Building a better working world

# AmInvestment Bank Berhad
(23742-V)
(Incorporated in Malaysia)

## Directors' Report and Audited Financial Statements
31 March 2016

Company No.:23742-V

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

**DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS**
**31 MARCH 2016**

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

## DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of **AmInvestment Bank Berhad** (the "Bank") and its subsidiaries (the "Group") for the financial year ended 31 March 2016.

## PRINCIPAL ACTIVITIES

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

The principal activities of its subsidiaries are disclosed in Note 13 to the financial statements.

During the current financial year, the Bank was granted approval by the Securities Commission to carry on additional regulatory activity i.e. provision of investment advice, which is done via investment research and publication activities. Consequently, its wholly-owned subsidiary, AmResearch Sdn Bhd ceased to carry on its principal activity of providing investment advice and remained a dormant company.

There have been no other significant changes in the nature of the activities of the Bank and its subsidiaries ("the Group") during the financial year.

## SIGNIFICANT EVENT

The significant event during the year is as disclosed in Note 13 and Note 14 to the financial statements.

## FINANCIAL RESULTS

| | Group | Bank |
|---|---|---|
| | RM'000 | RM'000 |
| Profit for the financial year | 51,127 | 46,689 |

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

In the opinion of the Directors, the results of operations of the Group and of the Bank for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the effects of the capital reduction by a subsidiary as disclosed in Note 13.

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

## OUTLOOK FOR NEXT FINANCIAL YEAR

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

Inflation is projected to accelerate to 2.8% in 2016 from 2.1% in 2015 driven by upward adjustments in several administered prices and the weak ringgit exchange rate. However, the inflationary pressure will be mitigated by lower commodity prices, slower demand and high base effect in 2H2016. Against the backdrop of a challenging and uncertain global environment with downside risk still on the table, monetary policy will remain supportive and accommodative of economic activity.

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

## BUSINESS PLAN AND STRATEGY

For the financial year 2017 ("FY2017"), the Bank is focused on supporting AMMB Holdings Berhad ("AMMB") Group's new strategic growth plan to be amongst the top banking group by the year 2020 and will embark on a new growth trajectory and strengthen its franchise value, to achieve our vision to be Malaysia's most trusted financial group, growing and winning together with our customers and people.

The Bank will continue to drive its four main business areas which are Debt Markets, Corporate Finance, Private Banking and Equity Markets, focusing on the following key strategic initiatives:

i) Grow in segments and regions that are strategic economic drivers to GDP growth;
ii) Enrich customers' experience and turnaround time through process re-engineering and digital transformation;
iii) Leverage lending relationships to capture flow business and cross-sell; and
iv) Build team and develop coverage culture that focuses on winning holistic wallet.

These are aligned to AMMB Group's strategic aim to gain market leadership in target growth segments in retail, SME and wholesale, high return growth products, maintain presence in established segments and be amongst the best domestic employer. To overcome external challenges such as slowing market and intense competition in some markets, the Group aims to unlock latent values across the organization in areas of capabilities, customer bases, talents and internal collaboration opportunities. Additionally, there are under-tapped segments or "whitespaces" that have not been served well whilst digital technology and data open up new opportunities for the Group to compete in different ways, as seen in global benchmarks.

The Group will implement its strategic growth plan in two phases and will have clear targets and milestones to measure its progress. Emphasis is on building up business momentum and showing early progressive results. The "Run the Group/Bank Better" phase targets value creation across the business prioritizing on new capabilities, collaboration opportunities, attracting top talents, streamlining and improving operations and distribution productivity.

After a reassessment, the next phase "Changing the Group/Bank" initiatives will focus to deliver unique segment-of-one value propositions, harness the power of digital transformation and leverage analytics to capture new sources of competitive advantage, reviewing front-back office operating models, cost of funds and capital management, enhancing marketing efficiencies and focusing on people development and culture.

**DIVIDENDS**

During the financial year, the final single-tier dividend of 10.0 sen per ordinary share on 200,000,000 ordinary shares amounting to RM20,000,000 in respect of financial year ended 31 March 2015 was paid on 26 August 2015.

In respect of the current financial year, the Board of Directors had declared an interim single-tier dividend of 5.0 sen per ordinary share on 200,000,000 ordinary shares amounting to RM10,000,000 which was paid on 14 December 2015.

The directors propose the payment of final single tier dividend of 17.0 sen per ordinary shares amounting to RM34,000,000 in respect of the current financial year ended 31 March 2016. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained earnings in the next financial year ending 31 March 2017.

**BAD AND DOUBTFUL DEBTS**

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

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

**CURRENT ASSETS**

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

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

**VALUATION METHODS**

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

**CONTINGENT AND OTHER LIABILITIES**

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

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

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

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

## CHANGE OF CIRCUMSTANCES

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

## ISSUE OF SHARES AND DEBENTURES

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

## SHARE OPTIONS

There are no options granted by the Bank to take up unissued shares of the Bank.

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

## DIRECTORS

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

Tan Sri Dato' Azman Hashim
Graham Kennedy Hodges
Dato' Rohana Tan Sri Mahmood
Tan Bun Poo (Appointed on 5.6.2015)
Tan Sri Datuk Clifford Francis Herbert (Resigned on 5.6.2015)
Tan Sri Datuk Dr Aris Osman @ Othman (Retired on 24.8.2015)
Cheah Tek Kuang (Resigned on 20.10.2015)

## DIRECTORS' INTERESTS

Under the Bank's Articles of Association, the directors are not required to hold shares in the Bank.

None of the directors in office at the end of the financial year had any interest in shares in the Bank or its subsidiaries during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors or the fixed salary of a full-time employee as shown in Note 28 to the financial statements and from related corporations) by reason of a contract made by the Bank or a related corporation with a director or with a firm in which a director is a member, or with a company in which a Director has a substantial financial interest, except for the related party transactions as shown in Note 33 to the financial statements.

Neither during nor at the end of the financial year was the Bank a party to any arrangements whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than those arising from the scheme shares and options granted pursuant to the ESS of AMMB, the holding company.

## EXECUTIVES' SHARE SCHEME

At the 22nd Extraordinary General Meeting held on 26 September 2008, the shareholders of AMMB approved the proposal by AMMB to establish an executives' share scheme ("ESS") of up to fifteen percent (15%) (which was subsequently reduced to ten percent (10%) as approved by the Board of Directors pursuant to the ESS By-Laws) of the issued and paid-up ordinary share capital of AMMB at any point in time for the duration of the ESS for eligible executives (including senior management) and executive directors of the AMMB Group (excluding subsidiaries which are dormant or such other subsidiaries which may be excluded under the terms of the By-Laws) who fulfil the criteria for eligibility stipulated in the By-Laws governing the ESS ("Eligible Executives").

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

The ESS is implemented and administered by an executives' share scheme committee ("ESS Committee"), in accordance with the By-Laws. The functions of the ESS Committee has since been consolidated with that of Group Nomination and Remuneration Committee ("GNRC") from 29 October 2013. The ESS was established on 12 January 2009 and would be in force for a period of ten (10) years.

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

## CORPORATE GOVERNANCE

### (a) BOARD RESPONSIBILITY AND OVERSIGHT

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

The Board supervises the management of the Bank's businesses, policies and affairs with the goal of enhancing shareholder's value. The Board meets eight (8) times in the financial year to carry out its duties and responsibilities, with additional Board meetings being convened, whenever required.

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

The Board currently comprises four (4) directors with wide skills and experience, two (2) of whom are Independent Non-Executive Directors. The directors participate fully in decision making on key issues regarding the Bank and its subsidiaries. The Independent Non-Executive Directors ensure strategies proposed by the Management are fully discussed and examined, as well as taking into account the long term interests of various stakeholders.

