 2018, AmBank fully redeemed Tranche 5 of Senior Notes with RM400.0 million nominal amount issued under its RM7.0 billion Senior Notes Programme.

   (iii) On its first call date on 31 December 2018, AmBank fully redeemed Tranche 1 of Subordinated Notes with nominal amount of RM400.0 million issued under its Subordinated Notes Programme of up to RM4.0 billion.

   (iv) On the first call date of 27 February 2019, AmBank repaid Tranche 1 of the Non-Innovative Tier 1 Capital ("NIT1") with nominal value of RM200.0 million issued under its programme of up to RM500.0 million in nominal value. On the first call date of 6 March 2019, AmBank repaid Tranche 2 of the NIT1 with nominal value of RM300.0 million and cancelled the programme after this repayment.

   (v) On 25 March 2019, AmBank fully redeemed Tranche 6 of Senior Notes with RM600.0 million nominal amount issued under its RM7.0 billion Senior Notes Programme.

   (b) AmBank Islamic

   (i) On the first call date of 28 February 2019, AmBank Islamic repaid Tranche 1 of the Subordinated Sukuk with nominal value of RM200.0 million issued under the Subordinated Sukuk Murabahah programme of up to RM3.0 billion.

   (ii) On the first call date of 25 March 2019, AmBank Islamic repaid Tranche 2 of the Subordinated Sukuk with nominal value of RM150.0 million.

3. Issuance of shares by a subsidiary

   On 28 June 2018, AmBank, the Company's wholly-owned subsidiary, had increased its paid-up ordinary share capital by RM177,257,008 through the issuance of 16,489,024 new ordinary shares at a price of RM10.75 per ordinary share.

Save as disclosed above and in Notes 28, 29 and 31 to the financial statements, there were no new shares and debentures, share buybacks, share cancellations, shares held as treasury shares nor resale of treasury shares by the Group and the Company during the financial year.

SHARE OPTIONS

There were no options granted during the financial year by the Company to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options, other than the options granted under the Executives' Share Scheme.

Directors' Report

INDEMNIFICATION OF DIRECTORS

The Company maintained on a group basis, a Directors' and Officers' Liability Insurance up to an aggregate limit of RM200.0 million against any legal liability incurred by the directors and officers in the discharge of their duties while holding office for the Company and its subsidiaries. The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them. The amount of gross insurance premium paid by the Company for the directors and officers of the Company and its subsidiaries for the current financial year was RM316,500.

EXECUTIVES' SHARE SCHEME

At the 22nd Extraordinary General Meeting held on 26 September 2008, the shareholders approved the proposal by the Company 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 ("Board") pursuant to the ESS By-Laws) of the issued and paid-up ordinary share capital of the Company at any point in time for the duration of the ESS for eligible executives (including senior management) and executive directors of the Group (excluding subsidiaries which are dormant or such other subsidiaries which may be excluded under the terms of the By- Laws) who fulfil the criteria for eligibility stipulated in the By-Laws governing the ESS ("Eligible Executives"). The ESS is implemented and administered by an executives' share scheme committee ("ESS Committee"), in accordance with the By-Laws. The functions of the ESS Committee have since been consolidated with that of Group Nomination and Remuneration Committee ("GNRC") from 29 October 2013. The ESS was established on 12 January 2009 and would be in force for a period of ten (10) years to 11 January 2019.

The awards granted to such Eligible Executives can comprise shares and/or options to subscribe for shares ("Options"). Shares to be made available under the ESS ("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.

To facilitate the implementation of the ESS, the Company entered into a Trust via the signing of a Trust Deed on 24 February 2009 with MTrustee Berhad ("The Trustee"). The Trustee shall, at such times as the ESS Committee shall direct, subscribe for or acquire the necessary number of new or existing ordinary shares to accommodate any future transfer of Scheme Shares to Scheme Participants. For the aforementioned purpose and to enable the Trustee to meet payment of expenses in relation to the administration of the Trust, the Trustee will be entitled from time to time to accept funding and/or assistance, financial or otherwise from the Company and/or its subsidiaries.

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

The awards under the New ESS are up to ten percent (10%) of the issued and paid-up ordinary share capital of the Company at any point in time for the duration of the ESS for Eligible Executives including Executive Directors. The ESS is implemented and administered by the GNRC. The effective date of the ESS is 5 October 2018 and would be in force for a period of ten (10) years to 4 October 2028.

The awards granted to such Eligible Executives only comprises shares. Shares to be made available under the New ESS will only vest to Eligible Executives who have duly accepted the offers of awards under the ESS subject to the satisfaction of stipulated conditions. Such conditions are stipulated and determined by the GNRC.

The salient features of the new ESS are disclosed in Note 33 to the financial statements.

As at 31 March 2019, 1,586,650 shares have been vested and transferred from the Trustee to certain Eligible Employees of the Group in accordance with the terms under the ESS. As at 31 March 2019, the Trustee held 4,951,750 ordinary shares representing 0.16% of total number of issued and paid-up ordinary shares of the Company. These shares are held at a carrying amount of approximately RM31,482,900.

Directors' Report

DIRECTORS

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

Tan Sri Azman Hashim
Graham Kennedy Hodges
Soo Kim Wai
Voon Seng Chuan
Datuk Shireen Ann Zaharah binti Muhiudeen
Seow Yoo Lin
Farina binti Farikhullah Khan

The names of the directors of the Company's subsidiary companies who served on the respective board of the subsidiary companies since the beginning of the financial year to the date of this report are disclosed in the Appendix to the financial statements.

DIRECTORS' INTERESTS

Under the Company's Constitution, the directors are not required to hold shares in the Company.

The interests in shares and options in the Company, of those who were directors at the end of the financial year as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016, are as follows:

INDIRECT INTERESTS

In the Company

		No. of Ordinary Shares			
Shares - Indirect	Name of Company	Balance at 1.4.2018	Bought	Sold	Balance at 31.3.2019
Tan Sri Azman Hashim	Amcorp Group Berhad*	391,069,003	-	-	391,069,003

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

* *Deemed interest held through Amcorp Group Berhad*

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors or the fixed salary of a full-time employee as shown in Note 39 to the financial statements) by reason of a contract made by the Company 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, except for the related party transactions as shown in Note 45 to the financial statements.

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

Directors' Report

CORPORATE GOVERNANCE

(I) BOARD RESPONSIBILITY AND OVERSIGHT

The Board of Directors ("the Board") remains fully committed in ensuring that the principles and best practices in corporate governance are applied consistently in the Group. Since the Company is a holding company, its major business activities are conducted through its various subsidiaries. The Board complies with the recommendations on corporate governance as set out in the Malaysian Code on Corporate Governance 2017.

The Board supervises the management of the Group's businesses, policies and affairs with the goal of long term sustainability of the Group. The Board meets no less than six (6) times in a 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-Laws), and establishes guidelines for overall business, risk and control policies, capital allocation and approves all key business developments.

The Board currently comprises seven (7) directors with wide skills and experience, of which four (4) are Independent Non-Executive Directors. The Directors participate fully in decision making on key issues regarding the Company and its subsidiaries. The Independent Non-Executive Directors ensure strategies proposed by the Management are fully discussed and examined, as well as take into account the long term interests of various stakeholders.

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

The Senior Management team of the subsidiaries are invited to attend Board Meetings to provide presentations and detailed explanations on matters that have been tabled. The Group Company Secretary has been empowered by the Board to assist the Board in matters of governance and in complying with statutory duties.

(II) COMMITTEES OF THE BOARD

The Board delegates certain responsibilities to Board Committees. These committees, which were created to assist the Board in certain areas of deliberation, are:

1. Group Nomination and Remuneration Committee;
2. Audit and Examination Committee;
3. Risk Management Committee; and
4. Group Information Technology Committee.

The roles and responsibilities of each committee are set out under the 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.

(III) MANAGEMENT INFORMATION

All directors review Board papers and reports prior to the Board meeting. Information and materials, relating to the operations of the Company 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 Group, review of business strategy, credit risk management, asset liability and market risk management and industry benchmarking as well as prevailing regulatory developments and the economic and business environment.

These reports are issued giving sufficient time before the meeting to enable the directors to be prepared and to obtain further explanations, where necessary, and provides input on Group policies.

Directors' Report

CREDIT RATINGS

From a credit rating perspective, we believe in providing our stakeholders with an independent view of our banking subsidiaries as well as that of the Company. As such, we continue to maintain credit ratings with Moody's Investors Service, S&P Global Ratings and RAM Rating Services Berhad.

Rating agency	Rating Date	Rating classification	Rating Accorded
The Company			
RAM Rating Services Berhad	19 December 2018	Long-term Corporate Credit Rating	AA2
		Short-term Corporate Credit Rating	P1
		Outlook	Stable
AmBank (M) Berhad			
Moody's Investors Service	28 March 2019	Long-term Bank Deposits (Foreign) Rating	A3
		Short-term Bank Deposits (Foreign) Rating	P-2
		Outlook	Stable
S&P Global Ratings	27 November 2018	Long-term Foreign Currency Rating	BBB+
		Short-term Foreign Currency Rating	A-2
		Outlook	Stable
RAM Rating Services Berhad	19 December 2018	Long-term Financial Institution Rating	AA2
		Short-term Financial Institution Rating	P1
		Outlook	Stable
AmBank Islamic Berhad			
RAM Rating Services Berhad	19 December 2018	Long-term Financial Institution Rating	AA2
		Short-term Financial Institution Rating	P1
		Outlook	Stable
AmInvestment Bank Berhad			
RAM Rating Services Berhad	19 December 2018	Long-term Financial Institution Rating	AA2
		Short-term Financial Institution Rating	P1
		Outlook	Stable

SHARIAH COMMITTEE

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

The Shariah Committee comprises five (5) members and is responsible and accountable for all its decisions, views and opinions related to Shariah matters. The main functions and duties of the Committee shall include, but are not limited to the following:

(i) to advise the Board and AmBank Islamic on Shariah matters to ensure that the business operations of AmBank Islamic comply with Shariah principles at all times;
(ii) to review and endorse the Shariah policies and procedures of AmBank Islamic and to ensure that the contents do not contain any elements which are not in line with Shariah principles;
(iii) to review and approve the following documentations in relation to AmBank Islamic's products to ensure that the products are in compliance with Shariah principles:
  (a) the terms and conditions contained in the forms, contracts, agreements or other legal documentation used in executing the transactions; and
  (b) the product manual, marketing advertisements, sales illustrations, pamphlets and brochures used to describe the product;
(iv) to actively promote a culture of support for Value-based Intermediation ("VBI") and foster the development of the organisation's capacities to support AmBank Islamic's value based mission;
(v) to perform oversight on the work carried out by the Shariah Research and Advisory, and Shariah Review functions in order to ensure compliance with Shariah matters which form part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report. This includes performing assessment of the Head of Shariah Research & Advisory, and the Head of Shariah Review on periodic basis with input from key stakeholders;

Directors' Report

SHARIAH COMMITTEE (CONT'D.)

The Shariah Committee comprises five (5) members and is responsible and accountable for all its decisions, views and opinions related to Shariah matters. The main functions and duties of the Committee shall include, but are not limited to the following: (Cont'd.)

(vi) to assess the work carried out by Group Internal Audit relating to the Shariah Audit functions and Shariah Risk Unit relating to Shariah Risk Management function in order to ensure compliance with Shariah matters which form part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report;
(vii) to provide assistance to related parties of AmBank Islamic such as its legal counsel, auditor or consultant on Shariah matters upon request;
(viii) to advise AmBank Islamic to consult the Shariah Advisory Council ("SAC") of Bank Negara Malaysia ("BNM") or Securities Commission on any Shariah matters that could not be resolved by the Committee;
(ix) to provide written Shariah opinions to the SAC of BNM as and when required, including the following circumstances:
  (a) where AmBank Islamic makes reference to the SAC for advice; or
  (b) where AmBank Islamic submits an application to BNM for new product approval;
(x) to provide advice and guidance on management of the Zakat Fund, charity and other social programs or activities;
(xi) to oversee strategies and initiatives implemented by key organs carrying out the Shariah functions including the Shariah Research & Advisory, Shariah Review, Shariah Audit and Shariah Risk Management functions; and
(xii) to endorse the Shariah operations manual which specify the manner in which a submission or request for advice be made to the Committee, the conduct of the Committee's meeting and the manner of compliance with any Shariah decision.

Shariah Committee members also sit in Shariah Oversight Committee, a sub-committee to the Shariah Committee. Shariah Oversight Committee was established to assist the Shariah Committee in discharging its responsibilities relating to the oversight from Shariah perspectives of the Shariah Review function. In addition, Shariah Oversight Committee is to assess the work carried out by Group Internal Audit relating to the Shariah Audit function and Shariah Risk Unit relating to Shariah Risk Management function in order to ensure compliance with Shariah matters.

The main functions and duties of Shariah Oversight Committee shall include, but are not limited to the following:

(i) to determine and confirm actual and potential Shariah non-compliance incidents and endorse corresponding rectification plans;
(ii) to recommend alternative ways to rectify issues found through Shariah Audit, Shariah Review and Shariah Risk Management activities and other sources;
(iii) to provide advice on the recognition of income pursuant to Shariah non-compliance incidents and its disposal;
(iv) to recommend possible implementation methods to improve AmBank Islamic's Shariah business activities in line with applicable statutes and guidelines/ policies/circulars issued by relevant regulatory bodies; and
(v) to perform assessment of the Head of Shariah Review on periodic basis with input from the key stakeholders and recommend to the Shariah Committee for assessment.

AUDITORS AND AUDITORS' REMUNERATION

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

The auditors' remuneration is disclosed in Note 38 to the financial statements.

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

TAN SRI AZMAN HASHIM **SEOW YOO LIN**

Kuala Lumpur, Malaysia
27 May 2019

Statement by Directors

Pursuant to section 251(2) of the Companies Act 2016

We, **TAN SRI AZMAN HASHIM** and **SEOW YOO LIN**, being two of the Directors of **AMMB HOLDINGS BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 18 to 295 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2019 and of their financial performance and cash flows for the financial year then ended.

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

TAN SRI AZMAN HASHIM

SEOW YOO LIN

Kuala Lumpur, Malaysia
27 May 2019

Statutory Declaration

Pursuant to section 251(1)(b) of the Companies Act 2016

I, **LING FOU-TSONG @ JAMIE LING**, being the Officer primarily responsible for the financial management of **AMMB HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 18 to 295 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

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

LING FOU-TSONG @ JAMIE LING

Before me,

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
W530
TAN SEOK KETT
BC/T/301
1/1/2019-31/12/2021
MALAYSIA

Lot 333, 3rd Floor, Wisma MPL,
Jalan Raja Chulan,
50200 Kuala Lumpur.

Independent Auditors' Report

To the members of AMMB Holdings Berhad
(Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of AMMB Holdings Berhad, which comprise the statements of financial position as at 31 March 2019 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 18 to 295.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2019, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Group and of the Company. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Independent Auditors' Report

To the members of AMMB Holdings Berhad
(Incorporated in Malaysia)

Risk area and rationale	Our response
Expected credit losses of loans, advances and financing and investments not carried at fair value through profit or loss	
As at 31 March 2019, the loans, advances and financing represent 63.3% of the total assets of the Group, and the investments carried at amortised cost and fair value through other comprehensive income represent 13.1% of the total assets of the Group. The adoption of MFRS 9 has fundamentally changed the Group's accounting and impairment assessment for loans, advances and financing and the investments by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. The measurement of ECL requires the application of significant judgment and increased complexity which include the identification of on-balance sheet and off-balance sheet credit exposures with significant deterioration in credit quality, assumptions used in the ECL models (for exposures assessed individually or collectively) such as the expected future cash flows, forward-looking macroeconomic factors and probability-weighted multiple scenarios. *Refer to summary of significant accounting policies in Note 2.5(r), significant accounting estimates and judgment in Note 5.1, disclosures of loans, advances and financing and investments in Notes 16, 12 and 14, and disclosures on credit risk in Note 53.2 to the financial statements.*	Our audit procedures included the assessment of key controls over the origination, segmentation, ongoing internal credit quality assessments, recording, monitoring, credit model development and validation of loans, advances and financing and the investments. We also assessed the processes and effectiveness of key controls over the transfer criteria (for the three stages of credit exposures under MFRS 9 in accordance with credit quality), impairment measurement methodologies, governance for development, maintenance and validation of ECL models, inputs, basis and assumptions used by the Group in staging the credit exposures and calculating the ECL. For staging and identification of credit exposures with significant deterioration in credit quality, we assessed and tested the reasonableness of the transfer criteria applied by the Group for different types of credit exposures. We evaluated if the transfer criteria are consistent with the Group's credit risk management practices. For the measurement of ECL, we assessed and tested reasonableness of the Group's ECL models, including model input, model design, model performance for significant portfolios. We challenged whether historical experience is representative of current circumstances and of the recent losses incurred in the portfolios and assessed the reasonableness of forward-looking adjustments, macroeconomic factor analysis and probability-weighted multiple scenarios. We evaluated if changes in modelling approaches, parameters and assumptions are needed and if any changes made were appropriate. We also assessed and tested and monitored the sensitivity of the credit loss provisions to changes in modelling assumptions. With respect to individually assessed ECL which are mainly in relation to the impaired assets in Stage 3, we reviewed and tested a sample of loans, advances and financing and investments to evaluate the timely identification by the Group of exposures with significant deterioration in credit quality or which have been impaired. For cases where impairment has been identified, we assessed the Group's assumptions on the expected future cash flows, including the value of realisable collaterals based on available market information and the multiple scenarios considered. We also challenged the assumptions and compared estimates to external evidence where available. We also assessed whether the financial statement disclosures appropriately reflect the Group's exposure to credit risk. We involved our credit modelling specialists and information technology ("IT") specialists in the performance of these procedures where their specific expertise was required.

Independent Auditors' Report

To the members of AMMB Holdings Berhad
(Incorporated in Malaysia)

Risk area and rationale	Our response
<u>*Goodwill*</u>	
As at 31 March 2019, goodwill amounts to RM2.81 billion as part of total assets in the statement of financial position of the Group. The Group is required to annually test the amount of goodwill for impairment. Goodwill impairment testing of cash generating units ("CGUs") relies on estimates of value-in-use based on estimated future cash flows. This is an area of focus in the preparation of financial statements due to: (i) the significance of the goodwill recognised in the financial statements of the Group; (ii) the level of subjectivity associated with the assumptions used in estimating the value-in-use of the CGUs; and (iii) the subjectivity involved in determining the appropriate discount rates to be applied to measure the net present value of each CGU. *Refer to summary of significant accounting policies in Note 2.5(v)(i), significant accounting estimates and judgment in Note 5.4 and the disclosures of goodwill in Note 24 to the financial statements.*	Our audit procedures included, among others, evaluating the methodologies and the assumptions used by the Group in performing the impairment assessment. We tested the basis of preparing the cash flow forecasts taking into account the back-testing results on the accuracy of previous forecasts and the historic evidence supporting underlying assumptions. We assessed the appropriateness of the other key assumptions, such as the growth rates used to extrapolate the cash flows and the discount rates applied, by comparing against internal information, and external economic and market data. We also assessed the sensitivity analysis performed by management on the key inputs to the impairment models, to understand the impact that reasonable alternative assumptions would have on the overall carrying amounts. We also reviewed the adequacy of the Group's disclosures within the financial statements about those assumptions to which the outcome of the impairment test is most sensitive.
<u>*Valuation of insurance contract liabilities*</u>	
The general insurance contract liabilities amount to RM2.53 billion or 1.8% of total liabilities in the statement of financial position of the Group. The general insurance contract liabilities have been estimated by the Appointed Actuary of the general insurance subsidiary using appropriate actuarial valuation techniques and applying relevant assumptions and judgment thereon. Due to the significance of the general insurance contract liabilities, and the subjective nature inherent in making actuarial estimates, this is an area of focus in the preparation of the financial statements. *Refer to summary of significant accounting policies in Note 2.5(ar), significant accounting estimates and judgment in Note 5.8 and Note 5.9 and the disclosures of the general insurance business and contract liabilities in Note 56 to the financial statements.*	Our audit procedures included testing controls over the approval, recording and monitoring of premiums as well as the claims processes of the general insurance subsidiary. We tested the completeness and sufficiency of data used by the Appointed Actuary to the underlying records. In relation to the valuation methods used, we assessed the propriety of the methods used to Bank Negara Malaysia's Risk-based Capital Framework as well as the relevant accounting standards. We independently reviewed and challenged the estimates of insurance contract liabilities of the general insurance subsidiary, with particular focus on the key assumptions applied in the valuation. Our Actuarial Services professionals were engaged to assist us in performing certain procedures related to the audit of the general insurance contract liabilities. We also assessed the sufficiency of disclosures made in the financial statements in relation to insurance contract liabilities of the Group.

Independent Auditors' Report

To the members of AMMB Holdings Berhad
(Incorporated in Malaysia)

Risk area and rationale	Our response
System and IT controls	
Many financial reporting controls depend on the correct functioning of related elements of operational and financial IT systems, for example interfaces between applications and financial reporting systems or automated controls which are designed to prevent or detect inaccurate or incomplete transfers of financial information. We focus on this area as the Group's financial accounting and reporting systems are heavily dependent on complex and multiple systems. There could be a risk that the automated and related IT dependent manual controls are not designed and operating effectively in the preparation of financial statements.	In this area our audit procedures included, among others, testing: • general IT controls around system access, change management and data back-ups; and • specific IT application controls over computer operations within specific systems and modules which are required to be operating correctly to mitigate the risk of misstatement in the financial statements. With the support of our own IT specialists, we tested these controls through examining whether changes made to the systems were appropriately approved, assessing whether appropriate restrictions were placed on access to core systems through testing the permissions and responsibilities of those given that access, and determined if financial data were appropriately backed-ups and recoverable.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the directors' report and the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Responsibilities of the directors for the financial statements

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

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

Independent Auditors' Report

To the members of AMMB Holdings Berhad
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditors' Report

To the members of AMMB Holdings Berhad
(Incorporated in Malaysia)

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 20 to the financial statements.

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
27 May 2019

Statements of Financial Position

As at 31 March 2019

	Note	Group		Company	
		31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
ASSETS					
Cash and short-term funds	6	7,073,744	5,515,856	81,005	79,080
Deposits and placements with banks and other financial institutions	8	196,159	215,602	-	-
Derivative financial assets	9	763,923	1,125,617	-	-
Financial assets at fair value through profit or loss	10	19,365,595	-	1,044	-
Financial assets held-for-trading	11	-	12,944,783	-	-
Financial investments at fair value through other comprehensive income	12	15,709,873	-	-	-
Financial investments available-for-sale	13	-	7,702,886	-	1,008
Financial investments at amortised cost	14	5,146,316	-	-	-
Financial investments held-to-maturity	15	-	3,028,316	-	1,425,000
Loans, advances and financing	16	100,544,021	95,377,900	-	-
Receivables: Investments not quoted in active markets	17	-	1,940,433	-	-
Statutory deposits with Bank Negara Malaysia	18	3,155,541	2,836,841	-	-
Deferred tax assets	19	66,162	75,324	-	-
Investment in subsidiaries and other investments	20	-	-	9,640,313	9,487,139
Investment in associates and joint ventures	21	710,091	690,294	-	-
Other assets	22	1,983,451	2,269,106	1,670	7,313
Reinsurance assets and other insurance receivables	56(I)	525,547	536,859	-	-
Property and equipment	23	168,221	191,412	676	940
Intangible assets	24	3,379,727	3,426,051	-	-
Assets held for sale	58	5,029	3,963	-	-
TOTAL ASSETS		**158,793,400**	**137,881,243**	**9,724,708**	**11,000,480**
LIABILITIES AND EQUITY					
Deposits from customers	25	106,915,989	95,805,187	-	-
Investment accounts of customers	61(XVI)	353,451	138,956	-	-
Deposits and placements of banks and other financial institutions	26	7,687,719	3,432,578	-	-
Securities sold under repurchase agreements	7	5,339,422	-	-	-
Recourse obligation on loans and financing sold to Cagamas Berhad	27	4,658,353	4,273,621	-	-
Derivative financial liabilities	9	825,492	1,278,792	-	-
Term funding	28	3,634,754	4,329,713	-	500,000
Debt capital	29	4,230,000	4,579,504	-	1,424,585
Redeemable cumulative convertible preference share	56(VIII)	224,229	217,451	-	-
Deferred tax liabilities	19	63,702	65,403	-	-
Other liabilities	30	3,476,588	3,336,516	31,436	24,722
Insurance contract liabilities and other insurance payables	56(I)	2,693,249	2,763,512	-	-
TOTAL LIABILITIES		**140,102,948**	**120,221,233**	**31,436**	**1,949,307**

Statements of Financial Position

As at 31 March 2019

		Group		Company	
	Note	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Share capital	31	5,751,557	5,551,557	5,550,250	5,550,250
Reserves	32	11,939,396	10,964,048	4,143,022	3,500,923
Equity attributable to equity holders of the Company		17,690,953	16,515,605	9,693,272	9,051,173
Non-controlling interests	34	999,499	1,144,405	-	-
TOTAL EQUITY		**18,690,452**	**17,660,010**	**9,693,272**	**9,051,173**
TOTAL LIABILITIES AND EQUITY		**158,793,400**	**137,881,243**	**9,724,708**	**11,000,480**
COMMITMENTS AND CONTINGENCIES	50	**131,016,758**	**143,672,497**	**-**	**-**
NET ASSETS PER SHARE (RM)		**5.87**	**5.48**	**3.22**	**3.00**

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

Statements of Profit or Loss

For the financial year ended 31 March 2019

		Group		Company	
	Note	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Operating revenue	55, 2.5(ac)	9,119,857	8,576,739	1,210,101	1,376,542
Interest income	35	4,892,073	4,319,975	62,104	43,139
Interest expense	36	(3,167,765)	(2,655,630)	(69,515)	(76,992)
Net interest income/(expense)		1,724,308	1,664,345	(7,411)	(33,853)
Net income from Islamic banking	61(XXXI)	951,949	941,019	-	-
Income from insurance business	56(III)	1,374,782	1,390,417	-	-
Insurance claims and commissions	56(III)	(922,261)	(925,364)	-	-
Net income from insurance business	56(III)	452,521	465,053	-	-
Other operating income	37	773,195	915,131	1,147,997	1,333,403
Share in results of associates and joint ventures		20,427	(6,309)	-	-
Net income		3,922,400	3,979,239	1,140,586	1,299,550
Other operating expenses	38	(2,130,872)	(2,420,805)	(23,796)	(16,070)
Operating profit before impairment losses		1,791,528	1,558,434	1,116,790	1,283,480
Net writeback for impairment on loans, advances and financing	40	301,303	1,082	-	-
Net impairment (loss)/writeback on:					
Financial investments	41	(11,837)	(1,483)	-	-
Insurance receivables	56(IV),(VI)	4,961	602	-	-
Other financial assets	41	(2,180)	(8,368)	-	-
Foreclosed properties	22(e)(iii)	-	(35)	-	-
Property and equipment	23	-	369	-	-
Subsidiaries	20	-	-	(24,083)	(219,161)
Provision for commitments and contingencies - writeback/(charge)	30(d)	9,289	(10,384)	-	-
Other recoveries, net		2,310	2,496	-	-
Profit before taxation and zakat		2,095,374	1,542,713	1,092,707	1,064,319
Taxation and zakat	42	(492,305)	(288,889)	(1,877)	(51)
Profit for the financial year		**1,603,069**	**1,253,824**	**1,090,830**	**1,064,268**
Attributable to:					
Equity holders of the Company		1,505,289	1,132,131	1,090,830	1,064,268
Non-controlling interests		97,780	121,693	-	-
Profit for the financial year		**1,603,069**	**1,253,824**	**1,090,830**	**1,064,268**
EARNINGS PER SHARE (SEN)	43				
Basic		50.03	37.64		
Fully diluted		50.03	37.64		

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

Statements of Comprehensive Income

For the financial year ended 31 March 2019

		Group		Company	
	Note	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Profit for the financial year		1,603,069	1,253,824	1,090,830	1,064,268
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liability	30(b)(ii)	24	(403)	-	-
		24	(403)	-	-
Items that may be reclassified to profit or loss					
Translation gain/(loss) of foreign operations		32,489	(91,768)	-	-
Cash flow hedge					
- (loss)/gain during the financial year		(12,123)	5,897	-	-
- reclassification adjustments for gain included in profit or loss		(128)	(3,302)	-	-
- amortisation of fair value changes for terminated hedge		(7,812)	(2,379)	-	-
Financial investments at fair value through other comprehensive income ("FVOCI")					
- net unrealised gains on changes in fair value		99,921	-	-	-
- net gain reclassified to profit or loss		(31,589)	-	-	-
- expected credit loss	41	11,301	-	-	-
- foreign exchange differences		340	-	-	-
Financial investments available-for-sale					
- net unrealised gain on changes in fair value		-	30,027	-	-
- net gain reclassified to profit or loss		-	(48,851)	-	-
Tax effect relating to the components of other comprehensive (income)/loss					
- defined benefit liability	19 and 30(b)(ii)	(14)	97	-	-
- cash flow hedge	19	4,815	(52)	-	-
- financial investments at FVOCI/available-for-sale	19	(13,540)	4,850	-	-
Share of reserve movements in equity accounted joint ventures		618	978	-	-
		84,278	(104,503)	-	-
Other comprehensive income/(loss) for the financial year, net of tax		84,302	(104,906)	-	-
Total comprehensive income for the financial year		1,687,371	1,148,918	1,090,830	1,064,268
Total comprehensive income for the financial year attributable to:					
Equity holders of the Company		1,589,586	1,029,263	1,090,830	1,064,268
Non-controlling interests		97,785	119,655	-	-
		1,687,371	1,148,918	1,090,830	1,064,268

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

Statements of Changes in Equity

For the financial year ended 31 March 2019

Group	Note	Ordinary share capital RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	AFS reserve/ (deficit) RM'000	Cash flow hedging reserve RM'000	Foreign currency translation reserve RM'000	Executives' share scheme reserve RM'000	Shares held in trust for ESS RM'000	Retained earnings: Non-participating funds RM'000	Retained earnings: RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		Attributable to Equity Holders of the Company												
			Non-Distributable							Distributable				
At 1 April 2017		5,551,557	1,938,849	225,050	(47,520)	3,010	153,368	30,998	(47,273)	45,715	8,173,314	16,027,068	1,125,816	17,152,884
Profit for the financial year		-	-	-	-	-	-	-	-	-	1,132,131	1,132,131	121,693	1,253,824
Other comprehensive income/(loss), net		-	-	-	(11,108)	164	(91,768)	-	-	-	(156)	(102,868)	(2,038)	(104,906)
Total comprehensive income/(loss) for the financial year		-	-	-	(11,108)	164	(91,768)	-	-	-	1,131,975	1,029,263	119,655	1,148,918
Purchase of shares pursuant to Executives' Share Scheme ("ESS")[1]		-	-	-	-	-	-	-	(370)	-	-	(370)	-	(370)
Share-based payment under Executives' Share Scheme ("ESS"), net		-	-	-	-	-	-	(9,675)	-	-	-	(9,675)	-	(9,675)
ESS shares vested to employees		-	-	-	-	-	-	(3,895)	6,023	-	-	2,128	-	2,128
Transfer of ESS shares recharged - difference on purchase price for shares vested		-	-	-	-	-	-	-	-	-	(2,312)	(2,312)	(55)	(2,367)
Transfer to regulatory reserve		-	-	477,684	-	-	-	-	-	-	(477,684)	-	-	-
Transfer to retained earnings		-	(1,938,849)	-	-	-	-	-	-	-	1,938,849	-	-	-
Arising from withdrawal of investment by the Group		-	-	-	-	-	-	-	-	-	-	-	(100,615)	(100,615)
Dividends paid	44	-	-	-	-	-	-	-	-	-	(530,497)	(530,497)	(396)	(530,893)
Transactions with owners and other equity movements		-	(1,938,849)	477,684	-	-	-	(13,570)	5,653	-	928,356	(540,726)	(101,066)	(641,792)
At 31 March 2018		**5,551,557**	**-**	**702,734**	**(58,628)**	**3,174**	**61,600**	**17,428**	**(41,620)**	**45,715**	**10,233,645**	**16,515,605**	**1,144,405**	**17,660,010**

Statements of Changes In Equity

For the financial year ended 31 March 2019

Group	Note	Attributable to Equity Holders of the Company											Non-controlling interests RM'000	Total equity RM'000
		Non-Distributable								Distributable				
										Retained earnings				
		Share capital RM'000	Regulatory reserve RM'000	AFS reserve/ (deficit) RM'000	Fair value reserve RM'000	Cash flow hedging reserve RM'000	Foreign currency translation reserve RM'000	Executives' share scheme reserve RM'000	Shares held in trust for ESS RM'000	Non-participating funds RM'000	RM'000	Total RM'000		
At 1 April 2018		5,551,557	702,734	(58,628)	-	3,174	61,600	17,428	(41,620)	45,715	10,233,645	16,515,605	1,144,405	17,660,010
Effects of adopting MFRS 9 at 1 April 2018	60(c)	-	(406,513)	58,628	412,919	-	-	-	-	-	(27,404)	37,630	48	37,678
Restated balance at 1 April 2018		5,551,557	296,221	-	412,919	3,174	61,600	17,428	(41,620)	45,715	10,206,241	16,553,235	1,144,453	17,697,688
Profit for the financial year		-	-	-	-	-	-	-	-	-	1,505,289	1,505,289	97,780	1,603,069
Other comprehensive income/ (loss), net		-	-	-	67,051	(15,248)	32,489	-	-	-	5	84,297	5	84,302
Total comprehensive income/(loss) for the financial year		-	-	-	67,051	(15,248)	32,489	-	-	-	1,505,294	1,589,586	97,785	1,687,371
Purchase of shares pursuant to ESS[2]		-	-	-	-	-	-	-	(183)	-	-	(183)	-	(183)
Share-based payment under ESS, net		-	-	-	-	-	-	(5,270)	-	-	-	(5,270)	-	(5,270)
ESS shares vested to employees		-	-	-	-	-	-	(6,863)	10,320	-	-	3,457	-	3,457
Transfer of ESS shares recharged														
- difference on purchase price for shares vested		-	-	-	-	-	-	-	-	-	(3,373)	(3,373)	(109)	(3,482)
Dividend for ESS shares not vested		-	-	-	-	-	-	-	-	-	5,629	5,629	-	5,629
Transfer to regulatory reserve		-	153,937	-	-	-	-	-	-	-	(153,937)	-	-	-
Transfer from retained earnings arising from redemption of preference shares by a subsidiary		200,000	-	-	-	-	-	-	-	-	(200,000)	-	-	-
Dividends paid	44	-	-	-	-	-	-	-	-	-	(452,128)	(452,128)	(242,630)	(694,758)
Transactions with owners and other equity movements		200,000	153,937	-	-	-	-	(12,133)	10,137	-	(803,809)	(451,868)	(242,739)	(694,607)
At 31 March 2019		**5,751,557**	**450,158**	**-**	**479,970**	**(12,074)**	**94,089**	**5,295**	**(31,483)**	**45,715**	**10,907,726**	**17,690,953**	**999,499**	**18,690,452**

[1] *Represents the purchase of 71,550 of the Company's issued ordinary shares from the open market by a trustee appointed by the ESS committee at an average price of RM5.17 per share.*

[2] *Represents the purchase of 48,350 of the Company's issued ordinary shares from the open market by a trustee appointed by the ESS committee at an average price of RM3.79 per share.*

Statements of Changes In Equity

For the financial year ended 31 March 2019

Company	Note	Ordinary share capital RM'000	Executives' share scheme reserve RM'000	Shares held in trust for ESS RM'000	Retained earnings RM'000	Total equity RM'000
		Attributable to Equity Holders of the Company				
			Non-Distributable		Distributable	
At 1 April 2017		5,550,250	30,998	(47,273)	2,991,530	8,525,505
Profit for the financial year		-	-	-	1,064,268	1,064,268
Total comprehensive income for the financial year		-	-	-	1,064,268	1,064,268
Purchase of shares pursuant to ESS[1]		-	-	(370)	-	(370)
Share-based payment under ESS, net		-	(9,675)	-	-	(9,675)
ESS shares vested to employees		-	(3,895)	6,023	(186)	1,942
Dividends paid	44	-	-	-	(530,497)	(530,497)
Transactions with owners and other equity movements		-	(13,570)	5,653	(530,683)	(538,600)
At 31 March 2018		**5,550,250**	**17,428**	**(41,620)**	**3,525,115**	**9,051,173**

Company	Note	Ordinary share capital RM'000	Executives' share scheme reserve RM'000	Shares held in trust for ESS RM'000	Retained earnings RM'000	Total equity RM'000
		Attributable to Equity Holders of the Company				
			Non-Distributable		Distributable	
At 1 April 2018		5,550,250	17,428	(41,620)	3,525,115	9,051,173
Profit for the financial year		-	-	-	1,090,830	1,090,830
Total comprehensive income for the financial year		-	-	-	1,090,830	1,090,830
Purchase of shares pursuant to ESS[2]		-	-	(183)	-	(183)
Share-based payment under ESS, net		-	(5,270)	-	-	(5,270)
ESS shares vested to employees		-	(6,863)	10,320	(236)	3,221
Dividend for ESS shares not vested		-	-	-	5,629	5,629
Dividends paid	44	-	-	-	(452,128)	(452,128)
Transactions with owners and other equity movements		-	(12,133)	10,137	(446,735)	(448,731)
At 31 March 2019		**5,550,250**	**5,295**	**(31,483)**	**4,169,210**	**9,693,272**

1 *Represents the purchase of 71,550 of the Company's issued ordinary shares from the open market by a trustee appointed by the ESS committee at an average price of RM5.17 per share.*

2 *Represents the purchase of 48,350 of the Company's issued ordinary shares from the open market by a trustee appointed by the ESS committee at an average price of RM3.79 per share.*

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

Statements of Cash Flows

For the financial year ended 31 March 2019

	Note	Group 31 March 2019 RM'000	Group 31 March 2018 RM'000	Company 31 March 2019 RM'000	Company 31 March 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation and zakat		2,095,374	1,542,713	1,092,707	1,064,319
(Less)/Add adjustments for:					
Amortisation of fair value gain on terminated hedges	9 and 27	(7,812)	(3,651)	-	-
Amortisation of intangible assets	38	118,394	113,368	-	-
Amortisation of issuance costs of debt capital	29(b)	496	418	415	94
Amortisation of issuance costs and premium for term funding	28	4,574	4,524	-	-
Net (accretion of discount)/amortisation of premium for securities		(294,392)	(181,892)	-	-
Capital repayment from subsidiary	37	-	-	(25,000)	(195,409)
Depreciation of property and equipment	38	50,712	66,193	264	384
Gain on disposal of properties and equipment		(2,754)	(3,345)	-	-
Dividend income	37	(2,897)	(24,795)	(1,122,065)	(1,137,838)
Impairment loss on financial investments	41	11,837	1,483	-	-
Impairment loss on subsidiary		-	-	24,083	219,161
Impairment loss on foreclosed properties	22(e)(iii)	-	35	-	-
Writeback of impairment loss on property and equipment	23	-	(369)	-	-
(Writeback for impairment loss)/Impairment of other financial assets and insurance receivables	41	(2,781)	7,766	-	-
Property and equipment written off	23 and 38	61	134	-	-
Intangible assets written off	24(b) and 38	74	262	-	-
Allowance for expected credit losses on loans, advances and financing, net	40	536,097	-	-	-
Allowance for impairment on loans, advances and financing	40	-	450,351	-	-
Net (gain)/loss on revaluation of derivatives		(103,858)	363,506	-	-
Unrealised gain on revaluation of hedged item arising from fair value hedge		(3,812)	(260)	-	-
Net gain on sale of financial assets at fair value through profit or loss		(48,624)	-	-	-
Net gain on sale of financial assets held-for-trading		-	(35,114)	-	-
Net gain on sale of financial investments at fair value through other comprehensive income		(31,590)	-	-	-
Net gain on sale of financial investments available-for-sale		-	(91,462)	-	-
Gain on disposal of foreclosed properties	37	(21,336)	(44,659)	-	-
Net loss on revaluation of financial assets at fair value through profit or loss		33,751	-	-	-
Net gain on revaluation of financial assets held-for-trading		-	(32,461)	-	-
Writeback of allowances for expected credit losses on commitments and contingencies	30(d)	(7,585)	-	-	-
Provision for commitments and contingencies	30(d)	(1,704)	10,384	-	-
Operating profit/(loss) before working capital changes carried forward		2,322,225	2,143,129	(29,596)	(49,289)

Statements of Cash Flows

For the financial year ended 31 March 2019

	Note	Group 31 March 2019 RM'000	Group 31 March 2018 RM'000	Company 31 March 2019 RM'000	Company 31 March 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)					
Operating profit/(loss) before working capital changes brought forward		2,322,225	2,143,129	(29,596)	(49,289)
(Less)/Add adjustments for: (Cont'd.)					
Scheme shares granted under Executives' Share Scheme ("ESS")	38	(5,269)	(9,447)	(270)	127
Share in results of associates and joint ventures		(20,427)	6,309	-	-
Unrealised foreign exchange loss/(gain) on term funding	28(a)(iii)	88,580	(224,000)	-	-
		2,385,109	1,915,991	(29,866)	(49,162)
Decrease/(Increase) in operating assets:					
Securities purchased under resale agreements		-	10,369	-	-
Deposits and placements with banks and other financial institutions		12,318	74,664	-	-
Financial assets at fair value through profit or loss		(5,721,450)	-	(36)	-
Financial assets held-for-trading		-	(3,271,482)	-	-
Loans, advances and financing		(6,148,778)	(5,963,166)	-	-
Statutory deposits with Bank Negara Malaysia		(318,700)	(261,397)	-	-
Other assets		160,448	260,591	3,598	61,699
Reinsurance assets and other insurance receivables		15,402	(133,144)	-	-
Increase/(Decrease) in operating liabilities:					
Deposits from customers		11,110,802	1,870,129	-	-
Investment accounts of customers		214,496	114,582	-	-
Deposits and placements of banks and other financial institutions		4,255,140	1,903,157	-	-
Securities sold under repurchase agreements		5,339,422	(9,464)	-	-
Recourse obligation on loans and financing sold to Cagamas Berhad		384,731	994,076	-	-
Term funding	28	(788,113)	(2,835,990)	(500,000)	(676,000)
Other liabilities		186,694	(14,987)	6,714	(12,991)
Insurance contract liabilities and other insurance payables		(70,263)	96,668	-	-
Cash generated from/(used in) operations		11,017,258	(5,249,403)	(519,590)	(676,454)
Taxation and zakat paid, net		(262,482)	(133,984)	(1,611)	(2,455)
Net cash generated from/(used in) operating activities		10,754,776	(5,383,387)	(521,201)	(678,909)

Statements of Cash Flows

For the financial year ended 31 March 2019

	Note	Group 31 March 2019 RM'000	Group 31 March 2018 RM'000	Company 31 March 2019 RM'000	Company 31 March 2018 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Net (purchase)/disposal of financial investments		(8,055,012)	1,978,174	-	(542,853)
Dividend income received from other investments		2,861	22,353	-	14
Capital repayment from subsidiary	20(a)(3)(i)	-	-	25,000	195,409
Proceeds from disposal of property and equipment		2,858	4,239	-	-
Net proceeds from disposal of assets held for sale (properties)		10,584	18,384	-	-
Purchase of property and equipment	23	(31,726)	(26,125)	-	(424)
Purchase of intangible assets	24	(91,837)	(100,748)	-	-
Dividend received from subsidiaries	37	-	-	1,122,065	1,135,653
Subscription of shares in subsidiary	20(a)(3)(ii)	-	-	(177,257)	(200,000)
Subscription of shares in joint-venture	21	(6,000)	(3,500)	-	-
Redemption of receivables: investments not quoted in active markets		-	49,147	-	-
Purchase of shares for ESS by the appointed trustee		(183)	(370)	(183)	(370)
Dividend received from associate		7,248	7,798	-	-
Net cash (used in)/generated from investing activities		(8,161,207)	1,949,352	969,625	587,429

Statements of Cash Flows

For the financial year ended 31 March 2019

	Note	Group 31 March 2019 RM'000	Group 31 March 2018 RM'000	Company 31 March 2019 RM'000	Company 31 March 2018 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend refunded by Trustee for ESS shares not vested		5,629	-	5,629	-
Repayment of subordinated sukuk	29(b)	(750,000)	(130,000)	-	-
Repayment of Medium Term Notes	29(a)	(600,000)	(710,000)	-	-
Repayment of Non-Innovative Tier 1 capital	29(c)	(500,000)	-	-	-
Investment by non-controlling interest-withdrawal	34	-	(100,615)	-	-
Dividends paid by Company to its shareholders	44	(452,128)	(530,497)	(452,128)	(530,497)
Dividends paid to non-controlling interests	44	(242,630)	(396)	-	-
Issuance of Subordinated Notes/sukuk	29(b)	1,500,000	1,245,000	-	675,000
Net cash (used in)/generated from financing activities		(1,039,129)	(226,508)	(446,499)	144,503
Net increase/(decrease) in cash and cash equivalents		1,554,440	(3,660,543)	1,925	53,023
Cash and cash equivalents at beginning of the financial year (Note a)		5,715,856	9,376,920	79,080	26,057
Effect of exchange rate changes		(250)	(521)	-	-
Cash and cash equivalents at end of the financial year (Note a)		7,270,046	5,715,856	81,005	79,080

Note a: Cash and Cash Equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following amounts:

	Note	Group 31 March 2019 RM'000	Group 31 March 2018 RM'000	Company 31 March 2019 RM'000	Company 31 March 2018 RM'000
Cash and short-term funds	6	7,073,744	5,515,856	81,005	79,080
Deposits and placements with banks and other financial institutions	8	196,159	215,602	-	-
		7,269,903	5,731,458	81,005	79,080
Less: Deposits with original maturity of more than 3 months	8	(3,283)	(15,602)	-	-
		7,266,620	5,715,856	81,005	79,080
Add:					
Allowances for expected credit loss ("ECL") for cash and cash equivalents as at 31 March 2019	6 and 8	3,426	-	-	-
Cash and cash equivalents		7,270,046	5,715,856	81,005	79,080

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

Notes to the Financial Statements

As at 31 March 2019

1. CORPORATE INFORMATION

AMMB Holdings Berhad ("AMMB") (or "the Company") is a public limited liability company incorporated and domiciled in Malaysia, and listed on the main market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The registered office of the Company is located at Level 22, Bangunan AmBank Group, No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal activity of the Company is that of investment holding.

The subsidiaries, as listed in Note 20, provide a wide range of wholesale banking, business banking, retail banking, investment banking and related financial services which also include Islamic banking business, underwriting of general insurance, stock and share-broking, futures broking, investment advisory and asset, real estate investment trust and unit trust management services. There have been no significant changes in the nature of the principal activities during the financial year.

The consolidated financial statements of the Company and its subsidiaries ("AMMB Group" or "the Group") and the separate financial statements of the Company have been approved and authorised for issue by the Board of Directors on 30 April 2019.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

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

2.2 Statement of compliance

The consolidated financial statements of the Group and the separate financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs"), and the requirements of the Companies Act 2016 in Malaysia.

2.3 Presentation of financial statements

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

The statements of financial position are presented in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (i.e. "current") and more than 12 months after the reporting date (i.e. "non-current") is presented in Note 51.

Notes to the Financial Statements

For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2019.

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

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

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

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

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the size of the Group's voting rights and potential voting rights relative to the size and dispersion of voting rights and potential rights held by the other vote holders.

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Summary of significant accounting policies

(a) Business combinations and goodwill

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

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

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is classified as a financial asset or a financial liability is recognised in accordance with *MFRS 9 Financial Instruments* ("MFRS 9") in profit or loss. If the contingent consideration is not within the scope of MFRS 9, it is measured at fair value at each reporting date with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

Notes to the Financial Statements
For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

(b) Investment in subsidiaries

In the Company's separate financial statements, investment in subsidiaries is accounted for at cost less accumulated impairment losses. On disposal of such investments, the difference between the net disposal proceeds and its carrying amounts are recognised in profit or loss.

(c) Investment in associates and joint ventures

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

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

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

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

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

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

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

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

The financial statements of the associates or joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. Nevertheless, no adjustment is made to the accounting policies relating to financial instruments of any associate or joint venture with activities that are predominantly connected with insurance if the associate or joint venture concerned applies the temporary exemption from MFRS 9.

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

Notes to the Financial Statements

For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

(d) Transactions with non-controlling interests

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position, respectively. Any losses applicable to the non-controlling interests in excess of the non-controlling interests are allocated against the interests of the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

(e) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

Notes to the Financial Statements
For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

(e) Foreign currencies (Cont'd.)

(iii) Foreign subsidiaries and operations

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

(f) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses. Such cost includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, as well as borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. When significant parts of property, plant 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 plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

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

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

Leasehold land	2% or remaining lease period (whichever is shorter)
Buildings	2% or over the term of short term lease (whichever is shorter)
Leasehold improvements	15% to 20%
Motor vehicles	10% to 20%
Computer equipment	12.5% to 33.33%
Office equipment, furniture and fittings	10% - 50%

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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if the expectations differ from previous estimates.

Notes to the Financial Statements

For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

(g) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both.

Investment property is measured initially at cost, including transaction costs and borrowing costs if the investment property meets the definition of a qualifying asset. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of investment properties is calculated on a straight-line basis over the estimated useful lives of the assets of fifty years for building and leasehold land. The investment properties related to freehold land is not depreciated.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to or from investment properties only when there are changes in use. Transfers between investment properties and owner-occupied properties do not change the costs and the carrying amounts of the properties transferred.

(h) Leases

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

(i) The Group as a lessee

Leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item are classified as finance leases, and are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. The corresponding lease obligations, net of finance charges, are included in other short-term and long-term payables. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in "interest expense" in profit or loss.

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

Leases that do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term. The aggregate benefits of incentives provided by the lessor are recognised as a reduction of rental expenses over the lease term on a straight-line basis.

(ii) The Group as a lessor

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

Notes to the Financial Statements

For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

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

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

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

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

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually, or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

(i) Research and development costs

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

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

Following initial recognition of the software development expenditure as an asset, the asset is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised on a straight-line basis over the period of expected benefit of 3 to 10 years. During the period of development, the asset is tested for impairment annually.

Notes to the Financial Statements

For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

(j) Financial instruments – initial recognition and measurement

(i) Initial recognition

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

(ii) Initial measurement

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

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities not recorded at fair value through profit or loss, net of directly attributable transaction costs.

(iii) "Day 1" profit or loss

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

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

The Group and the Company classify its financial assets in the following measurement categories:

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

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

(i) Debt instruments

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

Business model

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

Notes to the Financial Statements

For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(i) Debt instruments (Cont'd.)

Cash flow characteristics

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

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

Amortised cost

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

FVOCI

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

FVTPL

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

In addition, financial assets that meet the criteria for amortised cost or FVOCI may be irrevocably designated by management as FVTPL on initial recognition, provided the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis. Such designation is determined on an instrument by instrument basis. Any change in fair value is recognised in profit or loss and presented within "investment and trading income". Interest earned is recognised in "interest income" using the effective interest method.

Notes to the Financial Statements
For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(ii) Reclassification of debt investments

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

(iii) Equity instruments

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

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

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

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

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

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

(i) Amortised cost

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

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

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

Notes to the Financial Statements

For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

(l) Financial liabilities – classification and subsequent measurement (Policy applicable from 1 April 2018) (Cont'd.)

(ii) FVTPL

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

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

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

(i) Classification

(a) Financial assets and financial liabilities at FVTPL: Held–for–trading

Financial assets or financial liabilities held-for-trading are recorded in the statements of financial position at fair value. Changes in fair value are recognised in "investment and trading income". Interest income or expense is recorded in "interest income" or "interest expense" as appropriate and is calculated using the effective interest method in accordance with the terms of the contract. Dividend income is recorded in "investment and trading income" when the right to the payment has been established.

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

(b) Financial assets and financial liabilities at FVTPL: Designated as FVTPL

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

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

Financial assets and financial liabilities designated at FVTPL are recorded in the statements of financial position at fair value. Changes in fair value are recognised in "investment and trading income". Interest is earned or accrued in "interest income" or "interest expense", respectively, and is calculated using the effective interest method, while dividend income is recorded in "investment and trading income" when the right to the payment has been established.

The Group has not designated any financial assets at FVTPL.

Notes to the Financial Statements
For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(i) Classification (Cont'd.)

(c) Financial assets and financial liabilities at FVTPL: Derivatives

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements
For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(i) Classification (Cont'd.)

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

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

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

(f) Financial assets at amortised cost: loans and receivables

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

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

(g) Financial liabilities at amortised cost

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

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

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted market prices for similar debt instruments). The equity component is assigned 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.

Notes to the Financial Statements

For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(ii) Reclassification of financial assets

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

For a financial asset reclassified out of the "available-for-sale" category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to profit or loss.

(n) Derecognition of financial instruments

(i) Derecognition of financial assets

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

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

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

(ii) Modification of loans, advances and financing

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

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

Notes to the Financial Statements
For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(ii) Modification of loans, advances and financing (Cont'd.)

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

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

(iii) Derecognition of financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EIR, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and changes in covenants are also taken into consideration. The difference in the respective carrying amount of the original financial liability and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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

(o) 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 the statement of financial position to "financial assets at FVTPL pledged as collateral" or to "financial investments at FVOCI pledged as collateral", as appropriate.

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

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

Notes to the Financial Statements

For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

(p) 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".

(q) Fair value measurement

The Group measures financial instruments such as financial assets at FVTPL, financial investments at FVOCI and derivatives at fair value at each reporting date.

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

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

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

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

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

The Group uses 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 determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value hierarchies of financial instruments that are measured at fair value are disclosed in Note 54.

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

Notes to the Financial Statements
For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

(r) Financial instruments - expected credit losses

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued in profit or loss on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring or a change in forward-looking adjustments after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

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

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

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

(i) Rescheduled and restructured loans

Where possible, the Group 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.

(ii) 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 property valuers, mortgage brokers, housing price indices, audited financial statements, and other independent sources. (See Note 53.2 for further analysis of collateral).

Notes to the Financial Statements
For the financial year ended 31 March 2019

2. **ACCOUNTING POLICIES (CONT'D.)**

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

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

(iii) Collateral repossessed

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

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

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 financing are classified as impaired in accordance with the criteria as disclosed in Note 53.2 Credit Risk Management - Impairment - Definition of past due and impaired loans.

(i) Financial assets carried at amortised cost – Loans and receivables

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued as "interest income on impaired loans, advances and financing" in profit or loss on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, advances and financing 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 or a change in forward-looking adjustments occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to "impairment losses on loans, advances and financing" in the statement of profit or loss.

Notes to the Financial Statements

For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(i) Financial assets carried at amortised cost – Loans and receivables (Cont'd.)

Financial assets which are not individually significant, or 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.

(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 financial investments AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

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

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

Notes to the Financial Statements

For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

(t) 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 for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. Hedge ineffectiveness is recognised in profit or loss. For situations where the hedged item is a forecast transaction, the Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Prior to 1 April 2018, a hedge 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.

(i) Fair value hedges

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

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

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

(ii) Cash flow hedges

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

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

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

Notes to the Financial Statements
For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

(t) Hedge accounting (Cont'd.)

(iii) Hedges of a net investment

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

(u) 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.

(v) Impairment of non-financial assets

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

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

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

Notes to the Financial Statements
For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

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

The following assets have specific characteristics for impairment testing:

(i) Goodwill

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

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

(ii) Intangible assets

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

(w) Foreclosed properties

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

(x) Cash and cash equivalents

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

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and short-term funds with original maturity of less than 3 months and net of outstanding bank overdrafts.

(y) Assets held for sale

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

(y) Assets held for sale (Cont'd.)

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

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

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

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

Additional disclosures are provided in Note 58. All other notes to the financial statements mainly include amounts for continuing operations, unless otherwise mentioned.

(z) Provisions

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

(aa) 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.

(ab) Financial guarantee contracts and loan commitments

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance (calculated as described in Note 2.5(r)) and the premium received on initial recognition less income recognised in accordance with the principles of MFRS 15.

Notes to the Financial Statements
For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

(ab) Financial guarantee contracts and loan commitments (Cont'd.)

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

Prior to 1 April 2018, 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.

(ac) Recognition of income and expenses

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 Company comprises gross interest income and other income.

(A) Recognition of income and expenses relating to financial instruments

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

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

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

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

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan.

(ii) Dividend income

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

(iii) Investment and trading income

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

Notes to the Financial Statements
For the financial year ended 31 March 2019

2. **ACCOUNTING POLICIES (CONT'D.)**

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

(ac) Recognition of income and expenses (Cont'd.)

(B) Recognition of revenue from contracts with customers

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

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

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

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

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

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

(i) Fee and commission income

The Group 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:

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

Fees earned for the provision of services over a period of time are accrued over that period by reference to the stage of completion of the services. These fees include loan arrangement, commission income, asset management, custody and other management and advisory fees. Loan commitment fees for loans that are unlikely to be drawn down are recognised over the commitment period on a straight-line basis.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria. Revenue from sale of unit trusts is recognised upon allotment of units, net of cost of units sold or as a percentage of sales value.

Notes to the Financial Statements

For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

(ac) Recognition of income and expenses (Cont'd.)

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

(ii) Customer loyalty programmes

Award credits under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which the award credits are granted. The fair value of the consideration received in respect of the initial sale is allocated between the award credits and the other components of the transaction on a relative stand-alone selling price basis. If stand-alone selling price of the other component is uncertain, the Group estimates the stand-alone selling price by reference to the total transaction price less the fair value of the award credits. Revenue from the award credits is recognised when the award credits are redeemed or expired. The amount of revenue recognised when the award credits are redeemed is based on the number of award credits redeemed relative to the total number expected to be redeemed.

(ad) Employee benefits

(i) Short-term benefits

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

(ii) Defined contribution pension plan

The Group makes contributions to the Employee Provident Fund ("EPF"), as well as defined contribution private retirement schemes in Malaysia. Such contributions are recognised as an expense in profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Defined benefit plans

The calculation of defined benefit liability, based on the present value of the defined benefit obligations at the end of the reporting less the fair value of plan assets, is performed annually by qualified actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related defined benefit obligations.

The Group recognises the following changes in the net defined benefit obligations in profit or loss:

- service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements; and
- net interest expense or income.

Past service costs are recognised in profit or loss on the earlier of:

- the date of the plan amendment or curtailment; or
- the date that the Group recognises restructuring-related costs.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding net interest) and the effect of the asset ceiling (if any, excluding net interest), are recognised immediately in OCI in the period in which they occur and recorded in defined benefit reserve. Remeasurements are not reclassified to profit or loss in subsequent periods.

Notes to the Financial Statements

For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

(ad) Employee benefits (Cont'd.)

(iv) 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 the Group 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.

(v) Share-based payment transactions

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

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. Profit or loss expense or credit for the period is recorded in "personnel costs" and represents the movement in cumulative expense recognised as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, the minimum expense recognised in "personnel costs" is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (Note 43).

(ae) Dividends on ordinary shares

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

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

Notes to the Financial Statements

For the financial year ended 31 March 2019

2. **ACCOUNTING POLICIES (CONT'D.)**

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

(af) Taxes

(i) Current tax

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

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

(ii) Deferred tax

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

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

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

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

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

(af) Taxes (Cont'd.)

(ii) Deferred tax (Cont'd.)

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

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

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

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

(ag) Zakat

This represents business zakat payable by the Group to comply with Shariah principles as approved by AmBank Islamic's Shariah Committee. Zakat provision is calculated by reference to the zakat rate of 2.5% of the net profit after tax of AmBank Islamic. The amount of zakat assessed is recognised as an expense in the period in which it is incurred.

In the financial year, the Group has fulfilled its obligation to pay business zakat to state zakat authorities and other identified beneficiaries (asnaf) comprising poor and needy students under the student adoption programme, flood victims and non-governmental organisations.

(ah) Earnings Per Share ("EPS")

The Group presents basic and diluted EPS data for its ordinary shares in Note 43. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period net of treasury shares. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholder and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(ai) Segment reporting

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

(aj) Share capital and share issuance expenses

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

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Changes in the fair value of the ordinary shares are not recognised in the financial statements.

Notes to the Financial Statements

For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

(ak) Shares held in trust for ESS and contracts on own shares

Own equity instruments of the Company that are acquired by the Company for the ESS are deducted from equity and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Company's own equity instruments is recognised directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

When the Company holds own equity instruments on behalf of their clients, those holdings are not included in the Company's statement of financial position.

(al) Fiduciary assets

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

(am) Insurance product classification

The Group issues contracts that transfer insurance risks or financial risks or both.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Insurance contracts are those contracts under when the Group has accepted significant insurance risk from another party (the "policyholders") by agreeing to compensate the policyholders if a specified uncertain future event (the "insured event") adversely affects the policyholders. As a general guideline, the insurer determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this financial year, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

The Group currently only issues contracts that transfer insurance risk.

(an) Reinsurance

The Group cedes insurance risk in the normal course of business for all its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Group from its obligations to the policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

2. ACCOUNTING POLICIES (CONT'D.)

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

(an) Reinsurance (Cont'd.)

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliable measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in profit or loss.

The Group also assumes reinsurance risk in the normal course of business when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums, contributions or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

(ao) Insurance receivables (Policy applicable from 1 April 2018)

Insurance receivables are amounts receivable under the contractual terms of an insurance contract. On initial recognition, insurance receivables are measured at fair value based on the consideration receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost using the effective yield method.

The Group assesses on a forward-looking basis the ECL associated with its insurance receivables. The Group recognises a loss allowance for such losses at each reporting date in profit or loss. The ECL is calculated using the same methodology applied for financial assets carried at amortised cost, as detailed in Note 2.5(r).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.5(n), have been met.

(ap) Insurance receivables (Policy applicable before 1 April 2018)

Insurance receivables are amounts receivable under the contractual terms of an insurance contract. On initial recognition, insurance receivables are measured at fair value based on the consideration receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost using the effective yield method.

Insurance receivables are assessed at each reporting date for objective evidence of impairment. If there is objective evidence that the insurance receivable is impaired, the insurer reduces the carrying amount of the insurance receivables accordingly and recognises that impairment loss in profit or loss. The insurer gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for impairment of financial assets.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.5 (n), have been met.

Notes to the Financial Statements

For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

(aq) General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account premiums, movements in premiums and claims liabilities and commissions.

(i) Gross premiums

Gross premiums are recognised as income in a financial year in respect of risks assumed during the particular financial year.

(ii) Reinsurance premiums

Inwards facultative reinsurance premiums are recognised in the financial year in respect of the facultative risk assumed during the particular financial year, as the case of direct policies, following individual risks' inception dates.

Inwards treaty reinsurance premiums comprise both proportional and non-proportional treaties. In respect of reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties. In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specified treaty period, the inwards treaty reinsurance premiums are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

(iii) Premium liabilities

Premium liabilities represent the Group's future obligations on insurance contracts as represented by premiums received for risks that have not yet expired. In determining premium liabilities at reporting date, the method that most accurately reflects the actual unearned premium is used, as described in Note 2.5 (ar).

(iv) Claims liabilities

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

The amount of claims liabilities is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the reporting date.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the reporting date, using a mathematical method of estimation.

(v) Acquisition costs

The gross costs of acquiring and renewing insurance policies and income derived from ceding reinsurance premiums are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

Notes to the Financial Statements
For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

(ar) General insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged. The valuation of general insurance contract liabilities is in accordance with the Risk-Based Capital ("RBC") Framework for Insurers issued by Bank Negara Malaysia ("BNM").

These liabilities comprise claims liabilities and premium liabilities.

(i) Claims liabilities

Claims liabilities are recognised in respect of both direct insurance and inward reinsurance. Claims liabilities refer to the obligation by the Group, whether contractual or otherwise to make future payments in relation to all claims that have been incurred as at valuation date. These include provision for claims reported, claims incurred but not reported ("IBNR"), claims incurred but not enough reserve ("IBNER") together with related claims handling costs. Claims liabilities consist of the best estimate value of the claims liabilities and the Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at the overall level. The liability is discounted at a risk free rate. No provision for equalisation or catastrophe reserve is recognised. The liabilities are derecognised when the claim is paid and settled, discharged or cancelled.

(ii) Premium liabilities

Premium liabilities are recorded at the higher of the following:

- aggregate of the unearned premium reserves ("UPR"); and
- the best estimate value of the Group's unexpired risk reserve ("URR") as at the valuation date and the PRAD calculated at the overall level.

(iii) UPR

The UPR represent the portion of the premiums of insurance policies written less deductible acquisition costs that relate to the unexpired period of the policies at the end of the financial year.

In determining UPR at the end of the reporting period, the method that most accurately reflect the actual unearned premium used is as follows:

i. 25% method for Malaysian marine cargo, aviation cargo and transit business;
ii. Daily time apportionment method for all other classes; and
iii. 1/24th method for inward treaty business.

(iv) URR

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the Group's expenses, including overheads and cost of reinsurance expected to be incurred during administering these policies and settling the relevant claims and expected future premium refunds. The URR is discounted at a risk free rate.

Notes to the Financial Statements

For the financial year ended 31 March 2019

2. ACCOUNTING POLICIES (CONT'D.)

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

(ar) General insurance contract liabilities (Cont'd.)

(v) Liability adequacy test

At each reporting date, the Group reviews its unexpired risks and a liability adequacy test ("LAT") is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums less related deferred acquisition costs is inadequate, the deficiency is recognised in profit or loss by setting up a provision for liability adequacy.

3. CHANGES IN ACCOUNTING POLICIES

3.1 Adoption of amendments and annual improvements to standards

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new standards and amendments to published standards which became effective for the first time for the Group and the Company on 1 April 2018:

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

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

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

(a) MFRS 9 *Financial Instruments*

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

(i) Classification and measurement

MFRS 9 requires all financial assets, other than equity instruments and derivatives, to be classified on the basis of two criteria, namely the entity's business model for managing the assets, as well as the instruments' contractual cash flow characteristics. Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest. If the financial assets are held within a business model whose objective is achieved by both selling financial assets and collecting contractual cash flows that are SPPI, the assets are measured at FVOCI. Any financial assets that are not measured at amortised cost or FVOCI are measured at FVTPL.

Notes to the Financial Statements
For the financial year ended 31 March 2019

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

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

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

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

Instruments that qualify for amortised cost or FVOCI may be irrevocably designated as FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments are normally measured at FVTPL; nevertheless entities are allowed to irrevocably designate equity instruments that are not held-for-trading as FVOCI, with no subsequent reclassification of gains or losses to the statement of profit or loss.

