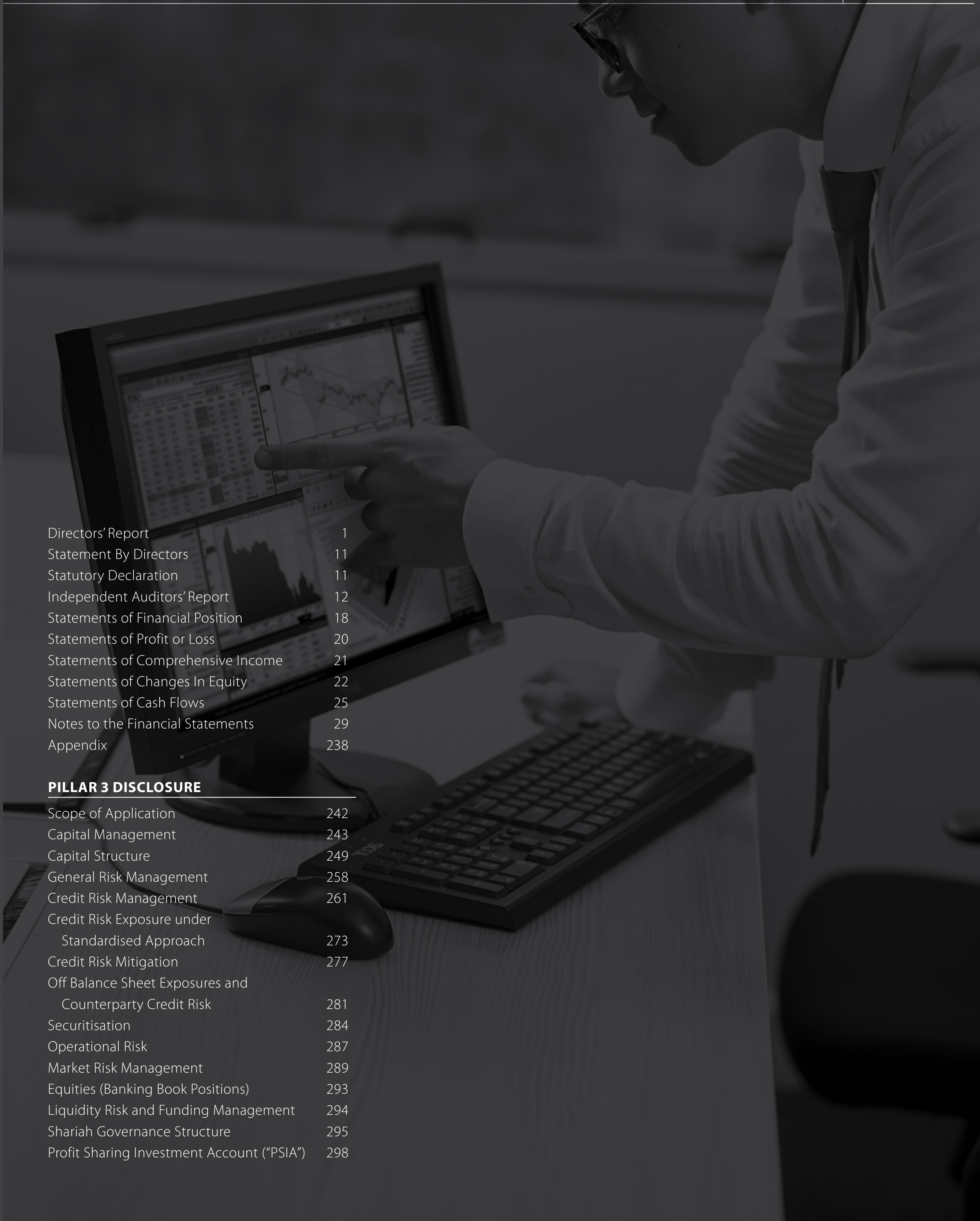
GROWING AND WINNING TOGETHER

FINANCIAL REPORT
2018

AmBank Group

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 2018.

PRINCIPAL ACTIVITIES

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

The subsidiaries, as listed in Note 17 to the financial statements, provide a wide range of retail 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 and asset, real estate investment trust and unit trusts 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	1,253,824	1,064,268
Attributable to:		
Equity holders of the Company	1,132,131	1,064,268
Non-controlling interests	121,693	-
Profit for the financial year	1,253,824	1,064,268

OUTLOOK FOR NEXT FINANCIAL YEAR

Following the victory of Pakatan Harapan in the 14th General Election, the smooth transition of power reflects the strong maturity of Malaysians. With market confidence being restored swiftly, it allows us to maintain our Gross Domestic Product (GDP) forecast at 5.5% for 2018 (2017: 5.9%), underpinned by private expenditure on the back of improving business sentiment and consumer spending, infrastructure investment, more business-friendly regulatory environment and stronger exports.

Meanwhile, inflation is anticipated to be moderate at 2.5% - 2.8% in 2018 (2017: 3.8%), reflecting stronger Ringgit against the US Dollar outlook and firmer commodity prices.

The banking system's loans growth is expected to be around 5.0% in line with the projected GDP growth of 5.5% in 2018. We foresee the banks' net interest margin to improve modestly in 2018 as a result of the banks' repricing their loans to compensate for higher provisioning under MFRS 9 and the recent Overnight Policy Rate hike.

BUSINESS PLAN AND STRATEGY

We have developed a 4-year strategy plan (FY2017 – FY2020) that encapsulates our aspirations to be a "Top 4" bank in Malaysia, focusing on the following:

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

DIRECTORS' REPORT

BUSINESS PLAN AND STRATEGY (CONT'D.)

As we enter the third year of our "Top 4" journey, we will be realising greater transformation value from the strategic initiatives rolled out previously. For FY2019, the Group continues to focus on driving revenue growth from our growth segments, focus products and current engines. Against the backdrop of heightened regulatory requirements and financial market volatilities, it is crucial to improve our funding resiliency, strengthen capital position and achieve optimal cost efficiency. Emphasis is also placed on building digital capabilities as enablers to sharpen our competitive edge through innovative solutions and enhanced customer experience, as well as optimising cost and productivity.

By supporting and aligning their strategic priorities with the Group's aspirations, our business divisions focus is outlined as follows:

Wholesale Banking
- Continue to build up Transaction Banking and Markets' infrastructure to boost fee income and increase low cost deposits
- Optimising our current engines of strength in Corporate and Investment Banking

Business Banking
- To provide value-added services and solutions, and increase our foreign exchange revenue and Banca penetration in Small and Medium Enterprise ("SME") segment
- Leveraging on strategic partnerships to position AmBank as a preferred SME bank

Retail Banking
- Continue to develop an integrated platform for credit cards and the merchant ecosystem
- Strengthen retail deposit franchise and Wealth Management proposition through offerings and services for both the affluent, mass affluent markets and retail SME

Insurance
- General Insurance business aims to lead in motor and select personal and commercial lines via competitive underwriting and innovative product offerings
- Life Assurance and Takaful businesses aspired to be the preferred life insurer in Malaysia

Islamic Banking
- Roll out new products adopting Value-based Intermediation (VBI) characteristic
- Key focus includes Wealth Management, SME and Transaction Banking

We strive to improve revenue and productivity by running the bank better and changing the bank through new growth strategies. We aim to deliver value to all our stakeholders through sustainable returns whilst maintaining optimal capital and funding position.

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 Mutual Separation Scheme exercise as disclosed in Note 35 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.

DIRECTORS' REPORT

DIVIDENDS

During the financial year, the Company paid a final single-tier dividend of 12.6 sen per share in respect of the financial year ended 31 March 2017 which amounted to RM379,787,291. This amount was noted in the directors' report for that financial year and paid on 22 August 2017 to shareholders whose names appeared in the Record of Depositors on 8 August 2017.

An interim single-tier dividend of 5.0 sen per share for the financial year ended 31 March 2018 which amounted to RM150,709,243 was paid on 28 December 2017 to shareholders whose names appeared in the Record of Depositors on 15 December 2017.

The directors propose the payment of a final single-tier dividend of 10.0 sen per share in respect of the current financial year ended 31 March 2018, 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. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2019.

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.

DIRECTORS' REPORT

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.

ISSUANCE OF SHARES AND DEBENTURES

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

1. Issuance of debt securities

   (a) By the Company

   On 23 February 2018, the Company issued tranche 3 of Subordinated Notes amounting to RM325.0 million for a tenure of 10 years under its Subordinated Notes programme of RM10.0 billion. The interest rate for this tranche is 5.23% payable semi-annually. On 14 March 2018, the Company issued tranche 4 of Subordinated Notes amounting to RM350.0 million for a tenure 10 years. The interest rate for this tranche is 5.23% payable semi-annually.

   (b) By subsidiaries

   On 16 October 2017, AmBank (M) Berhad ("AmBank") issued tranche 3 of Subordinated Notes which amounted to RM570.0 million in nominal value under its Subordinated Notes programme of RM4.0 billion. The interest rate of this tranche is 4.90%, payable on a half-yearly basis. On 23 February 2018 and 14 March 2018, AmBank issued tranche 4 and tranche 5 under the same programme which amounted to RM175.0 million and RM350.0 million respectively in nominal value. The interest rate for tranche 4 and tranche 5 are 5.23% per annum, payable semi-annually. All tranches issued are for a tenure of 10 years.

   On 23 February 2018, AmBank Islamic Berhad ("AmBank Islamic") issued tranche 6 of Subordinated Sukuk which amounted to RM150.0 million in nominal value under its RM3.0 billion Subordinated Sukuk Murabahah programme. The profit rate for this tranche which is for a tenure of 10 years is 5.23% per annum, payable semi-annually.

   The Company had subscribed to tranche 4 and 5 of the Subordinated Notes and tranche 6 of the Subordinated Sukuk issued by AmBank and AmBank Islamic respectively.

ISSUANCE OF SHARES AND DEBENTURES (CONT'D.)

2. Redemption of debt securities

   (a) By the Company

   The Company redeemed Senior Notes with nominal value of RM500.0 million issued under its Senior Notes programme of up to RM2.0 billion on maturity date of 8 August 2017.

   (b) By subsidiaries

   AmBank redeemed Senior Notes with nominal value of RM225.0 million issued under its Senior Notes programme of up to RM7.0 billion on maturity date of 28 April 2017. On the first call date of 16 October 2017, AmBank redeemed Medium Term Notes with nominal amount of RM710.0 million issued under its Medium Term Notes programme of up to RM2.0 billion. On 23 March 2018, AmBank redeemed Senior Notes with nominal value of RM800.0 million issued under its Senior Notes programme of up to RM7.0 billion on maturity date.

   On 6 September 2017, AmBank Islamic redeemed tranche 3 of Senior Sukuk with nominal value of RM300.0 million. On 20 September 2017, AmBank Islamic redeemed tranche 1 of Senior Sukuk with nominal value of RM550.0 million. These two tranches of Senior Sukuk were issued under the Senior Sukuk Musharakah programme with nominal value of up to RM3.0 billion. On first call date of 26 December 2017, AmBank Islamic redeemed the remaining nominal value of RM130.0 million Subordinated Sukuk Musharakah issued under its Subordinated Sukuk Musharakah programme of up to RM2.0 billion.

Save as disclosed above and in Notes 25 and 26 to the financial statements, there were no new shares and debentures, share buy-backs, 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, other than the options granted under the Executives' Share Scheme, as disclosed below and in Note 30 to the financial statements.

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.

INDEMNIFICATION OF DIRECTORS

The Company maintained on a group basis, a Directors' and Officers' Liability Insurance up to an aggregate limit of RM300.0 million against any legal liability incurred by the directors and officers in the discharge of their duties while holding office for the 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 insurance premium paid for the directors and officers by the Company for the current financial year was RM369,550.

DIRECTORS' REPORT

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 have since been consolidated with that of Group Nomination and Remuneration Committee ("GNRC") from 29 October 2013. The ESS was established on 12 January 2009 and would be in force for a period of ten (10) years.

The awards granted to such Eligible Executives can comprise shares and/or options to subscribe for shares ("Options"). Shares to be made available under the ESS ("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 salient features of the ESS are disclosed in Note 30 to the financial statements.

As at 31 March 2018, 904,300 shares have been vested and transferred from the Trustee to certain Eligible Employees of subsidiaries in accordance with the terms under the ESS. As at 31 March 2018, the Trustee held 6,490,050 ordinary shares representing 0.22% of total number of issued and paid-up ordinary shares of the Company. These shares are held at a carrying amount of approximately RM41,619,900.

DIRECTORS

The directors who 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 (Appointed on 8 August 2017)
Dato' Rohana binti Tan Sri Mahmood (Resigned on 25 January 2018)
Suzette Margaret Corr (Resigned on 23 January 2018)
Dato' Seri Ahmad Johan bin Mohammad Raslan (Resigned on 9 December 2017)

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 of RM1.00 each			
Shares - Indirect	**Name of Company**	**Balance at 1.4.2017**	**Bought**	**Sold**	**Balance at 31.3.2018**
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 36 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 42 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.

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.

DIRECTORS' REPORT

CORPORATE GOVERNANCE (CONT'D.)

(I) BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

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
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.

During the current financial year, one of the Board Committee, Governance Committee was dissolved on 25 January 2018.

(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.

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	December 2017	Long-term Corporate Credit Rating	AA3
		Short-term Corporate Credit Rating	P1
		Outlook	Stable
AmBank (M) Berhad			
Moody's Investors Service	December 2017	Long-term Bank Deposits (Foreign) Rating	Baa1
		Short-term Bank Deposits (Foreign) Rating	P-2
		Outlook	Stable
S&P Global Ratings	October 2017	Long-term Foreign Currency Rating	BBB+
		Short-term Foreign Currency Rating	A-2
		Outlook	Stable
RAM Rating Services Berhad	December 2017	Long-term Financial Institution Rating	AA2
		Short-term Financial Institution Rating	P1
		Outlook	Stable
AmBank Islamic Berhad			
RAM Rating Services Berhad	December 2017	Long-term Financial Institution Rating	AA2
		Short-term Financial Institution Rating	P1
		Outlook	Stable
AmInvestment Bank Berhad			
RAM Rating Services Berhad	December 2017	Long-term Financial Institution Rating	AA2
		Short-term Financial Institution Rating	P1
		Outlook	Stable

SHARIAH COMMITTEE

The Shariah Committee reports functionally to AmBank Islamic Berhad'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 decisions, views and opinions related to Shariah. The main functions and duties of the Shariah Committee shall include, but are not limited to the following:

(i) to advise the Board and the Bank on Shariah matters to ensure that the business operations of the Bank comply with Shariah principles at all times;
(ii) to review and endorse the Shariah policies and procedures of the Bank and to ensure that the contents do not contain any elements which are not in line with Shariah principles;
(iii) to review and approve relevant documentation in relation to the Bank's products to ensure that the products are in compliance with Shariah principles;
(iv) 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;
(v) to assess the work carried out by Group Internal Audit relating to the Shariah Audit function and Shariah Risk Management 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;

DIRECTORS' REPORT

SHARIAH COMMITTEE (CONT'D.)

(vi) to provide assistance to related parties of the Bank such as its legal counsel, auditor or consultant on Shariah matters upon request;
(vii) to provide advice and guidance on management of zakat fund, charity and other social program or activities; and
(viii) 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.

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 Management 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; and
(iv) to recommend possible implementation methods to improve the Bank's Shariah business activities in line with applicable statutes and guidelines/policies/circulars issued by relevant regulatory bodies.

AUDITORS AND AUDITORS' REMUNERATION

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

The auditors' remuneration is disclosed in Note 35 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
24 May 2018

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 237 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 2018 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
24 May 2018

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 237 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 24 May 2018

LING FOU-TSONG @ JAMIE LING

Before me,

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
No. W 710
MOHAN A.S. MANIAM
1.1.2017 hingga
31.12.2018
MALAYSIA

Tingkat 20 Ambank Group Building
55, Jln. 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 2018 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 237.

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 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis of 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.

Risk area and rationale	Our response
Impairment assessment of loans, advances and financing	
As at 31 March 2018, the loans, advances and financing represent 69.2% of the total assets of the Group. The impairment allowances of loans, advances and financing, which include individual and collective impairment allowances, were estimated by the management through the application of judgment and use of subjective assumptions. Due to the significance of loans, advances and financing and the corresponding uncertainty inherent in such an estimate, this is a key area in the preparation of the financial statements and accordingly a key audit matter. Refer to summary of significant accounting policies in Note 2.5(n)(i), significant accounting estimates and judgment in Note 5.1, the disclosures of loans, advances and financing in Note 13 and disclosures of credit risk management in Note 50.2 to the financial statements.	In the current year audit, we continued to pay particular attention to collective impairment assessment methodologies, focusing specifically on potential impact of changing inputs and assumptions, including the updates of observed default rates to derive probability of defaults for retail portfolio, model risk adjustments and macro-economic adjustments. In addition, we also focused on individually significant exposures that either continued to be, have become, or were at risk of being individually impaired. Our audit procedures included the assessment of controls over the approval, recording and monitoring of loans, advances and financing, and evaluating the methodologies, inputs and assumptions used by the Group in calculating collective impairment allowance and individual impairment allowance. For collective impairment assessment, we compared the assumptions used by the Group to externally available industry, financial and economic data. As part of this, we critically assessed the Group's revisions to estimates and assumptions, specifically in respect of the inputs to the impairment models and the consistency of judgement applied in the use of economic factors, loss identification periods and the observation period for historical default rates. For a sample of exposures that were subject to an individual impairment assessment, we specifically reviewed the Group's assumptions on the expected future cash flows, including the value of realisable collaterals based on available market information. We increased the extent of our samples to certain counterparties whose businesses were in higher risk industries as identified by the management. In some cases of impairment allowances, we formed a different view from that of management. In our view, these differences were within a reasonable range of outcomes in the context of overall loans, advances and financing and the uncertainties disclosed in the financial statements or the estimated effects were not material for the purpose of current year's financial statements. We also assessed whether the financial statement disclosures appropriately reflect the Group's exposure to credit risk.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AMMB HOLDINGS BERHAD

(Incorporated in Malaysia)

Risk area and rationale	Our response
Goodwill	
As at 31 March 2018, 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(q), significant accounting estimates and judgment in Note 5.3 and the disclosures of goodwill in Note 21 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. As part of the audit procedures, we reviewed management's sensitivity and stress testing analysis and tested independently those assumptions to which the outcome of the impairment test is most sensitive. We also assessed if sufficient and accurate disclosures have been made in the financial statements in relation to goodwill and the assumptions used in determining the recoverable amounts for the purpose of the impairment test.
Valuation of insurance contract liabilities	
The general insurance contract liabilities amounted to RM2.76 billion or 2.3% of total liabilities in the statement of financial position of the Group. The general insurance contract liabilities have been estimated by the Appointed Actuaries of the general insurance subsidiaries respectively, 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(al), significant accounting estimates and judgment in Note 5.7 and the disclosures of the general insurance and family takaful contract liabilities in Note 53(VI) to the financial statements.	Our audit procedures included testing controls over the approval, recording and monitoring of premiums/contributions as well as the claims/benefits processes of the general insurance subsidiary. We tested the completeness and sufficiency of data used by the Appointed Actuaries 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 both the general insurance, 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.

Risk area and rationale	Our response
System and Information Technology ("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 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AMMB HOLDINGS BERHAD

(Incorporated in Malaysia)

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, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the annual report, which 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 director's 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.

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.

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

- 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.

Report on other legal and regulatory requirements

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

Other matters

This report is made solely to the 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
Date: 24 May 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2018

		Group			Company	
		31 March 2018	31 March 2017 (Restated) Note 56	1 April 2016 (Restated) Note 56	31 March 2018	31 March 2017
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
Cash and short-term funds	6	5,515,856	8,337,200	11,988,321	79,080	2,051
Securities purchased under resale agreements	7	-	10,369	-	-	-
Deposits and placements with banks and other financial institutions	8	215,602	1,129,987	1,333,630	-	24,006
Derivative financial assets	9	1,125,617	1,166,422	1,884,001	-	-
Financial assets held-for-trading	10	12,944,783	9,533,088	4,920,618	-	-
Financial investments available-for-sale	11	7,702,886	9,068,862	11,680,520	1,008	130,984
Financial investments held-to-maturity	12	3,028,316	3,460,368	4,167,494	1,425,000	750,000
Loans, advances and financing	13	95,377,900	89,865,085	86,513,254	-	-
Receivables: Investments not quoted in active markets	14	1,940,433	1,986,877	565,322	-	-
Statutory deposits with Bank Negara Malaysia	15	2,836,841	2,575,444	2,590,145	-	-
Deferred tax assets	16	75,324	21,651	66,044	-	-
Investment in subsidiaries and other investments	17	-	-	-	9,487,139	9,506,300
Investment in associates and joint ventures	18	690,294	700,162	674,463	-	-
Other assets	19	2,269,106	2,802,771	3,179,108	7,313	75,893
Reinsurance assets and other insurance receivables	53(I)	536,859	403,113	513,555	-	-
Property and equipment	20	191,412	234,619	292,787	940	900
Intangible assets	21	3,426,051	3,444,004	3,369,998	-	-
Assets held for sale	55	3,963	27,593	24,740	-	-
TOTAL ASSETS		137,881,243	134,767,615	133,764,000	11,000,480	10,490,134
LIABILITIES AND EQUITY						
Deposits from customers	22	95,805,187	93,935,058	90,257,394	-	-
Investment accounts of customers	57(XIII)	138,956	24,374	18,411	-	-
Deposits and placements of banks and other financial institutions	23	3,432,578	1,529,421	1,213,769	-	-
Securities sold under resale agreements	7	-	9,464	-	-	-
Recourse obligation on loans and financing sold to Cagamas Berhad	24	4,273,621	3,280,818	3,935,775	-	-
Derivative financial liabilities	9	1,278,792	958,686	2,022,807	-	-
Term funding	25	4,329,713	7,392,479	9,238,796	500,000	1,176,000
Debt capital	26	4,579,504	4,174,086	4,094,077	1,424,585	749,491
Redeemable cumulative convertible preference share	53(VIII)	217,451	210,965	204,760	-	-
Deferred tax liabilities	16	65,403	204,321	83,050	-	-
Other liabilities	27	3,336,516	3,228,215	3,809,943	24,722	39,138

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2018

		Group			Company	
		31 March 2018	31 March 2017 (Restated) Note 56	1 April 2016 (Restated) Note 56	31 March 2018	31 March 2017
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
Insurance contract liabilities and other insurance payables	53(I)	2,763,512	2,666,844	2,761,460	-	-
Liabilities directly associated with assets held for sale	55	-	-	4,370	-	-
TOTAL LIABILITIES		120,221,233	117,614,731	117,644,612	1,949,307	1,964,629
Share capital	28	5,551,557	5,551,557	3,014,185	5,550,250	5,550,250
Reserves	29	10,964,048	10,475,511	12,154,293	3,500,923	2,975,255
Equity attributable to equity holders of the Company		16,515,605	16,027,068	15,168,478	9,051,173	8,525,505
Non-controlling interests	31	1,144,405	1,125,816	950,910	-	-
TOTAL EQUITY		17,660,010	17,152,884	16,119,388	9,051,173	8,525,505
TOTAL LIABILITIES AND EQUITY		137,881,243	134,767,615	133,764,000	11,000,480	10,490,134
COMMITMENTS AND CONTINGENCIES	47	143,672,497	134,563,308	125,037,110	-	-
NET ASSETS PER SHARE (RM)		5.48	5.32	5.03	3.00	2.83

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

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	Group		Company	
		31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Operating revenue	52, 2.5(x)	8,576,739	8,285,751	1,376,542	674,736
Interest income	32	4,319,975	3,996,612	43,139	3,043
Interest expense	33	(2,655,630)	(2,432,014)	(76,992)	(57,101)
Net interest income/(expense)		1,664,345	1,564,598	(33,853)	(54,058)
Net income from Islamic banking	57(XXV)	941,019	805,188	-	-
Income from insurance business	53(III)	1,390,417	1,437,643	-	-
Insurance claims and commissions	53(III)	(925,364)	(1,053,997)	-	-
Net income from insurance business	53(III)	465,053	383,646	-	-
Other operating income	34	915,131	975,469	1,333,403	671,693
Share in results of associates and joint ventures		(6,309)	36,663	-	-
Net income		3,979,239	3,765,564	1,299,550	617,635
Other operating expenses	35	(2,420,805)	(2,160,479)	(16,070)	(23,475)
Operating profit before impairment losses		1,558,434	1,605,085	1,283,480	594,160
Net writeback for impairment on loans, advances and financing	37	1,082	173,510	-	-
Net impairment writeback/(loss) on:					
Financial investments	38	(1,483)	2,806	-	-
Doubtful sundry receivables		(8,368)	(4,168)	-	-
Foreclosed properties	19(e)(iii)	(35)	(553)	-	-
Property and equipment	20	369	-	-	-
Intangible assets	21	-	(1,322)	-	-
Insurance receivables	53(IV)	602	1,081	-	-
Subsidiaries	17	-	-	(219,161)	-
Provision for commitments and contingencies - writeback/(charge)	27(c)	(10,384)	11,698	-	-
Other recoveries, net		2,496	13,053	-	-
Profit before taxation and zakat		1,542,713	1,801,190	1,064,319	594,160
Taxation and zakat	39	(288,889)	(392,414)	(51)	(7,639)
Profit for the financial year		1,253,824	1,408,776	1,064,268	586,521
Attributable to:					
Equity holders of the Company		1,132,131	1,324,607	1,064,268	586,521
Non-controlling interests		121,693	84,169	-	-
Profit for the financial year		1,253,824	1,408,776	1,064,268	586,521
EARNINGS PER SHARE (SEN)	40				
Basic		37.64	44.06		
Fully diluted		37.64	44.03		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	Group		Company	
		31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Profit for the financial year		1,253,824	1,408,776	1,064,268	586,521
Other comprehensive income/(loss):					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liability	27(b)(ii)	(403)	(226)	-	-
		(403)	(226)	-	-
Items that may be reclassified to profit or loss					
Translation of foreign operations		(91,768)	69,069	-	-
Cash flow hedge					
- gain arising during the financial year		3,518	1,279	-	-
- reclassification adjustments for gain included in profit or loss		(3,302)	(1,861)	-	-
Financial investments available-for-sale					
- net unrealised gain/(loss) on changes in fair value		30,027	(25,129)	-	-
- net gain reclassified to profit or loss		(48,851)	(38,014)	-	-
Tax effect relating to the components of other comprehensive income/(loss)					
- defined benefit liability	27(b)(ii)	97	54	-	-
- cash flow hedge	16	(52)	(44)	-	-
- financial investments available-for-sale	16	4,850	8,727	-	-
Share of reserve movements in equity accounted joint ventures		978	(1,789)	-	-
		(104,503)	12,292	-	-
Other comprehensive income/(loss) for the financial year, net of tax		(104,906)	12,066	-	-
Total comprehensive income for the financial year		1,148,918	1,420,842	1,064,268	586,521
Total comprehensive income for the financial year attributable to:					
Equity holders of the Company		1,029,263	1,336,807	1,064,268	586,521
Non-controlling interests		119,655	84,035	-	-
		1,148,918	1,420,842	1,064,268	586,521

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

		Attributable to Equity Holders of the Company													
			Non-Distributable								Distributable				
											Retained earnings				
Group	Note	Ordinary share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	AFS reserve/ (deficit) RM'000	Cashflow hedging reserve/ (deficit) 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	Non-controlling interests RM'000	Total equity RM'000
At 1 April 2016		3,014,185	2,537,372	1,938,849	2,800	8,635	3,636	84,299	49,738	(55,843)	45,715	7,539,092	15,168,478	950,910	16,119,388
Profit for the financial year		-	-	-	-	-	-	-	-	-	-	1,324,607	1,324,607	84,169	1,408,776
Other comprehensive income/(loss), net		-	-	-	-	(56,155)	(626)	69,069	-	-	-	(88)	12,200	(134)	12,066
Total comprehensive income/(loss) for the financial year		-	-	-	-	(56,155)	(626)	69,069	-	-	-	1,324,519	1,336,807	84,035	1,420,842
Share-based payment under															
Executives' Share Scheme ("ESS"), net		-	-	-	-	-	-	-	(11,043)	-	-	-	(11,043)	-	(11,043)
ESS shares vested to employees		-	-	-	-	-	-	-	(7,697)	8,570	-	-	873	-	873
Transfer of ESS shares recharged															
- difference on purchase price for shares vested		-	-	-	-	-	-	-	-	-	-	(848)	(848)	(20)	(868)
Transfer to regulatory reserve		-	-	-	222,250	-	-	-	-	-	-	(222,250)	-	-	-
Transfer to paid up share capital		2,537,372	(2,537,372)	-	-	-	-	-	-	-	-	-	-	-	-
Redemption of shares in a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	(3,470)	(3,470)
Additional investment in subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	100,000	100,000
Arising from disposal of subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	(1,863)	(1,863)
Distribution payable		-	-	-	-	-	-	-	-	-	-	-	-	(294)	(294)
Dividends paid	41	-	-	-	-	-	-	-	-	-	-	(467,199)	(467,199)	(3,482)	(470,681)
Transactions with owners and other equity movements		2,537,372	(2,537,372)	-	222,250	-	-	-	(18,740)	8,570	-	(690,297)	(478,217)	90,871	(387,346)
At 31 March 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

		Attributable to Equity Holders of the Company												
			Non-Distributable							Distributable				
										Retained earnings				
Group	Note	Ordinary share capital RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	AFS reserve/ (deficit) RM'000	Cashflow 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	Non-controlling interests RM'000	Total equity RM'000
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 ESS^^		-	-	-	-	-	-	-	(370)	-	-	(370)	-	(370)
Share-based payment under 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	41	-	-	-	-	-	-	-	-	-	(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 2018

		Attributable to Equity Holders of the Company					
			Non-Distributable			Distributable	
Company	Note	Ordinary share capital RM'000	Share premium RM'000	Executives' share scheme reserve RM'000	Shares held in trust for ESS RM'000	Retained earnings RM'000	Total equity RM'000
At 1 April 2016		3,014,185	2,536,065	49,738	(55,843)	2,872,161	8,416,306
Profit for the financial year		-	-	-	-	586,521	586,521
Total comprehensive income for the financial year		-	-	-	-	586,521	586,521
Share-based payment under ESS, net		-	-	(11,043)	-	-	(11,043)
ESS shares vested to employees		-	-	(7,697)	8,570	47	920
Transfer to paid up share capital	29(a)	2,536,065	(2,536,065)	-	-	-	-
Dividends paid	41	-	-	-	-	(467,199)	(467,199)
Transactions with owners and other equity movements		2,536,065	(2,536,065)	(18,740)	8,570	(467,152)	(477,322)
At 31 March 2017		5,550,250	-	30,998	(47,273)	2,991,530	8,525,505

		Attributable to Equity Holders of the Company				
			Non-Distributable		Distributable	
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
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^^		-	-	(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	41	-	-	-	(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

^^ 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.

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

		Group		Company	
		31 March 2018	31 March 2017 (Restated) Note 56	31 March 2018	31 March 2017
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation and zakat		1,542,713	1,801,190	1,064,319	594,160
Add/(Less) adjustments for:					
Amortisation of fair value gain on terminated hedge		(3,651)	(1,866)	-	-
Amortisation of intangible assets	35	113,368	102,697	-	-
Amortisation of issuance costs of debt capital	26(b)	418	308	94	-
Amortisation of issuance costs and premium for term funding	25	4,524	9,021	-	-
Accretion of discount less amortisation of premium for securities		(181,892)	(108,304)	-	-
Depreciation of property and equipment	35	66,193	57,650	384	202
Gain on disposal of properties and equipment	34	(3,345)	(15,075)	-	-
Dividend income from securities	34	(38,399)	(42,780)	(1,137,838)	(671,518)
Impairment loss/(writeback) on financial investments	38	1,483	(2,806)	-	-
Impairment loss on subsidiary		-	-	219,161	-
Impairment loss on foreclosed properties	19(e)(iii)	35	553	-	-
Writeback of impairment loss on property and equipment	20	(369)	-	-	-
Impairment loss on intangible assets	21	-	1,322	-	-
Impairment loss/(writeback) of sundry receivables and insurance receivables		7,766	(10,030)	-	-
Property and equipment written off	20, 35	134	34	-	-
Intangible assets written off	21(b)	262	-	-	-
Allowance for losses on loans, advances and financing, net	37	450,351	508,146	-	-
Net loss/(gain) on revaluation of derivatives		363,246	(343,702)	-	-
Net (gain)/loss on revaluation of financial assets held-for-trading		(32,461)	6,282	-	-
Net gain on redemption of financial investments held-to-maturity	34	-	(47)	-	-
Net gain on sale of financial assets held-for-trading		(35,114)	(90,745)	-	-
Net gain on sale of financial investments available-for-sale		(91,462)	(38,014)	-	-
Gain on disposal of foreclosed properties	34	(44,659)	(108,061)	-	-
Net gain on disposal of subsidiaries	34	-	(1,662)	-	-
Provision for commitments and contingencies					
- charge/(writeback)	27	10,384	(11,698)	-	-
Scheme shares and options granted under Executives' Share Scheme ("ESS")	35	(9,447)	(10,606)	-	-
Share in results of associates and joint ventures		6,309	(36,663)	-	-
Unrealised foreign exchange (gain)/loss on term funding	25(a)(iii)	(224,000)	207,883	-	-
Operating profit/(loss) before working capital changes carried forward		1,902,387	1,873,027	146,120	(77,156)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	Group		Company	
		31 March 2018 RM'000	31 March 2017 (Restated) Note 56 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)					
Operating profit/(loss) before working capital changes brought forward		1,902,387	1,873,027	146,120	(77,156)
Decrease/(Increase) in operating assets:					
Securities purchased under resale agreements		10,369	(10,369)	-	-
Deposits and placements with banks and other financial institutions		74,664	609,832	-	-
Financial assets held-for-trading		(3,271,482)	(4,503,291)	-	-
Loans, advances and financing		(5,963,166)	(4,113,486)	-	-
Statutory deposits with Bank Negara Malaysia		(261,397)	14,701	-	-
Other assets		260,591	520,702	61,826	(83,131)
Reinsurance assets and other insurance receivables		(133,144)	111,523	-	-
Increase/(Decrease) in operating liabilities:					
Deposits from customers		1,870,129	3,677,664	-	-
Investment accounts of customers		114,582	5,963	-	-
Deposits and placements of banks and other financial institutions		1,903,157	315,652	-	-
Securities sold under resale agreements		(9,464)	9,464	-	-
Recourse obligation on loans and financing sold to Cagamas Berhad		994,076	(653,091)	-	-
Term funding	25	(2,835,990)	(2,245,281)	(676,000)	(30,000)
Other liabilities		(14,987)	(83,850)	(12,991)	732
Insurance contract liabilities and other insurance payables		96,668	(94,616)	-	-
Cash used in operations		(5,263,007)	(4,565,456)	(481,045)	(189,555)
Taxation and zakat paid, net		(133,984)	(223,037)	(2,455)	(5,662)
Net cash used in operating activities		(5,396,991)	(4,788,493)	(483,500)	(195,217)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	Group		Company	
		31 March 2018 RM'000	31 March 2017 (Restated) Note 56 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Disposal/(Purchase) of financial investments available-for-sale		1,508,775	2,628,515	132,147	(755,892)
Dividend income received from other investments		35,957	42,780	14	-
Capital repayment from subsidiary	17(a)	-	-	-	925
Proceeds from disposal of property and equipment		4,239	601	-	-
Net proceeds from disposal of assets held for sale (properties)		18,384	41,389	-	-
Purchase of property and equipment	20	(26,125)	(71,543)	(424)	(725)
Purchase of intangible assets	21	(100,748)	(139,546)	-	-
Dividend received from subsidiaries	31	-	-	1,135,653	668,287
Subscription of shares in subsidiary	17(3)(ii)	-	-	(200,000)	-
Subscription of shares in joint-venture	18	(3,500)	-	-	-
Redemption/(Purchase) of receivables: investments not quoted in active markets		49,147	(1,424,976)	-	-
Redemption/(Purchase) of financial investments held-to-maturity		469,399	751,583	(675,000)	-
Purchase of shares for ESS by the appointed trustee		(370)	-	(370)	-
Dividend received from associate		7,798	9,174	-	-
Net cash outflow from disposal of subsidiaries		-	(3,894)	-	-
Net cash generated from/(used in) investing activities		1,962,956	1,834,083	392,020	(87,405)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

		Group		Company	
	Note	31 March 2018 RM'000	31 March 2017 (Restated) Note 56 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Redemption of shares in subsidiary by non-controlling interests		-	(3,470)	-	-
Repayment of subordinated sukuk	26(b)	(130,000)	(670,000)	-	-
Repayment of Medium Term Notes	26(a)	(710,000)	-	-	-
Investment by non-controlling interest-(withdrawal)/additional	31	(100,615)	100,000	-	-
Dividends paid by Company to its shareholders	41	(530,497)	(467,199)	(530,497)	(467,199)
Dividends paid to non-controlling interests by subsidiaries	41	(396)	(3,482)	-	-
Issuance of Subordinated Notes, net of issuance expenses	26(b)	1,245,000	749,700	675,000	749,491
Net cash (used in)/generated from financing activities		(226,508)	(294,451)	144,503	282,292
Net (decrease)/increase in cash and cash equivalents		(3,660,543)	(3,248,861)	53,023	(330)
Cash and cash equivalents at beginning of the financial year (Note a)		9,376,920	12,625,221	26,057	26,387
Effect of exchange rate changes		(521)	560	-	-
Cash and cash equivalents at end of the financial year (Note a)		5,715,856	9,376,920	79,080	26,057

Note a: Cash and Cash Equivalents

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

		Group		Company	
	Note	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Cash and short-term funds	6	5,515,856	8,337,200	79,080	2,051
Deposits and placements with banks and other financial institutions	8	200,000	1,039,720	-	24,006
Cash and cash equivalents		5,715,856	9,376,920	79,080	26,057

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

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

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 17, provide a wide range of wholesale 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.

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 26 April 2018.

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 48.

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 2018.

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.

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.

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. This includes the separation of embedded derivatives in host contracts by the acquiree.

Acquisition-related costs are expensed as incurred.

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

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU"), or groups of CGUs, that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the 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.

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.

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

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

In the 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(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 profit or loss, statements of comprehensive income, statements of changes in equity and statements of financial position. Any losses applicable to the non-controlling interests in excess of the non-controlling interests are allocated against the interests of the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

(e) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

(iii) Group entities

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

2. ACCOUNTING POLICIES (CONT'D.)

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

(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.

(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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(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.

(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.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(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.

(j) Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

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

(ii) Initial measurement of financial instruments

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

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

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

(iii) Subsequent measurement

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

(a) Financial assets and financial liabilities at fair value through profit or loss: held–for–trading

Financial assets or financial liabilities held-for-trading are recorded in the 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(iii) Subsequent measurement (Cont'd.)

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

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

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; 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 fair value through profit or loss 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 fair value through profit or loss.

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(iii) Subsequent measurement (Cont'd.)

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

Financial investments AFS include equity investments and debt securities. Equity investments classified as 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(iii) Subsequent measurement (Cont'd.)

(e) Financial investments held-to-maturity

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

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 statements of 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(iii) Subsequent measurement (Cont'd.)

(g) Financial liabilities at amortised cost

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

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

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

(iv) "Day 1" profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a "Day 1" profit or loss) in "investment and trading income". In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is recognised in profit or loss on a systematic and rational basis that reflects the nature of the instrument over its tenure.

(v) Reclassification of financial assets

The Group may reclassify a non-derivative trading asset out of the "held-for-trading" category and "available-for-sale" category under rare circumstances and into the "loans, 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(vi) Derecognition of financial assets and financial liabilities

(a) Financial assets

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

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

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

(b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amount of the original financial liability and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(k) Repurchase and reverse repurchase agreements

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

(l) 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 "net trading income".

(m) Fair value measurement

The Group measures financial instruments such as financial assets at fair value through profit or loss, financial investments available-for-sale and derivatives at fair value at each reporting date.

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

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

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

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 51.

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 51.

2. ACCOUNTING POLICIES (CONT'D.)

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

(n) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event") has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Loans, advances and financing are classified as impaired in accordance with the criteria as disclosed in Note 50.2 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 together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to "impairment losses on loans, advances and financing" in the statement of profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2018

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(ii) Financial investments AFS

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

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

(iii) Rescheduled and restructured loans

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

(iv) Collateral valuation

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

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources. (See Note 50.2 for further analysis of collateral).

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(v) Collateral repossessed

The Group's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Repossessed financial assets determined to be useful for the internal operations are classified based on their characteristics and the management's intention, and are measured at their fair value in the same manner as described in Note 2.5(j)(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.

(o) Hedge accounting

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

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

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

(i) Fair value hedges

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

2. ACCOUNTING POLICIES (CONT'D.)

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

(o) Hedge accounting (Cont'd.)

(ii) Cash flow hedges

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

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

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

(iii) Hedges of a net investment

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

(p) 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.

(q) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or 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 estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

2. ACCOUNTING POLICIES (CONT'D.)

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

(q) 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.

(r) 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(n)(v) on collateral repossessed.

(s) Cash and cash equivalents

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

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

(t) Assets held for sale

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

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

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

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 55. All other notes to the financial statements mainly include amounts for continuing operations, unless otherwise mentioned.

2. ACCOUNTING POLICIES (CONT'D.)

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

(u) 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.

(v) 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.

(w) Financial guarantee contracts

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

(x) Recognition of income and expenses

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

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

Operating revenue of the Company comprises gross interest income, dividend income, fee and commission earned and other income.

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

(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 classified as AFS and financial assets and financial liabilities at fair value through profit or loss, 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(i) Interest/financing income and similar income and expense (Cont'd.)

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

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

(ii) Fee and commission income

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

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

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

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

(b) Fee income from providing transaction services

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

(iii) Dividend income

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

(iv) Investment and trading income

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

(v) Rental income

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

(vi) Sale of unit trusts

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

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(vii) Customer loyalty programmes

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

(y) 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(y) 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 it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

(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 40).