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

### (b) COMMITTEES OF THE BOARD

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

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

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

**CORPORATE GOVERNANCE (CONT'D.)**

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

**Number of Meetings attended in Financial Year ("FY") 2016**

| **Directors** | Board of Directors | Audit and Examination Committee | Risk Management Committee | Group Nomination and Remuneration Committee (at AMMB Group level) |
|---|---|---|---|---|
| Tan Sri Dato' Azman Hashim | 15/15 (Chairman) | N/A | N/A | N/A |
| Graham Kennedy Hodges | 12/15 | 8/9[a] | 6/7[a] | N/A |
| Cheah Tek Kuang (resigned on 20.10.2015) | 7/8 | N/A | N/A | N/A |
| Tan Sri Datuk Dr Aris Osman @ Othman (retired on 24.8.2015) | 4/5 | 3/3[b] | 3/3[c] | 4/6[d] |
| Tan Sri Datuk Clifford Francis Herbert (resigned on 5.6.2015) | 1/2 | 1/2[e] | 1/2[f] | 6/6[g] |
| Dato' Rohana Tan Sri Mahmood | 15/15 | 9/10 | 8/8[h] (Chairman) | 13/13[i] (Chairman) |
| Tan Bun Poo (appointed on 5.6.2015) | 12/13 | 8/8[j] (Chairman) | 6/6[k] | N/A |
| Number of meetings held in FY2016 | 15 | 10 | 8 | 13 |

Notes:
1. All attendances reflect the number of meetings attended during the directors' tenure of service
2. N/A - represents non-committee member
3. [a] Appointed as member on 28.4.2015
   [b] Ceased as Chairman following retirement as Director
   [c] Ceased as member following retirement as Director
   [d] Ceased as member following retirement at conclusion of annual general meeting of AMMB on 20.8.2015
   [e] Ceased as member following resignation as Director
   [f] Ceased as Chairman following resignation as Director
   [g] Ceased as Chairman following retirement at conclusion of annual general meeting of AMMB on 20.8.2015
   [h] Existing member, assumed Chairmanship on 5.6.2015
   [i] Existing member, assumed Chairmanship on 20.8.2015
   [j] Appointed as member on 5.6.2015 and assumed Chairmanship on 24.8.2015
   [k] Appointed as member on 5.6.2015

**CORPORATE GOVERNANCE (CONT'D.)**

### GROUP NOMINATION AND REMUNERATION COMMITTEE

The Committee comprises six (6) members, all of whom are Non-Executive Directors and is chaired by an Independent Non-Executive Director. The Committee is responsible for:

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

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

### AUDIT AND EXAMINATION COMMITTEE

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

The AEC met ten (10) times during the financial year 2016 to review the scope of work of both the internal audit function and the statutory auditors, the results arising thereafter as well as their evaluation of the system of internal controls. The AEC also followed up on the resolution of major issues raised by the internal auditors, statutory auditors as well as the regulatory authorities in the examination reports. The financial statements were reviewed by the AEC prior to their submission to the Board of the Bank for adoption.

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

### INTERNAL AUDIT FUNCTION

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

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

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

## CORPORATE GOVERNANCE (CONT'D.)

### INTERNAL AUDIT FUNCTION (CONT'D.)

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

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

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

### RISK MANAGEMENT COMMITTEE

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

Risk Management Committees have been established at the Bank, AmBank and AmBank Islamic to oversee the overall management of credit, market, liquidity, operational, legal and capital risks impacting the AMMB Group. They are assisted by the AMMB Group Risk Management Division.

There were eight (8) meetings held during financial year 2016.

### RISK MANAGEMENT FUNCTION

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

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

**CORPORATE GOVERNANCE (CONT'D.)**

## MANAGEMENT INFORMATION

The Directors review Board papers and reports prior to the Board meeting. Information and materials, relating to the operations of the Bank and its subsidiaries that are important to the Directors' understanding of the items in the agenda and related topics, are distributed in advance of the meeting. The Board reports include among others, minutes of meetings of all Committees of the Board, monthly performance of the Bank, credit risk management, asset liability and market risk management and industry benchmarking as well as prevailing regulatory developments and the economic and business environment. These reports are issued in sufficient time to enable the directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Board provides input on Group policies.

## HOLDING COMPANY

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

## RATING BY EXTERNAL AGENCY

During the financial year, RAM Rating Services has reaffirmed the credit ratings of the Bank in December 2015.

Details of the Bank's ratings are as follows:

| Rating Agency | Date accorded | Rating Classification | Ratings |
|---|---|---|---|
| RAM Rating Services | December 2015 | Long-term financial institution rating | AA2 |
| | | Short-term financial institution rating | P1 |
| | | Outlook | Stable |

## SHARIAH COMMITTEE

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

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

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

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

**AUDITORS**

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

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

**TAN SRI AZMAN HASHIM**

**TAN BUN POO**

Kuala Lumpur, Malaysia
Date: 27 May 2016

Company No.:23742-V

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

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

We, **TAN SRI AZMAN HASHIM** and **TAN BUN POO,** being two of the directors of **AmINVESTMENT BANK BERHAD,** do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 15 to 153 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2016 and of their financial performance and cash flows for the financial year then ended.

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

**TAN SRI AZMAN HASHIM**

**TAN BUN POO**

Kuala Lumpur, Malaysia
Date: 27 May 2016

Company No.:23742-V

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

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

I, **MANDY JEAN SIMPSON**, being the officer primarily responsible for the financial management of **AmINVESTMENT BANK BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 15 to 153 are, in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

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

**MANDY JEAN SIMPSON**

Before me,

PESURUHJAYA SUMPAH
No. W 530
TAN SEOK KETT
MALAYSIA

**COMMISSIONER FOR OATHS**

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

Ernst & Young AF:0039
GST Reg No: 001556430848
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur Malaysia

Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
ey.com

23742-V

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

## Report on the financial statements

We have audited the financial statements of AmInvestment Bank Berhad, which comprise statements of financial position as at 31 March 2016 of the Group and of the Bank, and the income statements, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 15 to 153.

*Directors' responsibility for the financial statements*

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

*Auditors' responsibility*

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

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

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

*Opinion*

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

Building a better working world

23742-V

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

Report on other legal and regulatory requirements

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

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

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors except for a subsidiary which were put under members' voluntary winding up, as indicated in Note 13 to the financial statements, where such financial statements and auditors' reports were not available for inclusion in the consolidated financial statements.

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

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

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Wan Daneena Liza Bt Wan Abdul Rahman
No. 2978/03/18(J)
Chartered Accountant

Kuala Lumpur, Malaysia
27 May 2016

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

**STATEMENTS OF FINANCIAL POSITION**
**AS AT 31 MARCH 2016**

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| **ASSETS** | | | | | |
| Cash and short-term funds | 5 | 465,737 | 952,491 | 436,104 | 829,505 |
| Derivative financial assets | 6 | 2 | 1 | 2 | 1 |
| Financial assets held-for-trading | 7 | 532 | 441 | 532 | 441 |
| Financial investments available-for-sale | 8 | 11,720 | 40,680 | 11,720 | 40,680 |
| Financial investments held-to-maturity | 9 | 75,100 | 75,100 | 75,100 | 75,100 |
| Loans and advances | 10 | 301,897 | 319,685 | 301,897 | 319,685 |
| Statutory deposit with Bank Negara Malaysia | 11 | 2,591 | 7,483 | 2,591 | 7,483 |
| Deferred tax assets | 12 | 4,542 | 2,782 | 4,542 | 2,782 |
| Investments in subsidiaries | 13 | - | - | 19,131 | 102,941 |
| Investments in an associates | 14 | - | 1,167 | - | 100 |
| Other assets | 15 | 729,250 | 622,586 | 702,471 | 602,100 |
| Property and equipment | 16 | 21,356 | 22,530 | 21,348 | 22,486 |
| Intangible assets | 17 | 2,583 | 2,920 | 2,542 | 1,710 |
| Asset held for sale | 18 | 1,719 | - | 100 | - |
| **TOTAL ASSETS** | | 1,617,029 | 2,047,866 | 1,578,080 | 2,005,014 |
| **LIABILITIES AND EQUITY** | | | | | |
| Deposits and placements of banks and other financial institutions | 19 | 400,000 | 980,869 | 400,000 | 980,869 |
| Derivative financial liabilities | 6 | 4 | - | 4 | - |
| Other liabilities | 20 | 697,890 | 556,694 | 676,253 | 537,788 |
| **TOTAL LIABILITIES** | | 1,097,894 | 1,537,563 | 1,076,257 | 1,518,657 |
| Share capital | 21 | 200,000 | 200,000 | 200,000 | 200,000 |
| Reserves | 22 | 319,135 | 310,303 | 301,823 | 286,357 |
| Equity attributable to equity holder of the Bank | | 519,135 | 510,303 | 501,823 | 486,357 |
| **TOTAL LIABILITIES AND EQUITY** | | 1,617,029 | 2,047,866 | 1,578,080 | 2,005,014 |
| **COMMITMENTS AND CONTINGENCIES** | 38 | 235,153 | 332,518 | 235,153 | 332,518 |
| **NET ASSETS PER ORDINARY SHARE (RM)** | | 2.59 | 2.55 | 2.51 | 2.43 |