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

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

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

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

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

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

Notes to the Financial Statements
For the financial year ended 31 March 2019

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

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

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

(ii) Impairment

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

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

Following the adoption of MFRS 9, the Group recorded an additional loss allowance in respect of loans, advances and financing, as well as investments in debt securities and other financial assets that are not classified at FVTPL, which has been adjusted to retained earnings and other reserves on 1 April 2018, as disclosed in Note 60.

(iii) Hedge accounting

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

The financial impacts of the adoption of MFRS 9 on the financial statements of the Group are as disclosed in Note 60.

(b) MFRS 15 Revenue from Contracts with Customers

MFRS 15 established a new five-step model that applies to revenue arising from contracts with customers, based on the underlying principle that an entity should recognise revenue in a manner which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. The standard also specified the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

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

Notes to the Financial Statements

For the financial year ended 31 March 2019

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

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

(c) Applying MFRS 9 Financial Instruments with MFRS *4 Insurance Contracts* (Amendments to MFRS 4)

The amendments address the concerns about the different effective dates of MFRS 9 and MFRS 17 Insurance Contracts by providing 2 different solutions for insurers which are optional, including a temporary exemption that allows insurers to continue to apply MFRS 139 instead of adopting MFRS 9 for annual periods beginning before 1 January 2021 if their activities are "predominantly connected with insurance". The eligibility to apply this temporary exemption is assessed based on the significance of the carrying amounts of liabilities arising from contracts within the scope of MFRS 4 and liabilities connected with insurance as at the annual reporting date that immediately precedes 1 April 2016. The temporary exemption shall cease to be applicable when MFRS 17 becomes effective for annual periods beginning on or after 1 January 2021.

The Group is not eligible to apply the temporary exemption from MFRS 9 as its activities are not "predominantly connected with insurance". Though eligible, the general insurance subsidiary of the Group has opted not to apply the temporary exemption as it has adopted MFRS 9 as at 1 April 2018.

The life assurance and family takaful joint ventures of the Group have applied the temporary exemption and have deferred their MFRS 9 adoption to the financial year ending 31 March 2022. The amendments provided the Group an exemption from applying uniform accounting policies when applying the equity method under MFRS 128 *Investments in Associates and Joint Ventures* to account for its investments in joint ventures with activities that are predominantly connected with insurance and that have elected to apply the temporary exemption from MFRS 9. Accordingly, adjustments have not been made to the financial information of the life assurance and family takaful joint ventures to conform with the Group's accounting policies on financial instruments when applying the equity method in the Group's financial statements.

(d) Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)

The amendments clarify the measurement basis and the effects of vesting conditions on the measurement of cash-settled share-based payments, as well as the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in MFRS 2 that will require an award to be treated as if it was wholly equity-settled when an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The adoption of these amendments did not have any material financial impact as the Group's existing share-based payment transactions do not possess any of the features addressed in these amendments.

(e) Transfers of Investment Property (Amendments to MFRS 140)

The amendments clarified that to transfer to, or from, investment properties, there must be a change in use. To conclude if a property has a change in use, there should be an assessment of whether the property meets, or has ceased to meet, the definition of investment property. This change must be supported by evidence; a change in intention in isolation is not enough to support a transfer. The adoption of these amendments did not result in any impact as is no reclassification of property to investment properties during the financial year.

Notes to the Financial Statements
For the financial year ended 31 March 2019

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

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

(f) Annual Improvements to MFRSs 2014-2016 Cycle

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

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

The amendments deleted short-term exemptions covering transition provisions of MFRS 7, MFRS 10, and MFRS 119. These transition provisions were available to entities for past reporting periods and are therefore no longer applicable. The deletion has no impact as the Group has transitioned into MFRS in the past.

(ii) MFRS 128 *Investments in Associates and Joint Ventures*

MFRS 128 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss. The amendments clarified that this election should be made separately for each associate or joint venture at initial recognition. The amendment has no impact as such election is not available to the Group.

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

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

3.2 Standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
MFRS 16 Leases	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Plan Amendment, Curtailment or Settlement (Amendments to MFRS119)	1 January 2019
Annual Improvements to MFRSs 2015-2017 Cycle	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Definition of a Business (Amendments to MFRS 3)	1 January 2020
Definition of Material (Amendments to MFRS 101 and MFRS 108)	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	To be determined by MASB

The nature of the new standards, amendments to published standards and new interpretation that are issued and relevant to the Group but not yet effective are described below. The Group and the Company are currently assessing the financial effects of their adoption.

Notes to the Financial Statements

For the financial year ended 31 March 2019

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

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

(i) Standards effective for financial year ending 31 March 2020

(a) MFRS 16 Leases

MFRS 16 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 statement of profit or loss.

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

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

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

(b) IC Interpretation 23 *Uncertainty over Income Tax Treatments*

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

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

Notes to the Financial Statements
For the financial year ended 31 March 2019

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

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

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

(c) Prepayment Features with Negative Compensation (Amendments to MFRS 9)

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

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

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

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

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

(e) Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)

Currently, MFRS 119 did not specify how current service cost and net interest should be determined for the remainder of the period after a plan amendment, curtailment or settlement. The standard has been amended to mandate the use of updated assumptions from the remeasurement of net defined benefit liability or asset upon a change to the plan to determine current service cost and net interest for the remainder of the period after the change to the plan.

The amendments are applied prospectively to plan amendments, settlements or curtailments that occur after the beginning of the first annual reporting period beginning on or after 1 January 2019. Early adoption is permitted.

(f) Annual Improvements to MFRSs 2015-2017 Cycle

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

(i) MFRS 3 *Business Combinations*

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

Notes to the Financial Statements

For the financial year ended 31 March 2019

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

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

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

(f) Annual Improvements to MFRSs 2015-2017 Cycle (Cont'd.)

(ii) MFRS 11 *Joint Arrangements*

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

(iii) MFRS 112 *Income Taxes*

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

(iv) MFRS 123 *Borrowing Costs*

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

(ii) Standards effective for financial year ending 31 March 2021

(a) Amendments to References to the Conceptual Framework in MFRS Standards

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

(b) Definition of a Business (Amendments to MFRS 3)

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

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

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

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

Notes to the Financial Statements
For the financial year ended 31 March 2019

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

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

(iii) Standards effective for financial year ending 31 March 2022

MFRS 17 *Insurance Contracts*

MFRS 17 supersedes MFRS 4 *Insurance Contract*.

MFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows.

Changes in cash flows related to future services should be recognised against the CSM. The CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognised in profit or loss. Interest is accreted on the CSM at rates locked in at initial recognition of a contract. To reflect the service provided, the CSM is released to profit or loss in each period on the basis of passage of time. Entities have an accounting policy choice to recognise the impact of changes in discount rates and other assumptions that relate to financial risks either in profit or loss or in other comprehensive income.

MFRS 17 is effective for annual periods beginning on or after 1 January 2021, with early application permitted provided MFRS 9 and MFRS 15 are also applied. A full retrospective application is required; an entity is permitted to choose between a modified retrospective approach and the fair value approach if full retrospective application is impracticable.

The Group plans to adopt MFRS 17 on the required effective date and a Project Steering Committee has been formed to oversee the implementation of MFRS 17. The Group expects that MFRS 17 will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have a significant impact on profit and total equity of its Insurance business segment.

(iv) Standard effective on a date to be determined by MASB

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

The amendments clarify that:

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

Notes to the Financial Statements
For the financial year ended 31 March 2019

4. SIGNIFICANT CHANGES IN REGULATORY REQUIREMENTS

Bank Negara Malaysia ("BNM") policy documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions

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

(a) Financial Reporting; and
(b) Financial Reporting for Islamic Banking Institutions.

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

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

The revised policy documents also introduced the following new disclosure requirements in the annual financial statements as presented in the Group's annual financial statements (where applicable) for the current financial year:

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

5.1 Measurement of ECL allowances (Notes 6, 8, 12, 14, 16, 22, 40, 41 and 56) (Applicable effective from 1 April 2018)

The measurement of the ECL allowances for financial assets measured at amortised cost and FVOCI and loan commitments and financial guarantee contracts requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 53.2 (Credit Risk Management).

Notes to the Financial Statements
For the financial year ended 31 March 2019

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

5.1 Measurement of ECL allowance (Notes 6, 8, 12, 14, 16, 22, 40, 41 and 56) (Applicable effective from 1 April 2018) (Cont'd.)

Components of ECL models that involve significant judgment includes:

- determining criteria for significant increase in credit risk in the qualitative assessment and the impact of the instrument being measured at lifetime ECL basis due to significant increase in credit risk;
- choosing appropriate models and assumptions including the various formula and choice of inputs for the measurement of ECL;
- establishing the forward-looking macroeconomic scenarios and the associated probability weightings, which are used in forward-looking ECL measurement;
- establishing groups of similar financial assets for the purposes of measuring ECL; and
- application of the Group's internal credit grading model which assigns PDs to the individual grades.

5.2 Allowance for impairment on loans, advances and financing (Notes 16 and 40)(Applicable before 1 April 2018)

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

Loans, advances and financing that have been assessed individually and found not to be impaired and all individually insignificant loans, advances and financing are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether allowance should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan to collateral ratios, etc.), and judgments on cover model risks (e.g. errors for design/development process, data quality, data extraction and transformation) and macro risks (e.g. covering economic, portfolio and procedural issues).

5.3 Impairment losses on financial investments AFS (Applicable before 1 April 2018)

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

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

5.4 Impairment of goodwill (Note 24)

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

Notes to the Financial Statements

For the financial year ended 31 March 2019

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

5.5 Deferred tax assets (Note 19) and income taxes (Note 42)

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

5.6 Fair value measurement of financial instruments (Notes 9, 10, 11, 12, 13 and 54)

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

5.7 Development costs (Notes 23 and 24)

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 relate to the development and implementation of new Information Technology systems for the Group.

5.8 General insurance business – valuation of general insurance contract liabilities (Note 56(VI))

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of IBNR.

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the liability at the reporting date. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Link Ratios, Chain Ladder and Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that the insurer's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. We use discounting and in most cases, explicit assumptions are made regarding future rates of claims inflation or loss ratios. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example, to reflect once-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, level of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Notes to the Financial Statements

For the financial year ended 31 March 2019

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

5.9 Uncertainty in accounting estimates for general insurance business (Note 56 (VII))

The principal uncertainty in the insurer's general insurance business arises from the technical provisions which include the premium liabilities and claims liabilities. The premium liabilities comprise UPR, URR and PRAD while claims liabilities comprise provision for outstanding claims.

Generally, premium and claims liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premiums and claims liabilities will not exactly develop as projected and may vary from the insurer's/reinsurer's projections.

The estimates of premium and claims liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premium and claim liabilities may vary from the initial estimates.

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported to the insurer. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim.

There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

At each reporting date, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

5.10 Pipeline premium

The insurance subsidiary has recognised gross pipeline premium for the current financial year. Estimation made by the subsidiary is based on the actual pipeline trend during the past 2 years. As estimations are inherently uncertain, actual premiums may differ from the estimated premiums.

5.11 Defined benefits plan (Note 30)

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, expected rate of returns on investments, future salary increases, mortality rates, resignation rates and future increases. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of high quality government bonds in their respective currencies and extrapolated maturity corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

Notes to the Financial Statements
For the financial year ended 31 March 2019

6. CASH AND SHORT-TERM FUNDS

	Group		Company	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Cash and balances with banks and other financial institutions	1,468,715	1,738,875	81,005	79,080
Deposits and placements maturing within one month				
Licensed banks	3,767,374	2,247,063	-	-
Bank Negara Malaysia	1,826,000	1,517,280	-	-
Other financial institutions	13,006	12,638	-	-
	5,606,380	3,776,981	-	-
	7,075,095	5,515,856	81,005	79,080
Less: Allowances for ECL	(1,351)	-	-	-
	7,073,744	5,515,856	81,005	79,080

Movements in allowances for ECL are as follows:

Group 31 March 2019	Note	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
Balance at beginning of the financial year				
- as previously stated		-	-	-
- effects of adoption of MFRS 9	60(b)	983	-	983
Balance at beginning of the financial year, as restated		983	-	983
Net remeasurement of allowances	41	298	32	330
Exchange difference		39	(1)	38
Balance at end of the financial year		1,320	31	1,351

The increase in 12-month ECL (Stage 1) of RM298,000 was mainly due to net remeasurement of allowances driven by increase in cash and deposits with foreign licensed banks during the current financial year.

7. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

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

Notes to the Financial Statements
For the financial year ended 31 March 2019

8. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Company	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Deposits and placements with licensed banks maturing more than one month:				
Licensed banks	198,234	215,602	-	-
Less: Allowances for ECL	(2,075)	-	-	-
	196,159	215,602	-	-
Of which deposits and placements with original maturity of:				
Three months or less	194,951	200,000	-	-
More than three months	3,283	15,602	-	-
	198,234	215,602	-	-

Movements in allowances for ECL are as follows:

Group 31 March 2019	Note	Stage 1 12-month ECL RM'000
Balance at beginning of the financial year		
- as previously stated		-
- effects of adoption of MFRS 9		-
Balance at beginning of the financial year, as restated		-
Net remeasurement of allowances	41	2,075
Balance at end of the financial year		2,075

The increase in 12-month ECL (Stage 1) of RM2,075,000 is due to net remeasurement of allowances driven by higher deposits and placements with foreign licensed banks during the current financial year.

Notes to the Financial Statements
For the financial year ended 31 March 2019

9. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Group	31 March 2019 Contract/ Notional Amount RM'000	31 March 2019 Fair Value Assets RM'000	31 March 2019 Fair Value Liabilities RM'000	31 March 2018 Contract/ Notional Amount RM'000	31 March 2018 Fair Value Assets RM'000	31 March 2018 Fair Value Liabilities RM'000
Trading derivatives						
Interest rate related contracts:	50,375,833	271,496	282,274	50,777,541	197,376	164,006
- One year or less	6,990,942	5,238	5,625	10,095,515	7,042	4,747
- Over one year to three years	19,781,143	57,841	62,843	14,390,414	44,542	33,457
- Over three years	23,603,748	208,417	213,806	26,291,612	145,792	125,802
Foreign exchange related contracts:	41,370,547	471,135	487,177	51,597,451	889,092	1,053,648
- One year or less	35,768,559	133,011	188,279	47,466,152	549,681	738,526
- Over one year to three years	3,471,372	69,209	109,736	1,304,688	59,636	63,815
- Over three years	2,130,616	268,915	189,162	2,826,611	279,775	251,307
Credit related contracts:	345,108	5,417	768	334,505	6,537	-
- Over one year to three years	345,108	5,417	768	-	-	-
- Over three years	-	-	-	334,505	6,537	-
Equity and commodity related contracts:	1,050,698	15,875	16,692	1,215,805	32,574	36,669
- One year or less	860,041	12,886	13,703	797,179	30,633	34,728
- Over one year to three years	190,657	2,989	2,989	418,626	1,941	1,941
	93,142,186	763,923	786,911	103,925,302	1,125,579	1,254,323
Hedging derivatives						
Interest rate related contracts:						
Interest rate swaps:						
Cash flow hedge	2,305,000	-	27,240	2,693,700	38	16,843
- One year or less	330,000	-	484	620,000	38	220
- Over one year to three years	1,095,000	-	12,660	1,005,000	-	7,576
- Over three years	880,000	-	14,096	1,068,700	-	9,047
Fair value hedge	350,000	-	11,341	350,000	-	7,626
- Over three years	350,000	-	11,341	350,000	-	7,626
Total	95,797,186	763,923	825,492	106,969,002	1,125,617	1,278,792

Notes to the Financial Statements
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9. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT'D.)

Purpose of engaging in financial derivatives

Financial derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices. They include swaps, forward rate agreements, futures, options and combinations of these instruments. Derivatives are contracts that transfer risks, mainly market risks. Financial derivative is one of the financial instruments engaged by the Group both for client solutions generating revenue for future as well as to manage the Group's own market risk exposure.

The principal foreign exchange rate contracts used are forward foreign exchange contracts, cross currency swaps and foreign exchange options. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate. A cross currency swap generally involves the exchange, of notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re- exchanged on a future date. A foreign exchange option is a financial derivative that provides the buyer of the option with the right, but not obligation, to buy/sell a specified amount of one currency for another currency at a nominated strike rate during a certain period of time or on a specific date.

The principal interest rate contracts used are interest rate futures and interest rate swaps. An interest rate futures contract is an exchange traded contract whose value is based on the difference between a specific interest rate and a reference rate on a notional deposit or fixed income security at a future settlement date. Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts.

The principal equity contracts used are equity option, equity futures and equity swap. An equity option is a financial derivative that represents a contract sold by one party ("option writer") to another party ("option holder"). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) an equity at an agreed-upon price (the "strike price") during a certain period of time or on a specific date ("exercise date"). An equity futures contract is an exchange traded contract to buy specific quantities of an equity at a specified price with delivery set at a specified time in the future. Equity swaps are one of the most basic equity derivatives products and are usually traded over-the-counter ("OTC") with financial institutions and corporates. It is a contractual agreement between parties to exchange two streams of payments, one based on a pre-determined index or equity price, and the other based on a reference interest rate (that is KLIBOR or LIBOR). The underlying reference for equity swaps is usually to an index, a basket of stocks or a single underlying stock.

The Group maintains trading positions in these instruments and engages in transactions with customers to satisfy their needs in managing their respective interest rate, equity and foreign exchange rate exposures. Derivative transactions generate income for the Group from the buy-sell spreads. The Group also takes conservative exposures, within acceptable limits, to carry an inventory of these instruments in order to provide market liquidity and to earn potential gains on fluctuations in the value of these instruments.

As part of the asset and liability exposure management, the Group uses derivatives to manage the Group's market risk exposure. As the value of these financial derivatives are principally driven by interest rate and foreign exchange rate factors, the Group uses them to reduce the overall interest rate and foreign exchange rate exposures of the Group. These are performed by entering into an exposure in derivatives that produces opposite value movements vis-à-vis exposures generated by other non-derivative activities of the Group. The Group manages these risks on a portfolio basis. Hence, exposures on derivatives are aggregated or netted against similar exposures arising from other financial instruments engaged by the Group.

The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 53.

Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised at fair value upon inception in the statements of financial position, and are subsequently remeasured at fair value. Fair values of exchange-traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including the discounted cash flows method and option pricing models. Financial derivatives are classified as assets when their fair values are positive and as liabilities when their fair values are negative.

The Group enters into derivative transactions for trading and for hedging purposes. For derivatives held-for-trading purposes, fair value changes are recognised in the profit or loss. For derivative transactions that meet the specific criteria for hedge accounting, the Group applies either fair value, cash flow or net investment hedge accounting.

At inception of a hedge, the Group formally documents the relationship between the hedging instrument and the hedged item, including the nature of the hedged risk, the risk management objective and strategy for undertaking the hedge.

Notes to the Financial Statements

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

Derivative financial instruments and hedge accounting (Cont'd.)

The Group discontinues hedge accounting prospectively if the hedged item(s) or the hedging instrument(s) is/are sold, terminated or exercised or if the hedge no longer meets the requirements of hedge accounting (after taking into account any rebalancing of the hedging relationship).

(i) Fair value hedge

The Group's fair value hedges principally consist of interest/profit 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. A wholly-owned subsidiary, AmBank Islamic had undertaken a fair value hedge to hedge the profit rate risk of its unquoted securities as disclosed in Note 12.

Interest rate risk

The Group holds a portfolio of long-term fixed rate financial investments, therefore is exposed to changes in fair value due to movements in market interest rates. The Group manages a portion of this risk exposure that is not naturally offset against floating rate positions held by the Group in financial investments by entering into pay fixed/receive floating interest rate swaps.

Only the interest rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Group. The interest rate risk component is determined as the change in fair value of the long-term fixed rate financial investments (eg: bonds) arising solely from changes in 3-month KLIBOR (the benchmark rate of interest). Such changes are usually the largest component of the overall change in fair value. This strategy is designated as a fair value hedge and its effectiveness is assessed with reference to the effectiveness requirements as set out in MFRS 9, which include demonstrating economic relationship, assessing the effect of credit risk and calculating hedge ratio.

The Group establishes the hedging ratio by matching the notional of the derivatives with the principal of the long-term fixed rate financial investments being hedged. The main source of ineffectiveness is differences in timing of cash flows between debt instruments and interest rate swaps.

(ii) Cash flow hedge

Interest rate risk

The Group's cash flow hedges principally consist of interest rate swaps that are used to protect against exposures to variability in future interest cash flows on variable rate interest bearing assets and incurring liabilities. This hedging strategy is applied towards housing loan receivables and treasury fixed deposits and short-term treasury deposits. The amounts and timing of future 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. As a result, the Group adopts a dynamic hedging strategy (sometimes referred to as a 'macro' or 'portfolio' hedge) to hedge the exposure profile by closing and entering into new swap agreements at each month-end. The aggregate principal balances and interest cash flows over time form the basis for identifying gains and losses on the effective portions of derivatives designated as cash flow hedges of forecast transactions. Gains and losses are initially recognised directly in equity in the cash flow hedge reserve and are transferred to profit or loss when the forecast cash flows affect the profit or loss.

The effectiveness of this hedge is assessed with reference to the effectiveness requirements as set out in MFRS 9, which include demonstrating economic relationship, assessing the effect of credit risk and calculating hedge ratio.

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

All underlying hedged cash flows are expected to be recognised in the profit or loss in the period in which they occur which is anticipated to take place over the next 6 years (2018: 7 years). All gains and losses associated with the ineffective portion of the hedging derivatives are recognised immediately in profit or loss. The ineffectiveness recognised in profit or loss during the financial year in respect of cash flow hedges amounted to a gain of RM128,000 (2018: gain of RM3,302,000) for the Group.

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

Notes to the Financial Statements
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9. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT'D.)

Derivative financial instruments and hedge accounting (Cont'd.)

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

	Maturity				
Group 31 March 2019	**Up to 1 month RM'000**	**>1 month to 3 months RM'000**	**>3 months to 1 year RM'000**	**>1 year to 5 years RM'000**	**More than 5 years RM'000**
Fair value hedge					
- Interest rate risk					
Interest rate swap					
Notional	-	-	-	-	350,000
Average floating interest rate	-	-	-	-	3.80%
Cash flow hedge					
- Interest rate risk					
Interest rate swap					
Notional	200,000	-	130,000	1,745,000	230,000
Average fixed interest rate	3.92%	-	4.01%	4.07%	4.17%

(iv) The following table contains details of the hedging instruments used in the Group's hedging strategies:

		Carrying amount of		
Group 31 March 2019	**Notional RM'000**	**Derivative Financial Assets RM'000**	**Derivative Financial Liabilities RM'000**	**Changes in fair value used for calculating hedge ineffectiveness during the year RM'000**
Fair value hedge				
Interest rate risk				
- Interest rate swaps	350,000	-	11,341	(3,715)
Cash flow hedge				
Interest rate risk				
- Interest rate swaps	2,305,000	-	(27,240)	10,435

Notes to the Financial Statements
For the financial year ended 31 March 2019

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

Derivative financial instruments and hedge accounting (Cont'd.)

(v) The following table shows a reconciliation of each component of equity and an analysis of other comprehensive income in relation to the Group's cash flow hedge reserve:

Group 31 March 2019	Cash flow hedge reserve RM'000
Balance at beginning of the financial year	3,174
Interest rate risk:	
- effective portion of changes in fair value of interest rate swaps	(12,123)
- reclassification adjustments for gain included in profit or loss	(128)
- amortisation of fair value changes for terminated hedge	(7,812)
- tax effect	4,815
Balance at end of the financial year	(12,074)

(vi) The following table contains details of the hedged item covered by the Group's hedging strategies:

Group	Carrying amount of		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Statement of financial position line item	Change in fair value used for calculating hedge ineffectiveness during the year	Cash flow hedge reserve	
31 March 2019	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000		RM'000	Continuing hedge RM'000	Discontinued hedge RM'000
Fair value hedge								
Interest rate risk								
- Unquoted sukuk	355,369	-	12,143	-	Financial investments at FVOCI	3,812	-	-
Cash flow hedge								
Interest rate risk								
- Housing loans	-	-	-	-	Loans, advances and financing	-	-	(11,384)
- Deposits	-	(2,305,000)	-	-	Deposits from customers	(10,435)	(27,270)	-

Notes to the Financial Statements
For the financial year ended 31 March 2019

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

Derivative financial instruments and hedge accounting (Cont'd.)

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

Group 31 March 2019	Gains/(loss) recognised in other comprehensive income RM'000	Hedge Ineffectiveness recognised in profit or loss RM'000	Statement of profit or loss/other comprehensive income line item that includes hedge ineffectiveness	Amount reclassified from reserves to profit or loss as		
				Hedged cashflows will no longer occur RM'000	Hedged item affecting profit or loss RM'000	Profit or loss line item that includes reclassified amount RM'000
Fair value hedge						
Interest rate risk						
- Unquoted sukuk	(3,812)	97	Other operating income	-	-	-
Cash flow hedges						
Interest rate risk						
- Housing loans	-	-		-	-	-
- Deposits	(12,123)	(128)	Other operating income	-	-	-

Notes to the Financial Statements
For the financial year ended 31 March 2019

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
At Fair Value				
Money Market Instruments:				
Malaysian Treasury Bills	689,738	-	-	-
Malaysian Islamic Treasury Bills	164,980	-	-	-
Malaysian Government Securities	3,670,874	-	-	-
Malaysian Government Investment Issues	3,430,028	-	-	-
Cagamas bonds	101,181	-	-	-
Bank Negara Monetary Notes	6,388,520	-	-	-
	14,445,321	-	-	-
Quoted Securities:				
In Malaysia:				
Shares	369,730	-	-	-
Unit trusts	194,376	-	1,044	-
Corporate bonds and sukuk	37,937	-	-	-
Outside Malaysia:				
Shares	117,962	-	-	-
	720,005	-	1,044	-
Unquoted Securities:				
In Malaysia:				
Shares	2,813	-	-	-
Corporate bonds and sukuk	4,197,456	-	-	-
	4,200,269	-	-	-
	19,365,595	-	1,044	-

Notes to the Financial Statements

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11. FINANCIAL ASSETS HELD-FOR-TRADING

	Group	
	31 March 2019 (Note 60(b)) RM'000	31 March 2018 RM'000
At Fair Value		
Money Market Instruments:		
Malaysian Treasury Bills	-	52,540
Malaysian Islamic Treasury Bills	-	814,597
Malaysian Government Securities	-	311,457
Malaysian Government Investment Issues	-	871,477
Cagamas bonds	-	100,799
Bank Negara Monetary Notes	-	5,008,044
	-	7,158,914
Quoted Securities:		
In Malaysia:		
Shares	-	268,992
Unit trusts	-	220,124
Corporate bonds and sukuk	-	37,962
Outside Malaysia:		
Shares	-	120,095
	-	647,173
Unquoted Securities:		
In Malaysia:		
Corporate bonds and sukuk	-	5,138,696
	-	5,138,696
	-	12,944,783

Notes to the Financial Statements
For the financial year ended 31 March 2019

12. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

		Group	
	Note	31 March 2019 RM'000	31 March 2018 RM'000
At Fair Value			
Money Market Instruments:			
Malaysian Government Securities		2,841,636	-
Malaysian Government Investment Issues		2,776,050	-
Negotiable instruments of deposit		299,979	-
		5,917,665	-
Unquoted Securities:			
In Malaysia:			
Shares	(i)	523,665	-
Corporate bonds and sukuk		9,161,866	-
Outside Malaysia:			
Shares	(i)	548	-
Corporate bonds and sukuk		106,129	-
		9,792,208	-
Total		15,709,873	-

The Group had undertaken a fair value hedge on the profit rate risk of unquoted sukuk of RM350.0 million (previously classified as Receivables: Investment not quoted in active markets) using interest rate swap. The gain/(loss) arising from the fair value hedge during the current financial year is as follows:

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Relating to hedged item	3,812	260
Relating to hedging instrument	(3,715)	338
	97	598

With the adoption of MFRS 9, the fair value changes on the hedged item is taken up under fair value reserve and the hedging gain or loss on the hedged item is reclassified to profit or loss.

Notes to the Financial Statements

For the financial year ended 31 March 2019

12. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONT'D.)

Movements in allowances for ECL are as follows:

Group 31 March 2019	Note	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Balance at beginning of the financial year					
- as previously stated		-	-	7,318	7,318
- effects of adoption of MFRS 9	60(d)	14,797	7,264	(2,318)	19,743
Balance at beginning of the financial year, as restated		14,797	7,264	5,000	27,061
(Writeback) of/allowances for ECL during the year	41	(3,265)	14,566	-	11,301
- Transfer to Lifetime ECL not credit impaired (Stage 2)		(2,929)	16,379	-	13,450
New financial assets originated		21,563	1,972	-	23,535
Financial assets derecognised		(8,483)	(4,244)	-	(12,727)
Net remeasurement of allowances		(13,416)	459	-	(12,957)
Financial assets written-off		-	-	(5,000)	(5,000)
Exchange difference		340	-	-	340
Balance at end of the financial year		11,872	21,830	-	33,702

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

- 12-month ECL (Stage 1) - decrease of RM2,925,000 mainly due to financial assets derecognised, net remeasurement of allowances and transfer to Stage 2 offset by new financial assets originated during the financial year.

- Lifetime ECL not credit impaired (Stage 2) - increase of RM14,566,000 mainly due to transfer in from Stage 1, new financial assets originated and net remeasurement of allowances offset by financial assets derecognised during the financial year.

- Decrease in Lifetime ECL credit impaired (Stage 3) is due to financial asset written off during the financial year.

Notes to the Financial Statements
For the financial year ended 31 March 2019

12. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONT'D.)

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

	Group	
31 March 2019	**Carrying value RM'000**	**Dividend income (Note 37) RM'000**
Unquoted Securities in Malaysia:		
Shares		
ABM Investments Sdn Bhd	31	-
Cagamas Holdings Berhad	273,113	2,413
Credit Guarantee Corporation Malaysia Bhd	87,753	-
Financial Park (Labuan) Sdn Bhd	82,055	-
Malaysia South-South Corporation Bhd	2,872	146
Malaysian Rating Corporation Berhad	2,260	100
Payments Network Malaysian Sdn Bhd	63,317	-
RAM Holdings Berhad	12,264	238
	523,665	2,897
Unquoted Securities outside Malaysia:		
Shares		
S.W.I.F.T SCRL	548	-

The Group elected to present in other comprehensive income changes in the fair value of the above equity investments because these equity investments are held for long-term strategic or socioeconomic purposes instead of for selling in the near term or for short-term profit taking. The above equity investments were previously classified as financial investments available-for-sale. Following the reclassification on 1 April 2018, the net fair value gains of RM381.9 million in connection with these equity investments were recorded in fair value reserves.

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

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13. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Company	
	31 March 2019 (Note 60(b)) RM'000	31 March 2018 RM'000	31 March 2019 (Note 60(b)) RM'000	31 March 2018 RM'000
At Fair Value				
Money Market Instruments:				
Malaysian Government Securities	-	232,917	-	-
Malaysian Government Investment Issues	-	537,965	-	-
Islamic negotiable instruments of deposit	-	1,510,068	-	-
Foreign Government Investment Issues	-	11,493	-	-
	-	2,292,443	-	-
Quoted Securities:				
In Malaysia:				
Shares	-	223,614	-	-
Unit trusts	-	15,024	-	1,008
Outside Malaysia:				
Shares	-	40	-	-
	-	238,678	-	1,008
Unquoted Securities:				
In Malaysia:				
Shares	-	46,677	-	-
Unit trusts	-	114,855	-	-
Corporate bonds and sukuk	-	4,660,839	-	-
Outside Malaysia:				
Corporate bonds and sukuk	-	252,348	-	-
	-	5,074,719	-	-
At Cost				
Unquoted Securities:				
In Malaysia:				
Shares	-	96,852	-	-
Outside Malaysia:				
Shares	-	194	-	-
	-	97,046	-	-
	-	7,702,886	-	1,008

Notes to the Financial Statements
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14. FINANCIAL INVESTMENTS AT AMORTISED COST

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
At Amortised Cost		
Money Market Instruments:		
Malaysian Government Securities	472,186	-
Unquoted Securities:		
In Malaysia:		
Corporate bonds and sukuk	4,679,528	-
	5,151,714	-
Less: Allowance for ECL	(5,398)	-
Total	5,146,316	-

Movements in allowances for ECL are as follows:

Group 31 March 2019	Note	Stage 1 12-Month ECL RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Balance at beginning of the financial year				
- as previously stated		-	2,550	2,550
- effects of adoption of MFRS 9	60(b)	3,403	-	3,403
Balance at beginning of the financial year, as restated		3,403	2,550	5,953
Allowances for/(writeback) of ECL during the year	41	1,995	(1,459)	536
Net remeasurement of allowances		1,995	-	1,995
Financial assets derecognised		-	(1,459)	(1,459)
Amount written off		-	(1,091)	(1,091)
Balance at end of the financial year		5,398	-	5,398

The increase in ECL Stage 1 of RM1,995,000 is due to increase in gross carrying amount from additions in investments during the financial year.

No outstanding ECL in Stage 3 due to partial redemption of impaired bonds and the write-off of gross carrying amount of financial assets when the Group has no reasonable expectations of recovering the financial assets.

Notes to the Financial Statements
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15. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group		Company	
	31 March 2019 (Note 60(b)) RM'000	31 March 2018 RM'000	31 March 2019 (Note 60(b)) RM'000	31 March 2018 RM'000
At Amortised Cost				
Money Market Instruments:				
Malaysian Government Securities	-	60,601	-	-
Unquoted Securities:				
In Malaysia:				
Corporate bonds and sukuk	-	2,970,265	-	1,425,000
	-	3,030,866	-	1,425,000
Less: Accumulated impairment losses	-	(2,550)	-	-
	-	3,028,316	-	1,425,000

16. LOANS, ADVANCES AND FINANCING

		Group	
	Note	31 March 2019 RM'000	31 March 2018 RM'000
At Amortised Cost:			
Term loans/financing		26,784,208	23,829,662
Revolving credit		12,357,512	12,518,695
Housing loans/financing		30,463,942	26,926,393
Hire-purchase receivables		16,496,256	19,224,817
Card receivables		2,228,984	1,984,146
Overdrafts		4,271,329	3,935,978
Claims on customers under acceptance credits		5,322,723	4,663,871
Trust receipts		1,872,490	1,765,269
Bills receivables		1,572,401	1,091,864
Staff loans		97,711	103,815
Others		377,006	276,720
Gross loans, advances and financing		101,844,562	96,321,230
Less: Allowance for impairment on loans, advances and financing:			
Allowances for ECL:			
- Stage 1 - 12 month ECL	16 (i)	(275,818)	-
- Stage 2 - Lifetime ECL not credit impaired	16 (i)	(622,411)	-
- Stage 3 - Lifetime ECL credit impaired	16 (i)	(402,312)	-
Individual allowance	16 (j)	-	(208,482)
Collective allowance	16 (j)	-	(734,848)
Net loans, advances and financing		100,544,021	95,377,900

Notes to the Financial Statements
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16. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Domestic banking institutions	124,371	216
Domestic non-bank financial institutions	2,457,535	2,736,996
Domestic business enterprises:		
- Small and medium enterprises	20,238,234	16,693,920
- Others	22,473,666	22,191,579
Government and statutory bodies	551,785	716,114
Individuals	54,660,848	52,703,562
Other domestic entities	19,296	8,865
Foreign individuals and entities	1,318,827	1,269,978
	101,844,562	96,321,230

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

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
In Malaysia	101,566,469	96,093,527
Outside Malaysia	278,093	227,703
	101,844,562	96,321,230

Notes to the Financial Statements

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16. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Fixed rate:		
- Housing loans/financing	443,683	487,741
- Hire purchase receivables	15,434,981	17,824,523
- Other loans/financing	9,941,797	8,357,769
Variable rate:		
- Base rate and lending/financing rate plus	46,723,728	40,580,214
- Cost plus	22,156,095	22,643,595
- Other variable rates	7,144,278	6,427,388
	101,844,562	96,321,230

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

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Agriculture	3,284,337	3,300,734
Mining and quarrying	1,705,878	1,906,127
Manufacturing	11,770,889	9,824,643
Electricity, gas and water	442,498	1,161,410
Construction	4,422,781	3,743,923
Wholesale and retail trade and hotels and restaurants	6,793,566	5,955,656
Transport, storage and communication	2,741,298	2,085,001
Finance and insurance	2,603,147	2,755,986
Real estate	8,289,464	8,317,497
Business activities	2,279,216	1,714,275
Education and health	1,571,964	1,754,754
Household of which:	55,688,901	53,698,489
- Purchase of residential properties	29,884,774	26,400,754
- Purchase of transport vehicles	15,065,225	18,087,330
- Others	10,738,902	9,210,405
Others	250,623	102,735
	101,844,562	96,321,230

Notes to the Financial Statements
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16. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Maturing within one year	25,773,375	24,782,847
Over one year to three years	8,347,291	8,250,270
Over three years to five years	10,025,352	11,539,235
Over five years	57,698,544	51,748,878
	101,844,562	96,321,230

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

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Balance at beginning of the financial year	1,638,405	1,689,326
Impaired during the financial year	1,123,123	1,161,735
Reclassified as non-impaired	(306,127)	(100,128)
Recoveries	(207,813)	(477,456)
Amount written off	(632,072)	(618,521)
Foreign exchange differences	5,146	(16,551)
Balance at end of the financial year	1,620,662	1,638,405
Gross impaired loans, advances and financing as % of gross loans, advances and financing	1.59%	1.70%
Loan loss coverage (including regulatory reserve)*	113.99%	100.47%

* *Effective 1 April 2018, loan loss allowance includes ECL allowances for loan commitments and financial guarantees upon adoption of MFRS 9 which is presented under other liabilities in Note 30.*

Notes to the Financial Statements
For the financial year ended 31 March 2019

16. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
In Malaysia	1,562,438	1,579,455
Outside Malaysia	58,224	58,950
	1,620,662	1,638,405

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

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Agriculture	549	836
Mining and quarrying	78,910	86,517
Manufacturing	164,196	83,010
Electricity, gas and water	140	7,140
Construction	23,340	46,033
Wholesale and retail trade and hotels and restaurants	57,184	43,944
Transport, storage and communication	73,801	85,956
Finance and insurance	1	-
Real estate	538,642	599,355
Business activities	12,110	11,823
Education and health	13,397	24,192
Household of which:	656,191	647,234
- Purchase of residential properties	402,263	331,669
- Purchase of transport vehicles	121,085	207,396
- Others	132,843	108,169
Others	2,201	2,365
	1,620,662	1,638,405

Notes to the Financial Statements

For the financial year ended 31 March 2019

16. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

Group 31 March 2019	Note	Stage 1 12-Month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Balance at beginning of the financial year:					
- as previously stated		-	-	-	943,330
- effects of adoption of MFRS 9	60(b)	-	-	-	455,893
Balance at beginning of the financial year, as restated		268,685	689,245	441,293	1,399,223
Allowance for/(writeback) of ECL during the year:	40	6,889	(66,898)	596,106	536,097
- Transfer to 12 month ECL (Stage 1)		12,698	(135,350)	(6,903)	(129,555)
- Transfer to Lifetime ECL not credit impaired (Stage 2)		(23,638)	206,313	(25,259)	157,416
- Transfer to Lifetime ECL credit impaired (Stage 3)		(2,898)	(35,316)	243,125	204,911
New financial assets originated		74,555	179,608	12,774	266,937
Net remeasurement of allowances		(9,077)	(222,774)	457,461	225,610
Modification of contractual cash flows of financial assets		(1,141)	(693)	112	(1,722)
Financial assets derecognised		(43,610)	(58,686)	(85,204)	(187,500)
Foreign exchange differences		244	64	(3,015)	(2,707)
Amount written off		-	-	(632,072)	(632,072)
Balance at end of the financial year		275,818	622,411	402,312	1,300,541

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

Overall, the total allowance for impairment on loans, advances and financing has decreased due to the following:

(a) 12-month ECL (Stage 1) - increase of RM7,133,000 mainly due to new financial assets originated partially offset by derecognition of financial assets and transfers to Stage 2 and Stage 3.

(b) Lifetime ECL not credit impaired (Stage 2) - decrease of RM66,834,000 mainly due to net remeasurement of allowances, derecognition of financial assets and transfer to Stage 1 which resulted in a writeback of RM416,810,000. This is offset by new financial assets originated.

(c) Lifetime ECL credit impaired (Stage 3) - decrease of RM38,981,000 mainly due to amounts written off and financial assets derecognised during the financial year. This is partially offset by net remeasurement of allowances.

Notes to the Financial Statements

For the financial year ended 31 March 2019

16. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

	Note	Group 31 March 2018 RM'000
Individual allowance		
Balance at beginning of the financial year		258,997
Allowance made during the financial year, net	40	105,151
Amount written off		(148,170)
Foreign exchange differences		(7,496)
Balance at end of the financial year		208,482
Collective allowance		
Balance at beginning of the financial year		861,850
Allowances made during the financial year, net	40	345,200
Amounts written off		(470,347)
Foreign exchange differences		(1,855)
Balance at end of the financial year		734,848

17. RECEIVABLES: INVESTMENTS NOT QUOTED IN ACTIVE MARKETS

	Group	
	31 March 2019 (Note 60(b)) RM'000	31 March 2018 RM'000
Unquoted corporate bonds and sukuk, at amortised cost	-	1,932,102
Fair value changes arising from fair value hedge	-	8,331
	-	1,940,433

18. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

Notes to the Financial Statements

For the financial year ended 31 March 2019

19. DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Deferred tax assets	66,162	75,324
Deferred tax liabilities	(63,702)	(65,403)
	2,460	9,921

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

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Deferred tax assets	163,045	152,466
Deferred tax liabilities	(160,585)	(142,545)
	2,460	9,921

Notes to the Financial Statements
For the financial year ended 31 March 2019

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

The components and movements of deferred tax assets/(liabilities) prior to offsetting are as follows:

Deferred tax assets

Group 31 March 2019	Balance at beginning of the financial year as previously stated RM'000	Effect of adoption of MFRS 9 (Note 60(b)) RM'000	Balance at beginning of the financial year as restated RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Balance at end of the financial year RM'000
Available-for-sale deficit	9,427	(9,427)	-	-	-	-
Cash flow hedge reserve	(1,002)	-	(1,002)	-	4,815	3,813
Provision for commitments and contingencies	18,183	(16,292)	1,891	15,781	-	17,672
Provision for expenses	104,954	-	104,954	16,625	-	121,579
Other temporary differences	20,904	283	21,187	(1,206)	-	19,981
	152,466	(25,436)	127,030	31,200	4,815	163,045

Group 31 March 2018	Balance at beginning of the financial year RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Balance at end of the financial year RM'000
Available-for-sale deficit	4,577	-	4,850	9,427
Cash flow hedge reserve	(950)	-	(52)	(1,002)
Provision for commitments and contingencies	16,082	2,101	-	18,183
Allowance for impairment of foreclosed properties	3,152	(3,152)	-	-
Provision for expenses	107,690	(2,736)	-	104,954
Other temporary differences	20,427	477	-	20,904
	150,978	(3,310)	4,798	152,466

Notes to the Financial Statements

For the financial year ended 31 March 2019

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

The deferred tax assets/(liabilities) prior to offsetting are summarised as follows (Cont'd.):

Deferred tax liabilities

Group 31 March 2019	Balance at beginning of the financial year as previously stated RM'000	Effect of adoption of MFRS 9 (Note 60(b)) RM'000	Balance at beginning of the financial year as restated RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Balance at end of the financial year RM'000
Excess of capital allowance over depreciation	40,745	-	40,745	(4,806)	-	35,939
Deferred charges	38,306	-	38,306	890	-	39,196
Intangible assets	40,070	-	40,070	(1,980)	-	38,090
Redeemable cumulative convertible preference share	19,136	-	19,136	(1,709)	-	17,427
Allowances for ECL on:						
- financial assets	-	-	-	4,765	-	4,765
- commitments and contingencies	-	-	-	3,013	-	3,013
Fair value reserve	-	2,082	2,082	-	13,540	15,622
Other temporary differences	4,288	314	4,602	1,917	14	6,533
	142,545	2,396	144,941	2,090	13,554	160,585

Group 31 March 2018	Balance at beginning of the financial year RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Balance at end of the financial year RM'000
Excess of capital allowance over depreciation	53,675	(12,930)	-	40,745
Deferred charges	25,490	12,816	-	38,306
Intangible assets	42,883	(2,813)	-	40,070
Redeemable cumulative convertible preference share	20,757	(1,621)	-	19,136
Other temporary differences	190,843	(186,458)	(97)	4,288
	333,648	(191,006)	(97)	142,545

As at 31 March 2019 and 31 March 2018, there is unabsorbed capital allowances which amounted to RM451,273,000 (2018: RM453,087,000) that is available for offset against future taxable profit of leasing business from two of its subsidiaries. A deferred tax asset is not recognised due to the uncertainty in timing of its recoverability.

Notes to the Financial Statements
For the financial year ended 31 March 2019

20. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENTS

(a) Investment in subsidiaries

	Note	Company 31 March 2019 RM'000	Company 31 March 2018 RM'000
At cost			
Unquoted shares in Malaysia			
Balance at the beginning of the financial year		9,706,300	9,506,300
Subscription of new ordinary shares	3(ii)	177,257	200,000
		9,883,557	9,706,300
Less: Impairment		(243,244)	(219,161)
Balance at the end of the financial year		9,640,313	9,487,139

(1) Details of the subsidiaries are as follows:

Subsidiaries	Principal activities	Effective equity interest 31 March 2019 %	Effective equity interest 31 March 2018 %
AmInvestment Group Berhad ("AIGB")	Investment holding	100.00	100.00
AMAB Holdings Sdn Bhd ("AMAB Holdings")	Investment holding	100.00	100.00
AmBank (M) Berhad ("AmBank")	Commercial banking	100.00	100.00
AmInvestment Bank Berhad ("AmInvestment Bank")	Investment banking	100.00	100.00
AmBank Islamic Berhad ("AmBank Islamic")	Islamic banking	100.00	100.00
MBF Cards (M'sia) Sdn Bhd ("MBF Cards")	Dormant	100.00	100.00
AmSecurities Holding Sdn Bhd ("AMSH")	Investment holding	100.00	100.00
AmCard Services Berhad	Asset financing agency	100.00	100.00
AmGeneral Holdings Berhad	Investment holding	51.00	51.00
AmGeneral Insurance Berhad	General Insurance	51.00	51.00
AmFunds Management Berhad ("AFMB")	Managing unit trust funds and private retirement scheme	100.00	100.00
AmIslamic Funds Management Sdn Bhd ("AIFM")	Islamic fund management services and distribution of Islamic wholesale funds	100.00	100.00
AMMB Nominees (Tempatan) Sdn Bhd	Nominee services	100.00	100.00
AMMB Nominees (Asing) Sdn Bhd[9]	Dormant	100.00	100.00
AMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	100.00	100.00
AMSEC Nominees (Asing) Sdn Bhd	Nominee services	100.00	100.00
AM Nominees (Tempatan) Sdn Bhd[2]	Nominee services	100.00	100.00
AM Nominees (Asing) Sdn Bhd	Nominee services	100.00	100.00
AmREIT Holdings Sdn Bhd	Investment holding	70.00	70.00
AmREIT Managers Sdn Bhd	Management of real estate investment trusts and properties	70.00	70.00
MBf Information Services Sdn Bhd	Property investment	100.00	100.00
MBf Nominees (Tempatan) Sdn Bhd	Nominee services	100.00	100.00
MBf Trustees Berhad	Trustee services	60.00	60.00

Notes to the Financial Statements

For the financial year ended 31 March 2019

20. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENTS (CONT'D.)

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

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

		Effective equity interest	
Subsidiaries (Cont'd.)	Principal activities	31 March 2019 %	31 March 2018 %
AmProperty Holdings Sdn Bhd	Property investment	100.00	100.00
Teras Oak Pembangunan Sendirian Berhad	Dormant	100.00	100.00
Bougainvillaea Development Sdn Bhd	Property investment	100.00	100.00
Malco Properties Sdn Bhd	Dormant	81.51	81.51
AmPremier Capital Berhad ("AmPremier")	Issue of subordinated securities	100.00	100.00
AmMortgage One Berhad ("AmMortgage")	Securitisation of mortgage loans	100.00	100.00
AmCapital (B) Sdn Bhd[1,3]	Dormant	100.00	100.00
AmLabuan Holdings (L) Ltd	Investment holding	100.00	100.00
AmFraser International Pte. Ltd.[3]	Investment holding	100.00	100.00
AMFB Holdings Berhad ("AMFB")[6]	Investment holding	100.00	100.00
AMSEC Holdings Sdn Bhd[4]	Dormant	100.00	100.00
AmInvestment Management Sdn Bhd ("AIM")[6]	Dormant	100.00	100.00
AmPrivate Equity Sdn Bhd ("AmPrivate Equity")[6]	Investment holding	80.00	80.00
AmFutures Sdn Bhd ("AmFutures")[8]	Dormant	100.00	100.00
AmResearch Sdn Bhd ("AmResearch")[6]	Dormant	100.00	100.00
Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI")[6]	Fund management and consultancy services	100.00	100.00
Komuda Credit & Leasing Sdn Bhd[5]	Dormant	100.00	100.00
AMBB Capital (L) Ltd[7]	Dormant	100.00	100.00
AmGlobal Investments Pte. Ltd.[10]	Dormant	-	100.00

The above subsidiaries are incorporated in Malaysia, except for the following:

Subsidiaries	Incorporated in
(i) AmCapital (B) Sdn Bhd	Brunei
(ii) AmFraser International Pte. Ltd. and AmGlobal Investments Pte. Ltd.	Singapore

[1] Subsidiary which ceased operation since 1 May 2015 and commenced court liquidation on 12 December 2018.
[2] Subsidiary audited by a firm other than Ernst & Young, Malaysia.
[3] Subsidiary audited by a firm affiliated with Ernst & Young.
[4] Subsidiary commenced Members' Voluntary Liquidation on 6 August 2013.
[5] Subsidiary commenced Members' Voluntary Liquidation on 31 July 2013.
[6] Subsidiaries commenced Members' Voluntary Liquidation on 23 December 2016.
[7] Subsidiaries commenced Members' Voluntary Liquidation on 17 March 2017.
[8] Subsidiary commenced Members' Voluntary Liquidation on 27 March 2018.
[9] Subsidiary commenced Members' Voluntary Liquidation on 30 January 2019.
[10] Subsidiary dissolved on 3 July 2018.

Notes to the Financial Statements

For the financial year ended 31 March 2019

20. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENTS (CONT'D.)

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

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

(3) Transactions during the current financial year are as follows:

(i) Capital repayment by subsidiaries

(a) AIGB, a direct wholly-owned subsidiary of the Company which had obtained Capital Reduction Order from the High Court pursuant to Section 116 of the Companies Act 2016 in the previous financial year returned additional capital which amounted to RM25.0 million to the Company on 14 November 2018 through the cancellation of 25,000,000 ordinary shares. Arising from the return of capital, the Company provided for impairment on subsidiary of RM24,083,000 during the current financial year.

(b) AmFutures, a wholly-owned subsidiary of AmInvestment Bank returned capital which amounted to RM15.0 million to AmInvestment Bank. AmFutures had commenced member's voluntary liquidation on 27 March 2018.

The capital repayment of the above subsidiaries did not have any effect on the reported cashflows from operations, financial position and performance of the Group.

(ii) Increase in issued and paid-up ordinary share capital by AmBank

On 28 June 2018, the Company subscribed for the issuance of 16,489,024 new ordinary shares by AmBank at an issue price of RM10.75 per ordinary shares which amounted to RM177,257,008.

(iii) Redemption of preference shares

During the current financial year, AmGeneral Insurance Berhad redeemed 50% of its Redeemable Non-Cumulative Convertible Preference Share ("RNCPS") which amounted to RM200.0 million. Arising from this redemption under Sections 72(4)(a) of the Companies Act 2016, the same amount was transferred to paid-up share capital (Note 31) of the Group pursuant to Section 72(5) of the Companies Act 2016.

(iv) Dissolution of wholly-owned dormant subsidiary

AmInvestment Bank's wholly-owned indirect subsidiary, AmGlobal Investments Pte. Ltd (incorporated in Singapore) was dissolved by way of member's voluntary liquidation pursuant to Section 290(1)(b) of the Companies Act, Cap. 50 on 3 July 2018.

As the above subsidiary is dormant, there was no significant impact on the Group's statement of profit or loss or statement of financial position arising from the dissolution.

(v) AmCapital (B) Sdn Bhd ("AmCapital (B)") (incorporated in Brunei Darussalam), a wholly-owned subsidiary of AIGB had on 12 December 2018 applied to the Supreme Court of Brunei Darussalam to be wound up by the Court under the provisions of the Insolvency Order 2016, of Brunei Darussalam. AmCapital (B) had ceased operations since 1 May 2015.

The member's voluntary liquidation will not have any material effect on the earnings and net assets of the Group for the current financial year.

(4) AMBB Capital (L) Ltd which commenced member's voluntary liquidation on 17 March 2017 was dissolved on 8 April 2019.

Notes to the Financial Statements
For the financial year ended 31 March 2019

20. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENTS (CONT'D.)

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

(5) Transaction during the prior financial year are as follows:

On 17 January 2018, AIGB had obtained Capital Reduction Order from the High Court pursuant to Section 116 of the Companies Act 2016. On 26 January 2018, the Company had set-off the proceeds from the return of paid-up share capital in excess of AIGB's needs which amounted to approximately RM195,409,000 with the advance taken from AIGB. Arising from the return of capital, the Company had provided impairment on subsidiary of RM219,161,000 in the financial year ended 31 March 2018.

(6) The subsidiaries which are not wholly-owned are not material individually or in aggregate to the financial position or performance of the Group except for AmGeneral Holdings Berhad.

Summarised consolidated financial statements of AmGeneral Holdings Berhad and its subsidiary

The summarised financial information of AmGeneral Holdings Berhad, its subsidiary and other investments ("AMGH Group") which has non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination.

(i) Non-controlling interest ("NCI") in AMGH Group

The Group's subsidiary that have material NCI is as follows:

		AMGH Group	
	Note	31 March 2019 RM'000	31 March 2018 RM'000
NCI percentage of ownership interest and voting interest		49%	49%
Net carrying amount of NCI at beginning of the financial year			
- as previously reported		1,143,538	1,125,034
- effects of adoption of MFRS 9	60(c)	48	-
Net carrying amount of NCI at beginning of the financial year, as restated		1,143,586	1,125,034
Share of net results		97,022	120,597
Share of other comprehensive income		5	(2,038)
Share of other equity movements		(104)	(55)
		1,240,509	1,243,538
Investment by NCI in subsidiary whereby the Group's effective equity interest is 29.66% - withdrawal		-	(100,615)
Share of net results		-	615
Dividends paid		(242,060)	-
Net carrying amount of NCI at end of the financial year		998,449	1,143,538
Total Assets		5,552,345	5,921,622
Total Liabilities		(3,515,603)	(3,588,778)
Net assets		2,036,742	2,332,844
Equity attributable to owners of the Company		1,038,293	1,189,306
NCI		998,449	1,143,538

Notes to the Financial Statements
For the financial year ended 31 March 2019

20. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENTS (CONT'D.)

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

Summarised consolidated financial statements of AmGeneral Holdings Berhad and its subsidiary (Cont'd.)

The summarised financial information of AMGH Group which has non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination. (Cont'd.)

(ii) Summarised statement of comprehensive income

	AMGH Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Operating revenue	1,544,307	1,591,843
Profit for the financial year	198,004	246,115
Attributable to:		
Equity holders of the Company	100,982	125,518
NCI	97,022	120,597
Total comprehensive income	198,031	241,957
Attributable to:		
Equity holders of the Company	101,004	123,398
NCI	97,027	118,559
Dividend paid to NCI	(242,060)	-

(iii) Summarised statement of cash flows

	AMGH Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Operating activities	(29,858)	(65,165)
Investing activities	346,223	(278,240)
Financing activities	(494,000)	(100,615)
Net decrease in cash and cash equivalents for the financial year	(177,635)	(444,020)

Notes to the Financial Statements
For the financial year ended 31 March 2019

20. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENTS (CONT'D.)

(b) Investment in collective investment schemes

Collective investment schemes held indirectly

		Effective equity interest	
		31 March 2019	31 March 2018
In Malaysia			
Unquoted unit trusts			
Name of fund	**Principal activities**	**%**	**%**
AmIncome Institutional 1	Investment in debt securities and money market	51.00	51.00
AmIncome Institutional 3	Investment in debt securities and money market	51.00	51.00
AmCash Plus	Investment in government related securities and money market	51.00	51.00

These collective investment schemes have been consolidated in accordance with MFRS 10 *Consolidated Financial Statements*.

21. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Unquoted shares:		
At cost at beginning of the financial year	663,169	659,669
Subscription of ordinary shares issued	6,000	3,500
At cost at end of the financial year	669,169	663,169
Share of post acquisition reserves	40,922	27,125
	710,091	690,294

(a) The carrying amount of interest in joint ventures of the Group amounting to approximately RM444,231,000 (2018: RM425,313,000) are included in the total carrying amount of investment in associates and joint ventures. As at 31 March 2019, the carrying amount of the Group's material joint venture, AmMetLife Insurance Berhad, amounted to approximately RM411,597,000 (2018: RM394,108,000).

Notes to the Financial Statements
For the financial year ended 31 March 2019

21. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONT'D.)

(b) Information about associates and joint ventures which are all incorporated in Malaysia are as follows:

Name of associate/joint venture	Principal activities	Effective Equity Interest 31 March 2019 %	Effective Equity Interest 31 March 2018 %
Associates:			
AmFirst Real Estate Investment Trust ("AmFirst REIT")	Investment in real estate	26.73	26.73
Bonuskad Loyalty Sdn Bhd ("Bonuskad")^	Managing customer loyalty schemes	33.33	33.33
Joint ventures ("JV"):			
AmMetLife Insurance Berhad ("AmMetLife Insurance")	Life assurance	50.00	50.00
AmMetLife Takaful Berhad ("AmMetLife Takaful")	Family Takaful	50.00	50.00

^ *The financial year-end of Bonuskad is on 31 December 2018 and for the purpose of applying the equity method of accounting, appropriate adjustments have been made for the effects of significant transactions up to the Company's financial reporting date.*

(c) The following table summarises the information of the Group's material associate and joint venture and other individually immaterial associate and joint venture:

	AmFirst REIT RM'000	AmMetLife Insurance RM'000	Bonuskad RM'000	AmMetLife Takaful RM'000
For the financial year ended 31 March 2019				
Revenue	116,583	719,057	27,260	35,009
Profit/(Loss) after tax from continuing operations	22,293	34,460	2,167	(4,929)
Other comprehensive income	-	519	-	359
Total comprehensive income/(loss)	22,293	34,979	2,167	(4,570)

	AmFirst REIT RM'000	AmMetLife Insurance RM'000	Bonuskad RM'000	AmMetLife Takaful RM'000
For the financial year ended 31 March 2018				
Revenue	114,099	614,018	23,654	44,449
Profit/(Loss) after tax from continuing operations	11,330	(1,456)	2,033	(10,643)
Other comprehensive income/(loss)	-	2,111	-	(77)
Total comprehensive income/(loss)	11,330	655	2,033	(10,720)

Notes to the Financial Statements

For the financial year ended 31 March 2019

21. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONT'D.)

(c) The following table summarises the information of the Group's material associate and joint venture and other individually immaterial associate and joint venture: (Cont'd.)

	31 March 2019		31 March 2018	
	AmFirst REIT RM'000	AmMetLife Insurance RM'000	AmFirst REIT RM'000	AmMetLife Insurance RM'000
Total assets[1]	1,671,846	3,928,661	1,663,946	3,643,266
Total liabilities	(827,302)	(3,105,467)	(814,582)	(2,855,050)
Net assets	844,544	823,194	849,364	788,216

[1] *Includes fair value adjustments made by the Group at the time of acquisition.*

(d) The above profit/(loss) after tax from continuing operations for the material associate and joint venture includes the following:

	AmFirst REIT 31 March 2019 RM'000	AmMetLife Insurance 31 March 2019 RM'000	AmFirst REIT 31 March 2018 RM'000	AmMetLife Insurance 31 March 2018 RM'000
Interest income	167	234	234	138,586
Interest expense	38,823	-	(37,266)	-
Depreciation of property and equipment	-	-	-	(5,996)
Amortisation of intangible assets	-	-	-	(7,284)
Taxation	-	-	-	(5,836)

The above amounts of assets and liabilities for the material associate and joint venture includes the following:

	AmFirst REIT 31 March 2019 RM'000	AmMetLife Insurance 31 March 2019 RM'000	AmFirst REIT 31 March 2018 RM'000	AmMetLife Insurance 31 March 2018 RM'000
Cash and cash equivalents	2,265	208,277	3,946	217,644
Current financial liabilities (excluding trade, other payables and provisions)	(98,067)	-	(149,173)	-
Non current financial liabilities (excluding trade, other payables and provisions)	(695,753)	-	(633,806)	-

Notes to the Financial Statements

For the financial year ended 31 March 2019

21. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONT'D.)

(e) Reconciliation of the summarised financial information to the carrying amount of the interest in the material joint venture and associate recognised in the consolidated financial statements:

	AmFirst REIT 31 March 2019 RM'000	AmMetLife Insurance 31 March 2019 RM'000	AmFirst REIT 31 March 2018 RM'000	AmMetLife Insurance 31 March 2018 RM'000
Proportion of net assets at date of recognition	26.7%	50.0%	26.7%	50.0%
Carrying amount at beginning of the financial year	227,052	394,108	231,822	394,020
Share of net results for the financial year	5,960	17,230	3,028	(728)
Share of other comprehensive income for the financial year	-	259	-	1,056
Share of other equity movements	-	-	-	(240)
Dividend/Distribution received	(7,248)	-	(7,798)	-
Carrying amount at the end of the financial year	225,764	411,597	227,052	394,108

(f) AmMetLife Insurance Berhad and AmMetLife Takaful Berhad, the two joint-ventures ("JVs") of the Group are applying the temporary exemptions from MFRS 9. Both JVs have concluded that they qualify for the temporary exemption from MFRS 9 as the two JVs have not previously applied any versions of MFRS 9 and their activities are predominantly connected with insurance/takaful at annual reporting date that immediately precedes 1 April 2016. Since 31 March 2016, there has been no change in the activities of the JVs that requires reassessment of the use of the temporary exemption.

The following are disclosures required by IFRS 4 for an insurer which has applied for temporary exemption from MFRS 9.

(1) The table below presents an analysis of the fair value of classes of financial assets as at 31 March 2019, as well as the corresponding change in fair value during the financial year.

(i) Individually material JV - AmMetLife Insurance

	Fair Value as at 1 April 2018 RM'000	Change in fair value* RM'000	Fair Value as at 31 March 2019 RM'000	Result of the cashflows characteristics test RM'000	Classification and measurement under MFRS 9 RM'000
Assets					
Investments					
Loans and receivables ("LAR")	354,836	(19,975)	334,861	SPPI	Amortised cost
Available-for-sale ("AFS") securities	1,070,547	136,526	1,207,073		
- Quoted equities	64,765	(7,600)	57,165	Non-SPPI	FVTPL
- Unquoted equities	2,147	-	2,147	Non-SPPI	FVTPL
- Malaysian Government Securities	70,111	41,192	111,303	SPPI	FVOCI
- Unquoted corporate bonds	891,656	101,250	992,906	SPPI	FVOCI
- Unquoted corporate bonds	31,080	(750)	30,330	Non-SPPI	FVTPL
- Quoted unit and property trust funds	10,788	2,434	13,222	Non-SPPI	FVTPL

Notes to the Financial Statements

For the financial year ended 31 March 2019

21. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONT'D.)

(1) The table below presents an analysis of the fair value of classes of financial assets as at 31 March 2019, as well as the corresponding change in fair value during the financial year. (Cont'd.)

(i) Individually material JV - AmMetLife Insurance (Cont'd.)

	Fair Value as at 1 April 2018 RM'000	Change in fair value* RM'000	Fair Value as at 31 March 2019 RM'000	Result of the cashflows characteristics test RM'000	Classification and measurement under MFRS 9 RM'000
Fair value through profit or loss ("FVTPL"):	1,207,569	148,585	1,356,154		
- Quoted equities	65,558	3,801	69,359	Non-SPPI	FVTPL
- Malaysian Government Securities	90,661	43,532	134,193	SPPI	FVOCI
- Unquoted corporate bonds	994,459	93,941	1,088,400	SPPI	FVOCI
- Unquoted corporate bonds	41,189	(716)	40,473	Non-SPPI	FVTPL
- Quoted unit and property trust funds	847	2,783	3,630	Non-SPPI	FVTPL
- Unquoted unit and property trust funds	14,855	5,244	20,099	Non-SPPI	FVTPL
Other receivables	33,740	(3,874)	29,866	SPPI	Amortised cost
Cash and bank balances	30,166	13,013	43,179	SPPI	Amortised cost

* *Includes purchases, disposals, maturities and unrealised gains/(losses).*

In the table above, the amortised cost of loans and receivables, other receivables and cash and bank balances have been used as a reasonable approximation to fair value. Similarly, unquoted equities have been reflected at cost less impairment loss as they approximate the fair value.

(ii) Individually immaterial JV - AmMetLife Takaful

	Fair Value as at 1 April 2018 RM'000	Change in fair value* RM'000	Fair Value as at 31 March 2019 RM'000	Result of the cashflows characteristics test RM'000	Classification and measurement under MFRS 9 RM'000
Assets					
Loans and receivables ("LAR")	31,913	(8,115)	23,798	SPPI	Amortised cost
- Quoted Shariah approved equities	8,514	(281)	8,233	Non-SPPI	FVTPL
- Quoted unit and property trust funds	1,198	2,678	3,876	Non-SPPI	FVTPL
- Malaysian Government Guaranteed financing	10,545	(6,835)	3,710	SPPI	FVOCI
- Sukuk	60,745	32,717	93,462	SPPI	FVOCI
Takaful receivables	1,627	1,449	3,076	SPPI	Amortised cost
Cash and bank balances	7,354	(3,731)	3,623	SPPI	Amortised cost

* *Includes purchases, disposals, maturities and unrealised gains/(losses).*

Notes to the Financial Statements
For the financial year ended 31 March 2019

21. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONT'D.)

(2) The tables below presents the information about the credit risk exposure of the financial assets of the JVs of the Group.

(a) At the reporting date, the JV's maximum credit exposure to credit risk is represented by the maximum amount of each class of financial asset subject to credit risk recognised in the statement of financial position as shown in the table below. The carrying amount is measured in accordance with MFRS 139 although this is prior to any impairment allowance for those measured at amortised cost.