(z) 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.

(aa) Taxes

(i) Current tax

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

(aa) Taxes (cont'd.)

(ii) Deferred tax

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

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

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

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

(ab) 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 and is based on the percentage of Muslim shareholders of the Company. 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.

(ac) Earnings Per Share ("EPS")

The Group presents basic and diluted EPS data for its ordinary shares in Note 40. 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 ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(ad) 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.

(ae) 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.

(af) 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.

(ag) 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(ah) Insurance product classification

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

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

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.

An insurance contract is a contract under which the insurance subsidiary (the "insurer") 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.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, 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.

(ai) Reinsurance

The insurer 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 insurer from its obligations to the policyholders. Premiums, contributions and claims are presented on a gross basis for both ceded and assumed reinsurance.

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 insurer may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the insurer will receive from the reinsurer. The impairment loss is recorded in profit or loss.

Gain and loss on buying reinsurance, if any, will be recognised in profit or loss at the inception of the agreement.

The insurer also assumes reinsurance risk in the normal course of business for general insurance contracts when applicable.

Premiums, contributions 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(aj) Insurance receivables

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 received or 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(j)(vi) , have been met.

(ak) 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 insurer'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 (al).

(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.

2. ACCOUNTING POLICIES (CONT'D.)

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

(ak) General insurance underwriting results (Cont'd.)

(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.

(al) 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 insurer, 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 insurer'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 of annual Malaysian general policies 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 insurer'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.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

(v) Liability adequacy test

At each reporting date, the insurer 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 2017:

- Disclosure Initiative (Amendments to MFRS 107)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)
- Annual Improvements to MFRSs 2014-2016 Cycle - amendments to MFRS 12

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

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

(a) Disclosure Initiative (Amendments to MFRS 107)

The amendments to MFRS 107 introduce an additional disclosure on changes in liabilities arising from financing activities. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. This disclosure has been provided in Note 26 to the financial statements.

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

The amendments clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value. In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences. The existing policy applied by the Group and the Company in respect of the recognition of deferred tax assets comply with these requirements.

(c) Annual Improvements to MFRSs 2014-2016 Cycle

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

MFRS 12 Disclosure of Interests in Other Entities

The amendment clarified that the disclosure requirements of MFRS 12 are applicable to interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities classified as held for sale except for summarised financial information. Previously, it was unclear whether all other MFRS 12 requirements were applicable for these interests. Since the amendments only affect disclosures, the adoption of these amendments did not have any financial impact on the Group and the Company.

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

3.2 Standards issued but not yet effective

The following are standards issued but not yet effective up to the date of issuance of the Group's and 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
Annual improvements to MFRSs 2014-2016 Cycle - amendments to MFRS 1 and MFRS 128	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4)	1 January 2018
Classification and Measurement of Share-based Payment Transactions(Amendments to MFRS 2)	1 January 2018
Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16 Leases	1 January 2019
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 MFRS 119)	1 January 2019
Annual Improvements to MFRSs 2015-2017 Cycle	1 January 2019
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 standards that are issued and relevant to the Group but not yet effective are described below. The Group and the Company are assessing the financial effects of their adoption.

(a) Standards effective for financial year ending 31 March 2019

Annual Improvements to MFRSs 2014-2016 Cycle

The Annual Improvements to MFRSs 2014-2016 Cycle include minor amendments affecting 3 MFRSs, in which 2 of them is effective for annual periods beginning on or after 1 January 2018, as summarised below:

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

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

(ii) MFRS 128 Investments in Associates and Joint Ventures

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

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

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

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

MFRS 15 Revenue from Contracts with Customers

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

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

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

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group and the Company intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated.

The following areas have been identified to be impacted by the requirements of MFRS 15:

(i) Investment management fees

Besides base management fees, performance-based incentive fees based on the value of assets under management or the fund's return are often paid to the Group for investment management services, which constitutes a form of variable consideration and must be estimated at contract inception and at the end of each reporting period in determining the transaction price of the contract. Nevertheless, performance-based incentive fees are highly susceptible to market volatility. As variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal of the cumulative amount of revenue recognised will not occur upon the resolution of the uncertainty, the Group does not expect the timing of recognition of the performance-based incentive fees under MFRS 15 to be significantly different from the existing accounting requirements.

(ii) Customer loyalty programme

The Group concluded that under MFRS 15, the loyalty programme gives rise to a separate performance obligation because it generally provides a material right to the customer. Under MFRS 15, the Group will need to allocate a portion of the transaction price to the loyalty programme based on relative stand-alone selling price instead of the allocation using the fair value of points issued.

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

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

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

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018. Retrospective application is required, but comparative information is not compulsory.

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

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

The Group and the Company plans to adopt MFRS 9 on the required effective date and, as permitted by the new standard, will not restate comparative information. The Group has set up a multidisciplinary Programme Working Group ("PWG") to prepare for MFRS 9 Implementation with the involvement from Risk, Finance and Operations personnel, as well as the assistance from external consultants. The PWG regularly report to the Programme Steering Committee ("PSC") chaired by the Group Chief Financial Officer. The Programme has clear individual work streams for classification and measurement, impairment, hedge accounting and disclosure. The Group has also engaged its external auditor to independently verify and validate the accounting policies and solution tools developed under the Programme and to report on whether they comply with the requirements of MFRS 9.

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

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

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

MFRS 9 Financial Instruments (Cont'd.)

During the financial year, the Group and the Company have performed a detailed impact assessment on all aspects of MFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group and the Company in financial year ending 31 March 2019 when the Group and the Company will adopt MFRS 9. The estimable impact from the adoption of MFRS 9 based on currently available information are as discussed below.

(i) Classification and measurement

Loans, advances and financing, which forms a substantial portion of the Group's financial assets, will satisfy the conditions for classification at amortised cost and hence there will be no change to the accounting of these assets. Similarly, investments in corporate bonds and sukuk currently classified as held-to-maturity will meet the conditions for classification at amortised cost under MFRS 9.

Financial assets held-for-trading will continue to be measured at FVTPL.

Certain investments in corporate bonds and sukuk that are currently classified as available-for-sale will qualify for classification at amortised cost going forward. The reclassification will be effected by way of a retrospective application of the effective interest method and accordingly, the related cumulative fair value loss will be reversed on 1 April 2018. Other investments in corporate bonds and sukuk that are currently classified as available-for-sale will satisfy the conditions for classification at FVOCI and hence there will be no change to the accounting of these assets.

The majority of the Group's debt investments not quoted in active market that are currently measured at amortised cost will satisfy the conditions for classification at FVOCI and the related fair value gains of will be recognised in fair value reserve on 1 April 2018. However, certain debt investments do not meet the cash flow characteristics criterion to be classified either at FVOCI or at amortised cost and shall be classified at FVTPL accordingly with related fair value loss to be recognised in retained earnings on 1 April 2018.

Other than equity instruments held for long-term strategic or socioeconomic purposes, the Group does not intend to 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 will result in the recognition of related fair value gains in fair value reserve on 1 April 2018.

There will be 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.

(ii) Hedge accounting

The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under MFRS 9. As MFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of MFRS 9 will not have a significant impact on Group's financial statements.

(iii) Impairment

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 remaining life of the financial instrument. To calculate ECL, the Group will estimate the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over 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 expects to receive, discounted at the effective interest rate of the financial asset.

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

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

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

MFRS 9 Financial Instruments (Cont'd.)

(iii) Impairment (Cont'd.)

In comparison to MFRS 139, the Group expects the impairment charge under MFRS 9 to be more volatile than under MFRS 139 and to result in an increase in the total level of current impairment allowances.

Based on the assessments undertaken to date, the Group expects an increase in the loss allowance in respect of loans, advances and financing, as well as investments in corporate bonds and sukuk that are not classified at FVTPL. A negative adjustment will be made to retained earnings on 1 April 2018 to recognise the additional loss allowance.

Following the detailed impact assessment performed based on currently available information, the Group's Capital Adequacy Ratio is expected to be not significantly different on 1 April 2018 when the impact of MFRS 9 adoption as discussed above are adjusted to the Group's opening equity. Notwithstanding the negative adjustment to the opening retained earnings arising from the increase in loss allowance, the expected impact to the Group's Capital Adequacy Ratio is not significant mainly because of the positive impact to retained earnings arising from the recognition of fair value gains from certain equity instruments, as well as the availability of regulatory reserves to mitigate the increase in loss allowance.

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 the forthcoming new MFRS on insurance contracts by providing 2 different solutions for insurers which are optional; a temporary exemption from MFRS 9 for entities that meet specific requirements, and the "overlay approach".

The temporary exemption 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 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 "overlay approach" allows insurers that applies MFRS 9 to reclassify, in respect of certain eligible financial assets, the difference between the amount that is reported in profit or loss under MFRS 9 and the amount that would have been reported in profit or loss under MFRS 139 to other comprehensive income. Financial assets are eligible for designation, on an instrument-by-instrument basis, for the "overlay approach" if they are measured at fair value through profit or loss under MFRS 9 but not so measured under MFRS 139, and not held in respect of an activity that is unconnected with contracts within the scope of MFRS 4.

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

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

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

Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4) (Cont'd.)

Both approaches are effective for annual periods beginning on or after 1 January 2018 and are expected to cease to be applicable when the new MFRS on insurance contracts becomes effective. The Group is not eligible to apply the temporary exemption from MFRS 9 as its activities are not "predominantly connected with insurance". Nevertheless, the amendments provide the Group an exemption from applying uniform accounting policies, which the Group will apply when applying the equity method under MFRS 128 to account for its investments in associates or joint ventures that apply the temporary exemption from MFRS 9.

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 amendments are effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The transition provisions specify that the amendments apply to awards that are not settled as at the date of first application or to modifications that happen after the date of first application, without restatement of prior periods. Notwithstanding this, the amendments can be applied retrospectively provided that this is possible without hindsight.

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 changed 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 amendments are effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The amendments shall be applied prospectively and any impact from the reclassification of properties at the date of initial application would be treated as an adjustment to opening retained earnings. Notwithstanding this, the amendments can be applied retrospectively provided that this is possible without hindsight.

IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

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

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

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

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

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

MFRS 16 Leases

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

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

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

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

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

MFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early application permitted provided MFRS 15 is also applied. At this stage, the Group and the Company do not intend to adopt the standard before its effective date. The Group and the Company intends to apply the simplified transition approach and will not restate comparative amounts.

The Group and the Company are in the process of assessing the financial implication for adopting MFRS 16. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard.

IC Interpretation 23 *Uncertainty over Income Tax Treatments*

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

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

Prepayment Features with Negative Compensation (Amendments to MFRS 9)

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

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

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

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

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

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

The amendments clarify that MFRS 128 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.

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.

Annual Improvements to MFRSs 2015-2017 Cycle

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

(i) MFRS 3 *Business Combinations*

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

(ii) MFRS 11 *Joint Arrangements*

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

(iii) MFRS 112 *Income Taxes*

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

(iv) MFRS 123 *Borrowing Costs*

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

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

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

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

MFRS 17 *Insurance Contracts*

MFRS 17 *Insurance Contracts supersedes MFRS 4 Insurance Contracts.*

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 is in the process of assessing the financial implication for adopting MFRS 17.

(d) Standard deferred to a date to be determined by MASB

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

The amendments clarify that:

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

4. SIGNIFICANT CHANGES IN REGULATORY REQUIREMENTS

(a) BNM policy document on Capital Funds

On 3 May 2017, BNM issued revised policy documents, Capital Funds and Capital Funds for Islamic Banks which are applicable for licensed banks and licensed Islamic banks respectively. The key change in the revised policy documents is the removal of the requirement for banking institutions to maintain a reserve fund. The Group had previously maintained the reserve fund via transfer from retained earnings to Statutory Reserve. Arising from this change, during the current financial year, the Group had reclassified balances in Statutory Reserve to Retained earnings.

(b) BNM circular on Classification and Regulatory Treatment for Structured Products under the Financial Services Act 2013 ("FSA") and Islamic Financial Services Act ("IFSA") 2013

On 21 June 2017, BNM issued a circular to clarify that structured products that do not guarantee the full repayment of the principal amount on demand do not fulfil the definition of deposits under Section 2 of the FSA and IFSA and must not be classified as deposits.

4. SIGNIFICANT CHANGES IN REGULATORY REQUIREMENTS (CONT'D.)

(b) BNM circular on Classification and Regulatory Treatment for Structured Products under the Financial Services Act 2013 ("FSA") and Islamic Financial Services Act ("IFSA") 2013 (Cont'd.)

The Group had previously classified structured products issued to customers and other financial institutions which are principal protected if held to maturity as Deposits from customers and Deposits and placements of banks and other financial institutions respectively. Accordingly, during the current financial year, the Group had reclassified all structured products that do not fulfil the definition of the deposits under Section 2 of the FSA and IFSA to Term Funding. The comparatives were also restated as per Note 56 and Note 57 (XXVIII) for the Group's Operations of Islamic banking.

(c) 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
(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 expected credit loss approach under MFRS 9. In addition, the credit-impaired classification requirements which was previously provided in BNM's policy document on Classification and Impairment Provisions for Loans/Financing have also been incorporated into the above revised policy documents.

Following the application of MFRS 9 impairment requirements, the revised policy documents require banking institutions and Islamic banking institutions to maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

The revised policy documents also introduced new disclosure requirements in the annual financial statements, as follows:

(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 expected credit loss;
(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.

The Group shall apply the above requirements from the financial year ending 31 March 2019.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with MFRS requires management to make judgements, 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. Judgements, 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 judgements, estimates and assumptions which have the most significant effect on the amounts recognised in the financial statements.

5.1 Allowance for impairment on loans, advances and financing (Note 13 and Note 37)

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 judgement 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.

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

5.1 Allowance for impairment on loans, advances and financing (Note 13 and Note 37) (Cont'd.)

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 judgements on cover model risks (e.g. errors for design/development process, data quality, data extraction and transformation) and macro risks (e.g. covering economic, portfolio and procedural issues).

5.2 Impairment losses on financial investments AFS (Note 38)

The Group reviews its debt securities classified as financial investments AFS at each reporting date to assess whether they are impaired. This requires similar judgement 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 judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

5.3 Impairment of goodwill (Note 21)

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.

5.4 Deferred tax assets (Note 16) and income taxes (Note 39)

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 judgement 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 judgement 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.

5.5 Fair value measurement of financial instruments (Note 51)

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, judgement is required to establish fair values. Judgements 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.

5.6 Development costs

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

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

5.7 General insurance business – valuation of general insurance contract liabilities (Note 53(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 judgement 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.

5.8 Uncertainty in accounting estimates for general insurance business (Note 53(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.

5.9 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.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2018

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

5.10 Defined benefits plan (Note 27)

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.

6. CASH AND SHORT-TERM FUNDS

	Group		Company	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Cash and balances with banks and other financial institutions	1,738,875	1,444,710	79,080	2,051
Deposits and placements maturing within one month with original maturity of three months or less:				
Licensed banks	2,247,063	3,388,013	-	-
Bank Negara Malaysia	1,517,280	3,502,000	-	-
Other financial institutions	12,638	2,477	-	-
	3,776,981	6,892,490	-	-
Total	5,515,856	8,337,200	79,080	2,051

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

As part of the securities purchased under resale agreements, the Group received securities as collateral that it was allowed to sell or repledge in the absence of default by their owners. The Group had an obligation to return the securities to its counterparties. As at 31 March 2018, there was no securities purchased under resale agreements (2017: RM10,369,000). There was no collateral received and sold (short sale) recorded as securities sold under resale agreements as at 31 March 2018 (2017: RM9,464,000).

8. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Company	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Deposits and placements with licensed banks maturing more than one month:				
Subsidiaries	-	-	-	24,006
Others	215,602	1,129,987	-	-
	215,602	1,129,987	-	24,006
Of which deposits and placements with original maturity of:				
Three months or less	200,000	1,039,720	-	24,006
More than three months	15,602	90,267	-	-
	215,602	1,129,987	-	24,006

9. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Group	31 March 2018			31 March 2017		
		Fair Value			Fair Value	
	Contract/ Notional Amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ Notional Amount RM'000	Assets RM'000	Liabilities RM'000
Trading derivatives						
Interest rate related contracts:	50,777,541	197,376	164,006	43,940,571	205,925	204,590
- One year or less	10,095,515	7,042	4,747	8,580,942	5,497	4,973
- Over one year to three years	14,390,414	44,542	33,457	10,675,092	30,875	32,464
- Over three years	26,291,612	145,792	125,802	24,684,537	169,553	167,153
Foreign exchange related contracts:	51,597,451	889,092	1,053,648	49,993,797	921,004	718,496
- One year or less	47,466,152	549,681	738,526	46,025,024	465,348	275,273
- Over one year to three years	1,304,688	59,636	63,815	253,960	4,909	28,653
- Over three years	2,826,611	279,775	251,307	3,714,813	450,747	414,570
Credit related contracts:	334,505	6,537	-	361,251	11,237	-
- Over three years	334,505	6,537	-	361,251	11,237	-
Equity and commodity related contracts:	1,215,805	32,574	36,669	313,024	2,421	3,055
- One year or less	797,179	30,633	34,728	229,628	2,417	3,051
- Over one year to three years	418,626	1,941	1,941	83,396	4	4
	103,925,302	1,125,579	1,254,323	94,608,643	1,140,587	926,141
Hedging derivatives						
Interest rate related contracts - interest rate swaps:						
Cash flow hedge	2,693,700	38	16,843	5,605,000	25,835	24,581
- One year or less	620,000	38	220	1,230,000	713	1,100
- Over one year to three years	1,005,000	-	7,576	1,735,000	5,058	4,039
- Over three years	1,068,700	-	9,047	2,640,000	20,064	19,442
Fair value hedge	350,000	-	7,626	350,000	-	7,964
- Over three years	350,000	-	7,626	350,000	-	7,964
Total	106,969,002	1,125,617	1,278,792	100,563,643	1,166,422	958,686

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, or 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.

An Interest Rate Option ("IRO") is a financial derivative that provides the buyer of the option with the right, but not obligation, to buy/sell a specified underlying interest rate related asset, for example the KLIBOR index at a nominated strike rate during a certain period of time or on a specific date. Basic IRO includes interest rate cap and interest rate floor.

The principal interest rate contracts used are interest rate futures, interest rate swaps and forward rate agreements. Forward rate agreements are contracts for the payment of the difference between a specified interest rate and a reference rate on a notional deposit at a future settlement date. There is no exchange of principal. 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 50.

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.

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

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

The Group enters into derivative transactions for trading and for hedging purposes. For derivatives held-for-trading, fair value changes are recognised in the income statements. 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 the time a financial instrument is designated as a hedge, the Group formally documents the relationship between the hedging instrument and the hedged item, including the nature of the risk to be hedged, the risk management objective and strategy for undertaking the hedge and the method used to assess hedge effectiveness. Hedges are expected to be highly effective and are assessed on an ongoing basis to ensure that they remain highly effective throughout the hedge period. For actual effectiveness to be achieved, the changes in fair value or cash flows of the hedging instrument and the hedged item must offset each other in the range of 80% to 125%.

The Group discontinues hedge accounting if the hedging instrument expires, is sold, terminated or exercised or if the hedge no longer meets the criteria for hedge accounting or is revoked.

(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. The financial instruments previously hedged for interest rate risk and remains outstanding by its wholly-owned subsidiary, AmBank consist of loans sold to Cagamas Berhad ("hedged instrument"). With the termination of the fair value hedge on this hedged instrument, the unamortised fair value is amortised to the statement of profit or loss on the remaining term to maturity of the hedged instrument using effective interest rate method. As at 31 March 2018, the remaining amortisation of fair value on the terminated hedge amortised amounted to RM1,272,000 as disclosed in Note 24.

Another wholly-owned subsidiary, AmBank Islamic had also undertaken a fair value hedge to hedge the profit rate risk of its unquoted sukuk as disclosed in Note 14.

(ii) Cash flow hedge

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. The aggregate principal balances and interest cash flows over time form the basis for identifying gains and losses on the effective portions of derivatives designated as cash flow hedges of forecast transactions. Gains and losses are initially recognised directly in equity in the cash flow hedge reserve and are transferred to income statement when the forecast cash flows affect the profit or loss.

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 7 years (2017: 8 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 the statement of profit or loss during the financial year in respect of cash flow hedges amounted to a gain of RM3,302,000 (2017: gain of RM1,861,000) for the Group.

During the current financial year, pursuant to a review of the Group's hedging strategy, the Group recognised a gain of RM2,379,000 in the statement of profit or loss arising from unwinding of hedge on its variable rate housing loan portfolio using interest rate swaps with a total notional value of RM2.1 billion. The remaining unamortised fair value gain will be amortised to the profit or loss over the remaining life of the hedged forecast transactions.

10. FINANCIAL ASSETS HELD-FOR-TRADING

	Group		Company	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
At Fair Value				
Money Market Instruments:				
Malaysian Treasury Bills	52,540	1,148,116	-	-
Malaysian Islamic Treasury Bills	814,597	166,198	-	-
Malaysian Government Securities	311,457	1,997,251	-	-
Malaysian Government Investment Issues	871,477	1,332,710	-	-
Cagamas bonds	100,799	111,712	-	-
Bank Negara Monetary Notes	5,008,044	333,562	-	-
	7,158,914	5,089,549	-	-
Quoted Securities:				
In Malaysia:				
Shares	268,992	115,600	-	-
Unit trusts	220,124	58,879	-	-
Corporate bonds and sukuk	37,962	38,207	-	-
Outside Malaysia:				
Shares	120,095	114,596	-	-
	647,173	327,282	-	-
Unquoted Securities:				
In Malaysia:				
Corporate bonds and sukuk	5,138,696	4,106,259	-	-
Outside Malaysia:				
Corporate bonds	-	9,998	-	-
	5,138,696	4,116,257	-	-
	12,944,783	9,533,088	-	-

11. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Company	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
At Fair Value				
Money Market Instruments:				
Malaysian Government Securities ("MGS")	232,917	629,737	-	-
Malaysian Government Investment Issues ("MGII")	537,965	1,007,680	-	-
Islamic negotiable instruments of deposit	1,510,068	1,096,546	-	-
Foreign Government investment certificates	11,493	8,887	-	-
	2,292,443	2,742,850	-	-
Quoted Securities:				
In Malaysia:				
Shares	223,614	48,625	-	-
Unit trusts	15,024	1,061,444	1,008	130,984
Outside Malaysia:				
Shares	40	52	-	-
	238,678	1,110,121	1,008	130,984
Unquoted Securities:				
In Malaysia:				
Shares	46,677	-	-	-
Unit trusts	114,855	1,430	-	-
Corporate bonds and sukuk	4,660,839	4,919,596	-	-
Outside Malaysia:				
Corporate bonds and sukuk	252,348	195,183	-	-
	5,074,719	5,116,209	-	-
At Cost				
Unquoted Securities:				
In Malaysia:				
Shares	96,852	99,489	-	-
Unit trusts				
Outside Malaysia:				
Shares	194	193	-	-
	97,046	99,682	-	-
	7,702,886	9,068,862	1,008	130,984

Previously, the Group had reclassified securities amounting to RM69.8 million out of the available-for-sale category to the loans and receivables category as the Group has the intention to hold the securities until maturity.

The fair value gain that would have been recognised in other comprehensive income for the current financial year if the securities had not been reclassified amounted to RM5.15 million (2017: RM4.87 million).

In the previous financial year, its wholly-owned subsidiaries, AmBank and AmBank Islamic were appointed as Principal Dealer ("PD") and Islamic Principal Dealer ("iPD") respectively for specified securities issued by the Government, BNM and BNM Sukuk Berhad for the period 1 January 2017 to 31 December 2018.

As PD and iPD, both subsidiaries are required to undertake certain obligations and were also accorded incentives. One of the incentives accorded was the eligibility to maintain specified amounts of the Statutory Reserve Requirements ("SRR") balances in the form of MGS and/or MGII instead of cash effective for the period January 2017 to December 2017. As at 31 March 2018, there was no holding of MGS and MGII for SRR purposes (2017: RM259.54 million).

12. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group		Company	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
At Amortised Cost				
Money Market Instruments:				
Malaysian Government Securities	60,601	-	-	-
Malaysian Islamic Treasury Bills	-	29,543	-	-
Unquoted Securities:				
In Malaysia:				
Corporate bonds and sukuk	2,970,265	3,433,375	1,425,000	750,000
	3,030,866	3,462,918	1,425,000	750,000
Less: Accumulated impairment losses	(2,550)	(2,550)	-	-
	3,028,316	3,460,368	1,425,000	750,000

Impairment allowance

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

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Balance at beginning of the financial year	2,550	3,008
Amount written-off	-	(458)
Balance at end of the financial year	2,550	2,550

13. LOANS, ADVANCES AND FINANCING

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
At Amortised Cost:		
Loans, advances and financing:		
Term loans/financing	23,829,662	22,373,363
Revolving credit	12,518,695	13,417,729
Housing loans/financing	26,926,393	21,914,049
Hire-purchase receivables	19,224,817	20,491,424
Card receivables	1,984,146	1,687,210
Overdrafts	3,935,978	3,558,928
Claims on customers under acceptance credits	4,663,871	4,348,985
Trust receipts	1,765,269	1,572,217
Bills receivables	1,091,864	1,289,283
Staff loans	103,815	111,780
Others	276,720	220,964
Gross loans, advances and financing	96,321,230	90,985,932
Allowance for impairment on loans, advances and financing:		
Individual allowance	(208,482)	(258,997)
Collective allowance	(734,848)	(861,850)
	(943,330)	(1,120,847)
Net loans, advances and financing	95,377,900	89,865,085

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

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Domestic banking institutions	216	5,861
Domestic non-bank financial institutions	2,736,996	3,071,482
Domestic business enterprises:		
- Small and medium enterprises	16,693,920	14,010,071
- Others	22,191,579	24,217,753
Government and statutory bodies	716,114	300,998
Individuals	52,703,562	48,009,010
Other domestic entities	8,865	107,700
Foreign individuals and entities	1,269,978	1,263,057
	96,321,230	90,985,932

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

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

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
In Malaysia	96,093,527	90,497,135
Outside Malaysia	227,703	488,797
	96,321,230	90,985,932

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

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Fixed rate:		
- Housing loans/financing	487,741	528,320
- Hire purchase receivables	17,824,523	19,090,781
- Other loans/financing	8,357,769	8,165,230
	26,670,033	27,784,331
Variable rate:		
- Base rate and lending/financing rate plus	40,580,214	33,429,152
- Cost plus	22,643,595	24,789,622
- Other variable rates	6,427,388	4,982,827
	69,651,197	63,201,601
	96,321,230	90,985,932

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

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Agriculture	3,300,734	3,860,902
Mining and quarrying	1,906,127	2,058,096
Manufacturing	9,824,643	9,310,382
Electricity, gas and water	1,161,410	481,602
Construction	3,743,923	3,830,582
Wholesale and retail trade and hotels and restaurants	5,955,656	5,327,262
Transport, storage and communication	2,085,001	2,886,890
Finance and insurance	2,755,986	3,077,343
Real estate	8,317,497	8,388,647
Business activities	1,714,275	1,510,442
Education and health	1,754,754	1,377,583
Household of which:	53,698,489	48,758,065
- Purchase of residential properties	26,400,754	21,604,268
- Purchase of transport vehicles	18,087,330	19,567,316
- Others	9,210,405	7,586,481
Others	102,735	118,136
	96,321,230	90,985,932

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

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

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Maturing within one year	24,782,847	26,517,772
Over one year to three years	8,250,270	7,263,471
Over three years to five years	11,539,235	13,552,068
Over five years	51,748,878	43,652,621
	96,321,230	90,985,932

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

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Gross		
Balance at beginning of the financial year	1,689,326	1,700,855
Impaired during the financial year	1,161,735	1,329,846
Reclassified as non-impaired	(100,128)	(132,066)
Recoveries	(477,456)	(463,313)
Amount written off	(618,521)	(759,774)
Foreign exchange differences	(16,551)	13,778
Balance at end of the financial year	1,638,405	1,689,326
Gross impaired loans, advances and financing as % of gross loans, advances and financing	1.70%	1.86%
Loan loss coverage (including regulatory reserve)	100.47%	79.67%

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

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
In Malaysia	1,579,455	1,607,833
Outside Malaysia	58,950	81,493
	1,638,405	1,689,326

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

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

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Agriculture	836	842
Mining and quarrying	86,517	153,931
Manufacturing	83,010	94,910
Electricity, gas and water	7,140	7,963
Construction	46,033	16,349
Wholesale and retail trade and hotels and restaurants	43,944	46,449
Transport, storage and communication	85,956	9,869
Finance and insurance	-	1
Real estate	599,355	707,073
Business activities	11,823	10,051
Education and health	24,192	8,562
Household of which:	647,234	629,037
- Purchase of residential properties	331,669	316,681
- Purchase of transport vehicles	207,396	202,284
- Others	108,169	110,072
Others	2,365	4,289
	1,638,405	1,689,326

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

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Individual allowance		
Balance at beginning of the financial year	258,997	317,269
Allowance made during the financial year, net (Note 37)	105,151	252,051
Amount written off	(148,170)	(312,025)
Foreign exchange differences	(7,496)	1,702
Balance at end of the financial year	208,482	258,997
Collective allowance		
Balance at beginning of the financial year	861,850	1,061,750
Allowances made during the financial year, net (Note 37)	345,200	256,095
Amounts written off	(470,347)	(458,251)
Foreign exchange differences	(1,855)	2,256
Balance at end of the financial year	734,848	861,850
Collective allowance and Regulatory reserve as % of gross loans, advances and financing less individual allowance	1.50%	1.20%

14. RECEIVABLES: INVESTMENTS NOT QUOTED IN ACTIVE MARKETS

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Unquoted corporate bonds and sukuk, at amortised cost	1,932,102	1,978,806
Fair value changes arising from fair value hedge	8,331	8,071
	1,940,433	1,986,877

The Group has undertaken a fair value hedge on the profit rate risk of unquoted sukuk of RM350.0 million using interest rate swaps. The gain/(loss) arising from the fair value hedge is as follows:

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Relating to hedged item	260	(3,421)
Relating to hedging instrument	338	3,322
	598	(99)

15. 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.

16. 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		Company	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Deferred tax assets	75,324	21,651	-	-
Deferred tax liabilities	(65,403)	(204,321)	-	-
	9,921	(182,670)	-	-

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

	Group		Company	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Deferred tax assets	152,466	150,978	-	-
Deferred tax liabilities	(142,545)	(333,648)	-	-
	9,921	(182,670)	-	-

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16. 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 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

Group 31 March 2017	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 (reserve)/deficit	(4,150)	-	8,727	4,577
Cash flow hedge reserve	(906)	-	(44)	(950)
Provision for commitments and contingencies	18,889	(2,807)	-	16,082
Allowance for impairment of foreclosed properties	3,070	82	-	3,152
Provision for expenses	105,897	1,793	-	107,690
Other temporary differences	72,893	(52,466)	-	20,427
	195,693	(53,398)	8,683	150,978

16. 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 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

Group 31 March 2017	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	53,543	132	-	53,675
Deferred charges	29,075	(3,585)	-	25,490
Intangible assets	51,635	(8,752)	-	42,883
Redeemable cumulative convertible preference share	22,308	(1,551)	-	20,757
Other temporary differences	56,138	134,759	(54)	190,843
	212,699	121,003	(54)	333,648

As at 31 March 2018 and 31 March 2017, there is unabsorbed capital allowances which amounted to RM453,087,000 that is available for offset against future taxable profit of leasing business from two of its subsidiaries. Deferred tax assets are not recognised due to uncertainty in timing of its recoverability.

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17. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENTS

(a) Investment in subsidiaries

		Company	
	Note	31 March 2018 RM'000	31 March 2017 RM'000
At cost			
Unquoted shares in Malaysia			
Balance at the beginning of the financial year		9,506,300	9,507,225
Capital repayment by subsidiary under winding-up process		-	(925)
Subscription of new ordinary shares	3(ii)	200,000	-
		9,706,300	9,506,300
Less: Impairment		(219,161)	-
Balance at the end of the financial year		9,487,139	9,506,300

1. Details of the subsidiaries are as follows:

		Effective equity interest	
Subsidiaries	Principal activities	31 March 2018 %	31 March 2017 %
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	100.00	100.00
AMMB Nominees (Tempatan) Sdn Bhd	Nominee services	100.00	100.00
AMMB Nominees (Asing) Sdn Bhd	Nominee services	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**	Nominee services	100.00	100.00
AM Nominees (Asing) Sdn Bhd	Nominee services	100.00	100.00
AmREIT Holdings Sdn Bhd (formerly known as Am ARA REIT Holdings Sdn Bhd)	Investment holding	70.00	70.00
AmREIT Managers Sdn Bhd (formerly known as Am ARA REIT 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

17. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENTS (CONT'D.)

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

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

Subsidiaries	Principal activities	Effective equity interest 31 March 2018 %	Effective equity interest 31 March 2017 %
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^^*	Ceased operation	100.00	100.00
AmLabuan Holdings (L) Ltd	Investment holding	100.00	100.00
AmSecurities (HK) Limited^^@@	Dormant	-	100.00
AmTrade Services Limited^^@	Dormant	-	100.00
AmFraser International Pte. Ltd.^^	Investment holding	100.00	100.00
AMFB Holdings Berhad ("AMFB")###	Investment holding	100.00	100.00
AMSEC Holdings Sdn Bhd#	Dormant	100.00	100.00
AmInvestment Management Sdn Bhd ("AIM")###	Dormant	100.00	100.00
AmPrivate Equity Sdn Bhd ("AmPrivate Equity")###	Investment holding	80.00	80.00
AmFutures Sdn Bhd ("AmFutures")#####	Dormant	100.00	100.00
AmResearch Sdn Bhd ("AmResearch")###	Dormant	100.00	100.00
Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI")###	Fund management and consultancy services	100.00	100.00
Komuda Credit & Leasing Sdn Bhd##	Dormant	100.00	100.00
AMBB Capital (L) Ltd####	Issue of hybrid capital securities	100.00	100.00
AmGlobal Investments Pte. Ltd.^^####	Dormant	100.00	100.00

The above subsidiaries are incorporated in Malaysia, except for the following:

Subsidiaries	Incorporated in
(i) AmSecurities (HK) Limited	Hong Kong
(ii) AmTrade Services Limited	Hong Kong
(iii) AmCapital (B) Sdn Bhd	Brunei
(iv) AmFraser International Pte. Ltd. and AmGlobal Investments Pte. Ltd.	Singapore

^^ Subsidiaries audited by a firm affiliated with Ernst & Young, Malaysia.
** Subsidiary audited by a firm other than Ernst & Young.
# Subsidiary commenced Members' Voluntary Liquidation on 6 August 2013.
Subsidiary commenced Members' Voluntary Liquidation on 31 July 2013.
Subsidiaries commenced Members' Voluntary Liquidation on 23 December 2016.
Subsidiaries commenced Members' Voluntary Liquidation on 17 March 2017.
Subsidiary commenced Members' Voluntary Liquidation on 27 March 2018.
@ Subsidiary dissolved on 3 January 2018.
@@ Subsidiary dissolved on 29 March 2018.
* This subsidiary ceased its operation on 1 May 2015.

17. 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 financial year:

(i) Capital repayment by subsidiaries

(a) On 9 October 2017, AmCard Services Berhad ("AmCard"), a wholly-owned subsidiary of AmBank, had obtained Capital Reduction Order from the High Court pursuant to Section 116 of the Companies Act 2016. On 26 October 2017, AmCard had returned paid-up share capital in excess of its needs which amounted to RM277.5 million to AmBank.

(b) On 23 October 2017, MBF Information Services Sdn. Bhd. ("MBF Information"), a wholly-owned subsidiary of AmBank had obtained Capital Reduction Order from the High Court pursuant to Section 116 of the Companies Act 2016. On 7 November 2017, MBF Information had returned paid-up share capital in excess of its needs which amounted to RM25.5 million to AmBank.

(c) On 27 December 2017, AmLabuan Holdings (L) Ltd, a wholly-owned subsidiary of AmBank lodged a High Court order for capital reduction to the Labuan Financial Services Authority and subsequently returned paid-up share capital in excess of its needs of USD9,999,000 (equivalent to approximately RM40.7 million) to AmBank which resulted in gain on capital repayment by subsidiary which amounted to RM7,672,000 as disclosed in Note 34.

(d) 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 during the current financial year.

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 Islamic

On 29 September 2017, the Company subscribed for the issuance of 31,446,541 new ordinary shares by AmBank Islamic at an issue price of RM6.36 per ordinary shares which amounted to RM200.0 million.

(iii) Dissolution of wholly-owned dormant subsidiaries

(a) AmBank's wholly-owned subsidiary, AmTrade Services Limited (incorporated in Hong Kong), was dissolved by way of Members' Voluntary Liquidation pursuant to Section 548 of the Companies Ordinance (Chapter 622) of Hong Kong on 3 January 2018.

(b) AMSH's wholly-owned subsidiary, AmSecurities (HK) Limited (incorporated in Hong Kong), was dissolved by way of Members' Voluntary Liquidation pursuant to Section 548 of the Companies Ordinance (Chapter 622) of Hong Kong on 29 March 2018.

As these subsidiaries were dormant, there was no significant impact on the Group's statement of profit or loss or statement of financial position arising from the dissolution.

17. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENTS (CONT'D.)

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

4. 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	
	31 March 2018 RM'000	31 March 2017 RM'000
NCI percentage of ownership interest and voting interest	49%	49%
Net carrying amount of NCI at beginning of the financial year	1,125,034	942,113
Share of net results	120,597	83,074
Share of other comprehensive income	(2,038)	(133)
Share of other equity movements	(55)	(20)
	1,243,538	1,025,034
Investment by NCI in subsidiary whereby the Group's effective equity interest is 29.66% - (withdrawal)/additional	(100,615)	100,000
Share of net results	615	294
Distribution payable	-	(294)
Net carrying amount of NCI at end of the financial year	1,143,538	1,125,034
Total Assets	5,921,622	5,689,045
Total Liabilities	(3,588,778)	(3,497,432)
Net assets	2,332,844	2,191,613
Non-controlling interest	-	(100,000)
Total Shareholders' funds	2,332,844	2,091,613
Equity attributable to owners of the company	1,189,306	1,066,579
NCI	1,143,538	1,125,034

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17. 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 2018 RM'000	31 March 2017 RM'000
Operating revenue	1,591,843	1,616,948
Profit for the financial year	246,115	169,539
Attributable to:		
Equity holders of the company	125,518	86,465
NCI	120,597	83,074
Total comprehensive income	241,957	169,205
Attributable to:		
Equity holders of the company	123,398	86,264
NCI	118,559	82,941
Dividend paid to NCI	-	-

(iii) Summarised statement of cash flows

	AMGH Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Operating activities	(65,165)	(228,300)
Investing activities	(278,240)	44,956
Financing activities	(100,615)	100,000
Net decrease in cash and cash equivalents for the financial year	(444,020)	(83,344)

17. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENTS (CONT'D.)

(b) Investment in collective investment schemes

Collective investment schemes held indirectly

		Effective equity interest	
		31 March 2018	31 March 2017
In Malaysia			
Unquoted unit trusts			
Name of fund	**Principal activities**	**%**	**%**
AmCash Institutional 1	Investment in money market	-	51.00
AmCash Premium*	Investment in deposits and money market instruments	-	29.66
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	-

These collective investment schemes have been consolidated in accordance with MFRS 10 Consolidated Financial Statements.

* On 1 March 2017, AmGeneral Insurance invested in this collective investment ("joint venture") scheme and has 58.16% holding of the units in circulation. As at 31 March 2017, the Group assessed its investment in AmCash Premium based on requirements of MFRS 10 and had concluded that the Group has control over the collective investment scheme. This investment was withdrawn by AmGeneral Insurance during the current financial year.

** New investment in current financial year.

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18. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Unquoted shares:		
At cost at beginning of the financial year	659,669	659,669
Subscription of ordinary shares issued	3,500	-
At cost at end of the financial year	663,169	659,669
Share of post acquisition reserves	27,125	40,493
	690,294	700,162

(a) The carrying amount of interest in joint ventures of the Group amounting to approximately RM425,313,000 (2017: RM432,445,000) are included in the total carrying amount of investment in associates and joint ventures. As at 31 March 2018, the carrying amount of the Group's material joint venture, AmMetLife Insurance Berhad, amounted to approximately RM394,108,000 (2017: RM394,020,000).

(b) Information about associates and joint ventures which are all incorporated in Malaysia are as follows:

		Effective equity interest	
Name of associate/joint venture	Principal activities	31 March 2018 %	31 March 2017 %
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	Life assurance	50.00	50.00
AmMetLife Takaful Berhad	Family Takaful	50.00	50.00

^ The financial year-end of Bonuskad is on 31 December 2017 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 year ended 31 March 2018.

18. 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:

	AmMetLife Insurance RM'000	AmFirst REIT RM'000	Other individually immaterial associate and JV RM'000	Total RM'000
For the financial year ended 31 March 2018				
Revenue	614,018	114,099	153,454	881,571
(Loss)/Profit after tax from continuing operations	(1,456)	11,330	(16,273)	(6,399)
Other comprehensive income/(loss)	2,111	-	(155)	1,956
Total comprehensive income/(loss)	655	11,330	(16,428)	(4,443)

	AmMetLife Insurance RM'000	AmFirst REIT RM'000	Other individually immaterial associate and JV RM'000	Total RM'000
For the financial year ended 31 March 2017				
Revenue	498,882	111,539	127,971	738,392
Profit/(Loss) after tax from continuing operations	63,610	22,239	(171)	85,678
Other comprehensive loss	(3,551)	-	(28)	(3,579)
Total comprehensive income/(loss)	60,059	22,239	(199)	82,099

	AmMetLife Insurance RM'000	AmFirst REIT RM'000	Other individually immaterial associate and JV RM'000	Total RM'000
As at 31 March 2018				
Total assets [1]	3,376,528	1,663,946	482,009	5,522,483
Total liabilities	(2,855,050)	(814,582)	(343,081)	(4,012,713)
Net assets	521,478	849,364	138,928	1,509,770

	AmMetLife Insurance RM'000	AmFirst REIT RM'000	Other individually immaterial associate and JV RM'000	Total RM'000
As at 31 March 2017				
Total assets [1]	3,154,254	1,678,868	440,361	5,273,483
Total liabilities	(2,632,953)	(811,662)	(292,357)	(3,736,972)
Net assets	521,301	867,206	148,004	1,536,511

[1] Includes fair value adjustments made by the Group at the time of acquisition.

18. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONT'D.)

(d) The above profit/(loss) after tax from continuing operations for the material joint venture and associate includes the following:

	AmMetLife Insurance 31 March 2018 RM'000	AmFirst REIT 31 March 2018 RM'000	AmMetLife Insurance 31 March 2017 RM'000	AmFirst REIT 31 March 2017 RM'000
Interest income	138,586	234	136,942	212
Interest expense	-	(37,266)	-	(36,125)
Depreciation of property and equipment	(5,996)	-	(5,977)	-
Amortisation of intangible assets	(7,284)	-	(11,138)	-
Taxation	(5,836)	-	(23,253)	-

The above amounts of assets and liabilities for the material joint venture and associate includes the following:

	AmMetLife Insurance 31 March 2018 RM'000	AmFirst REIT 31 March 2018 RM'000	AmMetLife Insurance 31 March 2017 RM'000	AmFirst REIT 31 March 2017 RM'000
Cash and cash equivalents	217,644	3,946	255,089	6,978
Current financial liabilities (excluding trade, other payables and provisions)	(159,241)	(159,414)	(134,767)	(104,182)
Non current financial liabilities (excluding trade, other payables and provisions)	(2,695,809)	(647,494)	(2,498,186)	(699,512)

(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:

	AmMetLife Insurance 31 March 2018 RM'000	AmFirst REIT 31 March 2018 RM'000	AmMetLife Insurance 31 March 2017 RM'000	AmFirst REIT 31 March 2017 RM'000
Proportion of net assets at date of recognition	50.0%	26.7%	50.0%	26.7%
Carrying amount at beginning of the financial year	394,020	231,822	363,990	235,051
Share of net results for the financial year	(728)	3,028	31,805	5,945
Share of other comprehensive income for the financial year	1,056	-	(1,775)	-
Share of other equity movements	(240)	-	-	-
Dividend/Distribution received	-	(7,798)	-	(9,174)
Carrying amount at the end of the financial year	394,108	227,052	394,020	231,822

19. OTHER ASSETS

		Group		Company	
	Note	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Trade receivables	(a)	587,917	375,983	-	-
Other receivables, deposits and prepayments	(b)	880,670	793,438	1,774	73,910
Interest/Profit receivable		295,295	323,119	4,558	1,983
Fee receivable		33,641	33,513	-	-
Amount due from originators	(c)	20,398	279,524	-	-
Amount due from agents, brokers and reinsurers		35,635	27,954	-	-
Foreclosed properties		4,497	41,157	-	-
Tax recoverable	(d)	192,617	500,281	981	-
Collateral pledged for derivative transactions		247,839	487,751	-	-
		2,298,509	2,862,720	7,313	75,893
Accumulated impairment losses	(e)	(29,403)	(59,949)	-	-
		2,269,106	2,802,771	7,313	75,893

(a) Trade receivables mainly relate to the stock and share-broking operations of the Group and represent amount outstanding from purchase contracts.

(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 loans, hire purchase and personal financing acquired from originators for onward sale to Cagamas Berhad as mentioned in Note 24.

(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 is the tax paid of approximately RM203,500,700 in the financial year ended 31 March 2015 as the Group is of the opinion that it has strong grounds to succeed in its appeals.

AmBank was successful in its appeals for the majority of the tax matters under dispute. AmBank had since received Notices of Reduced Assessment for year of assessment 2008 and 2009 and progressive cash refund.

19. OTHER ASSETS (CONT'D.)

(e) The accumulated impairment losses for other assets and the movement for each category of assets are as follows:

(i) The movement in accumulated impairment losses in trade receivables is as follow:

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Balance at beginning of the financial year	14,286	16,354
Writeback for the financial year	(180)	(37)
Amount written off	(12,598)	(2,031)
Balance at end of the financial year	1,508	14,286

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) The movement in accumulated impairment losses in other receivables, interest and fee receivable is as follows:

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Balance at beginning of the financial year	32,372	28,542
Charge for the financial year	8,304	4,345
Amount written off and reversals	(12,571)	(864)
Foreign exchange differences	(367)	349
Balance at end of the financial year	27,738	32,372

(iii) The movement in accumulated impairment losses for foreclosed properties is as follows:

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Balance at beginning of the financial year	13,291	12,951
Charge for the financial year	35	553
Disposal	(13,169)	(213)
Balance at end of the financial year	157	13,291

20. PROPERTY AND EQUIPMENT

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)
Write offs	-	-	-	-	(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
Write off during the financial year						(331)				(331)
Writeback during the financial year	-	-	-	-	-	(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

20. PROPERTY AND EQUIPMENT (CONT'D.)

Group 31 March 2017	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	8,809	7,975	534	104,200	13,966	186,677	435,504	210,933	48,352	1,016,950
Additions	-	-	-	-	1,121	5,073	29,904	17,392	18,053	71,543
Disposals	-	-	-	-	(2,001)	(1)	(12,590)	(751)	-	(15,343)
Write offs	-	-	-	-	-	(640)	(12,372)	(7,512)	-	(20,524)
Reclassification/Transfer	-	-	-	-	-	393	10,081	379	(52,791)	(41,938)
Reclassified to assets held for sale#	(4,599)	(2,570)	-	(25,610)	-	-	-	-	-	(32,779)
Foreign exchange differences	-	-	-	67	21	57	48	223	-	416
At end of the financial year	4,210	5,405	534	78,657	13,107	191,559	450,575	220,664	13,614	978,325
Accumulated Depreciation										
At beginning of the financial year	344	2,325	280	29,102	9,510	149,762	367,544	163,463	-	722,330
Depreciation for the financial year	-	164	8	1,487	766	12,053	27,922	15,250	-	57,650
Disposals	-	-	-	-	(1,541)	(1)	(12,572)	(738)	-	(14,852)
Written off	-	-	-	-	-	(640)	(12,372)	(7,478)	-	(20,490)
Reclassification/Transfer	-	-	-	-	-	583	(2)	(564)	-	17
Reclassified to assets held for sale#	-	(165)	-	(2,989)	-	-	-	-	-	(3,154)
Foreign exchange differences	-	-	-	27	21	57	48	219	-	372
At end of the financial year	344	2,324	288	27,627	8,756	161,814	370,568	170,152	-	741,873
Accumulated Impairment Loss										
At beginning and end of the financial year	-	254	-	879	-	700	-	-	-	1,833
Carrying Amount										
At end of the financial year	3,866	2,827	246	50,151	4,351	29,045	80,007	50,512	13,614	234,619

Self-occupied properties of AmGeneral Insurance Berhad with carrying amount of RM25,996,000 have been presented as held for sale in the financial statements (Note 55).

20. PROPERTY AND EQUIPMENT (CONT'D.)

Company 31 March 2018	Office equipment RM'000	Motor vehicles RM'000	Computer hardware RM'000	Total RM'000
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
31 March 2017				
Cost				
At beginning of the financial year	-	1,402	10	1,412
Additions	4	713	8	725
At end of the financial year	4	2,115	18	2,137
Accumulated Depreciation				
At beginning of the financial year	-	1,032	3	1,035
Depreciation for the financial year	1	197	4	202
At end of the financial year	1	1,229	7	1,237
Carrying Amount				
As at 31 March 2017	3	886	11	900

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2018

21. INTANGIBLE ASSETS

The net carrying amount of intangible assets are as follows:

	Note	Group 31 March 2018 RM'000	Group 31 March 2017 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)	-	3,333
Agent relationship	(b)	38,316	42,349
Credit cards relationship	(b)	17,733	21,533
Trading right	(b)	-	-
Computer software	(b)	400,826	348,032
Work-in-progress ("WIP") for computer software	(b)	65,021	124,602
		616,336	634,289
		3,426,051	3,444,004

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 2018 with premium growth rate of 3.7% to 7.3% (2017: 3.1% to 4.0%) over the next 5 years and terminal growth rate of 3.0% (2017: 3.0%). The discount rate applied is 14.5% (2017: 12.4%) 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.

21. INTANGIBLE ASSETS (CONT'D.)

The movements in intangible assets are as follows:

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
(a) Goodwill		
Balance at beginning of the financial year	2,809,715	2,811,037
Accumulated impairment losses	-	(1,322)
Balance at end of the financial year	2,809,715	2,809,715

The movement in accumulated impairment losses for goodwill is as follows:

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Balance at beginning of the financial year	1,322	-
Charge for the financial year for subsidiary under member's voluntary winding-up	-	1,322
Balance at end of the financial year	1,322	1,322

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 2018 RM'000	31 March 2017 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

21. INTANGIBLE ASSETS (CONT'D.)

The movements in intangible assets are as follows (Cont'd.):

(a) Goodwill (Cont'd.)

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 rates applied to the cash flow projections are 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 (2017: one-year period), taking into account the projected regulatory capital requirements, as well as the projected annual growth rate of 4.8% to 12.5% (2017: 5.0% 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% (2017: 4.7%). The discount rates applied ranged from 8.46% to 9.59% (2017: 7.09% to 7.18%).

The cash flow projections General Insurance CGU is based on the financial budgets approved by management covering a one-year period, taking into account the projected premium growth rate of 3.7% to 7.3% (2017: 3.1% to 4.0%) 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% (2017: 3.0%). The discount rate applied is 13.5% (2017: 11.4%).

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 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.

21. 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)
Write offs	-	-	-	-	-	-	(15,229)	(127)	(15,356)
Reclassification/Transfer	-	-	-	-	-	-	125,893	(131,088)	(5,195)
Foreign exchange differences	-	-	-	-	-	-	(8)	-	(8)
At end of the financial year	94,440	53,538	25,000	60,490	38,000	1,073	1,232,016	65,021	1,569,578
Accumulated Amortisation									
At beginning 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)
Write offs	-	-	-	-	-	-	(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 and end 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

21. INTANGIBLE ASSETS (CONT'D.)

The movements in intangible assets are as follows (Cont'd.):

(b) Group (Cont'd.)

31 March 2017	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	1,004,987	33,849	1,311,377
Additions	-	-	-	-	-	-	43,850	95,696	139,546
Reclassification/Transfer	-	-	-	-	-	-	43,423	(4,943)	38,480
Foreign exchange differences	-	-	-	-	-	-	7	-	7
At end of the financial year	94,440	53,538	25,000	60,490	38,000	1,073	1,092,267	124,602	1,489,410
Accumulated Amortisation									
At beginning of the financial year	-	53,538	16,667	14,114	12,667	-	654,357	-	751,343
Amortisation	-	-	5,000	4,027	3,800	-	89,870	-	102,697
Foreign exchange differences	-	-	-	-	-	-	8	-	8
At end of the financial year	-	53,538	21,667	18,141	16,467	-	744,235	-	854,048
Accumulated Impairment Loss									
At beginning and end of the financial year	-	-	-	-	-	1,073	-	-	1,073
Carrying Amount									
At end of the financial year	94,440	-	3,333	42,349	21,533	-	348,032	124,602	634,289

22. DEPOSITS FROM CUSTOMERS

	Group	
	31 March 2018 RM'000	31 March 2017 (Restated) RM'000
Demand deposits	15,039,403	14,288,130
Savings deposits	5,324,846	5,569,391
Term/Investment deposits	74,540,938	74,077,280
Negotiable instruments of deposits	900,000	257
	95,805,187	93,935,058

Included in deposits from customers of the Group are deposits of RM1,757.2 million (2017: RM1,693.1 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 2018 RM'000	31 March 2017 (Restated) RM'000
Due within six months	50,010,029	51,671,252
Six months to one year	22,065,076	19,172,973
Over one year to three years	1,583,426	2,025,578
Over three years to five years	1,782,407	1,207,734
	75,440,938	74,077,537

The deposits are sourced from the following types of customers:

	Group	
	31 March 2018 RM'000	31 March 2017 (Restated) RM'000
Government and statutory bodies	6,543,091	8,154,193
Business enterprises	42,261,644	46,230,050
Individuals	43,161,385	34,462,807
Others	3,839,067	5,088,008
	95,805,187	93,935,058

23. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	31 March 2018 RM'000	31 March 2017 (Restated) RM'000
Licensed banks	1,260,015	697,883
Licensed investment banks	175,000	49,926
Bank Negara Malaysia	26,361	43,009
Other financial institutions	1,971,202	738,603
	3,432,578	1,529,421

24. 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 19(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.

Previously, the Group had undertaken a fair value hedge on the interest rate risk of the loans sold directly to Cagamas Berhad but the hedge was terminated during the financial year ended 31 March 2012. Consequently, the fair value credit adjustment previously recognised of RM10,420,000 will be amortised to the profit or loss over the remaining term of maturity of the loans using the effective interest rate method. As at 31 March 2018, the unamortised fair value adjustment of RM1,272,000 included in the carrying amount of the recourse obligation on loans sold to Cagamas Berhad as at 31 March 2017 was fully amortised. Amortisation charge during the current financial year amounted to RM1,272,000 (2017: RM1,866,000).

25. TERM FUNDING

		Group		Company	
	Note	31 March 2018 RM'000	31 March 2017 (Restated) RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Senior Notes/Sukuk	(a)	4,042,850	6,639,812	500,000	1,000,000
Credit-linked Notes	(b)	138,259	136,769	-	-
Other borrowings	(c)	148,604	615,898	-	176,000
		4,329,713	7,392,479	500,000	1,176,000

(a) The Senior Notes/Sukuk outstanding were issued under the following:

		Group		Company	
	Note	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Senior Notes programme	(i)	1,500,000	3,024,965	500,000	1,000,000
Senior Sukuk programme	(ii)	1,000,000	1,850,000	-	-
Euro Medium Term Note programme (net of unamortised issuance expenses of RM1,305,000 (2017: RM2,248,000))	(iii)	1,542,850	1,764,847	-	-
		4,042,850	6,639,812	500,000	1,000,000

(i) The movements of debt securities under the Senior Notes programme are as follows:

	Group		Company	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Balance at beginning of the financial year	3,024,965	3,349,595	1,000,000	1,000,000
Repayment during the financial year	(1,525,000)	(325,000)	(500,000)	-
Amortisation of premium	35	370	-	-
Balance at end of the financial year	1,500,000	3,024,965	500,000	1,000,000

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.

The Senior Notes issued which remained outstanding as at reporting date of RM500.0 million has a fixed interest rate of 4.50% per annum (2017: 4.30% to 4.50% per annum). During the current financial year, the Company redeemed Senior Notes of RM500.0 million on maturity date of 8 August 2017. No subordinated MTN had been issued from the MTN Programme to date. The Senior MTNs rank pari-passu with all other present and future unsecured and unsubordinated obligations of the Company.

25. 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.):

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, AmBank repaid Senior Notes with nominal value of RM1,025.0 million. The Senior Notes issued which remain outstanding as at reporting date have a fixed interest rate ranging from 4.30% to 4.40% per annum (2017: 4.25% to 5.25% per annum) and are payable semi-annually. The Senior Notes outstanding are repayable within 1 year (2017: 1 month to 2 years).

(ii) The movements of debt securities under the Senior Sukuk programme are as follows:

	Group		Company	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Balance at beginning of the financial year	1,850,000	1,850,000	-	-
Repayment during the financial year	(850,000)	-	-	-
Balance at end of the financial year	1,000,000	1,850,000	-	-

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.

(iii) The movements of debt securities under the Euro Medium Term Note programme are as follows:

	Group		Company	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Balance at beginning of the financial year	1,764,847	1,555,006	-	-
Amortisation of issuance expenses	943	913	-	-
Amortisation of premium	1,060	1,045	-	-
Foreign exchange differences	(224,000)	207,883	-	-
Balance at end of the financial year	1,542,850	1,764,847	-	-

25. 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 (Cont'd.):

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 Baa1 by Moody's Investors Service and BBB+ by Standard & Poor's Ratings Services. The notes bear a coupon of 3.125% (2017: 3.125%) per annum and are payable semi annually.

(b) The movements of Credit-Linked Notes are as follows:

	Group		Company	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Balance at beginning of the financial year	136,769	284,863	-	-
Redemption during the financial year	-	(150,000)	-	-
Amortisation of premium	1,490	1,906	-	-
Balance at end of the financial year	138,259	136,769	-	-

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 (2017: RM150 million). The interest rate payable on the CLN is 4.00% per annum (2017: 4.00% per annum) and will mature on 14 September 2021.

(c) The movements in other borrowings are as follows:

	Group		Company	
	31 March 2018 RM'000	31 March 2017 (Restated) RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Balance at beginning of the financial year:				
Term loans and revolving credit	397,150	1,568,150	176,000	206,000
Structured deposit	218,748	631,182	-	-
Redemption during the financial year:				
Term loans and revolving credit	(389,850)	(1,356,900)	(176,000)	(30,000)
Structured deposit	(71,140)	(413,381)		
Amortisation of:				
- issuance expenses for term loans	-	3,840	-	-
- premium for structured deposit	996	947		
Foreign exchange differences	(7,300)	182,060	-	-
Balance at end of the financial year	148,604	615,898	-	176,000

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25. TERM FUNDING (CONT'D.)

(c) The movements in other borrowings are as follows (Cont'd.):

Other borrowings consists of term loans, revolving credit and structured deposit. The salient terms of these borrowings are as follows:

(i) The Company's short term loans and revolving credit obtained from financial institutions which bear interest at rates ranging from 5.04% to 5.81% per annum (2017: 4.98% to 6.04%) were fully settled during the current financial year.

(ii) AmBank's (offshore branch in Labuan) USD300 million term loan was drawn on 31 March 2014 from ANZ for refinancing of existing term funding and working capital. This term loan bears interest at 0.90% per annum above LIBOR. This term loan was repaid upon maturity on 31 March 2017.

(iii) AmBank's (offshore branch in Labuan) USD50 million term loan was drawn on 16 June 2015 for working capital purposes. This term loan bears interest at 0.85% per annum above LIBOR. This term loan shall be due and payable in full 2 years after the drawdown date and was fully repaid on maturity date of 16 June 2017.

(iv) Structured deposits which amounted to RM148,604,000 (2017: RM218,749,000) are non-principal guaranteed deposits placed by the customers. The structured deposits will mature between 2 days to 3.6 years (2017: 6 days to 4.6 years) and roll-overed on maturity date depending on customers' request. Structured deposits for operations of Islamic banking amounted to RM80,000,000 (2017:RM135,000,000).

26. DEBT CAPITAL

		Group		Company	
	Note	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Medium Term Notes	(a)	600,000	1,310,000	-	-
Subordinated Notes and Sukuk (net of unamortised issuance expenses of RM496,000 and RM415,000 of the Group and the Company respectively (RM914,000 of the Group and RM509,000 of the Company in 2017))	(b)	2,994,504	1,879,086	1,424,585	749,491
Non-Innovative Tier 1 Capital Securities	(c)	500,000	500,000	-	-
Innovative Tier 1 Capital Securities	(d)	485,000	485,000	-	-
		4,579,504	4,174,086	1,424,585	749,491

26. DEBT CAPITAL (CONT'D.)

(a) Medium Term Notes

The movements in Medium Term Notes are as follows:

	Group		Company	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Balance at beginning of the financial year	1,310,000	1,310,000	-	-
Repayment during the financial year	(710,000)	-	-	-
Balance at end of the financial year	600,000	1,310,000	-	-

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.

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

(i) Tranche 6 amounting to RM600 million, which was issued on 9 April 2008 with a tenure of 15 years Non-Callable 10 years, bears interest at 6.25% per annum. 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. Subsequent to the financial year, on 9 April 2018, the Group redeemed on its first call, the full amount of Tranche 6 of RM600 million and the MTN Programme was cancelled after the redemption.

(ii) Tranche 8 amounting to RM710 million, which was issued on 16 October 2012 with a tenure of 10 years Non-Callable 5 years, bears interest at 4.45% per annum. On the first call date of 16 October 2017, AmBank redeemed this tranche.

26. DEBT CAPITAL (CONT'D.)

(b) Subordinated Notes and Sukuk

The movements in Subordinated Notes and Sukuk are as follows:

	Group		Company	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Balance at beginning of the financial year	1,879,086	1,799,078	749,491	-
Drawdown during the financial year	1,245,000	750,000	675,000	750,000
Repayment during the financial year	(130,000)	(670,000)	-	-
Capitalisation of issuance expenses	-	(300)	-	(509)
Amortisation of issuance expenses	418	308	94	-
Balance at end of the financial year	2,994,504	1,879,086	1,424,585	749,491

(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.

On the same date, RM600 million ("Tranche 1") of the Sukuk Musharakah was issued, which carries a profit rate of 4.40% per annum, and is payable on a semi-annual basis.

On 31 January 2012, RM200 million ("Tranche 2") of the Sukuk Musharakah was issued, which carries a profit rate of 4.35% per annum, and is payable on a semi-annual basis.

On 24 December 2012, RM200 million ("Tranche 3") of the Sukuk Musharakah was issued, which carries a profit rate of 4.45% per annum, and is payable on a semi-annual basis.

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.

AmBank Islamic had repurchased on the market and subsequently cancelled RM200.0 million of the Sukuk Musharakah between 19 December 2013 and 20 January 2014. AmBank Islamic had early redeemed two tranches which amounted to RM480.0 million and RM190.0 million on the first call dates of 30 September 2016 and 31 January 2017 respectively. On the first call date of 26 December 2017, AmBank Islamic redeemed the remaining Sukuk Musharakah of RM130.0 million.

The Sukuk Musharakah Programme of RM2 billion was cancelled in December 2017 after redemption of the last tranche of Sukuk Musharakah issued under this programme.

26. DEBT CAPITAL (CONT'D.)

(b) Subordinated Notes and Sukuk (Cont'd.)

(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").

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.

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 2018 amounted to RM999,839,000 (2017: RM979,679,000).

(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.

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.

(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.

26. 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. The proceeds from the securities will be for working capital, refinancing of the Company's existing borrowings, on-lending to its subsidiaries, investment into 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.

(c) Non-Innovative Tier 1 Capital Securities

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 re-assigned 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.

(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.

27. OTHER LIABILITIES

		Group		Company	
	Note	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Trade payables	(a)	591,259	401,209	-	-
Other payables and accruals	(b)	1,384,737	1,585,104	9,111	28,897
Interest payable on deposits and borrowings		850,801	850,507	7,702	8,687
Lease deposits and advance rental		18,831	11,093	-	-
Provision for commitments and contingencies	(c)	86,955	81,043	-	-
Amount due to subsidiaries	(d)	-	-	7,909	132
Provision for taxation		66,405	39,373	-	1,422
Collateral received for derivative transactions		270,412	196,769	-	-
Deferred income		67,116	63,117	-	-
		3,336,516	3,228,215	24,722	39,138

(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 RM19,614,000 (2017: RM19,348,000).

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:

	Note	31 March 2018 RM'000	31 March 2017 RM'000
Defined benefit obligation at beginning of the financial year		19,348	19,250
Actuarial loss	(ii)	403	226
Benefits paid		(2,079)	(2,136)
Service costs and interest	(iii)	1,942	2,008
Defined benefit obligation at end of the financial year		19,614	19,348
Present value of unfunded obligation		19,614	19,348
Recognised liability for defined benefit obligation		19,614	19,348

(ii) Actuarial gains and losses recognised directly in other comprehensive income:

	31 March 2018 RM'000	31 March 2017 RM'000
Amount accumulated in retained earnings at beginning of the financial year	2,702	2,874
Actuarial loss arising from changes in demographic assumptions	(403)	(228)
Actuarial gain arising from changes in financial assumptions	-	2
Recognised during the financial year (Note i)	(403)	(226)
Tax effects thereon	97	54
Amount accumulated in retained earnings at end of the financial year	2,396	2,702

27. OTHER LIABILITIES (CONT'D.)

Provision for retirement benefits (Cont'd.)

(iii) Expense recognised in the statement of profit or loss as retirement benefits cost:

	31 March 2018 RM'000	31 March 2017 RM'000
Service cost	974	1,026
Interest cost	968	982
	1,942	2,008

(iv) Actuarial assumptions

Principal actuarial assumptions used at the end of the reporting year:

	31 March 2018	31 March 2017
Discount rate at 31 March 2018/2017 (per annum)	5.00%	5.00%
Fixed deposit rate (per annum)	3.40%	3.40%
Withdrawal rates (per annum)	5.30%	6.10%

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 8.2 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.

27. OTHER LIABILITIES (CONT'D.)

(iv) Actuarial assumptions (Cont'd.)

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)	
	2018 RM'000	2017 RM'000
Discount rate:		
Increase 100 basis points	(1,318)	(1,471)
Decrease 100 basis points	1,472	1,658
Fixed deposit rate:		
Increase 100 basis points	2,385	1,664
Decrease 100 basis points	(2,104)	(1,502)
Withdrawal rate:		
Increase 100 basis points	(627)	(666)
Decrease 100 basis points	660	703

(c) Provision for commitments and contingencies

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Balance at beginning of the financial year	81,043	116,161
Charge/(Writeback) made during the financial year, net	10,384	(11,698)
Settlement during the financial year	(2,401)	(24,028)
Foreign exchange differences	(2,071)	608
Balance at end of the financial year	86,955	81,043

(d) Amount due to subsidiaries are unsecured, interest free and is repayable on demand.

28. SHARE CAPITAL

	Group		Company	
	31 March 2018 Units '000	31 March 2017 Units '000	31 March 2018 Units '000	31 March 2017 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 of financial year	5,551,557	3,014,185	5,550,250	3,014,185
Balance in share premium account transferred in as paid up share capital	-	2,537,372	-	2,536,065
Balance at end of the financial year	5,551,557	5,551,557	5,550,250	5,550,250

The holders of fully paid ordinary shares, which have no par value 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 rank equally with regards to the Company's residual assets.

The Company has an Executives' Share Scheme ("ESS") under which options to subscribe for the Company's ordinary shares have been granted to certain employees of the Group. Details of the ESS are disclosed in Note 30.

29. RESERVES

		Group		Company	
	Note	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Statutory reserve	(a)	-	1,938,849	-	-
Regulatory reserve	(b)	702,734	225,050	-	-
Available-for-sale deficit	(c)	(58,628)	(47,520)	-	-
Cash flow hedging reserve	(d)	3,174	3,010	-	-
Foreign currency translation reserve	(e)	61,600	153,368	-	-
ESS reserve	(f)	17,428	30,998	17,428	30,998
Shares held in trust for ESS	(g)	(41,620)	(47,273)	(41,620)	(47,273)
Non-participating funds	(h)	45,715	45,715	-	-
Retained earnings	(i)	10,233,645	8,173,314	3,525,115	2,991,530
		10,964,048	10,475,511	3,500,923	2,975,255

29. RESERVES (CONT'D.)

(a) Statutory reserve was a reserve fund maintained by the banking subsidiaries in compliance with Section 47(2)(f) of the Financial Services Act ("FSA") 2013 and Section 57(2)(f) of the Islamic Financial Services Act ("IFSA") 2013 and were not distributable as cash dividends. During the current financial year, pursuant to BNM's revised policy documents, *Capital Funds and Capital Funds for Islamic Banks* issued on 3 May 2017, the balance in Statutory Reserve was transferred to Retained earnings as under the revised policy documents, its banking subsidiaries were no longer required to maintain a reserve fund.

(b) Regulatory reserve is maintained by the banking subsidiaries in accordance with BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing as an additional credit risk absorbent.

(c) Available-for-sale reserve/(deficit) is in respect of unrealised fair value gains/(losses) on financial investments available-for-sale.

(d) 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.

(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 and options granted to employees (Note 30). 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 share options, and is reduced by the expiry or exercise of the scheme shares and options.

(g) Shares held in trust for ESS represent shares purchased under the ESS as mentioned in Note 30.

(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.

30. 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 has since been consolidated with that of Group Nomination and Remuneration Committee ("GNRC") from 29 October 2013. The ESS was established on 12 January 2009 and would be in force for a period of ten (10) years.

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

30. EXECUTIVES' SHARE SCHEME (CONT'D.)

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 ESS Committee.

(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 and share options 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 ESS Committee.

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 an appointed 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.

ESS is implemented wherein shares ("Scheme Shares") and/or options to subscribe for shares ("Option") are granted to eligible directors and executives of the Company and its subsidiaries based on the financial and performance targets/criteria and such other conditions as it may deem fit.

The salient features of the ESS are as follows:

(i) Any executive director or executive of a corporation in the Group, subject to the discretion of the ESS Committee, shall be eligible to participate in the ESS, if the executive director or executive meets the following criteria ("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, the specific allocation of shares made available to him and options to subscribe for shares 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 merely employed for a specific project;

(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 ESS Committee shall so determine; and

(g) fulfils any other criteria and/or falls within such category as may be set by the ESS Committee from time to time.

30. EXECUTIVES' SHARE SCHEME (CONT'D.)

The salient features of the ESS are as follows (Cont'd.):

(ii) The maximum number of shares which may be made available under the ESS shall not exceed in aggregate ten percent (10%) of the issued and paid-up ordinary share capital of the Company 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 issued and paid-up ordinary share capital of the Company.

(iii) The Share Grant Price (being the reference price which is used to determine the number of Scheme Shares to be granted under the awards) and Option Price (being the share price to be paid for subscription or acquisition of each Scheme Share pursuant to the exercise of the option) may be at a discount (as determined by the ESS Committee) 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 the par value of the shares at the material time, whichever is higher.

(iv) The Scheme Shares to be allotted and issued or transferred to Scheme Participant pursuant to the By-Laws are not subjected to any retention period unless otherwise stipulated by the ESS Committee in the offer.

(v) The ESS Committee may in its discretion decide that the Scheme Shares be satisfied either by way of issuance of new ordinary shares, acquisition of existing ordinary shares or a combination of both issuance of new ordinary shares and acquisition of existing ordinary shares.

(vi) The Company established a Trust administered by a Trustee for the purposes of subscribing for new ordinary shares of the Company and/or 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.

The following shares were granted under STI Award:

(a) Share Grants

	Number of Shares					
		Movements During the Financial Year				
	Balance at 1 April 2017 '000	Granted '000	Transferred '000	Vested '000	Forfeited '000	Balance at 31 March 2018 '000
Group						
2015 ESS	283	-	-	(283)	-	-
2016 ESS	1,207	-	-	(619)	(59)	529
	1,490	-	-	(902)	(59)	529
Company						
2015 ESS	16	-	-	(16)	-	-
2016 ESS	49	-	(31)	(49)	-	(31)
	65	-	(31)	(65)	-	(31)

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30. EXECUTIVES' SHARE SCHEME (CONT'D.)

The following shares were granted under LTI Award:

(a) Share Grants

	Number of Shares					
	Movements During the Financial Year					
	Balance at 1 April 2017 '000	Granted '000	Transferred '000	Vested '000	Forfeited '000	Balance at 31 March 2018 '000
Group						
2014 ESS	2,238	-	-	-	(2,238)	-
2015 ESS	1,543	-	-	-	(197)	1,346
2016 ESS	2,430	-	-	(2)	(277)	2,151
	6,211	-	-	(2)	(2,712)	3,497
Company						
2014 ESS	33	-	-	-	(33)	-
2015 ESS	29	-	21	-	(29)	21
2016 ESS	219	-	109	(1)	(40)	287
	281	-	130	(1)	(102)	308

(b) There were no options oustanding at the end of the financial year (2017: Nil).

30. EXECUTIVES' SHARE SCHEME (CONT'D.)

(c) Aggregate maximum and actual percentage granted in regard to Share Grants and Share Options to directors and key management personnel up to the end of the financial year:

	Share Grants	
	Maximum allocation %	Actual allocation %
Group		
2008 ESS	9.8	9.8
2009 ESS	10.0	10.0
2010 ESS	16.0	16.0
2011 ESS	15.2	15.2
2012 ESS	16.2	16.2
2013 ESS	14.6	14.6
2014 ESS	19.1	19.1
2015 ESS	14.1	14.1
2016 ESS	16.9	16.9

There were no share grants and share options granted after 2016 ESS.

	Share Options	
	Maximum allocation %	Actual allocation %
Group		
2008 ESS	16.5	16.5
2009 ESS	17.5	17.5
2010 ESS	14.6	14.6

(vii) Details of share options and share grants are as follows:

(a) 2008 ESS
The exercise price of the 2008 share options is RM2.20. The exercise period is up to 3 years from the date of notification of entitlement ("vesting date"). The vesting date of the share options and share grants is determined by the ESS Committee after the end of the performance period, which is from 1 April 2008 to 31 March 2012, upon fulfilment of the conditions stipulated.

(b) 2009 ESS
The exercise price of the 2009 share options is RM3.05. The exercise period is up to 3 years from the date of notification of entitlement ("vesting date"). The vesting date of the share options and share grants is determined by the ESS Committee after the end of the performance period, which is from 1 April 2009 to 31 March 2013, upon fulfilment of the conditions stipulated.

(c) 2010 ESS
The exercise price of the 2010 share options is RM4.73. The exercise period is up to 3 years from the date of notification of entitlement ("vesting date"). The vesting date of the share options and share grants is determined by the ESS Committee after the end of the performance period, which is from 1 April 2010 to 31 March 2013, upon fulfilment of the conditions stipulated.

(viii) Share options exercised during the financial year

No share options were exercised during the current and previous financial years.

30. 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 share options measured at grant date was based on the following assumptions:

	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	-	-	-	-	-	-	-	-
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)	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

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 option/share award were incorporated into the measurement of fair value.

The fair value of shares granted under the ESS is measured at acceptance date, using the closing price of the Company's shares.

31. NON-CONTROLLING INTERESTS

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Balance at beginning of the financial year	1,125,816	950,910
Investment in a subsidiary - (reduction)/addition	(100,615)	100,000
Share in net results of subsidiaries	121,693	84,169
Share in other comprehensive loss	(2,038)	(134)
Transfer of ESS shares recharged - difference on purchase price for shares vested	(55)	(20)
Redemption of shares	-	(3,470)
Disposal of equity interest	-	(1,863)
Distribution receivable by non-controlling interests	-	(294)
Dividends received by non-controlling interests	(396)	(3,482)
Balance at end of the financial year	1,144,405	1,125,816

32. INTEREST INCOME

	Group		Company	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Short-term funds and deposits and placements with banks and other financial institutions	114,497	91,612	1,483	1,112
Financial assets held-for-trading	352,715	236,833	-	-
Financial investments available-for-sale	220,311	273,948	-	-
Financial investments held-to-maturity	82,666	85,679	41,656	1,931
Loans and advances	3,446,510	3,238,225	-	-
Impaired loans and advances	18,183	7,498	-	-
Others	85,093	62,817	-	-
	4,319,975	3,996,612	43,139	3,043

33. INTEREST EXPENSE

	Group		Company	
	31 March 2018 RM'000	31 March 2017 (Restated) RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Deposits from customers	2,027,574	1,845,402	-	-
Deposits and placements of banks and other financial institutions	89,510	38,093	-	-
Senior notes	159,367	191,472	30,158	43,879
Credit-linked Notes	7,490	9,494	-	-
Recourse obligation on loans sold to Cagamas Berhad	129,809	107,504	-	-
Term loans and revolving credit	4,307	40,089	3,400	11,269
Subordinated bonds and notes	75,493	22,133	41,750	1,953
Medium term notes	54,639	69,095	-	-
Tier 1 capital securities	85,013	85,013	-	-
Others	22,428	23,719	1,684	-
	2,655,630	2,432,014	76,992	57,101

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34. OTHER OPERATING INCOME

	Note	Group		Company	
		31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Fee and commission income:					
Fees on loans and securities		158,761	174,957	-	-
Corporate advisory		12,654	9,596	-	-
Guarantee fees		62,335	62,191	-	-
Underwriting commission		990	4,342	-	-
Portfolio management fees		36,447	35,708	-	-
Unit trust fees, commission and charges		125,065	115,969	-	-
Property trust management fees		7,436	7,313	-	-
Brokerage fees and commission		45,020	41,651	-	-
Bancassurance commission		11,613	15,025	-	-
Wealth management fees		21,554	20,248	-	-
Remittances		20,792	19,303	-	-
Fees, service and commission charges		33,979	33,864	-	-
Other fees		16,547	18,257	-	-
		553,193	558,424	-	-
Investment and trading income:					
Net gain from sale of financial assets held-for-trading		31,798	88,161	-	-
Net gain from sale of financial investments available-for-sale		87,147	35,558	-	-
Net gain on redemption of financial investments held-to-maturity		-	47	-	-
Net gain/(loss) on revaluation of financial assets held-for-trading		30,571	(5,324)	-	-
Net foreign exchange gain[1]		8,818	71,486	-	-
Net gain on derivatives		57,128	28,028	-	-
Gain on disposal of equity interest in subsidiaries[2]		-	1,662	-	-
Dividend income from:					
Subsidiaries		-	-	1,135,653	668,287
Financial assets held-for-trading		13,604	7,019	-	-
Financial investments available-for-sale		24,795	35,761	2,185	3,231
Distribution from capital repayment by subsidiary	17(3)(i)(d)	-	-	195,409	
Others		97	642	-	-
		253,958	263,040	1,333,247	671,518

34. OTHER OPERATING INCOME (CONT'D.)

		Group		Company	
	Note	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Other income:					
Net non-trading foreign exchange gain/(loss)		1,016	(1,984)	-	-
Gain on repayment of capital by a subsidiary	17(3)(i)(c)	7,672	-	-	-
Net gain on disposal of property and equipment[2]		3,345	15,075	-	-
Rental income		4,930	4,701	-	-
Profit from sale of goods and services		12,864	9,108	-	-
Gain on disposal of foreclosed properties		44,659	108,061	-	-
Others		33,494	19,044	156	175
		107,980	154,005	156	175
		915,131	975,469	1,333,403	671,693

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

2 Included gain of RM0.8 million (2017: RM14.9 million) upon completion of disposal for properties and investment property classified as assets held-for-sale (Note 55).

35. OTHER OPERATING EXPENSES

		Group		Company	
	Note	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Personnel costs (Note 1):					
Salaries, allowances and bonuses		972,095	927,394	15,304	22,750
Shares/options granted under ESS					
- (writeback)/charge		(9,447)	(10,606)	127	849
Contributions to EPF/Private Retirement Scheme[1]		159,151	147,549	2,563	3,190
Social security cost		8,741	7,831	6	2
Other staff related expenses		270,453	122,184	470	5,203
		1,400,993	1,194,352	18,470	31,994
Establishment costs:					
Depreciation of property and equipment	20	66,193	57,650	384	202
Amortisation of intangible assets	21	113,368	102,697	-	-
Computerisation costs		175,317	180,289	225	-
Rental of premises		107,987	109,384	-	-
Cleaning, maintenance and security		24,888	30,410	4	1
Others		33,700	41,537	8	17
		521,453	521,967	621	220
Marketing and communication expenses:					
Sales commission		5,157	16,889	-	-
Advertising, promotional and other marketing activities		58,476	67,295	428	450
Telephone charges		20,724	19,314	46	58
Postage		12,432	12,358	1	-
Travel and entertainment		14,150	15,619	188	125
Others		19,240	21,502	122	157
		130,179	152,977	785	790

35. OTHER OPERATING EXPENSES (CONT'D.)

		Group		Company	
	Note	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Administration and general expenses:					
Professional services (Note 1)		155,926	112,562	1,779	960
Travelling		6,733	7,094	288	322
Insurance		4,106	5,008	41	43
Subscriptions and periodicals		13,724	16,102	42	48
Others		187,691	150,417	3,024	4,428
		368,180	291,183	5,174	5,801
Service transfer pricing income, net		-	-	(8,980)	(15,330)
Total		2,420,805	2,160,479	16,070	23,475
Included in other operating expenses are the following:					
Directors' remuneration	36	5,920	9,467	4,015	6,894
Property and equipment written off	20	134	34	-	-
Intangible assets written off	21	262	-	-	-
Hire of motor vehicles and office equipment		11,456	14,683	8	16
Auditors' remuneration:					
Parent auditor					
Audit		4,586	2,419	110	106
Regulatory and assurance related		1,596	780	29	41
Other services		2,395	2,892	-	-
Firms affiliated with parent auditor					
Audit		24	76	-	-

Note 1:

During the current 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.

[1] Contribution to EPF (a substantial shareholder of the Company) amounted to RM145,564,000 (2017: RM139,792,000) and RM1,707,000 (2017: RM3,137,000) for the Group and the Company respectively.

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36. 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 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	-	2,202	913	1,798	7	4,920
	-	2,202	913	1,798	7	4,920
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	4,005	1,798	61	10,840

36. 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 Group					
31 March 2017	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	-	2,160	425	876	12	3,473
	-	2,160	425	876	12	3,473
Non-Executive Directors:						
Tan Sri Azman Hashim	1,057	-	2,315	-	43	3,415
Graham Kennedy Hodges	263	-	98	-	1	362
Suzette Margaret Corr	200	-	44	-	1	245
Soo Kim Wai	200	-	96	-	19	315
Dato' Rohana binti Tan Sri Mahmood	350	-	170	-	12	532
Dato' Seri Ahmad Johan bin Mohammad Raslan	66	1,399	22	750	610	2,847
Voon Seng Chuan	350	-	214	-	1	565
Datuk Shireen Ann Zaharah binti Muhiudeen	151	-	54	-	1	206
Seow Yoo Lin	151	-	49	-	1	201
Tun Mohammed Hanif bin Omar	200	-	45	-	1	246
Wasim Akhtar Saifi	350	-	183	-	-	533
	3,338	1,399	3,290	750	690	9,467
Total remuneration	3,338	3,559	3,715	1,626	702	12,940

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36. 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 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*	-	2,202	913	1,798	7	4,920
	-	2,202	913	1,798	7	4,920
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
Wasim Akhtar Saifi	-	-	-	-	-	-
	1,804	-	2,157	-	54	4,015
Total remuneration	1,804	2,202	3,070	1,798	61	8,935

36. 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 2017	**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*	-	2,160	425	876	12	3,473
	-	2,160	425	876	12	3,473
Non-Executive Directors:						
Tan Sri Azman Hashim	210	-	1,456	-	43	1,709
Graham Kennedy Hodges	151	-	46	-	1	198
Suzette Margaret Corr	200	-	44	-	1	245
Soo Kim Wai	200	-	96	-	19	315
Dato' Rohana binti Tan Sri Mahmood	200	-	94	-	12	306
Dato' Seri Ahmad Johan bin Mohammad Raslan	66	1,399	22	750	610	2,847
Voon Seng Chuan	200	-	126	-	1	327
Datuk Shireen Ann Zaharah binti Muhiudeen	151	-	54	-	1	206
Seow Yoo Lin	151	-	49	-	1	201
Tun Mohammed Hanif bin Omar	200	-	45	-	1	246
Wasim Akhtar Saifi	200	-	94	-	-	294
	1,929	1,399	2,126	750	690	6,894
Total remuneration	1,929	3,559	2,551	1,626	702	10,367

* The CEO of the Company is also CEO of AmBank. Remuneration reimbursed by AmBank under Service Transfer Pricing Income for the current year amounted to RM3,444,000 (2017: RM2,431,000).