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

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

**INCOME STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | | **2016** | **2015** | **2016** | **2015** |
| | **Note** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Operating revenue | 2.5(v) | 219,181 | 266,343 | 204,788 | 218,100 |
| Interest income | 23 | 41,631 | 71,153 | 39,065 | 68,334 |
| Interest expense | 24 | (29,943) | (56,442) | (29,541) | (55,110) |
| Net interest income | | 11,688 | 14,711 | 9,524 | 13,224 |
| Net income from Islamic banking business | 46(xv) | 29,343 | 16,722 | 29,343 | 16,722 |
| Other operating income | 25 | 183,954 | 237,954 | 171,722 | 184,466 |
| Direct costs | 26 | (36,315) | (60,900) | (35,358) | (52,336) |
| Share of results of an associate | | 552 | 500 | - | - |
| Net income | | 189,222 | 208,987 | 175,231 | 162,076 |
| Other operating expenses | 27 | (122,165) | (154,029) | (116,969) | (110,717) |
| Operating profit | | 67,057 | 54,958 | 58,262 | 51,359 |
| (Allowances for)/Writeback of impairment on: | | | | | |
| Loans and advances | 29 | 79 | 4,712 | 79 | 3,921 |
| Subsidiary | 13 | - | - | (74) | - |
| Doubtful receivables, net | | (6,087) | (9,969) | (2,086) | (1,102) |
| Writeback of provision for commitments and contingencies | 20 | 178 | 432 | 178 | 432 |
| **Profit before taxation** | | 61,227 | 50,133 | 56,359 | 54,610 |
| Taxation | 30 | (10,138) | (12,130) | (9,708) | (12,031) |
| Zakat | | 38 | - | 38 | - |
| **Profit for the financial year attributable to equity holder of the Bank** | | 51,127 | 38,003 | 46,689 | 42,579 |
| **Basic earnings per share (sen)** | 31 | 25.6 | 19.0 | | |

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

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

**STATEMENTS OF OTHER COMPREHENSIVE INCOME**
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

| | Group | | Bank | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Profit for the financial year | 51,127 | 38,003 | 46,689 | 42,579 |
| **Other comprehensive income/(loss):** | | | | |
| **Items that are or may be reclassified subsequently to the income statement** | | | | |
| Currency translation on foreign operations, net | (11,056) | 2,928 | - | - |
| Net loss on financial investments available-for-sale | (1,349) | (928) | (1,349) | (928) |
| Income tax relating to the components of other comprehensive income | 325 | 245 | 325 | 245 |
| Other comprehensive (loss)/income for the financial year, net of tax | (12,080) | 2,245 | (1,024) | (683) |
| **Total comprehensive income for the financial year attributable to equity holder of the Bank** | 39,047 | 40,248 | 45,665 | 41,896 |

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

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

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

| | <----Attributable to equity holder of the Bank | | | | | | | ----> | |
|---|---|---|---|---|---|---|---|---|---|
| | Non-distributable | | | | | | | Distributable | |
| **Group** | **Share capital RM'000** | **Capital reserve RM'000** | **Statutory reserve RM'000** | **Regulatory reserve RM'000** | **Merger reserve RM'000** | **Available-for-sale reserve/ (deficit) RM'000** | **Exchange fluctuation reserve RM'000** | **Retained earnings RM'000** | **Total Equity RM'000** |
| **At 1 April 2014** | 200,000 | 2,815 | 200,000 | - | 7,656 | 1,759 | 34,517 | 38,006 | 484,753 |
| Profit for the financial year | - | - | - | - | - | - | - | 38,003 | 38,003 |
| Other comprehensive (loss)/income | - | - | - | - | - | (683) | 2,928 | - | 2,245 |
| Total other comprehensive (loss)/income | - | - | - | - | - | (683) | 2,928 | 38,003 | 40,248 |
| Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested | - | - | - | - | - | - | - | (1,198) | (1,198) |
| Transfer to Regulatory Reserve | - | - | - | 2,800 | - | - | - | (2,800) | - |
| Dividends paid (Note 32) | - | - | - | - | - | - | - | (13,500) | (13,500) |
| Transactions with owner and other equity movements | - | - | - | 2,800 | - | - | - | (17,498) | (14,698) |
| **At 31 March 2015** | 200,000 | 2,815 | 200,000 | 2,800 | 7,656 | 1,076 | 37,445 | 58,511 | 510,303 |

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

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

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

| | <---Attributable to equity holder of the Bank | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Non-distributable | | | | | | Distributable | |
| **Group** | **Share capital RM'000** | **Capital reserve RM'000** | **Statutory reserve RM'000** | **Regulatory reserve RM'000** | **Merger reserve RM'000** | **Available-for-sale reserve/ (deficit) RM'000** | **Exchange fluctuation reserve RM'000** | **Retained earnings RM'000** | **Total Equity RM'000** |
| **At 1 April 2015** | 200,000 | 2,815 | 200,000 | 2,800 | 7,656 | 1,076 | 37,445 | 58,511 | 510,303 |
| Profit for the financial year | - | - | - | - | - | - | - | 51,127 | 51,127 |
| Other comprehensive loss | - | - | - | - | - | (1,024) | (11,056) | - | (12,080) |
| Total comprehensive (loss)/income | - | - | - | - | - | (1,024) | (11,056) | 51,127 | 39,047 |
| Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested | - | - | - | - | - | - | - | (215) | (215) |
| Reclassification of exchange fluctuation reserve arising from internal reorganisation within the AMMB Group | - | - | - | - | - | (52) | (24,224) | 24,276 | - |
| Dividends paid (Note 32) | - | - | - | - | - | - | - | (30,000) | (30,000) |
| Transactions with owner and other equity movements | - | - | - | - | - | (52) | (24,224) | (5,939) | (30,215) |
| **At 31 March 2016** | 200,000 | 2,815 | 200,000 | 2,800 | 7,656 | - | 2,165 | 103,699 | 519,135 |

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

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

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

| | <--------------Attributable to equity holder of the Bank-------------> | | | | | |
|---|---|---|---|---|---|---|
| | | Non-distributable | | | Distributable | |
| **Bank** | **Share capital RM'000** | **Statutory reserve RM'000** | **Regulatory reserve RM'000** | **Available-for-sale reserve/ (deficit) RM'000** | **Retained earnings RM'000** | **Total equity RM'000** |
| **At 1 April 2014** | 200,000 | 200,000 | - | 1,707 | 57,377 | 459,084 |
| Profit for the financial year | - | - | - | - | 42,579 | 42,579 |
| Other comprehensive loss | - | - | - | (683) | - | (683) |
| Total comprehensive (loss)/income | - | - | - | (683) | 42,579 | 41,896 |
| Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested | - | - | - | - | (1,123) | (1,123) |
| Transfer to Regulatory Reserve | - | - | 2,800 | - | (2,800) | - |
| Dividends paid (Note 32) | - | - | - | - | (13,500) | (13,500) |
| Transactions with owner and other equity movements | - | - | 2,800 | - | (17,423) | (14,623) |
| **At 31 March 2015** | 200,000 | 200,000 | 2,800 | 1,024 | 82,533 | 486,357 |

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

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

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

| | <--------------Attributable to equity holder of the Bank-------------> | | | | | |
|---|---|---|---|---|---|---|
| | | Non-distributable | | | Distributable | |
| **Bank** | **Share capital RM'000** | **Statutory reserve RM'000** | **Regulatory reserve RM'000** | **Available-for-sale reserve/ (deficit) RM'000** | **Retained earnings RM'000** | **Total equity RM'000** |
| **At 1 April 2015** | 200,000 | 200,000 | 2,800 | 1,024 | 82,533 | 486,357 |
| Profit for the financial year | - | - | - | - | 46,689 | 46,689 |
| Other comprehensive loss | - | - | - | (1,024) | - | (1,024) |
| Total comprehensive (loss)/income | - | - | - | (1,024) | 46,689 | 45,665 |
| Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested | - | - | - | - | (199) | (199) |
| Dividend paid (Note 32) | - | - | - | - | (30,000) | (30,000) |
| Transactions with owner and other equity movements | - | - | - | - | (30,199) | (30,199) |
| **At 31 March 2016** | 200,000 | 200,000 | 2,800 | - | 99,023 | 501,823 |