(i) Individually material JV - AmMetLife Insurance

Credit exposure by credit rating

31 March 2019	Neither past due nor impaired AAA RM'000	AA RM'000	A RM'000	Government Guaranteed RM'000	Unrated RM'000	Unit Linked RM'000	Total RM'000
Investments:							
LAR:							
Deposit with licensed banks	8,476	137,503	-	-	-	1,730	147,709
Loans							
Malaysian Government Guaranteed loans	-	-	-	101,410	-	-	101,410
Policy loans	-	-	-	-	85,248	-	85,248
Mortgage loans	-	-	-	-	485	-	485
Vehicle loans	-	-	-	-	9	-	9
AFS:							
Malaysian Government Securities	-	-	-	111,303	-	-	111,303
Corporate bonds	227,437	189,369	-	576,100	-	-	992,906
FVTPL:							
Malaysian Government Securities	-	-	-	133,468	-	725	134,193
Corporate bonds	139,621	214,934	-	706,165	-	27,680	1,088,400
Other receivables	3,675	6,579	285	14,825	3,941	561	29,866
Cash and bank balances	25,467	1,745	-	-	62	15,905	43,179
	404,676	550,130	285	1,643,271	89,745	46,601	2,734,708

As at 31 March 2019, there are no SPPI assets that do not have low credit risk.

Notes to the Financial Statements

For the financial year ended 31 March 2019

21. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONT'D.)

(2) The tables below presents the information about the credit risk exposure of the financial assets of the JVs of the Group. (Cont'd.)

(a) The table below provides information regarding the credit risk exposure of the JV for assets subject to credit risk according to the JV's credit ratings of counterparties. The carrying amount is measured in accordance with MFRS 139 excluding any impairment allowance for those measured at amortised cost. (Cont'd.)

(ii) Individually immaterial JV - AmMetLife Takaful

		Neither past due nor impaired		
31 March 2019	**Government guaranteed RM'000**	**Investment grade* (A - AAA) RM'000**	**Unrated RM'000**	**Total JV RM'000**
Investments:				
Financial assets at FVTPL:				
Unquoted in Malaysia:				
Secured Sukuk	312	-	-	312
Unsecured Sukuk	-	2,919	-	2,919
AFS securities:				
Unquoted in Malaysia:				
Secured Sukuk	3,398	-	-	3,398
Unsecured Sukuk	-	88,854	-	88,854
LAR:				
Investment accounts with licensed Islamic banks	-	23,798	-	23,798
Takaful receivables	-	1,884	1,191	3,076
Retakaful assets	-	-	-	-
Other receivables (excluding prepayments)	76	1,612	-	1,688
Cash and bank balances	-	3,616	7	3,623
	3,786	122,683	1,198	127,668

* *Based on public ratings assigned by Rating Agency Malaysia and Malaysian Rating Corporation Berhad.*

As at 31 March 2019, there are no SPPI assets that do not have low credit risk.

Notes to the Financial Statements

For the financial year ended 31 March 2019

22. OTHER ASSETS

		Group		Company	
	Note	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Trade receivables	(a)	435,443	587,917	-	-
Other receivables, deposits and prepayments	(b)	569,727	880,670	955	1,774
Interest/Profit receivable		443,227	295,295	-	4,558
Fee receivable		29,656	33,641	-	-
Amount due from originators	(c)	18,350	20,398	-	-
Amount due from agents, brokers and reinsurers		54,399	35,635	-	-
Foreclosed properties		2,596	4,497	-	-
Tax recoverable	(d)	52,111	192,617	715	981
Collateral pledged for derivative transactions		386,679	247,839	-	-
		1,992,188	2,298,509	1,670	7,313
Accumulated impairment losses	(e)	(8,733)	(29,403)	-	-
Allowances for ECL	(f)	(4)	-	-	-
		1,983,451	2,269,106	1,670	7,313

(a) Trade receivables mainly relate to the stock and futures broking operations and fund management operations of the Group which include amount outstanding from purchase contracts and management fees receivable in respect of funds under the management of its subsidiaries.

(b) Included in other receivables, deposits and prepayments of the Group and the Company are amounts due from subsidiaries and other related companies. These intercompany balances are unsecured, non-interest bearing and are payable on demand.

(c) Amount due from originators represents housing financing acquired from originators for onward sale to Cagamas Berhad as mentioned in Note 27.

(d) In financial year ended 31 March 2015, the Inland Revenue Board ("IRB") had issued notice of income tax assessments for the year of assessment 2008 and 2009 to one of its wholly-owned subsidiary, AmBank. AmBank 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 of the Group as at 31 March 2015 was the tax paid of approximately RM203,500,700 as the Group was of the opinion that it had strong grounds to succeed in its appeals.

AmBank was successful in its appeals for the majority of the tax matters under dispute and had since received full refund for years of assessment 2008 and 2009.

Notes to the Financial Statements

For the financial year ended 31 March 2019

22. OTHER ASSETS (CONT'D.)

(e) The movements of Lifetime ECL/allowances for impairment losses for other assets using simplified approach are as follows:

(i) Movements for trade receivables are as follows:

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Balance at beginning of the financial year	1,508	14,286
Net remeasurement of allowance for ECL/(Writeback) of impairment loss	159	(180)
Reclassification	(1)	-
Amount written off	(69)	(12,598)
Balance at end of the financial year	1,597	1,508

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

(ii) Movements for other receivables and interest receivable are as follows:

		Group	
	Note	31 March 2019 RM'000	31 March 2018 RM'000
Balance at beginning of the financial year			
- as previously stated		27,738	32,372
- effects of adoption of MFRS 9	60(b)	310	-
Balance at beginning of the financial year, as restated		28,048	32,372
Net remeasurement of allowances		(416)	8,304
Amount written off		(20,641)	(12,575)
Reversals/reclassification		(117)	4
Foreign exchange differences		105	(367)
Balance at end of the financial year		6,979	27,738

(iii) The movement in accumulated impairment losses for foreclosed properties is as follows:

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Balance at beginning of the financial year	157	13,291
Charge for the financial year	-	35
Disposal	-	(13,169)
Balance at end of the financial year	157	157

Notes to the Financial Statements

For the financial year ended 31 March 2019

22. OTHER ASSETS (CONT'D.)

(f) The movement in ECL for fee receivable is as follows:

Group 31 March 2019	Note	Stage 1 12-month ECL RM'000
Balance at beginning of the financial year		
- as previously stated		-
- effects of adoption of MFRS 9	60(b)	3
Balance at beginning of the financial year, as restated		3
Net remeasurement of allowances		1
Balance at end of the financial year		4

Notes to the Financial Statements

For the financial year ended 31 March 2019

23. PROPERTY AND EQUIPMENT

Group 31 March 2019	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Work-in-progress RM'000	Total RM'000
Cost										
At beginning of the financial year	4,210	5,102	534	77,977	10,596	198,078	438,606	208,431	1,548	945,082
Additions	-	-	-	-	383	12,543	5,681	5,219	7,900	31,726
Disposals	(70)	-	-	(671)	(977)	(3,743)	(7,958)	(4,825)	-	(18,244)
Written off	-	-	-	-	-	(8)	(7)	(1,249)	-	(1,264)
Reclassification/Transfer	-	-	-	-	(156)	(90)	4,036	(165)	(2,279)	1,346
Reclassified to Assets held for sale (Note 58)	-	-	-	(9,794)	-	-	-	-	-	(9,794)
Foreign exchange differences	-	-	-	35	9	(17)	18	94	-	139
At end of the financial year	4,140	5,102	534	67,547	9,855	206,763	440,376	207,505	7,169	948,991
Accumulated Depreciation										
At beginning of the financial year	347	2,478	199	28,715	6,894	171,743	373,749	168,412	-	752,537
Depreciation for the financial year	-	155	5	1,300	636	10,593	25,199	12,824	-	50,712
Disposals	-	-	-	(302)	(806)	(3,741)	(7,956)	(4,739)	-	(17,544)
Written off	-	-	-	-	-	(8)	(5)	(1,190)	-	(1,203)
Reclassification/Transfer	-	-	-	-	(156)	(17)	84	(130)	-	(219)
Reclassified to Assets held for sale (Note 58)	-	-	-	(4,765)	-	-	-	-	-	(4,765)
Foreign exchange differences	-	-	-	15	9	(17)	18	94	-	119
At end of the financial year	347	2,633	204	24,963	6,577	178,553	391,089	175,271	-	779,637
Accumulated Impairment Loss										
At beginning and end of the financial year	-	254	-	879	-	-	-	-	-	1,133
Carrying Amount	**3,793**	**2,215**	**330**	**41,705**	**3,278**	**28,210**	**49,287**	**32,234**	**7,169**	**168,221**

Notes to the Financial Statements

For the financial year ended 31 March 2019

23. PROPERTY AND EQUIPMENT (CONT'D.)

Group 31 March 2018	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Work-in-progress RM'000	Total RM'000
Cost										
At beginning of the financial year	4,210	5,405	534	78,657	13,107	191,559	450,575	220,664	13,614	978,325
Additions	-	-	-	-	983	7,194	11,450	4,332	2,166	26,125
Disposals	-	(303)	-	(607)	(3,462)	(18)	(26,265)	(268)	-	(30,923)
Written off	-	-	-	-	(10)	(2,047)	(8,197)	(16,129)	-	(26,383)
Reclassification/Transfer	-	-	-	-	-	1,392	11,091	71	(14,232)	(1,678)
Foreign exchange differences	-	-	-	(73)	(22)	(2)	(48)	(239)	-	(384)
At end of the financial year	4,210	5,102	534	77,977	10,596	198,078	438,606	208,431	1,548	945,082
Accumulated Depreciation										
At beginning of the financial year	344	2,324	288	27,627	8,756	161,814	370,568	170,152	-	741,873
Depreciation for the financial year	-	154	8	1,363	726	11,580	37,505	14,857	-	66,193
Disposals	-	-	(97)	(251)	(2,556)	(18)	(26,255)	(251)	-	(29,428)
Written off	-	-	-	-	(10)	(1,713)	(8,128)	(16,067)	-	(25,918)
Reclassification/Transfer	3	-	-	7	-	82	107	(42)	-	157
Foreign exchange differences	-	-	-	(31)	(22)	(2)	(48)	(237)	-	(340)
At end of the financial year	347	2,478	199	28,715	6,894	171,743	373,749	168,412	-	752,537
Accumulated Impairment Loss										
At beginning of the financial year	-	254	-	879	-	700	-	-	-	1,833
Written off	-	-	-	-	-	(331)	-	-	-	(331)
Reversal	-	-	-	-	-	(369)	-	-	-	(369)
At end of the financial year	-	254	-	879	-	-	-	-	-	1,133
Carrying Amount	**3,863**	**2,370**	**335**	**48,383**	**3,702**	**26,335**	**64,857**	**40,019**	**1,548**	**191,412**

Notes to the Financial Statements

For the financial year ended 31 March 2019

23. PROPERTY AND EQUIPMENT (CONT'D.)

Company 31 March 2019	Office equipment RM'000	Motor vehicles RM'000	Computer hardware RM'000	Total RM'000
Cost				
At beginning and end of the financial year	4	2,539	18	2,561
Accumulated Depreciation				
At beginning of the financial year	2	1,607	12	1,621
Depreciation for the financial year	1	260	3	264
At end of the financial year	3	1,867	15	1,885
Carrying Amount				
As at 31 March 2019	1	672	3	676
31 March 2018				
Cost				
At beginning of the financial year	4	2,115	18	2,137
Additions	-	424	-	424
At end of the financial year	4	2,539	18	2,561
Accumulated Depreciation				
At beginning of the financial year	1	1,229	7	1,237
Depreciation for the financial year	1	378	5	384
At end of the financial year	2	1,607	12	1,621
Carrying Amount				
As at 31 March 2018	2	932	6	940

24. INTANGIBLE ASSETS

		Group	
	Note	31 March 2019 RM'000	31 March 2018 RM'000
Goodwill	(a)	2,809,715	2,809,715
Other intangibles:			
Brand	(b)	94,440	94,440
In-force business	(b)	-	-
Merchants relationship	(b)	-	-
Agent relationship	(b)	34,283	38,316
Credit cards relationship	(b)	13,933	17,733
Trading right	(b)	-	-
Computer software	(b)	384,524	400,826
Work-in-progress ("WIP") for computer software	(b)	42,832	65,021
		570,012	616,336
		3,379,727	3,426,051

Notes to the Financial Statements

For the financial year ended 31 March 2019

24. INTANGIBLE ASSETS (CONT'D.)

Brand

Brand relates to Kurnia Brand ("K-Brand") that arose from the acquisition of AmGeneral Insurance Berhad ("AMGI"). K-Brand is deemed to have an indefinite useful life based on management's view that K-Brand has over 20 years of recognition and there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for AMGI.

K-Brand is reviewed for impairment annually and when there are indications of impairment. The recoverable amount of K-Brand is based on its value in use by discounting the expected future cash flows. The key assumptions for the computation of value in use include the growth rates and discount rates applied. Cash flow projection is based on the actual results for 2019 with premium growth rate of 3.0% to 6.6% (2018: 3.7% to 7.3%) over the next 5 years and terminal growth rate of 3.0% (2018: 3.0%). The discount rate applied is 11.5% (2018: 14.5%) which is the estimated cost of equity plus a risk adjustment.

Merchants relationship

Merchants relationship arose from the acquisition of MBF Cards. The merchants relationship is deemed to have a finite useful life of 5 years and is amortised based on a straight-line basis.

Agent relationship

Agent relationship arose from the acquisition of AMGI. The agent relationship is deemed to have a finite useful life of 15 years and is amortised based on a straight-line basis.

Credit cards relationship

Credit cards relationship arose from the acquisition of MBF Cards. The credit cards relationship is deemed to have a finite useful life of 10 years and is amortised based on a straight-line basis.

(a) Goodwill

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Cost		
Balance at beginning/end of the financial year	2,811,037	2,811037
Accumulated impairment		
Balance at beginning/end of the financial year	(1,322)	(1,322)
Carrying amount		
At the end of the financial year	2,809,715	2,809,715

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For the financial year ended 31 March 2019

24. INTANGIBLE ASSETS (CONT'D.)

Impairment test for goodwill

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

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Investment banking	428,026	428,026
Asset and fund management	116,128	116,128
Commercial and retail: Conventional banking	1,495,009	1,495,009
Commercial and retail: Islamic banking	53,482	53,482
General Insurance	717,070	717,070
	2,809,715	2,809,715

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

The cash flow projections for all CGUs other than General Insurance are based on the financial budgets approved by management covering a one-year period (2018: one-year period), taking into account the projected regulatory capital requirements, as well as the projected annual growth rate of 4.8% (2018: 4.8% to 12.5%) based on long-term inflation forecast and expectations of market opportunities. Estimated cash flows into perpetuity are extrapolated using terminal growth rate of 4.8% (2018: 4.8%). The discount rate applied ranged from 7.81% to 7.87% (2018: 8.46% to 9.59%).

The cash flow projections General Insurance CGU are based on the financial budgets approved by management covering a one-year period, taking into account the projected premium growth rate of 3.0% to 10.7% (2018: 3.7% to 7.3%) based on current and future industry trends. Estimated cash flows beyond the period covered by the financial budgets are extrapolated using the terminal growth rate of 3.0% (2018: 3.0%). The discount rate applied is 11.1% (2018: 13.5%).

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

The Investment Banking CGU's recoverable amount, calculated based on value in use exceeded the carrying amount. However, a rise in discount rate to 10.26% (2018: 8.6%) would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount. For the other CGUs, management believes that any reasonably possible change in the key assumptions would not cause the carrying amounts of the goodwill to exceed their recoverable amounts.

Notes to the Financial Statements

For the financial year ended 31 March 2019

24. INTANGIBLE ASSETS (CONT'D.)

The movements in intangible assets are as follows:

(b) **Group**

31 March 2019	Brand RM'000	In-force business RM'000	Merchants relationship RM'000	Agent relationship RM'000	Credit cards relationship RM'000	Trading right RM'000	Computer software RM'000	WIP for computer software RM'000	Total RM'000
Cost									
At beginning of the financial year	94,440	53,538	25,000	60,490	38,000	1,073	1,232,016	65,021	1,569,578
Additions	-	-	-	-	-	-	24,087	67,750	91,837
Disposals	-	-	-	-	-	-	(21)	-	(21)
Written off	-	-	-	-	-	(1,073)	(1)	(73)	(1,147)
Reclassification/Transfer/Adjustment	-	-	-	-	-	-	70,042	(89,866)	(19,824)
Foreign exchange differences	-	-	-	-	-	-	3	-	3
At end of the financial year	94,440	53,538	25,000	60,490	38,000	-	1,326,126	42,832	1,640,426
Accumulated Amortisation									
At beginning of the financial year	-	53,538	25,000	22,174	20,267	-	831,191	-	952,170
Amortisation	-	-	-	4,033	3,800	-	110,561	-	118,394
Disposals	-	-	-	-	-	-	(21)	-	(21)
Written off	-	-	-	-	-	-	-	-	-
Reclassification/Transfer/Adjustment	-	-	-	-	-	-	(133)	-	(133)
Foreign exchange differences	-	-	-	-	-	-	4	-	4
At end of the financial year	-	53,538	25,000	26,207	24,067	-	941,602	-	1,070,414
Accumulated Impairment Loss									
At beginning of the financial year	-	-	-	-	-	1,073	-	-	1,073
Written off	-	-	-	-	-	(1,073)	-	-	(1,073)
At end of the financial year	-	-	-	-	-	-	-	-	-
Carrying Amount									
At end of the financial year	94,440	-	-	34,283	13,933	-	384,524	42,832	570,012

Notes to the Financial Statements
For the financial year ended 31 March 2019

24. INTANGIBLE ASSETS (CONT'D.)

The movements in intangible assets are as follows (Cont'd.):

(b) **Group**

31 March 2018	Brand RM'000	In-force business RM'000	Merchants relationship RM'000	Agent relationship RM'000	Credit cards relationship RM'000	Trading right RM'000	Computer software RM'000	WIP for computer software RM'000	Total RM'000
Cost									
At beginning of the financial year	94,440	53,538	25,000	60,490	38,000	1,073	1,092,267	124,602	1,489,410
Additions	-	-	-	-	-	-	29,114	71,634	100,748
Disposals	-	-	-	-	-	-	(21)	-	(21)
Written off	-	-	-	-	-	-	(15,229)	(127)	(15,356)
Reclassification/Transfer	-	-	-	-	-	-	125,893	(131,088)	(5,195)
Foreign exchange differences	-	-	-	-	-	-	(7)	-	(7)
At end of the financial year	94,440	53,538	25,000	60,490	38,000	1,073	1,232,017	65,021	1,569,579
Accumulated Amortisation									
At beginning and end of the financial year	-	53,538	21,667	18,141	16,467	-	744,235	-	854,048
Amortisation	-	-	3,333	4,033	3,800	-	102,202	-	113,368
Disposals	-	-	-	-	-	-	(21)	-	(21)
Written off	-	-	-	-	-	-	(15,094)	-	(15,094)
Reclassification/Transfer	-	-	-	-	-	-	(124)	-	(124)
Foreign exchange differences	-	-	-	-	-	-	(7)	-	(7)
At end of the financial year	-	53,538	25,000	22,174	20,267	-	831,191	-	952,170
Accumulated Impairment Loss									
At beginning of the financial year	-	-	-	-	-	1,073	-	-	1,073
Carrying Amount									
At end of the financial year	94,440	-	-	38,316	17,733	-	400,826	65,021	616,336

Notes to the Financial Statements
For the financial year ended 31 March 2019

25. DEPOSITS FROM CUSTOMERS

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Demand deposits	19,464,525	15,039,403
Savings deposits	5,407,991	5,324,846
Term/Investment deposits	78,033,665	74,540,938
Negotiable instruments of deposits	4,009,808	900,000
	106,915,989	95,805,187

Included in deposits from customers of the Group are deposits of RM1,906.8 million (2018: RM1,757.2 million) held as collateral for loans, advances and financing.

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

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Due within six months	60,434,612	50,010,029
Six months to one year	18,760,401	22,065,076
Over one year to three years	1,819,272	1,583,426
Over three years to five years	1,029,188	1,782,407
	82,043,473	75,440,938

The deposits are sourced from the following types of customers:

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Government and statutory bodies	4,916,717	6,543,091
Business enterprises	48,942,882	42,261,644
Individuals	45,673,217	43,161,385
Others	7,383,173	3,839,067
	106,915,989	95,805,187

Notes to the Financial Statements
For the financial year ended 31 March 2019

26. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Licensed banks	5,018,484	1,260,015
Licensed investment banks	808,355	175,000
Bank Negara Malaysia	124,231	26,361
Other financial institutions	1,736,649	1,971,202
	7,687,719	3,432,578

27. RECOURSE OBLIGATION ON LOANS AND FINANCING SOLD TO CAGAMAS BERHAD

Recourse obligation on loans and financing sold to Cagamas Berhad represents the proceeds received from loans and financing sold directly and indirectly or those acquired from the originators (as disclosed in Note 22(c)) to Cagamas Berhad with recourse. Under this arrangement for loans sold, the Group undertakes to administer the loans and financing on behalf of Cagamas Berhad and to buy back any loans and financing, which are regarded as defective based on prudential criteria with recourse to the Group. Under the back to back arrangement with the originators, the Group acts as the intermediary financial institution and undertakes to administer the receivables on behalf of Cagamas Berhad, and to buy back any receivables which are regarded as defective based on prudential criteria with recourse against the originators.

The Group had previously undertaken a fair value hedge on the interest rate risk of the loans sold directly to Cagamas Berhad but the hedge was terminated in prior years. The fair value gain previously recognised was fully amortised as at 31 March 2018 and the amortisation for the financial year ended 31 March 2018 was RM1,272,000.

28. TERM FUNDING

		Group		Company	
	Note	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Senior Notes/Sukuk	(a)	3,333,430	4,042,850	-	500,000
Credit-Linked Notes	(b)	139,791	138,259	-	-
Other borrowings	(c)	161,533	148,604	-	-
		3,634,754	4,329,713	-	500,000

Notes to the Financial Statements
For the financial year ended 31 March 2019

28. TERM FUNDING (CONT'D.)

(a) The Senior Notes/Sukuk outstanding were issued under the following:

		Group		Company	
	Note	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Senior Notes programme	(i)	700,000	1,500,000	-	500,000
Senior Sukuk programme	(ii)	1,000,000	1,000,000	-	-
Euro Medium Term Note Programme (net of unamortised issuance expenses of RM334,000 (2018: RM1,305,000))	(iii)	1,633,430	1,542,850	-	-
		3,333,430	4,042,850	-	500,000

(i) The movements of debt securities under the Senior Notes Programme are as follows:

	Group		Company	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Balance at beginning of the financial year	1,500,000	3,024,965	500,000	1,000,000
Drawdown during the financial year	700,000	-	-	-
Repayment during the financial year	(1,500,000)	(1,525,000)	(500,000)	(500,000)
Amortisation of premium	-	35	-	-
Balance at end of the financial year	700,000	1,500,000	-	500,000

Company

The Senior Notes issued by the Company is under a Senior and/or Subordinated Medium-Term Notes ("MTN") Programme of up to RM2.0 billion nominal value. The proceeds raised from the MTN Programme shall be utilised for capital expenditures, investment, working capital, payment of fees and expenses in relation to the MTN Programme and other general funding requirements of the Company and/or its subsidiaries.

The MTN Programme has a tenure of up to 30 years from the date of the first issuance under the MTN Programme. The MTN shall be issued for a maturity of up to 30 years as the Issuer may select at the point of issuance provided that no MTN shall mature after expiration of the MTN Programme.

On 11 December 2018, at an Extraordinary General Meetings ("EGM") of the Company, the holders of the Company's Senior Notes issued under the Senior and/or Subordinated Medium Term Notes Programme of up to RM2.0 billion in nominal value approved the early redemption of the outstanding RM500.0 million Senior Notes due to mature on 8 August 2019. The Company had fully settled the outstanding Senior Notes with nominal value of RM500.0 million on 18 December 2018.

The early redemption of Senior Notes and bond swap transaction undertaken (Note 29 (b)) was part of the Company's debt restructuring exercise for the Company to attain a debt-free status. The Group's rating was upgraded to AA2 on 19 December 2018 following the completion of the debt restructuring exercise.

The Senior Notes issued of RM500.0 million which remained outstanding in 2018 had a fixed interest rate of 4.50% per annum.

Notes to the Financial Statements

For the financial year ended 31 March 2019

28. TERM FUNDING (CONT'D.)

(a) The Senior Notes/Sukuk outstanding were issued under the following (Cont'd.):

(i) The movements of debt securities under the Senior Notes Programme are as follows (Cont'd.):

Group

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

The SNP has a tenure of up to 30 years from the date of first issuance under the programme. Under the SNP, AmBank may issue Senior Notes with a tenure of more than 1 year and up to 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 AmBank. RAM Ratings has assigned a long-term rating of AA2/Stable to the SNP. During the current financial year, upon maturity on 21 May 2018, AmBank repaid Tranche 5 of Senior Notes with nominal value of RM400.0 million. On 26 June 2018, AmBank issued Tranche 7 of Senior Notes with nominal amount of RM700.0 million. This tranche bears interest at 4.50% and is for a tenor of 2 years. On maturity date of 25 March 2019, AmBank repaid Tranche 6 of Senior Notes with nominal value of RM600.0 million. The Senior Notes issued which remain outstanding as at reporting date have a fixed interest rate of 4.50% per annum (2018: 4.30% to 4.4% per annum) and payable semi-annually. The Senior Notes outstanding is repayable within 15 months (2018: Within 1 year).

(ii) The movements of debt securities under the Senior Sukuk Programme are as follows:

	Group		Company	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Balance at beginning of the financial year	1,000,000	1,850,000	-	-
Repayment during the financial year	-	(850,000)	-	-
Balance at end of the financial year	1,000,000	1,000,000	-	-

AmBank Islamic on 20 September 2010, issued RM550 million Senior Sukuk under its programme of up to RM3 billion in nominal value. The Senior Sukuk bears profit rate at 4.30% per annum and has a tenure of 7 years. On 20 September 2017, AmBank Islamic redeemed this tranche.

On 5 November 2014, AmBank Islamic issued Tranche 2 of Senior Sukuk of RM100.0 million. This tranche bears profit rate of 4.40% per annum and has a tenure of 5 years.

AmBank Islamic on 6 March 2015, issued Tranche 3 and 4 of Senior Sukuk of RM300.0 million and RM900.0 million respectively. These tranches bear profit rates of 4.25% and 4.45% per annum and have a tenure of 2.5 years and 5 years respectively. On 6 September 2017, AmBank Islamic redeemed Tranche 3 of Senior Sukuk of RM300.0 million.

Notes to the Financial Statements
For the financial year ended 31 March 2019

28. TERM FUNDING (CONT'D.)

(a) The Senior Notes/Sukuk outstanding were issued under the following (Cont'd.):

(iii) The movements of debt securities under the Euro Medium Term Note Programme are as follows:

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Balance at beginning of the financial year	1,542,850	1,764,847
Amortisation of issuance expenses	972	943
Amortisation of premium	1,028	1,060
Foreign exchange differences	88,580	(224,000)
Balance at end of the financial year	1,633,430	1,542,850

AmBank on 3 July 2014, issued USD400 million Senior Notes under its USD2 billion Euro Medium Term Note ("Euro MTN") Programme in nominal value (or its equivalent in other currencies). The Euro MTN Programme was approved by the Securities Commission on 4 July 2013.

The net proceeds from Euro MTN will be utilised by AmBank for its working capital, general funding requirements and other corporate purposes. The notes, with a tenure of 5 years and maturing on 3 July 2019, are rated A3 by Moody's Investors Service and BBB+ by Standard & Poor's Ratings Services. The notes bear a coupon of 3.125% (2018: 3.125%) per annum and are payable semi annually.

(b) The movements of Credit-Linked Notes are as follows:

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Balance at beginning of the financial year	138,259	136,769
Amortisation of premium	1,532	1,490
Balance at end of the financial year	139,791	138,259

The Credit-Linked Notes ("CLN") are structured investment products issued by AmBank and subscribed at nominal value. The nominal value of CLN issued and outstanding at reporting date amounted to RM150 million (2018: RM150 million). The interest rate payable on the CLN is 4.00% per annum (2018: 4.00%) and will mature on 14 September 2021.

Notes to the Financial Statements
For the financial year ended 31 March 2019

28. TERM FUNDING (CONT'D.)

(c) The movements in other borrowings are as follows:

	Group		Company	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Balance at beginning of the financial year:				
Term loans and revolving credit	-	397,150	-	176,000
Structured deposit	148,604	218,748	-	-
Issuance during the financial year:				
Structured deposit	11,887	-	-	-
Redemption during the financial year:				
Term loans and revolving credit	-	(389,850)	-	(176,000)
Structured deposit	-	(71,140)	-	-
Amortisation of:				
- premium for structured deposit	1,042	996	-	-
Foreign exchange differences	-	(7,300)	-	-
Balance at end of the financial year	161,533	148,604	-	-

Other borrowings consists of structured deposits amounting to RM161,533,000 (2018: RM148,604,000) which are non-principal guaranteed deposits placed by the customers. The structured deposits will mature within 1 month to 2.6 years (2018: 2 days to 3.6 years) and are roll-overed on maturity date depending on customers' request. Structured deposits for operations of Islamic banking amounted to RM80,000,000 (2018: RM80,000,000).

29. DEBT CAPITAL

		Group		Company	
	Note	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Medium-Term Notes	(a)	-	600,000	-	-
Subordinated Notes and Sukuk (net of unamortised issuance expenses of (RM496,000 for the Group and RM415,000 for the Company in 2018))	(b)	3,745,000	2,994,504	-	1,424,585
Non-Innovative Tier 1 Capital Securities	(c)	-	500,000	-	-
Innovative Tier 1 Capital Securities	(d)	485,000	485,000	-	-
		4,230,000	4,579,504	-	1,424,585

Notes to the Financial Statements

For the financial year ended 31 March 2019

29. DEBT CAPITAL (CONT'D.)

(a) Medium Term Notes

The movements in Medium Term Notes are as follows:

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Balance at beginning of the financial year	600,000	1,310,000
Repayment during the financial year	(600,000)	(710,000)
Balance at end of the financial year	-	600,000

In the financial year 2008, AmBank implemented a RM2.0 billion nominal value Medium-Term Notes ("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 MTN 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 MTN 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.

Tranche 6 amounting to RM600.0 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. The interest rate of the MTN will step up by 0.5% per annum at the beginning of the 11th year and every anniversary thereafter, preceding the maturity date of the MTN. On 9 April 2018, AmBank redeemed on its first call, the full amount of Tranche 6 of RM600.0 million and the MTN Programme was cancelled after the redemption.

Notes to the Financial Statements
For the financial year ended 31 March 2019

29. DEBT CAPITAL (CONT'D.)

(b) Subordinated Notes and Sukuk

The movements in Subordinated Notes and Sukuk are as follows:

		Group		Company	
	Note	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Balance at beginning of the financial year:					
Subordinated Notes		2,394,666	1,149,407	1,424,585	749,491
Subordinated Sukuk		599,838	729,679	-	-
Drawdown during the financial year:					
Subordinated Notes		1,000,000	1,245,000	-	675,000
Subordinated Sukuk		500,000	-	-	-
Repayment during the financial year:					
Subordinated Notes		(400,000)	-	-	-
Subordinated Sukuk		(350,000)	(130,000)	-	-
Bond swap	(b)(iv)	-	-	(1,425,000)	-
Amortisation of issuance expenses:					
Subordinated Notes		335	259	415	94
Subordinated Sukuk		161	159	-	-
Balance at end of the financial year		3,745,000	2,994,504	-	1,424,585

(i) On 30 September 2011, AmBank Islamic implemented a Subordinated Sukuk Musharakah Programme ("Sukuk Musharakah") of RM2 billion. The purpose of the programme is to increase AmBank Islamic's Tier 2 Capital. The Sukuk Musharakah is for a period of 10 years. AmBank Islamic may exercise its call option and redeem in whole (but not in part) the Sukuk Musharakah on the 5th anniversary of the issue date or on any anniversary date thereafter at 100% of the principal amount together with the expected profit payments. The Sukuk Musharakah qualify as Tier 2 Capital under BNM's Capital Adequacy Framework. Effective 1 January 2013, the Sukuk Musharakah qualify as Tier 2 Capital as a capital instrument eligible for gradual phase-out treatment under the transitional arrangements of the Basel III accord.

Since the implementation, AmBank Islamic had issued three (3) tranches under the Sukuk Musharakah. There was no outstanding Sukuk Musharakah with the final tranche amounting to RM130.0 million redeemed during the previous financial year and the programme was cancelled after the final redemption.

(ii) On 28 February 2014, AmBank Islamic had implemented a new Subordinated Sukuk Murabahah Programme of RM3.0 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 AmBank Islamic's total capital position. The programme is set-up in accordance to the requirements spelt out in the Capital Adequacy Framework for Islamic Banks (Capital Components) issued by Bank Negara Malaysia ("BNM").

The programme has a tenure of 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 5 years from the issue date, and is callable on any coupon payment date after a minimum period of 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").

Notes to the Financial Statements

For the financial year ended 31 March 2019

29. DEBT CAPITAL (CONT'D.)

(b) Subordinated Notes and Sukuk (Cont'd.)

The programme has a tenure of 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 5 years from the issue date, and is callable on any coupon payment date after a minimum period of 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 28 February 2014, AmBank Islamic had issued Tranche 1 of Tier 2 Subordinated Sukuk Murabahah under this programme of RM200.0 million. The profit rate of this tranche is at 5.07%, payable on a semi-annual basis, with a tenure of 10 years.

On 25 March 2014, AmBank Islamic had issued Tranche 2 of Tier 2 Subordinated Sukuk Murabahah under this programme of RM150.0 million. The profit rate of this tranche is at 5.05%, payable on a semi-annual basis, with a tenure of 10 years.

On 21 December 2015, AmBank Islamic had issued Tranche 3 of Tier 2 Subordinated Sukuk Murabahah under this programme of RM250.0 million. The profit rate of this tranche is at 5.35% per annum, payable semi-annually and has a tenure of 10 years.

On 30 December 2016, AmBank Islamic issued Tranche 4 of Tier 2 Subordinated Sukuk Murabahah under this programme of RM10.0 million. The profit rate of this tranche is 5.5% per annum, payable semi-annually. On 15 March 2017, Tranche 5 which amounted to RM240.0 million was issued. The profit rate of this tranche is 5.2% per annum, payable semi-annually. On 23 February 2018, AmBank Islamic issued Tranche 6 of Subordinated Sukuk which amounted to RM150.0 million under this programme. The profit rate of this tranche is 5.23% per annum, payable semi-annually. The tenure of Tranche 4 to Tranche 6 is for a period of 10 years. The Company had subscribed to Tranche 4 to Tranche 6 issued. All these tranches were eliminated on consolidation at Group level in 2018. On 18 October 2018, AmBank Islamic issued Tranche 7 of the Subordinated Sukuk amounting to RM500.0 million under this programme. The profit rate of this tranche is at 4.88% per annum, payable semi-annually and has a tenure of ten (10) years.

On 11 December 2018, AmBank Islamic held an EGM to obtain consent from Sukuk holders to revise the terms and conditions of the Subordinated Sukuk for outstanding tranches and new issuances. The revision was made to incorporate a non-viability trigger event in relation to the financial group ("Group-level Trigger") as the programme was structured previously with loss absorption at point of non-viability referenced to the entity only, without Group-level Trigger. The above revision was approved by BNM via letter dated 24 July 2018 and the Sukuk holders at the EGM.

On 18 December 2018, Tranche 4 to Tranche 6 previously held by the Company was swapped with the Company's Subordinated Notes issued under a Tier 2 Subordinated Notes Programme of up to RM10.0 billion as disclosed in Note 29 (b)(iv).

On the first call date of 28 February 2019, AmBank Islamic repaid Tranche 1 of the Subordinated Sukuk Murabahah with nominal value of RM200.0 million. On the first call date of 25 March 2019, AmBank Islamic repaid Tranche 2 of the Subordinated Sukuk Murabahah with nominal value of RM150.0 million.

The full amount of these tranches issued qualify for recognition as Tier 2 Capital in the capital adequacy ratio computation of AmBank Islamic. Total outstanding Subordinated Sukuk Murabahah as at 31 March 2019 amounted to RM1,150,000,000 (2018: RM999,839,000).

(iii) On 30 December 2013, AmBank established a 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 AmBank's total capital position. The programme is set up in accordance to the requirements spelt out in the Capital Adequacy Framework (Capital Components) issued by BNM.

The programme has a tenure of 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 5 years from the issue date, and is callable on any coupon payment date after a minimum period of 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.

Notes to the Financial Statements

For the financial year ended 31 March 2019

29. DEBT CAPITAL (CONT'D.)

(b) Subordinated Notes and Sukuk (Cont'd.)

On 30 December 2013, AmBank issued Tranche 1 of the Subordinated Notes which amounted to RM400.0 million. The interest rate of this tranche is 5.20%, payable on a semi-annual basis. On 15 March 2017, AmBank issued another tranche (Tranche 2) of the Subordinated Notes which amounted to RM500.0 million. The interest rate of this tranche is 5.20%, payable on a semi-annual basis. On 16 October 2017, AmBank issued Tranche 3 which amounted to RM570.0 million. The interest rate for this tranche is 4.9%, payable semi-annually. On 23 February 2018, AmBank issued Tranche 4 which amounted to RM175.0 million. On 14 March 2018, AmBank issued Tranche 5 which amounted to RM350.0 million. The interest rate for these tranches are 5.23%, payable semi-annually. The tenure of Tranche 1 to Tranche 5 is for a period of 10 years. The full amount of these tranches issued qualify for recognition as Tier 2 Capital in the capital adequacy ratio computation of AmBank.

The Company had subscribed to Tranche 2, 4 and Tranche 5 issued by AmBank. All these tranches were eliminated on consolidation at Group level in 2018.

On 11 December 2018, AmBank held an EGM to obtain consent from Noteholders to revise the terms and conditions of the Subordinated Notes for outstanding tranches and new issuances. The revision was made to incorporate a non-viability trigger event in relation to the financial group ("Group-level Trigger") as the programme was structured previously with loss absorption at point of non-viability referenced to the entity only, without Group-level Trigger. The above revision was approved by BNM via letter dated 24 July 2018 and the Noteholders at the EGM.

On 18 December 2018, Tranche 2, 4 and 5 previously held by the Company was swapped with the Company's Subordinated Notes issued under a Tier 2 Subordinated Notes Programme of up to RM10.0 billion as disclosed in Note 29 (b)(iv).

On 31 December 2018, AmBank redeemed Tranche 1 of the Subordinated Notes with nominal value of RM400.0 million.

(iv) On 21 December 2016, the Company established a new Subordinated Notes Programme of RM10.0 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 Group's total capital position. The programme, as approved by BNM is set up in accordance to the requirements spelt out in the Capital Adequacy Framework (Capital Components) issued by BNM.

The programme has a tenure of 30 years from the date of the first issuance under the programme. The proceeds from the securities will be for working capital, refinancing of the Company's existing borrowings, on-lending to its subsidiaries, investment in its subsidiaries and other corporate purposes. Each issuance of the Subordinated Notes under this programme shall have a tenure of at least 5 years from the issue date, and is callable on any coupon payment date after a minimum period of 5 years from the date of issuance of each tranche. The Subordinated Notes Programme has been assigned a credit rating of A1/Stable by RAM Rating Services Berhad.

On 30 December 2016, the Company issued Tranche 1 of the Subordinated Notes amounting to RM10.0 million for a tenure of 10 years. The interest rate of this tranche is 5.50% per annum, payable semi-annually. On 15 March 2017, the Company issued Tranche 2 of the Subordinated Notes amounting to RM740.0 million for a tenure of 10 years. The interest rate of this tranche is 5.20% per annum, payable semi-annually.

On 23 February 2018, the Company issued Tranche 3 of Subordinated Notes amounting to RM325.0 million for a tenure of 10 years. The interest rate for this tranche is 5.23% per annum, payable semi-annually. On 14 March 2018, the Company issued Tranche 4 of Subordinated Notes amounting to RM350.0 million for a tenure of 10 years. The interest rate for this tranche is 5.23% per annum, payable semi-annually.

The full amount of these tranches issued qualify as Tier 2 Capital for the purpose of the Group's capital adequacy ratio computation.

Notes to the Financial Statements
For the financial year ended 31 March 2019

29. DEBT CAPITAL (CONT'D.)

(b) Subordinated Notes and Sukuk (Cont'd.)

On 11 December 2018, at an EGM of the Company, the holders of the Subordinated Notes issued under a Tier 2 Subordinated Notes Programme of up to RM10.0 billion approved a bond swap of the Company's outstanding RM1.425 billion in nominal value of Subordinated Notes in exchange for the Company's:

- RM400.0 million in nominal value of Subordinated Sukuk issued by its subsidiary, AmBank Islamic under a Subordinated Sukuk Murabahah Programme of up to RM3.0 billion (Note 29 (b)(ii))

- RM1.025 billion in nominal value of Subordinated Notes issued by its subsidiary, AmBank under a Subordinated Notes Programme of up to RM4.0 billion (Note 29 (b)(iii))

The bond swap transaction which is approved by BNM together with the early redemption of the Company's Senior Notes as disclosed in Note 28 (a)(i) undertaken was part of the Company's debt restructuring exercise.

(c) Non-Innovative Tier 1 Capital Securities

	Group		Company	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Balance at beginning of the financial year	500,000	500,000	-	-
Repayment during the financial year	(500,000)	-	-	-
Balance at end of the financial year	-	500,000	-	-

In financial year 2009, AmBank issued up to 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 AmBank 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 AmBank.

(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 reassigned to AmBank.

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

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

On the first call date of 27 February 2019, AmBank repaid Tranche 1 of the NIT1 with nominal value of RM200.0 million. On the first call date of 6 March 2019, AmBank repaid Tranche 2 of the NIT1 with nominal value of RM300.0 million and cancelled the programme after this repayment.

Notes to the Financial Statements
For the financial year ended 31 March 2019

29. DEBT CAPITAL (CONT'D.)

(d) Innovative Tier 1 Capital Securities

On 18 August 2009, AmBank issued up to 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 cash through the issuance of AmBank's ordinary shares. Upon BNM's approval, AmBank may redeem in whole but not in part the relevant tranche of the ITICS at any time on the 10th anniversary of the issue date of that tranche or on any interest payment date thereafter.

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

30. OTHER LIABILITIES

		Group		Company	
	Note	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Trade payables	(a)	445,075	591,259	-	-
Other payables and accruals	(b)	1,584,142	1,384,737	23,303	9,111
Interest payable on deposits and borrowings		966,826	850,801	-	7,702
Lease deposits and advance rental		33,620	18,831	-	-
Provision for commitments and contingencies					
- loan commitments and financial guarantees	(c)	-	72,711	-	-
- others	(c)	81,779	14,244	-	-
Allowances for ECL on loan commitments and financial guarantees	(d)	96,749	-	-	-
Amount due to subsidiaries		-	-	8,133	7,909
Provision for taxation		44,294	66,405	-	-
Collateral received for derivative transactions		140,104	270,412	-	-
Deferred income		83,999	67,116	-	-
		3,476,588	3,336,516	31,436	24,722

Notes to the Financial Statements
For the financial year ended 31 March 2019

30. OTHER LIABILITIES (CONT'D.)

(a) Trade payables mainly relate to the stock and share-broking operations of the investment banking subsidiary and represent contra gains owing to clients and amount payable in outstanding sales contracts.

(b) Included in other payables and accruals is provision for retirement benefits of a subsidiary which amounted to RM19,831,000 (2018: RM19,614,000).

Provision for retirement benefits

(i) The movements in the present value of the defined benefit obligation recognised in the statement of financial position are as follows:

		Group	
	Note	31 March 2019 RM'000	31 March 2018 RM'000
Defined benefit obligation at beginning of the financial year		19,614	19,348
Actuarial (gain)/loss	(ii)	(24)	403
Benefit paid		(1,647)	(2,079)
Service and interest costs	(iii)	1,888	1,942
Defined benefit obligation at end of the financial year		19,831	19,614
Present value of unfunded obligation		19,831	19,614
Recognised liability for defined benefit obligation		19,831	19,614

(ii) Actuarial gains and losses recognised directly in other comprehensive income:

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Amount accumulated in retained earnings at beginning of the financial year	2,396	2,702
Actuarial gain/(loss) arising from changes in demographic assumptions	24	(403)
Recognised during the financial year (Note i)	24	(403)
Tax effects thereon	(14)	97
Amount accumulated in retained earnings at end of the financial year	2,406	2,396

(iii) Expense recognised in the statement of profit or loss as retirement benefits cost:

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Service cost	941	974
Interest cost	947	968
	1,888	1,942

Notes to the Financial Statements
For the financial year ended 31 March 2019

30. OTHER LIABILITIES (CONT'D.)

Provision for retirement benefits (Cont'd.)

(iv) Actuarial assumptions

Principal actuarial assumptions used at the end of the reporting year:

	Group	
	31March 2019	31March 2018
Discount rate at 31 March 2019/2018 (per annum)	4.85%	5.00%
Fixed deposit rate (per annum)	3.40%	3.40%
Withdrawal rate (per annum)	5.25%	5.30%

The discount rate used is based on market yields at the end of the reporting year on high quality corporate bonds. The amount and terms of the corporate bonds are consistent with the current and estimated future post employment benefit obligation.

The assumption regarding future mortality is based on the experience of Malaysian insured lives between 1999 to 2003 with no allowance for improvement in mortality rate. The average expected future working lives has been estimated at 8.07 years (2018: 8.2 years).

Calculation of the unfunded defined retirement benefits involves the projection of the present value for unfunded obligations using certain principal actuarial assumptions such as the rate of interest at which to discount the future retirement benefits payments at the valuation date and the assumed rate of growth of liabilities, namely the rate of salary escalation. There are elements of significant uncertainty on the assumptions used and thus the projected future retirement benefits payable may be different from the actual retirement benefit paid.

Under the scheme, eligible employees who have completed a minimum of 10 years of service are entitled to retire at 56 years of age or optional retirement age of 50 years. Employees who leave before the attainment of the normal retirement age or optional retirement age, are not entitled to the benefit.

All new employees who are hired after 18 March 2011 are not entitled to the retirement benefit.

The following table demonstrates the sensitivity of provision for retirement benefits to a reasonable change in the defined benefit obligation:

	Impact on defined benefit obligation - increase/(decrease)	
Group	31 March 2019 RM'000	31 March 2018 RM'000
Discount rate:		
Increase 100 basis points	(1,290)	(1,318)
Decrease 100 basis points	1,434	1,472
Fixed deposit rate:		
Increase 100 basis points	2,609	2,385
Decrease 100 basis points	(2,291)	(2,104)
Withdrawal rate:		
Increase 100 basis points	(573)	(627)
Decrease 100 basis points	600	660

Notes to the Financial Statements
For the financial year ended 31 March 2019

30. OTHER LIABILITIES (CONT'D.)

(c) The movements in provision for commitments and contingencies:

	Note	Group 31 March 2019 RM'000	Group 31 March 2018 RM'000
Balance at beginning of the financial year			
- as previously stated		86,955	81,043
- effect of adoption of MFRS 9	30 (d)	(72,711)	-
- as restated		14,244	81,043
(Writeback)/Charge during the financial year		(1,704)	10,384
Provision taken up under impaired loans and advances recovered*		69,239	-
Settlement during the financial year		-	(2,401)
Foreign exchange differences		-	(2,071)
Balance at end of the financial year		81,779	86,955

* *Arising from the disposal of non-performing loans/financing by two of the Group's banking subsidiaries, the Group had set aside provision to cover the expenditure required to settle any put-back by the purchaser of the disposed non-performing loans/financing (refer Note 59).*

(d) Movements in allowances for ECL on loan commitments and financial guarantees are as follows:

Group 31 March 2019	Note	Stage 1 12-Month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Balance at beginning of the financial year					
- as previously stated	30(c)	-	-	-	72,711
- effects of adoption of MFRS 9	60(b)	-	-	-	31,551
Balance at beginning of the financial year, as restated		58,069	45,950	243	104,262
Changes due to movements as follows:		(6,472)	(11,774)	10,661	(7,585)
- Transfer to 12-month ECL (Stage 1)		1,337	(14,395)	-	(13,058)
- Transfer to Lifetime ECL not credit impaired (Stage 2)		(2,031)	10,414	-	8,383
- Transfer to Lifetime ECL credit impaired (Stage 3)		(136)	(217)	10,893	10,540
New exposures originated		19,512	13,733	-	33,245
Net remeasurement of allowances		(7,737)	(9,622)	(232)	(17,591)
Exposures derecognised		(17,417)	(11,687)	-	(29,104)
Foreign exchange differences		106	(35)	1	72
Balance at the end of the financial year		51,703	34,141	10,905	96,749

Notes to the Financial Statements

For the financial year ended 31 March 2019

30. OTHER LIABILITIES (CONT'D.)

(d) Movements in allowances for ECL on loan commitments and financial guarantees are as follows (Cont'd.):

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

(a) Overall 12-month ECL (Stage 1) decreased due to reduction in exposure.

(b) Overall Lifetime ECL not credit impaired (Stage 2) decreased due to lower exposure from derecognition or maturity and transfer of exposure to Stage 1. This is partially offset by increase in exposures newly originated and transferred in to Stage 2.

(c) Lifetime ECL credit impaired (Stage 3) increased mainly due to a corporate customer that turned impaired during the financial year.

(e) Amount due to subsidiaries are unsecured, interest-free and is repayable on demand.

31. SHARE CAPITAL

		Group		Company	
	Note	31 March 2019 Units '000	31 March 2018 Units '000	31 March 2019 Units '000	31 March 2018 Units '000
No. of ordinary shares					
Balance at beginning and end of financial year		3,014,185	3,014,185	3,014,185	3,014,185
		RM'000	RM'000	RM'000	RM'000
Issued and fully paid ordinary shares					
Balance at beginning and end of financial year		5,551,557	5,551,557	5,550,250	5,550,250
Transfer from retained earnings arising from redemption of preference shares	20 (3)(iii)	200,000	-	-	-
		5,751,557	5,551,557	5,550,250	5,550,250

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

The Company has an Executives' Share Scheme ("ESS"), details of the ESS are disclosed in Note 33. Total numbers of ordinary shares held-in-trust for the ESS are 4,951,750 as at 31 March 2019 (2018: 6,490,050).

Notes to the Financial Statements

For the financial year ended 31 March 2019

32. RESERVES

	Note	Group 31 March 2019 RM'000	Group 31 March 2018 RM'000	Company 31 March 2019 RM'000	Company 31 March 2018 RM'000
Regulatory reserve	(a)	450,158	702,734	-	-
Fair value reserve	(b)	479,970	-	-	-
Available-for-sale deficit	(c)	-	(58,628)	-	-
Cash flow hedging (deficit)/reserve	(d)	(12,074)	3,174	-	-
Foreign currency translation reserve	(e)	94,089	61,600	-	-
ESS reserve	(f)	5,295	17,428	5,295	17,428
Shares held-in-trust for ESS	(g)	(31,483)	(41,620)	(31,483)	(41,620)
Non-participating funds	(h)	45,715	45,715	-	-
Retained earnings	(i)	10,907,726	10,233,645	4,169,210	3,525,115
		11,939,396	10,964,048	4,143,022	3,500,923

(a) Regulatory reserve is maintained by the banking subsidiaries in accordance with paragraph 10.5 of the BNM's Policy Document on Financial Reporting and paragraph 10.9 of the BNM's Policy Document on Financial Reporting for Islamic Banking Institutions as an additional credit risk absorbent.

(b) The fair value reserve comprises fair value gains (net of fair value losses) on financial investments measured at FVOCI. In addition, the loss allowance arising from the recognition of expected credit losses on financial investments measured at FVOCI are accumulated in fair value reserve instead of reducing the carrying amount of the assets. Before the adoption of MFRS 9, the fair value gains/(losses) on financial investments measured at FVOCI was taken up in Available-For-Sale Reserve/(Deficit).

(c) Available-for-sale deficit was in respect of net unrealised fair value losses on financial investments available-for-sale.

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

(e) Foreign currency translation reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(f) ESS reserve represents the equity-settled scheme shares granted to employees (Note 33). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled scheme share, and is reduced by the expiry of the scheme shares.

(g) Shares held-in-trust for ESS represent shares purchased under the ESS as mentioned in Note 33.

(h) This non-participating funds unallocated surplus is only available for distribution to shareholders based on the amount recommended by the appointed actuary.

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

Notes to the Financial Statements
For the financial year ended 31 March 2019

33. EXECUTIVES' SHARE SCHEME

At the 22nd Extraordinary General Meeting held on 26 September 2008, the shareholders approved the proposal by the Company 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 the Company at any point in time for the duration of the ESS for eligible executives (including senior management) and executive directors of the 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 was subsequently consolidated with that of Group Nomination and Remuneration Committee ("GNRC") effective 29 October 2013. The ESS was established on 12 January 2009 and was in force for a period of ten (10) years to 11 January 2019.

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

On 5 October 2018, the Board of the Company approved the implementation of a new ESS. The new ESS will be in force for a maximum period of ten (10) years from the effective date. Under the new ESS By-Laws, the award granted comprise Scheme Shares.

The awards included in the ESS are:

(i) Short term Incentive ("STI") Award

The STI Award is a share incentive scheme for the selected executives in recognition of their services as an important contribution to the current on-going development, growth and success of the Group. Under the Award, a selected executive is granted a specified number of shares which will be vested in him upon the fulfilment of the service period and such other conditions (if any) imposed by the GNRC.

(ii) Long term Incentive ("LTI") Award

The LTI Award is a share incentive scheme for the selected executives in motivating attainment of higher performance goals and exceptional achievements by selected executives. Under the Award, a selected executive is granted a specified number of shares which will be vested in him upon fulfilment of the service period as well as fulfilment of certain performance targets and such other conditions (if any) imposed by the GNRC.

The salient features of the ESS are as follows:

(i) Any executive director or executive of a corporation in the Group, who meets the following criteria at date of offer of awards ("Offer Date") shall be eligible for consideration and selection in the ESS by GNRC ("Eligible Executives"):

(a) has attained the age of eighteen (18) years and is not an undischarged bankrupt;

(b) employed on a full time basis and is on the payroll of any corporation in the Group and has not served a notice of resignation or received a notice of termination;

(c) employment has been confirmed in writing;

(d) in the case of an executive director of the Company, if required, the specific allocation of shares granted to him by the Company to him in his capacity as an executive director under the ESS has been approved by the shareholders at a general meeting;

(e) if he is serving in a specific designation under an employment contract for a fixed duration but not if he is merely employed for a specific project;

Notes to the Financial Statements
For the financial year ended 31 March 2019

33. EXECUTIVES' SHARE SCHEME (CONT'D.)

The salient features of the ESS are as follows (Cont'd.):

(f) is not participating or entitled to participate in any other employee share or incentive scheme implemented by any other corporation which is in force for the time being provided that he may be eligible for consideration notwithstanding his participation or entitlement to participate if the GNRC shall so determine; and

(g) fulfils any other criteria and/or falls within such category as may be set by the GNRC from time to time.

(ii) The maximum number of shares which may be made available under the ESS shall not exceed in aggregate ten percent (10%) of the total number of issued shares of the Company (excluding treasury shares) ("Maximum Allowable scheme shares") at any point of time during the tenure of the ESS and out of which not more than fifty percent (50%) of the shares shall be allocated, in aggregate, to executive directors and senior management. In addition, not more than ten percent (10%) of the shares available under the ESS shall be allocated to any Eligible Executive who, either individually or collectively through persons connected to him/her, holds twenty percent (20%) or more of the total number of issued shares of the Company.

(iii) In the event that the Company purchases or cancels its own shares in accordance with the provisions of Section 127 of the Companies Act or otherwise howsoever or undertakes any other corporate proposal resulting in the reduction of its issued and paid-up ordinary share capital, all the Scheme Shares granted prior to such purchase and/or the reduction/adjustment of the issued and paid-up ordinary share capital of the Company shall remain valid as if that reduction/adjustment had not occurred.

(iv) The Share Grant Price (being the reference price which is used to determine the number of Scheme Shares to be granted under the awards) shall be at a discount (as determined by the GNRC) of not more than ten percent (10%) of the five (5) days weighted average market price of the Company's shares transacted on Bursa Malaysia Securities Berhad immediately preceding the date on which an offer is made (or such basis as the relevant authorities may permit).

(v) The Scheme Shares to be allotted and issued or transferred to Scheme Participant (Eligible Executive who has accepted the Offer) pursuant to the By-Laws are not subjected to any retention period unless otherwise stipulated by the GNRC in the offer.

(vi) The GNRC may in its discretion decide that the Scheme Shares be satisfied either by way of acquisition of existing ordinary shares including by a share buy-back and subject to compliance with the provisions of the Companies Act 2016 and Bursa Malaysia Securities Berhad Listing Requirements.

(vii) In the event that the performance targets, performance period or other conditions stipulated in the Offer in respect of any one or more Scheme Participant cannot be achieved/satisfied, the GNRC may in its discretion by notice in writing to such Scheme Participant(s), waive its compliance, subject to any further conditions as the GNRC may in its discretion impose.

The Company and/or GNRC may establish a Trust administered by a Trustee for the purposes of acquiring existing ordinary shares of the Company and transferring them to the Scheme Participants. For this purpose and to pay expenses in relation to the administration of the Trust, the Trustee is entitled from time to time to accept funding and/or assistance, financial or otherwise from the Company and/or its subsidiaries.

Notes to the Financial Statements

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33. EXECUTIVES' SHARE SCHEME (CONT'D.)

(vii) Details for Share Grants are as follows:

(a) Movements for Share Grants under STI award:

	Number of Shares					
		Movements during the Financial Year				
	Balance at 1 April 2018 '000	Granted '000	Transferred '000	Vested '000	Forfeited '000	Balance at 31 March 2019 '000
Group						
2016 ESS	529	-	-	(529)	-	-
	529	-	-	(529)	-	-

(b) Movements for Share Grants under LTI award:

	Number of Shares					
		Movements during the Financial Year				
	Balance at 1 April 2018 '000	Granted '000	Transferred '000	Vested '000	Forfeited '000	Balance at 31 March 2019 '000
Group						
2015 ESS	1,346	-	-	(523)	(823)	-
2016 ESS	2,151	-	-	(535)	(1,616)	-
2018 ESS	-	6,638	-	-	(167)	6,471
	3,497	6,638	-	(1,058)	(2,606)	6,471
Company						
2015 ESS	21	-	-	(8)	(13)	-
2016 ESS	287	-	-	(57)	(230)	-
2018 ESS	-	1,237	(1,237)	-	-	-
	308	1,237	(1,237)	(65)	(243)	-

(c) The aggregate maximum allocation of Share Grants to directors and key management personnel shall not exceed 50% of the Maximum Allowable scheme shares. The actual allocation of scheme shares to key management personnel is 28.8% under ESS 2018.

There were no share grants and share options granted after 2016 ESS under the expired ESS.

Notes to the Financial Statements

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33. EXECUTIVES' SHARE SCHEME (CONT'D.)

(ix) Fair value of share options and share grants awarded up to end of the financial year:

The fair value of share options granted was estimated using the trinomial valuation model, taking into account the terms and conditions upon which the options/shares were granted. The fair value of the share options measured at grant date and/or acceptance date, including the assumptions used to determine the fair value of the options were as follows:

	2018 ESS	2016 ESS	2015 ESS	2014 ESS	2013 ESS	2012 ESS	2011 ESS	2010 ESS	2009 ESS	2008 ESS
Fair value of shares as at grant dates (RM)										
- 10 April 2009	-	-	-	-	-	-	-	-	-	2.76
- 21 July 2009	-	-	-	-	-	-	-	-	3.78	-
- 21 July 2010	-	-	-	-	-	-	-	5.12	-	-
- 21 July 2011	-	-	-	-	-	-	6.34	-	-	-
- 11 July 2012	-	-	-	-	-	6.49	-	-	-	-
- 15 August 2013	-	-	-	-	7.97	-	-	-	-	-
- 04 August 2014	-	-	-	7.17	-	-	-	-	-	-
- 14 August 2015	-	-	5.09	-	-	-	-	-	-	-
- 11 November 2016	-	3.95	-	-	-	-	-	-	-	-
- 5 October 2018	4.08	-	-	-	-	-	-	-	-	-
Fair value of share options as at grant dates (RM)										
- 10 April 2009	-	-	-	-	-	-	-	-	-	1.06
- 21 July 2009	-	-	-	-	-	-	-	-	1.48	-
- 21 July 2010	-	-	-	-	-	-	-	1.81	-	-
Weighted average share price (RM)	4.09	3.98	5.15	6.79	7.27	6.39	6.40	4.98	3.39	2.44
Weighted average exercise price (RM)	-	-	-	-	-	-	-	4.73	3.05	2.20
Expected volatility (%)	-	-	-	-	-	-	-	40.00	40.00	38.00
First possible exercise date	-	-	-	-	-	-	-	31 Mar 2013	25 June 2012	11 Mar 2012
Option expiry date	-	-	-	-	-	-	-	31 Mar 2016	23 June 2015	11 Mar 2015
Average risk-free rate (%)	-	-	-	-	-	-	-	4.23	4.50	3.30
Average expected dividend yield (%)	-	-	-	-	-	-	-	3.66	2.40	2.02

Notes to the Financial Statements

For the financial year ended 31 March 2019

33. EXECUTIVES' SHARE SCHEME (CONT'D.)

(ix) Fair value of share options and share grants awarded up to end of the financial year (Cont'd.):

The expected life of the share options is based on the exercisable period of the option and is not necessarily indicative of exercise patterns that may occur. The expected volatility used was based on the historical volatility of the share price over a period equivalent to the expected life of the options prior to its date of grant, which assumed that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the share options/share awards were incorporated into the measurement of fair value.

The fair value of shares granted under the ESS is measured at grant date, using the closing price of the Company's shares under the new scheme. Under the expired scheme, the fair value of shares granted under the ESS was measured at acceptance date, using the closing price of the Company's shares.