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37. IMPAIRMENT ON LOANS, ADVANCES AND FINANCING - (WRITEBACK)/LOSS

		Group	
	Note	31 March 2018 RM'000	31 March 2017 RM'000
Allowance for impaired loans, advances and financing:			
Individual allowance, net	13(i)	105,151	252,051
Collective allowance, net	13(i)	345,200	256,095
Impaired loans, advances and financing:			
Recovered, net		(451,433)	(681,656)
		(1,082)	(173,510)

38. IMPAIRMENT (LOSS)/WRITEBACK ON FINANCIAL INVESTMENTS

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Financial investments available-for-sale	(1,483)	2,806
	(1,483)	2,806

39. TAXATION AND ZAKAT

	Note	Group		Company	
		31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Current tax:					
Estimated current tax payable		397,652	229,843	37	2,464
Under/(Over) provision in prior years		76,899	(13,350)	14	5,175
		474,551	216,493	51	7,639
Deferred tax:					
Origination and reversal of temporary differences:					
Previously consolidated subsidiary classified under Assets Held-For-Sale		-	15	-	-
Others		(98,087)	164,372	-	-
(Over)/Under provision in prior years		(89,609)	10,029	-	-
		(187,696)	174,416	-	-
Taxation	(a)	286,855	390,909	51	7,639
Zakat		2,034	1,505	-	-
		288,889	392,414	51	7,639

Domestic income tax is calculated at the statutory tax rate of 24.0% (2017: 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.

Note (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 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Profit before taxation and zakat	1,542,713	1,801,190	1,064,319	594,160
Taxation at Malaysian statutory tax rate of 24.0% (2017: 24.0%)	370,251	432,286	255,437	142,598
Effect of different tax rates in Labuan and certain subsidiaries	(9,979)	(12,849)	-	-
Under/(Over) provision of income tax in prior years	76,899	(13,350)	14	5,175
Income not subject to tax	(122,799)	(59,349)	(319,980)	(161,166)
Restricted and non-deductibility of expenses for tax purposes	62,584	44,658	64,580	21,032
Tax recoverable recognised on income subject to tax remission	(2,006)	(1,717)	-	-
(Over)/Under provision of deferred tax in prior years	(89,609)	10,029	-	-
Tax on share in results of associates and joint ventures	1,514	(8,799)	-	-
Taxation for the financial year	286,855	390,909	51	7,639

40. 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 2018 RM'000/'000	31 March 2017 RM'000/'000
Net profit attributable to equity holders of the Company	1,132,131	1,324,607
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	(6,573)	(7,533)
Weighted average number of ordinary shares in issue	3,007,612	3,006,652
Basic earnings per share (sen)	37.64	44.06

(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 plus dilutive effect of share options vested but not exercised by eligible executives under the ESS as at the reporting date.

	Group	
	31 March 2018 RM'000/'000	31 March 2017 RM'000/'000
Net profit attributable to equity holders of the Company	1,132,131	1,324,607
Weighted average number of ordinary shares in issue (as in (a) above)	3,007,612	3,006,652
Effect of executives' share scheme	529	1,490
	3,008,141	3,008,142
Diluted earnings per share (sen)	37.64	44.03

41. DIVIDENDS

Dividends recognised and paid by the Company are as follows:

	Group and Company	
	31 March 2018 RM'000	31 March 2017 RM'000
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	-
In respect of financial year ended 31 March 2017		
Interim single-tier dividend of 5.0 sen per share on 3,014,184,844 ordinary shares	-	150,710
Final single-tier dividend of 12.6 sen per share on 3,014,184,844 ordinary shares	379,787	
In respect of financial year ended 31 March 2016		
Final single-tier dividend of 10.5 sen per share on 3,014,184,844 ordinary shares	-	316,489
	530,497	467,199
Proposed but not recognised as a liability:		
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	-
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
	301,418	379,787

(a) Proposed final dividend

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2019 (2017: 31 March 2018).

(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 RM396,000 during the financial year ended 31 March 2018 (31 March 2017: RM3,482,000).

42. 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 17.

(ii) Associates and Joint Ventures

Details of associates and joint ventures are disclosed in Note 18.

(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.

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

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the 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 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Group										
Income										
Interest on loans, advances and financing	-	-	24,330	25,052	225	215	9,275	9,341	-	-
Bancassurance commission	-	-	15,180	15,661	-	-	-	-	-	-
Fee Income	-	-	-	-	31	58	-	-	-	-
	-	-	39,510	40,713	256	273	9,275	9,341	-	-
Expenses										
Interest on deposits	-	-	-	-	1,517	1,284	225	85	-	380
Interest on debt capital and term funding	-	-	-	-	-	-	-	-	-	25,283
Rental of premises	-	-	2,795	3,866	-	-	250	432	-	-
Insurance premium	-	-	29,179	31,602	-	-	2,795	338	-	-
Marketing	-	-	-	-	-	-	2,088	24	-	-
Travelling	-	-	-	-	-	-	3,895	5,707	-	-
	-	-	31,974	35,468	1,517	1,284	9,253	6,586	-	25,663
Company										
Income										
Interest on deposits	1,483	1,112	-	-	-	-	-	-	-	-
Interest on financial investments held-to-maturity	41,656	1,931	-	-	-	-	-	-	-	-
Dividend income	1,135,653	668,287	-	-	-	-	-	-	-	-
Other income	156	139	-	-	-	-	-	-	-	-
Service transfer pricing income	16,472	22,270	-	-	-	-	-	-	-	-
	1,195,420	693,739	-	-	-	-	-	-	-	-
Expenses										
Interest expense	1,684	-	-	-	-	-	-	-	-	-
Service transfer pricing expense	7,492	6,940	-	-	-	-	-	-	-	-
	9,176	6,940	-	-	-	-	-	-	-	-

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

(b) 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	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Group										
Assets:										
Loans, advances and financing	-	-	546,431	542,413	5,641	7,152	250,416	178,069	-	-
Amount owing by related companies	-	-	6,206	12,759	-	-	-	-	-	-
Other assets	-	-	7	4	-	-	-	-	-	-
Liabilities:										
Deposits and placements	-	-	5,214	6,515	68,470	66,989	145,114	15,204	12,329	11,064
Other liabilities	-	-	-	12	-	-	-	-	-	-
	-	-	557,858	561,703	74,111	74,141	395,530	193,273	12,329	11,064
Commitments and contingencies										
Contingent liabilities	-	-	2,410	2,380	-	-	-	-	30	212,817
Commitments	-	-	34,890	34,620	5,747	6,301	-	-	-	-
	-	-	37,300	37,000	5,747	6,301	-	-	30	212,817
Company										
Assets:										
Cash and short-term funds	79,080	2,049	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	-	24,006	-	-	-	-	-	-	-	-
Financial investments held-to-maturity	1,425,000	750,000	-	-	-	-	-	-	-	-
Interest receivable	4,558	1,983	-	-	-	-	-	-	-	-
Amount due from related companies	9	70,949	-	8	-	-	-	-	-	-
	1,508,647	848,987	-	8	-	-	-	-	-	-
Liabilities:										
Amount owing to related companies	7,909	132	-	956	-	-	-	-	-	-
	7,909	132	-	956	-	-	-	-	-	-

(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. No provisions have been recognised in respect of loans given to key management personnel.

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

(d) 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 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Directors:				
Fees	2,651	3,338	1,804	1,929
Salaries and other remuneration	3,259	5,439	2,132	4,275
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	-	690	-	690
Total short-term employee benefits	5,910	9,467	3,936	6,894
Other key management personnel:				
Salaries and other remuneration	22,395	20,541	18,374	11,755
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	4,780	5,430	3,564	2,859
Total short-term employee benefits	27,175	25,971	21,938	14,614

43. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	Group	
	31 March 2018	31 March 2017
Outstanding credit exposures with connected parties (RM'000)	2,582,104	2,298,054
Percentage of outstanding credit exposures to connected parties:		
as a proportion of total credit exposures (%)	2.32	2.15
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.

43. 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.

44. FIDUCIARY DUTY

(a) In respect of investment portfolio management

Investment portfolio funds managed by the Group on behalf of customers as at 31 March 2018 amounted to RM43,188,000,000 (2017: RM44,321,000,000).

(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 2018 RM'000	31 March 2017 RM'000
Clients' trust balances and dealers' representative balances	293,000	299,497
Remisiers' trust balances	24,452	21,942
	317,452	321,439

45. CAPITAL COMMITMENTS

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Authorised and contracted:		
Purchase of office equipment, IT equipment and solutions	35,818	18,644
Purchase of leasehold improvements	4,740	2,240
	40,558	20,884
Authorised but not contracted for:		
Purchase of office equipment, IT equipment and solutions	80,496	117,574
	121,054	138,458

46. 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 2018 RM'000	31 March 2017 RM'000
One year or less	77,420	58,643
Over one year to five years	55,169	61,095
Over five years	-	5
	132,589	119,743

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.

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47. 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 2018 RM'000	31 March 2017 RM'000
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	18,243,224	16,910,052
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	4,103,833	3,925,299
Unutilised credit card lines	5,208,130	3,562,497
Forward asset purchases	351,998	680,643
	27,907,185	25,078,491
Contingent Liabilities		
Direct credit substitutes	2,147,797	2,045,786
Transaction related contingent items	5,849,587	5,903,536
Obligations under underwriting agreements	105,903	150,000
Short term self liquidating trade related contingencies	693,023	821,852
	8,796,310	8,921,174
Derivative Financial Instruments		
Interest/Profit rate related contracts:	53,821,239	49,895,571
One year or less	10,715,515	9,810,942
Over one year to five years	32,408,106	30,635,849
Over five years	10,697,618	9,448,780
Foreign exchange related contracts:	51,597,453	49,993,797
One year or less	47,466,152	46,025,024
Over one year to five years	2,655,384	1,828,561
Over five years	1,475,917	2,140,212
Credit related contracts:	334,505	361,251
Over one year to five years	334,505	361,251
Equity and commodity related contracts:	1,215,805	313,024
One year or less	797,179	229,628
Over one year to five years	418,626	83,396
	106,969,002	100,563,643
	143,672,497	134,563,308

47. 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 RM70.0 million (2017: RM150.0 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) Since the last financial year end until the reporting date, AmMetLife had received complaints from 64 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) On 10 August 2016, the Malaysia Competition Commission (MyCC) commenced an investigation into an alleged infringement by Persatuan Insurans Am Malaysia ("PIAM") and all its members, being 22 general insurers, including AmGeneral Insurance, a subsidiary of the Group in respect of Section 4(2)(a) of the Competition Act, 2010 ("CA 2010"). The MyCC alleged that PIAM and all 22 general insurers fixed the parts trade discount rates for certain vehicle makes and labour hourly rates for PIAM Approved Repairers Scheme (PARS) workshops.

On 22 February 2017, MyCC issued a proposed decision against PIAM and 22 of its members for an alleged infringement of the CA 2010 (PD). The Proposed Decision ("PD") includes proposed financial penalties on all 22 general insurers, including AmGeneral Insurance. AmGeneral Insurance's share of the proposed infringement penalties amounted to RM45,156,098.

On 1 March 2017, Bank Negara Malaysia issued a press statement confirming that the arrangement which is the subject of MyCC's PD was put in place in response to a clear directive from Bank Negara Malaysia to the general insurers in 2011. AmGeneral Insurance has on 25 April 2017, completed the submission of its written representations to MyCC. AmGeneral Insurance has also indicated its request for oral representations.

On 29 January 2018, AmGeneral Insurance's legal counsel delivered oral representations to MyCC reiterating its position that it has not infringed Section 4(2)(a) of the CA 2010 and that no infringement penalties should be imposed. Should the PD be upheld, AmGeneral Insurance will appeal to the Competition Appeals Tribunal and thereafter take any adverse outcome to a judicial review before the Malaysian courts.

48. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

Group 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	587,394	538,223	1,125,617
Financial assets held-for-trading	12,944,783	-	12,944,783
Financial investments available-for-sale	2,460,980	5,241,906	7,702,886
Financial investments held-to-maturity	49	3,028,267	3,028,316
Loans, advances and financing	24,526,047	70,851,853	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	1,966,205	302,901	2,269,106
Reinsurance assets and other insurance receivables	335,048	201,811	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	48,630,780	89,250,463	137,881,243
LIABILITIES			
Deposits from customers	92,439,354	3,365,833	95,805,187
Investment accounts of customers	138,956	-	138,956
Deposits and placements of banks and other financial institutions	3,379,522	53,056	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	778,221	500,571	1,278,792
Term funding	1,120,066	3,209,647	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	3,232,847	103,669	3,336,516
Insurance contract liabilities and other insurance payables	1,795,436	968,076	2,763,512
TOTAL LIABILITIES	107,414,542	12,806,691	120,221,233

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

Group 31 March 2017 (Restated)	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
ASSETS			
Cash and short-term funds	8,337,200	-	8,337,200
Securities purchased under resale agreements	10,369	-	10,369
Deposits and placements with banks and other financial institutions	1,129,987	-	1,129,987
Derivative financial assets	576,997	589,425	1,166,422
Financial assets held-for-trading	9,533,088	-	9,533,088
Financial investments available-for-sale	2,510,453	6,558,409	9,068,862
Financial investments held-to-maturity	520,299	2,940,069	3,460,368
Loans, advances and financing	26,192,421	63,672,664	89,865,085
Receivables: Investments not quoted in active markets	-	1,986,877	1,986,877
Statutory deposits with Bank Negara Malaysia	-	2,575,444	2,575,444
Deferred tax assets	-	21,651	21,651
Investment in associates and joint ventures	-	700,162	700,162
Other assets	2,159,574	643,197	2,802,771
Reinsurance assets and other insurance receivables	270,116	132,997	403,113
Property and equipment	-	234,619	234,619
Intangible assets	-	3,444,004	3,444,004
Assets held for sale	27,593	-	27,593
TOTAL ASSETS	51,268,097	83,499,518	134,767,615
LIABILITIES			
Deposits from customers	90,701,746	3,233,312	93,935,058
Investment accounts of customers	24,374	-	24,374
Deposits and placements of banks and other financial institutions	1,499,318	30,103	1,529,421
Securities sold under repurchase agreements	9,464	-	9,464
Recourse obligation on loans and financing sold to Cagamas Berhad	1,171,487	2,109,331	3,280,818
Derivative financial liabilities	263,480	695,206	958,686
Term funding	2,828,322	4,564,157	7,392,479
Debt capital	-	4,174,086	4,174,086
Redeemable cumulative convertible preference share	-	210,965	210,965
Deferred tax liabilities	-	204,321	204,321
Other liabilities	3,140,593	87,622	3,228,215
Insurance contract liabilities and other insurance payables	1,730,617	936,227	2,666,844
TOTAL LIABILITIES	101,369,401	16,245,330	117,614,731

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

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	-	1,425,000	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	86,333	10,914,147	11,000,480
Liabilities			
Term funding	-	500,000	500,000
Debt capital	-	1,424,585	1,424,585
Other liabilities	24,722	-	24,722
Total Liabilities	24,722	1,924,585	1,949,307

Company 31 March 2017	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	2,051	-	2,051
Deposits and placements with banks and other financial institutions	24,006	-	24,006
Financial investments available-for-sale	-	130,984	130,984
Financial investments held-to-maturity	-	750,000	750,000
Investment in subsidiaries and other investments	-	9,506,300	9,506,300
Other assets	75,863	30	75,893
Property and equipment	-	900	900
Total Assets	101,920	10,388,214	10,490,134
Liabilities			
Term funding	676,000	500,000	1,176,000
Debt capital	-	749,491	749,491
Other liabilities	39,138	-	39,138
Total Liabilities	715,138	1,249,491	1,964,629

49. CAPITAL MANAGEMENT

The capital and risk management of the banking subsidiaries of AMMB are managed collectively at Group level. 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 regulatory risks and stress test results.

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

Stress testing and scenario analysis are used to ensure that the Group's internal capital assessment considers the impact of extreme but plausible scenarios on its risk profile and capital position. They provide an insight into the potential impact of significant adverse events on the 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 Group uses a capital model to assess the capital demand for material risks, and support its internal capital adequacy assessment. Each material risk is assessed, relevant mitigants considered, and appropriate levels of capital determined. The capital modelling process is a key part of the Group's management disciplines.

The capital that the Group is required to hold is determined by its statement of financial position, commitments and contingencies, counterparty and other risk exposures after applying collateral and other mitigants, based on the Group's risk rating methodologies and systems. 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 triggers and target ranges for capital management and operationally oversees adherence with these. For the current financial year ended 31 March 2018 ("FY 2018"), these ranges are 9.5% to 11.5% for the Common Equity Tier ("CET1") Capital Ratio, 10.0% to 12.0% for the Tier 1 Capital Ratio, and 14.0% to 16.0% for the Total Capital Ratio. The Group has been operating within these ranges.

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

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

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2018

49. CAPITAL MANAGEMENT (CONT'D.)

(a) The capital adequacy ratios of our regulated banking subsidiaries and a pro-forma Group view are as follows:

	31 March 2018			
	AmBank	AmBank Islamic	AmInvestment Bank	Group*
Before deducting proposed dividends:				
CET1 Capital ratio	10.955%	11.561%	41.194%	11.723%
Tier 1 Capital ratio	11.903%	11.561%	41.194%	12.413%
Total Capital ratio	16.451%	16.569%	41.452%	17.024%
After deducting proposed dividends:				
CET1 Capital ratio	10.613%	11.561%	27.529%	11.270%
Tier 1 Capital ratio	11.561%	11.561%	27.529%	11.960%
Total Capital ratio	16.109%	16.569%	27.787%	16.571%

	31 March 2017			
	AmBank	AmBank Islamic	AmInvestment Bank	Group*
Before deducting proposed dividend:				
CET1 Capital ratio	11.230%	10.498%	32.916%	11.917%
Tier 1 Capital ratio	12.478%	10.498%	32.916%	12.809%
Total Capital ratio	16.073%	15.069%	32.916%	16.658%
After deducting proposed dividend:				
CET1 Capital ratio	10.764%	10.498%	31.373%	11.563%
Tier 1 Capital ratio	12.012%	10.498%	31.373%	12.455%
Total Capital ratio	15.607%	15.069%	31.373%	16.304%

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 Prudential Financial Policy Department on 2 February 2018 (replacing the same guidelines issued previously on 13 October 2015), which is based on the Basel III capital accord. The Group 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 Frameworks for Islamic Banks (Basel II - Risk Weighted Assets).

(2) Group* figures presented in this Report represent an aggregation of the capital positions and Risk Weighted Assets ("RWA") of our three regulated banking institutions (consolidated for AmBank and AmInvestment Bank). The positions of each entity and group (where applicable) are published at www.ambankgroup.com.

49. CAPITAL MANAGEMENT (CONT'D.)

(a) The capital adequacy ratios of our regulated banking subsidiaries and a pro-forma Group view are as follows (Cont'd.):

(3) Pursuant to the revised BNM's guidelines on Capital Adequacy Framework (Capital Components) issued, the minimum capital adequacy ratios maintained under the guidelines for its banking subsidiaries remain consistent at 4.5% for CET1 capital, 6.0% for Tier 1 capital and 8.0% for total capital ratio. The Group's banking subsidiaries are also required to maintain capital buffers. The capital buffers shall comprise the sum of the following:

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

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

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

The Company being a financial holding company ("FHC") will be required to comply with the above BNM's guideline issued on 2 February 2018 on minimum capital adequacy ratios at the consolidated level for FHC effective 1 January 2019.

49. CAPITAL MANAGEMENT (CONT'D.)

(b) The aggregated components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group are as follows:

	31 March 2018			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group* RM'000
CET1 Capital				
Ordinary share capital	1,763,208	1,387,107	200,000	3,350,315
Retained earnings	6,700,583	1,632,472	474,802	8,744,009
Available for sale deficit	(23,518)	(5,492)	-	(28,879)
Foreign exchange translation reserve	52,974	-	-	51,199
Regulatory reserve	372,133	327,683	2,918	702,734
Capital reserve	-	-	-	2,815
Merger reserve	-	-	-	186,264
Cash flow hedging reserve	3,174	-	-	3,174
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(36,442)
Other intangible assets	(400,376)	(1,207)	(2,137)	(404,225)
Deferred tax assets	(66,637)	-	(4,085)	(73,182)
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)	-
CET1 Capital	8,017,746	3,012,880	618,771	11,791,874
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	694,040	-	-	694,040
Qualifying CET1, Additional Tier 1 capital instruments held by third parties	-	-	-	2
Tier 1 Capital	8,711,786	3,012,880	618,771	12,485,916
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	1,995,000	1,000,000	-	2,995,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	600,000	-	-	600,000
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	-	-	-	1
Collective allowance and regulatory reserve	734,013	305,028	3,871	1,042,898
Tier 2 Capital	3,329,013	1,305,028	3,871	4,637,899
Total Capital	12,040,799	4,317,908	622,642	17,123,815

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	94,039,226
Less: Credit RWA absorbed by Profit Sharing Investment Account	-	(2,988,135)	-	(2,988,135)
Total Credit RWA	65,981,322	24,402,265	1,123,584	91,051,091
Market RWA	2,861,798	277,093	105,011	3,264,601
Operational RWA	3,973,753	1,380,469	273,498	5,896,314
Large exposure risk RWA for equity holdings	373,899	-	-	373,899
Total RWA	73,190,772	26,059,827	1,502,093	100,585,905

49. CAPITAL MANAGEMENT (CONT'D.)

(b) The aggregated components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group are as follows (Cont'd.):

	31 March 2017			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group* RM'000
CET1 Capital				
Ordinary shares	1,763,208	1,187,107	200,000	3,150,315
Retained earnings	5,371,939	1,179,283	88,943	6,931,726
Available for sale deficit	(12,233)	(5,149)	-	(17,381)
Foreign exchange translation reserve	119,797	-	-	130,278
Statutory reserve	980,969	483,345	200,000	1,664,314
Regulatory reserve	163,820	58,430	2,800	225,050
Capital reserve	-	-	-	2,815
Merger reserve	-	-	-	186,264
Cash flow hedging reserve	3,010	-	-	3,010
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(36,442)
Other intangible assets	(406,504)	(448)	(2,513)	(411,124)
Deferred tax assets	-	-	(7,153)	(9,158)
Cash flow hedging reserve	(3,010)	-	-	(3,010)
Regulatory reserve	(163,820)	(58,430)	(2,800)	(225,050)
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(6,808)	-	(39,847)	-
Deduction in excess of Tier 2 capital**	-	-	(6,458)	-
CET1 Capital	7,810,368	2,844,138	432,972	11,591,607
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	867,550	-	-	867,550
Qualifying CET1, Additional Tier 1 capital instruments held by third parties	-	-	-	2
Tier 1 Capital	8,677,918	2,844,138	432,972	12,459,159
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	900,000	850,000	-	1,750,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	983,900	130,000	-	1,113,900
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	-	-	-	1
Collective allowance and regulatory reserve	618,212	258,458	3,504	880,197
Less: Regulatory adjustments applied on Tier 2 Capital	(1,702)	-	(3,504)	-
Tier 2 Capital	2,500,410	1,238,458	-	3,744,098
Total Capital	11,178,328	4,082,596	432,972	16,203,257

49. CAPITAL MANAGEMENT (CONT'D.)

(b) The aggregated components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group are as follows (Cont'd.):

	31 March 2017			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group* RM'000
The breakdown of the risk weighted assets ("RWA") in various categories of risk is as follows:				
Credit RWA	63,094,846	27,107,178	1,015,958	90,235,160
Less: Credit RWA absorbed by Profit Sharing Investment Account	-	(1,604,369)	-	(1,604,369)
Total Credit RWA	63,094,846	25,502,809	1,015,958	88,630,791
Market RWA	2,231,439	178,976	20,158	2,445,971
Operational RWA	4,190,538	1,410,237	279,251	6,160,989
Large exposure risk RWA for equity holdings	30,573	-	-	30,573
Total RWA	69,547,396	27,092,022	1,315,367	97,268,324

** The portion of regulatory adjustments not deducted from Tier 2 (as AmInvestment Bank does not have enough Tier 2 to satisfy the deduction) is deducted from the next higher level of capital as per paragraph 31.1 of the BNM's guidelines on Capital Adequacy Framework (Capital Components).

50. RISK MANAGEMENT

50.1 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 equity ("ROE") and is reviewed periodically throughout the financial year by both the executive management and the Board to consider any fine tuning/amendments taking into account prevailing or expected changes to the environment that the 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 aims to maintain an external rating of AA1 or better based on reference ratings by RAM.
2 AmBank Group aims to achieve and sustain a RoRWA in the range of 1.5% to 1.8%, based on AIRB.
3 AmBank Group aims to maintain Available Financial Resources in excess of the capital requirements as estimated in the ICAAP.
4 AmBank Group recognizes the importance of funding its own business. It aims to maintain the following:
   a. Liquidity Coverage Ratio ("LCR") at least 10% 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 AmBank Group aims to maintain the following capital adequacy ratios ("CARs") under normal conditions: CET1, Tier 1 and total capital ratio of at least 2 percentage points above regulatory minimum.
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 ("PATMI").
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**.
8 AmBank Group aims to maintain RWA efficiency (Credit Risk Weighted Assets ("CRWA")/Exposure At Default ("EAD")) in the range of 50% to 60%, based on AIRB.

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 Management Risk Committees 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 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, technological and emerging risks.
- essentially champions and embeds a positive risk culture across the Group to ensure that risk taking activities across the Group are aligned to the Group's risk appetite and strategies.
- 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 organization.

** As per PIDM definition.

50. RISK MANAGEMENT (CONT'D.)

50.2 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 • Wholesale Pricing • Collateral and tailored facility structures
Monitoring/Review	• Monitor and report portfolio mix • Review customers under Classified Account • Review customers under Rescheduled and Restructured Account

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending/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.

50. RISK MANAGEMENT (CONT'D.)

50.2 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);
- Classified Account processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers;
- Rescheduled and Restructured ("R&R") Account Management sets out the controls in managing R&R loan/financing pursuant to the BNM's revised policy on Classification and Impairment Provisions for Loans/Financing; and
- Setting guidelines on Wholesale Pricing which serve as a guide as to the minimum returns the Group requires for the risk undertaken, taking into account operating expenses and cost of capital.

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

The Group Management Risk Committee ("GMRC") regularly meets to review the quality and diversification of the Group's loan/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.

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (Cont'd.)

50.2.1a Industry Analysis

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 (include factoring)	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

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (Cont'd.)

50.2.1a Industry Analysis

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 (include factoring)	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

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (Cont'd.)

50.2.1a Industry Analysis (Cont'd.)

Group 31 March 2017	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale and Retail Trade and Hotels and Restaurants RM'000	Transport, Storage and Communication RM'000	Subtotal RM'000
Cash and short-term funds	-	-	-	-	-	-	-	-
Securities purchased under resale agreements	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Derivative financial assets	5,705	190,931	75,209	-	3	4,076	4,444	280,368
Financial assets held-for-trading	62,612	55,832	-	260,128	292,898	-	10,135	681,605
Money market securities	-	-	-	-	-	-	-	-
Quoted corporate bonds and sukuk	-	-	-	-	-	-	-	-
Unquoted corporate bonds and sukuk	62,612	55,832	-	260,128	292,898	-	10,135	681,605
Financial investments available-for-sale	108,489	-	90,277	284,128	1,187,958	92,055	269,139	2,032,046
Money market securities	-	-	-	-	-	-	-	-
Unquoted corporate bonds and sukuk	108,489	-	90,277	284,128	1,187,958	92,055	269,139	2,032,046
Financial investments held-to-maturity	-	-	-	-	1,389,700	-	45,000	1,434,700
Money market securities	-	-	-	-	-	-	-	-
Unquoted corporate bonds and sukuk	-	-	-	-	1,389,700	-	45,000	1,434,700
Loans, advances and financing	3,860,903	2,028,023	9,256,217	476,161	3,826,796	5,326,662	2,886,172	27,660,934
Hire purchase	1,644	701	10,626	429	15,972	62,513	39,219	131,104
Mortgage	12,583	4,042	66,519	2,787	92,924	136,277	20,424	335,556
Credit card	-	-	183	-	19	-	2	204
Other loans and financing	30,739	9,119	147,363	3,079	128,519	299,731	43,968	662,518
Corporate loans, advance and financing	3,815,937	2,014,161	9,031,526	469,866	3,589,362	4,828,141	2,782,559	26,531,552
Term loans and bridging loans	2,341,739	1,515,163	2,493,293	369,307	1,461,663	1,490,259	1,058,309	10,729,733
Revolving credits	1,112,999	254,001	1,898,417	88,249	895,090	695,765	1,492,736	6,437,257
Overdrafts	215,927	29,365	564,025	9,158	631,647	575,010	111,299	2,136,431
Trade (include factoring)	145,272	215,632	4,075,791	3,152	600,962	2,067,107	120,215	7,228,131
Collective allowance	-	-	-	-	-	-	-	-
Receivables: investments not quoted in active markets	-	953,047	50,000	-	69,830	5,000	700,000	1,777,877
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	-
Other financial assets	951	12,270	3,201	7,931	47,053	2,032	19,613	93,051
	4,038,660	3,240,103	9,474,904	1,028,348	6,814,238	5,429,825	3,934,503	33,960,581
Contingent liabilities	66,698	527,664	1,283,580	630,960	3,510,832	661,855	576,428	7,258,017
Commitments	1,009,872	365,855	4,414,590	288,426	3,997,658	2,487,044	1,186,776	13,750,221
Total	1,076,570	893,519	5,698,170	919,386	7,508,490	3,148,899	1,763,204	21,008,238

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (Cont'd.)

50.2.1a Industry Analysis (Cont'd.)

Group 31 March 2017	Subtotal from previous page RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	-	4,799,803	3,537,397	-	-	-	-	-	8,337,200
Securities purchased under resale agreements	-	-	10,369	-	-	-	-	-	10,369
Deposits and placements with banks and other financial institutions	-	1,129,987	-	-	-	-	-	-	1,129,987
Derivative financial assets	280,368	880,264	389	2,751	1,171	92	-	1,387	1,166,422
Financial assets held-for-trading	681,605	1,838,377	4,982,838	145,142	-	-	-	1,596,051	9,244,013
Money market securities	-	111,711	4,977,839	-	-	-	-	-	5,089,550
Quoted corporate bonds and sukuk	-	38,206	-	-	-	-	-	-	38,206
Unquoted corporate bonds and sukuk	681,605	1,688,460	4,999	145,142	-	-	-	1,596,051	4,116,257
Financial investments available-for-sale	2,032,046	2,792,076	1,625,917	301,428	29,194	-	-	1,078,397	7,859,058
Money market securities	-	1,116,932	1,625,917	-	-	-	-	-	2,742,849
Unquoted corporate bonds and sukuk	2,032,046	1,675,144	-	301,428	29,194	-	-	1,078,397	5,116,209
Financial investments held-to-maturity	1,434,700	416,469	1,354,199	255,000	-	-	-	-	3,460,368
Money market securities	-	-	29,543	-	-	-	-	-	29,543
Unquoted corporate bonds and sukuk	1,434,700	416,469	1,324,656	255,000	-	-	-	-	3,430,825
Loans, advances and financing	27,660,934	3,079,473	-	8,234,705	1,507,184	1,377,583	48,748,923	118,133	89,865,085
Hire purchase	131,104	314	-	1,822	11,315	13,590	19,629,626	1,766	19,789,537
Mortgage	335,556	2,726	-	143,100	90,915	101,509	24,655,985	18,764	25,348,555
Credit card	204	-	-	-	-	-	1,725,520	102	1,725,826
Other loans and financing	662,518	1,098	-	16,579	140,880	51,688	1,351,468	9,285	2,233,516
Corporate loans, advance and financing	26,531,552	3,075,335	-	8,073,204	1,264,074	1,210,796	1,386,324	88,216	41,629,501
Term loans and bridging loans	10,729,733	462,346	-	4,894,068	620,104	946,356	216,669	19,448	17,888,724
Revolving credits	6,437,257	2,599,213	-	2,439,994	434,724	219,283	1,038,898	23,024	13,192,393
Overdrafts	2,136,431	7,932	-	727,824	146,242	36,483	130,757	73	3,185,742
Trade (include factoring)	7,228,131	5,844	-	11,318	63,004	8,674	-	45,671	7,362,642
Collective allowance	-	-	-	-	-	-	-	-	(861,850)
Receivables: investments not quoted in active markets	1,777,877	25,000	-	174,000	-	10,000	-	-	1,986,877
Statutory deposits with Bank Negara Malaysia	-	-	2,575,444	-	-	-	-	-	2,575,444
Other financial assets	93,051	1,467,442	88,335	8,435	195,411	3,352	48,942	281,401	2,186,369
	33,960,581	16,428,891	14,174,888	9,121,461	1,732,960	1,391,027	48,797,865	3,075,369	127,821,192
Contingent liabilities	7,258,017	448,534	-	913,339	133,029	63,015	926	104,314	8,921,174
Commitments	13,750,221	572,323	660,697	1,645,783	381,870	317,982	7,517,651	231,964	25,078,491
Total	21,008,238	1,020,857	660,697	2,559,122	514,899	380,997	7,518,577	336,278	33,999,665

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2018

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (Cont'd.)

50.2.1a Industry Analysis (Cont'd.)

Company 31 March 2018	Finance and Insurance RM'000	Others 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
	1,504,080	7,313	1,511,393
31 March 2017			
Cash and short-term funds	2,051	-	2,051
Deposits and placements with banks and other financial institutions	24,006	-	24,006
Financial investments held-to-maturity	750,000	-	750,000
Unquoted corporate bonds and sukuk	750,000	-	750,000
Other financial assets	-	75,893	75,893
	776,057	75,893	851,950

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (Cont'd.)

50.2.1b Geographical Analysis

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
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 (include factoring)	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
Total	36,571,696	131,799	36,703,495

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (Cont'd.)

50.2.1b Geographical Analysis (Cont'd.)

Group 31 March 2017	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	7,572,455	764,745	8,337,200
Securities purchased under resale agreements	10,369	-	10,369
Deposits and placements with banks and other financial institutions	1,129,987	-	1,129,987
Derivative financial assets	908,637	257,785	1,166,422
Financial assets held-for-trading	9,234,015	9,998	9,244,013
Money market securities	5,089,550	-	5,089,550
Quoted corporate bonds and sukuk	38,206	-	38,206
Unquoted corporate bonds and sukuk	4,106,259	9,998	4,116,257
Financial investments available-for-sale	7,654,988	204,070	7,859,058
Money market securities	2,733,962	8,887	2,742,849
Unquoted corporate bonds and sukuk	4,921,026	195,183	5,116,209
Financial investments held-to-maturity	3,460,368	-	3,460,368
Money market securities	29,543	-	29,543
Unquoted corporate bonds and sukuk	3,430,825	-	3,430,825
Loans, advances and financing	89,382,351	482,734	89,865,085
Hire purchase	19,789,537	-	19,789,537
Mortgage	25,348,555	-	25,348,555
Credit card	1,725,826	-	1,725,826
Other loans and financing	2,233,516	-	2,233,516
Corporate loans, advance and financing	41,140,704	488,797	41,629,501
Term loans and bridging loans	17,640,992	247,732	17,888,724
Revolving credits	13,016,340	176,053	13,192,393
Overdrafts	3,185,742	-	3,185,742
Trade (include factoring)	7,297,630	65,012	7,362,642
Collective allowance	(855,787)	(6,063)	(861,850)
Receivables: investments not quoted in active markets	1,986,877	-	1,986,877
Statutory deposits with Bank Negara Malaysia	2,575,444	-	2,575,444
Other financial assets	2,066,006	120,363	2,186,369
	125,981,497	1,839,695	127,821,192
Contingent liabilities	8,852,943	68,231	8,921,174
Commitments	24,891,047	187,444	25,078,491
Total	33,743,990	255,675	33,999,665

Company			
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
	1,511,393	-	1,511,393
31 March 2017			
Cash and short-term funds	2,051	-	2,051
Deposits and placements with banks and other financial institutions	24,006	-	24,006
Financial investments held-to-maturity	750,000	-	750,000
Unquoted corporate bonds and sukuk	750,000	-	750,000
Other financial assets	75,893	-	75,893
	851,950	-	851,950

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (Cont'd.)

Main Types of Collateral

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

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

Processes for Collateral Management

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

Guarantee Support

Guarantee support for lending proposals are an integral component in transaction structuring for the Group. The guarantee of a financially strong party can help improve the risk grade of a transaction through its explicit support of the borrower/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.

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.

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (Cont'd.)

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. • Very strong willingness to meet its financial commitments. • Exhibits high degree resilience to adverse development.
7 to 12	Very strong	0.0738% to 0.5942%	• Very Good credit risk profile. • Strong willingness to meet its financial commitments. • Exhibits high degree resilience to adverse development.
13 to14	Strong	0.5943% to 1.0159%	• Good credit risk profile. • Exhibit willingness to meet its financial commitments. • Generally in a position to withstand adverse development.
15 to 16	Satisfactory	1.0160% to 2.2722%	• Satisfactory credit risk profile. • Adequate willingness to meet its financial commitments. • Generally in a position to resolve any apparent shortcoming within an acceptable time frame.
17 to 18-	Moderate	2.2723% to 4.1028%	• Moderate credit risk profile. • Willingness to meet its financial commitments would be uncertain in the event of adverse changes in circumstances and economic conditions.
19+ to 20-	Marginal	4.1029% to 8.2931%	• Marginal credit risk profile. • Willingness to meet its financial commitments would be uncertain under normal circumstances and economic conditions.
21 to 24	Substandard	>=8.2932%	• Substandard credit risk profile. • Exhibit less willingness to meet its financial commitments under normal circumstances and economic conditions.
99	Impaired	100%	• Classified as impaired as per the Policy on Definition of Default/Impaired for Credit Facility.

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (Cont'd.)

Credit Quality (Cont'd.)

Description of the Categories for Wholesale Banking

Credit Quality Classification	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.
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.

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (Cont'd.)

Credit Quality (Cont'd.)

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

Credit Quality Classification	Definition
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.

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (Cont'd.)

Impairment

Definition of Past Due and Impaired Loans, Advances and Financing

All loans, advances and financing are categorised as either:

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

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

A loan/financing is classified as impaired under the following circumstances:

(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 defaulted 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 bank will be unable to collect all amounts due (including both interest/profit and principal) according to the contractual terms of the agreement; or

ii. due to cross-default. Cross-default occurs when:
- a default of a loan/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 customer 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 .

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

2 Material obligation as determined by Management. 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."

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (Cont'd.)

Impairment (Cont'd.)

Definition of Past Due and Impaired Loans, Advances and Financing (Cont'd.)

(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 Deeds Guidelines issued by the Securities Commission of Malaysia); or
iii. where it is deemed appropriate to classify as impaired and approved by the WACC.

(f) 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").

Methodology for Determination of Individual and Collective Allowances

An assessment is performed to determine whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant or not individually impaired.

Individual Assessment

Individual assessment is divided into two main processes – detection of an event(s) and an assessment of impairment:

(a) Trigger management

In trigger management, financial assets which are above the pre-set individual assessment threshold are assessed using the relevant impairment triggers for objective evidence of impairment.

(b) Valuation of assets

Financial assets which are triggered by the impairment triggers will be measured for evidence of high likelihood of impairment i.e. estimated recoveries (based on the discounted cash flow projection method and taking into account economic conditions) is less than carrying value or fair value is less than the carrying value.

Collective Assessment

Loans/financing and advances, and commitments and contingencies below the significant threshold and those not assessed to be individually impaired, will be subject to collective assessment and a collective allowance will be computed accordingly. The collective impairment assessment and provisioning methodology uses historical loss data to derive the level of provisions. The collective provisions is computed after making the necessary adjustments to reflect current economic conditions.

With effect from 31 December 2015, the Group is required to maintain, in aggregate, collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/financing[5] net of individual impairment.

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

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

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (Cont'd.)

50.2.1c Credit Quality By Class of Financial Assets

Group 31 March 2018	Neither past due nor impaired: Exceptionally Strong Credit Profile RM'000	Very Strong Credit Profile RM'000	Strong Credit Profile RM'000	Satisfactory Risk RM'000	Moderate Risk RM'000	Marginal Risk RM'000	Sub-standard RM'000	Unrated RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000	Gross amount individually impaired RM'000	Individual Allowance 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 (include factoring)	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.

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (Cont'd.)

50.2.1c Credit Quality By Class of Financial Assets (Cont'd.)