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

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

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

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | Note | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Profit before taxation: | | 61,227 | 50,133 | 56,359 | 54,610 |
| Add/(less) adjustments for: | | | | | |
| Writeback of impaired loans and advances | 29 | (79) | (3,637) | (79) | (2,846) |
| Impaired loans and advances recovered | 29 | - | (1,075) | - | (1,075) |
| Amortisation of intangible assets | 27 | 865 | 767 | 832 | 729 |
| Accretion of discount less amortisation of premium for securities | | (1,388) | (3,400) | (1,386) | (3,400) |
| Depreciation of property and equipment | 27 | 2,672 | 4,584 | 2,643 | 2,884 |
| Gain on liquidation of subsidiary | 25 | - | (20,052) | 42 | (199) |
| Gain on repayment of capital by a subsidiary | 25 | (21,706) | - | (26,485) | - |
| Gross dividend income from financial assets held-for-trading | 25 | (8) | (12) | (8) | (7) |
| Gross dividend income from financial investments available-for-sale | 25 | (1,388) | (469) | (1,388) | (469) |
| Gross dividend income from associate | 25 | - | - | - | (1,000) |
| Impairment loss on subsidiary | | - | - | 74 | - |
| Net loss/(gain) on disposal of property and equipment | 25 | 71 | (18) | 71 | (18) |
| Net gain on derivatives | 25 | (22) | (13) | (22) | (13) |
| Net loss on revaluation of financial assets held-for-trading | 25 | 10 | 34 | 10 | 34 |
| Gain on disposal of subsidiary | 25 | (11,935) | (14,012) | - | - |
| Net loss from sale of financial investments available-for-sale | 25 | 49 | - | 49 | - |
| Net loss/(gain) from sale of financial assets held-for-trading | 25 | 4 | (9) | 4 | (33) |
| Property and equipment written off | 27 | - | 55 | - | - |
| Provision written back for commitments and contingencies | 20 | (178) | (432) | (178) | (432) |
| Sundry bad debts written off | | 201 | 89 | | |
| Allowances made/(written back) for doubtful receivables - net | | 5,886 | 9,880 | 2,086 | 1,102 |
| Share of results of associate | | (552) | (500) | - | - |
| Scheme shares and options granted under AMMB Executives' Share Scheme | 27 | (1,997) | (6,096) | (2,008) | (5,886) |
| Net non-trading foreign exchange gain | 25 | (492) | (347) | (1) | - |
| Operating profit before working capital changes carried forward | | 31,240 | 15,470 | 30,615 | 43,981 |

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

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

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)** | | | | | |
| Operating profit before working capital changes brought forward | | 31,240 | 15,470 | 30,615 | 43,981 |
| Decrease/(Increase) in operating assets: | | | | | |
| Deposits and placements with banks and other financial institutions | | 150,000 | (149,265) | 150,000 | (150,000) |
| Financial assets held-for-trading | | (105) | 193 | (105) | 217 |
| Loans and advances | | 17,867 | 904,160 | 17,867 | 896,540 |
| Statutory deposit with Bank Negara Malaysia | | 4,892 | 13,157 | 4,892 | 13,157 |
| Other assets | | (96,489) | 312,997 | (108,586) | 305,295 |
| Increase/(Decrease) in operating liabilities: | | | | | |
| Deposits and placements of banks and other financial institutions | | (580,869) | (1,370,449) | (580,869) | (1,370,449) |
| Other liabilities | | 122,562 | (320,897) | 138,487 | (325,779) |
| Cash used in operations | | (350,902) | (594,634) | (347,699) | (587,038) |
| Taxation paid, net | | (3,581) | (13,733) | (2,960) | (12,862) |
| Net cash used in operating activities | | (354,483) | (608,367) | (350,659) | (599,900) |

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

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

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Dividends received from other investments | | 1,041 | 362 | 1,047 | 357 |
| Proceeds from disposal of property and equipment | | 86 | 20 | 85 | 18 |
| Proceeds from securities – net | | 30,354 | 547,766 | 29,272 | 546,639 |
| Purchase of computer software | 17(b) | (1,601) | (803) | (1,664) | (725) |
| Purchase of property and equipment | 16 | (1,636) | (3,803) | (1,661) | (928) |
| Proceeds from disposal of a subsidiary company | | - | 101,854 | - | - |
| Cash and cash equivalents in subsidiary company disposed | | - | (119,304) | - | - |
| Proceeds from liquidation of a subsidiary company | | 11,935 | 20,052 | 458 | 707 |
| Proceeed from capital redemption | | - | - | 109,721 | - |
| Dividends received from associate | 14 | - | 1,000 | - | 1,000 |
| Net cash generated from investing activities | | 40,179 | 547,144 | 137,258 | 547,068 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Dividends paid | | (30,000) | (13,500) | (30,000) | (13,500) |
| Net cash used in financing activities | | (30,000) | (13,500) | (30,000) | (13,500) |
| Net decrease in cash and cash equivalents | | (344,304) | (74,723) | (243,401) | (66,332) |
| Cash and cash equivalents at beginning of the financial year | | 802,491 | 873,290 | 679,505 | 745,837 |
| Effect of exchange rate changes | | 7,550 | 3,924 | - | - |
| Cash and cash equivalents at end of the financial year | | 465,737 | 802,491 | 436,104 | 679,505 |
| Cash and cash equivalents comprise: | | | | | |
| Cash and bank balances | 5 | 305,236 | 56,240 | 303,911 | 49,122 |
| Deposit placements with licensed banks and other financial institutions | 5 | 160,501 | 896,251 | 132,193 | 780,383 |
| | | 465,737 | 952,491 | 436,104 | 829,505 |
| Less: Deposits with original maturity more than 3 months | | - | (150,000) | - | (150,000) |
| | | 465,737 | 802,491 | 436,104 | 679,505 |

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

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016**

## 1. PRINCIPAL ACTIVITIES

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

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

During the current financial year, the Bank was granted approval by the Securities Commission to carry on additional regulatory activity i.e. provision of investment advice. Consequently its wholly-owned subsidiary, AmResearch Sdn Bhd ceased to carry on its principal activity of providing investment advice and remained a dormant company. The principal activities of its subsidiaries are disclosed in Note 13.

Other than the above, there have not been any significant changes in the nature of the activities of the Bank and its subsidiaries during the financial year.

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

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

## 2. ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

### 2.2 Statement of compliance

The consolidated financial statements of the Group and the separate financial statements of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act, 1965 in Malaysia.

### 2.3 Presentation of financial statements

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

The statements of financial position are presented in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (i.e "current") and more than 12 months after the reporting date (i.e. "non-current") is presented in Note 39.

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

### 2.4 Basis of consolidation

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

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

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

- power over the investee (i.e. 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
- the Group’s voting rights and potential voting rights

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

The income statement and each component of other comprehensive income (“OCI”) are attributed to the equity holder of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies 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 an equity transaction. 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 the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in the income statement

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

### 2.4 Basis of consolidation (Cont'd.)

- reclassifies the parent's share of components previously recognised in OCI to the income statement or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The Bank adopts the purchased method in preparing the consolidated financial statements except where the criteria for the merger accounting method are met.

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

### 2.5 Summary of significant accounting policies

#### 2.5(a) Business combinations and goodwill

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

Acquisition-related costs are expensed as incurred.

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139, is measured at fair value with changes in fair value recognised either in the income statement or as a change to OCI.

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

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

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

If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

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

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

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

#### 2.5(b) Investments in subsidiaries

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

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

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

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

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

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

The Group's investments in its associates 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. 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 income statement 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 income statement and represents profit or loss after tax and non-controlling interests in the associates or joint ventures.

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 the income statement.

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

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

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

Upon loss of significant influence over the associate or joint venture, 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 the income statement.

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

#### 2.5(d) Transactions with non-controlling interests

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

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

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

#### 2.5(e) Foreign currencies

**i. Functional and presentation currency**

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

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

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

#### 2.5(e) Foreign currencies (Cont'd.)

##### ii. Transactions and balances

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

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

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

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

The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign subsidiary or operation, the component of OCI relating to that particular foreign subsidiary or operation is recognised in the income statement.

#### 2.5(f) Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

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

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

Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

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

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

| | |
|---|---|
| Freehold buildings | 2% |
| Leasehold buildings | 2% or over the term of short term lease, whichever is shorter |
| Leasehold improvements | 20% |
| Motor vehicles | 20% |
| Computer hardware | 20% |
| Office and residential equipment, furniture and fittings | 20% - 25% |

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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, to ensure the amount, method and period of depreciation are consistent with the previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

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

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

#### 2.5(g) Leases

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

**i. The Group as a lessee**

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

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

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

**ii. The Group as lessor**

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

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

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

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

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

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

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

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

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

#### 2.5(i) Research and development costs

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

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development;
- 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 7 years, except for certain major core infrastructure projects where the useful life has been determined to be 10 years. During the period of development, the asset is tested for impairment annually.

#### 2.5(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.

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

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

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

**ii. Initial measurement of financial instruments**

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

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

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

**iii. Subsequent measurement**

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

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

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

Included in this classification are debt securities and equities.

**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.

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

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

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

##### 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 (Cont'd.)**

- The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

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

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

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

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

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

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

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

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

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

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

##### iii. Subsequent measurement (Cont'd.)

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

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 the income statement in "impairment losses on financial investments". Interest earned whilst holding financial investments AFS is reported as interest income using the EIR method. Dividends earned whilst holding financial investments AFS are recognised in the income statement as "other operating income" when the right to the payment has been established.

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

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

**e. Financial investments held-to-maturity**

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

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

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

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

**iii. Subsequent measurement (Cont'd.)**

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

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

**f. Financial assets at amortised cost – loans and receivables**

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

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

**g. Financial liabilities at amortised cost**

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

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

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

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

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

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

##### iii. Subsequent measurement (Cont'd.)

**g. Financial liabilities at amortised cost (Cont'd.)**

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.