34. NON-CONTROLLING INTERESTS

		Group	
	Note	31 March 2019 RM'000	31 March 2018 RM'000
Balance at beginning of the financial year:			
- as previously reported		1,144,405	-
- effect of adoption of MFRS 9	60(c)	48	1,125,816
- as restated		1,144,453	1,125,816
Withdrawal of investment by the Group		-	(100,615)
Share in net results of subsidiaries		97,780	121,693
Share in other comprehensive income/(loss)		5	(2,038)
Transfer of ESS shares recharged - difference on purchase price for shares vested		(109)	(55)
Dividends received by non-controlling interests		(242,630)	(396)
Balance at end of the financial year		999,499	1,144,405

Notes to the Financial Statements

For the financial year ended 31 March 2019

35. INTEREST INCOME

	Group		Company	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Short-term funds and deposits and placements with banks and other financial institutions	108,589	114,497	9,155	1,483
Financial assets at fair value through profit or loss	481,238	-	-	-
Financial assets held-for-trading	-	352,715	-	-
Financial investments at fair value through other comprehensive income	332,903	-	-	-
Financial investments available-for-sale	-	220,311	-	-
Financial investments at amortised cost	142,211	-	52,949	-
Financial investments held-to-maturity	-	82,666	-	41,656
Loans and advances	3,783,703	3,446,510	-	-
Impaired loans and advances	19,337	18,183	-	-
Others	24,092	85,093	-	-
	4,892,073	4,319,975	62,104	43,139

36. INTEREST EXPENSE

	Group		Company	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Deposits from customers	2,430,465	2,027,574	-	-
Deposits and placements of banks and other financial institutions	158,560	89,510	-	-
Senior Notes	121,801	159,367	16,151	30,158
Credit-Linked Notes	7,531	7,490	-	-
Securities sold under repurchase agreements	43,044	22	-	-
Recourse obligation on loans sold to Cagamas Berhad	169,235	129,809	-	-
Term loans and revolving credit	-	4,307	-	3,400
Subordinated bonds and notes	130,898	75,493	53,364	41,750
Medium Term Notes	822	54,639	-	-
Tier 1 Capital Securities	81,462	85,013	-	-
Other structured products and others	23,947	22,406	-	1,684
	3,167,765	2,655,630	69,515	76,992

Notes to the Financial Statements
For the financial year ended 31 March 2019

37. OTHER OPERATING INCOME

	Note	Group 31 March 2019 RM'000	Group 31 March 2018 RM'000	Company 31 March 2019 RM'000	Company 31 March 2018 RM'000
Fee and commission income:					
Fees on loans and securities		154,239	158,761	-	-
Corporate advisory		14,901	12,654	-	-
Guarantee fees		58,001	62,335	-	-
Underwriting commission		870	990	-	-
Portfolio management fees		36,356	36,447	-	-
Unit trust fees, commission and charges		112,136	125,065	-	-
Property trust management fees		7,383	7,436	-	-
Brokerage fees and commission		35,549	45,020	-	-
Bancassurance commission		11,887	11,613	-	-
Wealth management fees		11,673	21,554	-	-
Remittances		21,948	20,792	-	-
Fees, service and commission charges		31,154	33,979	-	-
Other fees		20,398	16,547	-	-
		516,495	553,193	-	-
Investment and trading income:					
Net gain from sale of financial assets at fair value through profit or loss		40,337	-	-	-
Net gain from sale of financial assets held-for-trading		-	31,798	-	-
Net gain from sale of financial investments at fair value through other comprehensive income		20,352	-	-	-
Net gain from sale of financial investments available-for-sale		-	87,147	-	-
Net loss on revaluation of financial assets at fair value through profit or loss		(34,067)	-	-	-
Net gain on revaluation of financial assets held-for-trading		-	30,571	-	-
Net foreign exchange gain[1]		161,403	8,818	-	-
Net (loss)/gain on derivatives		(31,674)	57,128	-	-
Dividend income from:					
Subsidiaries		-	-	1,122,065	1,135,653
Financial assets at fair value through profit or loss		25,308	-	36	-
Financial assets held-for-trading		-	13,604	-	-
Financial investments at fair value through other comprehensive income	12	2,897	-	-	-
Financial investments available-for-sale		-	24,795	-	2,185
Distribution from capital repayment by subsidiary	20(a)(3)(i)	-	-	25,000	195,409
Others		5,103	97	-	-
		189,659	253,958	1,147,101	1,333,247

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For the financial year ended 31 March 2019

37. OTHER OPERATING INCOME (CONT'D.)

	Note	Group		Company	
		31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Other income:					
Net non-trading foreign exchange gain		1,359	1,016	-	-
Gain on repayment of capital by a subsidiary		-	7,672	-	-
Net gain on disposal of property and equipment[2]		2,764	3,345	-	-
Rental income		6,045	4,930	-	-
Profit from sale of goods and services		18,486	12,864	-	-
Gain on disposal of foreclosed properties		21,336	44,659	-	-
Others		17,051	33,494	896	156
		67,041	107,980	896	156
		773,195	915,131	1,147,997	1,333,403

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

[2] *Included gain of RM0.7 million (2018: RM0.8 million) upon completion of disposal for properties and investment property classified as assets held-for-sale (Note 58).*

38. OTHER OPERATING EXPENSES

	Note	Group		Company	
		31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Personnel costs[1]					
Salaries, allowances and bonuses		981,583	972,095	8,436	15,304
Shares granted under ESS					
- (writeback)/charge		(5,269)	(9,447)	(270)	127
Contributions to EPF/Private Retirement Scheme		155,747	159,151	1,221	2,563
Social security cost		8,259	8,741	5	6
Other staff related expenses		120,177	270,453	386	470
		1,260,497	1,400,993	9,778	18,470
Establishment costs:					
Depreciation of property and equipment	23	50,712	66,193	264	384
Amortisation of intangible assets	24	118,394	113,368	-	-
Computerisation costs		193,465	175,317	3	225
Rental of premises		96,492	107,987	-	-
Cleaning, maintenance and security		29,224	24,888	-	4
Others		36,047	33,700	4	8
		524,334	521,453	271	621

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For the financial year ended 31 March 2019

38. OTHER OPERATING EXPENSES (CONT'D.)

	Note	Group 31 March 2019 RM'000	Group 31 March 2018 RM'000	Company 31 March 2019 RM'000	Company 31 March 2018 RM'000
Marketing and communication expenses:					
Sales commission		11,928	5,157	-	-
Advertising, promotional and other marketing activities		54,200	58,476	386	428
Telephone charges		19,000	20,724	25	46
Postage		9,794	12,432	-	1
Travel and entertainment		14,522	14,150	201	188
Others		19,566	19,240	90	122
		129,010	130,179	702	785
Administration and general expenses:					
Professional services[1]		89,141	155,926	2,841	1,779
Travelling		5,351	6,733	31	288
Insurance		4,523	4,106	18	41
Subscriptions and periodicals		9,482	13,724	23	42
Others		108,534	187,691	6,191	3,024
		217,031	368,180	9,104	5,174
Service transfer pricing expense/(income), net		-	-	3,941	(8,980)
Total		2,130,872	2,420,805	23,796	16,070
Included in other operating expenses are the following:					
Directors' remuneration	39	5,004	5,920	3,531	4,015
Property and equipment written off	23	61	134	-	-
Intangible assets written off	24	74	262	-	-
Hire of motor vehicles and office equipment		14,376	11,456	3	8
Auditors' remuneration:					
Parent auditor					
Audit		5,957	4,586	115	110
Regulatory and assurance related		2,501	1,596	215	29
Other services		1,697	2,395	-	-
Firms affiliated with parent auditor					
Audit		13	24	-	-
Other auditors					
Audit		3	3	-	-

[1] *In the previous financial year, the Group had offered its eligible employees a Mutual Separation Scheme ("MSS"). As at 31 March 2018, the Group had completed its MSS exercise and the payout from this exercise taken up under Personnel costs and professional fees amounted to approximately RM145.5 million. The MSS was introduced as part of the Group's Top Four Strategy, to enhance efficiency and productivity within the Group. To aid employees with this transition, career transition programmes, workshops and on-ground job search support continues to be provided.*

Notes to the Financial Statements
For the financial year ended 31 March 2019

39. CHIEF EXECUTIVE OFFICER'S AND DIRECTORS' REMUNERATION

The total remuneration (including benefits-in-kind) of the directors of the Company are as follows:

	Remuneration received from the Group					
31 March 2019	**Fees RM'000**	**Salaries RM'000**	**Other Emoluments RM'000**	**Bonus RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
Chief Executive Officer:						
Dato' Sulaiman Mohd Tahir	-	2,328	774	1,060	38	4,200
	-	2,328	774	1,060	38	4,200
Non-Executive Directors:						
Tan Sri Azman Hashim	451	-	1,991	-	37	2,479
Graham Kennedy Hodges	200	-	86	-	1	287
Soo Kim Wai	237	-	109	-	20	366
Voon Seng Chuan	352	-	291	-	2	645
Datuk Shireen Ann Zaharah binti Muhiudeen	200	-	89	-	2	291
Seow Yoo Lin	269	-	135	-	2	406
Farina binti Farikhullah Khan	350	-	177	-	3	530
	2,059	-	2,878	-	67	5,004
Total remuneration	2,059	2,328	3,652	1,060	105	9,204

Notes to the Financial Statements
For the financial year ended 31 March 2019

39. CHIEF EXECUTIVE OFFICER'S AND DIRECTORS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the directors of the Company are as follows (Cont'd.):

31 March 2018	Remuneration received from the Group					
	Fees RM'000	Salaries RM'000	Other Emoluments RM'000	Bonus RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer:						
Dato' Sulaiman Mohd Tahir	-	2,202	862	1,798	57	4,919
	-	2,202	862	1,798	57	4,919
Non-Executive Directors:						
Tan Sri Azman Hashim	643	-	2,140	-	42	2,825
Graham Kennedy Hodges	200	-	74	-	-	274
Soo Kim Wai	200	-	96	-	-	296
Voon Seng Chuan	350	-	212	-	-	562
Datuk Shireen Ann Zaharah binti Muhiudeen	200	-	85	-	-	285
Seow Yoo Lin	200	-	79	-	-	279
Farina binti Farikhullah Khan	274	-	135	-	-	409
Suzette Margaret Corr	163	-	38	-	-	201
Dato' Rohana binti Tan Sri Mahmood	287	-	136	-	12	435
Dato' Seri Ahmad Johan bin Mohammad Raslan	138	-	40	-	-	178
Wasim Akhtar Saifi	119	-	57	-	-	176
	2,774	-	3,092	-	54	5,920
Total remuneration	2,774	2,202	3,954	1,798	111	10,839

Notes to the Financial Statements

For the financial year ended 31 March 2019

39. CHIEF EXECUTIVE OFFICER'S AND DIRECTORS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the directors of the Company are as follows:

	Remuneration received from the Company					
31 March 2019	**Fees RM'000**	**Salaries RM'000**	**Other Emoluments RM'000**	**Bonus RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
Chief Executive Officer:						
Dato' Sulaiman Mohd Tahir*	-	1,061	353	483	17	1,914
	-	1,061	353	483	17	1,914
Non-Executive Directors:						
Tan Sri Azman Hashim	210	-	1,460	-	30	1,700
Graham Kennedy Hodges	200	-	86	-	1	287
Soo Kim Wai	200	-	82	-	20	302
Voon Seng Chuan	200	-	159	-	1	360
Datuk Shireen Ann Zaharah binti Muhiudeen	200	-	89	-	2	291
Seow Yoo Lin	200	-	106	-	2	308
Farina binti Farikhullah Khan	200	-	81	-	2	283
	1,410	-	2,063	-	58	3,531
Total remuneration	1,410	1,061	2,416	483	75	5,445

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For the financial year ended 31 March 2019

39. CHIEF EXECUTIVE OFFICER'S AND DIRECTORS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the directors of the Company are as follows (Cont'd.):

	Remuneration received from the Company					
31 March 2018	**Fees RM'000**	**Salaries RM'000**	**Other Emoluments RM'000**	**Bonus RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
Chief Executive Officer:						
Dato' Sulaiman Mohd Tahir*	-	550	217	449	14	1,230
	-	550	217	449	14	1,230
Non-Executive Directors:						
Tan Sri Azman Hashim	210	-	1,461	-	42	1,713
Graham Kennedy Hodges	200	-	74	-	-	274
Soo Kim Wai	200	-	96	-	-	296
Voon Seng Chuan	200	-	135	-	-	335
Datuk Shireen Ann Zaharah binti Muhiudeen	200	-	85	-	-	285
Seow Yoo Lin	200	-	79	-	-	279
Farina binti Farikhullah Khan	129	-	61	-	-	190
Suzette Margaret Corr	163	-	38	-	-	201
Dato' Rohana binti Tan Sri Mahmood	164	-	88	-	12	264
Dato' Seri Ahmad Johan bin Mohammad Raslan	138	-	40	-	-	178
	1,804	-	2,157	-	54	4,015
Total remuneration	1,804	550	2,374	449	68	5,245

* *The CEO of the Company is also CEO of AmBank. The remuneration for the CEO has excluded an amount of RM1,850,000 (2018: RM2,574,000) representing the remuneration prior to January 2019, which was reimbursed by AmBank charged under Service Transfer Pricing ("STP") income. Effective from January 2019, the remuneration for the CEO was paid by AmBank. Included also in the CEO's remuneration was an amount of RM340,000 (2018: nil) reimbursed by the Company to AmBank under STP expenses.*

Notes to the Financial Statements

For the financial year ended 31 March 2019

40. IMPAIRMENT (WRITEBACK)/LOSS ON LOANS, ADVANCES AND FINANCING

	Note	Group 31 March 2019 RM'000	Group 31 March 2018 RM'000
Impaired loans, advances and financing:			
Allowances for ECL	16(i)	536,097	-
Individual allowance, net	16(j)	-	105,151
Collective allowance, net	16(j)	-	345,200
Impaired loans, advances and financing:			
Recovered, net		(837,400)	(451,433)
		(301,303)	(1,082)

41. IMPAIRMENT LOSS/(WRITEBACK) ON FINANCIAL INVESTMENTS AND OTHER FINANCIAL ASSETS

	Note	Group 31 March 2019 RM'000	Group 31 March 2018 RM'000
Financial investments			
Financial investments at fair value through other comprehensive income	12	11,301	-
Financial investments available-for-sale		-	1,483
Financial investments at amortised cost	14	536	-
		11,837	1,483
Other financial assets			
Cash and short-term funds	6	330	-
Deposits and placements with banks and other financial institutions	8	2,075	-
Other assets		(225)	8,368
		2,180	8,368

Notes to the Financial Statements

For the financial year ended 31 March 2019

42. TAXATION AND ZAKAT

		Group		Company	
	Note	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Current tax:					
Estimated current tax payable		543,573	397,652	1,880	37
(Over)/Under provision in prior years		(24,559)	76,899	(3)	14
		519,014	474,551	1,877	51
Deferred tax:					
Origination and reversal of temporary differences:		(30,659)	(98,087)	-	-
Under/(Over) provision in prior years		1,549	(89,609)	-	-
		(29,110)	(187,696)	-	-
Taxation	(a)	489,904	286,855	1,877	51
Zakat		2,401	2,034	-	-
		492,305	288,889	1,877	51

Domestic income tax is calculated at the statutory tax rate of 24.0% (2018: 24.0%) on the estimated chargeable profit for the financial year. Taxation in foreign jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	Group		Company	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Profit before taxation and zakat	2,095,374	1,542,713	1,092,707	1,064,319
Taxation at Malaysian statutory tax rate of 24.0% (2018: 24.0%)	502,890	370,251	262,250	255,437
Effect of different tax rates in Labuan and certain subsidiaries	(7,123)	(9,979)	-	-
Income not subject to tax	(39,912)	(122,799)	(275,304)	(319,980)
Restricted and non-deductibility of expenses for tax purposes	64,625	62,584	14,934	64,580
Tax recoverable recognised on income subject to tax remission	(2,658)	(2,006)	-	-
(Over)/Under provision of income tax in prior years	(24,559)	76,899	(3)	14
Under/(Over) provision of deferred tax in prior years	1,549	(89,609)	-	-
Tax on share in results of associates and joint ventures	(4,908)	1,514	-	-
Taxation for the financial year	489,904	286,855	1,877	51

Notes to the Financial Statements

For the financial year ended 31 March 2019

43. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	31 March 2019 RM'000/'000	31 March 2018 RM'000/'000
Net profit attributable to equity holders of the Company	1,505,289	1,132,131
Number of ordinary shares in issue	3,014,185	3,014,185
Effect of ordinary shares purchased for the ESS, net of number vested to eligible executives	(5,278)	(6,573)
Weighted average number of ordinary shares in issue	3,008,907	3,007,612
Basic earnings per share (sen)	50.03	37.64

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the adjusted weighted average number of ordinary shares in issue during the year.

	Group	
	31 March 2019 RM'000/'000	31 March 2018 RM'000/'000
Net profit attributable to equity holders of the Company	1,505,289	1,132,131
Weighted average number of ordinary shares in issue (as in (a) above)	3,008,907	3,007,612
Effect of executives' share scheme	-	529
	3,008,907	3,008,141
Diluted earnings per share (sen)	50.03	37.64

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44. DIVIDENDS

Dividends recognised and paid by the Company are as follows:

	Group and Company	
	31 March 2019 RM'000	31 March 2018 RM'000
In respect of financial year ended 31 March 2019		
Interim single-tier dividend of 5.0 sen per share on 3,014,184,844 ordinary shares	150,710	-
In respect of financial year ended 31 March 2018		
Interim single-tier dividend of 5.0 sen per share on 3,014,184,844 ordinary shares	-	150,710
Final single-tier dividend of 10.0 sen per share on 3,014,184,844 ordinary shares	301,418	-
In respect of financial year ended 31 March 2017		
Final single-tier dividend of 12.6 sen per share on 3,014,184,844 ordinary shares	-	379,787
	452,128	530,497
Proposed but not recognised as a liability:		
In respect of financial year ended 31 March 2019		
Final single-tier dividend of 15.0 sen per share on 3,014,184,844 ordinary shares	452,128	-
In respect of financial year ended 31 March 2018		
Final single-tier dividend of 10.0 sen per share on 3,014,184,844 ordinary shares	-	301,418
	452,128	301,418

(a) Proposed final dividend

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2020 (2018: 31 March 2019).

(b) Dividends paid by the Company's subsidiaries to non-controlling interests

Dividends paid by the Company's subsidiary to non-controlling interests amounted to RM242,630,000 during the financial year ended 31 March 2019 (31 March 2018: RM396,000).

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45. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purpose of these financial statements, parties are considered to be related to the Group or the Company if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial or operational decisions, vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The related parties of the Group and the Company are:

(i) Subsidiaries

Transactions between the Company and its subsidiaries which are related parties of the Company, have been eliminated on consolidation. Details of subsidiaries are shown in Note 20.

(ii) Associates and Joint Ventures

Details of associates and joint ventures are disclosed in Note 21.

(iii) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company directly or indirectly. The key management personnel of the Group and the Company include Executive and Non-Executive Directors of the Company and certain members of senior management of the Group and heads of major subsidiaries (including close member of their families) of the Group.

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

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

(v) Companies which have significant influence over the Group

These are entities who are substantial shareholders of the Company.

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

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

	Subsidiaries		Associates and joint ventures		Key management personnel		Companies which certain Directors have substantial financial interest		Companies which have significant influence over the Group	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Group										
Income										
Interest on loans, advances and financing	-	-	22,567	24,330	297	225	15,252	13,730	-	-
Bancassurance commission	-	-	12,660	15,180	-	-	-	-	-	-
Fee Income	-	-	-	-	1	31	-	-	-	-
	-	-	35,227	39,510	298	256	15,252	13,730	-	-
Expenses										
Interest on deposits	-	-	35	-	1,110	1,517	333	225	-	-
Rental of premises	-	-	38,736	47,029	-	-	429	496	-	-
Utilities and miscellaneous expenses	-	-	1,368	1,707	-	-	-	-	-	-
Insurance premium	-	-	33,156	29,179	-	-	52	2,795	-	-
Marketing	-	-	-	-	-	-	87	2,088	-	-
Travelling	-	-	-	-	-	-	4,259	3,895	-	-
	-	-	73,295	77,915	1,110	1,517	5,160	9,499	-	-

Notes to the Financial Statements
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45. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

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

	Subsidiaries		Associates and joint ventures		Key management personnel		Companies which certain Directors have substantial financial interest		Companies which have significant influence over the Group	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Company										
Income										
Interest on deposits	6,170	1,483	-	-	-	-	-	-	-	-
Interest on financial investments at amortised cost	52,949	-	-	-	-	-	-	-	-	-
Interest on financial investments held-to-maturity	-	41,656	-	-	-	-	-	-	-	-
Dividend income from subsidiaries	1,122,065	1,135,653	-	-	-	-	-	-	-	-
Other income	219	156	-	-	-	-	-	-	-	-
Service transfer pricing income	6,100	16,472	-	-	-	-	-	-	-	-
	1,187,503	1,195,420	-	-	-	-	-	-	-	-
Expenses										
Interest expense	-	1,684	-	-	-	-	-	-	-	-
Service transfer pricing expenses	10,041	7,492	-	-	-	-	-	-	-	-
	10,041	9,176	-	-	-	-	-	-	-	-

Notes to the Financial Statements

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

(b) In addition to the transactions detailed elsewhere in the financial statements, the significant outstanding balances of the Group and the Company with its related parties are as follows:

	Subsidiaries		Associates and joint ventures		Key management personnel		Companies which certain Directors have substantial financial interest		Companies which have significant influence over the Group 2019	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Group										
Assets:										
Loans, advances and financing	-	-	392,403	546,431	8,764	5,641	273,103	250,416	-	-
Amount owing by related companies	-	-	8,072	6,206	-	-	-	-	-	-
Other assets	-	-	1,314	95	-	-	-	-	-	-
Liabilities:										
Deposits and placements	-	-	7,167	5,214	102,528	68,470	258,946	145,114	6,384	12,329
Other liabilities	-	-	7,488	5,060	-	-	-	-	129	-
	-	-	416,444	563,006	111,292	74,111	532,049	395,530	6,513	12,329
Commitments and contingencies										
Contingent liabilities	-	-	2,480	2,410	-	-	18,369	20,398	180,881	179,160
Commitments	-	-	29,315	34,890	5,943	5,747	121,500	137,500	295,000	260,000
	-	-	31,795	37,300	5,943	5,747	139,869	157,898	475,881	439,160
Operating lease commitments:										
Rental of premises	-	-	-	-	-	-	514	425	-	-

Notes to the Financial Statements
For the financial year ended 31 March 2019

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

(b) In addition to the transactions detailed elsewhere in the financial statements, the significant outstanding balances of the Group and the Company with its related parties are as follows (Cont'd.):

	Subsidiaries		Associates and joint ventures		Key management personnel		Companies which certain Directors have substantial financial interest		Companies which have significant influence over the Group 2019	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Company										
Assets:										
Cash and short-term funds	81,005	79,080	-	-	-	-	-	-	-	-
Financial investments held-to-maturity	-	1,425,000	-	-	-	-	-	-	-	-
Interest receivable	-	4,558	-	-	-	-	-	-	-	-
Amount due from related companies	-	9	691	-	-	-	-	-	-	-
	81,005	1,508,647	691	-	-	-	-	-	-	-
Liabilities:										
Amount owing to related companies	8,133	7,909	-	-	-	-	-	-	-	-
	8,133	7,909	-	-	-	-	-	-	-	-

(c) There were no granting of loans to the Directors of the Company. Loans made to other key management personnel of the Group is on similar terms and conditions generally available to other employees within the Group.

(d) The Company incurs intercompany charges for shared operating costs of the Group in Malaysia as disclosed under Service Transfer Pricing expenses. The services received relate to expenses incurred for group shared services in respect of internal audit, finance, human resource, marketing and communications, legal, company secretarial, organisation and development and information systems. Effective January 2019, all key management personnel ("KMP") of the Company were transferred to the payroll of its subsidiary, AmBank. Arising from the above, the Company also incurs intercompany charges for shared operating costs of these KMP.

(e) During the current financial year, the Group disposed non-performing loans/financing to two entities, Aiqon Amanah Sdn Bhd and Aiqon Islamic Sdn Bhd which are subsidiaries of Aiqon Capital Sdn Bhd ("Aiqon Capital"). Aiqon Capital is jointly controlled by a company that is controlled by Aiqon Capital's Group Executive Chairman/Chief Executive Officer who is a close family member of a director and major shareholder of the Company. The disposal generated a gain of approximately RM302.6 million which was taken up under impaired loans, advances and financing recovered as disclosed in Note 40.

Notes to the Financial Statements
For the financial year ended 31 March 2019

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

(f) Key management personnel compensation

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

	Group		Company	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Directors:				
Fees	2,059	2,774	1,410	1,804
Salaries and other remuneration	2,878	3,092	2,063	2,157
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	67	54	58	54
Total short-term employee benefits	5,004	5,920	3,531	4,015
Other key management personnel:				
Salaries and other remuneration	20,246	22,395	11,665	18,374
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	4,107	4,780	2,150	3,564
Total short-term employee benefits	24,353	27,175	13,815	21,938

46. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	Group	
	31 March 2019	31 March 2018
Outstanding credit exposures with connected parties (RM'000)	2,299,375	2,582,104
Percentage of outstanding credit exposures to connected parties:		
as a proportion of total credit exposures (%)	1.98	2.32
which is impaired or in default (%)	0.01	0.01

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with paragraph 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties issued on 16 July 2014.

Notes to the Financial Statements
For the financial year ended 31 March 2019

46. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES (CONT'D.)

Based on these guidelines, a connected party refers to the following:

(i) Directors of AmBank, AmInvestment Bank and AmBank Islamic ("the Banks") and their close relatives;

(ii) Controlling shareholder and his close relatives;

(iii) Influential shareholder and his close relatives;

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

(v) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;

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

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

(viii) Subsidiary of or an entity controlled by the Banks and their connected parties.

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

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions not more favourable than those entered into with other counterparties with similar circumstances and credit worthiness. Due care has been taken to ensure that the credit worthiness of the connected party is not less than that normally required of other persons.

47. FIDUCIARY DUTY

(a) In respect of investment portfolio management

Investment portfolio funds managed by the Group on behalf of customers as at 31 March 2019 amounted to RM48,639,000,000 (2018: RM43,188,000,000).

(b) In respect of monies in trust

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

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Clients' trust balances and dealers' representative balances	236,146	293,000
Remisiers' trust balances	24,039	24,452
	260,185	317,452

Notes to the Financial Statements
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48. CAPITAL COMMITMENTS

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Authorised and contracted:		
Purchase of office equipment, IT equipment and solutions	33,385	35,817
Purchase of leasehold improvements	13,693	4,740
	47,078	40,557
Authorised but not contracted for:		
Purchase of office equipment, IT equipment and solutions	69,963	80,496
	117,041	121,053

49. OPERATING LEASE COMMITMENTS

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

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
One year or less	66,121	77,420
Over one year to five years	77,050	55,169
	143,171	132,589

The minimum lease rentals are not adjusted for operating expenses which the Group is 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 the rental expenses for the financial year.

Notes to the Financial Statements

For the financial year ended 31 March 2019

50. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the banking subsidiaries of the Company 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 other than those where provision had been made in the financial statements. The commitments and contingencies are not secured against the Group's assets.

As at the reporting date, the principal/notional amounts of commitments and contingencies are as follows:

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	16,558,502	18,243,224
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,910,184	4,103,833
Unutilised credit card lines	5,174,605	5,208,130
Forward asset purchases	1,593,203	351,998
	26,236,494	27,907,185
Contingent Liabilities		
Direct credit substitutes	2,590,041	2,147,797
Transaction related contingent items	5,392,151	5,849,587
Obligations under underwriting agreements	100,000	105,903
Short term self liquidating trade related contingencies	900,886	693,023
	8,983,078	8,796,310
Derivative Financial Instruments		
Interest/Profit rate related contracts:	53,030,833	53,821,239
One year or less	7,320,942	10,715,515
Over one year to five years	35,609,670	32,408,106
Over five years	10,100,221	10,697,618
Foreign exchange related contracts:	41,370,547	51,597,453
One year or less	35,768,559	47,466,152
Over one year to five years	4,214,120	2,655,384
Over five years	1,387,868	1,475,917
Credit related contracts:	345,108	334,505
Over one year to five years	345,108	334,505
Equity and commodity related contracts:	1,050,698	1,215,805
One year or less	860,041	797,179
Over one year to five years	190,657	418,626
	95,797,186	106,969,002
	131,016,758	143,672,497

Notes to the Financial Statements

For the financial year ended 31 March 2019

50. COMMITMENTS AND CONTINGENCIES (CONT'D.)

As at the reporting date, other commitments and contingencies of the Group and of the Company are as follows:

(a) The Company has given an unsecured guarantee amounting to RM50.0 million (2018: RM70.0 million) on behalf of AmInvestment Bank for the payment and discharge of all monies due on trading accounts maintained by Morgan Stanley & Co. International Plc. in respect of its futures trading activity with AmInvestment Bank.

(b) As of reporting date, AmMetLife had received complaints from 66 policyholders relating to the alleged mis-selling of a certain insurance product of AmMetLife. The Company and MetLife are working jointly in the process of investigating these complaints and assessing any financial impact thereon.

Under the terms for the sale by the Company to MetLife of shares in AmMetLife, the Group would fully indemnify MetLife or AmMetLife from any losses arising from incidences of mis-selling of certain specified insurance products occurring prior to the share sale.

(c) The Malaysia Competition Commission ("MyCC")'s Proposed Decision ("PD") against PIAM and its 22 members (including AmGeneral, a subsidiary).

On 25 April 2017, AmGeneral had completed the submission of its written representations to MyCC. AmGeneral had also indicated its request for oral representations.

AmGeneral's legal counsel had delivered oral representations to MyCC reiterating its position that it has not infringed Section 4(2)(a) of the Competition Act, 2010 and that no infringement penalties should be imposed. Should the PD be upheld, AmGeneral will appeal to the Competition Appeals Tribunal and thereafter take any adverse outcome to a judicial review before the Malaysian courts.

Notes to the Financial Statements

For the financial year ended 31 March 2019

51. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

Group 31 March 2019	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
ASSETS			
Cash and short-term funds	7,073,744	-	7,073,744
Deposits and placements with banks and other financial institutions	196,159	-	196,159
Derivative financial assets	167,922	596,001	763,923
Financial assets at fair value through profit or loss	16,614,019	2,751,576	19,365,595
Financial investments at fair value through other comprehensive income	5,307,765	10,402,108	15,709,873
Financial investments at amortised cost	119,439	5,026,877	5,146,316
Loans, advances and financing	25,403,940	75,140,081	100,544,021
Statutory deposits with Bank Negara Malaysia	-	3,155,541	3,155,541
Deferred tax assets	-	66,162	66,162
Investment in associates and joint ventures	-	710,091	710,091
Other assets	1,750,533	232,918	1,983,451
Reinsurance assets and other insurance receivables	330,403	195,144	525,547
Property and equipment	-	168,221	168,221
Intangible assets	-	3,379,727	3,379,727
Assets held for sale	5,029	-	5,029
TOTAL ASSETS	**56,968,953**	**101,824,447**	**158,793,400**
LIABILITIES			
Deposits from customers	104,067,529	2,848,460	106,915,989
Investment accounts of customers	353,451	-	353,451
Deposits and placements of banks and other financial institutions	7,566,869	120,850	7,687,719
Securities sold under repurchase agreements	5,339,422	-	5,339,422
Recourse obligation on loans and financing sold to Cagamas Berhad	2,833,351	1,825,002	4,658,353
Derivative financial liabilities	164,428	661,064	825,492
Term funding	2,707,765	926,989	3,634,754
Debt capital	485,000	3,745,000	4,230,000
Redeemable cumulative convertible preference share	-	224,229	224,229
Deferred tax liabilities	-	63,702	63,702
Other liabilities	3,340,175	136,413	3,476,588
Insurance contract liabilities and other insurance payables	1,691,581	1,001,668	2,693,249
TOTAL LIABILITIES	**128,549,571**	**11,553,377**	**140,102,948**

Notes to the Financial Statements
For the financial year ended 31 March 2019

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

Group 31 March 2018	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
ASSETS			
Cash and short-term funds	5,515,856	-	5,515,856
Deposits and placements with banks and other financial institutions	215,602	-	215,602
Derivative financial assets	531,267	594,350	1,125,617
Financial assets held-for-trading	12,944,783	-	12,944,783
Financial investments available-for-sale	1,966,267	5,736,619	7,702,886
Financial investments held-to-maturity	49	3,028,267	3,028,316
Loans, advances and financing	24,525,952	70,851,948	95,377,900
Receivables: Investments not quoted in active markets	74,853	1,865,580	1,940,433
Statutory deposits with Bank Negara Malaysia	-	2,836,841	2,836,841
Deferred tax assets	-	75,324	75,324
Investment in associates and joint ventures	-	690,294	690,294
Other assets	1,959,002	310,104	2,269,106
Reinsurance assets and other insurance receivables	335,047	201,812	536,859
Property and equipment	-	191,412	191,412
Intangible assets	-	3,426,051	3,426,051
Assets held for sale	3,963	-	3,963
TOTAL ASSETS	**48,072,641**	**89,808,602**	**137,881,243**
LIABILITIES			
Deposits from customers	92,439,353	3,365,834	95,805,187
Investment accounts of customers	138,956	-	138,956
Deposits and placements of banks and other financial institutions	3,379,569	53,009	3,432,578
Recourse obligation on loans and financing sold to Cagamas Berhad	3,030,269	1,243,352	4,273,621
Derivative financial liabilities	722,094	556,698	1,278,792
Term funding	1,062,566	3,267,147	4,329,713
Debt capital	1,499,871	3,079,633	4,579,504
Redeemable cumulative convertible preference share	-	217,451	217,451
Deferred tax liabilities	-	65,403	65,403
Other liabilities	3,208,511	128,005	3,336,516
Insurance contract liabilities and other insurance payables	1,795,435	968,077	2,763,512
TOTAL LIABILITIES	**107,276,624**	**12,944,609**	**120,221,233**

Notes to the Financial Statements

For the financial year ended 31 March 2019

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

Company 31 March 2019	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
ASSETS			
Cash and short-term funds	81,005	-	81,005
Financial assets at fair value through profit or loss	1,044	-	1,044
Investment in subsidiaries and other investments	-	9,640,313	9,640,313
Other assets	1,670	-	1,670
Property and equipment	-	676	676
Total Assets	**83,719**	**9,640,989**	**9,724,708**
LIABILITIES			
Other liabilities	31,436	-	31,436
Total Liabilities	**31,436**	**-**	**31,436**

Company 31 March 2018	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
ASSETS			
Cash and short-term funds	79,080	-	79,080
Financial investments available-for-sale	-	1,008	1,008
Financial investments held-to-maturity	74,332	1,350,668	1,425,000
Investment in subsidiaries and other investments	-	9,487,139	9,487,139
Other assets	7,253	60	7,313
Property and equipment	-	940	940
Total Assets	**160,665**	**10,839,815**	**11,000,480**
LIABILITIES			
Term funding	22,500	477,500	500,000
Debt capital	-	1,424,585	1,424,585
Other liabilities	24,722	-	24,722
Total Liabilities	**47,222**	**1,902,085**	**1,949,307**

Notes to the Financial Statements

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52. CAPITAL MANAGEMENT

The 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 Group to support its strategy.

The capital plan takes the following into account:

(a) Regulatory capital requirements; and
(b) Capital requirement to support business growth, strategic objectives, buffer for material risks not captured under regulatory capital requirements and stress test results.

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

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

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

The capital that the Group is required to hold is determined by its risk exposures after applying collaterals and other risk mitigants. BNM has the right to impose further capital requirements on Malaysian financial institutions.

The Group operates processes and controls to monitor and manage capital adequacy across the organisation. Capital is maintained on the basis of the local regulator's requirements. It is overseen by the Group Assets and Liabilities Committee ("GALCO"). The GALCO is also responsible for managing the Group's statement of financial position, capital and liquidity.

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

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

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

Appropriate policies are 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.

Notes to the Financial Statements
For the financial year ended 31 March 2019

52. CAPITAL MANAGEMENT (CONT'D.)

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

	31 March 2019			
	AmBank	AmBank Islamic	AmInvestment Bank	Group
Before deducting proposed dividends:				
CET1 Capital ratio	11.752%	11.654%	43.711%	12.328%
Tier 1 Capital ratio	12.406%	11.654%	43.711%	12.328%
Total Capital ratio	17.038%	16.836%	44.174%	15.864%
After deducting proposed dividends:				
CET1 Capital ratio	11.323%	11.084%	41.539%	11.890%
Tier 1 Capital ratio	11.977%	11.084%	41.539%	11.890%
Total Capital ratio	16.609%	16.267%	42.001%	15.426%

	31 March 2018			
	AmBank	AmBank Islamic	AmInvestment Bank	Group* (Restated)
Before deducting proposed dividend:				
CET1 Capital ratio	10.955%	11.561%	41.194%	11.384%
Tier 1 Capital ratio	11.903%	11.561%	41.194%	11.384%
Total Capital ratio	16.451%	16.569%	41.452%	13.951%
After deducting proposed dividend:				
CET1 Capital ratio	10.613%	11.561%	27.529%	11.081%
Tier 1 Capital ratio	11.561%	11.561%	27.529%	11.082%
Total Capital ratio	16.109%	16.569%	27.787%	13.649%

Notes to the Financial Statements
For the financial year ended 31 March 2019

52. CAPITAL MANAGEMENT (CONT'D.)

(a) The capital adequacy ratios of the Group and banking subsidiaries are as follows: (Cont'd.)

Notes:

(1) The capital adequacy ratios are computed in accordance to BNM's guidelines on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) issued by Bank Negara Malaysia on 2 February 2018, which is based on the Basel III capital accord. The Group has adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM's Guidelines on Capital Adequacy Framework (Basel II - Risk Weighted Assets) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 2 February 2018.

(2) The Company, being a financial holding company ("FHC") i.e. a financial holding company approved pursuant to section 112(3) of the FSA or section 124(3) of the IFSA and holds investment directly or indirectly in corporations that are engaged predominantly in banking business or Islamic banking business, has complied with BNM guidelines on minimum capital adequacy ratios and capital buffer requirements at the consolidated level effective 1 January 2019 and is presenting the capital adequacy ratios on FHC basis for 2019.

For regulatory capital reporting purposes, the consolidated level comprise the consolidation of all its financial and non- financial subsidiaries, excluding investments in insurance subsidiaries as per BNM's guidelines on Capital Adequacy Framework (Capital Components). Under the guidelines, investments in insurance subsidiaries shall be deducted in the calculation of CET1 Capital ratio.

* Restated Group figures for 2018 presented above are on a FHC basis. The positions of each entity as presented above and group (where applicable) are also published at www.ambankgroup.com. Previously, the Group presented the capital adequacy ratios and components of capital base and risk weighted assets on an aggregation basis representing the aggregated capital positions and risk weighted assets of its three regulated banking subsidiaries.

(3) Pursuant to the BNM's guidelines on Capital Adequacy Framework (Capital Components) issued, a financial institution is required to hold and maintain, at all times, minimum capital adequacy ratios at 4.5% for CET1 capital, 6.0% for Tier 1 capital and 8.0% for Total capital ratio. In addition, a financial institution is also required to hold and maintain capital buffers in the form of CET1 Capital above the minimum CET1 Capital, Tier 1 Capital and Total Capital adequacy levels. The capital buffers shall comprise the sum of the following:

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

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

	CCB
Calendar year 2018	1.875%
Calendar year 2019 onwards	2.5%

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

Notes to the Financial Statements

For the financial year ended 31 March 2019

52. CAPITAL MANAGEMENT (CONT'D.)

(b) The components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group and banking subsidiaries are as follows:

	31 March 2019			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
CET1 Capital				
Ordinary share capital	1,940,465	1,387,107	200,000	5,551,557
Retained earnings	7,014,840	1,933,885	296,696	10,773,243
Fair value reserve	245,836	39,151	1,089	460,863
Foreign exchange translation reserve	85,109	-	-	94,089
Regulatory reserve	280,556	164,928	4,674	450,158
Cash flow hedging deficit	(12,074)	-	-	(12,074)
Other remaining disclosed reserves	-	-	-	(26,188)
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(2,092,645)
Other intangible assets	(368,654)	(1,351)	(1,750)	(386,109)
Deferred tax assets	(57,589)	-	(3,051)	(53,957)
55% of cumulative gains in fair value reserve	(135,210)	(21,533)	(599)	(253,475)
Cash flow hedging reserve	12,074	-	-	12,074
Regulatory reserve	(280,556)	(164,928)	(4,674)	(480,158)
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(8,488)	-	(49,809)	(1,334,000)
CET1 Capital	8,716,309	3,337,259	442,576	12,733,378
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	485,000	-	-	-
Qualifying CET1, Additional Tier 1 capital instruments held by third parties	-	-	-	439
Tier 1 Capital	9,201,309	3,337,259	442,576	12,733,817
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	2,595,000	1,150,000	-	-
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	-	-	-	2,476,745
General provisions*	840,495	334,015	4,684	1,175,912
Tier 2 Capital	3,435,495	1,484,015	4,684	3,652,657
Total Capital	12,636,804	4,821,274	447,260	16,386,474

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

Notes to the Financial Statements
For the financial year ended 31 March 2019

52. CAPITAL MANAGEMENT (CONT'D.)

(b) The components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group and banking subsidiaries are as follows (Cont'd.):

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

	31 March 2019			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
Credit RWA	67,239,575	28,526,091	732,342	94,407,762
Less: Credit RWA absorbed by Profit Sharing Investment Account	-	(1,804,893)	-	(334,809)
Total Credit RWA	67,239,575	26,721,198	732,342	94,072,953
Market RWA	2,358,358	475,926	28,644	2,807,287
Operational RWA	4,037,878	1,439,025	251,510	5,880,399
Large exposure risk RWA for equity holdings	531,402	-	-	531,792
Total RWA	74,167,213	28,636,149	1,012,496	103,292,431

	31 March 2018			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group (Restated) RM'000
CET1 Capital				
Ordinary share capital	1,763,208	1,387,107	200,000	5,551,557
Retained earnings	6,700,583	1,632,472	474,802	9,711,873
Available for sale deficit	(23,518)	(5,492)	-	(54,889)
Foreign exchange translation reserve	52,974	-	-	61,600
Regulatory reserve	372,133	327,683	2,918	702,734
Cash flow hedging reserve	3,174	-	-	3,174
Other remaining disclosed reserves	-	-	-	(24,192)
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(2,092,645)
Other intangible assets	(400,376)	(1,207)	(2,137)	(422,024)
Deferred tax assets	(66,637)	-	(4,085)	(65,940)
Cash flow hedging reserve	(3,174)	-	-	(3,174)
Regulatory reserve	(372,133)	(327,683)	(2,918)	(702,734)
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(8,488)	-	(49,809)	(1,334,000)
CET1 Capital	8,017,746	3,012,880	618,771	11,331,340

Notes to the Financial Statements
For the financial year ended 31 March 2019

52. CAPITAL MANAGEMENT (CONT'D.)

(b) The components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group and banking subsidiaries are as follows (Cont'd.):

	31 March 2018			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group (Restated) RM'000
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	694,040	-	-	-
Qualifying CET1, Additional Tier 1 capital instruments held by third parties	-	-	-	458
Tier 1 Capital	8,711,786	3,012,880	618,771	11,331,798
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	1,995,000	1,000,000	-	1,425,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	600,000	-	-	-
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	-	-	-	91
Collective allowance and regulatory reserve	734,013	305,028	3,871	1,130,103
Tier 2 Capital	3,329,013	1,305,028	3,871	2,555,194
Total Capital	12,040,799	4,317,908	622,642	13,886,992

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

Credit RWA	65,981,322	27,390,400	1,123,584	90,526,801
Less: Credit RWA absorbed by Profit Sharing Investment Account	-	(2,988,135)	-	(118,569)
Total Credit RWA	65,981,322	24,402,265	1,123,584	90,408,232
Market RWA	2,861,798	277,093	105,011	3,254,024
Operational RWA	3,973,753	1,380,469	273,498	5,763,170
Large exposure risk RWA for equity holdings	373,899	-	-	113,034
Total RWA	73,190,772	26,059,827	1,502,093	99,538,460

Notes to the Financial Statements
For the financial year ended 31 March 2019

53. RISK MANAGEMENT

53.1 General Risk Management

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

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

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

AmBank Group Risk Direction

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

(1) AmBank Group aspires to improve on its current external rating of AA2 based on reference ratings by RAM Rating Services Berhad ("RAM").
(2) AmBank Group aims to achieve and sustain a Return on Risk Weighted Assets ("RoRWA") in the range of 1.5% to 1.8%, and RWA efficiency ("CRWA/EAD") in the range of 50% to 60%, both based on Foundation Internal Ratings-Based ("FIRB").
(3) AmBank Group aims to maintain Available Financial Resources in excess of the capital requirements as estimated in the Internal Capital Adequacy Assessment Process ("ICAAP").
(4) AmBank Group recognises the importance of funding its own business. It aims to maintain the following:
    a. Liquidity Coverage Ratio ("LCR") at least 10 percentage points above prevailing regulatory minimum;
    b. Stressed LCR above the regulatory requirement; and
    c. Net Stable Funding Ratio ("NSFR") above the prevailing regulatory minimum (effective from 2019).
(5) AmBank Group aims to maintain the following capital adequacy ratios ("CAR") under normal conditions:
    CET1, Tier 1 and total capital ratio of at least 1 percentage point above regulatory minimum, including prescribed regulatory buffers.
(6) AmBank Group aims to maintain adequate controls for all key operational risks (including but not limited to regulatory, compliance, technology, conduct and reputational risks).
    a. Keep operational losses and regulatory penalties below 2% of Profit After Tax and Non-controlling interests ("PATMI"); and
    b. Remain vigilant in risk identification and management to protect its reputation and business franchise.
(7) AmBank Group aims to limit the Group's earnings volatility such that mean Adjusted Return volatility over a period of the last 3 years is below 0.3. (as per Perbadanan Insurans Deposit Malaysia ("PIDM") definition)

Risk Management Governance

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

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

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

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

Notes to the Financial Statements
For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 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 • Non-Retail Pricing and Risk-based pricing for Retail • Collateral and tailored facility structures
Monitoring/Review	• Monitor and report portfolio mix • Review Classified Accounts • Review Rescheduled and Restructured Accounts • Undertake post mortem credit review

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

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

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

Lending/financing activities are guided by internal credit policies and Risk Appetite Framework that are approved by the Board of Directors. 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/Financing to Value limits for asset backed loans/financing (i.e., property exposures and other collateral);
- Non-Retail Credit Policy ("NRCP") sets out the credit principles and managing credit risk in the Wholesale Banking ("WB") and Business Banking ("BB") portfolios.
- Classified Account processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers;
- Rescheduled and Restructured ("R&R") Account Management (embedded within the NRCP for WB and BB) sets out the controls in managing R&R loans/financing pursuant to the BNM's revised policy documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions; and
- Setting Non-Retail Pricing Guidelines which serve as a guide as to the minimum returns the Group requires for the risk undertaken, taking into account operating expenses and cost of capital.

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

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

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

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

Maximum Credit Risk Exposure and Concentration

Credit Risk Exposure and Concentration

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

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

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

Notes to The Financial Statements
For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

53.2.1a Industry Analysis

Group 31 March 2019	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale and Retail Trade and Hotels and Restaurants RM'000	Transport, Storage and Communication RM'000	Subtotal RM'000
Cash and short-term funds	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Derivative financial assets	4,728	120,681	30,094	-	-	2,791	32,719	191,013
Financial assets at fair value through profit or loss	49,436	81,468	-	-	579,848	-	-	710,752
Money market securities	-	-	-	-	-	-	-	-
Quoted corporate bonds and sukuk	-	-	-	-	-	-	-	-
Unquoted corporate bonds and sukuk	49,436	81,468	-	-	579,848	-	-	710,752
Financial investments at fair value through other comprehensive income	15,296	719,212	79,660	603,322	696,321	579,546	798,506	3,491,863
Money market securities	-	-	-	-	-	-	-	-
Unquoted corporate bonds and sukuk	15,296	719,212	79,660	603,322	696,321	579,546	798,506	3,491,863
Financial investments at amortised cost								
Money market securities	-	-	-	-	-	-	-	-
Unquoted corporate bonds and sukuk	94,576	-	65,824	40,964	2,036,537	-	169,567	2,407,468
Allowance for ECL	-	-	-	-	-	-	-	-
Total financial investments at amortised cost	94,576	-	65,824	40,964	2,036,537	-	169,567	2,407,468
Loans, advances and financing								
Hire purchase	1,116	352	7,095	253	11,587	74,786	24,467	119,656
Mortgage	6,041	3,246	59,191	2,488	74,815	98,791	16,804	261,376
Credit card	-	-	-	-	-	-	-	-
Other loans and financing	67,744	38,492	496,817	10,076	391,603	847,219	116,117	1,968,068
Corporate loans, advance and financing								
Term loans and bridging loans	1,912,112	1,374,734	3,606,361	277,422	600,555	1,961,557	1,141,525	10,874,266
Revolving credits	953,747	224,910	2,021,186	130,960	1,366,664	466,850	934,216	6,098,533
Overdrafts	120,567	32,447	750,935	6,262	1,159,308	791,205	147,499	3,008,223
Trade	223,010	31,696	4,829,663	15,037	818,249	2,553,160	360,670	8,831,485
Allowance for ECL	-	-	-	-	-	-	-	-
Total loans, advances and financing	3,284,337	1,705,877	11,771,248	442,498	4,422,781	6,793,568	2,741,298	31,161,607
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	-
Other financial assets	1,160	6,724	6,639	21,520	65,826	1,906	16,100	119,875
Allowance for ECL	-	-	-	-	-	-	-	-
Total other financial assets	1,160	6,724	6,639	21,520	65,826	1,906	16,100	119,875
	3,449,533	2,633,962	11,953,465	1,108,304	7,801,313	7,377,811	3,758,190	38,082,578
Contingent liabilities	57,431	711,802	1,693,373	487,663	3,676,318	650,845	260,619	7,538,051
Commitments	593,865	592,847	5,300,993	590,637	4,338,129	2,176,751	828,282	14,421,504
Total	651,296	1,304,649	6,994,366	1,078,300	8,014,447	2,827,596	1,088,901	21,959,555

Notes to The Financial Statements

For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

53.2.1a Industry Analysis (Cont'd.)

Group 31 March 2019	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	Allowance for ECL RM'000	Total RM'000
Cash and short-term funds	-	5,182,945	1,892,150	-	-	-	-	-	(1,351)	7,073,744
Deposits and placements with banks and other financial institutions	-	198,234	-	-	-	-	-	-	(2,075)	196,159
Derivative financial assets	191,013	539,337	-	1,934	2,145	100	737	28,657	-	763,923
Financial assets at fair value through profit or loss	710,752	7,670,051	7,955,620	241,803	-	-	-	2,102,488	-	18,680,714
Money market securities	-	6,489,701	7,955,620	-	-	-	-	-	-	14,445,321
Quoted corporate bonds and sukuk	-	37,937	-	-	-	-	-	-	-	37,937
Unquoted corporate bonds and sukuk	710,752	1,142,413	-	241,803	-	-	-	2,102,488	-	4,197,456
Financial investments at fair value through other comprehensive income	3,491,863	4,815,086	5,657,810	473,813	-	10,161	-	736,927	-	15,185,660
Money market securities	-	299,918	5,617,747	-	-	-	-	-	-	5,917,665
Unquoted corporate bonds and sukuk	3,491,863	4,515,168	40,063	473,813	-	10,161	-	736,927	-	9,267,995
Financial investments at amortised cost										
Money market securities	-	-	472,186	-	-	-	-	-	-	472,186
Unquoted corporate bonds and sukuk	2,407,468	842,039	817,600	360,401	30,000	-	-	222,020	-	4,679,528
Allowance for ECL	-	-	-	-	-	-	-	-	(5,398)	(5,398)
Total financial investments at amortised cost	2,407,468	842,039	1,289,786	360,401	30,000	-	-	222,020	-	5,146,316
Loans, advances and financing										
Hire purchase	119,656	327	-	2,163	21,808	6,066	15,125,259	138	-	15,275,417
Mortgage	261,376	5,231	-	115,550	71,486	76,209	33,504,315	3,304	-	34,037,471
Credit card	-	-	-	-	109	-	2,514,262	-	-	2,514,371
Other loans and financing	1,968,068	25,154	-	248,756	226,293	216,353	2,551,121	39,744	-	5,275,489
Corporate loans, advance and financing										
Term loans and bridging loans	10,874,266	358,528	-	4,689,017	1,315,785	1,160,345	864,920	78,044	-	19,340,905
Revolving credits	6,098,533	2,121,575	-	2,948,610	244,458	46,074	921,354	22,540	-	12,403,144
Overdrafts	3,008,223	31,611	-	268,029	294,273	62,463	120,846	106,852	-	3,892,297
Trade	8,831,485	147,189	-	17,337	105,003	4,454	-	-	-	9,105,468
Allowance for ECL	-	-	-	-	-	-	-	-	(1,300,541)	(1,300,541)
Total loans, advances and financing	31,161,607	2,689,615	-	8,289,462	2,279,215	1,571,964	55,602,077	250,622	(1,300,541)	100,544,021
Statutory deposits with Bank Negara Malaysia	-	-	3,155,541	-	-	-	-	-	-	3,155,541
Other financial assets	119,875	998,999	129,941	44,694	43,837	1,436	42,098	333,034	-	1,713,914
Allowance for ECL	-	-	-	-	-	-	-	-	(8,580)	(8,580)
Total other financial assets	119,875	998,999	129,941	44,694	43,837	1,436	42,098	333,034	(8,580)	1,705,334
	38,082,578	22,936,306	20,080,848	9,412,107	2,355,197	1,583,661	55,644,912	3,673,748	(1,317,945)	152,451,412
Contingent liabilities	7,538,051	340,070	-	658,548	242,498	152,613	433	50,865	-	8,983,078
Commitments	14,421,504	861,541	962,673	822,169	745,839	132,748	8,290,022	-	-	26,236,496
Total	21,959,555	1,201,611	962,673	1,480,717	988,337	285,361	8,290,455	50,865	-	35,219,574

Notes to The Financial Statements
For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

53.2.1a Industry Analysis (Cont'd.)

Group 31 March 2018	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale and Retail Trade and Hotels and Restaurants RM'000	Transport, Storage and Communication RM'000	Subtotal RM'000
Cash and short-term funds	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Derivative financial assets	15,888	85,031	65,929	-	743	6,081	13,502	187,174
Financial assets held-for-trading	62,527	65,764	-	100,058	556,689	-	20,020	805,058
Money market securities	-	-	-	-	-	-	-	-
Quoted corporate bonds and sukuk	-	-	-	-	-	-	-	-
Unquoted corporate bonds and sukuk	62,527	65,764	-	100,058	556,689	-	20,020	805,058
Financial investments available-for-sale	108,459	-	110,277	282,265	997,533	91,015	253,092	1,842,641
Money market securities	-	-	-	-	-	-	-	-
Unquoted corporate bonds and sukuk	108,459	-	110,277	282,265	997,533	91,015	253,092	1,842,641
Financial investments held-to-maturity	-	-	-	-	1,355,152	-	45,000	1,400,152
Money market securities	-	-	-	-	-	-	-	-
Unquoted corporate bonds and sukuk	-	-	-	-	1,355,152	-	45,000	1,400,152
Loans, advances and financing	3,300,732	1,898,420	9,813,594	1,154,380	3,739,722	5,946,901	2,081,398	27,935,147
Hire purchase	1,252	1,386	10,203	299	13,012	67,579	35,354	129,085
Mortgage	10,041	3,412	70,695	2,637	83,130	117,624	18,765	306,304
Credit card	-	-	34	-	-	-	-	34
Other loans and financing	85,511	14,880	318,459	9,103	257,413	567,329	81,586	1,334,281
Corporate loans, advance and financing	3,203,928	1,878,742	9,414,203	1,142,341	3,386,167	5,194,369	1,945,693	26,165,443
Term loans and bridging loans	2,057,275	1,691,849	2,734,200	755,897	912,590	1,606,398	867,313	10,625,522
Revolving credits	749,354	110,503	1,916,111	368,712	971,325	536,391	698,189	5,350,585
Overdrafts	221,863	37,730	677,359	7,997	849,025	647,838	140,138	2,581,950
Trade	175,436	38,660	4,086,533	9,735	653,227	2,403,742	240,053	7,607,386
Collective allowance	-	-	-	-	-	-	-	-
Receivables: investments not quoted in active markets	-	930,750	50,000	-	69,830	5,000	700,000	1,755,580
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	-
Other financial assets	1,489	11,238	3,935	6,359	59,739	1,954	19,049	103,763
	3,489,095	2,991,203	10,043,735	1,543,062	6,779,408	6,050,951	3,132,061	34,029,515
Contingent liabilities	60,905	614,862	1,492,398	489,350	3,778,795	559,322	447,344	7,442,976
Commitments	764,793	710,917	4,705,669	304,279	5,204,106	2,339,599	1,075,121	15,104,484
Total	825,698	1,325,779	6,198,067	793,629	8,982,901	2,898,921	1,522,465	22,547,460

Notes to The Financial Statements

For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

53.2.1a Industry Analysis (Cont'd.)

Group 31 March 2018	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	-	3,956,421	1,559,435	-	-	-	-	-	5,515,856
Deposits and placements with banks and other financial institutions	-	215,602	-	-	-	-	-	-	215,602
Derivative financial assets	187,174	848,215	32,303	1,659	1,284	326	1,745	52,911	1,125,617
Financial assets held-for-trading	805,058	7,430,822	2,050,072	191,008	-	-	-	1,858,612	12,335,572
Money market securities	-	5,108,842	2,050,072	-	-	-	-	-	7,158,914
Quoted corporate bonds and sukuk	-	37,962	-	-	-	-	-	-	37,962
Unquoted corporate bonds and sukuk	805,058	2,284,018	-	191,008	-	-	-	1,858,612	5,138,696
Financial investments available-for-sale	1,842,641	3,173,557	782,375	401,900	29,284	-	-	975,873	7,205,630
Money market securities	-	1,510,068	782,375	-	-	-	-	-	2,292,443
Unquoted corporate bonds and sukuk	1,842,641	1,663,489	-	401,900	29,284	-	-	975,873	4,913,187
Financial investments held-to-maturity	1,400,152	438,705	934,459	255,000	-	-	-	-	3,028,316
Money market securities	-	-	60,601	-	-	-	-	-	60,601
Unquoted corporate bonds and sukuk	1,400,152	438,705	873,858	255,000	-	-	-	-	2,967,715
Loans, advances and financing	27,935,147	2,757,296	-	8,157,318	1,711,473	1,751,614	53,692,694	107,206	95,377,900
Hire purchase	129,085	530	-	2,786	11,016	8,856	18,170,068	722	18,323,063
Mortgage	306,304	2,238	-	136,805	82,659	89,846	29,905,774	10,012	30,533,638
Credit card	34	-	-	-	-	-	2,142,158	62	2,142,254
Other loans and financing	1,334,281	489	-	113,084	184,125	123,200	2,065,397	15,227	3,835,803
Corporate loans, advance and financing	26,165,443	2,754,039	-	7,904,643	1,433,673	1,529,712	1,409,297	81,183	41,277,990
Term loans and bridging loans	10,625,522	366,529	-	4,647,189	1,011,321	832,219	324,097	28,679	17,835,556
Revolving credits	5,350,585	2,353,611	-	2,657,486	167,439	652,633	964,477	19,660	12,165,891
Overdrafts	2,581,950	14,913	-	591,339	184,022	44,338	120,723	-	3,537,285
Trade	7,607,386	18,986	-	8,629	70,891	522	-	32,844	7,739,258
Collective allowance	-	-	-	-	-	-	-	-	(734,848)
Receivables: investments not quoted in active markets	1,755,580	25,000	-	149,853	-	10,000	-	-	1,940,433
Statutory deposits with Bank Negara Malaysia	-	-	2,836,841	-	-	-	-	-	2,836,841
Other financial assets	103,763	805,234	333,517	11,469	125,338	278	32,533	485,781	1,897,913
	34,029,515	19,650,852	8,529,002	9,168,207	1,867,379	1,762,218	53,726,972	3,480,383	131,479,680
Contingent liabilities	7,442,976	244,455	-	750,325	171,210	68,101	606	118,637	8,796,310
Commitments	15,104,484	390,934	270,330	1,634,458	540,944	437,376	9,499,306	29,353	27,907,185
Total	22,547,460	635,389	270,330	2,384,783	712,154	505,477	9,499,912	147,990	36,703,495

Notes to the Financial Statements

For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

53.2.1a Industry Analysis (Cont'd.)

Company 31 March 2019	Finance and Insurance RM'000	Others RM'000	Total RM'000
Cash and short-term funds	81,005	-	81,005
Other financial assets	-	1,670	1,670
Total financial assets	81,005	1,670	82,675
31 March 2018			
Cash and short-term funds	79,080	-	79,080
Financial investments held-to-maturity	1,425,000	-	1,425,000
Unquoted corporate bonds and sukuk	1,425,000	-	1,425,000
Other financial assets	-	7,313	7,313
Total financial assets	1,504,080	7,313	1,511,393

Notes to the Financial Statements
For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

53.2.1b Geographical Analysis

Group 31 March 2019	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	5,834,068	1,241,027	7,075,095
Less: Allowance for ECL	-	(1,351)	(1,351)
	5,834,068	1,239,676	7,073,744
Deposits and placements with banks and other financial institutions	34,834	163,400	198,234
Less: Allowance for ECL	-	(2,075)	(2,075)
	34,834	161,325	196,159
Derivative financial assets	474,665	289,258	763,923
Financial assets at fair value through profit or loss	18,680,714	-	18,680,714
Money market securities	14,445,321	-	14,445,321
Quoted corporate bonds and sukuk	37,937	-	37,937
Unquoted corporate bonds and sukuk	4,197,456	-	4,197,456
Financial investments at fair value through other comprehensive income	15,079,531	106,129	15,185,660
Money market securities	5,917,665	-	5,917,665
Unquoted corporate bonds and sukuk	9,161,866	106,129	9,267,995
Financial investments at amortised cost			
Money market securities	472,186	-	472,186
Unquoted corporate bonds and sukuk	4,679,528	-	4,679,528
Less: Allowance for ECL	(5,398)	-	(5,398)
Total financial investments at amortised cost	5,146,316	-	5,146,316
Loans, advances and financing			
Hire purchase	15,275,417	-	15,275,417
Mortgage	34,037,471	-	34,037,471
Credit card	2,514,371	-	2,514,371
Other loans and financing	5,275,489	-	5,275,489
Corporate loans, advance and financing	44,463,721	278,093	44,741,814
Term loans and bridging loans	19,164,092	176,813	19,340,905
Revolving credits	12,301,864	101,280	12,403,144
Overdrafts	3,892,297	-	3,892,297
Trade	9,105,468	-	9,105,468
Allowance for ECL	(1,289,372)	(11,169)	(1,300,541)
Total loans, advances and financing	100,277,097	266,924	100,544,021
Statutory deposits with Bank Negara Malaysia	3,155,541	-	3,155,541
Other financial assets	1,566,741	147,173	1,713,914
Allowance for ECL	(8,580)	-	(8,580)
Total other financial assets	1,558,161	147,173	1,705,334
	150,240,927	2,210,485	152,451,412
Contingent liabilities	8,942,228	40,850	8,983,078
Commitments	26,065,789	170,707	26,236,496
	35,008,017	211,557	35,219,574

Notes to the Financial Statements
For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

53.2.1b Geographical Analysis (Cont'd.)

Group 31 March 2018	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	4,500,366	1,015,490	5,515,856
Securities purchased under resale agreements	-	-	-
Deposits and placements with banks and other financial institutions	215,602	-	215,602
Derivative financial assets	933,637	191,980	1,125,617
Financial assets held-for-trading	12,335,572	-	12,335,572
Money market securities	7,158,914	-	7,158,914
Quoted corporate bonds and sukuk	37,962	-	37,962
Unquoted corporate bonds and sukuk	5,138,696	-	5,138,696
Financial investments available-for-sale	6,941,789	263,841	7,205,630
Money market securities	2,280,950	11,493	2,292,443
Unquoted corporate bonds and sukuk	4,660,839	252,348	4,913,187
Financial investments held-to-maturity	3,028,316	-	3,028,316
Money market securities	60,601	-	60,601
Unquoted corporate bonds and sukuk	2,967,715	-	2,967,715
Loans, advances and financing	95,152,157	225,743	95,377,900
Hire purchase	18,323,063	-	18,323,063
Mortgage	30,533,638	-	30,533,638
Credit card	2,142,254	-	2,142,254
Other loans and financing	3,835,803	-	3,835,803
Corporate loans, advance and financing	41,050,287	227,703	41,277,990
Term loans and bridging loans	17,742,550	93,006	17,835,556
Revolving credits	12,067,228	98,663	12,165,891
Overdrafts	3,537,285	-	3,537,285
Trade	7,703,224	36,034	7,739,258
Collective allowance	(732,888)	(1,960)	(734,848)
Receivables: investments not quoted in active markets	1,940,433	-	1,940,433
Statutory deposits with Bank Negara Malaysia	2,836,841	-	2,836,841
Other financial assets	1,759,833	138,080	1,897,913
	129,644,546	1,835,134	131,479,680
Contingent liabilities	8,737,167	59,143	8,796,310
Commitments	27,834,529	72,656	27,907,185
	36,571,696	131,799	36,703,495
Company			
31 March 2019			
Cash and short-term funds	81,005	-	81,005
Other financial assets	1,670	-	1,670
	82,675	-	82,675
31 March 2018			
Cash and short-term funds	79,080	-	79,080
Financial investments held-to-maturity	1,425,000	-	1,425,000
Unquoted corporate bonds and sukuk	1,425,000	-	1,425,000
Other financial assets	1,511,393	-	1,511,393

Notes to the Financial Statements

For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

Collateral and other credit enhancement

Main Types of Collateral Taken by the Group

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

- Cash and term deposits;
- Exchange traded shares, bonds, sukuks, convertible bonds and marketable securities;
- Non-exchange traded debt securities/sukuks;
- 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.

In the case of the Group's Islamic Banking operations, only Shariah approved assets can be accepted as permissible collateral.

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 supported by collateral.

In addition to rating customer's PD 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, is the internally recognised collateral framework for lending/financing purposes as well as for regulatory capital.

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

Processes for Collateral Management

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

Guarantee Support

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/customer, where borrower/customer 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, banks 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/customer is not recognised as part of the risk grade enhancement.

Notes to the Financial Statements
For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

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/financing is extended, amortisation schedules and loan/financing covenants. These assist in managing credit risk and in providing early warning signals, whereby should loan/financing covenants be breached, the Group and the customer/borrowers can work together to address the underlying causes and as appropriate, restructure facilities.

Concentrations of credit risk mitigation

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

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

Credit Quality

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

Description of the Categories for Retail Banking

Risk Grade	Category	PD ranges	Description
1 to 6	Exceptionally Strong	0.0001% to 0.0737%	• Exceptionally good credit risk profile with exceptionally low PD of <0.0737%. • Exceptionally strong capacity and willingness to meet its financial commitments as evidenced by prompt repayment track record. • Exhibits high degree resilience to adverse development in view of its very established employment profile and track record.
7 to 12	Very strong	0.0738% to 0.5942%	• Very good credit risk profile with very low PD of <0.5942%. • Very strong capacity and willingness to meet its financial commitments as evidenced by generally prompt repayment record. • Exhibits high degree resilience to adverse development in view of its established employment profile and track record.
13 to14	Strong	0.5943% to 1.0159%	• Good credit risk profile with low PD of <1.0159%. • Exhibit willingness to meet its financial commitments as evidenced by good repayment track record. • Generally in position to withstand adverse development in view of its favorable employment profile and track record.
15 to 16	Satisfactory	1.0160% to 2.2722%	• Satisfactory credit risk profile with acceptable PD of <2.2722%. • Adequate willingness to meet its financial commitments as evidenced by satisfactory repayment track record. • Generally in position to resolve any apparent shortcoming within an acceptable time frame in view of its satisfactory employment profile and track record.

Notes to the Financial Statements

For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

Credit Quality (Cont'd.)

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

Risk Grade	Category	PD ranges	Description
17 to 18-	Moderate	2.2723% to 4.1028%	• Moderate credit risk profile with moderate PD of up to 4.1028%. • Willingness to meet its financial commitments would be uncertain in the event of adverse changes in circumstances and economic conditions as evidenced by generally satisfactory repayment track record. • Generally in position to resolve any apparent shortcoming within an acceptable time frame in view of its moderate employment profile and track record.
19+ to 20-	Marginal	4.1029% to 8.2931%	• Marginal credit risk profile with higher PD of up to 8.2931% • Willingness to meet its financial commitments would be uncertain under normal circumstances and economic conditions as generally evidenced by fair repayment track record. • Moderate employment profile and track record
21 to 24	Substandard	>=8.2932%	• Substandard credit risk profile with poor PD of >= 8.2932% • Exhibit less willingness to meet its financial commitments under normal circumstances and economic conditions as generally evidenced by poor repayment track record • Unfavorable employment profile and track record
99	Impaired	100%	• Impaired account. Classified as impaired as per the prevailing Group Classified Account Management Policy.

Description of the Categories for Non-Retail Banking

Credit Quality Classification	Definition
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.

Notes to the Financial Statements
For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

Credit Quality (Cont'd.)

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

Credit Quality Classification	Definition
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.
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.

Notes to the Financial Statements

For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

Impairment

Definition of Past Due and Impaired for Loans, Advances, Financing and Debt Instruments

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

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

(a) when the principal or interest/profit 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/financing where repayments are scheduled on intervals of 3 months or longer, the loan/financing 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/financing may also be classified as impaired:

i. if it is probable that the Group 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/financing obligation of a customer triggers a default of another loan/financing obligation of the same customer or
- a default of a loan/financing obligation of a customer triggers a default of a loan/financing obligation of other customers within the same customer group.

The Watchlist & Classification Committee ("WACC") is allowed to waive the declaration of cross-default across all accounts of the same customer or accounts of all customers within the same customer group.

or

iii. if deemed appropriate by the WACC or CACC.

(e) debt instruments (for example, corporate bond and sukuk, debt converted instruments 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 Deed Guidelines issued by the Securities Commission of Malaysia); or

iii. where it is deemed appropriate to classify as impaired and approved by the WACC.

(f) in the case of stock broking and futures broking:

i. for margin loan/financing, the account is impaired after 7 days when there is shortfall to market value i.e. the collateral value is lower than the outstanding balance

ii. for futures business, the account is impaired when the overlosses are not remedied within 30 days and are not secured against dealer's retention funds.

(g) the loan/financing is deemed impaired when it is classified as rescheduled or restructured ("R&R") in the Central Credit Reference Information System ("CCRIS").

[1] *For credit card facilities, an account is "past due" when the card member fails to settle the minimum monthly repayment due before the next billing date.*
[2] *Material obligation as determined by Management. Current "material" threshold is set at more than RM200.00.*
[3] *Administrative defaults include cases where exposures become overdue because of oversight on the part of the obligor and/or the banking institution. Instances of administrative defaults may be excluded from the historical default count, subject to appropriate policies and procedures established by the banking institution to evaluate and approve such cases.*
[4] *In cases where the bond/sukuk holdings are not governed by a Trust Deed, the Facility Agent may declare, if so requested in writing by the bond/sukuk holders by way of Special Resolution that an EOD has occurred (subject to the Agency Agreement between issuers and facility agent), notwithstanding the stated maturity of the bond/sukuk.*

Notes to the Financial Statements
For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

Impairment (Cont'd.)