Group 31 March 2017	Neither past due nor impaired: Exceptionally Strong Credit Profile RM'000	Very Strong Credit Profile RM'000	Strong Credit Profile RM'000	Satisfactory Risk RM'000	Moderate Risk RM'000	Marginal Risk RM'000	Sub-standard RM'000	Unrated RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000	Gross amount individually impaired RM'000	Individual Allowance RM'000
Cash and short-term funds	955,307	7,381,889	1	-	-	-	-	3	-	-	8,337,200	-	-
Securities purchased under resale agreements	-	10,369	-	-	-	-	-	-	-	-	10,369	-	-
Deposits and placements with banks and other financial institutions	481,553	648,434	-	-	-	-	-	-	-	-	1,129,987	-	-
Derivative financial assets	18,138	619,786	479,015	28,061	16,578	1,559	387	2,898	-	-	1,166,422	-	-
Financial assets held-for-trading	643,554	7,674,264	260,552	379,689	-	-	-	285,954	-	-	9,244,013	-	-
Money market securities	111,712	4,701,892	-	-	-	-	-	275,946	-	-	5,089,550	-	-
Quoted corporate bonds and sukuk	-	38,206	-	-	-	-	-	-	-	-	38,206	-	-
Unquoted corporate bonds and sukuk	531,842	2,934,166	260,552	379,689	-	-	-	10,008	-	-	4,116,257	-	-
Financial investments available-for-sale	70,347	6,108,035	690,765	784,320	50,033	-	154,128	1,430	-	-	7,859,058	5,000	(5,000)
Money market securities	-	2,742,849	-	-	-	-	-	-	-	-	2,742,849	-	-
Unquoted corporate bonds and sukuk	70,347	3,365,186	690,765	784,320	50,033	-	154,128	1,430	-	-	5,116,209	5,000	(5,000)
Financial investments held-to-maturity*	-	3,459,271	-	-	-	-	-	1,057	-	2,590	3,462,918	2,590	(2,550)
Money market securities	-	29,543	-	-	-	-	-	-	-	-	29,543	-	-
Unquoted corporate bonds and sukuk	-	3,429,728	-	-	-	-	-	1,057	-	2,590	3,433,375	2,590	(2,550)
Gross loans, advances and financing*	49,964	30,373,166	16,306,146	19,197,555	8,712,173	3,209,054	2,170,218	2,129	9,276,202	1,689,325	90,985,932	936,068	(258,997)
Hire purchase	2,142	7,756,821	2,740,587	2,320,529	890,911	233,324	207,529	211	5,428,790	208,693	19,789,537	-	-
Mortgage	3,940	8,911,046	4,845,286	3,832,178	2,636,901	876,422	764,615	1,918	3,105,643	373,372	25,351,321	7,252	(2,766)
Credit card	-	98,923	91,817	776,940	223,077	140,552	95,303	-	276,657	22,557	1,725,826	-	-
Other loans and financing	-	56,486	297,303	1,161,579	207,587	116,819	141,682	-	210,161	46,690	2,238,307	6,112	(4,791)
Corporate loans, advance and financing	43,882	13,549,890	8,331,153	11,106,329	4,753,697	1,841,937	961,089	-	254,951	1,038,013	41,880,941	922,704	(251,440)
Term loans and bridging loans	15,817	6,269,664	3,558,947	3,848,846	2,017,027	1,030,526	411,242	-	139,460	816,979	18,108,508	775,277	(219,784)
Revolving credits	17,022	4,300,438	2,693,412	3,944,439	1,469,843	267,153	313,371	-	96,684	107,767	13,210,129	108,262	(17,736)
Overdrafts	2,812	453,044	267,088	1,197,426	613,138	378,031	170,260	-	17,045	99,285	3,198,129	35,841	(12,387)
Trade (include factoring)	8,231	2,526,744	1,811,706	2,115,618	653,689	166,227	66,216	-	1,762	13,982	7,364,175	3,324	(1,533)
Receivables: investments not quoted in active markets	-	1,379,976	119,830	487,071	-	-	-	-	-	-	1,986,877	-	-
Statutory deposits with Bank Negara Malaysia	-	2,575,444	-	-	-	-	-	-	-	-	2,575,444	-	-
Other financial assets*	121,850	1,174,606	147,042	44,868	15,493	368	24,169	650,796	1,402	50,890	2,231,484	50,890	(45,115)
	2,340,713	61,405,240	18,003,351	20,921,564	8,794,277	3,210,981	2,348,902	944,267	9,277,604	1,742,805	128,989,704	994,548	(311,662)

* The amounts presented above are gross of impairment allowances.

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (Cont'd.)

50.2.1c 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

Company 31 March 2017	Neither past due nor impaired Very Strong Credit Profile RM'000	Total RM'000
Cash and short-term funds	2,051	2,051
Deposits and placements with banks and other financial institutions	24,006	24,006
Financial investments held-to-maturity	750,000	750,000
Unquoted corporate bonds and sukuk	750,000	750,000
Other financial assets	75,893	75,893
	851,950	851,950

50.2.1d 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 (include factoring)	7,409	4,407	-	11,816
Other financial assets	-	697	70	767
Total	7,789,166	1,879,664	70	9,668,900

Group 31 March 2017	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	4,592,784	836,006	-	5,428,790
Mortgage	2,348,399	757,244	-	3,105,643
Credit card	199,272	77,385	-	276,657
Other loans and financing	152,963	57,198	-	210,161
Corporate loans, advance and financing	209,715	45,236	-	254,951
Term loans and bridging loans	103,338	36,122	-	139,460
Revolving credits	96,684	-	-	96,684
Overdrafts	7,931	9,114	-	17,045
Trade (include factoring)	1,762	-	-	1,762
Other financial assets	-	1,350	52	1,402
Total	7,503,133	1,774,419	52	9,277,604

50. RISK MANAGEMENT (CONT'D.)

50.2 Credit Risk Management (Cont'd.)

50.2.1e Estimated value of collateral for financial assets

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

	Gross exposure to credit risk		Financial effect of collateral		Unsecured portion of credit exposure	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Group						
Gross loans, advances and financing						
Hire purchase	18,323,063	19,789,537	17,305,428	16,857,224	1,017,635	2,932,313
Mortgage	30,534,296	25,351,321	30,113,542	25,205,363	420,754	145,958
Credit card	2,142,254	1,725,826	24,214	27,645	2,118,040	1,698,181
Other loans and financing	3,843,571	2,238,308	933,040	637,384	2,910,531	1,600,924
Corporate loans, advance and financing	41,478,046	41,880,941	18,330,417	18,100,063	23,147,629	23,780,878
Term loans and bridging loans	18,021,472	18,108,508	10,093,912	10,433,655	7,927,560	7,674,853
Revolving credits	12,166,489	13,210,129	4,004,580	4,183,289	8,161,909	9,026,840
Overdrafts	3,548,851	3,198,129	2,091,155	1,907,269	1,457,696	1,290,860
Trade (include factoring)	7,741,234	7,364,175	2,140,770	1,575,850	5,600,464	5,788,325
Total	96,321,230	90,985,933	66,706,641	60,827,679	29,614,589	30,158,254

50.2.1f Collateral Repossessed

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Residential properties, net of impairment	150	150
Non-residential properties, net of impairment	4,190	27,501
	4,340	27,651

The above assets are accounted for as foreclosed properties under other assets (Note 19). There were no new assets obtained for the financial year 2018 and 2017.

50. RISK MANAGEMENT (CONT'D.)

50.3 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 Bank's liquidity management while the GALCO and/or GMRC is management committee established by the Board to oversee the overall liquidity management of the Bank. IBMR jointly with Global Treasury and Markets ("GTM") and Capital 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 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.

50. RISK MANAGEMENT (CONT'D.)

50.3 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 lending/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.

50.3.1 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.

50. RISK MANAGEMENT (CONT'D.)

50.3 Liquidity Risk Management (Cont'd.)

50.3.1a Analysis of Assets and Liabilities By Remaining Contractual Maturities

Group 31 March 2018	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Assets								
Cash and short-term funds	5,583,547	-	-	-	-	-	-	5,583,547
Deposits and placements with banks and other financial institutions	-	217,436	-	-	-	-	-	217,436
Derivative financial assets	122,038	142,549	127,332	581,337	493,517	49,404	-	1,516,177
Financial assets held-for-trading	1,794,840	4,553,472	1,177,993	1,002,964	2,539,252	1,826,288	609,211	13,504,020
Financial investments available-for-sale	417,582	1,105,323	342,322	369,312	2,856,159	4,263,690	497,256	9,851,644
Financial investments held-to-maturity	3,174	8,267	23,293	29,399	1,635,407	2,139,002	-	3,838,542
Gross loans, advances and financing	6,334,746	9,001,882	9,298,302	10,784,106	46,782,697	79,443,323	-	161,645,056
Receivables: Investments not quoted in active markets	16,767	82,892	17,629	116,625	1,188,459	846,439	-	2,268,811
Amount due from originators	161	327	334	1,227	18,349	-	-	20,398
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	1,468,094	124,141	22,090	189,771	235,698	20,695	16,265	2,076,754
Reinsurance assets and other insurance receivables	64,455	82,852	91,811	102,586	189,449	18,114	-	549,267
Property and equipment	-	-	-	-	-	-	191,412	191,412
Intangible assets	-	-	-	-	-	-	3,426,051	3,426,051
Assets held-for-sale	-	-	-	3,963	-	-	-	3,963
Total undiscounted assets	15,805,404	15,319,141	11,101,106	13,181,290	55,938,987	91,443,796	5,505,813	208,295,537
Liabilities								
Deposits from customers	41,426,960	15,165,514	15,450,343	22,585,161	3,448,418	32	-	98,076,428
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	100,220	339,528	180,624	560,098	444,831	44,366	-	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	-	-	-	-	-	-	98,538	98,538
Other liabilities	1,778,123	496,903	50,119	107,862	68,635	10,999	62,222	2,574,863
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	46,409,642	18,581,965	16,641,992	28,435,365	12,848,804	361,031	160,760	123,439,559
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	16,545,399	-	27,907,184
Total commitments and guarantees	7,156,557	2,113,774	2,087,992	3,164,184	5,094,252	17,086,735	-	36,703,494

50. RISK MANAGEMENT (CONT'D.)

50.3 Liquidity Risk Management (Cont'd.)

50.3.1a Analysis of Assets and Liabilities By Remaining Contractual Maturities (Cont'd.)

Group 31 March 2017 (Restated)	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Assets								
Cash and short-term funds	8,343,554	-	-	-	-	-	-	8,343,554
Securities purchased under resale agreements	10,390	-	-	-	-	-	-	10,390
Deposits and placements with banks and other financial institutions	-	1,136,630	1,810	-	-	-	-	1,138,440
Investment accounts	5,772	9,550	15,081	29,653	-	-	-	60,056
Derivative financial assets	194,235	198,068	118,599	162,980	506,039	41,752	-	1,221,673
Financial assets held-for-trading	684,803	1,092,669	1,873,635	800,090	3,728,062	1,793,477	289,075	10,261,811
Financial investments available-for-sale	372,759	1,097,485	123,394	245,729	3,180,815	5,417,124	1,117,587	11,554,893
Financial investments held-to-maturity	-	4,864	75,926	548,855	974,217	3,592,176	-	5,196,038
Gross loans, advances and financing	5,706,268	8,147,131	10,331,918	10,528,761	44,084,087	53,945,639	-	132,743,804
Receivables: Investments not quoted in active markets	16,564	9,005	18,258	47,801	1,458,069	860,596	-	2,410,293
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	2,575,444	-	2,575,444
Deferred tax assets	-	-	-	-	-	-	7,552	7,552
Investment in associates and joint ventures	-	-	-	-	-	-	700,162	700,162
Other assets	1,444,361	164,177	73,285	488,575	396,708	6,848	48,849	2,622,803
Reinsurance assets and other insurance receivables	56,902	68,264	74,184	76,443	126,996	10,966	-	413,755
Property and equipment	-	-	-	-	-	-	184,175	184,175
Intangible assets	-	-	-	-	-	-	2,528,721	2,528,721
Assets held-for-sale	-	-	-	27,593	-	-	-	27,593
Total undiscounted assets	16,835,608	11,927,843	12,706,090	12,956,480	54,454,993	68,244,022	4,876,121	182,001,157
Liabilities								
Deposits from customers	44,201,184	16,797,807	12,008,625	19,570,721	3,301,326	-	-	95,879,663
Deposits and placements of banks and other financial institutions	808,871	637,028	29,460	82,475	30,717	-	-	1,588,551
Securities sold under repurchase agreements	8,721	-	-	-	-	-	-	8,721
Recourse obligation on loans sold to Cagamas Berhad	56,639	15,045	34,883	1,284,629	2,111,870	-	-	3,503,066
Derivative financial liabilities	75,412	125,490	118,487	171,751	405,986	127,293	-	1,024,419
Term funding	286,888	414,533	1,474,150	899,496	4,848,805	1,539	-	7,925,411
Debt capital	34,453	20,216	70,580	965,149	3,695,568	-	-	4,785,966
Redeemable cumulative convertible preference share	-	-	-	-	-	210,965	-	210,965
Deferred tax liabilities	-	-	-	-	-	-	124,310	124,310
Other liabilities	1,907,102	271,997	64,332	62,180	107,818	12,429	45,637	2,471,495
Insurance contract liabilities and other insurance payables	260,295	432,797	508,039	577,733	897,541	81,505	-	2,757,910
Total undiscounted liabilities	47,639,565	18,714,913	14,308,556	23,614,134	15,399,631	433,731	169,947	120,280,477
Contingent liabilities	586,836	504,834	1,131,691	2,162,473	4,092,662	442,678	-	8,921,174
Commitments	4,868,211	1,682,810	788,306	1,164,392	1,202,762	15,372,010	-	25,078,491
Total commitments and guarantees	5,455,047	2,187,644	1,919,997	3,326,865	5,295,424	15,814,688	-	33,999,665

50. RISK MANAGEMENT (CONT'D.)

50.3 Liquidity Risk Management (Cont'd.)

50.3.1a Analysis of Assets and Liabilities By Remaining Contractual Maturities (Cont'd.)

Company 31 March 2018	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
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	1,757,083	-	2,128,745
Investment in subsidiaries and other investments	-	-	-	-	-	-	9,487,139	9,487,139
Other assets	9	140	4,418	2,685	60	-	-	7,312
Property and equipment	-	-	-	-	-	-	940	940
Total undiscounted assets	79,089	415	41,309	39,851	297,390	1,757,083	9,489,087	11,704,224
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

Company 31 March 2017 (Restated)	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Assets								
Cash and short-term funds	2,051	-	-	-	-	-	-	2,051
Deposits and placements with banks and other financial institutions	-	24,006	-	-	-	-	-	24,006
Financial investments available-for-sale	-	-	-	-	-	-	130,984	130,984
Financial investments held-to-maturity	-	275	19,240	19,515	906,120	194,600	-	1,139,750
Investment in subsidiaries and other investments	-	-	-	-	-	-	9,506,300	9,506,300
Other assets	71,130	174	2,113	2,446	30	-	-	75,893
Property and equipment	-	-	-	-	-	-	900	900
Total undiscounted assets	73,181	24,455	21,353	21,961	906,150	194,600	9,638,184	10,879,884
Liabilities								
Term funding	-	181,019	522,000	11,250	533,750	-	-	1,248,019
Debt capital	-	275	19,240	19,515	905,611	194,600	-	1,139,241
Other liabilities	6,590	2,058	20,943	9,546	-	-	-	39,137
Total undiscounted liabilities	6,590	183,352	562,183	40,311	1,439,361	194,600	-	2,426,397

50. RISK MANAGEMENT (CONT'D.)

50.4 Market Risk Management

Market risk is the risk of losses due to adverse changes in the level or volatility of market rates or prices, such as interest/profit rates, credit spreads, equity prices and foreign exchange rates. The Group differentiates between two 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.

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. Business Units are required to provide an action plan to address any non-adherence to limits. The action plan must be approved by Senior Management.

50. RISK MANAGEMENT (CONT'D.)

50.4 Market Risk Management (Cont'd.)

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.

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 • VaR • Earnings-at-Risk ("EaR")
Control/Mitigation	• PV01 Limits • VaR 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.

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

The Group complements VaR by stress testing IRR/RORBB exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Key assumptions in the gap and sensitivity analysis relate to the behaviour of interest/profit rates and spreads, changes in loan/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.

50. RISK MANAGEMENT (CONT'D.)

50.4 Market Risk Management (Cont'd.)

Non-Traded Market Risk (Cont'd.)

Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB") (Cont'd.)

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 banking book policy statements, 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.

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

	31 March 2018 IRR/ROR		31 March 2017 IRR/ROR	
	+100 bps RM'000	-100 bps RM'000	+100 bps RM'000	-100 bps RM'000
<u>Traded market risk</u>				
Group				
Impact on profit before taxation	(134,125)	145,493	(124,902)	136,242
Impact on equity	-	-	-	-
Company				
Impact on profit before taxation	-	-	-	-
Impact on equity	-	-	-	-
<u>Non-traded market risk</u>				
Group				
Impact on profit before taxation	602,340	(602,380)	542,012	(542,012)
Impact on equity	(238,678)	259,914	(263,122)	286,776
Company				
Impact on profit before taxation	-	-	(1,467)	1,467
Impact on equity	-	-	-	-

50. RISK MANAGEMENT (CONT'D.)

50.4 Market Risk Management (Cont'd.)

Market Risk Sensitivity (Cont'd.)

(ii) Foreign Exchange Risk

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

The following table demonstrates the sensitivity of the Group's 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 2018 Currency rate		31 March 2017 Currency rate	
	+10% RM'000	-10% RM'000	+10% RM'000	-10% RM'000
Group				
Impact on profit before taxation				
USD	(53,429)	53,429	(19,300)	19,300
SGD	13,934	(13,934)	14,839	(14,839)
EUR	219	(219)	2,462	(2,462)
JPY	(1,333)	1,333	(1,907)	1,907
GBP	(774)	774	1,654	(1,654)
Others	1,281	(1,281)	2,401	(2,401)
Group				
Impact on equity				
USD	52,125	(52,125)	60,063	(60,063)
EUR	19	(19)	18	(18)

(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 2018 Equity price		31 March 2017 Equity price	
	+10% RM'000	-10% RM'000	+10% RM'000	-10% RM'000
Group				
Impact on profit before taxation	10,438	(10,438)	28,540	(28,540)
Impact on equity	11,023	(11,023)	14,925	(14,925)

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50. RISK MANAGEMENT (CONT'D.)

50.5 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 • 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 50.9 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.

50. RISK MANAGEMENT (CONT'D.)

50.5 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.
- The RCSA, KRIs and KCTs are then validated by the Operational Risk Assurance team, which is an independent unit within Group Operational Risk.
- Scenario analysis is a forward looking assessment tool to assess the severity impact on the Bank's profitability and capital adequacy should the plausible and worse case scenarios materialise.

The IT Risk Governance team within Group Operational Risk facilitates in identifying technology (including cyber) risks internally and externally, and in developing effective controls to mitigate these risks.

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.

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

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

The Group is continuously reviewing the level of business operations resiliency to enhance the BCM capability throughout all critical departments and branches across the region. Training is an on-going agenda to heighten the BCM awareness and inculcate a business resilience culture.

50. RISK MANAGEMENT (CONT'D.)

50.6 Cyber Risks Management

Cyber threat is an emerging risk as the migration to the electronic platform intensifies, in part driven by the green agenda. 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 FY18, the Group has acknowledged the importance of cyber security and resiliency and therefore, has broadened its operational risk management capabilities to encompass cyber risk management.

50.7 Legal Risk

In all the jurisdictions that the Group conducts its business, it is subject to legal risks arising from potential breaches of applicable laws, unenforceability of contracts, lawsuits, or adverse judgement, 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"), upon advice by internal legal counsel and, where necessary, in consultation with external legal counsel to ensure that such risk is appropriately managed.

50.8 Regulatory Compliance Risk

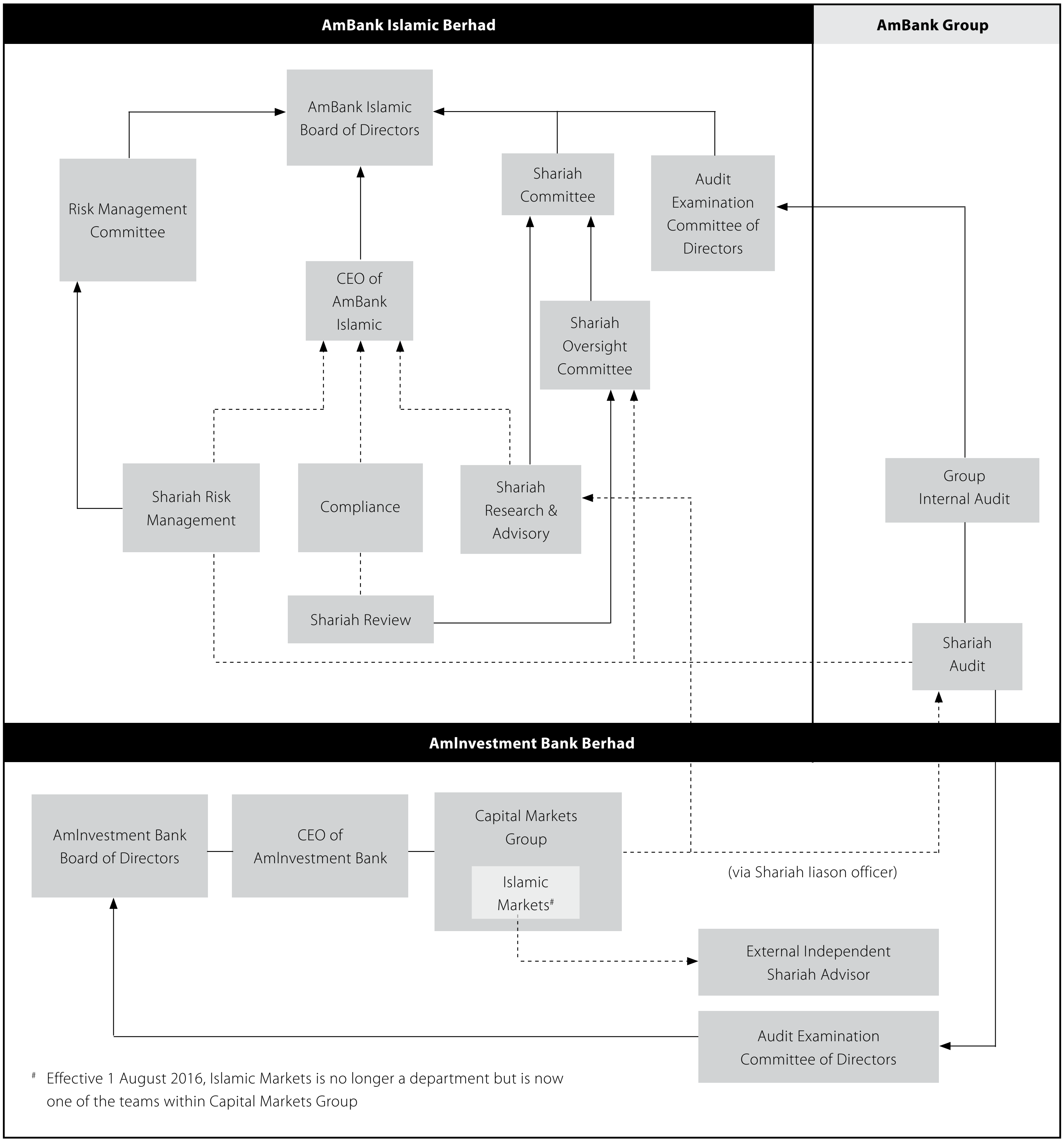
The Group has in place a compliance framework to promote the safety and soundness of the Group by minimising financial, reputational and operational risks arising from regulatory non-compliance.

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 (Board) and Senior Management lead by example.

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

50. RISK MANAGEMENT (CONT'D.)

50.9 Shariah Risk Management Control Shariah Governance Structure



50. RISK MANAGEMENT (CONT'D.)

50.9 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 Berhad ("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 (with some minor refinements/enhancements during the current financial year) whereby, through its Islamic Window i.e. Islamic Markets ("IM"), its leverages on AmBank Islamic Shariah Governance Structure, including the SC of AmBank Islamic Berhad ("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 AMMB 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.

Shariah Research & 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.

50. RISK MANAGEMENT (CONT'D.)

50.9 Shariah Risk Management Control (Cont'd.)

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 Shariah Risk Management 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 (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.

Shariah Liaison Officer, IM

As per the leveraging model, the 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 2018, there was one (1) Shariah non-compliant (SNC) incident with SNC income of approximately RM3,699. Purification of the SNC income is made in accordance with the method as approved by the Shariah Oversight Committee. The incident is attributed due to the lack of awareness of the staff in handling extension case for Islamic financing. Pursuant to the incident, the Group has implemented certain measures to mitigate recurrence of similar incident in the future, including heightened staff awareness and review of process. There was no SNC incident and SNC income for the financial year ended 31 March 2017.

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51. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

In addition, fair value information for non-financial assets and liabilities such as 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 2018	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	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

	Group		Company	
31 March 2017	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial Assets				
Financial investments held-to-maturity	3,460,368	3,386,520	750,000	756,810
Loans, advances and financing[1]	19,214,361	19,721,820	-	-
Receivables: Investments not quoted in active markets	1,986,877	2,023,104	-	-
	24,661,606	25,131,444	750,000	756,810
Financial Liabilities				
Recourse obligation on loans and financing sold to Cagamas Berhad	3,280,818	3,334,513	-	-
Term funding	7,176,024	7,209,634	1,176,000	1,173,495
Debt capital	4,174,086	4,499,272	749,491	756,818
	14,630,928	15,043,419	1,925,491	1,930,313

[1] excluding loans, advances and financing of RM77,658.5 million (2017: RM70,650.7 million) where the carrying amounts are reasonable approximation of their fair values.

[2] excluding investments of RM74.9 million (2017: RM Nil) with maturity of less than six months with carrying amounts which are reasonable approximation to their fair values.

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

(b) Financial instruments measured at fair value and for which fair values are disclosed

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
- Equities	609,211	-	-	609,211
- 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
- Equities	238,678	114,855	46,677	400,210
- 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
	885,854	43,603,878	138,981	44,628,713
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

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51. 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 2017	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets measured at fair value				
Derivative financial assets	91	1,166,331	-	1,166,422
Financial assets held-for-trading				
- Money market securities	-	5,089,549	-	5,089,549
- Equities	289,075	-	-	289,075
- Quoted corporate bonds and sukuk	38,207	-	-	38,207
- Unquoted corporate bonds and sukuk	-	4,116,257	-	4,116,257
Financial investments available-for-sale				
- Money market securities	-	2,742,850	-	2,742,850
- Equities	1,110,121	1,430	-	1,111,551
- Unquoted corporate bonds and sukuk	-	5,114,779	-	5,114,779
Financial assets for which fair values are disclosed				
Financial investments held-to-maturity	-	3,385,424	1,096	3,386,520
Loans, advances and financing	-	19,721,820	-	19,721,820
Receivables: Investments not quoted in active markets	-	1,937,069	86,035	2,023,104
	1,437,494	43,275,509	87,131	44,800,134
Financial liabilities measured at fair value				
Derivative financial liabilities	3,491	955,195	-	958,686
Financial liabilities for which fair values are disclosed				
Recourse obligation on loans and financing sold to Cagamas Berhad	-	3,334,513	-	3,334,513
Term funding	-	7,209,634	-	7,209,634
Debt capital	-	4,499,272	-	4,499,272
	3,491	15,998,614	-	16,002,105

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

(b) Financial instruments measured at fair value and for which fair values are disclosed (Cont'd.)

Company 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				
- Equities	1,008	-	-	1,008
Financial liabilities for which fair values are disclosed				
Term funding	-	499,700	-	499,700

Company 31 March 2017	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				
- Equities	130,984	-	-	130,984
Financial liabilities for which fair values are disclosed				
Term funding	-	1,173,495	-	1,173,495

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), demand deposits and savings accounts without a specific maturity, the carrying amounts approximate to their fair value. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was initially recognised.

(b) Fixed rate financial instruments

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

(c) Contingent liabilities and undrawn credit facilities

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

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

Determination of fair value (Cont'd.)

(d) Securities purchased under resale agreements and Securities sold under resale agreements

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

(e) Derivatives

Derivative products valued using a valuation technique with market observable inputs are mainly interest rate swaps and options, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Derivative products valued using a valuation technique with significant non-market observable inputs are long dated contracts (interest rate swaps, currency swaps, forwards foreign exchange contracts, option contracts and certain credit default swaps). These derivatives are valued using models that calculate the present value such as credit models (e.g., default rate models or credit spread models) and the binomial model for options. The models incorporate various non-observable assumptions that include the credit spread of the reference asset for credit default swaps, and market rate volatilities.

(f) Financial investments available-for-sale

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

(g) Other trading assets

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

(h) Recourse obligation on loans and financing sold to Cagamas Berhad

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

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

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.

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

Determination of fair value (Cont'd.)

Non market observable inputs means that fair values are determined, in whole or in part, using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data. The main asset classes in this category are unlisted equity investments and debt instruments. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement nt objective remains the same, that is, an exit price from the perspective of the Group or 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 0.2% (2017: Nil) 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.

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.

	Financial investments available-for-sale	Financial investments available-for-sale
	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Balance at beginning of the financial year	-	-
Addition during the financial year	46,677	-
Balance at end of the financial year	46,677	-

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

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

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

52. 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) Wholesale Banking

Wholesale Banking comprises Corporate and Commercial Banking, Global Markets, Investment Banking and Fund Management.

(i) Corporate and Commercial Banking offers a full range of products and services of corporate lending, trade finance, offshore banking, and cash management solutions to wholesale banking clients.
(ii) Global Markets includes proprietary trading as well as providing full range of products and services relating to treasury activities, including foreign exchange, derivatives, fixed income and structured warrants.
(iii) 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).
(iv) 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.

During the current financial year, a new division called Business Banking ("BB") was established to enhance the Group's focus on the small and medium sized enterprises ("SME") segment in line with the Group's strategy. BB comprises two focus areas, namely Enterprise Banking and Commercial Banking. In view of BB's contribution to the Group in terms of revenue, profit and total assets for the current financial year, it is not disclosed as a reportable segment but included in Wholesale Banking division for purposes of Business segment analysis.

(c) 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.

(d) Group Funding and others

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

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.
(iii) The comparatives have been restated to conform with current business realignment and restatement as per Note 56.

52. BUSINESS SEGMENT ANALYSIS (CONT'D.)

Group		Wholesale Banking						
	Retail Banking RM'000	Corporate and Commercial Banking RM'000	Global Markets RM'000	Investment Banking RM'000	Fund Management RM'000	Insurance RM'000	Group Funding and Others RM'000	Total RM'000
For the financial year ended 31 March 2018								
External revenue	3,061,581	2,398,527	752,728	240,853	113,310	1,580,472	429,268	8,576,739
Revenue from other segments	(325,882)	(1,163,180)	1,001,148	(17,127)	-	-	505,041	-
Total operating revenue	2,735,699	1,235,347	1,753,876	223,726	113,310	1,580,472	934,309	8,576,739
Net interest income	1,154,299	836,161	69,846	43,120	1,057	136,730	243,287	2,484,500
Other income	296,999	238,883	190,107	165,182	111,890	492,308	5,679	1,501,048
Share in results of associates and joint ventures	2,033	-	-	-	-	(11,371)	3,029	(6,309)
Net income	1,453,331	1,075,044	259,953	208,302	112,947	617,667	251,995	3,979,239
Other operating expenses of which:	(1,002,886)	(311,754)	(80,991)	(125,989)	(71,282)	(346,899)	(481,004)	(2,420,805)
Depreciation of property and equipment	(28,016)	(1,262)	(514)	(1,202)	(390)	(12,910)	(21,899)	(66,193)
Amortisation of intangible assets	(19,228)	(1,879)	(3,934)	(794)	(1,308)	(18,692)	(67,533)	(113,368)
Profit/(Loss) before impairment losses	450,445	763,290	178,962	82,313	41,665	270,768	(229,009)	1,558,434
Impairment losses on loans, advances and financing-writeback/(charge)	(36,797)	(57,433)	-	1,804	-	-	93,508	1,082
Net impairment on other assets -(loss)/writeback	(8,671)	(641)	-	470	(24)	(881)	832	(8,915)
Provision for commitments and contingencies-writeback/(charge)	(5,278)	5,071	-	(2,587)	-	-	(7,590)	(10,384)
Other recoveries	11	-	56	-	-	519	1,910	2,496
Profit/(Loss) before taxation and zakat	399,710	710,287	179,018	82,000	41,641	270,406	(140,349)	1,542,713
Taxation and zakat	(95,410)	(165,190)	(41,524)	(15,793)	(8,804)	(35,661)	73,493	(288,889)
Profit for the financial year	304,300	545,097	137,494	66,207	32,837	234,745	(66,856)	1,253,824
Other information								
Total segment assets	55,187,516	40,947,391	17,731,005	2,705,626	102,409	5,909,096	15,298,200	137,881,243
Total segment liabilities	50,018,839	9,883,166	42,081,567	1,417,264	18,452	3,588,777	13,213,168	120,221,233
Cost to income ratio	69.0%	29.0%	31.2%	60.5%	63.1%	56.2%	190.9%	60.8%
Gross loans, advances and financing	54,559,432	40,277,522	-	1,569,710	-	1,657	(87,091)	96,321,230
Net loans, advances and financing	54,094,796	39,950,462	-	1,561,628	-	1,587	(230,573)	95,377,900
Impaired loans, advances and financing	680,517	955,821	-	2,067	-	-	-	1,638,405
Total deposits	49,341,044	9,493,476	37,874,124	799,536	-	-	1,729,585	99,237,765
Additions to:								
Property and equipment	11,280	2,960	-	1,061	251	3,129	7,444	26,125
Intangible assets	22,308	7,444	174	472	156	16,843	53,351	100,748

52. BUSINESS SEGMENT ANALYSIS (CONT'D.)

Group	Retail Banking RM'000	Wholesale Banking: Corporate and Commercial Banking RM'000	Wholesale Banking: Global Markets RM'000	Wholesale Banking: Investment Banking RM'000	Wholesale Banking: Fund Management RM'000	Insurance RM'000	Group Funding and Others RM'000	Total RM'000
For the financial year ended 31 March 2017 (Restated)								
External revenue	2,851,293	2,358,320	574,348	256,678	126,184	1,644,056	474,872	8,285,751
Revenue from other segments	(375,212)	(1,133,658)	1,129,797	(10,802)	-	-	389,875	-
Total operating revenue	2,476,081	1,224,662	1,704,145	245,876	126,184	1,644,056	864,747	8,285,751
Net interest income	1,137,666	759,467	70,360	38,977	1,978	137,716	146,046	2,292,210
Other income	220,111	304,786	156,897	189,175	123,989	391,856	48,215	1,435,029
Gain on disposal of subsidiaries	-	-	-	-	-	-	1,662	1,662
Share in results of associates and joint ventures	3,610	-	-	-	-	27,108	5,945	36,663
Net income	1,361,387	1,064,253	227,257	228,152	125,967	556,680	201,868	3,765,564
Other operating expenses of which:	(925,437)	(254,550)	(82,938)	(128,470)	(72,837)	(338,552)	(357,695)	(2,160,479)
Depreciation of property and equipment	(22,911)	(1,363)	(782)	(1,347)	(367)	(13,262)	(17,618)	(57,650)
Amortisation of intangible assets	(20,715)	(2,191)	(5,832)	(830)	(1,303)	(9,464)	(62,362)	(102,697)
Profit/(Loss) before impairment losses	435,950	809,703	144,319	99,682	53,130	218,128	(155,827)	1,605,085
Impairment losses on loans, advances and financing-writeback/(charge)	20,058	(57,511)	-	8,791	-	167	202,005	173,510
Net impairment on other assets -(loss)/writeback	(900)	(553)	-	(831)	-	943	(815)	(2,156)
Provision for commitments and contingencies-writeback/(charge)	2,737	5,632	-	(2,157)	-	-	5,486	11,698
Other recoveries	4	12,068	-	-	-	-	981	13,053
Profit before taxation and zakat	457,849	769,339	144,319	105,485	53,130	219,238	51,830	1,801,190
Taxation and zakat	(108,639)	(177,177)	(32,473)	(25,052)	(10,426)	(22,591)	(16,056)	(392,414)
Profit for the financial year	349,210	592,162	111,846	80,433	42,704	196,647	35,774	1,408,776
Other information								
Total segment assets	49,377,042	41,676,113	13,461,622	2,385,167	115,284	5,714,999	22,037,388	134,767,615
Total segment liabilities	40,393,566	10,015,994	47,932,610	1,383,695	22,545	3,497,432	14,368,889	117,614,731
Cost to income ratio	68.0%	23.9%	36.5%	56.3%	57.8%	60.8%	177.2%	57.4%
Gross loans, advances and financing	48,782,534	40,773,497	-	1,485,662	-	2,128	(57,889)	90,985,932
Net loans, advances and financing	48,285,366	40,395,367	-	1,477,122	-	2,058	(294,828)	89,865,085
Impaired loans, advances and financing	649,148	1,038,015	-	2,163	-	-	-	1,689,326
Total deposits	39,780,751	9,392,270	45,872,072	788,843	-	-	(369,457)	95,464,479
Additions to:								
Property and equipment	38,816	660	-	1,989	471	6,689	22,918	71,543
Intangible assets	35,652	9,230	-	905	299	22,058	71,402	139,546

53. INSURANCE BUSINESS

(I) CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	General insurance fund		Shareholders' fund and others		Total*	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
ASSETS						
Cash and short-term funds	183,065	163,661	306,791	374,089	489,856	537,749
Deposits and placements with banks and other financial institutions	15,602	13,435	-	488,553	15,602	501,987
Financial assets held-for-trading	2,574,661	2,412,260	3,158,659	2,988,171	3,317,190	2,988,171
Financial investments available-for-sale	-	-	1,425,929	1,391,318	352,809	50,867
Loans and advances	1,587	2,058	-	-	1,587	2,058
Deferred tax assets	22,465	14,025	738	74	23,203	14,099
Investment in a subsidiary	-	-	2,108,733	2,108,733	-	-
Other assets	518,087	538,977	101,527	52,470	228,526	199,772
Reinsurance assets and other insurance receivables	536,859	403,113	-	-	536,859	403,113
Property and equipment	39,666	49,466	978	978	40,644	50,444
Intangible assets	61,556	61,423	70,900	74,933	911,383	915,283
Assets held for sale	1,599	22,256	2,364	3,246	3,963	25,502
TOTAL ASSETS	3,955,147	3,680,674	7,176,619	7,482,565	5,921,622	5,689,045
LIABILITIES AND EQUITY						
Redeemable cumulative convertible preference share	-	-	443,777	430,540	443,777	430,540
Deferred tax liabilities	-	-	74,675	79,029	75,115	80,011
Other liabilities	250,961	274,740	446,500	436,975	306,373	320,037
Insurance contract liabilities and other insurance payables	2,763,512	2,666,844	-	-	2,763,512	2,666,844
TOTAL LIABILITIES	3,014,473	2,941,584	964,952	946,544	3,588,777	3,497,432
Share capital**	-	-	5,953,072	6,318,429	1,399,148	1,399,148
Reserves	940,674	739,090	258,595	217,592	933,697	692,465
Equity attributable to equity holders of the Company	940,674	739,090	6,211,667	6,536,021	2,332,845	2,091,613
Non-controlling interests	-	-	-	-	-	100,000
TOTAL EQUITY	940,674	739,090	6,211,667	6,536,021	2,332,845	2,191,613
TOTAL LIABILITIES AND EQUITY	3,955,147	3,680,674	7,176,619	7,482,565	5,921,622	5,689,045

* *after elimination on consolidation*

** Comprising:

Ordinary share capital	1,230,000	1,230,000
Preference share capital	169,148	169,148
	1,399,148	1,399,148

Note: Shareholders' funds and others comprise the results of AmGeneral Holdings Berhad and collective investment schemes of its insurance subsidiary.

53. INSURANCE BUSINESS (CONT'D.)

(II) CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	General insurance fund		Shareholders' fund and others		Total*	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Interest income	1,712	4,557	154,255	153,855	155,967	156,378
Interest expense	-	-	(19,237)	(18,662)	(19,237)	(18,662)
Net interest income	1,712	4,557	135,018	135,193	136,730	137,716
Income from insurance business	1,390,417	1,437,643	-	-	1,390,417	1,437,643
Insurance claims and commissions**	(943,569)	(1,068,713)	-	-	(943,569)	(1,068,713)
Net income from insurance business	446,848	368,930	-	-	446,848	368,930
Other operating income	112,821	124,453	107,359	71,372	45,459	22,926
Net income	561,381	497,940	242,377	206,565	629,037	529,572
Other operating expenses	(334,964)	(327,217)	(11,935)	(11,416)	(346,899)	(338,552)
Operating profit	226,417	170,723	230,442	195,149	282,138	191,020
Allowances for impairment on loans and advances-writeback	-	167	-	-	-	167
Net impairment writeback/(charge) on:						
Financial investments	-	-	(1,483)	-	(1,483)	-
Insurance receivables	602	1,081	-	-	602	1,081
Other recoveries, net	519	(139)	-	-	519	(138)
Profit before taxation	227,538	171,832	228,959	195,149	281,776	192,130
Taxation	(25,539)	(22,218)	(10,122)	(373)	(35,661)	(22,591)
Profit for the financial year	**201,999**	**149,614**	**218,837**	**194,776**	**246,115**	**169,539**
Attributable to:						
Equity holders of the Company***					245,500	169,245
Non-controlling interests					615	294
Profit for the financial year					246,115	169,539

* *after elimination on consolidation*
** *Includes commission paid/payable to related companies of the Group of RM18,205,000 (2017:RM14,716,000)*
*** *The Company refers to AmGeneral Holdings Berhad*

53. INSURANCE BUSINESS (CONT'D.)

(III) NET INCOME FROM INSURANCE BUSINESS

	Note	Group	
		31 March 2018 RM'000	31 March 2017 RM'000
Income from general insurance		1,390,417	1,437,643
	(a)	1,390,417	1,437,643
Insurance claims and commission			
Insurance commission		130,129	149,447
Insurance claims	(b)	795,235	904,550
		925,364	1,053,997
		465,053	383,646
(a) Income from general insurance business			
Gross Premium			
- insurance contract		1,473,891	1,579,583
- change in unearned premium provision		47,422	(8,091)
		1,521,313	1,571,492
Premium ceded			
- insurance contract		(128,633)	(140,258)
- change in unearned premium provision		(2,263)	6,409
		(130,896)	(133,849)
		1,390,417	1,437,643
(b) Insurance claims			
- gross benefits and claims paid		887,862	1,065,909
- claims ceded to reinsurers		(1,245)	(188,604)
- change in contract liabilities-insurance contract		47,469	(69,564)
- change in contract liabilities ceded to reinsurers-insurance contract		(138,851)	96,809
		795,235	904,550

(IV) INSURANCE RECEIVABLES

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Amount owing by reinsurance and cedants	16,914	20,268
Due premiums including agents/brokers and co-insurers balances	82,018	82,108
Accumulated impairment losses	(32,194)	(32,796)
	66,738	69,580
The movement in accumulated impairment losses is as follows:		
Balance at beginning of the financial year	32,796	33,877
Writeback for the financial year	(602)	(1,081)
Balance at end of the financial year	32,194	32,796

53. INSURANCE BUSINESS (CONT'D.)

(V) INSURANCE PAYABLES

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Amount due to agents and intermediaries	32,126	29,898
Amount due to reinsurers and cedants	148,912	54,519
	181,038	84,417

(VI) INSURANCE CONTRACT LIABILITIES-GENERAL INSURANCE

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		-	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

53. INSURANCE BUSINESS (CONT'D.)

(VI) INSURANCE CONTRACT LIABILITIES-GENERAL INSURANCE (Cont'd.)