**h. “Day 1” profit or loss**

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

**i. Reclassification of financial assets**

The Group may reclassify a non-derivative trading asset out of the “held-for-trading” category and “available-for-sale” category under rare circumstances and into the “loans and receivables” category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost. If a financial asset is reclassified, and if the Group subsequently increases its 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 investment reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the investment that has been recognised in equity is amortised to the income statement over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

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

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

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

##### iv. Derecognition of financial assets and financial liabilities

##### a. Financial assets

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

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

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

##### b. Financial liabilities

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

#### 2.5(k) 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".

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

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

#### 2.5(l) Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 2.5(l) Fair value measurement (Cont'd.)

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

The fair value hierarchies of:

i) financial instruments that are measured at fair value

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

are disclosed in Note 43.

#### 2.5(m) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred “loss event”), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Loans, advances and receivables are classified as impaired in accordance with the criteria as disclosed in Note 42.2.4 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.

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

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

#### 2.5(m) Impairment of financial assets (Cont'd.)

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

If the Group has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

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

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

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

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

#### 2.5(m) Impairment of financial assets (Cont'd.)

**ii. Financial investments AFS**

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

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

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

**iii. Rescheduled and restructured loans**

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

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

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

#### 2.5(m) Impairment of financial assets (Cont'd.)

##### 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 42.2.7 for further analysis of collateral).

##### v. Collateral repossessed

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

#### 2.5(n) 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.

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

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

#### 2.5(n) Hedge accounting (Cont'd.)

A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognised in the income statement. For situations where the hedged item is a forecast transaction, the Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statement.

**i. Fair value hedges**

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

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

**ii. Cash flow hedges**

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

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

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

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

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

#### 2.5(o) Offsetting financial instruments

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

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

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.

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

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

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

**ii. Intangible assets**

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

#### 2.5(q) Foreclosed properties

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

#### 2.5(r) Cash and cash equivalents

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

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

#### 2.5(s) 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 the income statement net of any reimbursement.

#### 2.5(t) Contingent liabilities and contingent assets

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

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

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

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

#### 2.5(t) Contingent liabilities and contingent assets (Cont'd.)

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

The Group does not recognise contingent assets in the financial statements but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

#### 2.5(u) Financial guarantee contracts

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

#### 2.5(v) 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 investment banking, nominee services and futures broking services.

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

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

**i. Interest/financing income and similar income and expense**

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

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded in the income statement.

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

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

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

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

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 certain period of time**

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

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

**b. Fee income from providing transaction services**

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

**iii. Dividend income**

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

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

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

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

**iv. Investment and trading income**

Results arising from trading activities include all gains and losses from changes in fair value and dividends for financial investments held-for-trading. 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.

#### 2.5(w) Employee benefits

**i. Short-term benefits**

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

**ii. Defined contribution pension plan**

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

**iii. Termination benefits**

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

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

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

#### 2.5(w) Employee benefits (Cont'd.)

**iv. Share-based payment transactions**

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

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

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

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

#### 2.5(x) Dividends on ordinary shares

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

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

#### 2.5(y) Taxes

**i. Current tax**

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

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

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

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

#### 2.5(y) 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 the income statement is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

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

#### 2.5(y) Taxes (Cont'd.)

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

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

#### 2.5(z) Earnings Per Share ("EPS")

The Group presents basic and diluted (where applicable) EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank 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.

#### 2.5(aa) Segment reporting

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

The business segment results are prepared based on the Group's internal management reporting. The Group comprises the following main business segments: wholesale banking and group funding and others (formerly known as operating segments).

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

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

#### 2.5(ab) Share capital and share issuance expenses

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

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

#### 2.5(ac) 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.

## 3. CHANGES IN ACCOUNTING POLICIES

### 3.1 New and amended standards and interpretations adopted

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended standards and interpretations which became effective for the Group and the Bank on 1 April 2015.

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

The adoption of these new and amended standards and interpretations did not have any material impact on the financial statements of the Group and the Bank.

The nature of the new and amended standards and interpretations are described below:

#### 3.1(a) Annual Improvements to MFRSs 2010-2012 Cycle

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

**(i) MFRS 2: Share-based Payment**

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

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

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

## 3. CHANGES IN ACCOUNTING POLICIES (Cont'd.)

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

#### (ii) MFRS 3: Business Combinations

The amendments to MFRS 3 clarifies that contingent consideration classified as liabilities (or assets) should be measured at fair value through profit or loss at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of MFRS 9 or MFRS 139. The amendments are effective for business combinations for which the acquisition date is on or after 1 July 2014.

#### (iii) MFRS 8: Operating Segments

The amendments are to be applied retrospectively and clarify that:

- an entity must disclose the judgments made by management in applying the aggregation criteria in MFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar; and

- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

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

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

#### (v) MFRS 124: Related Party Disclosures

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

### 3.1(b) Annual Improvements to MFRSs 2011-2013 Cycle

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

#### (i) MFRS 3: Business Combinations

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

## 3. CHANGES IN ACCOUNTING POLICIES (Cont'd.)

### 3.1(b) Annual Improvements to MFRSs 2011-2013 Cycle (Cont'd.)

#### (ii) MFRS 13: Fair Value Measurement

The amendments to MFRS 13 clarify that the portfolio exception in MFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of MFRS 9 (or MFRS 139 as applicable).

#### (iii) MFRS 140: Investment Property

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

- the property meets the definition of investment property in terms of MFRS 140; and
- the transaction meets the definition of a business combination under MFRS 3, to determine if the transaction is a purchase of an asset or is a business combination.

### 3.2 Bank Negara Malaysia (“BNM”) Policy Document

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

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

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

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

The Group had early adopted the requirement in item (ii) above in the financial year ended 31 March 2015.

## 3. CHANGES IN ACCOUNTING POLICIES (Cont'd.)

### 3.3 Standards issued but not yet effective

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

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

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

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

## 3. CHANGES IN ACCOUNTING POLICIES (Cont'd.)

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

#### 3.3a Standards effective for financial year ending 31 March 2017

#### 3.3a(i) Annual Improvements to MFRSs 2012-2014 Cycle

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

**a. MFRS 5 Non-current Assets Held for Sale and Discontinued Operations**

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

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

**b. MFRS 7 Financial Instruments: Disclosures**

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

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

**c. MFRS 134 Interim Financial Reporting**

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

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

## 3. CHANGES IN ACCOUNTING POLICIES (Cont'd.)

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

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

#### 3.3a(ii) Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of an asset.

As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted.

#### 3.3a(iii) Amendments to MFRS 127 Equity Method in Separate Financial Statements

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

#### 3.3a(iv) Amendments to MFRS 101 Disclosure Initiatives

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

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

## 3. CHANGES IN ACCOUNTING POLICIES (Cont'd.)

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

#### 3.3b Standards effective for financial year ending 31 March 2018

#### 3.3b(i) Amendments to MFRS 107 Disclosure Initiative

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

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

#### 3.3b(ii) Amendments to MFRS 112 - Recognition of Deferred Tax Assets for Unrealised Losses

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

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

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

#### 3.3c Standards effective for financial year ending 31 March 2019

#### 3.3c(i) MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group’s and the Bank’s financial assets, but no impact on the classification and measurement of the Group’s and the Bank’s financial liabilities.

#### 3.3c(ii) 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 depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

## 3. CHANGES IN ACCOUNTING POLICIES (Cont'd.)

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

#### 3.3c Standards effective for financial year ending 31 March 2019 (Cont'd.)

#### 3.3c(ii) MFRS 15 Revenue from Contracts with Customers (Cont'd.)

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 2017 with early adoption permitted.

**3.3d** Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture which was announced earlier by MASB to be effective for financial year ending 31 March 2017 has been deferred to a date to be determined by MASB.

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.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after the effective date with earlier application being permitted.

## 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

## 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS(Cont'd.)

### 4.1 Allowance for impairment on loans and advances (Note 10 and 29)

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether allowance should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan to collateral ratios, etc.), and judgments on cover model risks (e.g. errors for design/development process, data quality, data extraction and transformation) and macro risks (e.g. covering economic, portfolio and procedural issues).

### 4.2 Impairment losses on financial investments AFS

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

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

### 4.3 Deferred tax assets (Note 12) and income taxes (Note 30)

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

The Group is subjected to income taxes in several jurisdictions and significant judgment is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process may involve seeking advice of experts, where appropriate.

Where the final liability for taxation assessed by the Inland Revenue Board is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established.