Group provisioning methodology

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

MFRS 9 applies to all financial assets classified as amortised cost and FVOCI, lease receivables, trade receivables, and commitments to lend money and financial guarantee contracts.

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

Measurement of ECL

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

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

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

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

Changes in credit quality since initial recognition

Stage 1	**Stage 2**	**Stage 3**
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit impaired assets)
12-month expected credit loss	Lifetime expected credit losses	Lifetime expected credit losses

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

Notes to the Financial Statements

For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

Impairment (Cont'd.)

Measurement of ECL (Cont'd.)

Significant increase in credit risk

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

(i) Quantitative

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

(ii) Qualitative

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

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

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

Definition of default and credit-impaired assets

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

Quantitative criteria

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

Qualitative criteria

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

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

Notes to the Financial Statements

For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

Impairment (Cont'd.)

Measurement of ECL (Cont'd.)

Qualitative criteria (Cont'd.)

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

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

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The key inputs into the measurement of ECL are the following variables:
- PD;
- LGD; and
- EAD.

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

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

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

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

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

Notes to the Financial Statements
For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

Impairment (Cont'd.)

Measurement of ECL (Cont'd.)

Forward-looking information incorporated in the ECL models

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

This analysis includes the identification and calibration of relationships between changes in default rates and changes in MEVs. For most exposures, key macroeconomic indicators include Gross Domestic Product ("GDP") growth, Kuala Lumpur Interbank Offered Rate ("KLIBOR"), and Consumer Price Index ("CPI").

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

Key variables/assumptions for ECL calculation

The recognition and measurement of ECL is highly complex and involves the use of significant judgment and estimation. This involves establishing the forward-looking macroeconomic conditions into ECL as required under MFRS 9. The allowance for ECL is sensitive to the inputs used and economic assumptions underlying the estimate.

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

Macroeconomy Variable	ECL Scenario	Assigned Probabilities (%)	2019	2020	2021	2022	2023
Consumer Price Index (%)	Base Case	80%	1.45	2.10	1.78	2.25	2.88
	Optimistic	10%	1.41	2.05	1.73	2.19	2.80
	Conservative	10%	1.49	2.15	1.82	2.31	2.95
GDP Growth (%)	Base Case	80%	4.45	5.15	5.47	5.80	5.35
	Optimistic	10%	4.56	5.28	5.61	5.95	5.48
	Conservative	10%	4.34	5.02	5.34	5.66	5.22
House Price Index (%)	Base Case	80%	2.15	2.65	3.40	4.05	5.86
	Optimistic	10%	2.20	2.72	3.49	4.15	6.01
	Conservative	10%	2.10	2.58	3.32	3.95	5.72
USD/MYR Exchange Rate	Base Case	80%	4.07	3.99	3.89	3.79	3.90
	Optimistic	10%	3.97	3.60	3.56	3.49	3.80
	Conservative	10%	4.17	4.40	4.35	4.27	4.00
Brent Oil Price (USD/barrel)	Base Case	80%	62.50	72.25	74.50	75.50	78.00
	Optimistic	10%	64.06	74.06	76.36	77.39	79.95
	Conservative	10%	60.94	70.44	72.64	73.61	76.05

Notes to the Financial Statements
For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

Impairment (Cont'd.)

Write-off Policy

(i) Stage 1 write-off

The Group may partially write-off financial assets where full recovery is not possible taking proceeds from value of securities or where customer has been allowed time to repay on negotiated settlement basis. The outstanding contractual amounts of such assets written off during the year ended 31 March 2019 was RM607,611,000. The Group still seeks legal recovery action, as such, credit exposures for these continue unabated.

(ii) Stage 2 write-off

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

Modified Financial Assets

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

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

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

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

	Loans, advances and financing RM'000
Amortised cost before modification	519,996
Net modification loss included under interest income (Note 35)	(5,738)

Notes to the Financial Statements

For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

53.2.1c Credit Quality by Class of Financial Assets

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

Cash and short-term funds

Group	31 March 2019 Stage 1 12-month ECL RM'000	31 March 2019 Stage 2 Lifetime ECL RM'000	Total RM'000
Risk grade			
Exceptionally strong	120,168	-	120,168
Very Strong	4,325,531	-	4,325,531
Strong	2,629,365	-	2,629,365
Substandard	-	31	31
Gross exposure	**7,075,064**	**31**	**7,075,095**
Less: Allowances for ECL	(1,320)	(31)	(1,351)
Net exposure	**7,073,744**	**-**	**7,073,744**

Company	31 March 2019 Stage 1 12-month ECL RM'000
Risk grade	
Very Strong	81,005
Gross exposure	**81,005**
Less: Allowances for ECL	-
Net exposure	**81,005**

Financial investments at fair value through other comprehensive income

Group	31 March 2019 Stage 1 12-month ECL RM'000	31 March 2019 Stage 2 Lifetime ECL RM'000	31 March 2019 Stage 3 Lifetime ECL RM'000	Total RM'000
Risk grade				
Exceptionally strong	163,415	-	-	163,415
Very Strong	13,392,334	-	-	13,392,334
Strong	432,646	-	-	432,646
Satisfactory	200,874	870,406	-	1,071,280
Moderate	50,311	75,674	-	125,985
Gross exposure	**14,239,580**	**946,080**	**-**	**15,185,660**
Less: Allowances for ECL	(11,872)	(21,830)	-	(33,702)
Net exposure	**14,227,708**	**924,250**	**-**	**15,151,958**

Notes to the Financial Statements
For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

53.2.1c Credit Quality by Class of Financial Assets

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

Gross loans and advances

Group	31 March 2019 Stage 1 12-month ECL RM'000	Stage 2 ECL RM'000	Stage 3 Lifetime ECL RM'000	Lifetime Total RM'000
Risk grade				
Exceptionally strong	47,292	199	-	47,491
Very Strong	37,021,902	200,339	-	37,222,241
Strong	15,013,440	448,799	-	15,462,239
Satisfactory	17,145,646	2,602,901	-	19,748,547
Moderate	9,574,804	1,895,432	-	11,470,236
Marginal	2,085,923	2,297,247	-	4,383,170
Substandard	1,473,278	3,215,605	-	4,688,883
Unrated	6,660,367	535,209	-	7,195,576
Impaired	-	-	1,626,179	1,626,179
Gross exposure	**89,022,652**	**11,195,731**	**1,626,179**	**101,844,562**
Less: Allowances for ECL	(275,818)	(622,411)	(402,312)	(1,300,541)
Net exposure	**88,746,834**	**10,573,320**	**1,223,867**	**100,544,021**

Notes to the Financial Statements

For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

53.2.1c Credit Quality by Class of Financial Assets

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

Other assets

Group	31 March 2019 Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL RM'000	Stage 3 Lifetime ECL RM'000	Total RM'000
Risk grade				
Exceptionally strong	138,422	-	-	138,422
Very Strong	754,495	13	-	754,508
Strong	221,987	-	-	221,987
Satisfactory	56,386	3,994	-	60,380
Moderate	2,790	-	-	2,790
Marginal	1,024	-	-	1,024
Substandard	15,137	-	-	15,137
Unrated	510,889	-	1,247	512,136
Impaired	-	-	7,530	7,530
Gross exposure	**1,701,130**	**4,007**	**8,777**	**1,713,914**
Less: Allowances for ECL	(4)	-	(8,576)	(8,580)
Net exposure	**1,701,126**	**4,007**	**201**	**1,705,334**

Company	31 March 2019 Stage 1 12-month ECL RM'000
Risk grade	
Very Strong	1,670
Gross exposure	**1,670**
Less: Allowances for ECL	-
Net exposure	**1,670**

Notes to the Financial Statements
For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

53.2.1c Credit Quality by Class of Financial Assets (Cont'd.)

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

Loans commitments and financial guarantee contracts

Group	31 March 2019 Stage 1 12-month ECL RM'000	31 March 2019 Stage 2 Lifetime ECL RM'000	31 March 2019 Stage 3 Lifetime ECL RM'000	Total RM'000
Risk grade				
Exceptionally strong	1,367,383	4,024	-	1,371,407
Very Strong	12,386,910	29,400	-	12,416,310
Strong	6,158,938	51,591	-	6,210,529
Satisfactory	7,990,921	444,271	-	8,435,192
Moderate	2,578,069	361,586	-	2,939,655
Marginal	242,743	367,677	-	610,420
Substandard	228,605	269,812	-	498,417
Unrated	915,577	36,396	-	951,973
Impaired	-	-	92,466	92,466
Gross exposure	**31,869,146**	**1,564,757**	**92,466**	**33,526,369**
Less: Allowances for ECL	(51,703)	(34,141)	(10,905)	(96,749)
Net exposure	**31,817,443**	**1,530,616**	**81,561**	**33,429,620**

Stage 1 31 March 2019 Group	Deposits and placements with banks and other financial institutions RM'000	Financial investments at amortised cost RM'000	Statutory deposits with Bank Negara Malaysia RM'000
Risk grade			
Very Strong	15,241	3,032,686	3,155,541
Strong	182,993	166,418	-
Satisfactory	-	1,896,534	-
Moderate	-	55,117	-
Unrated	-	959	-
Gross exposure	**198,234**	**5,151,714**	**3,155,541**
Less: Allowances for ECL	(2,075)	(5,398)	-
Net exposure	**196,159**	**5,146,316**	**3,155,541**

Notes to the Financial Statements

For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

53.2.1c Credit Quality by Class of Financial Assets

Maximum exposure to credit risk – financial instruments not subject to impairment

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

Stage 1 31 March 2019 Group	Financial assets at fair value through profit or loss RM'000	Derivative financial assets RM'000
Risk grade		
Exceptionally strong	799,335	28,004
Very Strong	17,054,590	451,427
Strong	652,878	244,958
Satisfactory	-	31,675
Moderate	-	4,350
Marginal	-	1,507
Substandard	-	2
Unrated	173,911	2,000
Gross exposure	**18,680,714**	**763,923**
Less: Allowances for ECL	-	-
Net exposure	**18,680,714**	**763,923**

Notes to the Financial Statements
For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

53.2.1c Credit Quality by Class of Financial Assets (Cont'd.)

Group 31 March 2018	Neither past due nor impaired								Past due but not impaired RM'000	Impaired RM'000	Total RM'000	Gross amount individually impaired RM'000	Individual Allowance RM'000
	Exceptionally Strong Credit Profile RM'000	Very Strong Credit Profile RM'000	Strong Credit Profile RM'000	Satisfactory Risk RM'000	Moderate Risk RM'000	Marginal Risk RM'000	Sub-standard RM'000	Unrated RM'000					
Cash and short-term funds	1,606,599	3,909,254	1	-	-	-	-	2	-	-	5,515,856	-	-
Deposits and placements with banks and other financial institutions	-	215,602	-	-	-	-	-	-	-	-	215,602	-	-
Derivative financial assets	35,380	771,979	240,859	52,812	16,897	3,331	1	4,358	-	-	1,125,617	-	-
Financial assets held-for-trading	492,842	10,526,263	677,245	342,336	-	-	-	296,886	-	-	12,335,572	-	-
Money market securities	100,798	6,856,881	-	-	-	-	-	201,235	-	-	7,158,914	-	-
Quoted corporate bonds and sukuk	-	37,962	-	-	-	-	-	-	-	-	37,962	-	-
Unquoted corporate bonds and sukuk	392,044	3,631,420	677,245	342,336	-	-	-	95,651	-	-	5,138,696	-	-
Financial investments available-for-sale	203,371	4,845,272	931,371	659,644	150,414	-	367,800	47,758	-	-	7,205,630	5,000	(5,000)
Money market securities	-	2,292,443	-	-	-	-	-	-	-	-	2,292,443	-	-
Unquoted corporate bonds and sukuk	203,371	2,552,829	931,371	659,644	150,414	-	367,800	47,758	-	-	4,913,187	5,000	(5,000)
Financial investments held-to-maturity*	-	3,027,308	-	-	-	-	-	959	-	2,600	3,030,867	2,600	(2,550)
Money market securities	-	60,601	-	-	-	-	-	-	-	-	60,601	-	-
Unquoted corporate bonds and sukuk	-	2,966,707	-	-	-	-	-	959	-	2,600	2,970,266	2,600	(2,550)
Gross loans, advances and financing*	16,243	35,112,581	15,933,947	19,262,921	9,630,334	2,742,646	2,314,363	1,657	9,668,133	1,638,405	96,321,230	788,498	(208,482)
Hire purchase	2,072	7,548,986	2,400,048	1,927,319	800,880	222,208	189,115	179	5,021,364	210,892	18,323,063	-	-
Mortgage	2,293	11,062,418	5,906,114	4,760,521	3,014,188	950,834	682,754	1,478	3,757,218	396,478	30,534,296	4,361	(658)
Credit card	-	111,121	-	878,151	441,487	181,482	153,017	-	347,336	29,660	2,142,254	-	-
Other loans and financing	-	86,957	96,673	2,190,586	510,103	194,065	402,160	-	317,473	45,554	3,843,571	8,334	(7,768)
Corporate loans, advance and financing	11,878	16,303,099	7,531,112	9,506,344	4,863,676	1,194,057	887,317	-	224,742	955,821	41,478,046	775,803	(200,056)
Term loans and bridging loans	403	7,322,097	2,956,338	3,839,023	2,267,674	392,196	325,090	-	130,233	788,418	18,021,472	667,356	(185,916)
Revolving credits	1,001	5,288,826	2,161,426	2,622,903	1,211,153	290,724	452,704	-	70,573	67,179	12,166,489	67,179	(598)
Overdrafts	2	619,149	455,275	1,143,031	770,213	396,475	92,292	-	12,120	60,294	3,548,851	30,222	(11,566)
Trade	10,472	3,073,027	1,958,073	1,901,387	614,636	114,662	17,231	-	11,816	39,930	7,741,234	11,046	(1,976)
Receivables: investments not quoted in active markets	-	1,357,419	124,830	458,184	-	-	-	-	-	-	1,940,433	-	-
Statutory deposits with Bank Negara Malaysia	-	2,836,841	-	-	-	-	-	-	-	-	2,836,841	-	-
Other financial assets*	133,081	747,724	202,189	27,423	13,272	269	20,266	750,758	767	27,646	1,923,395	27,646	(25,482)
	2,487,516	63,350,243	18,110,442	20,803,320	9,810,917	2,746,246	2,702,430	1,102,378	9,668,900	1,668,651	132,451,043	823,744	(241,514)

* *The amounts presented above are gross of impairment allowances.*

Notes to the Financial Statements
For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

53.2.1c Credit Quality by Class of Financial Assets (Cont'd.)

Company 31 March 2018	Neither past due nor impaired Very Strong Credit Profile RM'000	Total RM'000
Cash and short-term funds	79,080	79,080
Financial investments held-to-maturity	1,425,000	1,425,000
Unquoted corporate bonds and sukuk	1,425,000	1,425,000
Other financial assets	7,313	7,313
	1,511,393	1,511,393

53.2.1d Aging Analysis of Past Due But Not Impaired by Class of Financial Assets

Group 31 March 2018	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	Total RM'000
Gross loans, advances and financing				
Hire purchase	4,190,612	830,752	-	5,021,364
Mortgage	2,901,212	856,006	-	3,757,218
Credit card	262,798	84,538	-	347,336
Other loans and financing	234,568	82,905	-	317,473
Corporate loans, advance and financing	199,976	24,766	-	224,742
Term loans and bridging loans	109,874	20,359	-	130,233
Revolving credits	70,573	-	-	70,573
Overdrafts	12,120	-	-	12,120
Trade	7,409	4,407	-	11,816
Other financial assets	-	697	70	767
Total	7,789,166	1,879,664	70	9,668,900

Notes to the Financial Statements
For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

53.2.1e Estimated value of collateral for financial assets

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

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

Group	Gross exposure to credit risk		Financial effect of collateral		Unsecured portion of credit exposure	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Gross loans, advances and financing						
Hire purchase	15,275,417	18,323,063	14,287,704	17,305,428	987,713	1,017,635
Mortgage	34,037,471	30,534,296	33,588,679	30,113,542	448,792	420,754
Credit card	2,514,371	2,142,254	39,370	24,214	2,475,001	2,118,040
Other loans and financing	5,275,489	3,843,571	2,839,705	933,040	2,435,784	2,910,531
Corporate loans, advance and financing	44,741,814	41,478,046	22,657,906	18,330,417	22,083,908	23,147,629
Term loans and bridging loans	19,340,905	18,021,472	13,182,120	10,093,912	6,158,785	7,927,560
Revolving credits	12,403,144	12,166,489	4,284,274	4,004,580	8,118,870	8,161,909
Overdrafts	3,892,297	3,548,851	2,363,934	2,091,155	1,528,363	1,457,696
Trade	9,105,468	7,741,234	2,827,578	2,140,770	6,277,890	5,600,464
Total	101,844,562	96,321,230	73,413,364	66,706,641	28,431,198	29,614,589

53.2.1f Collateral Repossessed

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Residential properties, net of impairment	150	150
Non-residential properties, net of impairment	2,289	4,190
	2,439	4,340

The above assets are accounted for as foreclosed properties under other assets (Note 22). There were no new assets obtained for the financial year 2019 and 2018.

Notes to the Financial Statements
For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.2 Credit Risk Management (Cont'd.)

53.2.1g Collateral held for credit impaired financial assets

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

Group 31 March 2019	Gross exposure RM'000	Impairment allowance RM'000	Carrying amount RM'000	Fair value of collateral RM'000
Credit-impaired financial assets				
Hire purchase	194,799	67,521	127,278	176,783
Mortgage	442,959	99,199	343,760	408,444
Credit card	40,417	26,632	13,785	351
Other loans and financing	51,077	18,462	32,615	24,283
Corporate loans, advance and financing				
Term loans and bridging loans	678,321	120,588	557,733	643,213
Revolving credits	119,156	41,172	77,984	119,156
Overdrafts	60,438	19,151	41,287	49,390
Trade	33,495	9,587	23,908	24,338
Total credit-impaired financial assets	1,620,662	402,312	1,218,350	1,445,958

Notes to the Financial Statements
For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.3 Liquidity Risk and Funding 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 • Other Detailed Controls
Control/Mitigation	• LCR Limits • Depositor Concentration Ratios • Other Detailed Limits/Triggers
Monitoring/Review	• Monitor limits • Periodical review and reporting

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

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

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

The Group has in place various liquidity measurements that support the broader strategic objectives of the Group and amongst others include the BNM LCR, Depositor Concentration Ratios and other Liquidity Ratios. IBMR is responsible for developing and monitoring the controls and limits while the GTM is responsible for the consolidated liquidity management execution and to ensure the controls and limits are within the thresholds.

Notes to the Financial Statements

For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.3 Liquidity Risk and Funding Management (Cont'd.)

Stress testing is undertaken to assess and plan for the impact for various scenarios which may put the Group's liquidity at risk. The Group further stresses the importance of the stable funding sources to finance placement/lending and loans/financing to customers. They are monitored using the loans/financing to available fund ratio, which compares loans/financing and advances to customers as a percentage of the Group's total available funds.

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

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

53.3.1 Analysis of Assets and Liabilities by Remaining Contractual Maturities

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

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

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

Notes to the Financial Statements

For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.3 Liquidity Risk Management (Cont'd.)

53.3.1a Analysis of Assets and Liabilities by Remaining Contractual Maturities as per requirement of BNM's policy document *Financial Reporting*

Group 31 March 2019	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
Assets								
Cash and short-term funds	7,073,744	-	-	-	-	-	-	7,073,744
Deposits and placements with banks and other financial institutions	-	196,159	-	-	-	-	-	196,159
Derivative financial assets	54,122	59,015	26,468	28,317	268,836	327,165	-	763,923
Financial assets at fair value through profit or loss	5,489,395	2,943,858	3,157,077	1,814,531	2,680,678	2,595,175	684,881	19,365,595
Financial investments at fair value through other comprehensive income	979,433	319,542	859,468	3,149,322	7,331,853	2,546,042	524,213	15,709,873
Financial investments at amortised cost	19,988	99,355	-	96	1,847,568	3,179,309	-	5,146,316
Loans, advances and financing	22,729,305	700,554	885,718	1,088,363	18,149,664	56,990,417	-	100,544,021
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	3,155,541	-	3,155,541
Deferred tax assets	-	-	-	-	-	-	66,162	66,162
Investment in associates and joint ventures	-	-	-	-	-	-	710,091	710,091
Other assets	1,186,958	140,505	59,257	363,813	200,138	32,780	-	1,983,451
Reinsurance assets and other insurance receivables	66,891	77,073	86,193	100,246	181,429	13,715	-	525,547
Property and equipment	-	-	-	-	-	-	168,221	168,221
Intangible assets	-	-	-	-	-	-	3,379,727	3,379,727
Assets held for sale	-	-	-	5,029	-	-	-	5,029
Total assets	**37,599,836**	**4,536,061**	**5,074,181**	**6,549,717**	**30,660,166**	**68,840,144**	**5,533,295**	**158,793,400**
Liabilities								
Deposits from customers	47,719,525	20,437,206	17,150,397	18,760,401	2,847,313	1,147	-	106,915,989
Investment accounts of customers	234,673	84,288	34,490	-	-	-	-	353,451
Deposits and placements of banks and other financial institutions	5,416,706	1,472,538	334,089	343,536	18,850	102,000	-	7,687,719
Securities sold under repurchase agreements	2,598,712	2,740,710	-	-	-	-	-	5,339,422
Recourse obligation on loans sold to Cagamas Berhad	183	200,371	1,432,797	1,200,000	1,825,002	-	-	4,658,353
Derivative financial liabilities	1,878	87,977	43,127	31,446	360,520	300,544	-	825,492
Term funding	40,432	4,550	1,662,783	1,000,000	926,762	227	-	3,634,754
Debt capital	-	-	-	-	-	4,230,000	-	4,230,000
Redeemable cumulative convertible preference share	-	-	-	-	-	224,229	-	224,229
Deferred tax liabilities	-	-	-	-	-	-	63,702	63,702
Other liabilities	1,688,122	501,562	252,579	897,912	94,703	25,968	15,742	3,476,588
Insurance contract liabilities and other insurance payables	258,721	406,326	469,526	557,009	934,627	67,040	-	2,693,249
Total liabilities	**57,958,952**	**25,935,528**	**21,379,788**	**22,790,304**	**7,007,777**	**4,951,155**	**79,444**	**140,102,948**
Net gap	**(20,359,116)**	**(21,399,467)**	**(16,305,607)**	**(16,240,587)**	**23,652,389**	**63,888,989**	**5,453,851**	**18,690,452**

53. RISK MANAGEMENT (CONT'D.)

53.3 Liquidity Risk Management (Cont'd.)

53.3.1a Analysis of Assets and Liabilities by Remaining Contractual Maturities as per requirement of BNM's policy document *Financial Reporting* (Cont'd.)

Group 31 March 2018	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Assets								
Cash and short-term funds	5,515,856	-	-	-	-	-	-	5,515,856
Deposits and placements with banks and other financial institutions	-	215,602	-	-	-	-	-	215,602
Derivative financial assets	111,168	121,821	92,737	205,541	323,647	270,703	-	1,125,617
Financial assets held-for-trading	1,587,041	5,532,226	1,060,251	466,861	2,207,483	1,481,710	609,211	12,944,783
Financial investments available-for-sale	399,213	1,059,233	264,069	243,752	2,069,561	3,169,802	497,256	7,702,886
Financial investments held-to-maturity	49	-	-	-	1,314,111	1,713,555	601	3,028,316
Loans, advances and financing	20,281,569	1,538,151	704,707	2,001,525	19,603,888	51,248,060	-	95,377,900
Receivables: Investments not quoted in active markets	-	74,853	-	-	1,072,419	793,161	-	1,940,433
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	2,836,841	-	2,836,841
Deferred tax assets	-	-	-	-	-	-	75,324	75,324
Investment in associates and joint ventures	-	-	-	-	-	-	690,294	690,294
Other assets	1,513,386	200,434	74,140	171,042	301,444	8,152	508	2,269,106
Reinsurance assets and other insurance receivables	63,579	81,400	90,043	100,025	184,234	17,578	-	536,859
Property and equipment	-	-	-	-	-	-	191,412	191,412
Intangible assets	-	-	-	-	-	-	3,426,051	3,426,051
Assets held for sale	-	-	-	3,963	-	-	-	3,963
Total assets	**29,471,861**	**8,823,720**	**2,285,947**	**3,192,709**	**27,076,787**	**61,539,562**	**5,490,657**	**137,881,243**
Liabilities								
Deposits from customers	40,467,396	14,808,036	15,098,845	22,065,076	3,365,802	32	-	95,805,187
Investment accounts of customers	68,956	70,000	-	-	-	-	-	138,956
Deposits and placements of banks and other financial institutions	2,249,736	675,328	295,745	158,760	53,009	-	-	3,432,578
Recourse obligation on loans sold to Cagamas Berhad	161	700,327	504	2,329,277	1,243,352	-	-	4,273,621
Derivative financial liabilities	98,447	307,266	139,801	176,580	338,143	218,555	-	1,278,792
Term funding	38,940	401,126	11,250	611,250	3,266,254	893	-	4,329,713
Debt capital	-	-	-	-	-	4,579,504	-	4,579,504
Redeemable cumulative convertible preference share	-	-	-	-	-	217,451	-	217,451
Deferred tax liabilities	-	-	-	-	-	-	65,403	65,403
Other liabilities	1,947,985	704,531	261,128	294,867	89,579	7,131	31,295	3,336,516
Insurance contract liabilities and other insurance payables	345,507	415,010	480,521	554,397	884,612	83,465	-	2,763,512
Total liabilities	**45,217,128**	**18,081,624**	**16,287,794**	**26,190,207**	**9,240,751**	**5,107,031**	**96,698**	**120,221,233**
Net gap	**(15,745,267)**	**(9,257,904)**	**(14,001,847)**	**(22,997,498)**	**17,836,036**	**56,432,531**	**5,393,959**	**17,660,010**

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53. RISK MANAGEMENT (CONT'D.)

53.3 Liquidity Risk Management (Cont'd.)

53.3.1a Analysis of Assets and Liabilities by Remaining Contractual Maturities as per requirement of BNM's policy document *Financial Reporting* (Cont'd.)

Company 31 March 2019	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
Assets								
Cash and short-term funds	81,005	-	-	-	-	-	-	81,005
Financial assets at fair value through profit or loss	-	-	-	-	-	-	1,044	1,044
Investment in subsidiaries and other investments	-	-	-	-	-	-	9,640,313	9,640,313
Other assets	955	-	-	715	-	-	-	1,670
Property and equipment	-	-	-	-	-	-	676	676
Total assets	**81,960**	**-**	**-**	**715**	**-**	**-**	**9,642,033**	**9,724,708**
Liabilities								
Other liabilities	8,133	-	-	23,303	-	-	-	31,436
Total liabilities	**8,133**	**-**	**-**	**23,303**	**-**	**-**	**-**	**31,436**
Net gap	**73,827**	**-**	**-**	**(22,588)**	**-**	**-**	**9,642,033**	**9,693,272**

Notes to the Financial Statements

For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.3 Liquidity Risk Management (Cont'd.)

53.3.1a Analysis of Assets and Liabilities by Remaining Contractual Maturities as per requirement of BNM's policy document *Financial Reporting* (Cont'd.)

Company 31 March 2018	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Assets								
Cash and short-term funds	79,080	-	-	-	-	-	-	79,080
Financial investments available-for-sale	-	-	-	-	-	-	1,008	1,008
Financial investments held-to-maturity	-	275	36,891	37,166	297,330	1,053,338	-	1,425,000
Investment in subsidiaries and other investments	-	-	-	-	-	-	9,487,139	9,487,139
Other assets	9	140	4,418	2,686	60	-	-	7,313
Property and equipment	-	-	-	-	-	-	940	940
Total assets	**79,089**	**415**	**41,309**	**39,852**	**297,390**	**1,053,338**	**9,489,087**	**11,000,480**
Liabilities								
Term funding	-	-	11,250	11,250	477,500	-	-	500,000
Debt capital	-	-	-	-	-	1,424,585	-	1,424,585
Other liabilities	7,838	-	14,165	2,719	-	-	-	24,722
Total liabilities	**7,838**	**-**	**25,415**	**13,969**	**477,500**	**1,424,585**	**-**	**1,949,307**
Net gap	**71,251**	**415**	**15,894**	**25,883**	**(180,110)**	**(371,247)**	**9,489,087**	**9,051,173**

Notes to the Financial Statements

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53. RISK MANAGEMENT (CONT'D.)

53.3 Liquidity Risk Management (Cont'd.)

53.3.1a Analysis of Liabilities by Remaining Contractual Maturities on undiscounted basis (Cont'd.)

Group 31 March 2019	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Liabilities								
Deposits from customers	49,060,563	21,006,952	17,640,083	19,289,772	2,925,648	1,175	-	109,924,193
Investment accounts of customers	235,541	85,382	35,209	-	-	-	-	356,132
Deposits and placements of banks and other financial institutions	5,653,217	1,613,400	343,461	353,414	19,400	104,996	-	8,087,888
Securities sold under repurchase agreements	2,611,242	2,758,990	-	-	-	-	-	5,370,232
Recourse obligation on loans sold to Cagamas Berhad	26,039	254,597	1,464,133	1,272,337	1,926,966	-	-	4,944,072
Derivative financial liabilities	11,846	99,920	69,639	97,970	577,226	136,037	-	992,638
Term funding	93,029	36,134	1,774,830	1,089,653	1,115,124	227	-	4,108,997
Debt capital	26,094	31,839	542,031	95,127	4,323,017	-	-	5,018,108
Redeemable cumulative convertible preference share	-	-	-	-	-	224,229	-	224,229
Deferred tax liabilities	-	-	-	-	-	-	63,702	63,702
Other liabilities	1,484,405	396,889	136,162	335,096	95,281	16,343	1,965	2,466,141
Insurance contract liabilities and other insurance payables	264,450	415,449	480,543	573,464	968,897	70,139	-	2,772,942
Total undiscounted liabilities	**59,466,426**	**26,699,552**	**22,486,091**	**23,106,833**	**11,951,559**	**553,146**	**65,667**	**144,329,274**
Contingent liabilities	1,006,083	590,769	1,159,144	2,123,954	3,689,339	413,789	-	8,983,078
Commitments	7,051,626	1,367,264	2,054,327	1,002,934	987,207	13,773,136	-	26,236,494
Total commitments and guarantees	**8,057,709**	**1,958,033**	**3,213,471**	**3,126,888**	**4,676,546**	**14,186,925**	**-**	**35,219,572**

53. RISK MANAGEMENT (CONT'D.)

53.3 Liquidity Risk Management (Cont'd.)

53.3.1a Analysis of Liabilities by Remaining Contractual Maturities on undiscounted basis (Cont'd.)

Group 31 March 2018	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Liabilities								
Deposits from customers	41,426,960	15,165,514	15,450,343	22,585,161	3,448,418	32	-	98,076,428
Investment accounts of customers	69,093	70,627	-	-	-	-	-	139,720
Deposits and placements of banks and other financial institutions	2,015,545	1,001,430	305,137	162,313	54,229	-	-	3,538,654
Recourse obligation on loans sold to Cagamas Berhad	65,677	724,437	504	2,408,462	1,360,433	-	-	4,559,513
Derivative financial liabilities	99,854	339,566	180,649	557,971	446,572	45,055	-	1,669,667
Term funding	39,103	412,057	74,665	670,388	3,403,325	893	-	4,600,431
Debt capital	632,626	17,343	88,210	1,369,501	3,149,184	-	-	5,256,864
Redeemable cumulative convertible preference share	-	-	-	-	-	217,451	-	217,451
Deferred tax liabilities	-	-	-	-	-	-	65,403	65,403
Other liabilities	1,778,123	476,700	50,119	107,899	74,574	11,096	35,946	2,534,457
Insurance contract liabilities and other insurance payables	351,388	424,753	492,390	571,580	919,749	87,290	-	2,847,150
Total undiscounted liabilities	**46,478,369**	**18,632,427**	**16,642,017**	**28,433,275**	**12,856,484**	**361,817**	**101,349**	**123,505,738**
Contingent liabilities	692,827	851,280	1,021,213	1,975,869	3,713,785	541,336	-	8,796,310
Commitments	6,463,730	1,262,494	1,066,779	1,188,315	1,380,467	16,545,400	-	27,907,185
Total commitments and guarantees	**7,156,557**	**2,113,774**	**2,087,992**	**3,164,184**	**5,094,252**	**17,086,736**	**-**	**36,703,495**

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53. RISK MANAGEMENT (CONT'D.)

53.3 Liquidity Risk Management (Cont'd.)

53.3.1a Analysis of Liabilities by Remaining Contractual Maturities on undiscounted basis (Cont'd.)

Company 31 March 2019	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Liabilities								
Other liabilities	8,133	-	-	23,303	-	-	-	31,436
Total undiscounted liabilities	**8,133**	**-**	**-**	**23,303**	**-**	**-**	**-**	**31,436**

Company 31 March 2018	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Liabilities								
Term funding	-	-	11,250	11,250	511,250	-	-	533,750
Debt capital	-	275	36,891	37,166	297,330	1,756,668	-	2,128,330
Other liabilities	7,838	-	14,165	2,719	-	-	-	24,722
Total undiscounted liabilities	**7,838**	**275**	**62,306**	**51,135**	**808,580**	**1,756,668**	**-**	**2,686,802**

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53. RISK MANAGEMENT (CONT'D.)

53.4 Market Risk Management

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

Traded Market Risk ("TMR")

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") • Loss Limit • Historical Stress Loss ("HSL") • Present Value of One Basis Point ("PV01") • Sensitivity to Change • Other Detailed Controls
Control/Mitigation	• VaR Limit • Loss Limits/Triggers (Annual/Monthly/Daily) • HSL Limit • PV01 Limits • Greek Limits (Delta/Gamma/Delta-Gamma/Vega/Theta) • Concentration Limits • Position Size Limits • Maximum Tenor Limits • Maximum Holding Period • Minimum Holding Period • Approved Portfolio Products • Approved Countries/Currencies • Other Detailed Limits/Triggers
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 Management Risk Committee ("GMRC") approved limit structures and risk appetite. This is done via robust traded market risk measurement, limit setting, limit monitoring, and collaboration and agreement with Business Units.

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

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

Notes to the Financial Statements

For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.4 Market Risk Management (Cont'd.)

Traded Market Risk ("TMR") (Cont'd.)

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

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

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

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

Non-Traded Market Risk

Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB")

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

Identification	• Identify IRR/RORBB within existing and new products • Review market-related information such as market trend and economic data
Assessment/Measurement	• PV01 • Earnings-at-Risk ("EaR")
Control/Mitigation	• PV01 Limits • EaR 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/financing 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.

Notes to the Financial Statements

For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.4 Market Risk Management (Cont'd.)

Non-Traded Market Risk (Cont'd.)

Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB") (Cont'd.)

The Board's oversight of IRR/RORBB is supported by the Group Asset & Liability Committee ("GALCO") and/or GMRC. GALCO and/or GMRC is responsible for the alignment of Group's risk appetite and funding needs, taking into consideration Group-wide business strategies. GALCO and/or GMRC consistently oversees the Group's gapping positions, asset growth and liability mix against the interest/profit rate outlook. It also reviews strategies to ensure a comfortable level of IRR/RORBB is maintained. The Group has successfully used 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 Management-established limits.

The Group measures the IRR/RORBB exposures using Present Value of 1 basis point ("PV01"). PV01 is a quantitative measure to assess the impact of an absolute change in economic value due to 1 basis point movement in market interest/profit rates.

The Group complements PV01 by stress testing IRR/RORBB exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Key assumptions in the gap and sensitivity analysis relate to the behaviour of interest/profit rates and spreads, changes in loan/financing 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/financing.

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 Management-approved limits. This is achieved through the ability to reposition the interest/profit rate exposure of the statement of financial position using dynamic product and funding strategies, supported by interest/profit rate hedging activities using interest/profit rate swaps and other derivatives. These approaches are governed by the Group's policies in the areas of product and liquidity management as well as the Trading Book and Banking Book Policy, hedging policies and Non-Traded Interest/Profit Rate Risk Framework.

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

Market Risk Sensitivity

(i) Interest Rate Risk/Rate of Return Risk

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

Notes to the Financial Statements
For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.4 Market Risk Management (Cont'd.)

Market Risk Sensitivity (Cont'd.)

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

The following table demonstrates the sensitivity of the Group's profit before taxation and equity to a reasonable possible change in interest/profit rate with all other variables remaining constant. There is no impact to the Company for interest rate risk.

	31 March 2019 IRR/ROR		31 March 2018 IRR/ROR	
	+100 bps RM'000	-100 bps RM'000	+100 bps RM'000	-100 bps RM'000
Traded market risk				
Group				
Impact on profit before taxation	(167,881)	178,661	(134,125)	145,493
Impact on equity	-	-	-	-
Non-traded market risk				
Group				
Impact on profit before taxation	659,165	(659,105)	602,340	(602,380)
Impact on equity	(347,433)	369,624	(238,678)	259,914

(ii) Foreign Exchange Risk

Foreign exchange risk arises from changes in foreign exchange rates to exposure on the Group's financial instruments denominated in currencies other than the functional currency of the transacting entity. Position limits are imposed to prevent the Group from being exposed to excessive foreign exchange risk. There is no impact to the Company for foreign exchange risk.

The following table demonstrates the sensitivity of the Group's profit before taxation and equity to a reasonable possible change in exchange rates with all other variables remaining constant. There is no impact to the Company for foreign exchange risk.

	31 March 2019 Currency rate		31 March 2018 Currency rate	
	+10% RM'000	-10% RM'000	+10% RM'000	-10% RM'000
Impact on profit before taxation				
Group				
USD	(43,450)	43,450	(53,429)	53,429
SGD	11,490	(11,490)	13,934	(13,934)
EUR	735	(735)	219	(219)
JPY	(897)	897	(1,333)	1,333
GBP	253	(253)	(774)	774
Others	938	(938)	1,281	(1,281)
Impact on equity				
Group				
USD	27,975	(27,975)	52,125	(52,125)
EUR	53	(53)	19	(19)

Notes to the Financial Statements
For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.4 Market Risk Management (Cont'd.)

Market Risk Sensitivity (Cont'd.)

(iii) Equity Price Risk

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

The following table demonstrates the sensitivity of the Group's profit before taxation and equity to a reasonable possible change in equity prices with all other variables remaining constant. There is no impact to the Company for equity price risk.

	31 March 2019 Equity price		31 March 2018 Equity price	
	+10% RM'000	-10% RM'000	+10% RM'000	-10% RM'000
Group				
Impact on profit before taxation	3,397	(3,397)	10,438	(10,438)
Impact on equity	9,817	(9,817)	11,023	(11,023)

53.5 Operational Risk Management

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

Identification	• Identify and analyse risks in key processes/activities within Business and Functional Lines (including new products)
Assessment/Measurement	• Incident Management and Data Collection • Risk and Control Self Assessment • Key Risk Indicators • Key Control Testing • Scenario Analysis
Control/Mitigation	• Policies addressing control and governance requirements to mitigate specific operational risk • Advisory on the establishment of internal controls • Contingency planning • Insurance programme
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 and framework adherence. • Periodical review of risk profile within Line of Business

Notes to the Financial Statements

For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.5 Operational Risk Management (Cont'd.)

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external incidents which includes but is not limited to legal risk, outsourcing risk, technology (including cyber) risk and Shariah risk. (Please refer to Section 53.9 for discussion on Shariah Governance Structure). It excludes strategic, systemic and reputational risk.

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

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

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

- The first line of defence ("FLOD") is responsible for the management of operational risk in order that accountability and ownership is as close as possible to the activity that creates the risk and ensuring that effective action is taken to manage them. Enhanced First Line of Defence provides a business specific focus on the implementation of operational risk management activities and supports more effective day-to-day monitoring of operational risks.

- In the second line, Group Operational Risk is responsible for exercising governance over operational risk through the management of the operational risk framework, policy development and communication, quality assurance of internal controls, operational risk measurement and capital allocation, Operational Risk Management ("ORM") training and reporting of operational risk issues to GMRC, RMC 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.

Notes to the Financial Statements

For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.5 Operational Risk Management (Cont'd.)

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

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

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

53.5.1 Business Continuity Management

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

53. RISK MANAGEMENT (CONT'D.)

53.5 Operational Risk Management (Cont'd.)

53.5.1 Business Continuity Management (Cont'd.)

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

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

53.6 Cyber Risk Management

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

53.7 Legal Risk

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

Legal risk is overseen by Group Management Risk Committee ("GMRC")/GMC, upon advice by internal legal counsel and, where necessary, in consultation with external legal counsel to ensure that such risk is appropriately managed.

53.8 Regulatory Compliance Risk

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

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

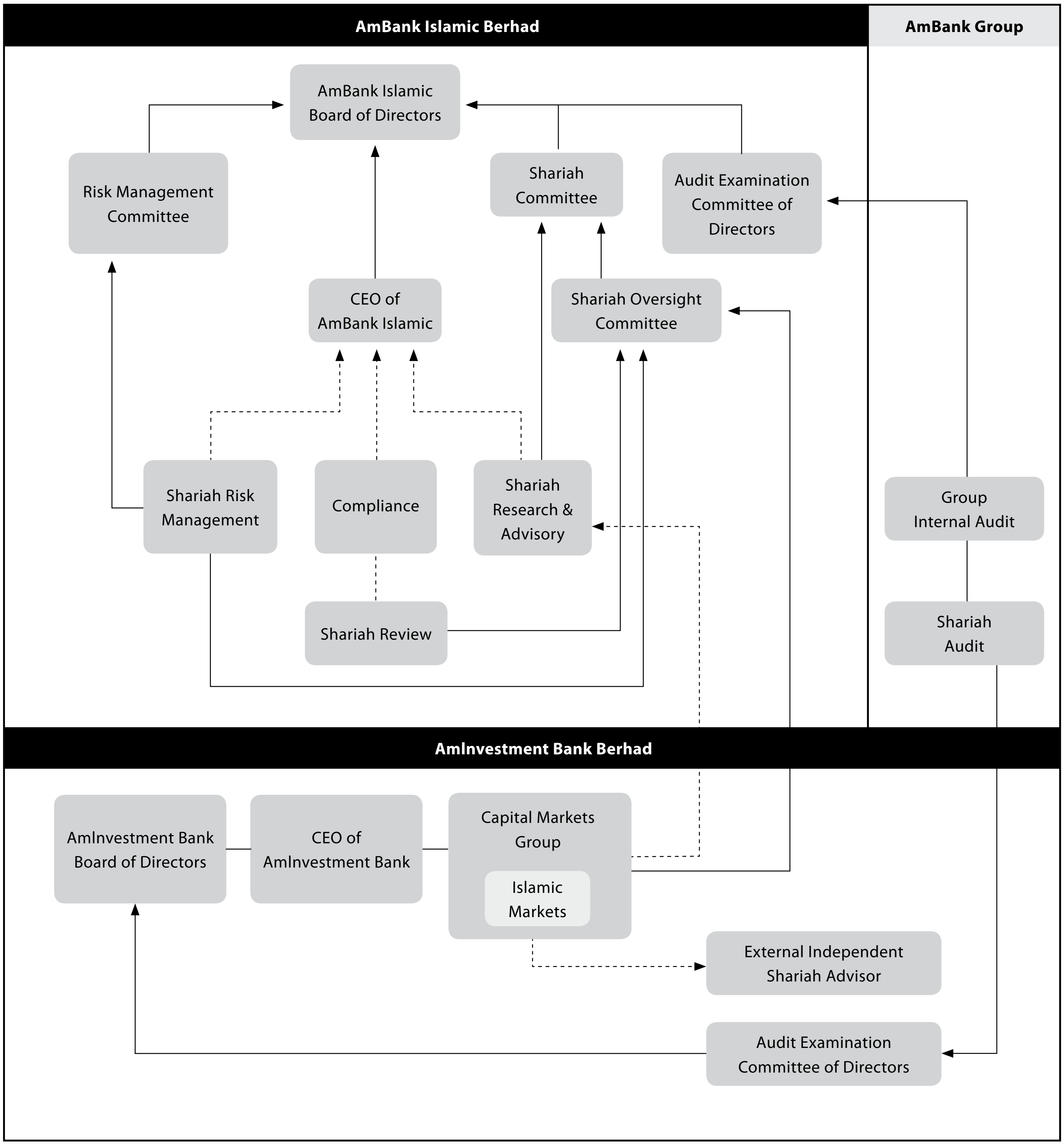
The Group continues to exercise and enhance its due diligence governance process and remains vigilant towards emerging risk as well as sensitive towards heightened regulatory surveillance and enforcement.

Notes to the Financial Statements
For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.9 Shariah Risk Management Control

Shariah Governance Structure



Notes to the Financial Statements
For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.9 Shariah Risk Management Control (Cont'd.)

The Group has established the Shariah governance structure for its Islamic banking operations in accordance with the requirements of the Islamic Financial Services Act (IFSA 2013) and BNM's "Shariah Governance Framework for Islamic Financial Institutions". This is to ensure that the operations and business activities of AmBank Islamic comply with Shariah principles and its requirements.

Apart from Shariah Research & Advisory, Shariah Risk Management and Shariah Review functions which reside in AmBank Islamic, AmBank Islamic's Shariah governance structure leverages on the Group platform of Group Internal Audit Division for Shariah Audit function.

The Group adopts a leverage model whereby, through its Islamic Window i.e. Islamic Markets ("IM"), its leverages on AmBank Islamic Shariah Governance Structure, including the SC of AmBank Islamic ("Shariah Committee"). Alternatively, IM may also opt for independent external Shariah advisor(s) as approved by the SC when necessary and will be on ad-hoc basis.

Board of Directors

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

Audit and Examination Committee of Directors

AEC is a Board committee responsible for assisting the Board in ensuring Islamic Banking operations of the Group are Shariah compliant through oversight of the Shariah Audit function performed by Group Internal Audit Department. The updates on Shariah Review are also presented to the AEC.

Risk Management Committee

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

Shariah Committee

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

Shariah Oversight Committee

The Shariah Oversight Committee, which is a sub-committee to the Shariah Committee, performs an oversight function on banking operations from Shariah perspective. The Committee provides guidance and advice on matters pertaining to Shariah non-compliant incidences as well as treatment of Shariah non-compliant income (if any).

Management/Chief Executive Officer

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

Notes to the Financial Statements

For the financial year ended 31 March 2019

53. RISK MANAGEMENT (CONT'D.)

53.9 Shariah Risk Management Control (Cont'd.)

Shariah Research and Advisory

The Shariah Research and Advisory Department is accountable to the Shariah Committee and is responsible for providing day-to-day Shariah advisory, including Shariah legal aspects, conducting Shariah research, formulating Shariah policies and acting as Secretariat to the Shariah Committee and the Shariah Oversight Committee.

Shariah Risk Management

The Shariah Risk Management ("SRM") function is accountable to the RMC. The SRM is a function to systematically identify, measure, monitor and control of Shariah non-compliance risks to mitigate any possible non-compliance events.

The SRM is executed through the three lines of defence in managing Shariah risk. The three lines of defence are: 1st – The Business Units and Functional Lines; 2nd – Shariah Risk Management, Shariah Review, Shariah Research and Advisory; 3rd – Shariah Audit.

Shariah Review

The Shariah Review function is accountable to the Shariah Committee. The objective of the Shariah review function is to provide reasonable self-assurance for AmBank Islamic in its daily activities and operations; thus to add value and improve the degree of Shariah awareness and compliance.

Shariah Audit

The Shariah Audit Section is accountable to the AEC. A designated team within the Group Internal Audit Department is responsible to conduct independent assessment on the level of Shariah compliance of Islamic banking business and operations. The Shariah audit covers all activities particularly the operational components of the AmBank Islamic (including functions outsourced to AmBank or AmInvestment Bank) that are subjected to the risk of Shariah non- compliance including but not limited to products, operational processes, the technology supporting the operations, the people involved in key areas of risk, documentation and contracts, policies and procedures and other activities that require the adherence to Shariah principles.

Shariah Liaison Officer, IM

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

(i) Shariah non-compliance incidents and income

For the financial year ended 31 March 2019, there was one (1) Shariah non-compliant ("SNC") incident involving SNC income of approximately RM1,115.00 relating to imposition of additional late payment charges. Purification of the SNC income was made in accordance with the method approved by the Shariah Oversight Committee. To mitigate the recurrence of a similar incident, the Group has implemented enhanced measures via system control and heightened staff awareness via focused training sessions. Given that this SNC incident is of similar nature to the one (1) SNC incident which occurred in the financial year ended 31 March 2018, both SNC incidents are grouped as a single SNC incident which were deemed to occur in the financial year ended 31 March 2018. For the financial year ended 31 March 2018, there was one (1) Shariah non-compliant (SNC) incident with SNC income of approximately RM3,699.00.

Notes to the Financial Statements
For the financial year ended 31 March 2019

54. 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 investments in subsidiaries and taxation are excluded, as they do not fall within the scope of MFRS 7 Financial Instruments: Disclosures, which requires the fair value information to be disclosed.

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

	Group		Company	
31 March 2019	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial Assets				
Financial investments at amortised cost	5,146,316	5,228,269	-	-
Loans, advances and financing[1]	15,276,622	15,617,778	-	-
	20,422,938	20,846,047	-	-
Financial Liabilities				
Recourse obligation on loans and financing sold to Cagamas Berhad	4,658,353	4,713,536	-	-
Term funding	3,634,754	3,656,482	-	-
Debt capital	4,230,000	4,297,956	-	-
	12,523,107	12,667,974	-	-

Notes to the Financial Statements

For the financial year ended 31 March 2019

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

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

31 March 2018	Group Carrying Amount RM'000	Group Fair Value RM'000	Company Carrying Amount RM'000	Company Fair Value RM'000
Financial Assets				
Financial investments held-to-maturity	3,028,316	2,941,893	1,425,000	1,438,845
Loans, advances and financing[1]	17,719,439	18,098,839	-	-
Receivables: Investments not quoted in active markets[2]	1,940,433	1,911,741	-	-
	22,688,188	22,952,473	1,425,000	1,438,845
Financial Liabilities				
Recourse obligation on loans and financing sold to Cagamas Berhad	4,273,621	4,331,089	-	-
Term funding	4,329,713	4,353,023	500,000	499,700
Debt capital	4,579,504	4,860,300	1,424,585	1,438,866
	13,182,838	13,544,412	1,924,585	1,938,566

[1] *excluding loans, advances and financing of RM85,267.4 million (2018: RM77,658.5 million) where the carrying amounts are reasonable approximation of their fair values.*

[2] *excluding investments of RM74.9 million with maturity of less than six months with carrying amounts which are reasonable approximation of their fair values.*

Notes to the Financial Statements
For the financial year ended 31 March 2019

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

(b) Financial instruments measured at fair value and for which fair values are disclosed

Group 31 March 2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets measured at fair value				
Derivative financial assets	655	763,268	-	763,923
Financial assets at fair value through profit or loss				
- Money market securities	-	14,445,321	-	14,445,321
- Shares	487,692	-	2,813	490,505
- Unit trusts	33,563	160,813	-	194,376
- Quoted corporate bonds and sukuk	-	37,937	-	37,937
- Unquoted corporate bonds and sukuk	-	4,197,456	-	4,197,456
Financial investments at fair value through other comprehensive income				
- Money market securities	-	5,917,665	-	5,917,665
- Shares	-	-	524,213	524,213
- Unquoted corporate bonds and sukuk	-	9,267,995	-	9,267,995
Financial assets for which fair values are disclosed				
Financial investments at amortised cost	-	5,227,214	1,055	5,228,269
Loans, advances and financing	-	15,617,778	-	15,617,778
	521,910	55,635,447	528,081	56,685,438
Financial liabilities measured at fair value				
Derivative financial liabilities	1,300	824,192	-	825,492
Financial liabilities for which fair values are disclosed				
Recourse obligation on loans and financing sold to Cagamas Berhad	-	4,713,536	-	4,713,536
Term funding	-	3,656,482	-	3,656,482
Debt capital	-	4,297,956	-	4,297,956
	1,300	13,492,166	-	13,493,466

Notes to the Financial Statements
For the financial year ended 31 March 2019

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

(b) Financial instruments measured at fair value and for which fair values are disclosed (Cont'd.)

Group 31 March 2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets measured at fair value				
Derivative financial assets	3	1,125,614	-	1,125,617
Financial assets held-for-trading				
- Money market securities	-	7,158,914	-	7,158,914
- Shares	389,087	-	-	389,087
- Unit trusts	61,593	158,531	-	220,124
- Quoted corporate bonds and sukuk	-	37,962	-	37,962
- Unquoted corporate bonds and sukuk	-	5,138,696	-	5,138,696
Financial investments available-for-sale				
- Money market securities	-	2,292,443	-	2,292,443
- Shares	223,654	-	46,677	270,331
- Unit Trusts	13,009	116,870	-	129,879
- Unquoted corporate bonds and sukuk	-	4,913,187	-	4,913,187
Financial assets for which fair values are disclosed				
Financial investments held-to-maturity	-	2,940,772	1,121	2,941,893
Loans, advances and financing	-	18,098,839	-	18,098,839
Receivables: Investments not quoted in active markets	-	1,820,558	91,183	1,911,741
	687,346	43,802,386	138,981	44,628,713

Notes to the Financial Statements
For the financial year ended 31 March 2019

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

(b) Financial instruments measured at fair value and for which fair values are disclosed (Cont'd.)

Group 31 March 2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liabilities measured at fair value				
Derivative financial liabilities	6,154	1,272,638	-	1,278,792
Financial liabilities for which fair values are disclosed				
Recourse obligation on loans and financing sold to Cagamas Berhad	-	4,331,089	-	4,331,089
Term funding	-	4,353,023	-	4,353,023
Debt capital	-	4,860,300	-	4,860,300
	6,154	14,817,050	-	14,823,204

Company 31 March 2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
- Unit trusts	-	1,044	-	1,044

31 March 2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets measured at fair value				
Financial investments available-for-sale				
- Unit trusts	-	1,008	-	1,008
Financial assets for which fair values are disclosed				
Financial investments held-to-maturity	-	1,438,845	-	1,438,845
Financial liabilities for which fair values are disclosed				
Term funding	-	499,700	-	499,700
Debt Capital	-	1,438,866	-	1,438,866
	-	1,938,566	-	1,938,566

Determination of fair value

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

(a) Financial assets and financial liabilities for which fair value approximates carrying value

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

Notes to the Financial Statements

For the financial year ended 31 March 2019

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

Determination of fair value (Cont'd.)

(b) Financial investments at amortised cost

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

(c) Loans, advances and financing

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

(d) Term funding and debt capital

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

(e) Recourse obligation on loans and financing sold to Cagamas Berhad

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

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

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

About 1.5% (2018: 0.2%) of the Group's total financial assets recorded at fair value, are based on estimates and recorded as Level 3 investments. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. While such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not change the fair value significantly.

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

Notes to the Financial Statements
For the financial year ended 31 March 2019

54. 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 and liabilities which are recorded at fair value for the financial year.

Group	Financial investments at FVOCI 31 March 2019 RM'000	Financial assets at FVTPL 31 March 2019 RM'000	Financial investments available-for-sale 31 March 2019 RM'000	Total 31 March 2019 RM'000	Financial investments available-for-sale 31 March 2018 RM'000
Balance at beginning of the financial year	-	-	46,677	46,677	-
Effect of adopting MFRS 9	523,947	2,785	(46,677)	480,055	-
Adjusted at beginning of the financial year	523,947	2,785	-	526,732	-
Addition during the financial year	288	28	-	316	46,677
Exchange fluctuation taken up in statement of profit or loss	(22)	-	-	(22)	-
Balance at end of the financial year	524,213	2,813	-	527,026	46,677

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

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

Group	31 March 2019 RM'000	31 March 2018 RM'000
Financial investments at fair value through other comprehensive income:		
Total gains/(losses) included in:		
- other comprehensive income	3	-
- profit or loss	(22)	-
	(19)	-

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.

Notes to the Financial Statements

For the financial year ended 31 March 2019

55. BUSINESS SEGMENT ANALYSIS

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

(a) Retail Banking

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

(b) Business Banking

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

(c) Wholesale Banking

Wholesale Banking comprises Corporate Banking and Group Treasury & Markets.

(i) Corporate Banking offers a full range of products and services of corporate lending, trade finance, offshore banking, and cash management solutions to wholesale banking clients;

(ii) Group Treasury & Markets includes proprietary trading as well as providing full range of products and services relating to treasury activities, including foreign exchange, derivatives, fixed income and structured warrants.

(d) Investment Banking

Investment Banking offers investment banking solutions and services, encompassing capital markets (primary) activities, broking, private banking services, corporate advisory and fund raising services (equity and debt capital).

(e) Fund Management

Fund Management comprises the asset and fund management services, offering a variety of investment solutions for various asset classes to retail, corporate and institutional clients.

(f) Insurance

Insurance segment offers a broad range of general insurance products, namely motor, personal accident, property and household. It also offers life insurance and takaful products namely wealth protection/savings, health and medical protection and family takaful solutions provided through our joint venture operations.

(g) Group Funding and others

Group Funding and others comprise 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.

Notes to the Financial Statements

For the financial year ended 31 March 2019

55. BUSINESS SEGMENT ANALYSIS (CONT'D.)

Measurements of segment performance

The segment performance is measured on income, expenses and profit basis. These are shown after allocation of certain centralised cost, funding income and expenses and expenses directly associated with each segment. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

Operating revenue

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

Major customers

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

Notes:

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

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

Notes to the Financial Statements

For the financial year ended 31 March 2019

55. BUSINESS SEGMENT ANALYSIS (CONT'D.)

Group

For the financial year ended 31 March 2019	Retail banking RM'000	Business banking RM'000	Wholesale banking: Corporate banking RM'000	Wholesale banking: Group treasury & markets RM'000	Investment banking RM'000	Fund management RM'000	Insurance RM'000	Group funding and others RM'000	Total RM'000
External revenue	3,282,963	610,173	2,020,450	1,014,784	187,766	100,784	1,556,632	346,305	9,119,857
Revenue from other segments	(117,020)	(153,478)	(1,026,057)	566,147	(30,101)	-	-	760,509	-
Total operating revenue	3,165,943	456,695	994,393	1,580,931	157,665	100,784	1,556,632	1,106,814	9,119,857
Net interest income	1,194,046	243,573	655,292	101,738	46,695	1,038	133,167	204,785	2,580,334
Other income	257,129	78,873	179,224	120,167	95,229	99,485	456,186	35,346	1,321,639
Share in results of associates and joint ventures	2,167	-	-	-	-	-	12,324	5,936	20,427
Net income	1,453,342	322,446	834,516	221,905	141,924	100,523	601,677	246,067	3,922,400
	(840,869)	(121,187)	(216,647)	(62,629)	(109,671)	(64,167)	(349,113)	(366,589)	(2,130,872)
Other operating expenses of which:									
Depreciation of property and equipment	(20,962)	(597)	(894)	(323)	(969)	(331)	(11,113)	(15,523)	(50,712)
Amortisation of intangible assets	(19,838)	(54)	(3,480)	(2,333)	(705)	(219)	(22,911)	(68,854)	(118,394)
Profit/(loss) before impairment losses	612,473	201,259	617,869	159,276	32,253	36,356	252,564	(120,522)	1,791,528
Impairment on loans, advances and financing-writeback/(charge)	124,763	(33,240)	227,345	-	6,997	-	-	(24,562)	301,303
Net impairment on other assets-(loss)/writeback	1,137	4	(12,187)	2,945	16	(141)	4,961	(5,791)	(9,056)
Provision for commitments and contingencies-writeback/(charge)	13,030	2,524	1,380	-	-	-	-	(7,645)	9,289
Other recoveries/(write-offs)	30	-	5,747	-	11	-	(3,668)	190	2,310
Profit/(loss) before taxation and zakat	751,433	170,547	840,154	162,221	39,277	36,215	253,857	(158,330)	2,095,374
Taxation and zakat	(179,787)	(40,281)	(198,730)	(40,080)	(7,890)	(6,669)	(43,529)	24,661	(492,305)
Profit/(loss) for the financial year	571,646	130,266	641,424	122,141	31,387	29,546	210,328	(133,669)	1,603,069
Other information									
Total segment assets	57,145,836	9,895,328	35,104,051	32,036,327	2,367,085	92,631	5,563,515	16,588,627	158,793,400
Total segment liabilities	53,905,480	5,813,358	11,599,399	38,179,201	1,205,996	19,672	3,515,602	25,864,240	140,102,948
Cost to income ratio	57.9%	37.6%	26.0%	28.2%	77.3%	63.8%	58.0%	149.0%	54.3%
Gross loans, advances and financing	56,864,668	9,964,004	33,518,564	-	1,591,783	-	974	(95,431)	101,844,562
Net loans, advances and financing	56,085,085	9,887,273	33,134,591	-	1,590,112	-	904	(153,944)	100,544,021
Impaired loans, advances and financing	727,585	216,877	674,532	-	1,668	-	-	-	1,620,662
Total deposits	52,982,639	5,695,994	11,323,999	34,364,711	743,811	-	-	9,492,554	114,603,708
Additions to:									
Property and equipment	9,882	1,363	1,891	220	436	53	2,831	15,050	31,726
Intangible assets	14,062	119	19,353	579	426	83	13,004	44,211	91,837

55. BUSINESS SEGMENT ANALYSIS (CONT'D.)

Group

For the financial year ended 31 March 2018 (Restated)	Retail banking RM'000	Business banking RM'000	Wholesale banking: Corporate banking RM'000	Wholesale banking: Group treasury & markets RM'000	Investment banking RM'000	Fund management RM'000	Insurance RM'000	Group funding and others RM'000	Total RM'000
External revenue	3,095,313	461,102	2,013,328	653,388	240,853	113,310	1,580,472	418,973	8,576,739
Revenue from other segments	(326,363)	(107,957)	(1,008,728)	955,133	(17,127)	-	-	505,042	-
Total operating revenue	2,768,950	353,145	1,004,600	1,608,521	223,726	113,310	1,580,472	924,015	8,576,739
Net interest income	1,164,243	195,380	668,060	42,917	43,120	1,057	136,730	232,993	2,484,500
Other income	320,436	63,353	193,582	148,618	165,182	111,890	492,307	5,680	1,501,048
Share in results of associates and joint ventures	2,033	-	-	-	-	-	(11,371)	3,029	(6,309)
Net income	1,486,712	258,733	861,642	191,535	208,302	112,947	617,666	241,702	3,979,239
	(993,571)	(113,983)	(216,372)	(69,620)	(125,989)	(71,282)	(346,899)	(483,089)	(2,420,805)
Other operating expenses of which:									
Depreciation of property and equipment	(28,016)	(275)	(987)	(514)	(1,202)	(390)	(12,910)	(21,899)	(66,193)
Amortisation of intangible assets	(19,228)	(34)	(1,845)	(3,934)	(794)	(1,308)	(18,692)	(67,533)	(113,368)
Profit/(loss) before impairment losses	493,141	144,750	645,270	121,915	82,313	41,665	270,767	(241,387)	1,558,434
Impairment on loans, advances and financing-writeback/(charge)	(36,797)	(30,061)	(27,372)	-	1,804	-	-	93,508	1,082
Net impairment on other assets-(loss)/writeback	(8,671)	(5)	(636)	-	470	(24)	(881)	832	(8,915)
Provision for commitments and contingencies-writeback/(charge)	(5,278)	(3,096)	8,167	-	(2,587)	-	-	(7,590)	(10,384)
Other recoveries/(write-offs)	11	-	-	56	-	-	519	1,910	2,496
Profit/(loss) before taxation and zakat	442,406	111,588	625,429	121,971	82,000	41,641	270,405	(152,727)	1,542,713
Taxation and zakat	(105,657)	(27,580)	(144,024)	(27,834)	(15,793)	(8,804)	(35,661)	76,464	(288,889)
Profit/(loss) for the financial year	336,749	84,008	481,405	94,137	66,207	32,837	234,744	(76,263)	1,253,824
Other information									
Total segment assets	55,187,516	7,641,184	34,411,457	16,625,609	2,705,626	102,409	5,909,096	15,298,346	137,881,243
Total segment liabilities	50,006,646	4,283,730	8,413,446	39,398,319	1,417,264	18,452	3,588,777	13,094,599	120,221,233
Cost to income ratio	66.8%	44.1%	25.1%	36.3%	60.5%	63.1%	56.2%	199.9%	60.8%
Gross loans, advances and financing	54,559,432	7,702,946	32,574,924	-	1,569,710	-	1,657	(87,439)	96,321,230
Net loans, advances and financing	54,094,796	7,634,657	32,316,048	-	1,561,628	-	1,587	(230,816)	95,377,900
Impaired loans, advances and financing	680,517	208,562	747,259	-	2,067	-	-	-	1,638,405
Total deposits	49,328,851	4,202,709	8,066,205	35,110,878	799,536	-	-	1,729,586	99,237,765
Additions to:									
Property and equipment	11,279	1,775	1,185	7	1,061	244	3,129	7,445	26,125
Intangible assets	22,872	179	7,118	174	472	156	16,843	52,934	100,748

Notes to the Financial Statements

For the financial year ended 31 March 2019

56. INSURANCE BUSINESS

(I) CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	General insurance fund		Shareholders' funds and Others		Total*	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
ASSETS						
Cash and short-term funds	245,368	183,065	70,496	306,791	315,865	489,856
Deposits and placements with banks and other financial institutions	15,241	15,602	-	-	15,241	15,602
Financial assets at fair value through profit or loss	2,405,241	-	4,547,707	-	3,602,272	-
Financial assets held-for-trading	-	2,574,661	-	3,158,659	-	3,317,190
Financial investments available-for-sale	-	-	-	1,425,929	-	352,809
Loans and advances	904	1,587	-	-	904	1,587
Deferred tax assets	25,778	22,465	-	738	25,778	23,203
Investment in a subsidiary	-	-	1,908,733	2,108,733	-	-
Other assets	791,058	518,087	63,436	101,527	134,223	228,526
Reinsurance assets and other insurance receivables	525,547	536,859	-	-	525,547	536,859
Property and equipment	25,535	39,666	978	978	26,513	40,644
Intangible assets	55,180	61,556	66,867	70,900	900,973	911,383
Assets held for sale	5,029	1,599	-	2,364	5,029	3,963
TOTAL ASSETS	**4,094,881**	**3,955,147**	**6,658,217**	**7,176,619**	**5,552,345**	**5,921,622**
LIABILITIES AND EQUITY						
Redeemable cumulative convertible preference share	-	-	457,609	443,777	457,609	443,777
Deferred tax liabilities	-	-	70,187	74,675	70,186	75,115
Other liabilities	277,646	250,961	736,742	446,500	294,558	306,373
Insurance contract liabilities and other insurance payables	2,693,249	2,763,512	-	-	2,693,249	2,763,512
Total Liabilities	**2,970,895**	**3,014,473**	**1,264,538**	**964,952**	**3,515,602**	**3,588,777**
Share capital**	-	-	5,795,760	5,953,072	1,599,148	1,399,148
Reserves	1,123,986	940,674	(402,081)	258,595	437,595	933,697
Equity attributable to equity holders of the Company	1,123,986	940,674	5,393,679	6,211,667	2,036,743	2,332,845
TOTAL LIABILITIES AND EQUITY	**4,094,881**	**3,955,147**	**6,658,217**	**7,176,619**	**5,552,345**	**5,921,622**

* *after elimination on consolidation.*

	Note		
** Comprising:			
Ordinary share capital		1,230,000	1,230,000
Preference share capital		169,148	169,148
Transfer from retained earnings arising from redemption of preference shares	20(3)(iii)	200,000	-
		1,599,148	1,399,148

Note: Shareholders' funds and Others comprise the results of AmGeneral Holdings Berhad and collective investment schemes of its insurance subsidiary.