31 March 2017 Group	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders		958,208	(161,109)	797,099
Provision for incurred but not reported claims ("IBNR")		759,281	(102,757)	656,524
Provision for risk margin for adverse deviations ("PRAD")		138,501	(22,861)	115,640
Provision for outstanding claims	(I)	1,855,990	(286,727)	1,569,263
Less: Accumulated Impairment loss on reinsurance assets		-	7,514	7,514
		1,855,990	(279,213)	1,576,777
Provision for unearned premiums	(II)	726,437	(54,320)	672,117
		2,582,427	(333,533)	2,248,894
(I) Provision for outstanding claims				
Balance at beginning of the financial year		1,925,551	(383,533)	1,542,018
Claims incurred in the current accident year		1,213,002	(119,660)	1,093,342
Movements in claims incurred in prior accident years		(203,463)	27,866	(175,597)
Claims incurred during the year (treaty inwards claims)		(13,194)	-	(13,194)
Claims paid during the financial year		(1,065,906)	188,600	(877,306)
Balance at end of the financial year		1,855,990	(286,727)	1,569,263
(II) Provision for unearned premiums				
Balance at beginning of the financial year		718,345	(47,912)	670,433
Premiums written in the financial year		1,579,584	(140,257)	1,439,327
Premiums earned during the financial year		(1,571,492)	133,849	(1,437,643)
Balance at end of the financial year		726,437	(54,320)	672,117

53. INSURANCE BUSINESS (CONT'D.)

(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.

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 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	1,029,375	1,035,887	1,078,539	1,080,837	1,044,184	1,029,824	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	(889,672)	(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	(923,747)	(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

53. 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	1,089,589	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	791,977	860,833	982,954	907,365	924,949					
Three years later	848,750	779,481	885,185	935,316	844,427						
Four years later	836,041	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)	(329,836)	(362,384)	(333,247)	(344,191)	(392,176)	(385,936)			
One year later	(633,815)	(582,021)	(627,664)	(654,304)	(593,745)	(592,213)	(672,310)				
Two years later	(734,325)	(687,473)	(730,446)	(760,861)	(694,478)	(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	(804,583)	(751,464)	(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
AS AT 31 MARCH 2018

53. INSURANCE BUSINESS (CONT'D.)

(VII) GENERAL INSURANCE BUSINESS (CONT'D.)

Claims development table (Cont'd.)

Gross general insurance contract liabilities for 2017:

Accident year	Before 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Sub total RM'000	Inward treaty and MMIP RM'000	Total RM'000
At the end of accident year	1,086,817	1,157,126	1,200,371	1,205,506	1,242,423	1,194,736	1,070,130	1,227,524			
One year later	963,725	1,029,375	1,035,887	1,078,538	1,080,838	1,044,184	1,029,824				
Two years later	965,918	1,028,550	1,018,768	1,061,512	1,087,252	998,910					
Three years later	984,497	992,759	1,006,413	1,106,863	1,049,006						
Four years later	951,916	968,327	1,011,446	1,052,914							
Five years later	937,177	961,038	977,616								
Six years later	923,696	939,557									
Seven years later	962,239										
Current estimate of accumulative claims incurred	962,239	939,557	977,616	1,052,914	1,049,006	998,910	1,029,824	1,227,524			
At the end of accident year	(363,389)	(356,496)	(394,477)	(391,391)	(382,588)	(350,724)	(362,327)	(418,997)			
One year later	(667,025)	(715,651)	(722,240)	(746,862)	(695,027)	(637,079)	(631,990)				
Two years later	(813,863)	(833,504)	(860,786)	(886,525)	(815,309)	(755,021)					
Three years later	(865,812)	(889,672)	(911,882)	(941,110)	(874,843)						
Four years later	(891,579)	(906,103)	(935,406)	(971,793)							
Five years later	(900,401)	(917,361)	(944,361)								
Six years later	(904,305)	(923,747)									
Seven years later	(907,463)										
Cumulative payments to-date	(907,463)	(923,747)	(944,361)	(971,793)	(874,843)	(755,021)	(631,990)	(418,997)			
Gross general insurance claims liabilities (direct and facultative)	54,776	15,810	33,255	81,121	174,163	243,889	397,834	808,527	1,809,375	46,615	1,855,990

53. INSURANCE BUSINESS (CONT'D.)

(VII) GENERAL INSURANCE BUSINESS (CONT'D.)

Claims development table (Cont'd.)

Net general insurance claims liabilities for 2017:

Accident year	Before 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Sub total RM'000	Inward treaty and MMIP RM'000	Total RM'000
At the end of accident year	931,414	884,131	792,136	926,165	1,028,962	1,089,590	997,614	1,093,342			
One year later	925,617	877,184	793,919	896,635	959,376	951,089	959,398				
Two years later	905,527	863,446	791,978	860,834	982,953	907,365					
Three years later	891,173	848,751	779,482	885,185	935,316						
Four years later	878,021	836,040	794,484	849,500							
Five years later	865,970	839,817	773,169								
Six years later	851,612	821,608									
Seven years later	869,380										
Current estimate of accumulative claims incurred	869,380	821,608	773,169	849,500	935,316	907,365	959,398	1,093,342			
At the end of accident year	(344,917)	(328,287)	(323,199)	(329,835)	(362,384)	(333,248)	(344,191)	(392,176)			
One year later	(621,523)	(633,815)	(582,022)	(627,664)	(654,303)	(593,745)	(592,213)				
Two years later	(754,227)	(734,325)	(687,473)	(730,446)	(760,861)	(694,479)					
Three years later	(802,072)	(779,901)	(725,991)	(773,550)	(809,793)						
Four years later	(824,936)	(796,842)	(742,500)	(797,507)							
Five years later	(833,625)	(804,582)	(751,463)								
Six years later	(835,931)	(809,909)									
Seven years later	(838,890)										
Cumulative payments to-date	(838,890)	(809,909)	(751,463)	(797,507)	(809,793)	(694,479)	(592,213)	(392,176)			
Net general insurance claims liabilities (direct and facultative)	30,490	11,699	21,706	51,993	125,523	212,886	367,185	701,166	1,522,648	46,615	1,569,263

53. 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:

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.

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.

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.

54. 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 31 March 2018	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 Financial instruments RM'000	Amount not offset in the statement of financial position Cash collateral received/ pledged RM'000	Net amount RM'000
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
31 March 2017						
Derivative financial assets	1,166,422	-	1,166,422	(442,504)	(196,769)	527,149
Other assets	2,839,273	(36,502)	2,802,771	(57,778)	(11,495)	2,733,498
	4,005,695	(36,502)	3,969,193	(500,282)	(208,264)	3,260,647
Derivative financial liabilities	958,686	-	958,686	(442,504)	(487,751)	28,431
Other liabilities	3,264,717	(36,502)	3,228,215	-	-	3,228,215
	4,223,403	(36,502)	4,186,901	(442,504)	(487,751)	3,256,646

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2018

55. ASSETS HELD FOR SALE

	Note	31 March 2018 RM'000	31 March 2017 RM'000
Assets held for sale			
Proposed disposal of property and equipment	(a)	3,963	25,502
Proposed disposal of properties obtained from garnishee proceedings	(b)	-	2,091
		3,963	27,593

(a) Proposed disposal of property and equipment and investment property

	Note	31 March 2018 RM'000	31 March 2017 RM'000
Balance at beginning of the financial year		25,502	19,360
Additions transferred from Property and Equipment	20	-	29,625
Incidental costs incurred		-	1,206
Disposal completed during the financial year		(21,539)	(24,689)
Balance at end of the financial year		3,963	25,502

The disposal during the current financial year had resulted in gain of approximately RM0.5 million (2017: RM14.6 million) as disclosed in Note 34.

(b) Proposed disposal of properties obtained from garnishee proceedings

	Note	31 March 2018 RM'000	31 March 2017 RM'000
Balance at beginning of the financial year		2,091	-
Additions during the financial year		-	4,528
Incidental costs incurred		612	164
Disposal completed during the financial year		(2,703)	(2,601)
Balance at end of the financial year		-	2,091

This relates to disposal of properties obtained from garnishee proceedings initiated by AmBank pending completion of sale. The disposal during the current financial year had resulted in gain of approximately RM0.3 million (2017: RM0.3 million) as disclosed in Note 34.

56. RESTATEMENT OF COMPARATIVES AT GROUP LEVEL

Certain comparative figures were restated arising from clarification provided in the BNM circular on Classification and Regulatory Treatment for structured products under the Financial Services Act 2013 and Islamic Financial Services Act 2013 as per Note 4(b). These changes impacted the respective subsidiaries which require certain comparatives at the Group level to be restated.

(i) Reconciliation of statement of financial position

Group As at 1 April 2016	As previously reported RM'000	Reclassification RM'000	Other Reclassification RM'000	As restated RM'000
Deposits from customers	90,358,576	(101,182)	-	90,257,394
Deposits and placements of banks and other financial institutions	1,743,769	(530,000)	-	1,213,769
Term funding	8,607,614	631,182	-	9,238,796
As at 31 March 2017				
Deposits from customers	94,071,513	(136,455)	-	93,935,058
Deposits and placements of banks and other financial institutions	1,609,421	(80,000)	-	1,529,421
Term funding	7,176,024	216,455	-	7,392,479

(ii) Reconciliation of statement of profit or loss for the financial year ended 31 March 2017

Group				
Interest expense:				
Deposits from customers	1,851,604	(6,202)	-	1,845,402
Deposits and placements of banks and other financial institutions	39,559	(1,466)	-	38,093
Others	16,051	7,668	-	23,719

(iii) Reconciliation of statement of cash flows for the financial year ended 31 March 2017

Group				
Add/(Less) adjustments for:				
Amortisation of issuance costs and premium for term funding	8,074	-	947	9,021
Increase/(Decrease) in operating liabilities:				
Deposits from customers	3,712,937	(35,273)	-	3,677,664
Deposits and placements of banks and other financial institutions	(134,348)	450,000	-	315,652
Term funding	(1,829,607)	(414,727)	(947)	(2,245,281)

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2018

57. OPERATIONS OF ISLAMIC BANKING

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

			Group	
	Note	31 March 2018 RM'000	31 March 2017 (Restated) RM'000	1 April 2016 (Restated) RM'000
ASSETS				
Cash and short-term funds	II	1,588,497	2,588,245	4,385,587
Deposits and placements with banks and other financial institutions	III	200,000	635,000	500,000
Derivative financial assets		87,408	42,381	57,272
Financial assets held-for-trading	IV	1,584,632	681,465	174,550
Financial investments available-for-sale	V	2,838,566	2,435,724	3,177,516
Financial investments held-to-maturity	VI	1,090,010	1,278,221	1,263,639
Financing and advances	VII	27,775,489	27,239,756	27,391,553
Receivables: investments not quoted in active markets		790,833	814,720	468,141
Statutory deposit with Bank Negara Malaysia		821,000	810,000	842,000
Deferred tax assets	VIII	306	333	296
Other assets	IX	277,353	317,800	348,234
Property and equipment	X	432	332	368
Intangible assets	XI	1,207	448	14
TOTAL ASSETS		37,055,733	36,844,425	38,609,170
LIABILITIES AND ISLAMIC BANKING FUNDS				
Deposits from customers	XII	26,493,802	26,836,697	28,383,783
Investment accounts of customers	XIII	138,956	24,374	18,411
Deposits and placements of banks and other financial institutions	XIV	884,093	1,266,337	993,510
Investment account due to a licensed bank	XV	2,859,110	1,600,000	1,000,000
Recourse obligation on financing sold to Cagamas Berhad		520,405	617,713	1,127,824
Derivative financial liabilities		92,939	47,870	67,685
Term funding	25(a)(ii) & (c)(iv)	1,080,000	1,985,000	2,300,000
Subordinated Sukuk	26(b)(ii)	999,839	979,679	1,399,528
Deferred tax liabilities	VIII	5,065	89	5,883
Other liabilities	XVI	403,492	379,288	470,485
TOTAL LIABILITIES		33,477,701	33,737,047	35,767,109
Share capital/Capital funds		1,417,107	1,217,107	492,922
Reserves		2,160,925	1,890,271	2,349,139
TOTAL ISLAMIC BANKING FUNDS		3,578,032	3,107,378	2,842,061
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		37,055,733	36,844,425	38,609,170
COMMITMENTS AND CONTINGENCIES	XXVII	11,346,899	9,860,518	8,372,430

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

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 MARCH 2018

	Note	Group	
		31 March 2018 RM'000	31 March 2017 RM'000
Income derived from investment of depositors' funds and others	XVII	1,707,561	1,665,395
Income derived from investment of investment account funds	XVIII	103,215	68,007
Income derived from Islamic Banking Funds	XIX	146,765	102,896
Impairment on financing and advances (charge)/writeback	XX	(61,396)	24,343
Writeback of provision for commitments and contingencies		800	41
Writeback impairment for sundry debtors		-	11
Total distributable income		1,896,945	1,860,693
Income attributable to the depositors and others	XXI	(924,935)	(905,188)
Income attributable to investment account holders	XXII	(92,326)	(60,643)
Total net income		879,684	894,862
Operating expenses	XXIII	(424,315)	(418,736)
Finance cost		(110,451)	(135,954)
Profit before zakat and taxation		344,918	340,172
Zakat and taxation	XXIV	(73,889)	(71,295)
Profit for the financial year		271,029	268,877

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Profit for the financial year	271,029	268,877
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss		
Financial investments available-for-sale:		
- Net unrealised gain/(loss) in changes for fair value	3,864	(2,228)
- Net gain reclassified to profit or loss	(4,315)	(2,456)
- Income tax relating to the component of other comprehensive income	108	1,124
Other comprehensive loss for the financial year, net of tax	(343)	(3,560)
Total comprehensive income for the financial year	270,686	265,317

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

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

		Non-Distributable				Distributable	
Group	Share capital/ Capital funds RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Available-for-sale deficit RM'000	Retained earnings RM'000	Total Equity RM'000
At 1 April 2016	492,922	724,185	483,345	-	(1,589)	1,143,198	2,842,061
Profit for the financial year	-	-	-	-	-	268,877	268,877
Other comprehensive loss, net	-	-	-	-	(3,560)	-	(3,560)
Total comprehensive income/(loss) for the financial year	-	-	-	-	(3,560)	268,877	265,317
Transfer to share capital	724,185	(724,185)	-	-	-	-	-
Transfer to regulatory reserve	-	-	-	58,430	-	(58,430)	-
	724,185	(724,185)	-	58,430	-	(58,430)	-
At 31 March 2017	1,217,107	-	483,345	58,430	(5,149)	1,353,645	3,107,378
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

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

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	Group	
	31 March 2018 RM'000	31 March 2017 (Restated) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	344,918	340,172
Add/(Less) adjustments for:		
Accretion of discount less amortisation of premium for securities	(94,142)	(56,330)
Allowance for impairment on financing and advances	166,919	94,395
Depreciation of property and equipment	106	88
Amortisation of intangible assets	90	44
Amortisation of issuance costs for Subordinated Sukuk	160	152
Gain on disposal of financial assets held-for-trading	(3,317)	(2,584)
(Gain)/Loss on revaluation of financial assets held-for-trading	(1,890)	957
Gain on sale of financial investments available-for-sale	(4,315)	(2,456)
Loss/(Gain) on revaluation of derivatives	42	(4,923)
Impairment loss on sundry receivables	-	11
Unrealised (gain)/loss on revaluation of hedged item arising from fair value hedge	(260)	3,421
Writeback of provision for commitments and contingencies	(800)	(41)
Shares/options granted under Executives' Share Scheme	(72)	(169)
Operating profit before working capital changes	407,439	372,737
(Increase)/Decrease in operating assets		
Deposits and placements of banks and other financial institutions	-	500,000
Financial assets held-for-trading	(887,279)	(503,592)
Financing and advances	(702,652)	57,401
Statutory deposit with Bank Negara Malaysia	(11,000)	32,000
Other assets	40,488	19,689
Increase/(Decrease) in operating liabilities		
Deposits from customers	(342,895)	(1,547,085)
Investment accounts of customers	114,582	5,963
Deposits and placements of banks and other financial institutions	(382,244)	272,827
Investment account due to a licensed bank	1,259,110	600,000
Recourse obligation on financing sold to Cagamas Bhd	(97,308)	(510,111)
Term funding	(905,000)	(315,000)
Other liabilities	25,100	(109,141)
Cash used in operating activities	(1,481,659)	(1,124,312)
Zakat paid	(1,807)	(1,562)
Tax paid	(66,896)	(45,552)
Net cash used in operating activities	(1,550,362)	(1,171,426)

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

STATEMENTS OF CASH FLOWS (CONT'D.)
FOR THE YEAR ENDED 31 MARCH 2018

	Group	
	31 March 2018 RM'000	31 March 2017 (Restated) RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase)/Disposal of financial investments available-for-sale	(327,307)	779,615
Purchase of property and equipment	(206)	(53)
Purchase of intangible assets	(1,020)	(478)
Redemption/(purchase) of receivables: investments not quoted in active markets	24,147	(350,000)
Redemption on financial investment held-to-maturity	200,000	-
Net cash generated from investing activities	(104,386)	429,084
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of new ordinary shares	200,000	-
Net issuance/(redemption) of Subordinated Sukuk	20,000	(420,000)
Net cash generated/(used in) from financing activities	220,000	(420,000)
Net decrease in cash and cash equivalents	(1,434,748)	(1,162,342)
Cash and cash equivalents at beginning of the financial year	3,223,245	4,385,587
Cash and cash equivalents at end of the financial year	1,788,497	3,223,245
Cash and cash equivalents comprise:		
Cash and short-term funds	1,588,497	2,588,245
Deposits and placements with banks and other financial institutions with original maturity of less than 3 months	200,000	635,000
	1,788,497	3,223,245

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

57. 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 financial year ended 31 March 2018, there was one (1) Shariah non-compliant (SNC) incident with SNC income of approximately RM3,699. Purification of the SNC income is made in accordance with the method as approved by the Shariah Oversight Committee. The incident is attributed due to the lack of awareness of the staff in handling extension case for Islamic financing. Pursuant to the incident, the Group has implemented certain measures to mitigate recurrence of similar incident in the future, including heightened staff awareness and review of process. There was no SNC incident and SNC income for the financial year ended 31 March 2017.

(II) CASH AND SHORT-TERM FUNDS

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Cash and bank balances	41,217	306,245
Deposits maturing within one month with original maturity of three months or less:		
Bank Negara Malaysia	1,447,280	2,062,000
Licensed banks	100,000	220,000
	1,588,497	2,588,245

(III) DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Deposits maturing more than one month with original maturity of three months or less:		
Licensed banks	200,000	635,000

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(IV) FINANCIAL ASSETS HELD-FOR-TRADING

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
At Fair Value		
Money Market Securities:		
Malaysian Islamic Treasury bills	486,655	47,509
Malaysian Government Investment Issues	241,988	494,074
Bank Negara Monetary Notes	199,560	-
	928,203	541,583
Unquoted Securities:		
In Malaysia:		
Sukuk	656,429	139,882
Total	1,584,632	681,465

(V) FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
At Fair Value		
Money Market Securities:		
Malaysian Government Investment Issues	223,813	422,300
Islamic negotiable instruments of deposit	1,510,068	1,096,546
	1,733,881	1,518,846
Unquoted Securities:		
In Malaysia:		
Sukuk	1,104,685	916,878
Total	2,838,566	2,435,724

(VI) FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
At amortised cost		
Unquoted Securities:		
In Malaysia:		
Sukuk	1,090,010	1,278,221

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VII) FINANCING AND ADVANCES

(a) Financing and advances by type of financing and Shariah contracts are as follows:

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

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VII) FINANCING AND ADVANCES (CONT'D.)

(a) Financing and advances by type of financing and Shariah contracts are as follows (Cont'd.):

Group 31 March 2017	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	-	12,471	-	-	1,054,583	-	1,067,054
Term financing	2,022,144	2,917,793	11,005	-	3,491,124	72,791	8,514,857
Revolving credit	72,161	2,704,642	-	-	2,494,580	-	5,271,383
Housing financing	2,917,596	379,211	52,052	-	-	-	3,348,859
Hire purchase receivables	4	-	-	7,595,444	-	-	7,595,448
Bills receivables	-	-	-	-	-	9,293	9,293
Credit card receivables	-	-	-	-	-	297,225	297,225
Trust receipts	-	93,655	-	-	-	-	93,655
Claims on customers under acceptance credits	-	1,160,474	-	-	-	149,829	1,310,303
Gross financing and advances*	5,011,905	7,268,246	63,057	7,595,444	7,040,287	529,138	27,508,077
Allowance for impairment on financing and advances							
- Individual allowance							(16,041)
- Collective allowance							(252,280)
Net financing and advances							27,239,756

* *Included in financing and advances are exposures to the Restricted Investment Account ("RIA") arrangements between AmBank Islamic and AmBank. Under the RIA contract, the profit is shared based on a pre-agreed ratio. AmBank is exposed to the risks and rewards on the RIA financing and it shall account for all allowance for impairment arising from the RIA financing.*

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VII) FINANCING AND ADVANCES (CONT'D.)

(b) The maturity structure of financing and advances are as follows:

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Maturing within one year	9,900,413	10,819,946
Over one year to three years	3,124,095	2,403,919
Over three years to five years	4,182,047	5,210,480
Over five years	10,827,520	9,073,732
	28,034,075	27,508,077

(c) Gross financing and advances analysed by type of customers are as follows:

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Domestic non-bank financial institutions	1,192,612	1,544,039
Domestic business enterprises		
- Small medium enterprises	5,294,379	4,582,846
- Others	7,357,363	8,582,585
Government and statutory bodies	716,111	300,962
Individuals	13,384,249	12,409,237
Other domestic entities	1,344	13,137
Foreign individuals and entities	88,017	75,271
	28,034,075	27,508,077

(d) Financing and advances analysed by profit rate sensitivity are as follows:

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Fixed rate:		
Housing financing	205,376	223,038
Hire purchase receivables	5,686,447	7,106,297
Other financing	2,703,476	2,654,145
Variable rate:		
Base rate and lending/financing rate plus	8,726,336	6,122,200
Cost-plus	8,817,193	9,878,868
Other variable rates	1,895,247	1,523,529
	28,034,075	27,508,077

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VII) FINANCING AND ADVANCES (CONT'D.)

(e) Gross financing and advances analysed by sector are as follows:

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Agriculture	1,696,977	2,027,331
Mining and quarrying	1,041,439	894,872
Manufacturing	3,321,745	3,022,927
Electricity, gas and water	313,429	105,722
Construction	883,579	1,121,287
Wholesale, retail trade, restaurants and hotels	1,320,133	1,238,007
Transport, storage and communication	939,582	1,578,905
Finance and insurance	1,192,616	1,544,039
Real estate	2,288,154	2,391,868
Business activities	432,013	385,129
Education and health	1,127,642	707,017
Household of which:	13,471,899	12,473,022
- Purchase of residential properties	4,874,534	3,326,314
- Purchase of transport vehicles	5,759,757	7,292,033
- Others	2,837,608	1,854,675
Others	4,867	17,951
Gross financing and advances	28,034,075	27,508,077

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

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Balance at beginning of the financial year	488,700	605,200
Impaired during the financial year	359,171	265,280
Reclassified to non-impaired financing	(25,231)	(92,536)
Recoveries	(78,398)	(70,415)
Amount written off	(161,704)	(218,829)
Balance at end of the financial year	582,538	488,700
Gross impaired financing and advances as % of gross financing and advances	2.08%	1.78%
Financing loss coverage (including regulatory reserve)	100.64%	66.86%

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VII) FINANCING AND ADVANCES (CONT'D.)

(g) Impaired financing and advances analysed by sector are as follows:

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Agriculture	571	206
Mining and quarrying	3,806	3,873
Manufacturing	1,863	6,137
Electricity, gas and water	7,030	7,863
Construction	8,807	10,550
Wholesale, retail trade, restaurants and hotels	15,890	13,820
Transport, storage and communication	76,990	5,302
Real estate	308,100	307,959
Business activities	1,659	2,064
Education and health	5,859	5,715
Household of which:	151,832	125,210
- Purchase of residential properties	48,899	28,549
- Purchase of transport vehicles	75,209	80,919
- Others	27,724	15,742
Others	131	1
Impaired financing and advances	582,538	488,700

(h) Movements in allowances for impaired financing and advances are as follows:

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Individual allowance		
Balance at beginning of the financial year	16,041	63,715
Allowance made during the financial year, net (Note 57 (XX))	29,090	16,108
Amount written off	(19,817)	(63,782)
Balance at end of the financial year	25,314	16,041
Collective allowance		
Balance at beginning of year	252,280	329,392
Allowance made during the financial year, net (Note 57 (XX))	137,829	78,288
Foreign exchange differences	(8)	9
Amount written off	(156,829)	(155,409)
Balance at end of the financial year*	233,272	252,280
Collective allowance and Regulatory reserve as % of gross financing and advances (excluding RIA financing) less individual allowance	2.23%	1.20%

* *During the current financial year, AmBank Islamic entered into two new RIA contracts which amounted to a total sum of RM1,387.0 million with AmBank. As at 31 March 2018, the gross exposure (including profit receivable) relating to RIA financing amounted to RM2,869.6 million (2017: RM1,604.4 million). Collective allowance which amounted to RM2.7 million (2017: RM2.3 million) is taken up by AmBank. There was no individual allowance provided for all the RIA financing.*

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(VIII) 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 2018 RM'000	31 March 2017 RM'000
Deferred tax assets	306	333
Deferred tax liabilities	(5,065)	(89)
	(4,759)	244

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

	31 March 2018 RM'000	31 March 2017 RM'000
Deferred tax assets	10,504	8,885
Deferred tax liabilities	(15,263)	(8,641)
	(4,759)	244

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

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)
Group				
31 March 2017				
Other temporary differences	3,788	405	-	4,193
Deferred income	2,622	444	-	3,066
Available-for-sale deficit	502	-	1,124	1,626
Deferred tax assets	6,912	849	1,124	8,885
Excess of capital allowance over depreciation	(32)	(5)	-	(37)
Deferred charges	(12,467)	3,863	-	(8,604)
Deferred tax liabilities	(12,499)	3,858	-	(8,641)

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(IX) OTHER ASSETS

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Trade debtors	36	72
Other receivables, deposits and prepayments	28,506	11,731
Amount due from related companies	140,755	116,749
Amount due from originators	20,398	117,712
Profit receivable	34,418	35,683
Deferred charges	53,240	35,853
	277,353	317,800

(X) PROPERTY AND EQUIPMENT

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

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(X) PROPERTY AND EQUIPMENT (CONT'D.)

Group 31 March 2017	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	656	210	1,627
Additions	-	-	46	7	53
Disposal	-	-	(3)	(4)	(7)
Reclassification/Adjustment	-	-	(5)	-	(5)
Transfer to related company	-	-	(8)	(10)	(18)
At end of the financial year	330	431	686	203	1,650
Accumulated Depreciation					
At beginning of the financial year	118	423	533	186	1,260
Depreciation for the financial year	26	4	46	12	88
Disposal	-	-	(3)	(4)	(7)
Reclassification/adjustment	-	-	(5)	-	(5)
Transfer to related company	-	-	(8)	(10)	(18)
At end of the financial year	144	427	563	184	1,318
Net Book Value					
As at 31 March 2017	186	4	123	19	332

(XI) INTANGIBLE ASSETS

	Group	
Computer Software	31 March 2018 RM'000	31 March 2017 RM'000
Cost		
At beginning of the financial year	1,396	918
Additions	1,020	478
Reclassification/Transfers	(174)	-
At end of the financial year	2,242	1,396
Accumulated Depreciation		
At beginning of the financial year	948	904
Amortisation for the financial year	90	44
Reclassification/Transfers	(3)	-
At end of the financial year	1,035	948
Net Book Value	1,207	448

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XII) DEPOSITS FROM CUSTOMERS

	Group	
	31 March 2018 RM'000	31 March 2017 (Restated) RM'000
(i) By type of deposit:		
Savings deposits		
Wadiah	-	2,119,573
Commodity murabahah	2,005,599	-
Qard	14,279	-
Demand deposits		
Wadiah	-	4,245,545
Commodity murabahah	4,841,876	-
Qard	22,777	-
Term deposits		
Commodity murabahah	19,373,738	20,008,971
Qard	235,533	462,608
	26,493,802	26,836,697

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

	Group	
	31 March 2018 RM'000	31 March 2017 (Restated) RM'000
Business enterprises	10,150,411	11,000,848
Government and statutory bodies	4,614,846	5,505,230
Individuals	11,051,343	9,634,498
Others	677,202	696,121
	26,493,802	26,836,697

(iii) The maturity structure of term deposits are as follows:

	Group	
	31 March 2018 RM'000	31 March 2017 (Restated) RM'000
Due within six months	12,235,496	13,020,116
Over six months to one year	6,006,987	6,293,829
Over one year to three years	369,329	645,709
Over three years to five years	997,459	511,925
	19,609,271	20,471,579

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2018

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XIII) INVESTMENT ACCOUNTS OF CUSTOMERS

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Unrestricted investment accounts:		
Without maturity		
- Wakalah	20,387	24,374
With maturity		
- Mudarabah	118,569	-
	138,956	24,374

(a) Movement in the investment account is as follows:

	Wakalah RM'000	Mudarabah RM'000
As at 1 April 2016	18,411	-
Funding inflows/(outflows)		
Net movement during the financial year	5,953	-
Income from investment	643	-
AmBank Islamic's share of profit		
Profit distributed to mudarib	(633)	-
As at 31 March 2017/ 1 April 2017	24,374	-
Funding inflows/(outflows)		
New placement during the financial year	-	131,744
Net movement 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
Investment asset:		
2018		
Interbank placement	20,387	-
Housing financing	-	118,569
Total investment	20,387	118,569
2017		
Interbank placement	24,374	-
Total investment	24,374	-

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XIII) 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 2018 RM'000	31 March 2017 RM'000
Business enterprises	118,793	443
Individuals	20,163	23,931
	138,956	24,374

The Group did not impose Wakalah fees to the Investment Account Holders for financial year ended 31 March 2018 and 31 March 2017.

(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 (%)
2018			
Unrestricted investment account:			
up to 3 months	83.98	0.20	3.01
2017			
Unrestricted investment account:			
up to 3 months	-	0.05	3.03

(XIV) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	31 March 2018 RM'000	31 March 2017 (Restated) RM'000
Non-Mudarabah Fund:		
Licensed investment banks	-	350,022
Other financial institutions	479,050	500,679
Licensed Islamic banks	399,255	397,889
Bank Negara Malaysia	5,788	17,747
	884,093	1,266,337

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XV) INVESTMENT ACCOUNT DUE TO A LICENSED BANK

		Group	
	Note	31 March 2018 RM'000	31 March 2017 RM'000
Restricted investment account			
- Mudarabah Muqayyadah	(a)	2,859,110	1,600,000

(a) During the current financial year, AmBank Islamic entered into two new RIA contracts which amounted to a total sum of RM1,387.0 million with AmBank. The first contract is for a period of 367 days and will mature on 1 October 2018. The second contract's tenure is based on the contractual maturity of the financing funded which ranges between 3 months to 14 years from the day the second contract was entered into.

(b) Movement in the investment account is as follows:

	Mudarabah Restricted investment account	
	31 March 2018 RM'000	31 March 2017 RM'000
At beginning of the financial year	1,600,000	1,000,000
Funding inflows/outflows		
New placement during the financial year	1,387,045	1,000,000
Redemption made during the financial year	(127,935)	(400,000)
Income attributable to investment account holders	(92,281)	(60,633)
Income from investment	102,502	67,364
AmBank Islamic's share of profit		
Profit distributed to mudarib	(10,221)	(6,731)
At end of the financial year	2,859,110	1,600,000
Investment asset:		
Financing	2,859,110	1,600,000
Total investment	2,859,110	1,600,000

(c) Profit Sharing Ratio, Rate of Return and Performance Incentive Fee for the investment account are as follows:

	31 March 2018		31 March 2017	
	Profit sharing ratio (%)	Average rate of return (%)	Profit sharing ratio (%)	Average rate of return (%)
Restricted investment account:				
up to 1 year	90	4.50	90	-
between 1 to 2 years	90	4.55	90	-
between 2 to 5 years	90	4.40	90	4.78
more than 5 years	90	4.77	90	-

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XVI) OTHER LIABILITIES

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Other payables and accruals	251,743	235,036
Deferred income	15,165	12,773
Provision for zakat and taxation	15,637	19,659
Provision for commitments and contingencies	10,698	11,521
Amount owing to conventional banking	107,681	98,366
Security deposit and advance payment for financing and advances	2,568	1,933
	403,492	379,288

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XVII) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Finance income and hibah:		
Financing and advances	1,378,217	1,397,627
Financial assets held-for-trading	34,119	8,851
Financial investments held-to-maturity	53,095	55,888
Financial investments available-for-sale	24,723	3,668
Impaired financing and advances	1,782	8,678
Deposits and placements with financial institutions	86,646	99,011
Others	50,027	29,562
	1,628,609	1,603,285
Gain from sale of financial investments available-for-sale	749	67
Gain from sale of financial assets held-for-trading	3,317	2,584
Gain/(loss) on revaluation of financial assets held-for-trading	1,890	(957)
Foreign exchange	21,524	5,583
Net gain on derivatives	2,762	10,457
Others	20	36
	30,262	17,770
Fee and commission income:		
Commission	12,184	10,537
Other fee income	36,506	33,803
	48,690	44,340
Total	1,707,561	1,665,395

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XVIII) INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Income derived from investment of:		
(i) Restricted investment account	102,502	67,364
(ii) Unrestricted investment account	713	643
	103,215	68,007
(i) Income derived from investment of restricted investment account		
Finance income and hibah:		
Financing and advances	102,502	67,364
(ii) Income derived from investment of unrestricted investment account		
Finance income and hibah:		
Financing and advances	40	-
Deposits and placements with banks and other financial institutions	673	643
	713	643

(XIX) INCOME DERIVED FROM ISLAMIC BANKING FUNDS

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Finance income and hibah:		
Financial investments available-for-sale	104,188	82,667
Gain from sale of financial investments available-for-sale	3,566	2,389
Fee and commission income:		
Commission	9,076	4,044
Other fee income	32,162	16,386
Unrealised gain/(loss) on fair value hedge	598	(99)
Net loss on derivatives	(2,825)	(2,491)
	39,011	17,840
Total	146,765	102,896

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XX) IMPAIRMENT ON FINANCING AND ADVANCES - ALLOWANCE/(WRITEBACK)

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Allowance for impairment on financing and advances:		
Individual allowance, net (Note 57 (VII) (h))	29,090	16,108
Collective allowance, net (Note 57 (VII) (h))	137,829	78,288
	166,919	94,396
Impaired financing and advances recovered, net	(105,523)	(118,739)
	61,396	(24,343)

(XXI) INCOME ATTRIBUTABLE TO THE DEPOSITORS

	Group	
	31 March 2018 RM'000	31 March 2017 (Restated) RM'000
Deposits from customers:		
Non-Mudarabah Fund	865,574	819,642
Deposits and placements of banks and other financial institutions:		
Non-Mudarabah Fund	29,337	32,993
Others	30,024	52,553
	59,361	85,546
Total	924,935	905,188

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXII) INCOME ATTRIBUTABLE TO THE INVESTMENT ACCOUNT HOLDERS

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Unrestricted		
Customers - investment accounts	45	10
Restricted		
Licensed bank - investment account	92,281	60,633
	92,326	60,643

(XXIII) OPERATING EXPENSES

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Personnel costs	20,118	17,775
Establishment costs	1,759	1,927
Marketing and communication expenses	5,645	7,335
Administration and general expenses	51,428	45,376
Service transfer pricing expense, net	345,365	346,323
	424,315	418,736

(XXIV) TAXATION AND ZAKAT

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Taxation	71,855	69,790
Zakat	2,034	1,505
Taxation and zakat	73,889	71,295

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2018

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXV) NET INCOME FROM ISLAMIC BANKING

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

	Group	
	31 March 2018 RM'000	31 March 2017 RM'000
Income derived from investment of depositors' funds and others	1,707,561	1,665,395
Income derived from investment of investment account funds	103,215	68,007
Income derived from Islamic Banking Funds	146,765	102,896
Less: Income attributable to the depositors and others	(924,935)	(905,188)
Income attributable to investment account holders	(92,326)	(60,643)
Income attributable to the Group	940,280	870,467
Less: Finance cost	(110,451)	(135,954)
	829,829	734,513
Consolidation adjustments	111,190	70,675
	941,019	805,188

(XXVI) CAPITAL ADEQUACY RATIO

(a) The aggregated capital adequacy ratios under the Islamic banking operations of the Group are as follows:

	Group	
	31 March 2018	31 March 2017
Common Equity Tier 1 ("CET1") Capital ratio	12.381%	11.207%
Tier 1 Capital Ratio	12.381%	11.207%
Total Capital Ratio	17.365%	15.760%

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.

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXVI) CAPITAL ADEQUACY RATIO (CONT'D.)

(b) The aggregated components of CET1 Capital, Tier 1 and Tier 2 Capital of the Islamic banking operations of the Group are as follows:

	Group	
	31 March 2018 RM'000	**31 March 2017 RM'000**
CET1 Capital		
Ordinary share capital	1,417,107	1,217,107
Retained earnings	1,832,222	1,353,645
Available-for-sale deficit	(5,492)	(5,149)
Statutory reserve	-	483,345
Regulatory reserve	327,683	58,430
Less : Regulatory adjustments applied on CET1 capital		
Other intangibles	(1,207)	(448)
Deferred tax assets	(306)	(333)
Regulatory reserve	(327,683)	(58,430)
CET1/Tier 1 capital	3,242,324	3,048,167
Tier 2 capital		
Tier 2 capital instruments meeting all relevant criteria for inclusion	1,000,000	850,000
Tier 2 capital instruments (subject to gradual phase-out treatment)	-	130,000
Collective impairment provisions and regulatory reserve	305,028	258,458
Tier 2 capital	1,305,028	1,238,458
Total Capital	4,547,352	4,286,625
The breakdown of the risk weighted assets ("RWA") in various categories of risk is as follows:		
Credit RWA	27,464,910	27,173,624
Less : Credit RWA absorbed by Profit Sharing Investment Account	(2,988,135)	(1,604,369)
Total Credit RWA	24,476,775	25,569,255
Market RWA	277,093	178,976
Operational RWA	1,433,440	1,451,584
Total Risk Weighted Assets	26,187,308	27,199,815

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXVII) COMMITMENTS AND CONTINGENCIES

In the normal course of business, the operations of Islamic banking of the Group makes 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 2018 RM'000	31 March 2017 RM'000
Contingent Liabilities		
Obligations under underwriting agreements	-	65,000
Certain transaction-related contingent items	821,035	812,765
Short-term self liquidating trade-related contingencies	54,608	50,029
Direct credit substitutes	327,186	231,275
	1,202,829	1,159,069
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
- Up to one year	4,991,310	3,621,122
- Over one year	809,748	858,147
Unutilised credit card lines	1,289,967	715,072
Forward asset purchases	213,975	10,022
	7,305,000	5,204,363
Derivative Financial Instruments		
Profit rate related contracts:		
- Over one year to five years	260,000	370,000
- Over five years	350,000	550,000
Foreign exchange related contracts:		
- One year or less	1,539,601	1,880,550
- Over one year to five years	689,469	696,536
	2,839,070	3,497,086
Total	11,346,899	9,860,518

57. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

NOTES TO THE FINANCIAL STATEMENTS OF THE OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(XXVIII) RESTATEMENT OF COMPARATIVE INFORMATION

Certain comparative figures were restated arising from clarification provided in the BNM circular on Classification and Regulatory Treatment for structured products under the Financial Services Act 2013 and Islamic Financial Services Act 2013 as disclosed in Note 4(b).