### 4.4 Fair value of financial instruments (Note 43)

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

## 5. CASH AND SHORT-TERM FUNDS

| | Group 2016 RM'000 | Group 2015 RM'000 | Bank 2016 RM'000 | Bank 2015 RM'000 |
|---|---|---|---|---|
| Cash and bank balances | 305,236 | 56,240 | 303,911 | 49,122 |
| Deposit placements maturing within one month: | | | | |
| Licensed banks | 143,249 | 894,090 | 132,193 | 780,383 |
| Other financial institutions | 17,252 | 2,161 | - | - |
| | 465,737 | 952,491 | 436,104 | 829,505 |

## 6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

| Group and Bank | 2016 Contract/ Notional Amount RM'000 | 2016 Fair Value Assets RM'000 | 2016 Fair Value Liabilities RM'000 | 2015 Contract/ Notional Amount RM'000 | 2015 Fair Value Assets RM'000 | 2015 Fair Value Liabilities RM'000 |
|---|---|---|---|---|---|---|
| **Trading derivatives** | | | | | | |
| Foreign exchange related contracts: | | | | | | |
| One year or less | 1,332 | - | 4 | 2,321 | - | - |
| Equity related contracts: | | | | | | |
| One year or less | 516 | 2 | - | 457 | 1 | - |
| Total | 1,848 | 2 | 4 | 2,778 | 1 | - |

## 7. FINANCIAL ASSETS HELD-FOR-TRADING

| | Group and Bank 2016 RM'000 | Group and Bank 2015 RM'000 |
|---|---|---|
| **At Fair Value** | | |
| Quoted Securities: | | |
| In Malaysia: | | |
| Unit trusts | 532 | 441 |

## 8. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

| | Group and Bank 2016 RM'000 | Group and Bank 2015 RM'000 |
|---|---|---|
| **At Fair Value** | | |
| Unquoted Securities: | | |
| Outside Malaysia | | |
| Private debt securities | - | 28,886 |
| **At Cost** | | |
| Unquoted Securities: | | |
| In Malaysia: | | |
| Shares | 11,714 | 11,788 |
| Outside Malaysia: | | |
| Shares | 6 | 6 |
| | 11,720 | 40,680 |

## 9. FINANCIAL INVESTMENTS HELD-TO-MATURITY

| | Group and Bank 2016 RM'000 | Group and Bank 2015 RM'000 |
|---|---|---|
| **At Amortised Cost** | | |
| Unquoted Securities: | | |
| In Malaysia: | | |
| Private debt securities | 75,100 | 75,100 |

## 10. LOANS AND ADVANCES

| | Group and Bank 2016 RM'000 | Group and Bank 2015 RM'000 |
|---|---|---|
| **At Amortised Cost** | | |
| Share margin financing | 247,016 | 258,270 |
| Revolving credits | 55,725 | 61,486 |
| Staff loans | 2,679 | 3,531 |
| Gross loans and advances | 305,420 | 323,287 |
| Less: | | |
| Allowance for impairment on loans and advances | | |
| Individual allowance (Note 10 (i)) | (2,251) | (2,291) |
| Collective allowance (Note 10 (i)) | (1,272) | (1,311) |
| | (3,523) | (3,602) |
| Net loans and advances | 301,897 | 319,685 |

## 10. LOANS AND ADVANCES (CONT'D.)

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

| | Group and Bank 2016 RM'000 | Group and Bank 2015 RM'000 |
|---|---|---|
| Domestic business enterprises: | | |
| Small and medium enterprises | 4,685 | 6,553 |
| Others | 43,965 | 51,236 |
| Individuals | 256,770 | 263,146 |
| Foreign individuals and entities | - | 2,352 |
| | 305,420 | 323,287 |

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

| | Group and Bank 2016 RM'000 | Group and Bank 2015 RM'000 |
|---|---|---|
| In Malaysia | 305,420 | 320,884 |
| Outside Malaysia | - | 2,403 |
| | 305,420 | 323,287 |

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

| | Group and Bank 2016 RM'000 | Group and Bank 2015 RM'000 |
|---|---|---|
| Fixed rate: | | |
| Staff housing loans | 2,046 | 2,467 |
| Staff hire purchase receivables | 633 | 1,064 |
| Other fixed rate loans | 247,016 | 258,270 |
| | 249,695 | 261,801 |
| Variable rate: | | |
| Cost-plus | 55,725 | 61,486 |
| | 305,420 | 323,287 |

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

| | Group and Bank 2016 RM'000 | Group and Bank 2015 RM'000 |
|---|---|---|
| Agriculture | 860 | 860 |
| Real estate | 4,233 | 5,527 |
| Business activities | 43,557 | 51,402 |
| Household, of which: | | |
| Purchase of residential properties | 2,046 | 2,467 |
| Purchase of transport vehicles | 633 | 1,064 |
| Others | 254,091 | 261,967 |
| | 305,420 | 323,287 |

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

| | Group and Bank 2016 RM'000 | Group and Bank 2015 RM'000 |
|---|---|---|
| Maturing within one year | 302,780 | 319,768 |
| Over one year to three years | 428 | 443 |
| Over three years to five years | 282 | 831 |
| Over five years | 1,930 | 2,245 |
| | 305,420 | 323,287 |

## 10. LOANS AND ADVANCES (CONT'D.)

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

| | Group | | Bank | |
|---|---|---|---|---|
| | 2016<br>RM'000 | 2015<br>RM'000 | 2016<br>RM'000 | 2015<br>RM'000 |
| Balance at beginning of financial year | 2,291 | 21,678 | 2,291 | 9,758 |
| Impaired during the financial year | - | 17 | - | - |
| Disposal of a subsidiary | - | (9,905) | - | - |
| Recoveries | (40) | (7,488) | (40) | (6,679) |
| Amount written off | - | (2,464) | - | (788) |
| Foreign exchange differences | - | 453 | - | - |
| Balance at end of financial year | 2,251 | 2,291 | 2,251 | 2,291 |
| Gross impaired loans and advances as % of gross loans and advances | 0.74% | 0.71% | 0.74% | 0.71% |
| Loan loss coverage | 156.51% | 279.44% | 156.51% | 279.44% |

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

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

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

| | Group | | Bank | |
|---|---|---|---|---|
| | 2016<br>RM'000 | 2015<br>RM'000 | 2016<br>RM'000 | 2015<br>RM'000 |
| **Individual allowance** | | | | |
| Balance at beginning of the financial year | 2,291 | 14,327 | 2,291 | 2,407 |
| Written back during the financial year (Note 29) | (40) | (907) | (40) | (116) |
| Amount written off | - | (1,677) | - | - |
| Disposal of a subsidiary | - | (9,905) | - | - |
| Foreign exchange differences | - | 453 | - | - |
| Balance at end of the financial year | 2,251 | 2,291 | 2,251 | 2,291 |
| **Collective allowance** | | | | |
| Balance at beginning of the financial year | 1,311 | 4,872 | 1,311 | 4,872 |
| Written back during the the financial year (Note 29) | (39) | (2,730) | (39) | (2,730) |
| Amount written off | - | (788) | - | (788) |
| Foreign exchange differences | - | (43) | - | (43) |
| Balance at end of the financial year | 1,272 | 1,311 | 1,272 | 1,311 |
| Expressed as % of total loans and advances less individual allowance (including regulatory reserve) | 1.34% | 1.28% | 1.34% | 1.28% |

## 11. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

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

## 12. DEFERRED TAX ASSETS

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

| | Group and Bank | |
|---|---|---|
| | 2016<br>RM'000 | 2015<br>RM'000 |
| Deferred tax assets | 4,542 | 2,782 |

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

| | Group and Bank | |
|---|---|---|
| | 2016<br>RM'000 | 2015<br>RM'000 |
| Deferred tax assets | 5,596 | 4,908 |
| Deferred tax liabilities | (1,054) | (2,126) |
| | 4,542 | 2,782 |

## 12. DEFERRED TAX ASSETS (CONT'D.)

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

| Deferred tax assets | Balance at beginning of the financial year RM'000 | Recognised in income statement RM'000 | Recognised in other comprehensive income RM'000 | Balance at end of the financial year RM'000 |
|---|---|---|---|---|
| **Group and Bank** | | | | |
| **31 March 2016** | | | | |
| Provision for commitments and contingencies | 139 | (43) | - | 96 |
| Provisions | 4,769 | (2,529) | - | 2,240 |
| Available for sale reserve | (325) | - | 325 | - |
| Other temporary differences | (1,093) | 4,353 | - | 3,260 |
| | 3,490 | 1,781 | 325 | 5,596 |
| **31 March 2015** | | | | |
| Provision for commitments and contingencies | 253 | (114) | - | 139 |
| Provisions | 8,965 | (4,196) | - | 4,769 |
| | 9,218 | (4,310) | - | 4,908 |
| **Deferred tax liabilities** | | | | |
| **Group and Bank** | | | | |
| **31 March 2016** | | | | |
| Excess of capital allowances over depreciation | (708) | (346) | - | (1,054) |
| | (708) | (346) | - | (1,054) |
| **31 March 2015** | | | | |
| Excess of capital allowances over depreciation | (1,253) | 545 | - | (708) |
| Available for sale reserve | - | - | (325) | (325) |
| Other temporary differences | 6,769 | (7,862) | - | (1,093) |
| | 5,516 | (7,317) | (325) | (2,126) |

As at 31 March 2016, the Group has unabsorbed capital allowances of approximately RM3,553,946 (2015: RM1,334,470) that is available for offset against future taxable profit of leasing business from its subsidiaries. Deferred tax assets is not recognised due to uncertainty in timing of its recoverability.