Notes to the Financial Statements

For the financial year ended 31 March 2019

56. INSURANCE BUSINESS (CONT'D.)

(II) CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

Group	General insurance fund		Shareholders' funds and Others		Total*	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Interest income	3,305	1,712	149,695	154,255	153,000	155,967
Interest expense	-	-	(19,833)	(19,237)	(19,833)	(19,237)
Net interest income	3,305	1,712	129,862	135,018	133,167	136,730
Income from insurance business	1,374,782	1,390,417	-	-	1,374,782	1,390,417
Insurance claims and commissions**	(935,122)	(943,569)	-	-	(935,122)	(943,569)
Net income from insurance business	439,660	446,848	-	-	439,660	446,848
Other operating income	116,799	112,821	269,836	107,359	16,526	45,459
Net income	559,764	561,381	399,698	242,377	589,353	629,037
Other operating expenses	(337,910)	(334,964)	(11,203)	(11,935)	(349,113)	(346,899)
Operating profit	221,854	226,417	388,495	230,442	240,240	282,138
Net impairment writeback/(charge) on:						
- Financial investments	-	-	-	(1,483)	-	(1,483)
- Reinsurance assets and insurance receivables	4,961	602	-	-	4,961	602
Other recoveries/(write-offs), net	(3,668)	519	-	-	(3,668)	519
Profit before taxation	223,147	227,538	388,495	228,959	241,533	281,776
Taxation	(38,733)	(25,539)	(4,796)	(10,122)	(43,529)	(35,661)
Profit for the financial year	**184,414**	**201,999**	**383,699**	**218,837**	**198,004**	**246,115**
Attributable to:						
Equity holders of the Company					198,004	245,500
Non-controlling interests					-	615
Profit for the financial year					**198,004**	**246,115**

* *after elimination on consolidation.*

** *Includes commission paid/payable to related companies of the Group of RM12,861,000 (2018: RM18,205,000).*

Notes to the Financial Statements

For the financial year ended 31 March 2019

56. INSURANCE BUSINESS (CONT'D.)

(III) NET INCOME FROM INSURANCE BUSINESS

	Note	Group 31 March 2019 RM'000	Group 31 March 2018 RM'000
Income from general insurance		1,374,782	1,390,417
	(a)	1,374,782	1,390,417
Insurance claims and commissions			
Insurance commissions		130,678	130,129
Insurance claims	(b)	791,583	795,235
		922,261	925,364
		452,521	465,053
(a) Income from general insurance business			
Gross Premium			
- insurance contract		1,526,545	1,473,891
- change in unearned premium provision		(22,245)	47,422
		1,504,300	1,521,313
Premium ceded			
- insurance contract		(130,782)	(128,633)
- change in unearned premium provision		1,264	(2,263)
		(129,518)	(130,896)
		1,374,782	1,390,417
(b) Insurance claims			
- gross benefits and claims paid		934,564	887,862
- claims ceded to reinsurers		(76,714)	(1,245)
- change in contract liabilities-insurance contract		(77,667)	47,469
- change in contract liabilities ceded to reinsurers-insurance contract		11,400	(138,851)
		791,583	795,235

Notes to the Financial Statements
For the financial year ended 31 March 2019

56. INSURANCE BUSINESS (CONT'D.)

(IV) INSURANCE RECEIVABLES

	Note	Group 31 March 2019 RM'000	Group 31 March 2018 RM'000
Amount owing by reinsurance and cedants		11,342	16,914
Due premiums including agents/brokers and co-insurers balances		82,329	82,018
Accumulated impairment losses		(32,978)	(32,194)
		60,693	66,738
The movement in accumulated impairment losses is as follows:			
Balance at beginning of the financial year		32,194	32,796
- effects of adoption of MFRS 9	60(b)	870	-
Balance at beginning of the financial year, as restated		33,064	32,796
Writeback for the financial year		(86)	(602)
Balance at end of the financial year		32,978	32,194

(V) INSURANCE PAYABLES

	Group 31 March 2019 RM'000	Group 31 March 2018 RM'000
Amount due to agents and intermediaries	29,184	32,126
Amount due to reinsurers and cedants	137,020	148,912
	166,204	181,038

Notes to the Financial Statements
For the financial year ended 31 March 2019

56. INSURANCE BUSINESS (CONT'D.)

(VI) INSURANCE CONTRACT LIABILITIES-GENERAL INSURANCE

31 March 2019 Group	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders		951,630	(266,467)	685,163
Provision for incurred but not reported claims ("IBNR")		729,400	(115,622)	613,778
Provision for risk margin for adverse deviations ("PRAD")		144,755	(32,082)	112,673
Provision for outstanding claims	(I)	1,825,785	(414,171)	1,411,614
Less: Accumulated impairment loss on reinsurance assets	(III)	-	2,639	2,639
		1,825,785	(411,532)	1,414,253
Provision for unearned premiums	(II)	701,260	(53,322)	647,938
		2,527,045	(464,854)	2,062,191
(I) Provision for outstanding claims				
Balance at beginning of the financial year		1,903,458	(425,577)	1,477,881
Claims incurred in the current accident year		1,150,178	(146,618)	1,003,560
Movements in claims incurred in prior accident years		(296,020)	81,309	(214,711)
Claims incurred during the year (treaty inwards claims)		2,733	-	2,733
Claims paid during the financial year		(934,564)	76,715	(857,849)
Balance at end of the financial year		1,825,785	(414,171)	1,411,614
(II) Provision for unearned premiums				
Balance at beginning of the financial year		679,016	(52,058)	626,958
Premiums written in the financial year		1,526,544	(130,782)	1,395,762
Premiums earned during the financial year		(1,504,300)	129,518	(1,374,782)
Balance at end of the financial year		701,260	(53,322)	647,938
(III) Accumulated impairment loss on reinsurance assets				
Balance at beginning of the financial year				7,514
Writeback for the financial year				(4,875)
Balance at end of the financial year				2,639

Notes to the Financial Statements

For the financial year ended 31 March 2019

56. INSURANCE BUSINESS (CONT'D.)

(VI) INSURANCE CONTRACT LIABILITIES-GENERAL INSURANCE (CONT'D.)

31 March 2018 Group	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders		980,624	(263,101)	717,523
Provision for incurred but not reported claims ("IBNR")		779,957	(129,369)	650,588
Provision for risk margin for adverse deviations ("PRAD")		142,877	(33,107)	109,770
Provision for outstanding claims	(I)	1,903,458	(425,577)	1,477,881
Less: Accumulated impairment loss on reinsurance assets	(III)	-	7,514	7,514
		1,903,458	(418,063)	1,485,395
Provision for unearned premiums	(II)	679,016	(52,058)	626,958
		2,582,474	(470,121)	2,112,353
(I) Provision for outstanding claims				
Balance at beginning of the financial year		1,855,990	(286,727)	1,569,263
Claims incurred in the current accident year		1,161,461	(154,158)	1,007,303
Movements in claims incurred in prior accident years		(228,874)	14,063	(214,811)
Claims incurred during the year (treaty inwards claims)		2,744	-	2,744
Claims paid during the financial year		(887,863)	1,245	(886,618)
Balance at end of the financial year		1,903,458	(425,577)	1,477,881
(II) Provision for unearned premiums				
Balance at beginning of the financial year		726,437	(54,320)	672,117
Premiums written in the financial year		1,473,891	(128,632)	1,345,259
Premiums earned during the financial year		(1,521,312)	130,894	(1,390,418)
Balance at end of the financial year		679,016	(52,058)	626,958
(III) Accumulated impairment loss on reinsurance assets				
Balance at beginning/end of the financial year				7,514

(VII) GENERAL INSURANCE BUSINESS

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

In setting provisions for claims, the insurance subsidiary gives consideration to the probability and magnitude of future claim experience being more adverse than assumed and exercises a degree of caution in setting the reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin to provide necessary confidence in adequacy is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

Notes to the Financial Statements

For the financial year ended 31 March 2019

56. INSURANCE BUSINESS (CONT'D.)

(VII) GENERAL INSURANCE BUSINESS (CONT'D.)

Claims development table (Cont'd.)

While the information in the tables provides a historical perspective on the adequacy of the unpaid claims estimate established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances.

The management of the insurance subsidiary believes that the estimates of total claims outstanding as of the reporting date are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Gross general insurance contract liabilities for 2019:

Accident year	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Sub total RM'000	Inward treaty and MMIP* RM'000	Total RM'000
At the end of accident year	1,200,371	1,205,506	1,242,423	1,194,736	1,070,130	1,227,523	1,161,461	1,150,172			
One year later	1,035,887	1,078,538	1,080,838	1,044,184	1,029,824	1,149,853	1,084,565				
Two years later	1,018,768	1,061,512	1,087,252	998,910	1,007,382	1,098,274					
Three years later	1,006,413	1,106,863	1,049,006	933,819	916,885						
Four years later	1,011,446	1,052,914	1,009,430	901,251							
Five years later	977,616	1,028,657	962,661								
Six years later	964,810	1,027,931									
Seven years later	1,100,149										
Current estimate of accumulative claims incurred	1,100,149	1,027,931	962,661	901,251	916,885	1,098,274	1,084,565	1,150,172			
At the end of accident year	(394,477)	(391,391)	(382,588)	(350,724)	(362,327)	(418,997)	(413,497)	(406,583)			
One year later	(722,240)	(746,862)	(695,027)	(637,079)	(631,990)	(728,720)	(697,415)				
Two years later	(860,786)	(886,525)	(815,309)	(755,021)	(743,674)	(841,972)					
Three years later	(911,882)	(941,110)	(874,843)	(813,229)	(809,250)						
Four years later	(935,406)	(971,793)	(901,976)	(834,470)							
Five years later	(944,361)	(984,310)	(924,531)								
Six years later	(949,985)	(988,726)									
Seven years later	(951,277)										
Cumulative payments to-date	(951,277)	(988,726)	(924,531)	(834,470)	(809,250)	(841,972)	(697,415)	(406,583)			
Gross general insurance claims liabilities (direct and facultative)	148,872	39,205	38,130	66,781	107,635	256,302	387,150	743,589	1,787,664	38,121	1,825,785

* *Malaysian Motor Insurance Pool.*

Notes to the Financial Statements

For the financial year ended 31 March 2019

56. INSURANCE BUSINESS (CONT'D.)

(VII) GENERAL INSURANCE BUSINESS (CONT'D.)

Claims development table (Cont'd.)

Net general insurance claims liabilities for 2019:

Accident year	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Sub total RM'000	Inward treaty and MMIP RM'000	Total RM'000
At the end of accident year	792,136	926,165	1,028,962	1,089,590	997,614	1,093,342	1,007,302	1,003,558			
One year later	793,919	896,635	959,376	951,089	959,398	1,058,099	977,750				
Two years later	791,978	860,834	982,953	907,365	924,949	1,008,222					
Three years later	779,482	885,185	935,316	844,427	850,963						
Four years later	794,484	849,500	884,072	809,285							
Five years later	773,169	831,688	871,175								
Six years later	765,548	824,031									
Seven years later	768,193										
Current estimate of accumulative claims incurred	768,193	824,031	871,175	809,285	850,963	1,008,222	977,750	1,003,558			
At the end of accident year	(323,199)	(329,835)	(362,384)	(333,248)	(344,191)	(392,176)	(385,935)	(388,952)			
One year later	(582,022)	(627,664)	(654,303)	(593,745)	(592,213)	(672,310)	(644,402)				
Two years later	(687,473)	(730,446)	(760,861)	(694,479)	(695,841)	(776,164)					
Three years later	(725,991)	(773,550)	(809,793)	(746,892)	(751,734)						
Four years later	(742,500)	(797,507)	(833,687)	(765,158)							
Five years later	(751,463)	(808,834)	(844,590)								
Six years later	(756,126)	(811,696)									
Seven years later	(756,988)										
Cumulative payments to-date	(756,988)	(811,696)	(844,590)	(765,158)	(751,734)	(776,164)	(644,402)	(388,952)			
Net general insurance claims liabilities (direct and facultative)	11,205	12,335	26,585	44,127	99,229	232,058	333,348	614,606	1,373,493	38,121	1,411,614

Notes to the Financial Statements

For the financial year ended 31 March 2019

56. INSURANCE BUSINESS (CONT'D.)

(VII) GENERAL INSURANCE BUSINESS (CONT'D.)

Claims development table (Cont'd.)

Gross general insurance claims liabilities for 2018:

Accident year	Before 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Sub total RM'000	Inward treaty and MMIP RM'000	Total RM'000
At the end of accident year	1,157,126	1,200,371	1,205,506	1,242,423	1,194,736	1,070,130	1,227,523	1,161,462			
One year later	1,026,375	1,035,887	1,078,539	1,080,837	1,044,184	1,092,824	1,149,853				
Two years later	1,028,550	1,018,768	1,061,513	1,087,252	998,910	1,007,382					
Three years later	992,759	1,006,413	1,106,864	1,049,006	933,819						
Four years later	968,326	1,011,446	1,052,914	1,009,430							
Five years later	961,038	977,616	1,028,657								
Six years later	939,557	964,810									
Seven years later	1,068,102										
Current estimate of accumulative claims incurred	1,068,102	964,810	1,028,657	1,009,430	933,819	1,007,382	1,149,853	1,161,462			
At the end of accident year	(356,496)	(394,477)	(391,391)	(382,588)	(350,724)	(362,327)	(418,997)	(413,497)			
One year later	(715,652)	(722,240)	(746,862)	(695,027)	(637,079)	(631,990)	(728,720)				
Two years later	(833,504)	(860,786)	(886,525)	(815,309)	(755,021)	(743,674)					
Three years later	(899,672)	(911,881)	(941,110)	(874,843)	(813,229)						
Four years later	(906,103)	(935,406)	(971,793)	(901,976)							
Five years later	(917,361)	(944,361)	(984,310)								
Six years later	(923,347)	(949,985)									
Seven years later	(926,378)										
Cumulative payments to-date	(926,378)	(949,985)	(984,310)	(901,976)	(813,229)	(743,674)	(728,720)	(413,497)			
Gross general insurance claims liabilities (direct and facultative)	141,724	14,825	44,347	107,454	120,590	263,708	421,133	747,965	1,861,746	41,713	1,903,459

Notes to the Financial Statements

For the financial year ended 31 March 2019

56. INSURANCE BUSINESS (CONT'D.)

(VII) GENERAL INSURANCE BUSINESS (CONT'D.)

Claims development table (Cont'd.)

Net general insurance claims liabilities for 2018:

Accident year	Before 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Sub total RM'000	Inward treaty and MMIP RM'000	Total RM'000
At the end of accident year	884,131	792,136	926,165	1,028,962	1,089,590	997,614	1,093,342	1,007,301			
One year later	877,184	793,919	896,635	959,376	951,089	959,398	1,058,099				
Two years later	863,446	791,978	860,834	982,953	907,365	924,949					
Three years later	848,751	779,482	885,185	935,316	844,427						
Four years later	836,040	794,484	849,501	884,072							
Five years later	839,817	773,169	831,688								
Six years later	821,608	765,548									
Seven years later	831,609										
Current estimate of accumulative claims incurred	831,609	765,548	831,688	884,072	844,427	924,949	1,058,099	1,007,301			
At the end of accident year	(328,287)	(323,199)	(329,835)	(362,384)	(333,248)	(344,191)	(392,176)	(385,936)			
One year later	(633,815)	(582,022)	(627,664)	(654,303)	(593,745)	(592,213)	(672,310)				
Two years later	(734,325)	(687,473)	(730,446)	(760,861)	(694,479)	(695,841)					
Three years later	(779,901)	(725,991)	(773,550)	(809,793)	(746,892)						
Four years later	(796,842)	(742,500)	(797,507)	(833,687)							
Five years later	(804,582)	(751,463)	(808,834)								
Six years later	(809,909)	(756,126)									
Seven years later	(811,899)										
Cumulative payments to-date	(811,899)	(756,126)	(808,834)	(833,687)	(746,892)	(695,841)	(672,310)	(385,936)			
Net general insurance claims liabilities (direct and facultative)	19,710	9,422	22,854	50,385	97,535	229,108	385,789	621,365	1,436,168	41,713	1,477,881

Notes to the Financial Statements

For the financial year ended 31 March 2019

56. INSURANCE BUSINESS (CONT'D.)

(VIII) REDEEMABLE CUMULATIVE CONVERTIBLE PREFERENCE SHARE

In the financial year ended 31 March 2013, AmGeneral Holdings Berhad ("AMGH") (a 51% owned subsidiary) had issued RM600 million of Redeemable Cumulative Convertible Preference Share ("RCCPS") and the salient features of the RCCPS are as follows:

(i) The RCCPS are redeemable during the redemption period from 27 September 2012 to 26 September 2027 ("maturity date"). The RCCPS will be redeemed during the redemption period or at the maturity date with the redemption price equal to the issue price.

(ii) The RCCPS confers on the holders the right to a fixed cumulative preference dividend calculated at 1% per annum each year to be declared and paid within six months from the end of each financial year, calculated based on the issue price of the RCCPS, in priority to any other classes of shares to the extent that there are profits available for distribution and compliance with the capital adequacy requirements as stipulated by BNM.

(iii) The RCCPS holders are entitled at any time to convert all or any of the RCCPS held to ordinary shares in AMGH on the basis of one RCCPS for one new ordinary share.

At Group, the RCCPS is presented net of deferred tax, and reflects only the portion issued to the non-controlling interests.

57. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

Group

	Gross amount of recognised financial assets/ liabilities RM'000	Gross amounts offset in the statement of financial position RM'000	Amounts presented in the statement of financial position RM'000	Amount not offset in the statement of financial position		Net amount RM'000
				Financial instruments RM'000	Cash collateral received/ pledged RM'000	
31 March 2019						
Derivative financial assets	763,923	-	763,923	(382,699)	(140,104)	241,120
Other assets	2,009,093	(25,642)	1,983,451	(43,209)	(9,799)	1,930,443
	2,773,016	(25,642)	2,747,374	(425,908)	(149,903)	2,171,563
Derivative financial liabilities	825,492	-	825,492	(382,699)	(386,679)	56,114
Other liabilities	3,502,230	(25,642)	3,476,588	-	-	3,476,588
	4,327,722	(25,642)	4,302,080	(382,699)	(386,679)	3,532,702
31 March 2018						
Derivative financial assets	1,125,617	-	1,125,617	(578,345)	(270,412)	276,860
Other assets	2,288,163	(19,057)	2,269,106	(36,472)	(5,938)	2,226,696
	3,413,780	(19,057)	3,394,723	(614,817)	(276,350)	2,503,556
Derivative financial liabilities	1,278,792	-	1,278,792	(578,345)	(247,839)	452,608
Other liabilities	3,355,573	(19,057)	3,336,516	-	-	3,336,516
	4,634,365	(19,057)	4,615,308	(578,345)	(247,839)	3,789,124

Notes to the Financial Statements
For the financial year ended 31 March 2019

58. ASSETS HELD FOR SALE

	Note	31 March 2019 RM'000	31 March 2018 RM'000
Asset held for sale			
Proposed disposal of property and equipment		5,029	3,963
		5,029	3,963
Balance at beginning of the financial year		3,963	25,502
Transferred from property and equipment during the financial year	23	5,029	-
Disposal completed during the financial year		(3,963)	(21,539)
Balance at end of the financial year		5,029	3,963

The disposal during the current financial year had resulted in gain of approximately RM0.7 million (2018: RM0.5 million) as disclosed in Note 37.

59. SIGNIFICANT EVENT

Disposal of non-performing loans/financing

After implementing a two-phase competitive bidding process, on 3 January 2019, the Group's commercial banking subsidiaries, AmBank and AmBank Islamic entered into sale and purchase agreements ("SPAs") to dispose their respective non-performing loans/financing to Aiqon Amanah Sdn Bhd ("Aiqon Amanah") and Aiqon Islamic Sdn Bhd ("Aiqon Islamic") respectively. Both Aiqon Amanah and Aiqon Islamic are subsidiaries of Aiqon Capital Sdn Bhd ("Aiqon Capital") which is jointly controlled by an entity that is controlled by the Group Executive Chairman/Chief Executive Officer of Aiqon Capital, who is a close family member of a director and major shareholder of the Company.

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

The disposal was completed as at 31 March 2019 with the granting of order by the High Court for the vesting of the Portfolio for both AmBank and AmBank Islamic on 22 February 2019 and 5 March 2019 respectively, and the gain on disposal (after deducting incidental costs of disposal) which amounted to RM371.8 million has been accounted for under bad debts recovered in the Group's consolidated statement of profit or loss (Note 40).

The above transaction is a related party transaction as disclosed in Note 45.

For a period of 2 years from the completion of the disposal, Aiqon Amanah and Aiqon Islamic are entitled to put-back to or require the repurchase by AmBank and AmBank Islamic any of the loans/financing in the Portfolio that are not conforming to the representations made under the respective SPAs. The occurrence of put-back is assessed to be probable. In making this judgment, the subsidiaries considered, among others, the voluminous nature and the age of the Portfolio. As at 31 March 2019, a provision of RM69.2 million has been recognised in the Group's consolidated statement of financial position, representing the estimated expenditure required to settle any obligations arising from the put-back as disclosed in Note 30(c). The provision amount shall be assessed periodically and adjusted to reflect the current best estimate of the expenditure required to settle the obligation until the expiry of the put-back period in the financial year ending 31 March 2021.

Notes to the Financial Statements

For the financial year ended 31 March 2019

60. CHANGES IN ACCOUNTING POLICIES

Adoption of MFRS 9 Financial Instruments

(a) Classification and measurement of financial instruments

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

Group	Measurement category			Carrying amount	
	Under MFRS 139	Under MFRS 9	Under MFRS 139 RM'000	Remeasurement and Impairment RM'000	Under MFRS 9 RM'000
Financial assets					
Cash and short-term funds	Amortised cost (Loans and receivables)	Amortised cost	5,515,856	(983)	5,514,873
Financial assets held-for-trading	FVTPL (HFT)	FVTPL	12,944,783	-	12,944,783
Financial investments available-for-sale	FVOCI (AFS)	FVOCI (Debt)	5,546,304	-	5,546,304
Financial investments available-for-sale	FVOCI (AFS)	FVOCI (Equity)	142,031	381,916	523,947
Financial investments available-for-sale	FVOCI (AFS)	FVTPL	355,225	1,092	356,317
Financial investments available-for-sale	FVOCI (AFS)	Amortised cost	1,659,326	30,223	1,689,549
Financial investments held-to-maturity	Amortised Cost (HTM)	Amortised cost	3,028,316	(3,403)	3,024,913
Loans, advances and financing	Amortised cost (Loans and receivables)	Amortised cost	95,377,900	(455,893)	94,922,007
Receivables: Investments not quoted in active markets	Amortised cost (Loans and receivables)	FVTPL	94,830	(10,375)	84,455
Receivables: Investments not quoted in active markets	Amortised cost (Loans and receivables)	FVOCI (Debt)	1,845,603	16,243	1,861,846
Other assets	Amortised cost (Loans and receivables)	Amortised cost	2,269,106	132,978	2,402,084
Reinsurance assets and other insurance receivables	Amortised cost (Loans and receivables)	Amortised cost	536,859	(870)	535,989

Company	Measurement category			Carrying amount	
	Under MFRS 139	Under MFRS 9	Under MFRS 139 RM'000	Remeasurement and Impairment RM'000	Under MFRS 9 RM'000
Financial assets					
Financial investments available-for-sale	FVOCI (AFS)	FVTPL	1,008	-	1,008

Notes to the Financial Statements

For the financial year ended 31 March 2019

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

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

(b) Reconciliation of financial instruments from MFRS 139 to MFRS 9

	Note	Group RM'000	Company RM'000
Cash and short-term funds			
Closing balance under MFRS 139 as at 31 March 2018		5,515,856	79,080
Allowance for ECL	6	(983)	-
Opening balance under MFRS 9 as at 1 April 2018		5,514,873	79,080
Financial assets held-for-trading			
Closing balance under MFRS 139 as at 31 March 2018		12,944,783	-
Reclassification to Financial assets at FVTPL		(12,944,783)	-
Opening balance under MFRS 9 as at 1 April 2018		-	-
Financial assets at FVTPL			
Closing balance under MFRS 139 as at 31 March 2018		-	-
Reclassification from Financial investments held-for-trading		12,944,783	-
Reclassification from Financial investments available-for-sale		355,225	1,008
Remeasurement for reclassification from Financial investments available-for-sale		1,092	-
Reclassification from Receivables: Investments not quoted in active markets			
Remeasurement for reclassification from Receivables:		94,830	-
Investments not quoted in active markets		(10,375)	-
Opening balance under MFRS 9 as at 1 April 2018		13,385,555	1,008

Notes to the Financial Statements

For the financial year ended 31 March 2019

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

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

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

	Group RM'000	Company RM'000
Financial assets available-for-sale		
Closing balance under MFRS 139 as at 31 March 2018	7,702,886	1,008
Reclassification to Financial assets at FVTPL	(355,225)	(1,008)
Reclassification to Financial investments at amortised cost	(1,659,326)	-
Reclassification to Financial investments at FVOCI (equity)	(142,031)	-
Reclassification to Financial investments at FVOCI (debt)	(5,546,304)	-
Opening balance under MFRS 9 as at 1 April 2018	-	-
Financial assets at FVOCI (debt)		
Closing balance under MFRS 139 as at 31 March 2018	-	-
Reclassification from Financial investments available-for-sale	5,546,304	-
Reclassification from Receivables: Investments not quoted in active markets	1,845,603	-
Remeasurement from amortised cost to fair value	16,243	-
Opening balance under MFRS 9 as at 1 April 2018	7,408,150	-
Financial assets at FVOCI (equity)		
Closing balance under MFRS 139 as at 31 March 2018	-	-
Reclassification from Financial investments available-for-sale	142,031	-
Remeasurement from amortised cost to fair value	381,916	-
Opening balance under MFRS 9 as at 1 April 2018	523,947	-
Total financial assets measured at fair value through other comprehensive income	7,932,097	**-**

Notes to the Financial Statements
For the financial year ended 31 March 2019

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

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

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

	Note	Group RM'000	Company RM'000
Financial investments held-to-maturity			
Closing balance under MFRS 139 as at 31 March 2018		3,028,316	1,425,000
Reclassification to Financial Investments at amortised cost		(3,028,316)	(1,425,000)
Opening balance under MFRS 9 as at 1 April 2018		-	-
Financial assets at amortised cost			
Closing balance under MFRS 139 as at 31 March 2018		-	-
Reclassification from Financial investments held-to-maturity		3,028,316	1,425,000
Reclassification from Financial investments available-for-sale		1,659,326	-
Remeasurement from fair value to amortised cost		30,223	-
Allowance for ECL	14	(3,403)	-
Opening balance under MFRS 9 as at 1 April 2018		4,714,462	1,425,000
Loans, advances and financing			
Closing balance under MFRS 139 as at 31 March 2018		95,377,900	-
Allowance for ECL	16(i)	(455,893)	-
Opening balance under MFRS 9 as at 1 April 2018		94,922,007	-
Receivables: Investments not quoted in active markets			
Closing balance under MFRS 139 as at 31 March 2018		1,940,433	-
Reclassification to Financial assets at FVTPL		(94,830)	-
Reclassification to Financial investments at FVOCI (debt)		(1,845,603)	-
Opening balance under MFRS 9 as at 1 April 2018		-	-
Deferred tax assets			
Closing balance under MFRS 139 as at 31 March 2018		75,324	-
Tax impact on unrealised gain on financial investments at FVOCI	19	(11,509)	-
Tax impact on provision for commitments and contingencies under MFRS 139	19	(13,724)	-
Tax impact on impairment of other receivables	19	283	-
Tax impact on remeasurement of instrument to FVTPL	19	(314)	-
Opening balance under MFRS 9 as at 1 April 2018		50,060	-
Other assets			
Closing balance under MFRS 139 as at 31 March 2018		2,269,106	7,313
Allowance for ECL	22e(ii), 22(f)	(313)	-
Tax impact on allowance for ECL		131,022	-
Tax impact on remeasurement of instruments to FVTPL		2,269	-
Opening balance under MFRS 9 as at 1 April 2018		2,402,084	7,313

Notes to the Financial Statements
For the financial year ended 31 March 2019

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

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

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

	Note	Group RM'000	Company RM'000
Reinsurance assets and other insurance receivables			
Closing balance under MFRS 139 as at 31 March 2018		536,859	-
Allowance for ECL	56 (IV)	(870)	-
Opening balance under MFRS 9 as at 1 April 2018		535,989	-
Deferred tax liabilities			
Closing balance under MFRS 139 as at 31 March 2018		65,403	-
Tax impact on provision for commitments and contingencies	19	2,568	-
Opening balance under MFRS 9 as at 1 April 2018		67,971	-
Other liabilities			
Closing balance under MFRS 139 as at 31 March 2018		3,336,516	24,722
Allowance for ECL for provision for commitments and contingencies	30 (d)	31,551	-
Tax impact on allowance for ECL		(5,855)	-
Tax impact on remeasurement of instruments to FVTPL		(278)	-
Opening balance under MFRS 9 as at 1 April 2018		3,361,934	24,722

Notes to the Financial Statements
For the financial year ended 31 March 2019

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

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

(c) The following is the reconciliation of prior year's closing equity balances which have impact from the adoption of MFRS 9 arising from the reclassifications and remeasurements highlighted in Note 3.1(a) to the restated opening balance as at 1 April 2018:

	Note	Group RM'000	Company RM'000
Retained earnings			
Closing balance under MFRS 139 as at 31 March 2018		10,233,645	3,525,115
Recognition of allowance for ECL		(515,074)	-
Tax impact on allowance for ECL		120,868	-
Transfer from Regulatory reserve		406,513	-
Fair value changes on financial assets		(41,896)	-
Tax impact on remeasurement of instruments to FVTPL		2,233	-
Non-controlling interests share of remeasurement and allowance for ECL	34	(48)	-
Opening balance under MFRS 9 as at 1 April 2018		10,206,241	3,525,115
Regulatory reserve			
Closing balance under MFRS 139 as at 31 March 2018		702,734	-
Transfer to Retained earnings		(406,513)	-
Opening balance under MFRS 9 as at 1 April 2018		296,221	-
Available-for-sale deficit			
Closing balance under MFRS 139 as at 31 March 2018		(58,628)	-
Transfer to Fair value reserve		58,628	-
Opening balance under MFRS 9 as at 1 April 2018		-	-
Fair value reserve			
Closing balance under MFRS 139 as at 31 March 2018			
Transfer from Available-for-sale deficit		(58,628)	-
Fair value changes for financial investments available-for-sale reclassified to financial investments at amortised cost		30,223	-
Fair value changes for financial investments available-for-sale reclassified to financial assets at FVTPL		2,404	-
Fair value changes on financial investments at FVOCI		428,368	-
Recognition of allowance for ECL	12	22,061	-
Tax impact on unrealised fair value changes		(11,509)	-
Opening balance under MFRS 9 as at 1 April 2018		412,919	-
Non-Controlling interests			
Closing balance under MFRS 139 as at 31 March 2018		1,144,405	-
Share of impact of reclassification from financial investments available-for-sale to financial assets at FVTPL		488	-
Share of impact of allowance for ECL		(440)	-
Opening balance under MFRS 9 as at 1 April 2018		1,144,453	-

Notes to the Financial Statements

For the financial year ended 31 March 2019

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

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

(d) The following is the reconciliation of prior year's closing impairment allowance measured in accordance with the MFRS 9 incurred loss model or provision under MFRS 137 to the new impairment allowance measured in accordance with the MFRS 9 expected loss model at 1 April 2018:

Group	Note	Loss allowance under MFRS139/ Provision under MFRS137 RM'000	Remeasurements RM'000	Loss allowance under MFRS9 RM'000
Loans and receivables and held-to-maturity under MFRS 139/Financial assets at amortised cost under MFRS 9				
Cash and short-term funds		-	983	983
Financial investments at amortised cost		2,550	3,403	5,953
Loans, advances and financing		943,330	455,893	1,399,223
Other assets		29,403	313	29,716
Reinsurance assets and other insurance receivables		39,708	870	40,578
Total		1,014,991	461,462	1,476,453
Available-for-sale under MFRS 9/Financial assets at FVOCI under MFRS 9				
Financial investments at fair value through other comprehensive income:				
- debt		5,000	22,061	27,061
- equity		2,318	(2,318)	-
Total	12	7,318	19,743	27,061
Loan commitments and financial guarantee contracts issued				
Loan commitments		61,577	29,434	91,011
Financial guarantee contracts		11,134	2,117	13,251
Total		72,711	31,551	104,262

Notes to the Financial Statements

For the financial year ended 31 March 2019

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

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

(e) Financial Effects Due To Changes In Accounting Policies

The adoption of MFRS 9 resulted in the following financial effects to:

(i) The statement of financial position of the Group and the Company:

Group	31 March 2018 RM'000	Classification and Measurement RM'000	Impairment RM'000	1 April 2018 RM'000
ASSETS				
Cash and short-term funds	5,515,856	-	(983)	5,514,873
Deposits and placements with banks and other financial institutions	215,602	-	-	215,602
Derivative financial assets	1,125,617	-	-	1,125,617
Financial assets at fair value through profit or loss	-	13,385,555	-	13,385,555
Financial assets held-for-trading	12,944,783	(12,944,783)	-	-
Financial investments at fair value through other comprehensive income	-	7,932,097	-	7,932,097
Financial investments available-for-sale	7,702,886	(7,702,886)	-	-
Financial investments at amortised cost	-	4,717,865	(3,403)	4,714,462
Financial investments held-to-maturity	3,028,316	(3,028,316)	-	-
Loans, advances and financing	95,377,900	-	(455,893)	94,922,007
Receivables: Investments not quoted in active markets	1,940,433	(1,940,433)	-	-
Statutory deposits with Bank Negara Malaysia	2,836,841	-	-	2,836,841
Deferred tax assets	75,324	(11,823)	(13,441)	50,060
Investment in associates and joint ventures	690,294	-	-	690,294
Other assets	2,269,106	2,269	130,709	2,402,084
Reinsurance assets and other insurance receivables	536,859	-	(870)	535,989
Property and equipment	191,412	-	-	191,412
Intangible assets	3,426,051	-	-	3,426,051
Assets held for sale	3,963	-	-	3,963
TOTAL ASSETS	**137,881,243**	**409,545**	**(343,881)**	**137,946,907**
LIABILITIES AND EQUITY				
Deposits from customers	95,805,187	-	-	95,805,187
Investment accounts of customers	138,956	-	-	138,956
Deposits and placements of banks and other financial institutions	3,432,578	-	-	3,432,578
Recourse obligation on loans and financing sold to Cagamas Berhad	4,273,621	-	-	4,273,621
Derivative financial liabilities	1,278,792	-	-	1,278,792
Term funding	4,329,713	-	-	4,329,713
Debt capital	4,579,504	-	-	4,579,504
Redeemable cumulative convertible preference share	217,451	-	-	217,451
Deferred tax liabilities	65,403	-	2,568	67,971
Other liabilities	3,336,516	(278)	25,696	3,361,934
Insurance contract liabilities and other insurance payables	2,763,512	-	-	2,763,512
Total Liabilities	**120,221,233**	**(278)**	**28,264**	**120,249,219**

Notes to the Financial Statements

For the financial year ended 31 March 2019

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

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

(e) Financial Effects Due To Changes In Accounting Policies (Cont'd.)

The adoption of MFRS 9 resulted in the following financial effects to (Cont'd.):

(i) The statement of financial position of the Group and the Company (Cont'd.):

Group	31 March 2018 RM'000	Classification and Measurement RM'000	Impairment RM'000	1 April 2018 RM'000
Share capital	5,551,557	-	-	5,551,557
Reserves	10,964,048	409,335	(371,705)	11,001,678
Retained earnings	10,233,645	(40,151)	12,747	10,206,241
Non-participating funds	45,715	-	-	45,715
Regulatory reserve	702,734	-	(406,513)	296,221
Available-for-sales deficit	(58,628)	58,628	-	-
Fair value reserve	-	390,858	22,061	412,919
Other reserves	82,202	-	-	82,202
Shares held in trust for ESS	(41,620)	-	-	(41,620)
Equity attributable to equity holders of the Company	16,515,605	409,335	(371,705)	16,553,235
Non-controlling interests	1,144,405	488	(440)	1,144,453
Total Equity	**17,660,010**	**409,823**	**(372,145)**	**17,697,688**
TOTAL LIABILITIES AND EQUITY	**137,881,243**	**409,545**	**(343,881)**	**137,946,907**
Company				
ASSETS				
Cash and short-term funds	79,080	-	-	79,080
Financial assets at fair value through profit or loss	-	1,008	-	1,008
Financial investments available-for-sale	1,008	(1,008)	-	-
Financial investments at amortised cost	-	1,425,000	-	1,425,000
Financial investments held-to-maturity	1,425,000	(1,425,000)	-	-
Investment in subsidiaries and other investments	9,487,139	-	-	9,487,139
Other assets	7,313	-	-	7,313
Property and equipment	940	-	-	940
TOTAL ASSETS	**11,000,480**	**-**	**-**	**11,000,480**
LIABILITIES AND EQUITY				
Term funding	500,000	-	-	500,000
Debt capital	1,424,585	-	-	1,424,585
Other liabilities	24,722	-	-	24,722
TOTAL LIABILITIES	**1,949,307**	**-**	**-**	**1,949,307**
Share capital	5,550,250	-	-	5,550,250
Reserves	3,500,923	-	-	3,500,923
Retained earnings	3,525,115	-	-	3,525,115
Executives' share scheme reserve	17,428	-	-	17,428
Shares held in trust for ESS	(41,620)	-	-	(41,620)
Total Equity	**9,051,173**	**-**	**-**	**9,051,173**
TOTAL LIABILITIES AND EQUITY	**11,000,480**	**-**	**-**	**11,000,480**

Notes to the Financial Statements
For the financial year ended 31 March 2019

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

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

(e) Financial Effects Due To Changes In Accounting Policies (Cont'd.)

The adoption of MFRS 9 resulted in the following financial effects to (Cont'd.):

(ii) Capital Adequacy Ratio

	(Restated) 31 March 2018 (Note 52) RM'000	Effects of Adopting MFRS 9 RM'000	1 April 2018 RM'000
Capital adequacy			
Group			
CET1 capital	11,331,340	254,953	11,586,293
Tier 1 capital	11,331,798	254,953	11,586,751
Total capital	13,886,992	347,463	14,234,455
Risk-weighted assets	99,538,460	772,899	100,311,359
Before deducting proposed dividend			
CET1 capital ratio (%)	11.384%	0.166%	11.550%
Tier 1 capital ratio (%)	11.384%	0.167%	11.551%
Total capital ratio (%)	13.951%	0.239%	14.190%
After deducting proposed dividend			
CET1 capital ratio (%)	11.081%	0.169%	11.250%
Tier 1 capital ratio (%)	11.082%	0.168%	11.250%
Total capital ratio (%)	13.649%	0.241%	13.890%

Notes to the Financial Statements
For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	Group 31 March 2019 RM'000	Group 31 March 2018 RM'000
ASSETS			
Cash and short-term funds	II	1,568,699	1,588,497
Deposits and placements with banks and other financial institutions	III	-	200,000
Derivative financial assets		43,136	87,408
Financial assets at fair value through profit or loss	IV	5,113,974	-
Financial assets held-for-trading	V	-	1,584,632
Financial investments at fair value through other comprehensive income	VI	3,492,140	-
Financial investments available-for-sale	VII	-	2,838,566
Financial investments at amortised cost	VIII	1,705,455	-
Financial investments held-to-maturity	IX	-	1,090,010
Financing and advances	X	28,922,092	27,775,489
Receivables: investments not quoted in active markets		-	790,833
Statutory deposit with Bank Negara Malaysia		970,000	821,000
Deferred tax assets	XI	240	306
Other assets	XII	443,210	277,353
Property and equipment	XIII	580	432
Intangible assets	XIV	1,351	1,207
TOTAL ASSETS		**42,260,877**	**37,055,733**
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	XV	31,139,936	26,493,802
Investment accounts of customers	XVI	353,451	138,956
Deposits and placements of banks and other financial institutions	XVII	2,536,724	884,093
Investment account due to a licensed bank	XVIII	1,465,539	2,859,110
Recourse obligation on financing sold to Cagamas Berhad		518,350	520,405
Derivative financial liabilities		55,519	92,939
Term funding	28(a)(ii) & (c)	1,080,000	1,080,000
Subordinated Sukuk	29(b)(ii)	1,150,000	999,839
Deferred tax liabilities	XI	7,511	5,065
Other liabilities	XIX	330,069	403,492
TOTAL LIABILITIES		**38,637,099**	**33,477,701**
Share capital/Capital funds		1,417,107	1,417,107
Reserves		2,206,671	2,160,925
TOTAL ISLAMIC BANKING FUNDS		**3,623,778**	**3,578,032**
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		**42,260,877**	**37,055,733**
COMMITMENTS AND CONTINGENCIES	XXXIII	**11,593,921**	**11,346,899**

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

Notes to the Financial Statements
For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 MARCH 2019

	Note	Group 31 March 2019 RM'000	Group 31 March 2018 RM'000
Income derived from investment of depositors' funds and others	XX	1,764,554	1,707,561
Income derived from investment of investment account funds	XXI	105,499	103,215
Income derived from Islamic Banking Funds	XXII	189,390	146,765
Impairment losses on financing and advances	XXIII	(82,620)	(61,396)
Impairment losses on financial investments	XXIV	(10,905)	-
Impairment losses on other financial assets	XXV	(3)	-
(Impairment)/Writeback of provision for commitments and contingencies	XXVI	(3,464)	800
Total distributable income		1,962,451	1,896,945
Income attributable to the depositors and others	XXVII	(1,023,458)	(924,935)
Income attributable to investment account holders	XXVIII	(91,519)	(92,326)
Total net income		847,474	879,684
Operating expenses	XXIX	(318,727)	(424,315)
Finance costs		(106,572)	(110,451)
Profit before zakat and taxation		422,175	344,918
Zakat and taxation	XXX	(97,930)	(73,889)
Profit for the financial year		**324,245**	**271,029**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Group 31 March 2019 RM'000	Group 31 March 2018 RM'000
Profit for the financial year	324,245	271,029
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss		
Financial investments at fair value through other comprehensive income:		
- net unrealised gain for changes in fair value	28,101	-
- expected credit loss	10,799	-
- net gain reclassified to profit or loss	(11,237)	-
- income tax effect	(4,047)	-
Financial investments available-for-sale:		
- net unrealised gain in changes for fair value	-	3,864
- net gain reclassified to profit or loss	-	(4,315)
- income tax effect	-	108
Other comprehensive income/(loss) for the financial year, net of tax	23,616	(343)
Total comprehensive income for the financial year	347,861	270,686

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

Notes to the Financial Statements
For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

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

Group	Share capital/ Capital funds RM'000	Non-Distributable Statutory reserve RM'000	Regulatory reserve RM'000	Available-for-sale deficit RM'000	Fair value reserve RM'000	Distributable Retained earnings RM'000	Total Equity RM'000
At 1 April 2017	1,217,107	483,345	58,430	(5,149)	-	1,353,645	3,107,378
Profit for the financial year	-	-	-	-	-	271,029	271,029
Other comprehensive loss, net	-	-	-	(343)	-	-	(343)
Total comprehensive income/(loss) for the financial year	-	-	-	(343)	-	271,029	270,686
Issuance of ordinary shares	200,000	-	-	-	-	-	200,000
Transfer to retained earnings	-	(483,345)	-	-	-	483,345	-
Transfer to ESS shares recharged-difference on purchase price of shares vested	-	-	-	-	-	(32)	(32)
Transfer to regulatory reserve	-	-	269,253	-	-	(269,253)	-
	200,000	(483,345)	269,253	-	-	214,060	199,968
At 31 March 2018	**1,417,107**	**-**	**327,683**	**(5,492)**	**-**	**1,838,734**	**3,578,032**
At 1 April 2018	**1,417,107**	**-**	**327,683**	**(5,492)**	**-**	**1,838,734**	**3,578,032**
- effects of adoption of MFRS 9	-	-	(162,530)	5,492	15,535	38,894	(102,609)
Restated balance at 1 April 2018	**1,417,107**	**-**	**165,153**	**-**	**15,535**	**1,877,628**	**3,475,423**
Profit for the financial year	-	-	-	-	-	324,245	324,245
Other comprehensive income, net	-	-	-	-	23,616	-	23,616
Total comprehensive income for the financial year	-	-	-	-	23,616	324,245	347,861
Transfer from regulatory reserve	-	-	(225)	-	-	225	-
Transfer to ESS shares recharged-difference on purchase price of shares vested	-	-	-	-	-	(69)	(69)
Amount retained by conventional operations	-	-	-	-	-	(150,000)	(150,000)
Dividend paid	-	-	-	-	-	(49,437)	(49,437)
	-	-	(225)	-	-	(199,281)	(199,506)
At 31 March 2019	**1,417,107**	**-**	**164,928**	**-**	**39,151**	**2,002,592**	**3,623,778**

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

Notes to the Financial Statements
For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	422,175	344,918
(Less)/add adjustments for:		
Accretion of discount less amortisation of premium for securities	(106,623)	(94,142)
Allowance for impairment on financing and advances	233,124	166,919
Depreciation of property and equipment	144	106
Amortisation of intangible assets	355	90
Amortisation of issuance costs for Subordinated Sukuk	161	160
Gain on disposal of financial assets at fair value through profit or loss	(8,287)	-
Gain on revaluation of financial assets at fair value through profit or loss	(316)	-
Gain on disposal of financial assets held-for-trading	-	(3,317)
Gain on revaluation of financial assets held-for-trading	-	(1,890)
Gain on sale of financial investments available-for-sale	-	(4,315)
Loss on revaluation of derivatives	6,852	42
Unrealised gain on revaluation of hedged item arising from fair value hedge	(3,812)	(260)
Writeback of provision for commitments and contingencies	-	(800)
Shares granted under Executives' Share Scheme	(29)	(72)
Allowances for expected credit loss on:		
- financial investments	10,905	-
- cash and short term funds	3	-
- commitments and contingencies	3,464	-
Gain on disposal of financial investment at fair value through other comprehensive income	(11,237)	-
Loss on disposal of property and equipment	10	-
Operating profit before working capital changes	546,889	407,439
(Increase)/decrease in operating assets		
Financial assets at fair value through profit or loss	(3,448,538)	-
Financial assets held-for-trading	-	(887,279)
Financing and advances	(1,523,691)	(702,652)
Statutory deposit with Bank Negara Malaysia	(149,000)	(11,000)
Other assets	(165,898)	40,488
Increase/(decrease) in operating liabilities		
Deposits from customers	4,646,134	(342,895)
Investment accounts of customers	214,495	114,582
Deposits and placements of banks and other financial institutions	1,652,632	(382,244)
Investment account due to a licensed bank	(1,393,571)	1,259,110
Recourse obligation on financing sold to Cagamas Berhad	(2,055)	(97,308)
Term funding	-	(905,000)
Other liabilities	(71,284)	25,100
Cash generated from/(used in) operating activities	306,113	(1,481,659)
Zakat paid	(1,855)	(1,807)
Tax paid	(74,714)	(66,896)
Net cash generated from/(used in) operating activities	229,544	(1,550,362)

Notes to the Financial Statements

For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

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

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial investments	(399,098)	(127,307)
Purchase of property and equipment	(389)	(206)
Proceeds from disposal of property and equipment	87	-
Purchase of intangible assets	(499)	(1,020)
Redemption of receivables: investments not quoted in active markets	-	24,147
Net cash used in investing activities	(399,899)	(104,386)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of new ordinary shares	-	200,000
Issuance of Subordinated Sukuk	500,000	150,000
Repayment of Subordinated Sukuk	(350,000)	(130,000)
Funds transferred to conventional operations	(150,000)	-
Dividends paid	(49,437)	-
Net cash (used in)/generated from financing activities	(49,437)	220,000
Net decrease in cash and cash equivalents	(219,792)	(1,434,748)
Cash and cash equivalents at beginning of the financial year	1,788,497	3,223,245
Cash and cash equivalents at end of the financial year	1,568,705	1,788,497
Cash and cash equivalents comprise:		
Cash and short-term funds	1,568,699	1,588,497
Deposits and placements with banks and other financial institutions with original maturity of less than 3 months	-	200,000
Add:		
Allowances for ECL	6	-
	1,568,705	1,788,497

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

Notes to the Financial Statements
For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING

(I) ISLAMIC BANKING BUSINESS

Shariah Committee and governance

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

i. advising Board of Directors and Management of the AmBank Islamic on Shariah matters;
ii. endorsing and validating products and services, Shariah policies and the relevant documentation in relation to Islamic Banking operation; and
iii. providing advice and guidance on management of zakat fund, charity and other social programme activities.

The Shariah Committee members also sit in the Shariah Oversight Committee, a sub-committee to the Shariah Committee performing an oversight function from Shariah perspective to assess work carried out by Shariah review, Shariah audit, Shariah regulatory review and Shariah risk management. Shariah Oversight Committee is also responsible to provide guidance and advice on matters pertaining to Shariah non-compliance incidents as well as treatment of Shariah non-compliance income.

Shariah non-compliance incident and income

For the year ended 31 March 2019, there was one (1) Shariah non-compliant ("SNC") incident involving SNC income of approximately RM1,115 relating to imposition of additional late payment charges. Purification of the SNC income was made in accordance with the method approved by the Shariah Oversight Committee. To mitigate the recurrence of a similar incident, the Group has implemented enhanced measures via system control and to increase staff awareness via focused training sessions. Given that this SNC incident is of similar nature to the one (1) SNC incident involving SNC income of approximately RM3,699 which occurred in the financial year ended 31 March 2018, both SNC incidents are grouped as a single SNC incident which were deemed to occur in the financial year ended 31 March 2018.

Notes to the Financial Statements

For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(II) CASH AND SHORT-TERM FUNDS

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Cash and bank balances	17,705	41,217
Less: Allowance for ECL	(6)	-
	17,699	41,217
Deposits maturing within one month with original maturity of three months or less:		
Bank Negara Malaysia	1,116,000	1,447,280
Licensed banks	435,000	100,000
	1,568,699	1,588,497

Movements in allowances for ECL are as follow:

Group 31 March 2019	Stage 1 12-Month ECL RM'000
Balance at beginning of the financial year	
- as previously stated	-
- effects of adoption of MFRS 9	3
Balance at beginning of the financial year, as restated	3
Net remeasurement of allowances	3
Balance at end of the financial year	6

The increase in allowances for ECL in Stage 1 by RM3,000 mainly due to changes in credit quality for a foreign bank account.

Notes to the Financial Statements
For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(III) DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Deposits maturing more than one month with original maturity of three months or less:		
Licensed banks	-	200,000

(IV) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
At fair value:		
Money Market Instruments:		
Malaysian Islamic Treasury bills	121,253	-
Malaysian Government Investment Issues	2,563,893	-
Bank Negara Monetary Notes	2,291,775	-
	4,976,921	-
Unquoted Securities in Malaysia:		
Sukuk	137,053	-
	5,113,974	-

Notes to the Financial Statements

For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(V) FINANCIAL ASSETS HELD-FOR-TRADING

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
At Fair Value		
Money Market Securities:		
Malaysian Islamic Treasury bills	-	486,655
Malaysian Government Investment Issues	-	241,988
Bank Negara Monetary Notes	-	199,560
	-	928,203
Unquoted Securities:		
In Malaysia:		
Sukuk	-	656,429
Total	-	1,584,632

Notes to the Financial Statements

For the financial year ended 31 March 2019

61. **OPERATIONS OF ISLAMIC BANKING (CONT'D.)**

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VI) FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
At fair value:		
Money market instruments:		
Malaysian Government Investment Issues	449,619	-
Unquoted securities:		
In Malaysia:		
Sukuk	3,042,521	-
	3,492,140	-

Movements in allowances for ECL are as follows:

Group 31 March 2019	Note	Stage 1 12-Month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
Balance at beginning of the financial year				
- as previously stated		-	-	-
- effects of adoption of MFRS 9		6,088	4,132	10,220
Balance at beginning of the financial year, as restated		6,088	4,132	10,220
Allowance for ECL during the year	(XXIV)	(3,705)	14,504	10,799
- Transfer to Lifetime ECL not credit impaired (Stage 2)		(2,929)	16,379	13,450
New financial asset originated		8,404	1,691	10,095
Financial asset derecognised		(4,698)	(4,244)	(8,942)
Net remeasurement of allowances		(4,482)	678	(3,804)
Balance at end of the financial year		2,383	18,636	21,019

The movements in allowances for ECL are mainly contributed by:

(a) Net decrease in Stage 1 due to transfer of ECL of two securities from Stage 1 to Stage 2 offset by net addition in securities during the year and increase due to changes in credit risk.

(b) Net increase in Stage 2 due to transfer of ECL from Stage 1 mitigated by net decrease in securities during the year.

Notes to the Financial Statements
For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VII) FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
At Fair Value		
Money Market Securities:		
Malaysian Government Investment Issues	-	223,813
Islamic negotiable instruments of deposit	-	1,510,068
	-	1,733,881
Unquoted Securities:		
In Malaysia:		
Sukuk	-	1,104,685
Total	-	2,838,566

(VIII) FINANCIAL INVESTMENTS AT AMORTISED COST

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
At amortised cost:		
Money Market Instruments:		
Malaysian Government Investment Issues	260,530	-
Unquoted Securities:		
In Malaysia:		
Sukuk	1,445,232	-
Less: Allowances for ECL	(307)	-
	1,705,455	-

Notes to the Financial Statements

For the financial year ended 31 March 2019

61. **OPERATIONS OF ISLAMIC BANKING (CONT'D.)**

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VIII) FINANCIAL INVESTMENTS AT AMORTISED COST (CONT'D.)

Movements in allowances for ECL are as follow:

Group 31 March 2019	Stage 1 12-Month ECL RM'000
Balance at beginning of the financial year	
- as previously stated	-
- effects of adoption of MFRS 9	201
Balance at beginning of the financial year, as restated	201
Net remeasurement of allowances	106
Balance at end of the financial year	307

The increase in allowances for ECL mainly contributed by addition in investments during the year.

(IX) FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
At amortised cost		
Unquoted Securities:		
In Malaysia:		
Sukuk	-	1,090,010

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(X) FINANCING AND ADVANCES

(a) Financing and advances by type of financing and Shariah contracts are as follows:

Group 31 March 2019	Bai Bithaman Ajil RM'000	Murabahah RM'000	Musharakah Mutanaqisah RM'000	Al-Ijarah Thummah Al-Bai (AITAB) RM'000	Bai' Inah RM'000	Others RM'000	Total RM'000
At amortised cost:							
Cash lines	-	426,594	-	-	1,050,183	-	1,476,777
Term financing	805,258	5,816,040	10,130	-	2,419,348	56,637	9,107,413
Revolving credit	42,075	3,478,539	-	-	1,592,275	-	5,112,889
Housing financing	2,970,696	3,235,311	49,022	-	-	-	6,255,029
Hire purchase receivables	4	-	-	4,618,823	-	-	4,618,827
Bills receivables	-	88,416	-	-	-	15,992	104,408
Credit card receivables	-	-	-	-	-	533,122	533,122
Trust receipts	-	324,347	-	-	-	-	324,347
Claims on customers under acceptance credits	-	1,558,829	-	-	-	236,875	1,795,704
Staff financing	-	1,197	-	-	-	-	1,197
Gross financing and advances*	3,818,033	14,929,273	59,152	4,618,823	5,061,806	842,626	29,329,713
Allowance for impairment on financing and advances							
- Stage 1 - 12 months ECL							(80,362)
- Stage 2 - Lifetime ECL not credit impaired							(204,632)
- Stage 3 - Lifetime ECL credit impaired							(122,627)
Net financing and advances							28,922,092

Notes to the Financial Statements

For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(X) FINANCING AND ADVANCES (CONT'D.)

(a) Financing and advances by type of financing and Shariah contracts are as follows (Cont'd.):

Group 31 March 2018	Bai Bithaman Ajil RM'000	Murabahah RM'000	Musharakah Mutanaqisah RM'000	Al-Ijarah Thummah Al-Bai (AITAB) RM'000	Bai' Inah RM'000	Others RM'000	Total RM'000
At amortised cost:							
Cash lines	-	243,060	-	-	1,146,215	-	1,389,275
Term financing	1,327,945	4,731,117	10,579	-	2,920,051	64,707	9,054,399
Revolving credit	62,100	2,859,554	-	-	1,692,374	-	4,614,028
Housing financing	3,047,080	1,819,335	50,636	-	-	-	4,917,051
Hire purchase receivables	4	-	-	6,051,229	-	-	6,051,233
Bills receivables	-	27,086	-	-	-	271	27,357
Credit card receivables	-	-	-	-	-	423,920	423,920
Trust receipts	-	130,910	-	-	-	-	130,910
Claims on customers under acceptance credits	-	1,241,342	-	-	-	184,560	1,425,902
Gross financing and advances*	4,437,129	11,052,404	61,215	6,051,229	5,758,640	673,458	28,034,075
Allowance for impairment on financing and advances							
- Individual allowance							(25,314)
- Collective allowance							(233,272)
Net financing and advances							27,775,489

* *Included in financing and advances are exposures to the Restricted Investment Account ("RA") arrangements between AmBank Islamic and AmBank. Under the RA contract, the profit is shared based on a pre-agreed ratio. AmBank is exposed to the risks and rewards on the RA financing and it shall account for all allowance for impairment arising from the RA financing.*

Notes to the Financial Statements
For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(X) FINANCING AND ADVANCES (CONT'D.)

(b) The maturity structure of financing and advances are as follows:

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Maturing within one year	10,226,890	9,900,413
Over one year to three years	2,967,834	3,124,095
Over three years to five years	3,765,533	4,182,047
Over five years	12,369,456	10,827,520
	29,329,713	28,034,075

(c) Gross financing and advances analysed by type of customers are as follows:

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Domestic banking institution	415	-
Domestic non-bank financial institutions	1,296,857	1,192,612
Domestic business enterprises		
- Small medium enterprises	5,802,022	5,294,379
- Others	7,655,738	7,357,363
Government and statutory bodies	506,738	716,111
Individuals	13,962,248	13,384,249
Other domestic entities	11,939	1,344
Foreign individuals and entities	93,756	88,017
	29,329,713	28,034,075

Notes to the Financial Statements
For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(X) FINANCING AND ADVANCES (CONT'D.)

(d) Financing and advances analysed by profit rate sensitivity are as follows:

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Fixed rate:		
Housing financing	188,642	205,376
Hire purchase receivables	4,402,401	5,686,447
Other financing	3,305,821	2,703,476
Variable rate:		
Base rate and lending/financing rate plus	10,826,666	8,726,336
Cost-plus	8,509,258	8,817,193
Other variable rates	2,096,925	1,895,247
	29,329,713	28,034,075

(e) Gross financing and advances analysed by sector are as follows:

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Agriculture	1,648,017	1,696,977
Mining and quarrying	666,823	1,041,439
Manufacturing	3,968,877	3,321,745
Electricity, gas and water	135,928	313,429
Construction	1,006,587	883,579
Wholesale, retail trade, restaurants and hotels	1,578,778	1,320,133
Transport, storage and communication	1,431,629	939,582
Finance and insurance	1,297,273	1,192,616
Real estate	2,135,224	2,288,154
Business activities	650,398	432,013
Education and health	733,635	1,127,642
Household of which:	14,056,509	13,471,899
- purchase of residential properties	6,202,262	4,874,534
- purchase of transport vehicles	4,272,070	5,759,757
- others	3,582,177	2,837,608
Others	20,035	4,867
Gross financing and advances	29,329,713	28,034,075

Notes to the Financial Statements
For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(X) FINANCING AND ADVANCES (CONT'D.)

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

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Balance at beginning of the financial year	582,538	488,700
Impaired during the financial year	376,962	359,171
Reclassified to non-impaired financing	(131,055)	(25,231)
Recoveries	(27,839)	(63,456)
Amount written off	(228,057)	(176,646)
Balance at end of the financial year	572,549	582,538
Gross impaired financing and advances as % of gross financing and advances	1.95%	2.08%
Financing loss coverage (including regulatory reserve)*	103.18%	100.64%

* *Effective 1 April 2018, allowances for financing and advances includes ECL allowances for financing commitments and financial guarantees upon adoption of MFRS 9 which is presented under liabilities in Note 61 (XIX).*

(g) Impaired financing and advances analysed by sector are as follows:

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Agriculture	-	571
Mining and quarrying	2,638	3,806
Manufacturing	21,854	1,863
Electricity, gas and water	-	7,030
Construction	3,516	8,807
Wholesale, retail trade, restaurants and hotels	11,397	15,890
Transport, storage and communication	66,727	76,990
Finance and insurance	1	-
Real estate	290,231	308,100
Business activities	750	1,659
Education and health	3,770	5,859
Household of which:	171,665	151,832
- Purchase of residential properties	82,479	48,899
- Purchase of transport vehicles	49,715	75,209
- Others	39,471	27,724
Others	-	131
Impaired financing and advances	572,549	582,538

Notes to the Financial Statements

For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(X) FINANCING AND ADVANCES (CONT'D.)

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

Group 31 March 2019	Note	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL Not Credit Impaired RM'000	Stage 3 Lifetime ECL Credit Impaired RM'000	Total RM'000
Balance at beginning of the financial year					
- as previously stated		-	-	-	258,586
- effects of adoption of MFRS 9		-	-	-	143,964
Restated balance at 1 April 2018		72,384	204,922	125,244	402,550
Allowances for/(writeback of) ECL during the year:	(XXIII)	7,974	(290)	225,440	233,124
- Transfer to 12 month ECL (Stage 1)		3,319	(33,489)	(2,604)	(32,234)
- Transfer to Lifetime ECL not credit impaired (Stage 2)		(7,165)	55,244	(8,080)	39,999
- Transfer to Lifetime ECL credit impaired (Stage 3)		(939)	(8,674)	85,704	76,091
New financial assets originated		22,540	67,790	5,309	95,639
Net remeasurement of allowances		(27)	(61,345)	172,865	111,493
Modification of contractual cash flows of financial assets		(30)	37	-	7
Financial assets derecognised		(9,724)	(19,853)	(28,294)	(57,871)
Foreign exchange differences		4	-	-	4
Amount written-off		-	-	(228,057)	(228,057)
Balance at end of the financial year*		80,362	204,632	122,627	407,621

* *During the current financial year, AmBank early redeemed 3 placements which amounted to the sum of RM1,410.0 million. As at 31 March 2019, the gross exposure (including profit receivable) relating to RA financing amounted to RM1,470.1 million (2018: RM2,869.6 million). ECL allowance which amounted to RM3.7 million (2018: RM2.7 million) is taken up by AmBank.*

Notes to the Financial Statements
For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(X) FINANCING AND ADVANCES (CONT'D.)

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

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

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

(a) 12-month ECL (Stage 1) – increase of RM7,978,000 mainly due to newly originated financing and advances; partially offset by financing and advances derecognised.

(b) Lifetime ECL not credit-impaired (Stage 2) – decrease of RM290,000 mainly due to improvement in credit quality and financing and advances transferred to Stage 1; partially offset by newly originated financing and advances.

(c) Lifetime ECL credit-impaired (Stage 3) – decrease by RM2,617,000 mainly due to amounts written-off; partially offset by transfer to Stage 3 due to deterioration in credit quality and remeasurement of allowances of the impaired assets.

(i) Movement in allowances for impairment of financing and advances in prior year were as follows:

	Group
	31 March 2018 RM'000
Individual allowance	
Balance at beginning of the financial year	16,041
Allowance made during the financial year, net (Note 61 (XXIII))	29,090
Amount written off	(19,817)
Balance at end of the financial year	25,314
Collective allowance	
Balance at beginning of the financial year	252,280
Allowance made during the financial year, net (Note 61 (XXIII))	137,829
Amount written off	(156,829)
Foreign exchange differences	(8)
Balance at end of the financial year	233,272

Notes to the Financial Statements
For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XI) DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Deferred tax assets	240	306
Deferred tax liabilities	(7,511)	(5,065)
	(7,271)	(4,759)

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

	31 March 2019 RM'000	31 March 2018 RM'000
Deferred tax assets	14,559	10,504
Deferred tax liabilities	(21,830)	(15,263)
	(7,271)	(4,759)

The components and movements of deferred tax assets/(liabilities) prior to offsetting are as follows:

Group 31 March 2019	Balance at beginning of the financial year as previously stated RM'000	Effects of adoption of MFRS 9 RM'000	Balance at beginning of the financial year as restated RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Balance at end of the financial year RM'000
Other temporary differences	5,130	(2,568)	2,562	8,501	-	11,063
Deferred income	3,640	-	3,640	(144)	-	3,496
Available-for sale deficit	1,734	(1,734)	-	-	-	-
Deferred tax assets	**10,504**	**(4,302)**	**6,202**	**8,357**	**-**	**14,559**
Excess of capital allowances over depreciation	(56)	-	(56)	(149)	-	(205)
Deferred charges	(12,678)	-	(12,678)	(699)	-	(13,377)
Other temporary differences	(2,529)	-	(2,529)	7	-	(2,522)
Fair value reserve	-	(1,679)	(1,679)	-	(4,047)	(5,726)
Deferred tax liabilities	**(15,263)**	**(1,679)**	**(16,942)**	**(841)**	**(4,047)**	**(21,830)**

Notes to the Financial Statements
For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

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

The components and movements of deferred tax assets/(liabilities) prior to offsetting are as follows: (Cont'd.)