(i) Reconcilation of statement of financial position

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
As at 1 April 2016			
Deposits and placements of banks and other financial institutions	1,443,510	(450,000)	993,510
Term Funding	1,850,000	450,000	2,300,000
As at 31 March 2017			
Deposits from customers	26,891,697	(55,000)	26,836,697
Deposits and placements of banks and other financial institutions	1,346,337	(80,000)	1,266,337
Term Funding	1,850,000	135,000	1,985,000

(ii) Reconcilation of statement of profit or loss

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
For the financial year ended 31 March 2017			
Income attributable to the depositors and others:			
Deposits and placements of banks and other financial institutions	51,544	(18,551)	32,993
Others	34,002	18,551	52,553

(iii) Reconcilation of statement of cash flows for the financial year ended 31 March 2017

Increase/(Decrease) in operating liabilities			
Deposits from customers	(1,492,085)	(55,000)	(1,547,085)
Deposits and placements of banks and other financial institutions	(97,173)	370,000	272,827
Term funding	-	(315,000)	(315,000)

APPENDIX

DIRECTORS OF SUBSIDIARY COMPANIES OF THE COMPANY

The following is the list of directors who 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 Raja Maimunah binti Raja Abdul Aziz
2	AmREIT Holdings Sdn Bhd (formerly known as Am ARA REIT Holdings Sdn Bhd)	Soo Kim Wai Raja Maimunah binti Raja Abdul Aziz Azlan Baqee bin Abdullah (appointed on 21 February 2018) Kong Tai Meng (resigned on 5 January 2018)
3	AmREIT Managers Sdn Bhd (formerly known as Am ARA REIT Managers Sdn Bhd)	Soo Kim Wai Wong Kim Chon Dato' Wong Nam Loong Dato' Abdullah Thalith bin Md Thani Raja Maimunah binti Raja Abdul Aziz Azlan Baqee bin Abdullah (appointed on 22 February 2018) Kong Tai Meng (resigned on 5 January 2018)
4	AmCapital (B) Sdn Bhd	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 (appointed on 30 May 2017) Lee Yew Kin (resigned on 31 May 2017)
9	AMSEC Holdings Sdn Bhd (Under Members' Voluntary Liquidation)	Shaharuddin bin Hassan Tan Giap How
10	AMFB Holdings Berhad	Tan Sri Azman Hashim Tun Mohammed Hanif bin Omar
11	AMAB Holdings Sdn Bhd	Tan Sri Azman Hashim Dato' Sulaiman bin Mohd Tahir
12	AmGeneral Holdings Berhad	Tan Sri Azman Hashim Duncan Victor Brain Dato' Sulaiman bin Mohd Tahir

DIRECTORS OF SUBSIDIARY COMPANIES OF THE COMPANY (CONT'D.)

No	Name of Subsidiary Company	Name of Director
13	AmGeneral Insurance Berhad	Phoon Soon Keong (appointed on 15 August 2017) Duncan Victor Brain Wong Teck Kat Sathasivan Kunchamboo Dato' Sulaiman bin Mohd Tahir Ramesh Pillai (appointed on 15 August 2017) Raymond Fam Chye Soon (resigned on 23 September 2017) Tan Sri Azman Hashim (resigned on 1 January 2018)
14	AmBank (M) Berhad	Tan Sri Azman Hashim Raymond Fam Chye Soon Voon Seng Chuan Dato' Sri Abdul Hamidy bin Abdul Hafiz Dr Veerinderjeet Singh a/l Tejwant Singh (appointed on 1 June 2017)
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 (appointed on 31 May 2017) Mandy Jean Simpson (resigned on 1 June 2017)
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
24	AmPremier Capital Berhad	Ling Fou-Tsong @ Jamie Ling (appointed on 31 May 2017) Yap Huey Wen (appointed on 27 September 2017) Mandy Jean Simpson (resigned on 1 June 2017) Sim How Chuah (resigned on 28 September 2017)
25	AmMortgage One Berhad	Jade Lee Gaik Suan Oon Kin Seng Dato' Ng Mann Cheong

APPENDIX

DIRECTORS OF SUBSIDIARY COMPANIES OF THE COMPANY (CONT'D.)

No	Name of Subsidiary Company	Name of Director
26	AMBB Capital (L) Ltd (Under Members' Voluntary Liquidation)	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	Tan Sri Azman Hashim Tan Bun Poo Ramesh Pillai Dato' Rohana binti Tan Sri Mahmood (resigned on 25 January 2018)
29	AmFutures Sdn Bhd (Under Members' Voluntary Liquidation)	StephenNoel Kwong Yong Shian Hon Chu Nyaw Lee Yew Kin (resigned on 31 May 2017) Yeoh Lip Khoon (resigned on 30 October 2017)
30	AMMB Nominees (Tempatan) Sdn Bhd	Khoo Teck Beng Goh Wee Peng (appointed on 30 May 2017) Datin Maznah binti Mahbob (resigned on 31 May 2017)
31	AMMB Nominees (Asing) Sdn Bhd	Khoo Teck Beng Goh Wee Peng (appointed on 30 May 2017) Datin Maznah binti Mahbob (resigned on 31 May 2017)
32	AM Nominees (Asing) Sdn Bhd	Harinder Pal Singh a/l Joga Singh Khoo Teck Beng
33	AM Nominees (Tempatan) Sdn Bhd	Harinder Pal Singh a/l Joga Singh Khoo Teck Beng
34	AMSEC Nominees (Tempatan) Sdn Bhd	Hon Chu Nyaw Gan Kim Khoon (appointed on 30 May 2017) Lee Yew Kin (resigned on 31 May 2017)
35	AMSEC Nominees (Asing) Sdn Bhd	Hon Chu Nyaw Gan Kim Khoon (appointed on 30 May 2017) Lee Yew Kin (resigned on 31 May 2017)
36	AmFunds Management Berhad	Dato' Mustafa bin Mohd Nor Tai Terk Lin Sum Leng Kuang Raja Maimunah binti Raja Abdul Aziz Goh Wee Peng (appointed on 1 June 2017) Datin Maznah binti Mahbob (resigned on 31 May 2017)

DIRECTORS OF SUBSIDIARY COMPANIES OF THE COMPANY (CONT'D.)

No	Name of Subsidiary Company	Name of Director
37	AmIslamic Funds Management Sdn Bhd	Sum Leng Kuang Tai Terk Lin Zainal Abidin Mohd Kassim Raja Maimunah binti Raja Abdul Aziz Zairulnizad bin Shahrim (appointed on 18 July 2017) Goh Wee Peng (appointed on 20 November 2017) Datin Maznah binti Mahbob (resigned on 31 May 2017)
38	AmFraser International Pte Ltd	Lim Hock Aun Wong Yong Fei Lee Yew Kin (resigned on 31 May 2017)
39	AmGlobal Investments Pte Ltd (Under Members' Voluntary Liquidation)	Lim Hock Aun Wong Yong Fei Lee Yew Kin (resigned on 31 May 2017)
40	AmResearch Sdn Bhd (Under Members' Voluntary Liquidation)	Lee Yew Kin Khoo Teck Beng
41	AmBank Islamic Berhad	Dato' Sri Abdul Hamidy bin Abdul Hafiz Raja Anuar bin Raja Abu Hassan Hjh Rosmah binti Ismail Farina binti Farikhullah Khan Azlan Baqee bin Abdullah (appointed on 3 July 2017) Wasim Akhtar Saifi (resigned on 15 January 2018)
42	MBF Cards (M'sia) Sdn Bhd	Jade Lee Gaik Suan Ling Fou-Tsong @ Jamie Ling (appointed on 31 May 2017) Mandy Jean Simpson (resigned on 1 June 2017)

PILLAR 3 DISCLOSURE

1.0 SCOPE OF APPLICATION

The Bank Negara Malaysia's ("BNM") Risk Weighted Capital Adequacy Framework (Basel II) ("RWCAF") and Capital Adequacy Framework for Islamic Banks ("CAFIB") – Disclosure Requirements ("Pillar 3") is applicable to all banking institutions licensed under the Financial Services Act 2013 ("FSA") and all Islamic banks licensed under the Islamic Financial Services Act 2013 ("IFSA"). The Pillar 3 disclosure requirements aim to enhance transparency on the risk management practices and capital adequacy of banking institutions.

The banking subsidiaries of AMMB Holdings Berhad ("AMMB") to which the RWCAF framework apply are AmBank (M) Berhad ("AmBank"), AmInvestment Bank Berhad ("AmInvestment Bank") and AmBank Islamic Berhad ("AmBank Islamic"), which offers Islamic banking services.

The following information has been provided in order to highlight the capital adequacy of our regulated banking subsidiaries and a pro-forma view of the Group position on an aggregated basis. The information provided has been verified by the Group internal auditors and certified by the Group Chief Executive Officer.

BNM guidelines on capital adequacy require regulated banking subsidiaries to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. Each of these entities is independently held by AMMB as a regulated banking institution – there are no cross-shareholdings within or between these entities. 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 to BNM's guidelines on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) issued by the Prudential Financial Policy Department on 2 February 2018 (replacing the same guidelines issued previously on 13 October 2015), which is based on the Basel III capital accord. Pursuant to the revised BNM's guidelines, the minimum capital adequacy ratios to be maintained under the guidelines for banking subsidiaries remain consistent at 4.5% for CET1 capital, 6.0% for Tier 1 capital and 8.0% for total capital ratio. The Group's banking subsidiaries are also required to maintain capital buffers. The capital buffers shall comprise the sum of the following:

(a) a Capital Conservation Buffer ("CCB") of 2.5%; and

(b) a Countercyclical Capital Buffer ("CCyB") determined as the weighted-average of the prevailing CCyB rates applied in the jurisdictions in which the bank has credit exposures.

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

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

AMMB, being a financial holding company ("FHC") will be required to comply with the above BNM guidelines on minimum capital adequacy ratios at the consolidated level for FHC effective 1 January 2019.

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.

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. The following table shows the differences between the scope of statutory and regulatory consolidation.

	Accounting treatment	
Type of entity	**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; Fully consolidated in the calculation of capital adequacy at the banking subsidiary consolidated 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
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	Reported as investment and 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 capital and risk management of the banking subsidiaries of AMMB are managed collectively at Group level. 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 three 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;
(b) Capital requirement to support business growth, strategic objectives, buffer for material regulatory risks and stress test results.

2.0 CAPITAL MANAGEMENT (CONT'D.)

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

Stress testing and scenario analysis are used to ensure that the Group's internal capital assessment considers the impact of extreme but plausible scenarios on its risk profile and capital position. They provide an insight into the potential impact of significant adverse events on the 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 Group uses a capital model to assess the capital demand for material risks, and support its internal capital adequacy assessment. Each material risk is assessed, relevant mitigants considered, and appropriate levels of capital determined. The capital modelling process is a key part of the Group's management disciplines.

The capital that the Group is required to hold is determined by its statement of financial position, commitments and contingencies, counterparty and other risk exposures after applying collateral and other mitigants, based on the Group's risk rating methodologies and systems. 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.

GALCO proposes internal triggers and target ranges for capital management and operationally oversees adherence with these. For the current financial year ended 31 March 2018 ("FY 2018"), these ranges are 9.5% to 11.5% for the Common Equity Tier ("CET1") Capital Ratio, 10.0% to 12.0% for the Tier 1 Capital Ratio, and 14.0% to 16.0% for the Total Capital Ratio. The Group has been operating within these ranges.

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

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

2.0 CAPITAL MANAGEMENT (CONT'D.)

Table 2.1: Capital Adequacy Ratios

The capital adequacy ratios of our regulated banking subsidiaries and a pro-forma Group view are as follows:

	31.03.18			
	AmBank	AmBank Islamic	AmInvestment Bank	Group *
Before deducting proposed dividends:				
CET1 Capital ratio	10.955%	11.561%	41.194%	11.723%
Tier 1 Capital ratio	11.903%	11.561%	41.194%	12.413%
Total Capital ratio	16.451%	16.569%	41.452%	17.024%
After deducting proposed dividends:				
CET1 Capital ratio	10.613%	11.561%	27.529%	11.270%
Tier 1 Capital ratio	11.561%	11.561%	27.529%	11.960%
Total Capital ratio	16.109%	16.569%	27.787%	16.571%

	31.03.17			
	AmBank	AmBank Islamic	AmInvestment Bank	Group *
Before deducting proposed dividend:				
CET1 Capital ratio	11.230%	10.498%	32.916%	11.917%
Tier 1 Capital ratio	12.478%	10.498%	32.916%	12.809%
Total Capital ratio	16.073%	15.069%	32.916%	16.658%
After deducting proposed dividend:				
CET1 Capital ratio	10.764%	10.498%	31.373%	11.563%
Tier 1 Capital ratio	12.012%	10.498%	31.373%	12.455%
Total Capital ratio	15.607%	15.069%	31.373%	16.304%

Notes:

(i) 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 Prudential Financial Policy Department on 2 February 2018 (replacing the same guidelines issued previously on 13 October 2015), which is based on the Basel III capital accord. The Group 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 Frameworks for Islamic Banks (Basel II - Risk Weighted Assets).

(ii) Group* figures presented in this Report represent an aggregation of the capital positions and risk weighted assets ("RWA") of our three regulated banking institutions (consolidated for AmBank and AmInvestment Bank). The positions of each entity and group (where applicable) are published at www.ambankgroup.com.

2.0 CAPITAL MANAGEMENT (CONT'D.)

Table 2.2: Risk-Weighted Assets and Capital Requirements

The aggregated breakdown of RWA by exposures in major risk category of AMMB Banking Group is as follows:

	31 MARCH 2018						
Exposure class	RM'000	Gross exposures/ Exposure at default ("EAD") before creditrisk 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")		6,970,934	6,970,934	1,425,549	-	1,425,549	114,044
Insurance companies, Securities firms and Fund managers		9,775	9,775	9,775	-	9,775	782
Corporates		54,514,132	52,428,185	44,623,351	2,869,566	41,753,785	3,340,302
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		339,655	339,577	509,364	-	509,364	40,749
Other assets		2,194,253	2,194,253	1,838,814	-	1,838,814	147,105
Securitisation exposures		42,970	42,970	10,591	-	10,591	847
Equity exposures		104	104	104	-	104	8
Defaulted exposures		1,230,023	1,209,465	1,367,284	-	1,367,284	109,382
Total for on balance sheet exposures		123,130,020	120,080,553	83,458,114	2,988,135	80,469,979	6,437,597
Off balance sheet exposures:							
Over the counter ("OTC") derivatives		2,400,364	2,147,838	1,146,414	-	1,146,414	91,713
Credit derivatives		14	14	7	-	7	1
Off balance sheet exposures other than OTC derivatives or credit derivatives		12,746,854	10,739,321	9,401,757	-	9,401,757	752,140
Defaulted exposures		33,620	22,056	32,934	-	32,934	2,634
Total for off balance sheet exposures		15,180,852	12,909,229	10,581,112	-	10,581,112	846,488
Total on and off balance sheet exposures		138,310,872	132,989,782	94,039,226	2,988,135	91,051,091	7,284,085
2. Large exposures risk requirement				373,899	-	373,899	29,912
	Long Position	**Short Position**					
3. Market risk							
Interest rate risk/rate of return risk							
- General interest rate risk/rate of return risk	115,881,469	106,761,483		2,046,902	-	2,046,902	163,752
- Specific interest rate risk/rate of return risk	9,507,957	249,711		198,148	-	198,148	15,852
Foreign currency risk	256,494	592,545		699,991	-	699,991	56,000
Equity risk							
- General risk	110,767	34,098		76,669	-	76,669	6,134
- Specific risk	110,767	34,098		137,758	-	137,758	11,021
Option risk	1,461,172	735,720		105,133	-	105,133	8,410
Total	127,328,626	108,407,655		3,264,601	-	3,264,601	261,169
4. Operational risk				5,896,314	-	5,896,314	471,706
5. Total RWA and capital requirements				103,574,040	2,988,135	100,585,905	8,046,872

2.0 CAPITAL MANAGEMENT (CONT'D.)

As part of an arrangement between AmBank and AmBank Islamic in relation to Profit Sharing Investment Account ("PSIA") agreements, AmBank records as Investment account its exposure in the arrangement, whereas AmBank Islamic records its exposure as "financing and advances". The PSIA is a contract based on Shariah concept of Mudarabah Muqayyadah between AmBank and AmBank Islamic to finance specific business ventures where AmBank solely provides capital and the business ventures are managed solely by AmBank Islamic as the entrepreneur. The PSIA exposes AmBank to the risks and rewards of the financing, and accordingly AmBank accounts for all impairment allowances and risk-weighted assets arising from the PSIA arrangement.

As at 31 March 2018, the gross exposure and collective allowance relating to the PSIA financing financed by AmBank are RM2,869.6 million and RM2.7 million (2017:RM1,604.4 million and RM2.3 million respectively). There was no individual allowance provided for the PSIA financing. Risk weight on PSIA assets financed by AmBank are accounted for in the computation of capital adequacy of AmBank.

PSIA assets excluded from the risk-weighted capital adequacy computation of AmBank Islamic for 31 March 2018 amounted to RM2,988.1 million (2017: RM1,604.4 million).

2.0 CAPITAL MANAGEMENT (CONT'D.)

Table 2.2: Risk-Weighted Assets and Capital Requirements (Cont'd.)

The aggregated breakdown of RWA by exposures in major risk category of AMMB Banking Group is as follows: (Cont'd.)

	31 MARCH 2017						
Exposure class	RM'000	Gross exposures/ Exposure at default ("EAD") before creditrisk 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		7,817,184	7,807,800	4,444	-	4,444	356
Public Sector Entities ("PSEs")		41,621	41,621	8,324	-	8,324	666
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")		7,750,663	7,750,663	1,600,086	-	1,600,086	128,006
Insurance companies, Securities firms and Fund managers		73	73	73	-	73	6
Corporates		53,600,587	51,578,897	42,690,636	1,604,369	41,086,267	3,286,902
Regulatory retail		32,650,413	32,438,383	25,228,009	-	25,228,009	2,018,241
Residential mortgages		14,569,271	14,551,934	5,377,152	-	5,377,152	430,172
Higher risk assets		120,722	120,646	180,969	-	180,969	14,477
Other assets		2,983,660	2,983,660	2,496,231	-	2,496,231	199,699
Securitisation exposures		53,095	53,095	12,303	-	12,303	984
Equity exposures		576	576	576	-	576	46
Defaulted exposures		1,275,124	1,251,096	1,370,372	-	1,370,372	109,630
Total for on balance sheet exposures		120,862,989	118,578,444	78,969,175	1,604,369	77,364,806	6,189,185
Off balance sheet exposures:							
Over the counter ("OTC") derivatives		4,007,121	4,007,121	2,070,084	-	2,070,084	165,606
Credit derivatives		14	14	7	-	7	1
Off balance sheet exposures other than OTC derivatives or credit derivatives		12,117,557	10,185,895	9,170,486	-	9,170,486	733,639
Defaulted exposures		20,952	18,114	25,408	-	25,408	2,032
Total for off balance sheet exposures		16,145,644	14,211,144	11,265,985	-	11,265,985	901,278
Total on and off balance sheet exposures		137,008,633	132,789,588	90,235,160	1,604,369	88,630,791	7,090,463
2. Large exposures risk requirement				30,573	-	30,573	2,446
	Long Position	**Short Position**					
3. Market risk							
Interest rate risk/rate of return risk							
- General interest rate risk/rate of return risk	105,407,319	98,458,791		1,773,919	-	1,773,919	141,913
- Specific interest rate risk/rate of return risk	7,012,517	306,644		136,285	-	136,285	10,904
Foreign currency risk	256,209	361,530		416,346	-	416,346	33,308
Equity risk							
- General risk	74,434	15,941		58,679	-	58,679	4,694
- Specific risk	74,434	15,941		48,390	-	48,390	3,871
Option risk	428,329	199,741		12,352	-	12,352	988
Total	113,253,242	99,358,588		2,445,971	-	2,445,971	195,678
4. Operational risk				6,160,989	-	6,160,989	492,879
5. Total RWA and capital requirements				98,872,693	1,604,369	97,268,324	7,781,466

3.0 CAPITAL STRUCTURE

Table 3.3 Capital Structure summarises the aggregated capital position of the Group. The capital structure includes capital under the following headings:

- Common Equity Tier 1 ("CET1") Capital;
- Additional Tier 1 Capital; and
- Tier 2 Capital

All capital instruments included in the capital base have been issued in accordance with the BNM rules and guidelines. The Additional Tier 1 and Tier 2 capital instruments of the Group that were issued prior to 2013 do not meet all qualifying criteria for full recognition of capital instruments under the Basel III accord, on the requirements for loss absorbency at the point of non-viability, and write-off or conversion mechanisms for achieving principal loss absorption and/or loss absorbency at the point of non-viability. These Additional Tier 1 and Tier 2 capital instruments qualify for the gradual phase-out treatment under the transitional arrangements of the Basel III accord. Under this treatment, the amount of capital instruments that can be recognised for each banking entity (and its consolidated group level) shall be capped at 90% of the base in 2013 (as counted separately for Additional Tier 1 Capital and Tier 2 Capital respectively), with the cap reducing by 10% in each subsequent year. To the extent that an instrument is redeemed or derecognised after 1 January 2013, the amount serving as the base is not reduced.

3.1 CET1 Capital

CET1 Capital consists of the following:

(a) Paid-up Ordinary Share Capital
Paid-up ordinary share capital is an item of capital issued by an entity to an investor, which is fully paid-up and where the proceeds of issue are immediately and fully available. There is no obligation to pay a coupon or dividend to the equity holder of ordinary shares. The capital is available for unrestricted and immediate use to cover risks and losses, and enable the entity to continue trading. It can only be redeemed on the winding up of the entity.

(b) Retained Earnings
Retained earnings at the end of the financial year and eligible reserves are accumulated resources included in the shareholders' funds in an entity's statement of financial position, with certain regulatory adjustments applied. The retained earnings is included in CET1 Capital net of any interim and/or final dividend declared, and net of any interim losses. Quarterly interim profits have been included in CET1 Capital subject to review/audit by the external auditors.

(c) Other Disclosed Reserves
Other disclosed reserves comprise the following:

(i) Statutory Reserve
Statutory reserve is maintained in compliance with Section 47(2)(f) of the FSA and Section 57(2)(f) of IFSA and is not distributable as cash dividends.

On 3 May 2017, BNM issued revised policy documents, Capital Funds and Capital Funds for Islamic Banks which are applicable for licensed banks and licensed Islamic banks respectively. The key change in the revised policy documents is the removal of the requirement for banking institutions to maintain a reserve fund. The banking subsidiaries of the Group had previously maintained the reserve fund via transfer from retained earnings to statutory reserve. Arising from this change, balances in statutory reserve had been reclassified to retained earnings.

(ii) Capital Reserve and Merger Reserve
The capital reserve and merger reserve of the banking subsidiaries represent reserves arising from the transfer of subsidiaries pursuant to schemes of arrangement under group restructuring and was accounted for using the merger accounting method.

(iii) Foreign Currency Translation Reserve/(Deficit)
Exchange gains (foreign currency translation reserve) and exchange losses (foreign currency translation deficit) arise from the translation of the financial statements of foreign operations, whose functional currencies are different from that of the Group's presentation currency.

(iv) Available-for-Sale Reserve/(Deficit)
Available-for-sale reserve/(deficit) is in respect of unrealised fair value gains/(losses) on financial investments available-for-sale. Where the unrealised 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 unrealised fair value changes is a net loss outstanding balance, the entire outstanding balance is deducted in CET1 Capital.

3.0 CAPITAL STRUCTURE (CONT'D.)

3.1 CET1 Capital (Cont'd.)

(d) 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.

(e) Regulatory Reserve

Regulatory reserve is maintained in accordance with paragraph 13.1 of the the BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing as an additional credit risk absorbent. The amount of the regulatory reserve is derecognised in the calculation of CET1 Capital.

3.2 Additional Tier 1 Capital

The amount of Additional Tier 1 Capital that can be recognised in the computation of the capital adequacy ratios of the banking subsidiaries, at both the entity and consolidated level for 2013, has been capped at 90% of the total qualifying Additional Tier 1 Capital balance outstanding as at 1 January 2013. For 2018, the amount of Additional Tier 1 Capital that can be recognised in the computation of the capital adequacy ratios are capped at 40% of the total qualifying Additional Tier 1 Capital balance outstanding as at 1 January 2013. This is in accordance with the transitional gradual phase-out treatment under the Basel III regime. As at 1 January 2013 and at present, only AmBank has Additional Tier 1 Capital Instrument in issuance. Table 3.1 outlines the application of the grandfathering provisions in respect of the Additional Tier 1 Capital Instruments of AmBank. Details of the Additional Tier 1 Capital Instruments are outlined below.

Table 3.1 Additional Tier 1 Capital Instruments of AmBank and the Basel III Gradual Phase-Out Treatment

Base for Additional Tier 1 Capital Instruments outstanding on 1 January 2013		
Instruments	**RM'000**	
Non-cumulative Non-voting Guaranteed Preference Shares	750,100	Note1
Innovative Tier 1 Capital - Tranche 1	300,000	
Innovative Tier 1 Capital - Tranche 2	185,000	
Non-Innovative Tier 1 Capital - Tranche 1	200,000	
Non-Innovative Tier 1 Capital - Tranche 2	300,000	
Total qualifying base	**1,735,100**	

Note 1

Repaid in full on its first call date of 27 January 2016.

3.0 CAPITAL STRUCTURE (CONT'D.)

3.2 Additional Tier 1 Capital (Cont'd.)

Table 3.1 Additional Tier 1 Capital Instruments of AmBank and the Basel III Gradual Phase-Out Treatment (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 I Capital Securities under its RM500 million Innovative Tier I 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").

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.

3.0 CAPITAL STRUCTURE (CONT'D.)

3.2 Additional Tier 1 Capital (Cont'd.)

Innovative Tier 1 Capital (Cont'd.)

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.

3.3 Tier 2 Capital

The main components of Tier 2 Capital are collective impairment provisions and regulatory reserve (subject to a maximum of 1.25% of total credit risk weighted assets determined under the Standardised Approach) and subordinated debt instruments.

The amount of Tier 2 Capital issued prior to 2013 that can be recognised in the computation of the capital adequacy ratios of the banking subsidiaries, at both the entity and consolidated level for 2013, has been capped at 90% of the total qualifying Tier 2 Capital balance outstanding as at 1 January 2013. For 2018 the amount of such Tier 2 Capital that can be recognised in the computation of the capital adequacy ratios is capped at 40% of the total qualifying Tier 2 Capital balance outstanding as at 1 January 2013. This is in accordance with the transitional gradual phase-out treatment under the Basel III regime. Tables 3.2(a) and 3.2(b) outline the application of the grandfathering provisions in respect of the Tier 2 Capital Instruments for AmBank and AmBank Islamic respectively. AmInvestment Bank does not have any Tier 2 Capital Instruments in issuance as at 1 January 2013 and at present. Details of the Tier 2 Capital Instruments are outlined below.

Table 3.2(a) Tier 2 Capital Instruments of AmBank and the Basel III Gradual Phase Out Treatment

Base for Tier 2 Capital Instruments outstanding on 1 January 2013		
Instruments	**RM'000**	**Note 1**
Medium Term Notes ("MTN") - Tranche 1	200,000	(a)
MTN – Tranche 2	165,000	(b)
MTN – Tranche 3	75,000	(c)
MTN – Tranche 4	45,000	(d)
MTN – Tranche 5	75,000	(e)
MTN – Tranche 6	600,000	
MTN – Tranche 7	97,800	(f)
MTN – Tranche 8	710,000	(g)
Total qualifying base	**1,967,800**	

Calendar year	Cap on Tier 2 Capital Instruments that can be recognised in capital adequacy computation each year	
	Cap %	**Cap RM'000**
2013	90%	1,771,020
2014	80%	1,574,240
2015	70%	1,377,460
2016	60%	1,180,680
2017	50%	983,900
2018	40%	787,120
2019	30%	590,340
2020	20%	393,560
2021	10%	196,780
2022	0%	-

3.0 CAPITAL STRUCTURE (CONT'D.)

3.3 Tier 2 Capital (Cont'd.)

Table 3.2(a) Tier 2 Capital Instruments of AmBank and the Basel III Gradual Phase Out Treatment (Cont'd.)

Note 1 :
(a) Tranche 1 was called and cancelled on its first call date of 4 February 2013.
(b) Tranche 2 was called and cancelled on its first call date of 14 March 2013.
(c) Tranche 3 was called and early redeemed on its first call date of 16 March 2015.
(d) Tranche 4 was called and cancelled on its first call date of 28 March 2013.
(e) Tranche 5 was called and early redeemed on 28 March 2015.
(f) Tranche 7 was called and cancelled on its first call date of 10 December 2014.
(g) Tranche 8 was called and cancelled on its first call date of 16 October 2017.

Table 3.2(b) Tier 2 Capital Instruments of AmBank Islamic and the Basel III Gradual Phase Out Treatment

Base for Tier 2 Capital Instruments outstanding on 1 January 2013		
Instruments	**RM'000**	**Note 1**
Subordinated Sukuk Musharakah – Tranche 1	600,000	(a)
Subordinated Sukuk Musharakah – Tranche 2	200,000	(b)
Subordinated Sukuk Musharakah – Tranche 3	200,000	(c)
Total qualifying base	**1,000,000**	

Note 1 :
(a) Nominal value of sukuk which amounted to RM120.0 million was purchased and cancelled as at 31 March 2014. On 30 September 2016, the Bank early redeemed the remaining portion of this tranche which amounted to RM480.0 million on its first call date.
(b) Nominal value of sukuk which amounted to RM10.0 million was purchased and cancelled as at 31 March 2014. On its first call date of 31 January 2017, the Bank early redeemed the remaining portion of this tranche which amounted to RM190.0 million.
(c) Nominal value of sukuk which amounted to RM70.0 million was purchased and cancelled as at 31 March 2014. The remaining nominal value of sukuk which amounted to RM130.0 million was called and cancelled on its first call date of 26 December 2017.

Calendar year	Cap on Tier 2 Capital Instruments that can be recognised in capital adequacy computation each year	
	Cap %	**Cap RM'000**
2013	90%	900,000
2014	80%	800,000
2015	70%	700,000
2016	60%	600,000
2017	50%	500,000
2018	40%	400,000
2019	30%	300,000
2020	20%	200,000
2021	10%	100,000
2022	0%	-

3.0 CAPITAL STRUCTURE (CONT'D.)

3.3 Tier 2 Capital (Cont'd.)

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.

The salient features of the MTNs issued under this programme and outstanding as at 31 March 2018 are as follows:

Issue Date	First Call Date	Tenor	Interest Rate	Nominal value outstanding (RM Million)
9 April 2008	9 April 2018	15 years Non-Callable 10 years	6.25% per annum (step up by 0.5% per annum after its first call date).	600
Total				**600**

Basel II Subordinated Sukuk Musharakah

On 30 September 2011, AmBank Islamic implemented a Subordinated Sukuk Musharakah programme ("Sukuk Musharakah") of up to RM2.0 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.

Sukuk Musharakah issued under the Sukuk Musharakah programme was included as Tier 2 Capital under BNM's capital adequacy framework. Effective 1 January 2013, the Sukuk Musharakah qualified as Tier 2 Capital as a capital instrument eligible for gradual phase-out treatment under the transitional arrangements of the Basel III accord.

As at 31 March 2018, there is no more Sukuk Musharakah outstanding.

Basel III Subordinated Notes

On 30 December 2013, AmBank established a new Subordinated Notes programme of RM4.0 billion. The objective of the programme is to enable the issuance of Tier 2 Capital from time to time, for the purpose of enhancing 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. Securities issued under this programme qualified for recognition as Tier 2 Capital for the purpose of capital adequacy ratio computation.

The programme has a tenor 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 tenor 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.

3.0 CAPITAL STRUCTURE (CONT'D.)

3.3 Tier 2 Capital (Cont'd.)

Basel III Subordinated Notes (Cont'd.)

The salient features of the Subordinated Notes issued under this programme and outstanding as at 31 March 2018 are as follows:

Issue Date	First Call Date	Tenor	Interest Rate	Nominal value outstanding (RM Million)
30 December 2013	31 December 2018	10 years Non-Callable 5 years	5.20% per annum	400
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
Total				**1,995**

Basel III Subordinated Sukuk Murabahah

On 28 February 2014, AmBank Islamic had implemented a 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 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 BNM, and the securities issued under this programme qualified for recognition as Tier 2 Capital for the purpose of capital adequacy ratio computation.

The programme has a tenor of 30 years from the date of the first issuance under the programme. Each issuance of Tier 2 SubNotes under this programme shall have a tenor 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 salient features of the Sukuk Murabahah issued under this programme and outstanding as at 31 March 2018 are as follows:

Issue Date	First Call Date	Tenor	Interest Rate	Nominal value outstanding (RM Million)
28 February 2014	28 February 2019	10 years Non-Callable 5 years	5.07% per annum	200
25 March 2014	25 March 2019	10 years Non-Callable 5 years	5.05% per annum	150
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
Total				**1,000**

3.0 CAPITAL STRUCTURE (CONT'D.)

Table 3.3: Capital Structure

The aggregated components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group are as follows:

	31 March 2018			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group * RM'000
CET1 Capital				
Ordinary share capital	1,763,208	1,387,107	200,000	3,350,315
Retained earnings	6,700,583	1,632,472	474,802	8,744,009
Available-for-sale deficit	(23,518)	(5,492)	-	(28,879)
Foreign exchange translation reserve	52,974	-	-	51,199
Regulatory reserve	372,133	327,683	2,918	702,734
Capital reserve	-	-	-	2,815
Merger reserve	-	-	-	186,264
Cash flow hedging reserve	3,174	-	-	3,174
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(36,442)
Other intangible assets	(400,376)	(1,207)	(2,137)	(404,225)
Deferred tax assets	(66,637)	-	(4,085)	(73,182)
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)	-
CET1 Capital	**8,017,746**	**3,012,880**	**618,771**	**11,791,874**
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	694,040	-	-	694,040
Qualifying CET1, Additional Tier 1 capital Instruments held by third parties	-	-	-	2
Tier 1 Capital	8,711,786	3,012,880	618,771	12,485,916
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	1,995,000	1,000,000	-	2,995,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	600,000	-	-	600,000
Qualifying CET1, Additional Tier 1 and Tier 2 capital Instruments held by third parties	-	-	-	1
Collective allowance and regulatory reserve	734,013	305,028	3,871	1,042,898
Tier 2 Capital	3,329,013	1,305,028	3,871	4,637,899
Total Capital	**12,040,799**	**4,317,908**	**622,642**	**17,123,815**

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	65,981,322	27,390,400	1,123,584	94,039,226
Less: Credit RWA absorbed by Profit Sharing Investment Account	-	(2,988,135)	-	(2,988,135)
Total Credit RWA	65,981,322	24,402,265	1,123,584	91,051,091
Market RWA	2,861,798	277,093	105,011	3,264,601
Operational RWA	3,973,753	1,380,469	273,498	5,896,314
Large exposure risk RWA for equity holdings	373,899	-	-	373,899
Total RWA	**73,190,772**	**26,059,827**	**1,502,093**	**100,585,905**

* Group figures presented in this Report represents an aggregation of the consolidated capital position and RWA of our regulated banking subsidiaries.

3.0 CAPITAL STRUCTURE (CONT'D.)

Table 3.3: Capital Structure (Cont'd.)

The aggregated components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group are as follows:

	31 March 2017			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group * RM'000
CET1 Capital				
Ordinary share capital	1,763,208	1,187,107	200,000	3,150,315
Retained earnings	5,371,939	1,179,283	88,943	6,931,726
Available-for-sale deficit	(12,233)	(5,149)	-	(17,381)
Foreign exchange translation reserve	119,797	-	-	130,278
Statutory reserve	980,969	483,345	200,000	1,664,314
Regulatory reserve	163,820	58,430	2,800	225,050
Capital reserve	-	-	-	2,815
Merger reserve	-	-	-	186,264
Cash flow hedging reserve	3,010	-	-	3,010
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(36,442)
Other intangible assets	(406,504)	(448)	(2,513)	(411,124)
Deferred tax assets	-	-	(7,153)	(9,158)
Cash flow hedging reserve	(3,010)	-	-	(3,010)
Regulatory reserve	(163,820)	(58,430)	(2,800)	(225,050)
Investment in ordinary shares of unconsolidated financial and insurance/ takaful entities	(6,808)	-	(39,847)	-
Deduction in excess of Tier 2 capital**	-	-	(6,458)	-
CET1 Capital	**7,810,368**	**2,844,138**	**432,972**	**11,591,607**
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	867,550	-	-	867,550
Qualifying CET1, Additional Tier 1 capital Instruments held by third parties	-	-	-	2
Tier 1 Capital	8,677,918	2,844,138	432,972	12,459,159
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	900,000	850,000	-	1,750,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	983,900	130,000	-	1,113,900
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	-	-	-	1
Collective allowance and regulatory reserve	618,212	258,458	3,504	880,197
Less: Regulatory adjustments applied on Tier 2 Capital	(1,702)	-	(3,504)	-
Tier 2 Capital	2,500,410	1,238,458	-	3,744,098
Total Capital	**11,178,328**	**4,082,596**	**432,972**	**16,203,257**

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	63,094,846	27,107,178	1,015,958	90,235,160
Less: Credit RWA absorbed by Profit Sharing Investment Account	-	(1,604,369)	-	(1,604,369)
Total Credit RWA	63,094,846	25,502,809	1,015,958	88,630,791
Market RWA	2,231,439	178,976	20,158	2,445,971
Operational RWA	4,190,538	1,410,237	279,251	6,160,989
Large exposure risk RWA for equity holdings	30,573	-	-	30,573
Total RWA	**69,547,396**	**27,092,022**	**1,315,367**	**97,268,324**

* Group figures presented in this Report represents an aggregation of the consolidated capital position and RWA of our regulated banking subsidiaries.

** The portion of regulatory adjustments not deducted from Tier 2 (as the AmInvestment Bank does not have enough Tier 2 to satisfy the deduction) is deducted from the next higher level of capital as per paragraph 31.1 of the BNM's guidelines on Capital Adequacy Framework (Capital Components).

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 equity ("ROE") and is reviewed periodically throughout the financial year by both the executive management and the Board to consider any fine tuning/amendments taking into account prevailing or expected changes to the environment that the 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 aims to maintain an external rating of AA1 or better 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%, based on Advanced Internal Ratings-Based ("AIRB").
3 AmBank Group aims to maintain Available Financial Resources in excess of the capital requirements as estimated in the ICAAP.
4 AmBank Group recognizes the importance of funding its own business. It aims to maintain the following:
   a. Liquidity Coverage Ratio ("LCR") at least 10% above prevailing regulatory minimum.
   b. Stressed LCR above the regulatory requirement.
   c. Net Stable Funding Ratio ("NSFR") above the prevailling regulatory minimum (effective from 2019).
5 AmBank Group aims to maintain the following Capital Adequacy Ratios ("CARs") under normal conditions:
   CET1, Tier 1 and total capital ratio of at least 2 percentage points above regulatory minimum.
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 Interest ("PATMI").
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**.
8 AmBank Group aims to maintain RWA efficiency (Credit Risk Weighted Assets ("CRWA")/Exposure At Default ("EAD")) in the range of 50% to 60%, based on AIRB.

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 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 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, technological and emerging risks;
- essentially champions and embeds a positive risk culture across the Group to ensure that risk taking activities across the Group are aligned to the Group's risk appetite and strategies; and
- through the 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 organization.

** As per PIDM definition.

4.0 GENERAL RISK MANAGEMENT (CONT'D.)

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;
- Ensure the safety and soundness of the Group's capital position; and
- 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 the Group's Risk Appetite as set and approved by the Board.

The following key principles underpin the ICAAP:

4.1.1 The Group must 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:
- Group Risk Appetite, including the Group's target credit rating category;
- Regulatory Capital requirements;
- 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, form 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.

4.1.3 Capital Management Plan and Framework
The ICAAP must include an approved Capital Management Framework and Plan including:
- 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 must be commensurate with the level of risks in the business. Sufficient capital should be maintained to:
- Meet minimum prudential requirements in all jurisdictions in which the Group operates, also any rating agency requirements, including maintaining appropriate buffers over minimum capital levels; 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:
- The Group's capital, excluding any amount held centrally for strategic contingencies (e.g. acquisitions) should be allocated to individual business units using regulatory capital allocation principles;
- Capital allocation should be consistent with the Group's regulatory capital measurement framework and risk adjusted performance requirements; and
- The Group should only retain capital that is required to meet its economic, operational, prudential and strategic requirements. Consideration should be given to returning capital in excess of that required to shareholders.

4.0 GENERAL RISK MANAGEMENT (CONT'D.)

4.1 Internal Capital Adequacy Assessment Process (Cont'd.)

4.1.6 Material Risks
- The Group must have clearly articulated definitions of each material risk type to be included in the ICAAP; and
- Processes to identify and determine the materiality of current risk types, change to existing risk types and new risk types must be established.

4.1.7 The Board must 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.

ICAAP Framework

Requirements of the Banks	Requirements of the Regulator
Principal 1: • Banks have an ICAAP in relation to their risk profile and a strategy for maintaining capital levels	**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 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	**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	Sound Capital Assessment	Comprehensive Risk Assessment and Management Processes	Monitoring and Reporting	Internal Control and Review
• Material Risks identified • material thresholds • Group Risk Appetite • Sufficient Capital Adequacy • Targeted Financial Performance • Planned Asset Growth & Strategic business objectives • Policy/Frameworks	• Identification, Measurement and Reporting of Material Risks • Stressed Plans • Compliance with minimum regulatory standards • Clear linkage between risks and capital • Capital Plan	• 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	• Level and Trend of Material Risks • Sensitivity Analysis of key assumptions • Regulatory Reporting to Board and Senior Management	• Independent reviews of ICAAP (internal and external audit) • Ongoing compliance monitoring • Stress Testing • Documented processes/frameworks

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, • Whosale pricing • Collateral and tailored facility structures
Monitoring/Review	• Monitor and report portfolio mix • Review customers under Classified Account • Review customers under Rescheduled and Restructured Account • Undertake post mortem credit review

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending/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 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.

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

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. 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);
- Classified Account processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers;
- Rescheduled and Restructured ("R&R") Account Management sets out the controls in managing R&R loans/financing pursuant to the BNM's revised policy on Classification and Impairment Provisions for Loans/Financing; and
- Setting guidelines on Wholesale Pricing which serve as a guide 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, 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.