## 13. INVESTMENTS IN SUBSIDIARIES

| | Bank 2016 RM'000 | Bank 2015 RM'000 |
|---|---|---|
| Unquoted shares, at cost | 23,894 | 188,687 |
| Less: Impairment loss | (4,763) | (85,746) |
| | 19,131 | 102,941 |

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

| | Principal Activities | Effective Equity Interest 2016 % | Effective Equity Interest 2015 % |
|---|---|---|---|
| **Subsidiaries** | | | |
| **Incorporated in Malaysia** | | | |
| AMMB Nominees (Tempatan) Sdn Bhd | Nominee services | 100 | 100 |
| AMMB Nominees (Asing) Sdn Bhd | Nominee services | 100 | 100 |
| AmProperty Trust Management Bhd ^ | Dormant | - | 100 |
| AM Nominees (Tempatan) Sdn Bhd # | Nominee services | 100 | 100 |
| AM Nominees (Asing) Sdn Bhd | Nominee services | 100 | 100 |
| AMSEC Nominees (Tempatan) Sdn Bhd | Nominee services | 100 | 100 |
| AMSEC Nominees (Asing) Sdn Bhd | Nominee services | 100 | 100 |
| AmResearch Sdn Bhd | Dormant | 100 | 100 |
| AmFutures Sdn Bhd | Futures Broker | 100 | 100 |
| **Incorporated in Singapore** | | | |
| AmFraser International Pte. Ltd. ("FIPL") * | Investment holding | 100 | 100 |
| AmGlobal Investments Pte. Ltd. * | Dormant | 100 | 100 |

* Subsidiaries audited by a firm affiliated with Ernst & Young Malaysia
# Subsidiary audited by a firm other than Ernst & Young
^ Subsidiary liquidated on 24 October 2015

On 3 December 2015, AmResearch Sdn Bhd surrendered its capital market services license and became dormant.

There are no restrictions on transfer of funds, for example paying dividends or repaying loans and advances by the subsidiaries. The ability of the subsidiaries to pay dividends or make advances to the Bank depends on their financial and operating performance.

The wholly owned subsidiary of the Bank, FIPL received an additional gain from the disposal of its subsidiary, AmFraser Securities Pte Ltd ("FSPL") of S$4,122,491 (Approximately RM11,935,000) in the previous financial year. The additional gain received in the current year arose from the finalisation of the completion audit of FSPL.

During the current financial year, FIPL completed a capital repayment exercise which involved a cancellation of S$54,264,727 ordinary share capital in two phases as follows:

- repayment of an amount of S$17,451,757 (Approximately RM45,897,000) against the accumulated losses of AmFraser as at 31 October 2015; and
- repayment of an amount of S$36,812,970 (Approximately RM110,193,000) for the return of excess capital to the Bank.

The above capital repayment exercise resulted in a gain of RM21,706,000 recognised into income statement of the Group.

## 13. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

The movement in allowance for impairment are as follows:

| | Group and Bank 2016 RM'000 | Group and Bank 2015 RM'000 |
|---|---|---|
| Balance at the beginning of the financial year | 85,746 | 85,746 |
| Allowance made during the financial year | 74 | - |
| Capital repayment of FIPL | (81,057) | - |
| Balance at end of the financial year | 4,763 | 85,746 |

## 14. INVESTMENTS IN AN ASSOCIATE

| | Group | | Bank | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Unquoted shares, at cost | - | 100 | - | 100 |
| Share of post acquisition reserves | - | 1,067 | - | - |
| | - | 1,167 | - | 100 |

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

| | Principal Activities | Effective Equity Interest 2016 % | Effective Equity Interest 2015 % |
|---|---|---|---|
| AmTrustee Berhad | Trustee services | 20 | 20 |

The summarised financial information of the associate is as follows:

| | 2016 RM'000 | 2015 RM'000 |
|---|---|---|
| Total assets | 13,833 | 8,925 |
| Total liabilities | 4,807 | 2,653 |
| Operating revenue | 8,301 | 8,645 |
| Profit for the year from continuing operation representing total comprehensive income | 2,762 | 2,498 |
| Dividends paid during the financial year | - | 1,000 |

The contingent liability of the Group arising from contingent liability of the associate is disclosed in Note 38(a).

During the financial year, the Board had approved a proposal to dispose of AmTrustee Berhad. Accordingly, the investment in AmTrustee Berhad has been reclassified as asset held for sale (Note 18) in the balance sheet as at 31 March 2016.

## 15. OTHER ASSETS

| | Group | | Bank | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Trade receivables | 622,192 | 501,929 | 622,192 | 500,325 |
| Other receivables, deposits and prepayments | 35,158 | 47,086 | 25,512 | 37,741 |
| Interest receivable | 489 | 4,859 | 449 | 4,853 |
| Tax recoverable | 55,156 | 63,582 | 55,156 | 63,340 |
| Margin deposits | 21,539 | 10,904 | 26 | - |
| Amount due from: | | | | |
| Holding company | 682 | - | 682 | - |
| Subsidiaries | - | - | 1,269 | 38 |
| Related companies | 2,920 | 3,069 | 3,174 | 3,215 |
| | 738,136 | 631,429 | 708,460 | 609,512 |
| Less: | | | | |
| Accumulated impairment loss | (8,886) | (8,843) | (5,989) | (7,412) |
| | 729,250 | 622,586 | 702,471 | 602,100 |

Trade receivables mainly relate to those in respect of the stock and share-broking operations of the Bank and its subsidiaries, and represent amount outstanding from purchase contracts.

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

The movement in allowance for impairment is as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Balance at beginning of financial year | 8,843 | 87,759 | 7,412 | 7,288 |
| Allowance made during the financial year, net | 5,024 | 9,881 | 2,072 | 1,100 |
| Amount written-off | (4,917) | (16,003) | (3,495) | (976) |
| Disposal of subsidiary | - | (76,892) | - | - |
| Foreign exchange differences | (64) | 4,098 | - | - |
| Balance at end of the financial year | 8,886 | 8,843 | 5,989 | 7,412 |

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

As at reporting date, trade receivables of the Group and of the Bank that are classified as impaired amounted to RM4,337,000 (2015: RM7,115,000) and RM 4,337,000 (2015: RM5,684,000) respectively.

## 16. PROPERTY AND EQUIPMENT

| **2016 Group** | **Long term leasehold land RM'000** | **Leasehold buildings RM'000** | **Leasehold improvements RM'000** | **Office equipment, furniture and fittings RM'000** | **Computer equipment RM'000** | **Motor vehicles RM'000** | **Total RM'000** |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 April 2015 | 3,000 | 17,133 | 15,405 | 23,403 | 25,958 | 3,252 | 88,151 |
| Additions | - | - | 312 | 134 | 1,190 | - | 1,636 |
| Disposals | - | - | - | (194) | (1,016) | (518) | (1,728) |
| Reclassification | - | - | 155 | (155) | - | - | - |
| Written off | - | - | - | (14) | (721) | - | (735) |
| At 31 March 2016 | 3,000 | 17,133 | 15,872 | 23,174 | 25,411 | 2,734 | 87,324 |
| **Accumulated Depreciation** | | | | | | | |
| At 1 April 2015 | 765 | 4,435 | 13,751 | 20,363 | 24,089 | 2,218 | 65,621 |
| Depreciation for the financial year (Note 27) | 60 | 342 | 755 | 685 | 757 | 73 | 2,672 |
| Disposals | - | - | - | (193) | (1,016) | (363) | (1,572) |
| Reclassification | - | - | 155 | (173) | - | - | (18) |
| Written off | - | - | - | (14) | (721) | - | (735) |
| At 31 March 2016 | 825 | 4,777 | 14,661 | 20,668 | 23,109 | 1,928 | 65,968 |
| **Carrying Amount** | | | | | | | |
| At 31 March 2016 | 2,175 | 12,356 | 1,211 | 2,506 | 2,302 | 806 | 21,356 |