Group 31 March 2018	Balance at the beginning of the financial year RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Balance at end of the financial year RM'000
Other temporary differences	4,193	937	-	5,130
Deferred income	3,066	574	-	3,640
Available-for-sale deficit	1,626	-	108	1,734
Deferred tax assets	**8,885**	**1,511**	**108**	**10,504**
Excess of capital allowance over depreciation	(37)	(19)	-	(56)
Deferred charges	(8,604)	(4,074)	-	(12,678)
Other temporary differences	-	(2,529)	-	(2,529)
Deferred tax liabilities	**(8,641)**	**(6,622)**	**-**	**(15,263)**

(XII) OTHER ASSETS

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Trade debtors	1,208	36
Other receivables, deposits and prepayments	81,675	28,506
Amount due from related companies	213,340	140,755
Amount due from originators	18,350	20,398
Profit receivable	64,143	34,418
Tax recoverable	8,038	-
Deferred charges	56,456	53,240
	443,210	277,353

Notes to the Financial Statements
For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XIII) PROPERTY AND EQUIPMENT

Group 31 March 2019	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
Cost					
At beginning of the financial year	330	534	718	249	1,831
Additions	383	-	6	-	389
Disposal	(185)	-	(5)	-	(190)
At end of the financial year	528	534	719	249	2,030
Accumulated Depreciation					
At beginning of the financial year	170	442	586	201	1,399
Depreciation for the financial year	61	21	47	15	144
Disposal	(88)	-	(5)	-	(93)
At end of the financial year	143	463	628	216	1,450
Net Book Value					
As at 31 March 2019	385	71	91	33	580

Group 31 March 2018	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
Cost					
At beginning of the financial year	330	431	686	203	1,650
Additions	-	103	57	46	206
Disposal	-	-	(15)	-	(15)
Reclassification/adjustment	-	-	(10)	-	(10)
At end of the financial year	330	534	718	249	1,831
Accumulated Depreciation					
At beginning of the financial year	144	427	563	184	1,318
Depreciation for the financial year	26	15	48	17	106
Disposal	-	-	(15)	-	(15)
Reclassification/adjustment	-	-	(10)	-	(10)
At end of the financial year	170	442	586	201	1,399
Net Book Value					
As at 31 March 2018	160	92	132	48	432

Notes to the Financial Statements

For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XIV) INTANGIBLE ASSETS

	Group	
Computer Software	**31 March 2019 RM'000**	**31 March 2018 RM'000**
Cost		
At beginning of the financial year	2,242	1,396
Additions	499	1,020
Reclassification/Transfers	-	(174)
At end of the financial year	2,741	2,242
Accumulated Depreciation		
At beginning of the financial year	1,035	948
Amortisation for the financial year	355	90
Reclassification/Transfers	-	(3)
At end of the financial year	1,390	1,035
Net Book Value	1,351	1,207

(XV) DEPOSITS FROM CUSTOMERS

	Group	
	31 March 2019 RM'000	**31 March 2018 RM'000**
(i) By type of deposit:		
Savings deposits		
Commodity murabahah	2,002,816	2,005,599
Qard	15,041	14,279
Demand deposits		
Commodity murabahah	6,935,337	4,841,876
Qard	15,375	22,777
Term deposits		
Commodity murabahah	20,771,281	19,373,738
Qard	402,099	235,533
Negotiable instruments of deposits		
Bai' Bithaman Ajil	997,987	-
	31,139,936	26,493,802

Notes to the Financial Statements

For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XV) DEPOSITS FROM CUSTOMERS (CONT'D.)

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

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Business enterprises	15,833,377	10,150,411
Government and statutory bodies	4,030,053	4,614,846
Individuals	10,223,309	11,051,343
Others	1,053,197	677,202
	31,139,936	26,493,802

(iii) The maturity structure of term deposits and negotiable instruments of deposits are as follows:

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Due within six months	16,032,555	12,235,496
Over six months to one year	4,994,369	6,006,987
Over one year to three years	602,241	369,329
Over three years to five years	542,202	997,459
	22,171,367	19,609,271

(XVI) INVESTMENT ACCOUNTS OF CUSTOMERS

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Unrestricted investment accounts:		
Without maturity		
- Wakalah	18,643	20,387
With maturity		
- Mudarabah	334,808	118,569
	353,451	138,956

Notes to the Financial Statements
For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XVI) INVESTMENT ACCOUNTS OF CUSTOMERS (CONT'D.)

(a) Movement in the investment account is as follows:

	Wakalah RM'000	Mudarabah RM'000
As at 1 April 2017	24,374	-
Funding (outflows)/inflows		
New placements during the financial year	-	131,744
Redemptions/Withdrawals during the financial year	(3,998)	(13,209)
Income from investment	673	40
AmBank Islamic's share of profit		
Profit distributed to mudarib	(662)	(6)
As at 31 March 2018	20,387	118,569
Funding inflows/(outflows)		
New placements during the financial year	-	597,103
Redemptions/Withdrawals during the financial year	(1,753)	(387,699)
Income from investment	633	8,178
AmBank Islamic's share of profit		
Profit distributed to mudarib	(624)	(1,343)
As at 31 March 2019	18,643	334,808
Investment asset:		
31 March 2019		
Interbank placement	18,643	-
Housing financing	-	334,808
Total investment	18,643	334,808
31 March 2018		
Interbank placement	20,387	-
Housing financing	-	118,569
Total investment	20,387	118,569

Notes to the Financial Statements

For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XVI) INVESTMENT ACCOUNTS OF CUSTOMERS (CONT'D)

(a) Movement in the investment account is as follows: (Cont'd)

The investment accounts are sourced from the following types of customers:

	31 March 2019 RM'000	31 March 2018 RM'000
Business enterprises	335,052	118,793
Individuals	18,399	20,163
	353,451	138,956

The Group did not impose Wakalah fees to the Investment Account Holders for financial year ended 31 March 2019 and 31 March 2018.

(b) Average Profit Rate of Return and Average Performance Incentive Fee for the investment account are as follows:

	Investment account holder		
	Average profit sharing ratio (%)	Average rate of return (%)	Average Performance incentive fee (%)
31 March 2019			
Unrestricted investment account:			
less than 3 months	79.16	2.98	3.25
over 3 months to 1 year	87.59	4.04	-
31 March 2018			
Unrestricted investment account:			
less than 3 months	83.98	0.20	3.01

(XVII) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Non-Mudarabah:		
Licensed investment banks	758,355	-
Other financial institutions	596,499	479,050
Licensed banks	328,566	-
Licensed Islamic banks	848,278	399,255
Bank Negara Malaysia	5,026	5,788
	2,536,724	884,093

Notes to the Financial Statements
For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XVIII) INVESTMENT ACCOUNT DUE TO A LICENSED BANK

	Note	Group 31 March 2019 RM'000	Group 31 March 2018 RM'000
Restricted investment account ("RA")			
- Mudarabah Muqayyadah	(a)	1,465,539	2,859,110

(a) The RA is a contract based on the Shariah concept of Mudarabah between two parties, that is, capital provider and entrepreneur to finance a business venture where the business venture is managed solely by the AmBank Islamic as the entrepreneur. The profit of the business venture is shared between both parties based on a pre- agreed ratio. Losses shall be borne solely by the capital provider. The capital provider for the RA contracts is AmBank, a related company.

(b) During the current financial year on 30 April 2018, 14 May 2018 and 7 February 2019, AmBank early redeemed three placements which amounted to RM517.4 million, RM480.7 million and RM411.8 million respectively. As at 31 March 2019, the tenure of the RA contracts is for a period ranging between 8 months to 11 years (2018: 6 months to 13 years).

(c) Movements in the investment account are as follows:

	31 March 2019 RM'000	31 March 2018 RM'000
At beginning of the financial year	2,859,110	1,600,000
Funding inflows/outflows		
New placements during the financial year	-	1,387,045
Redemptions during the financial year, net	(1,393,571)	(127,935)
Income attributable to investment account holders	(84,674)	(92,281)
Income from investment	97,064	102,502
AmBank Islamic's share of profit		
Profit distributed to mudarib	(12,390)	(10,221)
At end of the financial year	1,465,539	2,859,110
Investment asset:		
Financing	1,465,539	2,859,110
Total investment	1,465,539	2,859,110

Notes to the Financial Statements
For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XVIII) INVESTMENT ACCOUNT DUE TO A LICENSED BANK (CONT'D.)

(d) Profit Sharing Ratio, Rate of Return for the investment account are as follows:

	31 March 2019		31 March 2018	
	Profit sharing ratio (%)	Average rate of return (%)	Profit sharing ratio (%)	Average rate of return (%)
Restricted investment account:				
up to 1 year	-	-	90	4.50
between 1 to 2 years	46	2.36	90	4.55
between 2 to 5 years	90	4.62	90	4.40
more than 5 years	77	3.86	90	4.77

(XIX) OTHER LIABILITIES

		Group	
	Note	31 March 2019 RM'000	31 March 2018 RM'000
Other payables and accruals		270,183	251,743
Deferred income		14,566	15,165
Provision for zakat and taxation		6,016	15,637
Provision for commitments and contingencies	(a)		
- financing commitments and financial guarantees		-	10,698
- others		15,724	-
Allowances for ECL on financing commitments and financial guarantees	(b)	18,230	-
Amount owing to conventional banking		-	107,681
Security deposit and advance payment for financing and advances		5,350	2,568
		330,069	403,492

Notes to the Financial Statements

For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XIX) OTHER LIABILITIES (CONT'D)

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

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Balance at beginning of the financial year		
- as previously stated	10,698	11,521
- impact of adopting MFRS 9	(10,698)	-
Balance at beginning of the financial year, as restated	-	11,521
Charge during the financial year	-	(800)
Provision taken up under impaired financing and advances*	15,724	-
Foreign exchange differences	-	(23)
Balance at end of the financial year	15,724	10,698

* *Arising from the disposal of non-performing financing, AmBank Islamic had set aside provision to cover the expenditure required to settle any put-back by the purchaser of the disposed non performing financing.*

(b) Movements in allowances for ECL on financing commitments and financial guarantees are as follows:

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL Not Credit Impaired RM'000	Stage 3 Lifetime ECL Credit Impaired RM'000	Total RM'000
2019				
Balance at beginning of the financial year				
- as previously stated	-	-	-	10,698
- effects of adoption of MFRS 9	-	-	-	4,065
Balance at beginning of the financial year, as restated	8,817	5,911	35	14,763
Allowance for/(writeback of) ECL during the year:	1,319	2,168	(23)	3,464
- Transfer to 12 month ECL (Stage 1)	190	(2,100)	-	(1,910)
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(327)	1,879	-	1,552
- Transfer to Lifetime ECL credit impaired (Stage 3)	(45)	(84)	-	(129)
New financial instruments originated	3,587	4,001	-	7,588
Net remeasurement of allowances	623	(506)	(23)	94
Financial instruments derecognised	(2,709)	(1,022)	-	(3,731)
Foreign exchange difference	(1)	4	-	3
Balance at the end of the financial year	10,135	8,083	12	18,230

Notes to the Financial Statements
For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XIX) OTHER LIABILITIES (CONT'D.)

(b) Movements in allowances for ECL on financing commitments and financial guarantees are as follows: (Cont'd.)

The movements in allowances for ECL are as follows:

(a) Overall ECL in Stage 1 and Stage 2 increased due to increase in exposure.
(b) ECL in Stage 3 decreased due to changes in credit risk.

(XX) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Finance income and hibah:		
Financing and advances	1,322,778	1,378,217
Financial assets at fair value through profit or loss	100,836	-
Financial assets held-for-trading	-	34,119
Financial investments at amortised cost	67,040	-
Financial investments held-to-maturity	-	53,095
Financial investments at fair value through other comprehensive income	146,024	-
Financial investments available-for-sale	-	24,723
Impaired financing and advances	2,797	1,782
Deposits and placements with financial institutions	59,115	86,646
Others	-	50,027
	1,698,590	1,628,609
Gain from sale of financial investments at fair value through other comprehensive income	10,270	-
Gain from sale of financial investments available-for-sale	-	749
Gain from sale of financial assets at fair value through profit and loss	7,574	-
Gain from sale of financial assets held-for-trading	-	3,317
Gain on revaluation of financial assets at fair value through profit and loss	289	-
Gain on revaluation of financial assets held-for-trading	-	1,890
Foreign exchange	1,466	21,524
Net (loss)/gain on derivatives	(2,772)	2,762
Others	(116)	20
	16,711	30,262
Fee and commission income:		
Commission	14,684	12,184
Other fee income	34,569	36,506
	49,253	48,690
Total	1,764,554	1,707,561

Notes to the Financial Statements

For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXI) INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Income derived from investment of:		
(i) Restricted investment account	97,064	102,502
(ii) Unrestricted investment account	8,435	713
	105,499	103,215
(i) Income derived from investment of restricted investment account		
Finance income and hibah:		
Financing and advances	97,064	102,502
(ii) Income derived from investment of unrestricted investment account		
Finance income and hibah:		
Financing and advances	7,804	40
Deposits and placements with banks and other financial institutions	631	673
Total finance income and hibah	8,435	713

(XXII) INCOME DERIVED FROM ISLAMIC BANKING FUNDS

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Finance income and hibah:		
Financing and advances	124,543	-
Financial assets at fair value through profit or loss	9,495	-
Financial investments at fair value through other comprehensive income	13,750	-
Financial investments available-for-sale	-	104,188
Financial investments at amortised cost	6,313	-
Impaired financing and advances	263	-
Deposits and placements with financial institutions	5,566	-
	159,930	104,188

Notes to the Financial Statements

For the financial year ended 31 March 2019

61. **OPERATIONS OF ISLAMIC BANKING (CONT'D.)**

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXII) INCOME DERIVED FROM ISLAMIC BANKING FUNDS (CONT'D)

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Gain from sale of financial assets at fair value through profit and loss	713	-
Gain on revaluation of financial assets at fair value through profit and loss	27	-
Gain from sale of financial investments at fair value through other comprehensive income	967	-
Gain from sale of financial investments available-for-sale	-	3,566
Foreign exchange	138	-
Loss on derivatives	(261)	(2,227)
Others	(23)	-
	1,561	1,339
Fee and commission income:		
Commission	8,018	9,076
Other fee income	19,881	32,162
	27,899	41,238
Total	189,390	146,765

(XXIII) IMPAIRMENT ON FINANCING AND ADVANCES - ALLOWANCE/(WRITEBACK)

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Allowance for impairment on financing and advances:		
Allowance for ECL (Note 61 (X) (h))	233,124	-
Individual allowance, net (Note 61 (X) (i))	-	29,090
Collective allowance, net (Note 61 (X) (i))	-	137,829
	233,124	166,919
Impaired financing and advances recovered, net	(150,504)	(105,523)
	82,620	61,396

Notes to the Financial Statements
For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXIV) IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Financial investments at amortised cost - sukuk	106	-
Financial investments at fair value through other comprehensive income - sukuk	10,799	-
	10,905	-

(XXV) IMPAIRMENT LOSSES ON OTHER FINANCIAL ASSETS

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Cash and short-term funds	3	-

(XXVI) PROVISION FOR COMMITMENTS AND CONTINGENCIES - ALLOWANCE/(WRITEBACK)

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Provision for commitments and contingencies - financial commitments and financial guarantee	3,464	(800)

(XXVII) INCOME ATTRIBUTABLE TO THE DEPOSITORS AND OTHERS

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Deposits from customers:		
Non-Mudarabah Fund	903,053	865,574
Deposits and placements of banks and other financial institutions:		
Non-Mudarabah Fund	91,051	29,337
Others	29,354	30,024
	120,405	59,361
Total	1,023,458	924,935

Notes to the Financial Statements

For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXVIII) INCOME ATTRIBUTABLE TO THE INVESTMENT ACCOUNT HOLDERS

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Unrestricted		
Customers - investment accounts	6,845	45
Restricted		
Licensed bank - investment account	84,674	92,281
	91,519	92,326

(XXIX) OPERATING EXPENSES

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Personnel costs	23,000	20,118
Establishment costs	2,801	1,759
Marketing and communication expenses	6,953	5,645
Administration and general expenses	22,476	51,428
Service transfer pricing expense, net	263,497	345,365
	318,727	424,315

(XXX) TAXATION AND ZAKAT

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Taxation	95,529	71,855
Zakat	2,401	2,034
Taxation and zakat	97,930	73,889

Notes to the Financial Statements

For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXXI) NET INCOME FROM ISLAMIC BANKING

For consolidation with the conventional business, net income from the operations of Islamic banking comprises the followings:

	Group	
	31 March 2019	31 March 2018
Income derived from investment of depositors' funds and others	1,764,554	1,707,561
Income derived from investment of investment account funds	105,499	103,215
Income derived from Islamic Banking Funds	189,390	146,765
Less: Income attributable to the depositors and others	(1,023,458)	(924,935)
Income attributable to investment account holders	(91,519)	(92,326)
Income attributable to the Group	944,466	940,280
Less: Finance costs	(106,572)	(110,451)
	837,894	829,829
Consolidation adjustments	114,055	111,190
	951,949	941,019

(XXXII) CAPITAL ADEQUACY RATIO

(a) The capital adequacy ratios under the Islamic banking operations of the Group are as follows:

	Group 31 March 2019	Group* (Restated) 31 March 2018
Before deducting proposed dividends:		
Common Equity Tier 1 ("CET1") Capital ratio	11.965%	12.425%
Tier 1 Capital Ratio	11.965%	12.425%
Total Capital Ratio	17.134%	17.415%
After deducting proposed dividends:		
Common Equity tier 1 ("CET 1") Capital ratio	11.397%	12.425%
Tier 1 Capital Ratio	11.397%	12.425%
Total Capital Ratio	16.566%	17.415%

The capital adequacy ratios of the Islamic banking operations of the Group are computed in accordance with Bank Negara Malaysia's revised Risk Weighted Capital Adequacy Framework (Basel II) and the Capital Adequacy Framework for Islamic Banks Capital Components ("CAFIB"). The Group's Islamic banking business has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

* *Restated Group figures for 2018 presented above are on a FHC basis. Previously, the Group presented the capital adequacy ratios and components of capital base and risk weighted assets on an aggregation basis representing the aggregated capital positions and risk weighted assets of AmBank Islamic and Islamic Window of AmInvestment Bank.*

Notes to the Financial Statements

For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXXII) CAPITAL ADEQUACY RATIO (CONT'D)

(b) The components of CET1 Capital, Tier 1 and Tier 2 Capital of the Islamic banking operations of the Group are as follows:

	Group 31 March 2019 RM'000	Group 31 March 2018 (Restated) RM'000
CET1 Capital		
Ordinary share capital	1,417,107	1,417,107
Retained earnings	2,002,591	1,838,734
Fair value reserve	39,151	-
Available-for-sale deficit	-	(5,492)
Regulatory reserve	164,928	327,683
Less: Regulatory adjustments applied on CET1 capital		
Other intangibles	(1,351)	(1,207)
55% of cumulative gains in fair value reserve	(21,533)	-
Regulatory reserve	(164,928)	(327,683)
CET1/Tier 1 Capital	3,435,965	3,249,142
Tier 2 capital		
Tier 2 capital instruments meeting all relevant criteria for inclusion	1,150,000	1,000,000
General provisions*	334,463	-
Collective allowance and regulatory reserve	-	305,028
Tier 2 Capital	1,484,463	1,305,028
Total Capital	4,920,428	4,554,170

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

Notes to the Financial Statements

For the financial year ended 31 March 2019

61. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXXII) CAPITAL ADEQUACY RATIO (CONT'D.)

(b) The components of CET1 Capital, Tier 1 and Tier 2 Capital of the Islamic banking operations of the Group are as follows: (Cont'd.)

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

	Group 31 March 2019 RM'000	Group 31 March 2018 (Restated) RM'000
Credit RWA	28,561,965	27,396,675
Less: Credit RWA absorbed by Profit Sharing Investment Account	(1,804,893)	(2,988,135)
Total Credit RWA	26,757,072	24,408,540
Market RWA	475,195	308,864
Operational RWA	1,484,669	1,433,440
Total Risk Weighted Assets	28,716,936	26,150,844

(XXXIII) COMMITMENTS AND CONTINGENCIES

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

As at the reporting date, the notional/principal amounts of the commitments and contingencies are as follows:

Group	31 March 2019 RM'000	31 March 2018 RM'000
Contingent Liabilities		
Certain transaction-related contingent items	831,509	821,035
Short-term self liquidating trade-related contingencies	90,954	54,608
Direct credit substitutes	568,350	327,186
	1,490,813	1,202,829

Notes to the Financial Statements
For the financial year ended 31 March 2019

61. **OPERATIONS OF ISLAMIC BANKING (CONT'D.)**

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXXIII) COMMITMENTS AND CONTINGENCIES (CONT'D)

As at the reporting date, the notional/principal amounts of the commitments and contingencies are as follows: (Cont'd.)

Group	31 March 2019 RM'000	31 March 2018 RM'000
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
- up to one year	4,333,925	4,991,310
- over one year	446,645	809,748
Unutilised credit card lines	1,334,232	1,289,967
Forward asset purchases	195,620	213,975
	6,310,422	7,305,000
Derivative Financial Instruments		
Profit rate related contracts:		
- Over one year to five years	360,000	260,000
- Over five years	350,000	350,000
Foreign exchange related contracts:		
- One year or less	1,973,689	1,539,601
- Over one year to five years	1,108,997	689,469
	3,792,686	2,839,070
Total	11,593,921	11,346,899

APPENDIX

DIRECTORS OF SUBSIDIARY COMPANIES OF THE COMPANY

The following is the list of directors who have served on the boards of the subsidiary companies of the Company since the beginning of the current financial year to the date of the Directors' Report.

No	Name of Subsidiary Company	Name of Director
1	AmInvestment Group Berhad	Tan Sri Azman Hashim Seohan Soo (Appointed on 10 August 2018) Raja Maimunah binti Raja Abdul Aziz (Resigned on 13 August 2018)
2	AmREIT Holdings Sdn Bhd	Soo Kim Wai Azlan Baqee bin Abdullah Seohan Soo (Appointed on 10 August 2018) Raja Maimunah binti Raja Abdul Aziz (Resigned on 10 August 2018)
3	AmREIT Managers Sdn Bhd	Soo Kim Wai Dato' Wong Nam Loong Dato' Abdullah Thalith bin Md Thani Azlan Baqee bin Abdullah Seohan Soo (Appointed on 10 August 2018) Raja Nazirin Shah bin Raja Mohamad (Appointed on 22 April 2019) Wong Kim Chon (Resigned on 27 July 2018) Raja Maimunah binti Raja Abdul Aziz (Resigned on 10 August 2018)
4	AmCapital (B) Sdn Bhd (Under Court Liquidation)	Felix Leong Azlan Mike Skinner
5	AmInvestment Management Sdn Bhd (Under Members' Voluntary Liquidation)	Pushparani a/p A Moothathamby Datin Maznah binti Mahbob Mohd Fauzi bin Mohd Tahir
6	Malaysian Ventures Management Incorporated Sdn Bhd (Under Members' Voluntary Liquidation)	Lim Kien Hock Khoo Teck Beng
7	AmPrivate Equity Sdn Bhd (Under Members' Voluntary Liquidation)	Lim Kien Hock Khoo Teck Beng
8	AmSecurities Holding Sdn Bhd	Khoo Teck Beng Gan Kim Khoon
9	AMSEC Holdings Sdn Bhd (Under Members' Voluntary Liquidation)	Shaharuddin bin Hassan Tan Giap How
10	AMFB Holdings Berhad (Under Members' Voluntary Liquidation)	Tan Sri Azman Hashim Tun Mohammed Hanif bin Omar
11	AMAB Holdings Sdn Bhd	Tan Sri Azman Hashim Dato' Sulaiman bin Mohd Tahir

Appendix

DIRECTORS OF SUBSIDIARY COMPANIES OF THE COMPANY (CONT'D)

No	Name of Subsidiary Company	Name of Director
12	AmGeneral Holdings Berhad	Tan Sri Azman Hashim Duncan Victor Brain Dato' Sulaiman bin Mohd Tahir
13	AmGeneral Insurance Berhad	Phoon Soon Keong Duncan Victor Brain Wong Teck Kat Sathasivan Kunchamboo Dato' Sulaiman bin Mohd Tahir Ramesh Pillai
14	AmBank (M) Berhad	Voon Seng Chuan Raymond Fam Chye Soon Dato' Sri Abdul Hamidy bin Abdul Hafiz Dr Veerinderjeet Singh a/l Tejwant Singh U Chen Hock (Appointed on 3 July 2018) Soo Kim Wai (Appointed on 2 January 2019) Ng Chih Kaye (Appointed on 2 January 2019) Tan Sri Azman Hashim (Retired on 1 January 2019)
15	AmLabuan Holdings (L) Ltd	Datuk Iswaraan a/l Suppiah
16	MBf Information Services Sdn Bhd	Lim Hock Aun Khoo Teck Beng
17	MBf Nominees (Tempatan) Sdn Bhd	Lim Hock Aun Lim Kien Hock
18	MBf Trustees Berhad	Lim Hock Aun Khoo Teck Beng
19	AmProperty Holdings Sdn Bhd	Lim Hock Aun Khoo Teck Beng
20	AmCard Services Berhad	Jade Lee Gaik Suan Ling Fou-Tsong @ Jamie Ling
21	Teras Oak Pembangunan Sendirian Berhad	Lim Hock Aun Lim Kien Hock
22	Bougainvillaea Development Sdn Bhd	Lim Hock Aun Khoo Teck Beng
23	Malco Properties Sdn Bhd	Lim Hock Aun Lim Kien Hock

Appendix

DIRECTORS OF SUBSIDIARY COMPANIES OF THE COMPANY (CONT'D)

No	Name of Subsidiary Company	Name of Director
24	AmPremier Capital Berhad	Ling Fou-Tsong @ Jamie Ling Yap Huey Wen
25	AmMortgage One Berhad	Jade Lee Gaik Suan Oon Kin Seng Dato' Ng Mann Cheong
26	AMBB Capital (L) Ltd (Dissolved on 8 April 2019)	Mandy Jean Simpson Sim How Chuah
27	Komuda Credit & Leasing Sdn Bhd (Under Members' Voluntary Liquidation)	Lim Hock Aun Arunasalam a/l Muthusamy
28	AmInvestment Bank Berhad	Jeyaratnam a/l Tamotharam Pillai (Appointed on 1 October 2018) Tan Bun Poo Ramesh Pillai Chee Li Har (Appointed on 8 August 2018) Seow Yoo Lin (Appointed on 15 October 2018) Lum Sing Fai (Appointed on 15 January 2019) Tan Sri Azman Hashim (Retired on 1 January 2019)
29	AmFutures Sdn Bhd (Under Members' Voluntary Liquidation)	StephenNoel Kwong Yong Shian Hon Chu Nyaw
30	AMMB Nominees (Tempatan) Sdn Bhd	Khoo Teck Beng Goh Wee Peng
31	AMMB Nominees (Asing) Sdn Bhd (Under Members' Voluntary Liquidation)	Khoo Teck Beng Goh Wee Peng
32	AM Nominees (Asing) Sdn Bhd	Khoo Teck Beng Hon Chu Nyaw (Appointed on 28 June 2018) Harinder Pal Singh a/l Joga Singh (Resigned on 29 June 2018)
33	AM Nominees (Tempatan) Sdn Bhd	Khoo Teck Beng Hon Chu Nyaw (Appointed on 28 June 2018) Harinder Pal Singh a/l Joga Singh (Resigned on 29 June 2018)
34	AMSEC Nominees (Tempatan) Sdn Bhd	Hon Chu Nyaw Gan Kim Khoon
35	AMSEC Nominees (Asing) Sdn Bhd	Hon Chu Nyaw Gan Kim Khoon

Appendix

DIRECTORS OF SUBSIDIARY COMPANIES OF THE COMPANY (CONT'D)

No	Name of Subsidiary Company	Name of Director
36	AmFunds Management Berhad	Jeyaratnam a/l Tamotharam Pillai (Appointed on 1 April 2019)
		Dato' Mustafa bin Mohd Nor
		Tai Terk Lin
		Sum Leng Kuang
		Goh Wee Peng
		Seohan Soo (Appointed on 1 August 2018)
		Raja Maimunah binti Raja Abdul Aziz (Resigned on 1 July 2018)
37	AmIslamic Funds Management Sdn Bhd	Chee Li Har (Appointed on 1 April 2019)
		Zainal Abidin bin Mohd Kassim
		Tai Terk Lin
		Sum Leng Kuang
		Goh Wee Peng
		Seohan Soo (Appointed on 1 August 2018)
		Raja Maimunah binti Raja Abdul Aziz (Resigned on 1 July 2018)
		Zairulnizad bin Shahrim (Resigned on1 May 2019)
38	AmFraser International Pte Ltd	Lim Hock Aun
		Wong Yong Fei
39	AmGlobal Investments Pte Ltd	Lim Hock Aun
	(Dissolved on 3 July 2018)	Wong Yong Fei
40	AmResearch Sdn Bhd	Lee Yew Kin
	(Under Members' Voluntary Liquidation)	Khoo Teck Beng
41	AmBank Islamic Berhad	Dato' Sri Abdul Hamidy bin Abdul Hafiz
		Hajjah Rosmah binti Ismail
		Farina binti Farikhullah Khan
		Azlan Baqee bin Abdullah
		Dr Mohd Nordin Mohd Zain (Appointed on 16 January 2019)
		Raja Anuar bin Raja Abu Hassan (Resigned on 18 February 2019)
42	MBF Cards (M'sia) Sdn Bhd	Jade Lee Gaik Suan
		Ling Fou-Tsong @ Jamie Ling

PILLAR 3 DISCLOSURE

1.0 SCOPE OF APPLICATION

The Risk Weighted Capital Adequacy Framework - (Basel II) Disclosure Requirements ("Pillar 3") and Capital Adequacy Framework for Islamic Banks (CAFIB)-Disclosure Requirements (Pillar 3) policy documents issued by Bank Negara Malaysia ("BNM") on 7 August 2010 aim to enhance the transparency of disclosures on the risk management practices and capital adequacy of banking institutions. The two policy documents are applicable to all banking institutions licensed under the Financial Services Act 2013 ("FSA") and Islamic Financial Service Act 2013 ("IFSA").

The banking subsidiaries of AMMB Holdings Berhad ("AMMB") to which the policy documents apply are AmBank (M) Berhad ("AmBank"), AmInvestment Bank Berhad ("AmInvestment Bank") and AmBank Islamic Berhad ("AmBank Islamic").

The Pillar 3 Disclosure and regulatory capital ratio calculations are prepared at the consolidated AMMB Holdings Berhad level excluding investment in insurance entities and joint ventures (" the Group"). Investment in insurance entities is deducted from the regulatory capital. The information provided has been verified by the Group internal auditors and certified by the Group Chief Executive Officer.

CAPITAL ADEQUACY

BNM's guidelines on capital adequacy seek to ensure that risk exposures of financial institutions are supported by adequate level of capital to withstand losses which may result from credit and other risks associated with its business operations. Each entity's standalone and consolidated capital adequacy position and more detailed quantitative disclosures are available via our website at www.ambankgroup.com.

The capital adequacy ratios are computed in accordance with BNM's guidelines on Capital Adequacy Framework (Capital Components), Capital Adequacy Framework for Islamic Banks (Capital Components) and Capital Adequacy Framework (Basel II – Risk Weighted Assets) issued by BNM on 2 February 2018. Pursuant to BNM's Capital Adequacy Framework (Capital Components), financial institutions are required to maintain minimum Common Equity Tier 1 ("CET1") Capital Ratio of 4.5%, Tier 1 Capital Ratio of 6.0% and Total Capital Ratio of 8.0% at all times. In addition, a financial institution is also required to maintain capital buffers which 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 shall be phased-in under the transitional arrangements starting from 1 January 2016 as follows:

	CCB
Calendar year 2018	1.875%
Calendar year 2019 onwards	2.5%

AMMB, being a financial holding company ("FHC") is required to comply with BNM's capital adequacy requirements at the consolidated level effective from 1 January 2019.

PILLAR 3 DISCLOSURE

1.0 SCOPE OF APPLICATION (CONT'D.)

CHANGES IN ACCOUNTING POLICIES AND REGULATORY REQUIREMENTS

Adoption of MFRS 9 Financial instruments

The Group adopted MFRS 9 *Financial Instruments* effective 1 April 2018. MFRS 9 replaces the provisions of MFRS 139 *Financial Instruments: Recognition and Measurement* that relate to the recognition, classification and measurement, as well as derecognition of financial instruments, impairment of financial assets and hedge accounting.

MFRS 9 requires all financial assets, other than equity instruments and derivatives, to be classified either at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVOCI"), or at amortised cost on the basis of two criteria, namely the entity's business model for managing the assets, as well as the instruments' contractual cash flow characteristics. Certain investments in corporate bonds and sukuk that were classified as available-for-sale under MFRS 139 qualified for classification at amortised cost under MFRS 9 as they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest. The reclassification has been effected by way of a retrospective application of the effective interest method and accordingly, the related cumulative fair value loss has been reversed on 1 April 2018. In addition, certain debt investments did not meet the cash flow characteristics criterion to be classified either at FVOCI or at amortised cost and have been accordingly classified at FVTPL with related fair value loss recognised in retained earnings on 1 April 2018.

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

Compliance with BNM policy documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions

BNM had issued the revised policy documents on Financial Reporting and Financial Reporting for *Islamic Banking Institutions* on 2 February 2018. Certain requirements in the policy documents have been revised in response to the changes in the loan loss impairment methodology arising from the expected credit loss approach under MFRS 9. Following the application of MFRS 9 impairment requirements, the revised policy documents require banking institutions and Islamic banking institutions to maintain, in aggregate, loss allowance for non-credit-impaired exposures (commonly referred to as Stage 1 and Stage 2 ECL) and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures. This revised requirement has been applied in the computation of regulatory reserve in the financial statements.

As permitted by the transitional provision of MFRS 9, comparative information in the financial statements have not been restated. The financial effects due to adoption of MFRS 9 and compliance with BNM policy documents above are disclosed in Note 60 *Changes in accounting policies* in the annual financial statements of the Group. The financial effects disclosed included effect to the capital adequacy ratios arising from impact to capital base and risk weighted assets for changes which involved classification of financial instruments and the resultant remeasurement of these financial instruments in the new classification as well as new loan loss impairment methodology.

Comparative information

As the Group is presenting disclosures on the basis of FHC for the current year, the corresponding quantitative disclosures in the preceding reporting period have been re-presented on the basis of FHC.

Frequency of Disclosure

Full disclosure requirements under the BNM guidelines are made on an annual and semi-annual basis except for disclosures under paragraph 10.1 of the guidelines and all qualitative disclosures which are made on an annual basis if there are no material changes in the interim reporting period.

Medium and Location of Disclosure

The Pillar 3 disclosures of the Group is available on our corporate website at www.ambankgroup.com.

PILLAR 3 DISCLOSURE

1.0 SCOPE OF APPLICATION (CONT'D.)

1.1 BASIS OF CONSOLIDATION

For statutory accounting purposes, the consolidated financial statements of AMMB comprise the financial statements of the Company and the financial statements of all its controlled entities (individually referred to as "group entities") where it is determined that there is a capacity to control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

For purposes of this Pillar 3 Disclosure, the consolidation basis used is the same as that used for regulatory capital adequacy purposes except for the exclusion of investment in insurance entities and joint ventures. The following table shows the differences between the scope of statutory and regulatory consolidation.

Type of entity	Accounting treatment	
	Statutory reporting	Basel III regulatory reporting
Subsidiaries licensed under FSA or IFSA or engaged in financial activities	Fully consolidated	Deducted from capital at the banking subsidiary entity level; Consolidated in the calculation of capital adequacy at the banking subsidiary consolidated level and FHC level
Subsidiaries engaged in non-financial activities	Fully consolidated	Risk weighted at the banking subsidiary entity level; Consolidated in the calculation of capital adequacy at the banking subsidiary consolidated level and FHC level
Associates and jointly controlled entities which are licensed under FSA or IFSA or engaged in financial activities	Equity accounted	Deducted in the calculation of capital
Associates and jointly controlled entities which are not licensed under FSA or IFSA or engaged in financial activities	Equity accounted	Risk weighted

Apart from regulatory requirements and statutory constraints, there is no current or foreseen material, practical or legal impediments to the transfer of funds or regulatory capital within the Group.

Any such transfers would require the approvals of the respective Board of Directors ("Board"), as well as the concurrence of BNM.

2.0 CAPITAL MANAGEMENT

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

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

The capital plan takes the following into account:

(a) Regulatory capital requirements; and
(b) Capital requirement to support business growth, strategic objectives, buffer for material risks and not captured under regulatory capital requirements and stress test results.

PILLAR 3 DISCLOSURE

2.0 CAPITAL MANAGEMENT (CONT'D.)

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

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

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

The capital that the Group is required to hold is determined by risk exposures after applying collaterals and other risk mitigants. BNM has the right to impose further capital requirements on Malaysian Financial Institutions.

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

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

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

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

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

PILLAR 3 DISCLOSURE

2.0 CAPITAL MANAGEMENT (CONT'D.)

Table 2.1: Capital Adequacy Ratios

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

	31 March 2019			
	AmBank	AmBank Islamic	AmInvestment Bank	Group
Before deducting proposed dividends:				
CET1 Capital ratio	11.752%	11.654%	43.711%	12.328%
Tier 1 Capital ratio	12.406%	11.654%	43.711%	12.328%
Total Capital ratio	17.038%	16.836%	44.174%	15.864%
After deducting proposed dividends:				
CET1 Capital ratio	11.323%	11.084%	41.539%	11.890%
Tier 1 Capital ratio	11.977%	11.084%	41.539%	11.890%
Total Capital ratio	16.609%	16.267%	42.001%	15.426%

	31 March 2018			
	AmBank	AmBank Islamic	AmInvestment Bank	Group* (Restated)
Before deducting proposed dividend:				
CET1 Capital ratio	10.955%	11.561%	41.194%	11.384%
Tier 1 Capital ratio	11.903%	11.561%	41.194%	11.384%
Total Capital ratio	16.451%	16.569%	41.452%	13.951%
After deducting proposed dividend:				
CET1 Capital ratio	10.613%	11.561%	27.529%	11.081%
Tier 1 Capital ratio	11.561%	11.561%	27.529%	11.082%
Total Capital ratio	16.109%	16.569%	27.787%	13.649%

Notes:

(1) The capital adequacy ratios are computed in accordance to BNM's guidelines on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) issued by the Bank Negara Malaysia on 2 February 2018, which is based on the Basel III capital accord. The Group has adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM's Guidelines on Capital Adequacy Framework (Basel II - Risk Weighted Assets) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 2 February 2018.

(2) The Company, being a financial holding company ("FHC") i.e. a financial holding company approved pursuant to section 112(3) of the FSA or section 124(3) of the IFSA and holds investment directly or indirectly in corporations that are engaged predominantly in banking business or Islamic banking business, has complied with BNM guidelines on minimum capital adequacy ratios and capital buffer requirements at the consolidated level effective 1 January 2019 and is presenting the capital adequacy ratios on FHC basis for 2019.

For regulatory capital reporting purposes, the consolidated level comprise the consolidation of all its financial and non-financial subsidiaries, excluding investments in insurance subsidiaries as per BNM's guidelines on Capital Adequacy Framework (Capital Components). Under the guidelines, investments in insurance subsidiaries shall be deducted in the calculation of CET1 Capital ratio.

* *Restated Group figures for 2018 presented above are on a FHC basis. The positions of each entity as presented above and group (where applicable) are also published at www.ambankgroup.com. Previously, the Group presented the capital adequacy ratios and components of capital base and risk weighted assets on an aggregation basis representing the aggregated capital positions and risk weighted assets of its three regulated banking subsidiaries.*

PILLAR 3 DISCLOSURE

2.0 CAPITAL MANAGEMENT (CONT'D.)

Table 2.2 Risk-Weighted Assets and Capital Requirements

The breakdown of RWA by exposures in major risk category of the Group is as follows:

	31 March 2019						
Exposure class	RM'000	Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM") RM'000	Net exposures/ EAD after CRM RM'000	Risk weighted assets RM'000	Risk Weighted Assets Absorbed by PSIA RM'000	Total Risk Weighted Assets After effects of PSIA RM'000	Minimum capital requirement at 8% RM'000
1. Credit risk							
On balance sheet exposures:							
Sovereigns/central banks		15,668,440	11,417,003	-	-	-	-
Public Sector Entities ("PSEs")		43,788	43,788	8,758	-	8,758	701
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")		7,720,202	6,618,192	1,332,606	-	1,332,606	106,608
Insurance companies, Securities firms and Fund managers		30,040	30,040	30,040	-	30,040	2,403
Corporates		57,589,616	54,627,651	44,506,840	-	44,506,840	3,560,547
Regulatory retail		36,149,070	34,708,260	27,549,751	334,809	27,214,942	2,177,195
Residential mortgages		19,224,228	19,215,900	7,362,039	-	7,362,039	588,963
Higher risk assets		544,749	544,678	817,017	-	817,017	65,361
Other assets		1,941,237	1,941,237	1,541,050	-	1,541,050	123,284
Securitisation exposures		20,757	20,757	5,331	-	5,331	426
Equity exposures		76	76	76	-	76	6
Defaulted exposures		1,285,677	1,265,866	1,340,490	-	1,340,490	107,239
Total for on balance sheet exposures		**140,217,880**	**130,433,448**	**84,493,998**	**334,809**	**84,159,189**	**6,732,733**
Off balance sheet exposures:							
Over the counter ("OTC") derivatives		1,856,891	1,738,897	1,030,294	-	1,030,294	82,424
Credit derivatives		16	16	8	-	8	1
Off balance sheet exposures other than OTC derivatives or credit derivatives		12,101,850	10,091,053	8,852,653	-	8,852,653	708,212
Defaulted exposures		35,657	20,608	30,809	-	30,809	2,465
Total for off balance sheet exposures		**13,994,414**	**11,850,574**	**9,913,764**	**-**	**9,913,764**	**793,102**
Total on and off balance sheet exposures		**154,212,294**	**142,284,022**	**94,407,762**	**334,809**	**94,072,953**	**7,525,835**
2. Large exposures risk requirement				531,792	-	531,792	42,543
	Long Position	**Short Position**					
3. Market risk							
Interest rate risk/rate of return risk							
- General interest rate risk/rate of return risk	113,572,764	97,715,906		2,047,521	-	2,047,521	163,802
- Specific interest rate risk/rate of return risk	17,040,367	1,172,972		142,510	-	142,510	11,401
Foreign currency risk	284,047	459,329		552,039	-	552,039	44,163
Equity risk							
- General risk	30,206	1,457		28,749	-	28,749	2,300
- Specific risk	30,206	1,457		14,723	-	14,723	1,178
Option risk	1,078,808	687,103		21,745	-	21,745	1,740
Total	**132,036,398**	**100,038,224**		**2,807,287**	**-**	**2,807,287**	**224,584**
4. Operational risk				**5,880,399**	**-**	**5,880,399**	**470,432**
5. Total RWA and capital requirements				**103,627,240**	**334,809**	**103,292,431**	**8,263,394**

PILLAR 3 DISCLOSURE

2.0 CAPITAL MANAGEMENT (CONT'D.)

Table 2.2 Risk-Weighted Assets and Capital Requirements

The breakdown of RWA by exposures in major risk category of the Group is as follows:

	31 March 2018 (Restated)						
Exposure class	RM'000	Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM") RM'000	Net exposures/ EAD after CRM RM'000	Risk weighted assets RM'000	Risk Weighted Assets Absorbed by PSIA RM'000	Total Risk Weighted Assets After effects of PSIA RM'000	Minimum capital requirement at 8% RM'000
1. Credit risk							
On balance sheet exposures:							
Sovereigns/central banks		5,304,410	5,304,410	-	-	-	-
Public Sector Entities ("PSEs")		40,802	40,802	8,160	-	8,160	653
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")		5,396,792	5,396,792	1,068,952	-	1,068,952	85,516
Insurance companies, Securities firms and Fund managers		9,775	9,775	9,775	-	9,775	782
Corporates		51,645,224	49,559,277	41,754,445	-	41,754,445	3,340,356
Regulatory retail		35,600,800	34,670,975	27,311,726	118,569	27,193,157	2,175,453
Residential mortgages		16,882,162	16,869,103	6,353,396	-	6,353,396	508,272
Higher risk assets		162,797	162,719	244,078	-	244,078	19,526
Other assets		2,332,073	2,332,073	1,976,634	-	1,976,634	158,131
Securitisation exposures		42,970	42,970	10,591	-	10,591	847
Equity exposures		104	104	104	-	104	8
Defaulted exposures		1,230,023	1,209,466	1,367,283	-	1,367,283	109,383
Total for on balance sheet exposures		**118,647,932**	**115,598,466**	**80,105,144**	**118,569**	**79,986,575**	**6,398,927**
Off balance sheet exposures:							
Over the counter ("OTC") derivatives		2,146,762	1,894,237	1,031,910	-	1,031,910	82,553
Credit derivatives		14	14	7	-	7	1
Off balance sheet exposures other than OTC derivatives or credit derivatives		12,636,754	10,629,220	9,356,806	-	9,356,806	748,544
Defaulted exposures		33,620	22,056	32,934	-	32,934	2,635
Total for off balance sheet exposures		**14,817,150**	**12,545,527**	**10,421,657**	**-**	**10,421,657**	**833,733**
Total on and off balance sheet exposures		**133,465,082**	**128,143,993**	**90,526,801**	**118,569**	**90,408,232**	**7,232,660**
2. Large exposures risk requirement				113,034	-	113,034	9,043
	Long Position	**Short Position**					
3. Market risk							
Interest rate risk/rate of return risk							
- General interest rate risk/rate of return risk	115,881,468	106,761,483		2,046,901	-	2,046,901	163,752
- Specific interest rate risk/rate of return risk	9,507,958	249,711		198,149	-	198,149	15,852
Foreign currency risk	229,193	597,016		689,415	-	689,415	55,153
Equity risk							
- General risk	110,767	34,098		76,669	-	76,669	6,133
- Specific risk	110,767	34,098		137,757	-	137,757	11,021
Option risk	1,405,269	735,720		105,133	-	105,133	8,411
Total	**127,245,422**	**108,412,126**		**3,254,024**	**-**	**3,254,024**	**260,322**
4. Operational risk				**5,763,170**	**-**	**5,763,170**	**461,054**
5. Total RWA and capital requirements				**99,657,029**	**118,569**	**99,538,460**	**7,963,079**

PILLAR 3 DISCLOSURE

3.0 CAPITAL STRUCTURE

Table 3.2 summarises the capital position and capital structure of the Group and its banking subsidiaries. The capital structure is made up of:

- Common Equity Tier 1 ("CET1") Capital;
- Additional Tier 1 Capital; and
- Tier 2 Capital

3.1 CET1 CAPITAL

CET1 Capital consists of the following:

(a) Paid-up Capital
Issued and paid-up capital that represents the most subordinated claim in liquidation of the financial institution.

(b) Retained Earnings
Retained earnings are included in CET1 Capital net of any interim and final dividend declared, and net of any interim losses. Quarterly interim profits that are reviewed or audited by external auditors are included in the computation of CET1 Capital.

(c) Fair Value Reserve
The fair value reserve comprises fair value gains (net of fair value losses) on financial investments measured at FVOCI. In addition, the loss allowance arising from the recognition of expected credit losses on financial investments measured at FVOCI are accumulated in fair value reserve instead of reducing the carrying amount of the assets. To the extent the balance in the fair value reserve is a net credit position, the banking subsidiaries can recognise 45% of the balance as part of CET1 Capital. Where the balance is a net debit position, the entire balance is deducted from CET1 Capital. Before adoption of MFRS 9, the fair value gains/(losses) on financial investments measured at FVOCI was taken up in Available-For-Sale Reserve/(Deficit).

(d) Available-For-Sale Reserve/(Deficit)
Available-for-sale reserve/(deficit) is in respect of fair value gains/(losses) on financial investments available-for-sale. Where the fair value changes is a net gain outstanding balance, the banking subsidiaries can recognise 45% of the total outstanding balance as part of CET1 Capital. Where the fair value changes is a net loss outstanding balance, the entire outstanding balance is deducted in CET1 Capital.

(e) Foreign Currency Translation Reserve/(Deficit)
Foreign exchange gains and losses arise from the translation of the financial statements of foreign operations, whose functional currencies are different from that of the Group's reporting currency.

(f) Regulatory Reserve
Regulatory reserve is maintained in accordance with paragraph 10.5 of the the BNM's Policy Document on Financial Reporting and paragraph 10.9 of the the BNM's Policy Document on Financial Reporting for Islamic Banking Institutions as an additional credit risk absorbent. The amount of the regulatory reserve is deducted from the calculation of CET1 Capital.

(g) Cash Flow Hedging Reserve/(Deficit)
Cash flow hedging reserve/(deficit) comprises the portion of the gains/(losses) on a hedging instrument in a cash flow hedge that is determined to be an effective hedge. Cash flow hedging gains as at the reporting period is classified as cash flow hedging reserve and cash flow hedging losses is classified as cash flow hedging deficit. The amount of the cash flow hedging reserve/(deficit) is derecognised in the calculation of CET1 Capital.

PILLAR 3 DISCLOSURE

3.0 CAPITAL STRUCTURE (CONT'D.)

3.1 CET1 CAPITAL (CONT'D.)

(h) Other disclosed reserves comprise:

(i) Executive Share Scheme reserve

Executive Share Scheme ("ESS") reserve represents the equity-settled scheme shares granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled scheme shares and is reduced by the expiry of the scheme shares.

(ii) Shares held in trust for ESS

Shares held in trust for ESS represent shares purchased under the ESS as mentioned above.

3.2 ADDITIONAL TIER 1 CAPITAL

The amount of Additional Tier 1 ("AT1") Capital to be included in the computation of the capital adequacy ratios of the banking subsidiaries, at both the entity and consolidated level, is subject to the gradual phase-out treatment under paragraph 37 of BNM's Capital Adequacy Framework (Capital Components) guideline, as the outstanding AT1 capital instruments are non-Basel III compliant capital instruments which no longer meet the criteria for inclusion in Additional Tier 1 Capital. The amount recognised under the gradual phase-out treatment shall be the lower of the aggregate cap and the amount outstanding. As at 1 January 2013 and at present, only AmBank has AT1 Capital Instrument in issuance. Table 3.1 outlines the details of the AT1 capital instruments of AmBank as well as the application of the grandfathering provisions.

Table 3.1 AT 1 Capital Instruments of AmBank and the Gradual Phase-Out Treatment of AmBank

Based on 1 January 2013 for the Gradual Phase-out Treatment	
Instruments	**RM'000**
Non-cumulative Non-voting Guaranteed Preference Shares[1]	750,100
Innovative Tier 1 Capital - Tranche 1	300,000
Innovative Tier 1 Capital - Tranche 2	185,000
Non-Innovative Tier 1 Capital - Tranche 1[2]	200,000
Non-Innovative Tier 1 Capital - Tranche 2[3]	300,000
Total Qualifying Base	**1,735,100**

Notes:

[1] *Redeemed on the first call date 27 January 2016.*

[2] *Redeemed on the first call date 27 February 2019.*

[3] *Redeemed on the first call date 6 March 2019.*

PILLAR 3 DISCLOSURE

3.0 CAPITAL STRUCTURE (CONT'D.)

3.2 ADDITIONAL TIER 1 CAPITAL (CONT'D.)

Table 3.1 AT 1 Capital Instruments of AmBank and the Gradual Phase-Out Treatment of AmBank (Cont'd.)

Calendar year	Cap on Additional Tier 1 Capital Instruments that can be recognised in capital adequacy computation each year	
	Cap %	Cap RM'000
2013	90%	1,561,590
2014	80%	1,388,080
2015	70%	1,214,570
2016	60%	1,041,060
2017	50%	867,550
2018	40%	694,040
2019	30%	520,530
2020	20%	347,020
2021	10%	173,510
2022	0%	-

Innovative Tier 1 Capital

Innovative Tier 1 Capital comprises deeply subordinated debt instruments which despite their legal form, have loss absorbency qualities and can therefore be included as Tier 1 Capital. The Innovative Tier 1 securities in issue and their primary terms are as follows:

(a) Innovative Tier 1 Capital Securities

On 18 August 2009, AmBank issued up to 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 (interest rate is 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 tenor of 60 years from the first issue date and has a principal stock settlement mechanism to redeem the ITICS via cash through the issuance of AmBank's ordinary shares. Upon BNM's approval, AmBank 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.

(b) Non-innovative Tier 1 Capital

In the financial year 2009, AmBank issued RM500 million Non-Innovative Tier 1 Capital ("NIT1") in nominal value comprising:

(i) Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by AmBank 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 AmBank.

(collectively known as "Stapled Capital Securities").

PILLAR 3 DISCLOSURE

3.0 CAPITAL STRUCTURE (CONT'D.)

3.2 ADDITIONAL TIER 1 CAPITAL (CONT'D.)

(b) Non-innovative Tier 1 Capital (Cont'd.)

The proceeds from the NIT1 programme were used as working capital. The Stapled Capital Securities cannot be traded separately until the occurrence of certain assignment events. Upon occurrence of an assignment event, the Stapled Capital Securities will "unstaple", leaving the investors to hold only the NCPCS while ownership of the SubNotes will be assigned to AmBank pursuant to the forward purchase contract entered into by AmBank unless there is an earlier occurrence of any other events stated under the terms of the Stapled Capital Securities. If none of the assignment events as stipulated under the terms of the Stapled Capital Securities occur, the Stapled Capital Securities will unstaple on the 20th interest payment date or 10 years from the issuance date of the SubNotes.

The SubNotes have a fixed interest rate of 9.0% per annum. However, the NCPCS distribution will not begin to accrue until the SubNotes are re-assigned to AmBank as referred to above.

The NCPCS are issued in perpetuity unless redeemed under the terms of the NCPCS. The NCPCS are redeemable at the option of AmBank 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 tenor 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. They constitute unsecured and subordinated obligations of AmBank. Claims in respect of the NCPCS rank pari passu and without preference among themselves and with the most junior class of preference shares of AmBank but in priority to the rights and claims of the ordinary shareholders of AmBank. The SubNotes rank pari passu and without preference among themselves and with the most junior class of notes or preference shares of AmPremier.

On 27 February 2019 and 6 March 2019, AmBank redeemed the first and second tranches of the NIT1 capital securities respectively and had cancelled the NIT1 Capital Securities Programme on 6 March 2019.

3.3 TIER 2 CAPITAL

The main components of Tier 2 Capital are Basel III compliant subordinated debt capital instruments and Stage 1 and Stage 2 loss allowances and regulatory reserve (subject to a maximum of 1.25% of total credit risk-weighted assets determined under the Standardised Approach).

Medium Term Notes

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

The MTN Programme has a tenor 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 eligible for gradual phase-out treatment under the transitional arrangement of the Basel III accord, for recognition as Tier 2 Capital for capital adequacy calculation.

During the financial year, on the first call date of 9 April 2018, AmBank fully redeemed tranche 6 with nominal value of RM600.0 million and cancelled the programme.

PILLAR 3 DISCLOSURE

3.0 CAPITAL STRUCTURE (CONT'D.)

3.3 TIER 2 CAPITAL (CONT'D.)

Basel III Subordinated Notes

On 30 December 2013, AmBank established a Basel III compliant Subordinated Notes programme of RM4.0 billion ("Programme") to enable the issuance of Tier 2 capital instruments from time to time. The Programme has a tenure of 30 years from the date of the first issuance under the Programme. Each issuance of Tier 2 Subordinated Notes under the Programme shall have a tenure of at least 5 years from the issue date, and is callable on any coupon payment date after a minimum period of 5 years from the date of issuance.

The salient features of the Subordinated Notes issued under this programme and outstanding as at 31 March 2019 are as follows:

Issue Date	First Call Date	Tenor	Profit Rate	Nominal value outstanding (RM million)
15 March 2017	15 March 2022	10 years Non-Callable 5 years	5.20% per annum	**500**
16 October 2017	16 October 2027	10 years Non-Callable 5 years	4.90% per annum	**570**
23 February 2018	23 February 2023	10 years Non-Callable 5 years	5.23% per annum	**175**
14 March 2018	14 March 2023	10 years Non-Callable 5 years	5.23% per annum	**350**
15 November 2018	14 November 2023	10 years Non-Callable 5 years	4.98% per annum	**1,000**
Total				**2,595**

Basel III Subordinated Sukuk Murabahah

On 28 February 2014, AmBank Islamic had established a Basel III compliant Subordinated Sukuk Murabahah programme of RM3.0 billion ("Murabahah Programme") to enable the issuance of Tier 2 Capital from time to time.

The Murabahah Programme has a tenor of 30 years from the date of the first issuance under the programme. Each issuance of Tier 2 Subordinated Sukuk under the programme shall have a tenure of at least five (5) years from the issue date, and is callable on any profit payment date after a minimum period of five (5) years from the date of issuance of each tranche.

The salient features of the Sukuk Murabahah issued under this programme and outstanding as at 31 March 2019 are as follows:

Issue Date	First Call Date	Tenor	Profit Rate	Nominal value outstanding (RM million)
21 December 2015	21 December 2020	10 years Non-Callable 5 years	5.35% per annum	**250**
30 December 2016	30 December 2021	10 years Non-Callable 5 years	5.50% per annum	**10**
15 March 2017	15 March 2022	10 years Non-Callable 5 years	5.20% per annum	**240**
23 February 2018	23 February 2023	10 years Non-Callable 5 years	5.23% per annum	**150**
18 October 2018	18 October 2023	10 years Non-Callable 5 years	4.88% per annum	**500**
Total				**1,150**

PILLAR 3 DISCLOSURE

3.0 CAPITAL STRUCTURE (CONT'D.)

Table 3.2: Capital Structure

The components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group and banking subsidiaries are as follows:

	31 March 2019			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
CET1 Capital				
Ordinary share capital	1,940,465	1,387,107	200,000	5,551,557
Retained earnings	7,014,840	1,933,885	296,696	10,773,243
Fair value reserve	245,836	39,151	1,089	460,863
Foreign exchange translation reserve	85,109	-	-	94,089
Regulatory reserve	280,556	164,928	4,674	450,158
Cash flow hedging deficit	(12,074)	-	-	(12,074)
Other disclosed reserves	-	-	-	(26,188)
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(2,092,645)
Other intangible assets	(368,654)	(1,351)	(1,750)	(386,109)
Deferred tax assets	(57,589)	-	(3,051)	(53,957)
Cash flow hedging deficit	12,074	-	-	12,074
55% of cumulative fair value gains in fair value reserve	(135,210)	(21,533)	(599)	(253,475)
Regulatory reserve	(280,556)	(164,928)	(4,674)	(450,158)
Investment in ordinary shares of unconsolidated financial and insurance/takaful entities	(8,488)	-	(49,809)	(1,334,000)
CET1 Capital	**8,716,309**	**3,337,259**	**442,576**	**12,733,378**

PILLAR 3 DISCLOSURE

3.0 CAPITAL STRUCTURE (CONT'D.)

Table 3.2: Capital Structure (Cont'd.)

The components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group and banking subsidiaries are as follows: (Cont'd.)

	31 March 2019			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	485,000	-	-	-
Qualifying CET1, Additional Tier 1 capital Instruments held by third parties	-	-	-	439
Tier 1 Capital	**9,201,309**	**3,337,259**	**442,576**	**12,733,817**
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	2,595,000	1,150,000	-	-
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties (Note 1)	-	-	-	2,476,745
General provisions*	840,495	334,015	4,684	1,175,912
Tier 2 Capital	**3,435,495**	**1,484,015**	**4,684**	**3,652,657**
Total Capital	**12,636,804**	**4,821,274**	**447,260**	**16,386,474**

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

	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
Credit RWA	67,239,575	28,526,091	732,342	94,407,762
Less: Credit RWA absorbed by Profit Sharing Investment Account	-	(1,804,893)	-	(334,809)
Total Credit RWA	67,239,575	26,721,198	732,342	94,072,953
Market RWA	2,358,358	475,926	28,644	2,807,287
Operational RWA	4,037,878	1,439,025	251,510	5,880,399
Large exposure risk RWA for equity holdings	531,402	-	-	531,792
Total RWA	**74,167,213**	**28,636,149**	**1,012,496**	**103,292,431**

* *Consists of Stage 1 and Stage 2 loss allowances and regulatory reserves*

PILLAR 3 DISCLOSURE

3.0 CAPITAL STRUCTURE (CONT'D.)

Table 3.2: Capital Structure (Cont'd.)

The components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group and banking subsidiaries are as follows: (Cont'd.)

	31 March 2018			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group (Restated) RM'000
CET1 Capital				
Ordinary share capital	1,763,208	1,387,107	200,000	5,551,557
Retained earnings	6,700,583	1,632,472	474,802	9,711,873
Available-for-sale deficit	(23,518)	(5,492)	-	(54,889)
Foreign exchange translation reserve	52,974	-	-	61,600
Regulatory reserve	372,133	327,683	2,918	702,734
Cash flow hedging reserve	3,174	-	-	3,174
Other remaining disclosed reserves	-	-	-	(24,192)
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(2,092,645)
Other intangible assets	(400,376)	(1,207)	(2,137)	(422,024)
Deferred tax assets	(66,637)	-	(4,085)	(65,940)
Cash flow hedging reserve	(3,174)	-	-	(3,174)
Regulatory reserve	(372,133)	(327,683)	(2,918)	(702,734)
Investment in ordinary shares of unconsolidated financial and insurance/takaful entities	(8,488)	-	(49,809)	(1,334,000)
CET1 Capital	**8,017,746**	**3,012,880**	**618,771**	**11,331,340**

PILLAR 3 DISCLOSURE

3.0 CAPITAL STRUCTURE (CONT'D.)

Table 3.2: Capital Structure (Cont'd.)

The components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group and banking subsidiaries are as follows: (Cont'd.)

	31 March 2018			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group (Restated) RM'000
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	694,040	-	-	-
Qualifying CET1, Additional Tier 1 capital Instruments held by third parties	-	-	-	458
Tier 1 Capital	**8,711,786**	**3,012,880**	**618,771**	**11,331,798**
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion (Note 1)	1,995,000	1,000,000	-	1,425,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	600,000	-	-	-
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	-	-	-	91
Collective allowance and regulatory reserve	734,013	305,028	3,871	1,130,103
Tier 2 Capital	**3,329,013**	**1,305,028**	**3,871**	**2,555,194**
Total Capital	**12,040,799**	**4,317,908**	**622,642**	**13,886,992**

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

	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group (Restated) RM'000
Credit RWA	65,981,322	27,390,400	1,123,584	90,526,801
Less: Credit RWA absorbed by Profit Sharing Investment Account	-	(2,988,135)	-	(118,569)
Total Credit RWA	65,981,322	24,402,265	1,123,584	90,408,232
Market RWA	2,861,798	277,093	105,011	3,254,024
Operational RWA	3,973,753	1,380,469	273,498	5,763,170
Large exposure risk RWA for equity holdings	373,899	-	-	113,034
Total RWA	**73,190,772**	**26,059,827**	**1,502,093**	**99,538,460**

Note 1:
On 18 December 2018, AMMB early redeemed RM1,425 million Tier 2 Subordinates Notes, that were issued on a back-to-back arrangement with AmBank and AmBank Islamic under the Basel III RM10.0 billion Tier 2 Subordinated Notes Programme ("Programme"), and cancelled the Programme thereafter.

Post the revision of AmBank's Basel III RM4.0 billion Tier 2 Subordinated Notes Programme and AmBank Islamic's Basel III RM3.0 billion Sukuk Murabahah Programme on 19 December 2018 which incorporated the non-viability trigger event referenced to AMMB Group, the recognition of Tier 2 capital instruments issued by AmBank and AmBank Islamic at the consolidated level is subject to the treatment specified in paragraph 17.6 of Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) issued on 2 February 2018.

PILLAR 3 DISCLOSURE

4.0 GENERAL RISK MANAGEMENT

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

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

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

AmBank Group Risk Direction

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

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

Risk Management Governance

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

The Board has also established the Management Risk Committees to assist it in managing the risks and businesses of the Group. The management committees 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 project risk.

* *Profit after tax and non-controlling interests.*

PILLAR 3 DISCLOSURE

4.0 GENERAL RISK MANAGEMENT (CONT'D.)

Risk Management Governance (Cont'd.)

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

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

4.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

The core objectives of the Group's Internal Capital Adequacy Assessment Process ("ICAAP") Policy are:

- To protect the interests of depositors, creditors and shareholders;
- To ensure the safety and soundness of the Group's capital position; and
- To ensure that the capital base supports the Group's Risk Appetite, and strategic business objectives, in an efficient and effective manner.

The requirements of the ICAAP Policy are consistent and calibrated with Group's Risk Appetite as set and approved by the Board.

The following key principles underpin the ICAAP:

4.1.1 The Group shall maintain an approved, documented, risk based and auditable ICAAP. The aim is to ensure the Group maintains, on a continuous basis, an adequate level of capitalisation which is sized following the identification, measurement, monitoring, and effective management and oversight of material risks across the Group, consistent with:

- The Group Risk Appetite, including the Group's target credit rating;
- Regulatory Capital requirements; and
- The Board and Management's targeted financial performance; and
- The Group's planned asset growth and strategic business objectives.

4.1.2 Management Oversight

The ICAAP must be subject to Board and senior management oversight, and forms an integral part of the Group's capital management and decision making processes, and will:

- Undergo regular, effective and comprehensive review;
- Satisfy regulatory requirements;
- Be capable of independent assessment and validation; and
- Be incorporated into the Group's overall risk management strategy and governance frameworks.

PILLAR 3 DISCLOSURE

4.0 GENERAL RISK MANAGEMENT (CONT'D.)

4.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (CONT'D.)

The following key principles underpin the ICAAP: (Cont'd.)

4.1.3 Capital Management Policy

The ICAAP shall include an approved Capital Management Policy which contains:

- A strategy for maintaining capital resources over time;
- Measures that would be taken in the event capital falls below a targeted level; and
- Measures to ensure that the Group is in compliance with minimum regulatory standards.

4.1.4 The Group's quality and level of capital shall commensurate with the level of risks exposures. Sufficient capital shall be maintained to:

- Meet minimum prudential requirements (including capital buffer requirements) in all jurisdictions in which the the Group operates, and any requirements that may be imposed by the stakeholders of the Group; and
- Be consistent with the Group's overall risk profile and financial positions, taking into account its strategic focus and business plan.

The Group will have appropriately established capital targets for each major capital type; including:

- minimums;
- triggers; and
- target operating ranges.

4.1.5 Capital allocation:

- Capital allocation shall be consistent with Group's regulatory capital measurement framework and risk adjusted performance requirements.