5.1 Impairment

5.1.1 Definition of Past Due and Impaired Loans, Advances and Financing

All loans, advances and financing are categorised as either:

- Neither past due nor impaired;
- Past due but not impaired; or
- Impaired

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

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

5.1 Impairment (Cont'd.)

5.1.1 Definition of Past Due and Impaired Loans, Advances and Financing (Cont'd.)

A loan is classified as impaired under the following circumstances:

(a) when the principal or interest or both is past due[1] or the amount outstanding is in excess of approved limit (for revolving facilities), each for more than 90 days or 3 months on any material obligation[2]; or

(b) for loans/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 borrower triggers a default of another loan/financing obligation of the same borrower or
    - a default of a loan/financing obligation of a borrower triggers a default of a loan/financing obligation of other borrowers within the same borrower 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").

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

5.1 Impairment (Cont'd.)

5.1.2 Methodology for Determination of Individual and Collective Allowances

An assessment is performed to determine whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant or not individually impaired.

Individual Assessment

Individual assessment is divided into 2 main processes – detection of an event(s) and an assessment of impairment:

(a) Trigger management

In trigger management, financial assets which are above the pre-set individual assessment threshold are assessed using the relevant impairment triggers for objective evidence of impairment.

(b) Valuation of assets

Financial assets which are triggered by the impairment triggers will be measured for evidence of high likelihood of impairment i.e. estimated recoveries (based on the discounted cash flow projection method and taking into account economic conditions) is less than carrying value or fair value is less than the carrying value.

Collective Assessment

Loans/financing and advances, and commitments and contingencies below the significant threshold and those not assessed to be individually impaired, will be subject to collective assessment and a collective allowance will be computed accordingly. The collective impairment assessment and provisioning methodology uses historical loss data to derive the level of provisions. The collective provisions are computed after making the necessary adjustments to reflect current economic conditions.

With effect from 31 December 2015, the Group is required to maintain, in aggregate, collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/ financing[5] net of individual impairment.

[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.

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

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.1: Distribution of gross credit exposures by sector

The aggregated distribution of credit exposures by sector of AMMB Banking Group is as follows:

	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	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	-	-	-	-	-	-	-	3,003	5,015,560	-	-	285,847	-	-	5,304,410
PSEs	-	-	-	-	-	-	-	-	-	-	123	40,679	-	-	40,802
Banks, DFIs and MDBs	-	-	-	-	-	-	-	6,970,934	-	-	-	-	-	-	6,970,934
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	9,775	-	-	-	-	-	-	9,775
Corporates	3,321,999	2,749,685	9,983,058	1,425,415	6,332,719	5,517,113	2,951,188	7,356,138	-	8,574,959	1,471,551	2,993,221	1,589,292	247,794	54,514,132
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	320,145	339,655
Other assets	-	22	-	-	-	-	-	110,566	-	-	58,891	-	43,261	1,981,513	2,194,253
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	10,260,390	1,433,269	6,469,172	5,801,441	3,061,025	14,475,074	5,015,560	9,113,438	1,648,830	3,444,735	53,631,656	2,579,058	123,130,020
Off balance sheet exposures															
OTC derivatives	15,539	200,580	135,598	-	1,487	12,858	64,914	1,885,886	-	6,286	8,928	59,384	8,575	329	2,400,364
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	342,813	-	945,251	335,336	243,801	2,840,592	5,592	12,746,854
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	2,228,713	-	965,532	344,662	303,185	2,861,239	6,002	15,180,852
Total on and off balance sheet exposures	3,639,067	3,654,239	12,497,486	1,739,477	9,734,135	6,788,187	3,640,597	16,703,787	5,015,560	10,078,970	1,993,492	3,747,920	56,492,895	2,585,060	138,310,872

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.1: Distribution of gross credit exposures by sector (Cont'd.)

The aggregated distribution of credit exposures by sector of AMMB Banking Group is as follows:

	31 MARCH 2017														
	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	-	-	-	-	-	-	-	-	7,787,641	-	-	29,543	-	-	7,817,184
PSEs	-	-	-	-	-	262	-	40,539	-	-	14	806	-	-	41,621
Banks, DFIs and MDBs	-	-	-	-	-	-	-	7,750,663	-	-	-	-	-	-	7,750,663
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	-	73	-	-	-	-	-	-	73
Corporates	3,915,683	3,100,376	9,314,332	750,423	6,657,359	5,168,231	3,616,714	7,031,169	-	8,023,222	1,182,047	3,100,969	1,652,987	87,075	53,600,587
Regulatory retail	19,887	7,599	130,817	4,504	85,512	192,545	35,005	3,599	-	68,916	73,668	95,826	31,924,078	8,457	32,650,413
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	14,569,271	-	14,569,271
Higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	20,438	100,284	120,722
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	414,572	2,569,088	2,983,660
Securitisation exposures	-	-	-	-	-	-	-	30,995	-	22,100	-	-	-	-	53,095
Equity exposures	-	-	8	-	-	-	-	435	-	-	-	-	-	133	576
Defaulted exposures	595	123,870	32,005	2,423	24,718	31,616	8,146	1	-	545,125	5,740	7,345	493,021	519	1,275,124
Total for on balance sheet exposures	3,936,165	3,231,845	9,477,162	757,350	6,767,589	5,392,654	3,659,865	14,857,474	7,787,641	8,659,363	1,261,469	3,234,489	49,074,367	2,765,556	120,862,989
Off balance sheet exposures															
OTC derivatives	8,295	335,638	103,605	-	8	9,417	54,040	3,484,094	-	8,337	3,522	158	-	7	4,007,121
Credit derivatives	-	-	-	-	-	-	-	14	-	-	-	-	-	-	14
Off balance sheet exposures other than OTC derivatives or Credit derivatives	362,489	397,878	2,055,838	311,919	2,812,252	1,040,575	491,588	438,760	-	1,191,125	251,929	333,058	2,424,100	6,046	12,117,557
Defaulted exposures	-	255	506	-	273	496	227	-	-	7,039	880	-	11,195	81	20,952
Total for off balance sheet exposures	370,784	733,771	2,159,949	311,919	2,812,533	1,050,488	545,855	3,922,868	-	1,206,501	256,331	333,216	2,435,295	6,134	16,145,644
Total on and off balance sheet exposures	4,306,949	3,965,616	11,637,111	1,069,269	9,580,122	6,443,142	4,205,720	18,780,342	7,787,641	9,865,864	1,517,800	3,567,705	51,509,662	2,771,690	137,008,633

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 aggregated amounts of 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 AMMB Banking Group is as follows:

	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	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	647,233	2,366	-	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	-	-	-	-	-	-	-	-	-	-	-	-	-	734,778	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

	31 MARCH 2017														
	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	842	153,931	94,910	7,963	16,349	46,449	9,869	1	707,073	10,051	8,562	629,037	4,289	-	1,689,326
Past due loans/financing	11,193	163,091	175,734	2,596	38,323	79,052	49,185	2,561	86,478	44,855	20,218	9,525,119	27,178	-	10,225,583
Individual allowance	-	30,072	54,166	5,440	3,786	602	719	-	153,941	3,257	-	7,014	-	-	258,997
Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	861,780	861,780
Charges/(writeback) for individual allowance	-	42,780	41,837	(241)	(6,453)	3,912	3,952	-	160,274	644	-	5,280	66	-	252,051
Write-offs against individual allowance and other movements	-	25,201	136,105	4,335	1,183	6,599	16,214	-	112,908	2,738	-	4,572	468	-	310,323

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.3: Geographical distribution of credit exposures

The aggregated geographic distribution of credit exposures of AMMB Banking Group is as follows:

	31 MARCH 2018		
	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
PSEs	40,802	-	40,802
Banks, DFIs and MDBs	5,749,435	1,221,499	6,970,934
Insurance companies, Securities firms and Fund managers	9,775	-	9,775
Corporates	52,356,932	2,157,200	54,514,132
Regulatory retail	35,600,800	-	35,600,800
Residential mortgages	16,882,162	-	16,882,162
Higher risk assets	339,614	41	339,655
Other assets	2,077,117	117,136	2,194,253
Securitisation exposures	42,970	-	42,970
Equity exposures	104	-	104
Defaulted exposures	1,147,070	82,953	1,230,023
Total for on balance sheet exposures	119,483,138	3,646,882	123,130,020
Off balance sheet exposures			
OTC derivatives	2,191,507	208,857	2,400,364
Credit derivatives	-	14	14
Off balance sheet exposures other than OTC derivatives or Credit derivatives	12,250,384	496,470	12,746,854
Defaulted exposures	32,994	626	33,620
Total for off balance sheet exposures	14,474,885	705,967	15,180,852
Total on and off balance sheet exposures	**133,958,023**	**4,352,849**	**138,310,872**

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.3: Geographical distribution of credit exposures (Cont'd.)

The aggregated geographic distribution of credit exposures of AMMB Banking Group is as follows: (Cont'd.)

	31 MARCH 2017		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On balance sheet exposures			
Sovereigns/Central banks	7,808,296	8,888	7,817,184
Public Sector Entities	41,621	-	41,621
Banks, DFIs and MDBs	6,828,126	922,537	7,750,663
Insurance companies, Securities firms and Fund managers	73	-	73
Corporates	51,400,893	2,199,694	53,600,587
Regulatory retail	32,650,413	-	32,650,413
Residential mortgages	14,569,271	-	14,569,271
Higher risk assets	120,671	51	120,722
Other assets	2,895,112	88,548	2,983,660
Securitisation exposures	53,095	-	53,095
Equity exposures	576	-	576
Defaulted exposures	1,193,630	81,494	1,275,124
Total for on balance sheet exposures	117,561,777	3,301,212	120,862,989
Off balance sheet exposures			
OTC derivatives	4,003,222	3,899	4,007,121
Credit derivatives	14	-	14
Off balance sheet exposures other than OTC derivatives or Credit derivatives	11,450,243	667,314	12,117,557
Defaulted exposures	20,952	-	20,952
Total for off balance sheet exposures	15,474,431	671,213	16,145,644
Total on and off balance sheet exposures	**133,036,208**	**3,972,425**	**137,008,633**

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.4: Geographical distribution of impaired and past due loans, advances and financing, individual and collective allowances

The aggregated amounts of impaired and past due loans, advances and financing, individual and collective allowances by geographic distribution of AMMB Banking Group is as follows:

	31 MARCH 2018		
	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

	31 MARCH 2017		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances and financing	1,607,832	81,494	1,689,326
Past due loans/financing	10,136,686	88,897	10,225,583
Individual allowance	258,988	9	258,997
Collective allowance	855,717	6,063	861,780

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.5: Residual contractual maturity by major types of credit exposure

The aggregated residual contractual maturity by major types of gross credit exposures of AMMB Banking Group is as follows:

	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 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	4,516,987	1,543,500	249,135	-	178,391	54,610	180,472	247,839	6,970,934
Insurance companies, Securities firms and Fund managers	-	-	3,082	-	-	-	6,693	-	9,775
Corporates	16,216,877	4,406,381	2,090,691	2,147,135	8,646,298	5,016,738	15,990,012	-	54,514,132
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	320,145	339,655
Other assets	1,192,468	327	504	1,057	18,349	-	-	981,548	2,194,253
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	24,024,088	6,005,787	2,480,437	2,572,417	12,251,118	12,619,256	61,627,288	1,549,629	123,130,020
Off balance sheet exposures	70,432	90,737	62,982	218,044	171,271	255,048	1,531,850	-	2,400,364
OTC derivatives	-	-	-	-	-	14	-	-	14
Credit derivatives	1,575,895	747,974	775,625	1,864,446	1,949,375	1,094,213	4,739,326	-	12,746,854
Off balance sheet exposures other than OTC derivatives or Credit derivatives	2,036	983	7,903	2,222	5,373	1,882	13,221	-	33,620
Total for off balance sheet exposures	1,648,363	839,694	846,510	2,084,712	2,126,019	1,351,157	6,284,397	-	15,180,852
Total on and off balance sheet exposures	25,672,451	6,845,481	3,326,947	4,657,129	14,377,137	13,970,413	67,911,685	1,549,629	138,310,872

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.5: Residual contractual maturity by major types of credit exposure (Cont'd.)

The aggregated residual contractual maturity by major types of gross credit exposures of AMMB Banking Group is as follows: (Cont'd.)

	31 March 2017								
	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 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	3,548,583	-	29,543	-	215,164	264,625	3,759,269	-	7,817,184
PSEs	-	14	14	154	41,149	28	262	-	41,621
Banks, DFIs and MDBs	5,245,044	1,953,477	150,691	71,347	187,290	-	142,814	-	7,750,663
Insurance companies, Securities firms and Fund managers	-	-	-	-	-	-	73	-	73
Corporates	15,442,959	4,096,140	3,654,201	1,394,826	6,321,358	6,553,914	16,137,189	-	53,600,587
Regulatory retail	108,029	32,201	92,942	260,058	2,951,858	7,339,761	21,865,564	-	32,650,413
Residential mortgages	430	334	986	4,333	54,390	138,524	14,370,274	-	14,569,271
Higher risk assets	30	-	70	14	521	822	18,980	100,285	120,722
Other assets	1,214,888	3,920	34,883	218,411	20,372	-	-	1,491,186	2,983,660
Securitisation exposures	39	-	-	-	-	-	53,056	-	53,095
Equity exposures	435	-	-	-	-	-	8	133	576
Defaulted exposures	569,358	20,230	4,966	10,604	148,527	86,269	435,170	-	1,275,124
Total for on balance sheet exposures	26,129,795	6,106,316	3,968,296	1,959,747	9,940,629	14,383,943	56,782,659	1,591,604	120,862,989
Off balance sheet exposures	210,060	368,177	185,765	311,471	251,422	1,063,986	1,616,240	-	4,007,121
OTC derivatives	-	-	-	-	-	14	-	-	14
Credit derivatives	1,109,893	861,104	611,288	1,954,530	2,001,065	1,112,689	4,466,988	-	12,117,557
Off balance sheet exposures other than OTC derivatives or Credit derivatives	1,187	1,509	386	2,716	2,240	3,903	9,011	-	20,952
Total for off balance sheet exposures	1,321,140	1,230,790	797,439	2,268,717	2,254,727	2,180,592	6,092,239	-	16,145,644
Total on and off balance sheet exposures	27,450,935	7,337,106	4,765,735	4,228,464	12,195,356	16,564,535	62,874,898	1,591,604	137,008,633

5.0 CREDIT RISK MANAGEMENT (CONT'D.)

Table 5.6: Reconciliation of changes to loans/financing impairment allowances

The reconciliation of changes to aggregated loan/financing impairment allowances of AMMB Banking Group is as follows:

	31 MARCH 2018	
	Individual impairment allowance RM'000	Collective impairment allowance RM'000
Balance at beginning of the financial year	258,997	861,780
Charge for the financial year – net	105,151	345,200
Amount written-off	(148,170)	(470,347)
Foreign exchange differences	(7,496)	(1,855)
Balance at end of the financial year*	208,482	734,778

	(Charge off)/ recoveries RM'000
Bad debts written off during the financial year	(118,242)
Bad debt recoveries during the financial year	569,675

	31 MARCH 2017	
	Individual impairment allowance RM'000	Collective impairment allowance RM'000
Balance at beginning of the financial year	317,269	1,061,513
Charge for the financial year – net	252,052	256,261
Amount written-off	(312,026)	(458,250)
Foreign exchange differences	1,702	2,256
Balance at end of the financial year*	258,997	861,780

	(Charge off)/ recoveries RM'000
Bad debts written off during the financial year	(104,963)
Bad debt recoveries during the financial year	786,619

* During the current financial year, AmBank Islamic entered into two new PSIA contracts which amounted to a total sum of RM1,387.0 million with AmBank. As at 31 March 2018, the gross exposure (including profit receivable) relating to the PSIA financing financed by AmBank amounted to RM2,869.6 million (2017:1,604.4 million). Collective allowance which amounted to RM2.7 million (2017: RM2.3 million) is taken up by AmBank.

There was no individual allowance provided for the PSIA financing as at 31 March 2018 and 31 March 2017.

6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH

Depending on the exposure class, the ratings by the following External Credit Assessment Institutions ("ECAIs") are used by the Group:

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

Internal credit rating grades assigned to corporate and retail lending business are currently aligned to 8 rating categories (seven for non-defaulted and one for those that have defaulted) in accordance with the Capital Adequacy Framework (Basel II – Risk-Weighted Assets). The ECAIs mapping is based on 1 year average cumulative default rates as per the latest available corporate default studies undertaken by Fitch, Standard & Poor's, Moody's, RAM and MARC; and is incorporated in the Credit Risk Rating Policy.

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 AMMB Banking Group is as follows:

	31 MARCH 2018 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	-	4,569,973	-	-	-	334,306	-	-	10,233,560	-
20%	19,532	40,802	7,976,278	-	4,692,276	154,578	-	-	26,415	42,808	-	12,952,689	2,590,538
35%	-	-	-	-	-	-	13,908,050	-	-	-	-	13,908,050	4,867,817
50%	-	-	579,510	-	330,708	26,563	3,126,426	-	-	-	-	4,063,207	2,031,604
75%	-	-	-	-	-	31,481,241	-	-	-	-	-	31,481,241	23,610,931
100%	-	-	-	38,455	51,493,606	5,748,033	66,278	-	1,833,531	-	104	59,180,007	59,180,007
150%	-	-	-	-	685,108	127,505	-	358,253	-	-	-	1,170,866	1,756,300
1250%	-	-	-	-	-	-	-	-	-	162	-	162	2,029
Total	5,323,942	40,802	8,580,659	38,455	61,771,671	37,537,920	17,100,754	358,253	2,194,252	42,970	104	132,989,782	94,039,226

	31 MARCH 2017 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%	7,798,912	-	24,856	-	4,989,524	-	-	-	470,360	-	-	13,283,652	-
20%	13,306	41,621	8,436,951	-	4,827,125	43,407	-	-	21,336	52,958	-	13,436,704	2,687,341
35%	-	-	-	-	-	-	12,681,694	-	-	-	-	12,681,694	4,438,593
50%	8,888	-	2,499,394	-	1,460,450	26,775	2,029,702	-	-	-	-	6,025,209	3,012,603
75%	-	-	-	-	-	30,834,619	-	-	-	-	-	30,834,619	23,125,965
100%	-	-	-	30,259	49,206,193	3,848,924	66,916	-	2,491,964	-	576	55,644,832	55,644,832
150%	-	-	-	-	627,367	116,231	-	139,143	-	-	-	882,741	1,324,114
1250%	-	-	-	-	-	-	-	-	-	137	-	137	1,712
Total	7,821,106	41,621	10,961,201	30,259	61,110,659	34,869,956	14,778,312	139,143	2,983,660	53,095	576	132,789,588	90,235,160

6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH (CONT'D.)

Table 6.2: Rated Exposures according to Ratings by ECAIs

	31 MARCH 2018 Ratings of Corporate by Approved ECAIs					
Exposure class	Moodys S&P Fitch RAM MARC RM'000	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A to A3 A+ to A- RM'000	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB- RM'000	B1 to C B+ to D B+ to D B1 to D B+ to D RM'000	Unrated Unrated Unrated Unrated Unrated 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	38,455	-	-	-	-	38,455
Corporates	65,873,125	3,383,447	1,085,839	-	-	61,403,839
Total	**65,952,482**	**3,423,930**	**1,085,839**	**-**	**-**	**61,442,713**

	31 MARCH 2017 Ratings of Corporate by Approved ECAIs					
Exposure class	Moodys S&P Fitch RAM MARC RM'000	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A to A3 A+ to A- RM'000	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB- RM'000	B1 to C B+ to D B+ to D B1 to D B+ to D RM'000	Unrated Unrated Unrated Unrated Unrated 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)	42,121	40,539	96	-	-	1,486
Insurance companies, Securities firms and Fund managers	30,259	-	-	-	-	30,259
Corporates	65,040,492	3,092,990	2,629,744	-	-	59,317,758
Total	**65,112,872**	**3,133,529**	**2,629,840**	**-**	**-**	**59,349,503**

6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH (CONT'D.)

Table 6.2: Rated Exposures according to Ratings by ECAIs (Cont'd.)

	31 MARCH 2018 Ratings of Sovereigns and Central Banks by Approved ECAIs					
Exposure class	**Moodys S&P Fitch RM'000**	**Aaa to Aa3 AAA to AA- AAA to AA- RM'000**	**A1 to A3 A+ to A- A+ to A- RM'000**	**Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- RM'000**	**Ba1 to B3 BB+ to B- BB+ to B- RM'000**	**Unrated Unrated Unrated 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**	**-**	**-**	**-**

	31 MARCH 2017 Ratings of Sovereigns and Central Banks by Approved ECAIs					
Exposure class	**Moodys S&P Fitch RM'000**	**Aaa to Aa3 AAA to AA- AAA to AA- RM'000**	**A1 to A3 A+ to A- A+ to A- RM'000**	**Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- RM'000**	**Ba1 to B3 BB+ to B- BB+ to B- RM'000**	**Unrated Unrated Unrated RM'000**
On and off balance sheet exposures						
Sovereigns and Central banks	7,830,490	-	7,821,602	8,888	-	-
Total	**7,830,490**	**-**	**7,821,602**	**8,888**	**-**	**-**

	31 MARCH 2018 Ratings of Banking Institutions by Approved ECAIs					
Exposure class	**Moodys S&P Fitch RAM MARC RM'000**	**Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- RM'000**	**A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A- RM'000**	**Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB- RM'000**	**Ba1 to B3 BB+ to B- BB+ to B- BB1 to B3 BB+ to B- RM'000**	**Unrated Unrated Unrated Unrated Unrated RM'000**
On and off balance sheet exposures						
Banks, DFIs and MDBs	8,779,275	2,837,798	1,868,167	1,001,092	230	3,071,988
Total	**8,779,275**	**2,837,798**	**1,868,167**	**1,001,092**	**230**	**3,071,988**

	31 MARCH 2017 Ratings of Banking Institutions by Approved ECAIs					
Exposure class	**Moodys S&P Fitch RAM MARC RM'000**	**Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- RM'000**	**A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A- RM'000**	**Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB- RM'000**	**Ba1 to B3 BB+ to B- BB+ to B- BB1 to B3 BB+ to B- RM'000**	**Unrated Unrated Unrated Unrated Unrated RM'000**
On and off balance sheet exposures						
Banks, DFIs and MDBs	10,961,201	3,243,448	2,351,183	637,064	413	4,729,093
Total	**10,961,201**	**3,243,448**	**2,351,183**	**637,064**	**413**	**4,729,093**

6.0 CREDIT RISK EXPOSURE UNDER STANDARDISED APPROACH (CONT'D.)

Table 6.3: Securitisation according to Ratings by ECAIs

	31 MARCH 2018 Ratings of Securitisation by Approved ECAIs			
Exposure class	**Moodys S&P Fitch RAM MARC RM'000**	**Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- RM'000**	**A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A- RM'000**	**Unrated Unrated Unrated Unrated Unrated RM'000**
On and off balance sheet exposures				
Securitisation exposures	42,970	42,808	-	162
Total	**42,970**	**42,808**	**-**	**162**

	31 MARCH 2017 Ratings of Securitisation by Approved ECAIs			
Exposure class	**Moodys S&P Fitch RAM MARC RM'000**	**Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- RM'000**	**A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A- RM'000**	**Unrated Unrated Unrated Unrated Unrated RM'000**
On and off balance sheet exposures				
Securitisation exposures	53,095	52,958	-	137
Total	**53,095**	**52,958**	**-**	**137**

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

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, this is not supported by collateral.

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

7.0 CREDIT RISK MITIGATION (CONT'D.)

Main types of collateral taken by the Group (Cont'd.)

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, motor vehicles and exchange traded shares.

7.0 CREDIT RISK MITIGATION (CONT'D.)

Table 7.1: Credit Risk Mitigation

The aggregated exposures and eligible guarantees, credit derivatives and collateral of the AMMB Banking Group are as follows:

	31 MARCH 2018		
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	6,970,934	-	-
Insurance companies, Securities firms and Fund managers	9,775	-	-
Corporates	54,514,132	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	339,655	-	118
Other assets	2,194,253	-	-
Securitisation exposures	42,970	-	-
Equity exposures	104	-	-
Defaulted exposures	1,230,023	11,798	202,410
Total for on balance sheet exposures	123,130,020	1,210,505	5,626,050
Off balance sheet exposures			
OTC derivatives	2,400,364	-	718,631
Credit derivatives	14	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	12,746,854	220,328	2,856,571
Defaulted exposures	33,620	-	11,984
Total for off balance sheet exposures	15,180,852	220,328	3,587,186
Total on and off balance sheet exposures	**138,310,872**	**1,430,833**	**9,213,236**

7.0 CREDIT RISK MITIGATION (CONT'D.)

Table 7.1: Credit Risk Mitigation (Cont'd.)

The aggregated exposures and eligible guarantees, credit derivatives and collateral of the AMMB Banking Group are as follows: (Cont'd.)

	31 MARCH 2017		
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	7,817,184	-	-
PSEs	41,621	-	-
Banks, DFIs and MDBs	7,750,663	-	-
Insurance companies, Securities firms and Fund managers	73	-	-
Corporates	53,600,587	907,760	4,345,823
Regulatory retail	32,650,413	42,680	292,438
Residential mortgages	14,569,271	-	99,065
Higher risk assets	120,722	-	128
Other assets	2,983,660	-	-
Securitisation exposures	53,095	-	-
Equity exposures	576	-	-
Defaulted exposures	1,275,124	1,131	228,297
Total for on balance sheet exposures	120,862,989	951,571	4,965,751
Off balance sheet exposures			
OTC derivatives	4,007,121	-	-
Credit derivatives	14	-	-
Off balance sheet exposures other than OTC derivatives or Credit derivatives	12,117,557	1,873	2,646,298
Defaulted exposures	20,952	-	3,111
Total for off balance sheet exposures	16,145,644	1,873	2,649,409
Total on and off balance sheet exposures	**137,008,633**	**953,444**	**7,615,160**

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) Derivatives 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.

8.0 OFF BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK (CONT'D.)

Table 8.1: Off Balance Sheet Exposures

The aggregated off balance sheet exposures and counterparty credit risk of the AMMB Banking Group is as follows:

	31 MARCH 2018			
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	2,159,347		2,302,230	1,803,251
Transaction related contingent Items	5,854,587		2,855,850	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	46,477,103	542,379	226,909	156,185
Over one year to five years	1,832,176	159,830	167,246	86,617
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	1,460,763	14,902	44,226	16,647
Over five years	1,139,677	11,423	56,874	11,375
Equity and commodity related contracts				
One year or less	797,179	30,633	85,134	45,147
Over one year to five years	418,626	1,940	47,805	32,114
Credit Derivative Contracts				
Over one year to five years	334,505	6,537	14	7
Over five years	-	-	-	-
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	56,548,649	291,104	1,581,998	620,035
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	18,710,982		4,378,736	2,871,944
Unutilised credit card lines	5,208,130		1,041,625	776,986
Total	**147,504,330**	**1,221,461**	**15,180,852**	**10,581,112**

8.0 OFF BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK (CONT'D.)

Table 8.1: Off Balance Sheet Exposures (Cont'd.)

The aggregated off balance sheet exposures and counterparty credit risk of the AMMB Banking Group is as follows: (Cont'd.)

	31 MARCH 2017			
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	2,052,065		2,307,265	1,851,606
Transaction related contingent Items	5,914,536		2,829,668	2,163,653
Short Term Self Liquidating trade related contingencies	835,140		167,028	151,681
Forward Asset Purchases	680,643		28,509	9,351
Obligations under on-going underwriting agreements	150,000		-	-
Foreign exchange related contracts				
One year or less	48,067,817	492,522	1,021,607	592,048
Over one year to five years	2,525,097	65,376	357,703	211,231
Over five years	2,140,212	395,785	783,247	456,220
Interest/Profit rate related contracts				
One year or less	9,810,942	6,210	38,691	16,611
Over one year to five years	31,205,847	134,572	952,697	387,114
Over five years	10,148,780	106,390	832,991	389,179
Equity and commodity related contracts				
One year or less	229,628	2,417	15,177	15,177
Over one year to five years	83,396	4	5,008	2,504
Credit Derivative Contracts				
Over one year to five years	361,251	11,237	14	7
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	3,925,299		1,962,649	1,603,802
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	17,383,700		4,130,891	2,884,890
Unutilised credit card lines	3,562,496		712,499	530,911
Total	**139,076,849**	**1,214,513**	**16,145,644**	**11,265,985**

Table 8.2: Credit Derivatives Counterparty Credit Risk ("CCR")

Credit derivatives that create exposures to counterparty credit risk are as follows:

		31 MARCH 2018		31 MARCH 2017	
		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	184,505	150,000	211,251	150,000

* Out of the total notional exposure for protection bought as at 31 March 2018, RM150,000,000 (2017: 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.

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.

9.0 SECURITISATION (CONT'D.)

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.

Table 9.1: Securitisation (Trading and Banking Book)

The aggregated securitised exposures of AMMB Banking Group is as follows:

	31 MARCH 2018			
	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**	**-**

	31 MARCH 2017			
	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	134,116	-	62,161	-
Mortgage loans	877,968	-	871,632	-
Total Traditional Securitisation	1,012,084	-	933,793	-
Total Synthetic Securitisation	-	-	-	-
Total Traditional and Synthetic Securitisation	**1,012,084**	**-**	**933,793**	**-**

9.0 SECURITISATION (CONT'D.)

Table 9.2: Securitisation under the Standardised Approach for Banking Book Exposures

	31 MARCH 2018						
				Distribution of Exposures after CRM according to Appplicable Risk Weights			
				Rated Securitisation Exposures or Risk weights of Guarantees/Credit Derivatives			
Securitisation Exposures by Exposure Type	**Exposure Value of Positions Purchased or Retained RM'000**	**Exposure after CRM RM'000**	**Exposures subject to deduction RM'000**	**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

	31 MARCH 2017						
				Distribution of Exposures after CRM according to Appplicable Risk Weights			
				Rated Securitisation Exposures or Risk weights of Guarantees/Credit Derivatives			
Securitisation Exposures by Exposure Type	**Exposure Value of Positions Purchased or Retained RM'000**	**Exposure after CRM RM'000**	**Exposures subject to deduction RM'000**	**20% RM'000**	**50% RM'000**	**1250% RM'000**	**Risk Weighted Assets RM'000**
Traditional Securitisation Originated by Third Party							
On Balance Sheet Exposures	52,958	52,958	-	52,958	-	-	10,591
Originated by the Group							
On Balance Sheet Exposures	137	137	-	-	-	137	1,712
Total Traditional Securitisation	53,095	53,095	-	52,958	-	137	12,303

There are no securitisation exposure under trading book for 2018 and 2017.

10.0 OPERATIONAL RISK

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 • 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 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.

10.0 OPERATIONAL RISK (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.
- The RCSA, KRIs and KCTs are then validated by the Operational Risk Assurance team, which is an independent unit within Group Operational Risk.
- Scenario analysis is a forward looking assessment tool to assess the severity impact on the Bank's profitability and capital adequacy should the plausible and worse case scenarios materialise.

The IT Risk Governance team within Group Operational Risk facilitates in identifying technology (including cyber) risks internally and externally, and in developing effective controls to mitigate these risks.

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 forms an integral part of Operational Risk Management. It places the importance of maintaining a BCM framework and policies to identify events that could potentially threaten the Group's operations and establishment of critical functions recovery against downtimes. BCM builds the resilience and recovery capability to safeguard the interest of 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 the Group has the required critical capabilities and resources, such as IT system disaster recovery, alternate workspace and effective communication during interruptions.

The Group is continuously reviewing the level of business operations resiliency and conduct periodical testing to enhance the BCM capability throughout all critical departments and branches across the region. Training is an on-going agenda to heighten the BCM awareness and inculcate a business resilience culture.

10.0 OPERATIONAL RISK (CONT'D.)

10.2 Cyber Risks Management

Cyber threat is an emerging risk as the migration to the electronic platform intensifies, in part driven by the green agenda. 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 FY18, the Group has acknowledged the importance of cyber security and resiliency and therefore, has broadened its operational risk management capabilities to encompass cyber risk management.

10.3 Legal Risk

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

Legal risk is overseen by Group Management Risk Committee ("GMRC"), 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 (Board) and Senior Management lead by example.

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

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").

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.

11.0 MARKET RISK MANAGEMENT (CONT'D.)

11.1 Traded Market Risk ("TMR") (Cont'd.)

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. Business Units are required to provide an action plan to address any non-adherence to limits. The action plan must be approved by Senior Management.

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

IBMR is committed to on-going improvements in market risk processes and systems, and allocates substantial resources to this endeavour.

11.2 Non-Traded Market Risk

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 • VaR • Earnings-at-Risk ("EaR")
Control/Mitigation	• PV01 Limits • VaR 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.

11.0 MARKET RISK MANAGEMENT (CONT'D.)

11.2 Non-Traded Market Risk (Cont'd.)

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

The Group complements VaR by stress testing IRR/RORBB exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Key assumptions in the gap and sensitivity analysis relate to the behaviour of interest/profit rates and spreads, changes in loan/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 banking book policy statements, 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 aggregated IRR/ RORBB sensitivity for AMMB Banking Group is as follows:

	31 MARCH 2018	
	Interest Rate/ Rate of Return +100 bps RM'000	Interest Rate/ Rate of Return -100 bps RM'000
Impact on Profit Before Taxation	153,712	(153,712)
Impact on Equity	(404,433)	456,632

	31 MARCH 2017	
	Interest Rate/ Rate of Return +100 bps RM'000	Interest Rate/ Rate of Return -100 bps RM'000
Impact on Profit Before Taxation	99,629	(99,629)
Impact on Equity	(560,779)	627,654

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 follows:

- 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.
- Equity investments on which capital gains are expected – These transactions are for proprietary trading.
- Equity investments made as the result of a work out of a problem exposure – From time to time, the Group will take an equity stake in a customer as part of a work out arrangement for problem exposures. These investments are made only where there is no other viable option available and form an immaterial part of the Group's equity exposures.

12.1 Valuation for and accounting of equity investments in the banking book

Measurement of equity securities – Equity securities that have a quoted market price are carried at their fair value. Investments in unlisted securities are measured at cost less impairment loss (if any).

Where the investment is held for long term strategic purposes, these investments are accounted for as available-for-sale, with changes in fair value being recognised in equity.

Table 12.1: Equity investments and capital requirement

An analysis of equity investments by appropriate equity groupings and risk weighted assets of AMMB Banking Group is as follows:

	31 MARCH 2018	31 MARCH 2017
	RM'000	RM'000
Non traded equity investments		
Value of quoted (publicly traded) equities	110,231	149,246
Value of unquoted (privately held) equities	319,152	99,281
Total	**429,383**	**248,527**
Net realised and unrealised gains/(losses)		
Cumulative realised gains from sales and liquidations	228,120	5,538
Total unrealised losses	(8,729)	5,606
Total	**219,391**	**11,144**
Risk Weighted Assets		
Equity investments subject to a 100% risk weight	110,198	149,202
Equity investments subject to a 150% risk weight	478,779	148,988
Total	**588,977**	**298,190**
Total minimum capital requirement (8%)	**47,118**	**23,855**

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 Bank's liquidity management while the GALCO and/or GMRC is management committee established by the Board to oversee the overall liquidity management of the Bank. IBMR jointly with Global Treasury and Markets ("GTM") and Capital 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 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.

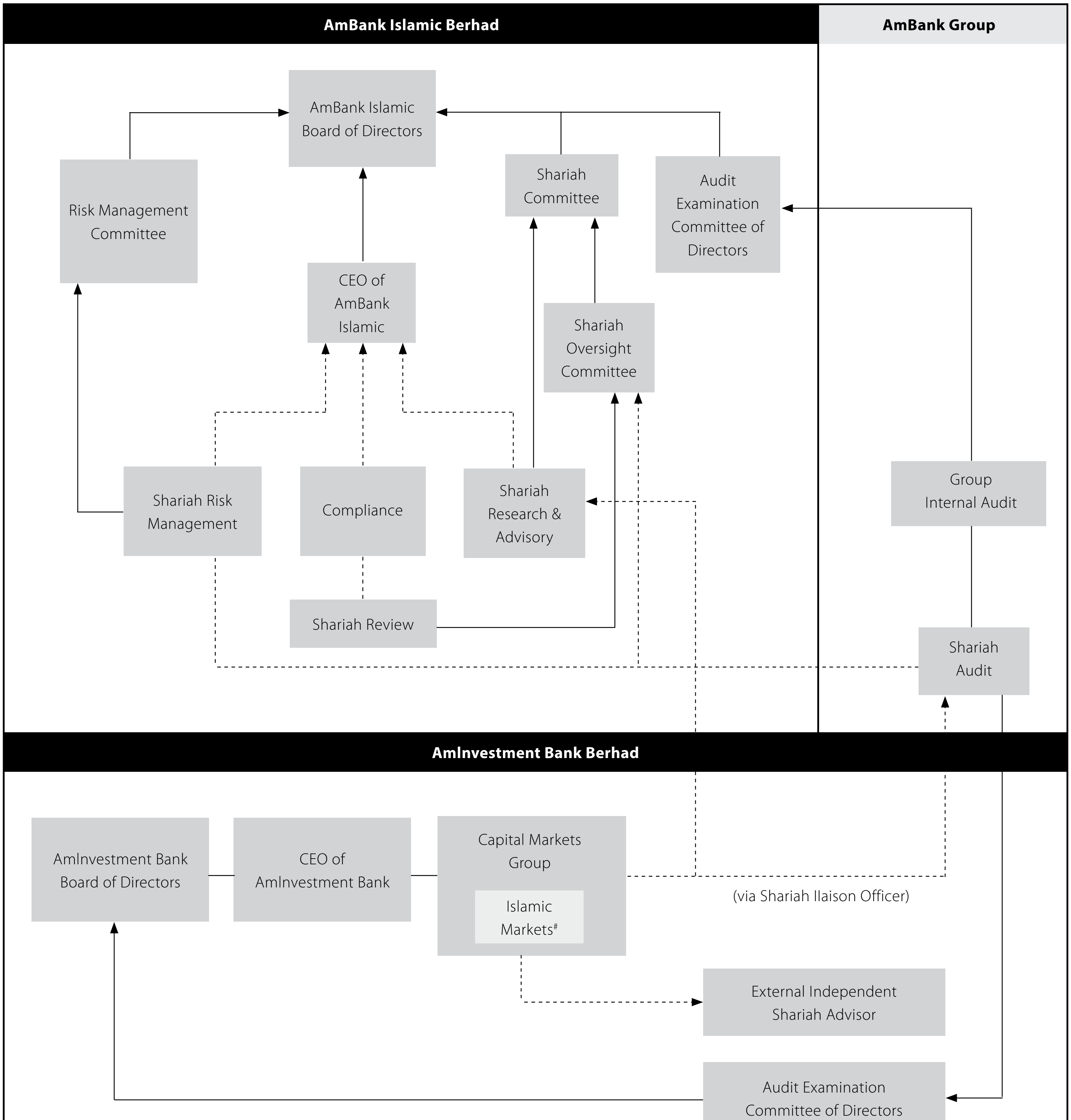
The Group has in place various liquidity measurements that support the broader strategic objectives of the Group and amongst others include the BNM LCR, Depositor Concentration Ratio and other Liquidity Ratios. IBMR is responsible for developing and monitoring the controls and limits while the GTM is 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 lending/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.

14.0 SHARIAH GOVERNANCE STRUCTURE



Effective 1 August 2016, Islamic Markets is no longer a department but is now one of the teams within Capital Markets Group

14.0 SHARIAH GOVERNANCE STRUCTURE (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 Berhad ("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.

The Group adopts a leverage model (with some minor refinements/enhancements during the current financial year) whereby, through its Islamic Window i.e. Islamic Markets ("IM"), its leverages on AmBank Islamic Shariah Governance Structure, including the SC of AmBank Islamic Berhad ("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 Audit & 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 AMMB 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. 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.

Shariah Research & 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.

14.0 SHARIAH GOVERNANCE STRUCTURE (CONT'D.)

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 of Shariah non-compliance risks to mitigate any possible non-compliance events.

The Shariah Risk Management 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 Section is accountable to the Shariah Oversight 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 AmBank Islamic (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.

Shariah Liaison Officer, IM

As per the leveraging model, the 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.

14.1 SHARIAH NON-COMPLIANT INCIDENTS AND INCOME

For the financial year ended 31 March 2018, there was one (1) Shariah non-compliant (SNC) incident with SNC income of approximately RM3,699. Purification of the SNC income is made in accordance with the method as approved by the Shariah Oversight Committee. The incident is attributed due to the lack of awareness of the staff in handling extension case for Islamic financing. Pursuant to the incident, the Group has implemented certain measures to mitigate recurrence of similar incident in the future, including heightened staff awareness and review of process. There was no SNC incident and SNC income for the financial year ended 31 March 2017.

15.0 PROFIT SHARING INVESTMENT ACCOUNT ("PSIA")

Investment Account ("IA")

The Group via AmBank Islamic offers two (2) types of Investment Account ("IA") namely, Restricted Profit Sharing Investment Account ("RPSIA") 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.

Mudarabah Term Investment Account ("MTIA")

AmBank Islamic has widened the scope of business beyond credit intermediation by playing an investment intermediation role via the introduction of UA product i.e. MTIA which was launched in March 2018.

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 IAH provided that such losses are not due to the Group's misconduct, negligence or breach of specified terms.

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. However, the Group does not practise profit smoothing mechanism or displaced commercial risk ("DCR") techniques as per requirement in the BNM policy on Investment Account.

The Group had established proper governance to facilitate effective monitoring and control of the overall management and conduct of the investment account. Accountability of the Senior Management is ensuring management, development and implementation of operational policies that govern the conduct of IA. A dedicated unit for IA was also established in AmBank Islamic on the ensuring smooth implementation and monitoring process.

MTIA Performance

As at 31 March 2018, balance of MTIA stood at RM118.6 million. The performance of MTIA is as described in the table below:

As at 31 March 2018	%
Return on Assets ("ROA")	4.60
Average Net Distributable Income Attributable to IAH	3.86
Average Profit Sharing Ratio to IAH	83.98

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