4.1.6 Material Risks

- The Group shall clearly articulate definitions of each material risk type to be included in the ICAAP; and
- Processes to identify and determine the materiality of current risk types, changes to existing risk types and new risk types.

4.1.7 The Board shall be notified and the regulator advised as soon as practicable of any:

- Significant departure from its ICAAP;
- Concerns that the Board has about its capital adequacy along with proposed measures to address those concerns; and
- Significant changes in its capital.

PILLAR 3 DISCLOSURE

4.0 GENERAL RISK MANAGEMENT (CONT'D.)

4.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (CONT'D.)

ICAAP Framework

Requirements of the Banks

Principal 1:
- Banks have an ICAAP in relation to their risk profile and a strategy for maintaining capital levels

Principal 3:
- Banks are expected to operate above the minimum regulatory capital ratios and should have the ability to hold capital in excess of the minimum

Requirements of the Regulator

Principal 2:
- Regulators to review and evaluate the Bank's ICAAP strategies
- Regulators to monitor and ensure Bank's compliance with regulatory capital ratios
- Regulators undertake appropriate supervisory action if unsatisfactory results

Principal 4:
- Early intervention by the Regulator to prevent capital from falling below the required minimum levels

Internal Capital Adequacy Assessment Process

Board and Management Oversight
- Material Risks identified
- Material thresholds
- Group Risk Appetite
- Sufficient Capital Adequacy
- Targeted Financial Performance
- Planned Asset Growth & Strategic business objectives
- Policy/Frameworks

Sound Capital Assessment
- Identification, Measurement and Reporting of Material Risks
- Stressed Plans
- Compliance with minimum regulatory standards
- Clear linkage between risks and capital
- Capital Plan

Comprehensive Risk Assessment and Management Processes
- Credit Risk
- Market Risk
- Operational Risk
- Credit Residual Risk
- Rate Risk in the Banking Book
- Credit Concentration Risk
- Goodwill Risk
- Liquidity & Funding Risk
- Contagion Risk
- Business/Strategic Risk
- Reputation Risk
- Shariah Risk

Monitoring and Reporting
- Level and Trend of Material Risks
- Sensitivity Analysis of key assumptions
- Regulatory Reporting to Board and Senior Management

Internal Control and Review
- Independent reviews of ICAAP (internal and external audit)
- Ongoing compliance monitoring
- Stress Testing
- Documented processes/ frameworks

PILLAR 3 DISCLOSURE

4.0 GENERAL RISK MANAGEMENT (CONT'D.)

4.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (CONT'D.)

Overview of ICAAP process and setting Internal Capital Targets

5.0 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 • Non-Retail Pricing and Risk-based pricing for Retail • Collateral and tailored facility structures
Monitoring/Review	• Monitor and report portfolio mix • Review Classified Accounts • Review Rescheduled and Restructured Accounts • Undertake post mortem credit review

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

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

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

PILLAR 3 DISCLOSURE

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

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

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

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

Lending/financing activities are guided by internal credit policies and Risk Appetite Framework that are approved by the Board of Directors. 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/Financing to Value limits for asset backed loans/financing (i.e., property exposures and other collateral);
- Non-Retail Credit Policy ("NRCP") sets out the credit principles and managing credit risk in the Wholesale Banking ("WB") and Business Banking ("BB") portfolios;
- Classified Account processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers;
- Rescheduled and Restructured ("R&R") Account Management (embedded within the NRCP for WB and BB) sets out the controls in managing R&R loans/financing pursuant to the BNM's revised policy documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions; and
- Setting Non-Retail Pricing Guidelines which serve as a guide to the minimum returns the Group requires for the risk undertaken, taking into account operating expenses and cost of capital.

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

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

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

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

PILLAR 3 DISCLOSURE

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

5.1 IMPAIRMENT

5.1.1 Definition of Past Due and Impaired Loans, Advances, Financing and Debt Instruments

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

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

(a) when the principal or interest/profit 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/financing where repayments are scheduled on intervals of 3 months or longer, the loan/financing 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/financing may also be classified as impaired:

i. if it is probable that the Group 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/financing obligation of a customer triggers a default of another loan/financing obligation of the same customer or
- a default of a loan/financing obligation of a customer triggers a default of a loan/financing obligation of other customers within the same customer group.

The Watchlist & Classification Committee ("WACC") is allowed to waive the declaration of cross-default across all accounts of the same customer or accounts of all customers within the same customer group.
or
iii. if deemed appropriate by the WACC or CACC.

(e) debt instruments (for example, corporate bond and sukuk, debt converted instruments 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 Deed Guidelines issued by the Securities Commission of Malaysia); or
iii. where it is deemed appropriate to classify as impaired and approved by the WACC.

[1] *For credit card facilities, an account is "past due" when the card member fails to settle the minimum monthly repayment due before the next billing date.*
[2] *Material obligation as determined by Management. Current "material" threshold is set at more than RM200.00.*
[3] *Administrative defaults include cases where exposures become overdue because of oversight on the part of the obligor and/or the banking institution. Instances of administrative defaults may be excluded from the historical default count, subject to appropriate policies and procedures established by the banking institution to evaluate and approve such cases.*
[4] *In cases where the bond/sukuk holdings are not governed by a Trust Deed, the Facility Agent may declare, if so requested in writing by the bond/sukuk holders by way of Special Resolution that an EOD has occurred (subject to the Agency Agreement between issuers and facility agent), notwithstanding the stated maturity of the bond/sukuk.*

PILLAR 3 DISCLOSURE

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

5.1 IMPAIRMENT(CONT'D.)

5.1.1 Definition of Past Due and Impaired Loans, Advances, Financing and Debt Instruments (Cont'd.)

(f) in the case of stock broking and futures broking:

i. for margin loan/financing, the account is impaired after 7 days when there is shortfall to market value i.e. the collateral value is lower than the outstanding balance.
ii. for futures business, the account is impaired when the overlosses are not remedied within 30 days and are not secured against dealer's retention funds.

(g) the loan/financing is deemed impaired when it is classified as rescheduled or restructured ("R&R") in the Central Credit Reference Information System ("CCRIS").

5.1.2 Group Provisioning Methodology

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

MFRS 9 provisioning applies to all financial assets classified as amortised cost and FVOCI, lease receivables, trade receivables, and commitments to lend money and financial guarantee contracts.

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

i. Stage 1: For performing financial instruments which credit risk not been significantly increased since initial recognition.
ii. Stage 2: For underperforming financial instruments which credit risk have significantly increased since initial recognition.
iii. Stage 3: For financial instruments which are credit impaired.

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

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

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.1: Distribution of gross credit exposures by sector

The distribution of credit exposures by sector of the group is as follows:

	31 March 2019														
	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale and Retail Trade and Hotels and Restaurants RM'000	Transport, Storage and Communication RM'000	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
On balance sheet exposures															
Sovereigns/Central banks	-	-	-	-	-	-	-	-	15,668,440	-	-	-	-	-	15,668,440
PSEs	-	-	-	-	-	-	-	-	43,788	-	-	-	-	-	43,788
Banks, DFIs and MDBs	-	-	-	-	-	-	-	7,720,202	-	-	-	-	-	-	7,720,202
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	30,040	-	-	-	-	-	-	30,040
Corporates	3,350,306	1,619,875	11,069,648	1,228,445	6,915,036	5,591,979	5,107,688	4,900,644	-	9,181,958	3,086,705	3,527,010	2,009,367	955	57,589,616
Regulatory retail	64,270	14,053	455,978	35,901	340,318	831,428	187,356	7,954	-	101,270	347,041	79,979	33,680,255	3,267	36,149,070
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	19,224,228	-	19,224,228
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	19,528	525,221	544,749
Other assets	-	-	-	-	-	-	-	78,303	-	-	29,614	-	62,192	1,771,128	1,941,237
Securitisation exposures	-	-	-	-	-	-	-	20,757	-	-	-	-	-	-	20,757
Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	76	76
Defaulted exposures	615	68,586	128,309	26	13,667	51,577	65,875	-	-	405,396	12,141	8,136	530,922	427	1,285,677
Total for on balance sheet exposures	**3,415,191**	**1,702,514**	**11,653,935**	**1,264,372**	**7,269,021**	**6,474,984**	**5,360,919**	**12,757,900**	**15,712,228**	**9,688,624**	**3,475,501**	**3,615,125**	**55,526,492**	**2,301,074**	**140,217,880**
Off balance sheet exposures															
OTC derivatives	11,720	18,700	96,586	42	-	5,233	388,192	1,305,970	-	5,555	5,380	11,897	7,616	-	1,856,891
Credit derivatives	-	-	-	-	-	-	-	16	-	-	-	-	-	-	16
Off balance sheet exposures other than OTC derivatives or Credit derivatives	210,864	622,375	2,454,555	352,675	3,115,198	948,064	487,543	370,950	-	714,491	379,762	131,153	2,313,560	660	12,101,850
Defaulted exposures	-	110	10,458	-	2,128	498	-	-	-	9,920	293	-	12,250	-	35,657
Total for off balance sheet exposures	**222,584**	**641,185**	**2,561,599**	**352,717**	**3,117,326**	**953,795**	**875,735**	**1,676,936**	**-**	**729,966**	**385,435**	**143,050**	**2,333,426**	**660**	**13,994,414**
Total on and off balance sheet exposures	**3,637,775**	**2,343,699**	**14,215,534**	**1,617,089**	**10,386,347**	**7,428,779**	**6,236,654**	**14,434,836**	**15,712,228**	**10,418,590**	**3,860,936**	**3,758,175**	**57,859,918**	**2,301,734**	**154,212,294**

PILLAR 3 DISCLOSURE

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.1: Distribution of gross credit exposures by sector

The distribution of credit exposures by sector of the Group is as follows: (Cont'd.)

	31 March 2018 (Restated)														
	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale and Retail Trade and Hotels and Restaurants RM'000	Transport, Storage and Communication RM'000	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
On balance sheet exposures															
Sovereigns/Central banks	-	-	-	-	-	-	-	-	5,304,410	-	-	-	-	-	5,304,410
PSEs	-	-	-	-	-	-	-	-	40,802	-	-	-	-	-	40,802
Banks, DFIs and MDBs	-	-	-	-	-	-	-	5,396,792	-	-	-	-	-	-	5,396,792
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	9,775	-	-	-	-	-	-	9,775
Corporates	3,321,999	2,749,685	9,982,711	1,425,415	6,332,719	5,517,113	2,951,188	4,487,579	-	8,574,959	1,471,551	2,993,221	1,589,291	247,793	51,645,224
Regulatory retail	37,342	7,796	221,944	7,853	114,930	252,460	39,619	3,836	-	84,138	102,108	104,831	34,595,167	28,776	35,600,800
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	16,882,162	-	16,882,162
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	19,510	143,287	162,797
Other assets	-	22	-	-	-	-	-	110,566	-	-	58,891	-	43,261	2,119,333	2,332,073
Securitisation exposures	-	-	-	-	-	-	-	20,822	-	22,148	-	-	-	-	42,970
Equity exposures	-	-	7	-	-	-	-	-	-	-	-	-	-	97	104
Defaulted exposures	762	78,766	55,381	1	21,523	31,868	70,218	-	-	432,193	16,157	20,157	502,264	733	1,230,023
Total for on balance sheet exposures	**3,360,103**	**2,836,269**	**10,260,043**	**1,433,269**	**6,469,172**	**5,801,441**	**3,061,025**	**10,029,370**	**5,345,212**	**9,113,438**	**1,648,707**	**3,118,209**	**53,631,655**	**2,540,019**	**118,647,932**
Off balance sheet exposures															
OTC derivatives	15,539	200,580	135,598	-	1,487	12,858	64,914	1,632,284	-	6,286	8,928	59,384	8,576	328	2,146,762
Credit derivatives	-	-	-	-	-	-	-	14	-	-	-	-	-	-	14
Off balance sheet exposures other than OTC derivatives or Credit derivatives	263,425	617,333	2,099,661	306,208	3,258,899	973,473	514,470	232,711	-	945,251	335,336	243,801	2,840,593	5,593	12,636,754
Defaulted exposures	-	57	1,837	-	4,577	415	188	-	-	13,995	398	-	12,072	81	33,620
Total for off balance sheet exposures	**278,964**	**817,970**	**2,237,096**	**306,208**	**3,264,963**	**986,746**	**579,572**	**1,865,009**	**-**	**965,532**	**344,662**	**303,185**	**2,861,241**	**6,002**	**14,817,150**
Total on and off balance sheet exposures	**3,639,067**	**3,654,239**	**12,497,139**	**1,739,477**	**9,734,135**	**6,788,187**	**3,640,597**	**11,894,379**	**5,345,212**	**10,078,970**	**1,993,369**	**3,421,394**	**56,492,896**	**2,546,021**	**133,465,082**

PILLAR 3 DISCLOSURE

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.2: Impaired and past due loans, advances and financing, Individual and collective allowances by sector

The impaired and past due loans, advances and financing, individual and collective allowances, charges for individual impairment allowances and write offs during the financial year by sector of the Group is as follows:

	31 March 2019														
	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale and Retail Trade and Hotels and Restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Not allocated RM'000	Total RM'000
Impaired loans, advances and financing	549	78,910	164,196	140	23,340	57,184	73,801	1	538,642	12,110	13,397	656,191	2,201	-	1,620,662
Past due loans/financing	9,039	77,250	219,754	572	223,304	121,275	104,059	9,824	580,841	79,182	40,537	9,624,174	9,349	-	11,099,160
Allowances for Expected Credit Losses	8,789	25,088	37,453	2,319	27,532	40,301	23,531	16,640	295,349	8,431	452,382	316,595	49,370	(3,309)	1,300,471
Charges/(writeback) for individual allowance	-	12,562	53,034	147	7,455	32,153	5,375	-	(67,703)	2,479	3,000	(3,013)	-	-	45,489
Write-offs against individual allowance and other movements	-	11,365	6,244	7,177	12,202	32,607	2,373	-	29,632	741	5,961	-	-	-	108,302

	31 March 2018 (Restated)														
	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale and Retail Trade and Hotels and Restaurants RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Not allocated RM'000	Total RM'000
Impaired loans, advances and financing	836	86,517	83,010	7,140	46,033	43,944	85,956	-	599,355	11,823	24,192	647,234	2,365	-	1,638,405
Past due loans/financing	16,397	79,036	141,431	2,091	98,030	103,068	114,220	267	442,947	47,889	37,830	9,946,571	4,375	-	11,034,152
Individual allowance	-	7,707	11,395	7,030	4,201	4,283	3,603	-	160,182	2,802	3,140	4,139	-	-	208,482
Collective allowance	7,976	5,446	47,715	2,254	31,820	23,897	15,828	22,486	29,358	10,395	3,965	476,132	56,552	954	734,778
Charges/(writeback) for individual allowance	-	16,003	39,085	16,148	415	10,199	3,282	-	15,403	(456)	3,140	1,932	-	-	105,151
Write-offs against individual allowance and other movements	-	38,367	81,856	14,557	-	6,518	398	-	9,163	-	-	4,807	-	-	155,666

PILLAR 3 DISCLOSURE

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.3: Geographical distribution of credit exposures

The geographic distribution of credit exposures of the Group is as follows:

	31 March 2019		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On balance sheet exposures			
Sovereigns/Central banks	15,668,440	-	15,668,440
PSEs	43,788	-	43,788
Banks, DFIs and MDBs	5,084,995	2,635,207	7,720,202
Insurance companies, Securities firms and Fund managers	30,040	-	30,040
Corporates	57,264,870	324,746	57,589,616
Regulatory retail	36,149,070	-	36,149,070
Residential mortgages	19,224,228	-	19,224,228
Higher risk assets	544,738	11	544,749
Other assets	1,788,211	153,026	1,941,237
Securitisation exposures	20,757	-	20,757
Equity exposures	76	-	76
Defaulted exposures	1,235,913	49,764	1,285,677
Total for on balance sheet exposures	**137,055,126**	**3,162,754**	**140,217,880**
Off balance sheet exposures			
OTC derivatives	1,618,718	238,173	1,856,891
Credit derivatives	-	16	16
Off balance sheet exposures other than OTC derivatives or Credit derivatives	12,026,859	74,991	12,101,850
Defaulted exposures	35,657	-	35,657
Total for off balance sheet exposures	**13,681,234**	**313,180**	**13,994,414**
Total on and off balance sheet exposures	**150,736,360**	**3,475,934**	**154,212,294**

PILLAR 3 DISCLOSURE

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.3: Geographical distribution of credit exposures (Cont'd.)

The geographic distribution of credit exposures of the Group is as follows: (Cont'd)

	31 March 2018 (Restated)		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On balance sheet exposures			
Sovereigns/Central banks	5,236,357	68,053	5,304,410
Public Sector Entities	40,802	-	40,802
Banks, DFIs and MDBs	4,175,093	1,221,699	5,396,792
Insurance companies, Securities firms and Fund managers	9,775	-	9,775
Corporates	51,322,703	322,521	51,645,224
Regulatory retail	35,600,800	-	35,600,800
Residential mortgages	16,882,162	-	16,882,162
Higher risk assets	162,756	41	162,797
Other assets	2,215,138	116,935	2,332,073
Securitisation exposures	42,970	-	42,970
Equity exposures	104	-	104
Defaulted exposures	1,171,073	58,950	1,230,023
Total for on balance sheet exposures	**116,859,733**	**1,788,199**	**118,647,932**
Off balance sheet exposures			
OTC derivatives	1,937,905	208,857	2,146,762
Credit derivatives	-	14	14
Off balance sheet exposures other than OTC derivatives or Credit derivatives	12,565,011	71,743	12,636,754
Defaulted exposures	33,620	-	33,620
Total for off balance sheet exposures	**14,536,536**	**280,614**	**14,817,150**
Total on and off balance sheet exposures	**131,396,269**	**2,068,813**	**133,465,082**

PILLAR 3 DISCLOSURE

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.4: Geographical distribution of impaired and past due loans, advances and financing and impairment allowances

The impaired and past due loans, advances and financing and impairment allowances by geographic distribution of the Group is as follows:

	31 March 2019		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances and financing	1,562,438	58,224	1,620,662
Past due loans/financing	11,040,936	58,224	11,099,160
Allowances for Expected Credit Losses	1,289,302	11,169	1,300,471

	31 March 2018 (Restated)		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances and financing	1,579,455	58,950	1,638,405
Past due loans/financing	10,975,202	58,950	11,034,152
Individual allowance	208,482	-	208,482
Collective allowance	732,818	1,960	734,778

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.5: Residual contractual maturity by major types of credit exposure

The residual contractual maturity by major types of gross credit exposures of the Group is as follows:

	31 March 2019								
	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 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	Total RM'000
On balance sheet exposures									
Sovereigns/central banks	3,782,747	2,705,294	-	1,661,461	2,280,921	614,130	4,623,887	-	15,668,440
PSEs	-	-	25	40,588	11	-	3,164	-	43,788
Banks, DFIs and MDBs	6,079,122	624,837	173,343	44,368	127,069	256,152	415,311	-	7,720,202
Insurance companies, Securities firms and Fund managers	-	-	-	-	30,040	-	-	-	30,040
Corporates	16,731,563	5,522,875	3,487,877	3,005,053	8,166,667	5,048,600	15,626,981	-	57,589,616
Regulatory retail	87,139	68,258	121,170	370,129	3,912,883	5,848,199	25,741,292	-	36,149,070
Residential mortgages	598	476	1,188	4,649	62,868	145,028	19,009,421	-	19,224,228
Higher risk assets	92	22	93	21	604	605	18,091	525,221	544,749
Other assets	1,012,054	371	17,796	-	-	-	-	911,016	1,941,237
Securitisation exposures	-	-	-	-	-	-	20,757	-	20,757
Equity exposures	-	-	-	-	-	-	-	76	76
Defaulted exposures	560,258	3,888	5,308	28,734	93,488	62,553	531,448	-	1,285,677
Total for on balance sheet exposures	**28,253,573**	**8,926,021**	**3,806,800**	**5,155,003**	**14,674,551**	**11,975,267**	**65,990,352**	**1,436,313**	**140,217,880**
Off balance sheet exposures									
OTC derivatives	44,673	48,825	93,900	96,685	140,089	191,333	1,241,386	-	1,856,891
Credit derivatives	-	-	-	-	16	-	-	-	16
Off balance sheet exposures other than OTC derivatives or Credit derivatives	1,536,235	704,230	909,800	1,903,853	2,429,588	688,792	3,929,352	-	12,101,850
Defaulted exposures	8,681	1,506	7,891	1,534	4,798	1,306	9,941	-	35,657
Total for off balance sheet exposures	**1,589,589**	**754,561**	**1,011,591**	**2,002,072**	**2,574,491**	**881,431**	**5,180,679**	**-**	**13,994,414**
Total on and off balance sheet exposures	**29,843,162**	**9,680,582**	**4,818,391**	**7,157,075**	**17,249,042**	**12,856,698**	**71,171,031**	**1,436,313**	**154,212,294**

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5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.5: Residual contractual maturity by major types of credit exposure (Cont'd.)

The residual contractual maturity by major types of gross credit exposures of the Group is as follows: (Cont'd.)

	31 March 2018 (Restated)								
	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 3 years RM'000	>3 years to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	Total RM'000
On balance sheet exposures									
Sovereigns/central banks	1,560,377	-	-	-	35,248	69,780	3,639,005	-	5,304,410
PSEs	-	11	29	59	40,612	-	91	-	40,802
Banks, DFIs and MDBs	3,643,378	1,241,301	98,640	-	178,391	54,610	180,472	-	5,396,792
Insurance companies, Securities firms and Fund managers	-	-	3,082	-	-	-	6,693	-	9,775
Corporates	16,216,877	4,406,381	2,090,691	1,649,626	6,861,750	4,529,218	15,890,681	-	51,645,224
Regulatory retail	80,102	50,637	120,026	408,346	3,151,598	7,212,180	24,577,911	-	35,600,800
Residential mortgages	613	426	1,056	4,042	59,838	139,376	16,676,811	-	16,882,162
Higher risk assets	2	-	40	111	362	783	18,212	143,287	162,797
Other assets	1,171,029	327	504	1,057	18,349	-	-	1,140,807	2,332,073
Securitisation exposures	-	-	-	-	-	-	42,970	-	42,970
Equity exposures	-	-	-	-	-	-	7	97	104
Defaulted exposures	456,662	4,505	15,874	11,667	120,422	125,789	495,104	-	1,230,023
Total for on balance sheet exposures	**23,129,040**	**5,703,588**	**2,329,942**	**2,074,908**	**10,466,570**	**12,131,736**	**61,527,957**	**1,284,191**	**118,647,932**
Off balance sheet exposures									
OTC derivatives	70,116	90,146	58,409	206,455	169,243	209,511	1,342,882	-	2,146,762
Credit derivatives	-	-	-	-	-	14	-	-	14
Off balance sheet exposures other than OTC derivatives or Credit derivatives	1,575,895	747,974	764,625	1,858,896	1,949,375	1,094,213	4,645,776	-	12,636,754
Defaulted exposures	2,036	983	7,903	2,222	5,373	1,882	13,221	-	33,620
Total for off balance sheet exposures	**1,648,047**	**839,103**	**830,937**	**2,067,573**	**2,123,991**	**1,305,620**	**6,001,879**	**-**	**14,817,150**
Total on and off balance sheet exposures	**24,777,087**	**6,542,691**	**3,160,879**	**4,142,481**	**12,590,561**	**13,437,356**	**67,529,836**	**1,284,191**	**133,465,082**

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5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.6: Reconciliation of changes to loans/financing impairment allowances

The disclosure on reconciliation of loan loss allowances can be found in Note 16 of the annual financial statements. Charge offs and recoveries that have been taken up directly to the statement of profit or loss are as follows:

31 March 2019	(Charge off)/ recoveries RM'000
Bad debts written off during the financial year	(107,990)
Bad debt recoveries during the financial year	945,390

31 March 2018	(Charge off)/ recoveries RM'000
Bad debts written off during the financial year	(118,242)
Bad debt recoveries during the financial year	569,675

6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH

The ratings by the following External Credit Assessment Institutions ("ECAIs") are used by the Group to assign risk-weights for sovereign banking institutions, corporates and securitisations, where applicable, in accordance with the Capital Adequacy Framework (Basel II - Risk-Weighted Assets):

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

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6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH (CONT'D.)

Table 6.1: Credit exposures by risk weights under the Standardised Approach

The breakdown of credit risk exposures by risk weights of the Group is as follows:

31 March 2019													
	Exposures after netting and credit risk mitigation												
Risk weights	Sovereigns and Central banks RM'000	PSEs RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities firms and Fund managers RM'000	Corporates RM'000	Regulatory retail RM'000	Residental mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Securitisation exposures RM'000	Equity exposures RM'000	Total Exposures after Netting and CRM RM'000	Total Risk Weighted Assets RM'000
0%	11,417,003	-	55,713	-	5,155,601	-	-	-	312,521	-	-	16,940,838	-
20%	-	43,788	7,317,210	-	6,539,887	767,962	-	-	109,583	20,661	-	14,799,091	2,959,818
35%	-	-	-	-	-	-	15,004,698	-	-	-	-	15,004,698	5,251,644
50%	-	-	548,107	-	714,385	27,680	4,375,746	-	-	-	-	5,665,918	2,832,959
75%	-	-	-	-	-	28,278,396	-	-	-	-	-	28,278,396	21,208,797
100%	-	-	-	35,814	50,912,875	7,962,498	47,870	-	1,519,133	-	76	60,478,266	60,478,266
150%	-	-	-	-	417,626	136,533	-	562,560	-	-	-	1,116,719	1,675,079
1250%	-	-	-	-	-	-	-	-	-	96	-	96	1,199
Total	**11,417,003**	**43,788**	**7,921,030**	**35,814**	**63,740,374**	**37,173,069**	**19,428,314**	**562,560**	**1,941,237**	**20,757**	**76**	**142,284,022**	**94,407,762**

31 March 2018(Restated)													
	Exposures after netting and credit risk mitigation												
Risk weights	Sovereigns and Central banks RM'000	PSEs RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities firms and Fund managers RM'000	Corporates RM'000	Regulatory retail RM'000	Residental mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Securitisation exposures RM'000	Equity exposures RM'000	Total Exposures after Netting and CRM RM'000	Total Risk Weighted Assets RM'000
0%	5,304,410	-	24,871	-	4,569,972	-	-	-	334,307	-	-	10,233,560	-
20%	19,532	40,802	6,418,941	-	4,692,276	154,578	-	-	26,416	42,808	-	11,395,353	2,279,071
35%	-	-	-	-	-	-	13,908,049	-	-	-	-	13,908,049	4,867,817
50%	-	-	227,662	-	330,707	26,563	3,126,427	-	-	-	-	3,711,359	1,855,680
75%	-	-	-	-	-	31,481,241	-	-	-	-	-	31,481,241	23,610,931
100%	-	-	-	9,794	48,624,700	5,748,034	66,278	-	1,971,350	-	104	56,420,260	56,420,260
150%	-	-	-	-	685,108	127,505	-	181,396	-	-	-	994,009	1,491,013
1250%	-	-	-	-	-	-	-	-	-	162	-	162	2,029
Total	**5,323,942**	**40,802**	**6,671,474**	**9,794**	**58,902,763**	**37,537,921**	**17,100,754**	**181,396**	**2,332,073**	**42,970**	**104**	**128,143,993**	**90,526,801**

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6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH (CONT'D.)

Table 6.2: Rated Exposures according to Ratings by ECAIs

Group	31 March 2019					
	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Credit exposures (using corporate risk weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	43,788	40,588	-	-	-	3,200
Insurance companies, Securities firms and Fund managers	35,814	-	-	-	-	35,814
Corporates	68,710,148	5,444,275	1,538,878	-	-	61,726,995
Total	**68,789,750**	**5,484,863**	**1,538,878**	**-**	**-**	**61,766,009**

Group	31 March 2018 (Restated)					
	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Credit exposures (using corporate risk weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	40,902	40,483	-	-	-	419
Insurance companies, Securities firms and Fund managers	9,794	-	-	-	-	9,794
Corporates	63,004,219	3,383,447	1,085,839	-	-	58,534,933
Total	**63,054,915**	**3,423,930**	**1,085,839**	**-**	**-**	**58,545,146**

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6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH (CONT'D.)

Table 6.2: Rated Exposures according to Ratings by ECAIs (Cont'd.)

Group	31 March 2019					
	Ratings of Sovereigns and Central Banks by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Sovereigns and Central banks	15,668,440	-	15,668,440	-	-	-
Total	**15,668,440**	**-**	**15,668,440**	**-**	**-**	**-**

Group	31 March 2018 (Restated)					
	Ratings of Sovereigns and Central Banks by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Sovereigns and Central banks	5,323,942	68,053	5,255,889	-	-	-
Total	**5,323,942**	**68,053**	**5,255,889**	**-**	**-**	**-**

Group	31 March 2019					
	Ratings of Banking Institutions by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, DFIs and MDBs	9,067,681	4,131,919	3,166,806	832,512	435	936,009
Total	**9,067,681**	**4,131,919**	**3,166,806**	**832,512**	**435**	**936,009**

Group	31 March 2018 (Restated)					
	Ratings of Banking Institutions by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
Exposure class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, DFIs and MDBs	6,870,090	2,070,405	1,868,167	481,047	230	2,450,241
Total	**6,870,090**	**2,070,405**	**1,868,167**	**481,047**	**230**	**2,450,241**

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6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH (CONT'D.)

Table 6.3: Securitisation according to Ratings by ECAIs

	31 March 2019			
	Ratings of Securitisation by Approved ECAIs			
	Moody's	Aaa to Aa3	A1 to A3	Unrated
	S&P	AAA to AA-	A+ to A-	Unrated
	Fitch	AAA to AA-	A+ to A-	Unrated
Group	RAM	AAA to AA3	A1 to A3	Unrated
	MARC	AAA to AA-	A+ to A-	Unrated
Exposure class	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures				
Securitisation exposures	20,757	20,661	-	96
Total	**20,757**	**20,661**	**-**	**96**

	31 March 2018 (Restated)			
	Ratings of Securitisation by Approved ECAIs			
	Moody's	Aaa to Aa3	A1 to A3	Unrated
	S&P	AAA to AA-	A+ to A-	Unrated
	Fitch	AAA to AA-	A+ to A-	Unrated
Group	RAM	AAA to AA3	A1 to A3	Unrated
	MARC	AAA to AA-	A+ to A-	Unrated
Exposure class	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures				
Securitisation exposures	42,970	42,808	-	162
Total	**42,970**	**42,808**	**-**	**162**

7.0 CREDIT RISK MITIGATION

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, sukuks, convertible bonds and marketable securities;
- Non-exchange traded debt securities/sukuks;
- 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.

In the case of the Group's Islamic Banking operations, only Shariah approved assets can be accepted as permissible collateral.

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7.0 CREDIT RISK MITIGATION (CONT'D.)

Main types of collateral taken by the Group (Cont'd.)

In addition to rating customer's PD 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.

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 supported by collateral.

The Group Collateral Policy 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/financing 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/customer, where borrower's/customer'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, banks 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/customer 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/financing is extended, amortisation schedules and loan/financing covenants. These assist in managing credit risk and in providing early warning signals, whereby should loan/financing covenants be breached, the Group and the customer/borrower can work together to address the underlying causes and as appropriate, restructure facilities.

Concentrations of credit risk mitigation

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

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

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7.0 CREDIT RISK MITIGATION (CONT'D.)

Table 7.1: Credit Risk Mitigation

The exposures and eligible guarantees, credit derivatives and collateral of the Group are as follows:

	31 March 2019		
Exposures	Exposures before CRM RM'000	Exposures covered by Guarantees RM'000	Exposures covered by Eligible Financial Collateral RM'000
Credit risk			
On balance sheet exposures			
Sovereigns/Central banks	15,668,440	-	4,476,942
PSEs	43,788	-	-
Banks, DFIs And MDBs	7,720,202	-	1,121,356
Insurance companies, Securities firms and Fund managers	30,040	-	-
Corporates	57,589,616	921,932	4,957,523
Regulatory retail	36,149,070	751,201	1,891,007
Residential mortgages	19,224,228	-	42,007
Higher risk assets	544,749	-	100
Other assets	1,941,237	-	-
Securitisation exposures	20,757	-	-
Equity exposures	76	-	-
Defaulted exposures	1,285,677	20,836	128,802
Total for on balance sheet exposures	**140,217,880**	**1,693,969**	**12,617,737**
Off balance sheet exposures			
OTC derivatives	1,856,891	-	310,019
Credit derivatives	16	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	12,101,850	205,061	2,849,696
Defaulted exposures	35,657	-	17,843
Total for off balance sheet exposures	**13,994,414**	**205,061**	**3,177,558**
Total on and off balance sheet exposures	**154,212,294**	**1,899,030**	**15,795,295**

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7.0 CREDIT RISK MITIGATION (CONT'D.)

Table 7.1: Credit Risk Mitigation (Cont'd.)

The exposures and eligible guarantees, credit derivatives and collateral of the Group are as follows: (Cont'd)

	31 March 2018 (Restated)		
Exposures	Exposures before CRM RM'000	Exposures covered by Guarantees RM'000	Exposures covered by Eligible Financial Collateral RM'000
Credit risk			
On balance sheet exposures			
Sovereigns/Central banks	5,304,410	-	-
PSEs	40,802	-	-
Banks, DFIs And MDBs	5,396,792	-	-
Insurance companies, Securities firms and Fund managers	9,775	-	-
Corporates	51,645,224	1,045,712	4,141,934
Regulatory retail	35,600,800	152,995	1,209,929
Residential mortgages	16,882,162	-	71,659
Higher risk assets	162,797	-	118
Other assets	2,332,073	-	-
Securitisation exposures	42,970	-	-
Equity exposures	104	-	-
Defaulted exposures	1,230,023	11,798	202,410
Total for on balance sheet exposures	**118,647,932**	**1,210,505**	**5,626,050**
Off balance sheet exposures			
OTC derivatives	2,146,762	-	718,631
Credit derivatives	14	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	12,636,754	220,328	2,856,571
Defaulted exposures	33,620	-	11,984
Total for off balance sheet exposures	**14,817,150**	**220,328**	**3,587,186**
Total on and off balance sheet exposures	**133,465,082**	**1,430,833**	**9,213,236**

PILLAR 3 DISCLOSURE

8.0 OFF BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK

8.1 OFF BALANCE SHEET EXPOSURES

The Group off balance sheet exposures consist of 3 main categories as follows:

(1) Credit related exposures, e.g. guarantees given on behalf of customers, certain transaction-related contingent items, obligation under underwriting agreement, short term self liquidating trade-related contingencies, irrevocable commitment to extend credit and unutilised credit card line.

(2) Derivative Financial Instruments, e.g. forward exchange contracts (forward exchange contracts and cross currency swaps), interest/profit rate related contracts (interest/profit rates futures and interest/profit rates swap), equity related contracts (option and futures) and commodity related contract (option).

(3) Other treasury-related exposures, e.g. forward purchase commitment.

Off balance sheet exposure is mitigated by setting of credit limit for the respective counterparty and exposure limit for industry sectors which are governed under the GRAF.

8.2 COUNTERPARTY CREDIT RISK

Market related credit risk is present in market instruments (derivatives and forward contracts), and comprises counterparty risk (default at the end of contract) and pre-settlement risk (default at any time during the life of contract). Market related credit risk requires a different method in calculating the pre-settlement risk because actual and potential market movements impact the Group's exposure. The markets covered by this treatment for transactions entered by the Group include interest/profit rates, foreign exchange and equities.

For each individual contract, the pre-settlement risk exposure is normally calculated based on the sum of the marked-to-market ("MTM") value of the exposure, plus the notional principal multiplied by the potential credit risk exposure ("PCRE") factor; if the sum of each individual contract is negative, the pre-settlement risk exposure for this contract is deemed to be zero.

Pre-settlement risk exposure = MTM + PCRE factor (or known as add-on factor) x Notional Principal

- The MTM is essentially the current replacement cost of the contract, and can be positive or negative. Where it is positive, i.e. in the money, the Group has credit exposure against the counterparty; if it is negative, i.e. out of the money, the negative value will be used.
- The PCRE factors recognise that prices change over the remaining period to maturity, and that risk increases with time. The PCRE factors are mandated for regulatory capital purposes.
- Variation to the above generic methodology is allowed for specific product.

Maximum pay out method is used for back to back and structured products where the underlying instrument structures are dynamic i.e. not confined to a standardised underlying instrument. Where the maximum payout is known, it is taken as the pre-settlement risk amount. However, in situations where the maximum payout is not observable, a Monte Carlo simulation method is used.

Exposure to the counterparty is governed by the counterparty credit limit under the GRAF.

Other than credit limit setting and related duration setting of such limits, the Group's primary tool to mitigate counterparty credit risk is by taking collateral.

For derivative exposures, collateral is generally managed via standard market documentation which governs the amount of collateral required and the re-margining frequency between counterparties, including the impact on collateral requirements should either the banking subsidiary's or the counterparty's credit risk rating be upgraded or downgraded.

PILLAR 3 DISCLOSURE

8.0 OFF BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK (CONT'D.)

Table 8.1: Off Balance Sheet Exposures

The off balance sheet exposures and counterparty credit risk of the Group are as follows:

	31 March 2019			
Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct Credit Substitutes	2,590,041		2,730,291	2,186,367
Transaction related contingent Items	5,392,151		2,625,694	2,027,460
Short Term Self Liquidating trade related contingencies	900,886		180,177	162,390
Forward Asset Purchases	1,593,203		177,224	83,866
Obligations under on-going underwriting agreements	100,000		-	-
Foreign exchange related contracts				
One year or less	15,552,024	67,932	164,665	107,587
Over one year to five years	1,758,012	35,993	120,037	80,763
Over five years	514,076	109,054	186,983	178,787
Interest/Profit rate related contracts				
One year or less	385,950	1,304	1,407	1,152
Over one year to five years	793,844	8,614	23,718	8,755
Over five years	2,223,428	43,448	230,448	171,390
Equity and commodity related contracts				
One year or less	318,228	3,590	22,362	14,475
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Other Commodity Contracts				
One year or less	541,812	9,296	50,734	34,254
Over one year to five years	190,657	2,989	28,960	21,277
Over five years	-	-	-	-
Credit Derivative Contracts				
Over one year to five years	345,108	5,417	16	8
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	73,174,047	476,286	1,027,577	411,854
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	16,558,502		1,430,368	1,138,817
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	2,910,184		3,958,832	2,513,032
Unutilised credit card lines	5,174,605		1,034,921	771,530
Total	**131,016,758**	**763,923**	**13,994,414**	**9,913,764**

PILLAR 3 DISCLOSURE

8.0 OFF BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK (CONT'D.)

Table 8.1: Off Balance Sheet Exposures (Cont'd.)

The off balance sheet exposures and counterparty credit risk of the Group are as follows: (Cont'd.)

	31 March 2018 (Restated)			
Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct Credit Substitutes	2,147,797		2,285,681	1,799,941
Transaction related contingent Items	5,849,587		2,855,851	2,173,847
Short Term Self Liquidating trade related contingencies	693,023		138,605	132,220
Forward Asset Purchases	351,998		11,737	9,323
Obligations under on-going underwriting agreements	105,903		-	-
Foreign exchange related contracts				
One year or less	45,581,677	541,013	209,840	148,860
Over one year to five years	1,832,176	159,830	131,759	68,874
Over five years	760,001	162,498	189,568	178,126
Interest/Profit rate related contracts				
One year or less	547,848	215	604	167
Over one year to five years	1,200,763	10,624	32,147	13,062
Over five years	439,677	3,797	28,100	5,620
Equity and commodity related contracts				
One year or less	352,010	4,411	25,283	18,570
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Other Commodity Contracts				
One year or less	445,169	26,222	59,852	26,578
Over one year to five years	418,626	1,941	47,805	32,114
Over five years	-	-	-	-
Credit Derivative Contracts				
One year or less	-	-	-	-
Over one year to five years	334,505	6,537	14	7
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	55,056,550	208,529	1,421,804	539,939
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	4,103,833		2,051,691	1,667,121
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	18,243,224		4,285,183	2,830,303
Unutilised credit card lines	5,208,130		1,041,626	776,985
Total	**143,672,497**	**1,125,617**	**14,817,150**	**10,421,657**

PILLAR 3 DISCLOSURE

8.0 OFF BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK (CONT'D.)

Table 8.2: Credit Derivatives Counterparty Credit Risk ("CCR")

Credit derivatives that create exposures to counterparty credit risk are as follows:

Group		31 March 2019		31 March 2018	
		Sell Leg	Buy Leg*	Sell Leg	Buy Leg*
Usage	Product	Notional Exposure for Protection Sold RM'000	Notional Exposure for Protection Bought RM'000	Notional Exposure for Protection Sold RM'000	Notional Exposure for Protection Bought RM'000
Intermediation	Credit default swap	195,108	150,000	184,505	150,000

* *Out of the total notional exposure for protection bought as at 31 March 2019, RM150,000,000 (31 March 2018: RM150,000,000) has no counterparty credit risk exposure because it is on a fully funded basis.*

9.0 SECURITISATION

9.1 OBJECTIVES, ROLES AND INVOLVEMENT

AMMB Banking Group has undertaken securitisations of its own originated assets, as well as advised on securitisations of third party assets as part of its structured finance/debt capital markets services for its clients. The Group's objectives in relation to securitisation activity include the following:

- increase the availability of different sources of funding;
- facilitate prudential balance sheet management;
- transfer of credit and market risk;
- obtain regulatory capital relief, if applicable;
- earn management fees on assets under management;
- earn other fees for products and services provided, e.g., liquidity, funding and credit support, structuring, arranging and underwriting services.

The Group is involved in the following types of securitisation activities:

- Securitisation of assets originated by the Group. Such transactions provide diversity in the funding base for the Group entities. Such securitisations may or may not involve the transfer of credit risk and as such, may or may not provide regulatory capital relief.
- Securitisation of third party-originated assets.
- Facilities and services provided to securitisations – the Group provides various facilities to securitisations which include liquidity, funding and credit support as well as services such as structuring and arranging.
- Investment in securities - the Group may purchase bonds issued from securitisation programmes and also purchases such bonds in the secondary markets.

9.2 REGULATORY CAPITAL APPROACHES USED IN THE GROUP'S SECURITISATION ACTIVITIES

Securitisation exposures held in the trading books of the Group are subjected to market risk capital charge using the Standardised Approach.

For securitisation exposures held in the banking books, the Group applies the Standardised Approach related to banking book exposures to determine the credit risk capital charge.

PILLAR 3 DISCLOSURE

9.0 SECURITISATION (CONT'D.)

9.3 GOVERNANCE

The Group's Capital Markets team is tasked with the structuring of securitisation transactions whilst the governance of these securitisation activities is overseen by the Board and Executive Committees, and managed in accordance with the credit risk and market risk frameworks.

Securitisation exposures held in banking books and trading books are governed under the limits set for the banking book and trading book respectively.

9.4 RISK MEASUREMENT AND REPORTING OF SECURITISATION EXPOSURES

The Group relies on the external ratings assigned by recognised external credit assessment institutions in determining the capital charge requirement for rated securitisation exposures. The Group also assesses the performance information of the underlying pool on an ongoing basis e.g. 30/60/90 days past due, default rates, prepayment rates, etc, to gauge the stability of the model parameters to determine sufficiency of the buffers. The reporting for such exposures is dependent on the Group's ultimate position, whether acting as a third party investor to both on or off-balance sheet exposures.

9.5 SPV USED IN SECURITISATION EXERCISES

Third party exposures that have been securitised via SPVs include civil servant loans/financing, personal loans/financing and government-linked companies' staff housing loans.

9.6 ACCOUNTING POLICIES FOR SECURITISATION

The Group has sponsored SPVs involving assets of the Group. Such SPVs are consolidated where the Group has control as determined in accordance with MFRS 10, Consolidated Financial Statements.

Assets that have been transferred wholly or proportionately to an unconsolidated entity remain on the Group's statement of financial position, with a liability recognised for the proceeds received, unless:

(a) substantially all risks and rewards associated with the assets have been transferred, in which case, they are derecognised in full; or
(b) if a significant portion, but not all, of the risks and rewards have been transferred, the asset is derecognised entirely if the transferee has the ability to sell the financial asset, otherwise the asset continues to be recognised to the extent of the Group's continuing involvement.

9.7 USE OF EXTERNAL RATING AGENCIES

The Group uses the services of both RAM and MARC and where applicable, international rating agency for securitisation transactions purposes.

PILLAR 3 DISCLOSURE

9.0 SECURITISATION (CONT'D.)

Table 9.1: Securitisation (Trading and Banking Book)

The securitised exposures of the Group is as follows:

	31 March 2019			
Underlying Asset	Total Exposures Securitised RM'000	Past Due RM'000	Impaired RM'000	Gains/losses recognised during the year RM'000
Traditional Securitisation				
Originated by the Group				
Banking Book				
Corporate loans	-	-	-	-
Mortgage loans	956,048	-	949,149	-
Total Traditional Securitisation	**956,048**	**-**	**949,149**	**-**
Total Synthetic Securitisation	**-**	**-**	**-**	**-**
Total Traditional and Synthetic Securitisation	**956,048**	**-**	**949,149**	**-**

	31 March 2018 (Restated)			
Underlying Asset	Total Exposures Securitised RM'000	Past Due RM'000	Impaired RM'000	Gains/losses recognised during the year RM'000
Traditional Securitisation				
Originated by the Group				
Banking Book				
Corporate loans	143,306	-	133,689	-
Mortgage loans	915,944	-	909,098	-
Total Traditional Securitisation	**1,059,250**	**-**	**1,042,787**	**-**
Total Synthetic Securitisation	**-**	**-**	**-**	**-**
Total Traditional and Synthetic Securitisation	**1,059,250**	**-**	**1,042,787**	**-**

PILLAR 3 DISCLOSURE

9.0 SECURITISATION (CONT'D.)

Table 9.2: Securitisation under the Standardised Approach for Banking Book Exposures

Group Securitisation Exposures by Exposure Type	31 March 2019						
	Exposure Value of Positions Purchased or Retained RM'000	Exposure after CRM RM'000	Exposures subject to deduction RM'000	Distribution of Exposures after CRM according to Applicable Risk Weights Rated Securitisation Exposures or Risk weights of Guarantees/Credit Derivatives 20% RM'000	50% RM'000	1250% RM'000	Risk Weighted Assets RM'000
Traditional Securitisation							
Originated by Third Party							
On Balance Sheet Exposures	20,661	20,661	-	20,661	-	-	4,132
Originated by the Group							
On Balance Sheet Exposures	96	96	-	-	-	96	1,199
Total Traditional Securitisation	**20,757**	**20,757**	**-**	**20,661**	**-**	**96**	**5,331**

Group Securitisation Exposures by Exposure Type	31 March 2018 (Restated)						
	Exposure Value of Positions Purchased or Retained RM'000	Exposure after CRM RM'000	Exposures subject to deduction RM'000	Distribution of Exposures after CRM according to Applicable Risk Weights Rated Securitisation Exposures or Risk weights of Guarantees/Credit Derivatives 20% RM'000	50% RM'000	1250% RM'000	Risk Weighted Assets RM'000
Traditional Securitisation							
Originated by Third Party							
On Balance Sheet Exposures	42,808	42,808	-	42,808	-	-	8,562
Originated by the Group							
On Balance Sheet Exposures	162	162	-	-	-	162	2,029
Total Traditional Securitisation	**42,970**	**42,970**	**-**	**42,808**	**-**	**162**	**10,591**

There are no securitisation exposure under trading book as at 31 March 2019 and 31 March 2018.

PILLAR 3 DISCLOSURE

10.0 OPERATIONAL RISK MANAGEMENT

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

Identification	• Identify and analyse risks in key processes/activities within Business and Functional Lines (including new products)
Assessment/ Measurement	• Incident Management and Data Collection • Risk and Control Self Assessment • Key Risk Indicators • Key Control Testing • Scenario Analysis
Control/Mitigation	• Policies addressing control and governance requirements to mitigate specific operational risk • Advisory on the establishment of internal controls • Contingency planning • Insurance programme
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 and framework adherence • 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, outsourcing risk, technology (including cyber) risk and Shariah risk (Please refer to Section 14 for discussion on Shariah Governance Structure). It excludes strategic, systemic and reputational risk.

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

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

The strategy for managing operational risk in the Group is anchored on the three (3) lines of defence concept which are as follows:

- The first line of defence ("FLOD") is responsible for the management of operational risk in order that accountability and ownership is as close as possible to the activity that creates the risk and ensuring that effective action is taken to manage them. Enhanced First Line of Defence provides a business specific focus on the implementation of operational risk management activities and supports more effective day-to-day monitoring of operational risks.
- In the second line, Group Operational Risk is responsible for exercising governance over operational risk through the management of the operational risk framework, policy development and communication, quality assurance of internal controls, operational risk measurement and capital allocation, Operational Risk Management ("ORM") training and reporting of operational risk issues to GMRC, RMC and the 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.

PILLAR 3 DISCLOSURE

10.0 OPERATIONAL RISK MANAGEMENT (CONT'D.)

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

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

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

10.1 Business Continuity Management

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 • BCM Plan maintenance

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

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

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

PILLAR 3 DISCLOSURE

10.0 OPERATIONAL RISK MANAGEMENT (CONT'D.)

10.2 Cyber Risk Management

Cyber threat is an emerging risk as the migration to the electronic platform intensifies, in part driven by the increased sophistication of cyber threats. As digitization has presented us with opportunities to innovate our banking solutions, and with greater volumes of data stored digitally now than before, the resilience of the Group's IT infrastructure and cyber security capabilities are of paramount importance, especially with regards to safeguarding customers' information. Thus, we are mindful of the need to have adequate safeguards against cyber-security threats. To this end, in current financial year, the Group has acknowledged the importance of cyber security and resiliency and therefore, has broadened its technology risk management capabilities to encompass IT risk, information security risk and cyber risk management.

10.3 Legal Risk

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

Legal risk is overseen by Group Management Risk Committee/Group Management Committee ("GMRC/GMC"), upon advice by internal legal counsel and, where necessary, in consultation with external legal counsel to ensure that such risks are appropriately managed.

10.4 Regulatory Compliance Risk

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

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

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

11.0 MARKET RISK MANAGEMENT

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

PILLAR 3 DISCLOSURE

11.0 MARKET RISK MANAGEMENT (CONT'D.)

11.1 Traded Market Risk ("TMR")

The TMR management process is depicted in the table below. Please refer to Section 8 for off balance sheet exposures and counterparty credit risk arising from market risk.

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") • Loss Limit • Historical Stress Loss ("HSL") • Present Value of One Basis Point ("PV01") • Sensitivity to Change • Other Detailed Controls
Control/Mitigation	• VaR Limit • Loss Limits/Triggers (Annual/Monthly/Daily) • HSL Limit • PV01 Limits • Greek Limits (Delta/Gamma/Delta-Gamma/Vega/Theta) • Concentration Limits • Position Size Limits • Maximum Tenor Limits • Maximum Holding Period • Minimum Holding Period • Approved Portfolio Products • Approved Countries/Currencies • Other Detailed Limits/Triggers
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 Management Risk Committee ("GMRC") approved limit structures and risk appetite. This is done via robust traded market risk measurement, limit setting, limit monitoring, and collaboration and agreement with Business Units.

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

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

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

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

PILLAR 3 DISCLOSURE

11.0 MARKET RISK MANAGEMENT (CONT'D.)

11.1 Traded Market Risk ("TMR") (Cont'd.)

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.

11.2 Non-Traded Market Risk ("NTMR")

Interest Rate Risk/Rate of Return Risk in the 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	• PV01 • Earnings-at-Risk ("EaR")
Control/Mitigation	• PV01 Limits • EaR 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/financing 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 the Group's capital.

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

The Group measures the IRR/RORBB exposures using Present Value of 1 basis point ("PV01"). PV01 is a quantitative measure to assess the impact of an absolute change in economic value due to 1 basis point movement in market interest/profit rates.

The Group complements PV01 by stress testing IRR/RORBB exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

PILLAR 3 DISCLOSURE

11.0 MARKET RISK MANAGEMENT (CONT'D.)

11.2 Non-Traded Market Risk ("NTMR") (Cont'd.)

Key assumptions in the gap and sensitivity analysis relate to the behaviour of interest/profit rates and spreads, changes in loan/financing 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/financing.

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 Management-approved limits. This is achieved through the ability to reposition the interest/profit rate exposure of the statement of financial position using dynamic product and funding strategies, supported by interest/profit rate hedging activities using interest/profit rate swaps and other derivatives. These approaches are governed by the Group's policies in the areas of product and liquidity management as well as the Trading Book and Banking Book Policy, hedging policies and Non-Traded Interest/ Profit Rate Risk Framework.

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

Table 11.2: Interest Rate Risk/Rate of Return Risk Sensitivity in the Banking Book

The IRR/RORBB sensitivity for the Group is as follows:

	31 March 2019	
	Interest Rate/ Rate of Return +100 bps RM'000	Interest Rate/ Rate of Return -100 bps RM'000
Impact on Profit Before Taxation	62,680	(62,680)
Impact on Equity	(504,920)	561,306

	31 March 2018 (Restated)	
	Interest Rate/ Rate of Return +100 bps RM'000	Interest Rate/ Rate of Return -100 bps RM'000
Impact on Profit Before Taxation	153,584	(153,584)
Impact on Equity	(428,774)	486,994

PILLAR 3 DISCLOSURE

12.0 EQUITIES (BANKING BOOK POSITIONS)

Equity risk is the potential loss that may be incurred on equity investments in the banking book. The Group's equity exposures in the banking book are primarily categorised as equity investments that are taken for strategic and other objectives. Where an equity investment is undertaken for a strategic purpose, such investment will be made only after extensive analysis and due diligence. Equity investments undertaken for other business objectives are principally in conjunction with initiatives or measures promoted by the relevant regulatory authorities or trade bodies in which the Group will jointly with other financial institutions invest in such entities to attain various objectives, such as socio-economic development, promoting the further development of the financial market, the provision of facilities to improve customer service, and support for human capital development for the betterment of the Malaysian banking industry. The Board's approvals are required prior to committing to all forms of equity investment under this category and, where relevant, the necessary regulatory approval or notification will be obtained or met.

12.1 Valuation for and accounting of equity investments in the banking book

Measurement of equity securities - Upon adoption of MFRS 9, management has elected at initial recognition to irrevocably designate certain equity investment not held-for-trading at FVOCI. When this election is used, fair value gains and losses are recognised in other comprehensive income.

Table 12.1: Equity investments and capital requirement

An analysis of equity investments by appropriate equity groupings and risk weighted assets of the Group is as follows:

	31 March 2019 RM'000	31 March 2018 (Restated) RM'000
Non traded equity investments		
Value of quoted (publicly traded) equities	-	1,146
Value of unquoted (privately held) equities	524,213	142,294
Total	**524,213**	**143,440**
Net realised and unrealised gains/(losses)		
Cumulative realised gains from sales and liquidations	1,841	55,473
Total unrealised losses	(3)	(362)
Total	**1,838**	**55,111**
Risk Weighted Assets		
Equity investments subject to a 100% risk weight	-	1,146
Equity investments subject to a 150% risk weight	786,320	213,441
Total	**786,320**	**214,587**
Total minimum capital requirement (8%)	**62,906**	**17,167**

PILLAR 3 DISCLOSURE

13.0 LIQUIDITY RISK AND FUNDING 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 • Other Detailed Controls
Control/Mitigation	• LCR Limits • Depositor Concentration Ratios • Other Detailed Limits/Triggers
Monitoring/Review	• Monitor limits • Periodical review and reporting

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

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

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

The Group has in place various liquidity measurements that support the broader strategic objectives of the Group and amongst others include the BNM LCR, Depositor Concentration Ratio and other Liquidity Ratios. IBMR is responsible for developing and monitoring the controls and limits while the GTM is responsible for the consolidated liquidity management execution and to ensure the controls and limits are within the thresholds.

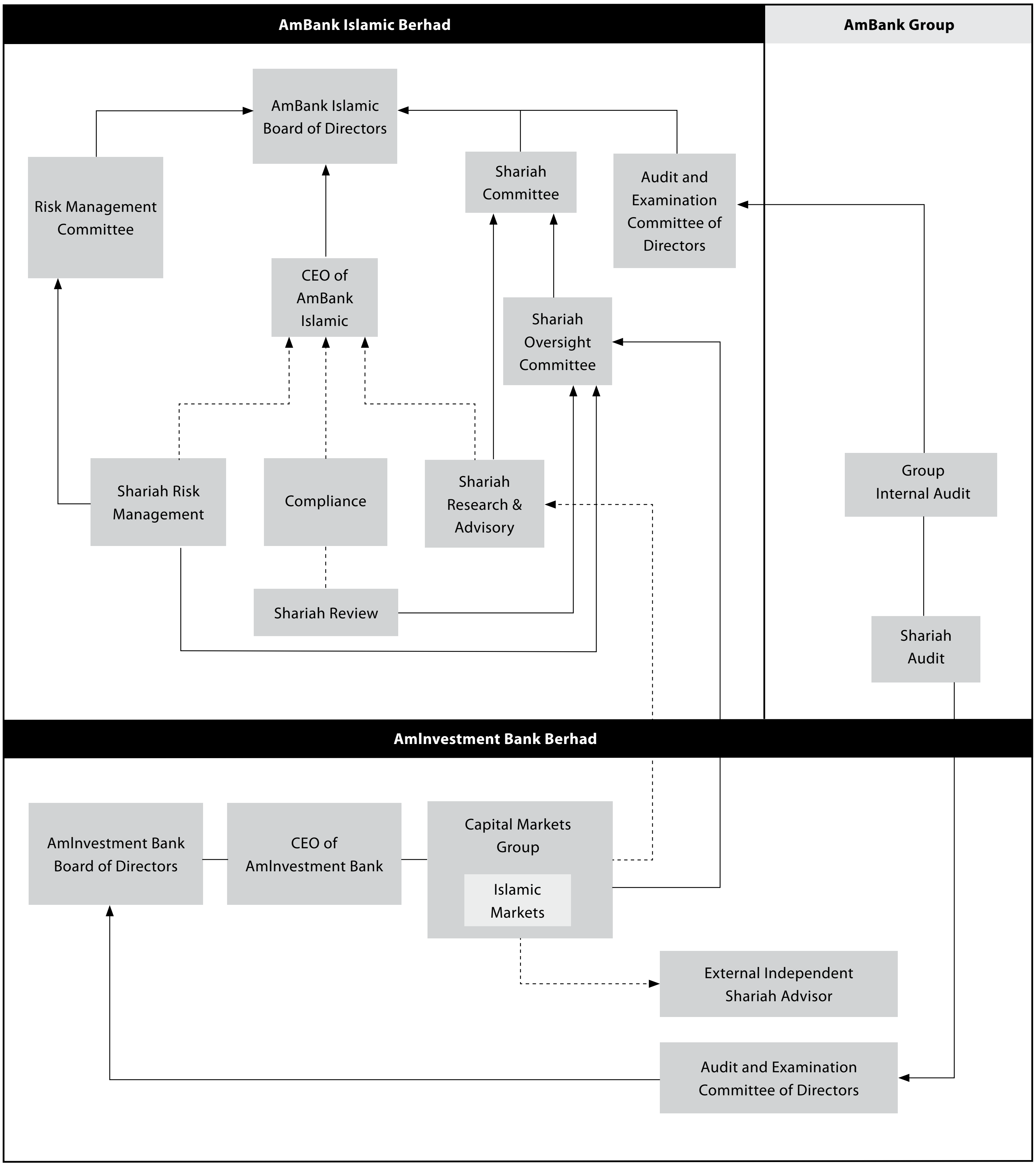
Stress testing is undertaken to assess and plan for the impact for various scenarios which may put the Group's liquidity at risk. The Group further stresses the importance of the stable funding sources to finance placement/lending and loans/financing to customers. They are monitored using the loans/ financing to available fund ratio, which compares loans/financing and advances to customers as a percentage of the Group's total available funds.

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

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

PILLAR 3 DISCLOSURE

14.0 SHARIAH GOVERNANCE STRUCTURE



PILLAR 3 DISCLOSURE

14.0 SHARIAH GOVERNANCE STRUCTURE (CONT'D.)

AmBank Islamic

The Group has established the Shariah governance structure for its Islamic banking operations in accordance with the requirements of the Islamic Financial Services Act ("IFSA 2013") and BNM's "Shariah Governance Framework for Islamic Financial Institutions". This is to ensure that the operations and business activities of AmBank Islamic comply with Shariah principles and its requirements.

Apart from Shariah Research & Advisory, Shariah Risk Management and Shariah Review functions which reside in AmBank Islamic, AmBank Islamic's Shariah governance structure leverages on the Group platform of Group Internal Audit Department for Shariah Audit function.

Board of Directors

The Board is accountable and responsible for the overall oversight on the Shariah governance and Shariah compliance, including the assessment, appointment and remuneration of the Shariah Committee members. The Board performs its oversight through various committees such as the Audit and Examination Committee ("AEC"), Risk Management Committee ("RMC") and the Shariah Committee.

Audit and Examination Committee of Directors

AEC is a Board committee responsible for assisting the Board in ensuring Islamic Banking operations of the Group are Shariah compliant through oversight of the Shariah Audit function performed by Group Internal Audit Department. The updates on Shariah Review are also presented to the AEC.

Risk Management Committee

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

Shariah Committee

The Shariah Committee is responsible and accountable on matters related to Shariah. This includes advising the Board and Management on Shariah matters and endorsing and validating products and services, Shariah policies and the relevant documentation in relation to Islamic Banking operations. The Shariah Committee also provides advice and guidance on management of zakat fund, charity and other social programmes or activities.

Shariah Oversight Committee

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

Management/Chief Executive Officer

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

Shariah Research and Advisory

The Shariah Research and Advisory Department is accountable to the Shariah Committee and is responsible for providing day-to-day Shariah advisory, including Shariah legal aspects, conducting Shariah research, formulating Shariah policies and acting as Secretariat to the Shariah Committee and the Shariah Oversight Committee.

Shariah Risk Management

The Shariah Risk Management ("SRM") section is accountable to the RMC. The SRM is a function to systematically identify, measure, monitor and control Shariah non-compliance risks to mitigate any possible non-compliance events.

The SRM is executed through the three lines of defence in managing Shariah risk. The three lines of defence are: 1st – The Business Units and Functional Lines; 2nd – Shariah Risk Management, Shariah Review, Shariah Research and Advisory; 3rd – Shariah Audit.

PILLAR 3 DISCLOSURE

14.0 SHARIAH GOVERNANCE STRUCTURE (CONT'D.)

Shariah Review

The Shariah Review Section is accountable to the Shariah Committee. The objective of the Shariah review function is to provide reasonable self-assurance for the Bank in its daily activities and operations thus to add value and improve the degree of Shariah awareness and compliance.

Shariah Audit

The Shariah Audit Section is accountable to the AEC. A designated team within the Group Internal Audit Department is responsible to conduct independent assessment on the level of Shariah compliance of Islamic banking business and operations. The Shariah audit covers all activities particularly the operational components of the Bank (including functions outsourced to AmBank (M) Berhad or AmInvestment Bank Berhad) that are subjected to the risk of Shariah non-compliance including but not limited to products, operational processes, the technology supporting the operations, the people involved in key areas of risk, documentation and contracts, policies and procedures and other activities that require the adherence to Shariah principles.

AmInvestment Bank

The Group adopts a leverage model whereby, the Islamic Window of AmInvestment Bank i.e. Islamic Markets ("IM"), leverages on AmBank Islamic's Shariah Governance Structure, including the Shariah Committee ("SC") of AmBank Islamic. Alternatively, IM may also opt for independent external Shariah advisor(s) as approved by the SC when necessary and will be on ad-hoc basis.

Shariah Liaison Officer, IM

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

Shariah Risk Management

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

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

Shariah Review

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

Shariah Non-Compliant incidents and income

For the financial year ended 31 March 2019, there was one (1) Shariah non-compliant ("SNC") incident involving SNC income of approximately RM1,115.00 relating to imposition of additional late payment charges. Purification of the SNC income was made in accordance with the method approved by the Shariah Oversight Committee. To mitigate the recurrence of a similar incident, the Group has implemented enhanced measures via system control and heightened staff awareness via focused training sessions. Given that this SNC incident is of similar nature to the one (1) SNC incident which occurred in the financial year ended 31 March 2018, both SNC incidents are grouped as a single SNC incident which was deemed to occur in the financial year ended 31 March 2018. For the financial year ended 31 March 2018, there was one (1) Shariah non-compliant incident with SNC income of approximately RM3,699.00.

PILLAR 3 DISCLOSURE

15.0 PROFIT SHARING INVESTMENT ACCOUNT ("PSIA")

Investment Account ("IA")
The Group via AmBank Islamic offers two types of Investment Account ("IA") namely, Restricted Investment Account ("RIA") which refers to an IA where the customers provides a specific investment to AmBank Islamic and Unrestricted Investment Account ("UA") which refers to an IA where the customer provides AmBank Islamic with mandate to make the ultimate investment decision without specifying any particular restriction or condition. Both RIA and UA are based on Shariah concept of Mudarabah Muqayyadah. Currently, the RIA arrangement undertaken by AmBank Islamic is with a subsidiary of the Group and is eliminated upon consolidation.

Mudarabah means a profit sharing contract between IAH as the fund provider and AmBank Islamic as the fund manager in which the IAH provides capital to be managed by AmBank Islamic. Any profit generated from the capital is shared between IAH and AmBank Islamic in accordance with a mutually agreed profit-sharing ratio ("PSR"), whilst financial losses (if any) are solely borne by the IAH provided that such losses are not due to AmBank Islamic's misconduct, negligence or breach of specified terms. The IA is not covered by PIDM.

Mudarabah Term Investment Account ("MTIA")
AmBank Islamic has widened the scope of business beyond credit intermediation by acting the investment intermediation role via the introduction of UA product.

The investment mandate, strategy and parameters for UA are in accordance with the governance set up by AmBank Islamic to ensure effective and efficient oversight on business activities and operations of UA in safeguarding the customer's interest.

AmBank Islamic had established proper governance to facilitate effective monitoring and control of the overall management and conduct of the investment account. A management dedicated unit was established to ensure management development and implementation of operation policies that govern the conduct of IA are observed. On a periodical basis, a Fund Performance Report shall be made available in AmBank Islamic's website disclosing the performance of the underlying assets which in turn facilitates the IAH in making their investment decision.

MTIA Performance
As at 31 March 2019, balance of MTIA stood at RM334.8 million. The performance of MTIA is as described in the table below:

As at 31 March 2019	%
Return on Assets ("ROA")	4.61
Average Net Distributable Income Attributable to IAH	3.85
Average Profit Sharing Ratio to IAH	83.58

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