## 16. PROPERTY AND EQUIPMENT (CONT'D.)

| 2015 Group | Long term leasehold land RM'000 | Leasehold buildings RM'000 | Leasehold improvements RM'000 | Office equipment, furniture and fittings RM'000 | Computer equipment RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 April 2014 | 3,000 | 17,133 | 15,274 | 27,359 | 33,650 | 4,035 | 100,451 |
| Additions | - | - | 1,477 | 575 | 1,751 | - | 3,803 |
| Disposals | - | - | (1) | (55) | (41) | (186) | (283) |
| Disposal of subsidiary | - | - | (1,346) | (4,839) | (7,192) | (620) | (13,997) |
| Written off | - | - | - | (8) | (2,252) | - | (2,260) |
| Reclassification/adjustments | - | - | - | 195 | (195) | - | - |
| Foreign exchange differences | - | - | 1 | 176 | 237 | 23 | 437 |
| At 31 March 2015 | 3,000 | 17,133 | 15,405 | 23,403 | 25,958 | 3,252 | 88,151 |
| **Accumulated Depreciation** | | | | | | | |
| At 1 April 2014 | 705 | 4,092 | 12,914 | 23,591 | 28,639 | 2,778 | 72,719 |
| Depreciation for the financial year (Note 27) | 60 | 343 | 1,663 | 880 | 1,416 | 222 | 4,584 |
| Disposals | - | - | (1) | (53) | (41) | (186) | (281) |
| Disposal of subsidiary | - | - | (839) | (4,209) | (3,886) | (620) | (9,554) |
| Written off | - | - | - | (6) | (2,199) | - | (2,205) |
| Foreign exchange differences | - | - | 14 | 160 | 160 | 24 | 358 |
| At 31 March 2015 | 765 | 4,435 | 13,751 | 20,363 | 24,089 | 2,218 | 65,621 |
| **Carrying Amount** | | | | | | | |
| At 31 March 2015 | 2,235 | 12,698 | 1,654 | 3,040 | 1,869 | 1,034 | 22,530 |

## 16. PROPERTY AND EQUIPMENT (CONT'D.)

| 2016<br>Bank | Long term leasehold land<br>RM'000 | Leasehold buildings<br>RM'000 | Leasehold improvements<br>RM'000 | Office equipment, furniture and fittings<br>RM'000 | Computer equipment<br>RM'000 | Motor vehicles<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 April 2015 | 3,000 | 17,133 | 15,191 | 23,061 | 26,228 | 3,293 | 87,906 |
| Additions | - | - | 312 | 134 | 1,188 | - | 1,634 |
| Transfer from a subsidiary | - | - | 165 | 80 | 90 | - | 335 |
| Disposals | - | - | - | (194) | (1,016) | (518) | (1,728) |
| Written off | - | - | - | (14) | (721) | - | (735) |
| At 31 March 2016 | 3,000 | 17,133 | 15,668 | 23,067 | 25,769 | 2,775 | 87,412 |
| **Accumulated Depreciation** | | | | | | | |
| At 1 April 2015 | 765 | 4,435 | 13,541 | 19,987 | 24,465 | 2,227 | 65,420 |
| Depreciation for the financial year (Note 27) | 60 | 343 | 753 | 681 | 733 | 73 | 2,643 |
| Depreciation transfer from a subsidiary | - | - | 165 | 60 | 83 | - | 308 |
| Disposals | - | - | - | (193) | (1,016) | (363) | (1,572) |
| Written off | - | - | - | (14) | (721) | - | (735) |
| At 31 March 2016 | 825 | 4,778 | 14,459 | 20,521 | 23,544 | 1,937 | 66,064 |
| **Carrying Amount** | | | | | | | |
| At 31 March 2016 | 2,175 | 12,355 | 1,209 | 2,546 | 2,225 | 838 | 21,348 |

## 16. PROPERTY AND EQUIPMENT (CONT'D.)

| **2015 Bank** | **Long term leasehold land RM'000** | **Leasehold buildings RM'000** | **Leasehold improvements RM'000** | **Office equipment, furniture and fittings RM'000** | **Computer equipment RM'000** | **Motor vehicles RM'000** | **Total RM'000** |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 April 2014 | 3,000 | 17,133 | 15,061 | 22,549 | 27,906 | 3,479 | 89,128 |
| Additions | - | - | 131 | 563 | 234 | - | 928 |
| Disposals | - | - | (1) | (51) | (41) | (186) | (279) |
| Written off | - | - | - | - | (1,871) | - | (1,871) |
| At 31 March 2015 | 3,000 | 17,133 | 15,191 | 23,061 | 26,228 | 3,293 | 87,906 |
| **Accumulated Depreciation** | | | | | | | |
| At 1 April 2014 | 705 | 4,092 | 12,706 | 19,345 | 25,646 | 2,192 | 64,686 |
| Depreciation for the financial year (Note 27) | 60 | 343 | 836 | 693 | 731 | 221 | 2,884 |
| Disposals | - | - | (1) | (51) | (41) | (186) | (279) |
| Written off | - | - | - | - | (1,871) | - | (1,871) |
| At 31 March 2015 | 765 | 4,435 | 13,541 | 19,987 | 24,465 | 2,227 | 65,420 |
| **Carrying Amount** | | | | | | | |
| At 31 March 2015 | 2,235 | 12,698 | 1,650 | 3,074 | 1,763 | 1,066 | 22,486 |

## 16. PROPERTY AND EQUIPMENT (CONT'D.)

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

| | Group and Bank | |
|---|---|---|
| | 2016 | 2015 |
| | RM'000 | RM'000 |
| Not later than one year | 60 | 60 |
| Later than one year but not later than five years | 240 | 240 |
| Later than five year | 1,875 | 1,935 |
| | 2,175 | 2,235 |

## 17. INTANGIBLE ASSETS

The net carrying amount of intangible assets are as follows:

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| | Note | | | | |
| In-force business | (a) | - | 1,073 | - | - |
| Computer software | (b) | 2,583 | 1,847 | 2,542 | 1,710 |
| | | 2,583 | 2,920 | 2,542 | 1,710 |

(a) In-force business

In-force business in prior year represented the Company's trading rights of AmFutures, a subsidiary of the Bank on the derivatives exchange.

(b) Computer Software

| | Group | | Bank | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Cost** | | | | |
| Balance at beginning of the financial year | 14,572 | 13,769 | 14,270 | 13,545 |
| Additions | 1,601 | 803 | 1,584 | 725 |
| Transfer from a subsidiary | - | - | 150 | - |
| Balance at end of the financial year | 16,173 | 14,572 | 16,004 | 14,270 |
| **Accumulated Amortisation** | | | | |
| Balance at beginning of the financial year | 12,725 | 11,958 | 12,560 | 11,831 |
| Amortisation for the financial year | 865 | 767 | 832 | 729 |
| Transfer from a subsidiary | - | - | 70 | - |
| Balance at end of the financial year | 13,590 | 12,725 | 13,462 | 12,560 |
| **Carrying amount** | 2,583 | 1,847 | 2,542 | 1,710 |

## 18. ASSET HELD FOR SALE

During the current financial year, the Board approved the proposal to dispose of AmTrustee, the associated company of the Group. The proposed disposal will not result in any significant impact on the Group's income statement or statement of financial position of the Group. The disposal is in progress as at the reporting date.

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

| | Group | | Bank | |
|---|---|---|---|---|
| | 31 March 2016 RM'000 | 31 March 2015 RM'000 | 31 March 2016 RM'000 | 31 March 2015 RM'000 |
| **Assets** | | | | |
| Unquoted shares, at cost | 100 | - | 100 | - |
| Share of post acquisition reserves | 1,619 | - | - | - |
| | 1,719 | - | 100 | - |

## 19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

| | Group and Bank | |
|---|---|---|
| | 2016 RM'000 | 2015 RM'000 |
| Licensed bank | 400,000 | 980,869 |

## 20. OTHER LIABILITIES

| | Group | | Bank | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Trade payables | 617,560 | 481,322 | 596,296 | 470,748 |
| Other payables and accruals | 67,310 | 48,034 | 67,225 | 44,421 |
| Interest payable | 2,564 | 16,233 | 2,564 | 16,233 |
| Provision for commitments and contingencies | 402 | 580 | 402 | 580 |
| Amounts due to: | | | | |
| Holding company | - | 5,165 | - | 229 |
| Subsidiaries | - | - | - | 290 |
| Related companies | 10,054 | 5,322 | 9,766 | 5,249 |
| Provision for zakat | - | 38 | - | 38 |
| | 697,890 | 556,694 | 676,253 | 537,788 |

Trade payables mainly relate to the stock and share-broking operations of the Bank and its subsidiaries and represent amount payable in respect of outstanding sales contracts.

Amount due to holding company,subsidiaries and related companies are unsecured, non-interest bearing, repayable on demand and represent expenses paid on behalf.

## 20. OTHER LIABILITIES (CONT'D.)

The movement in provision for commitments and contingencies is as follows:

| | Group and Bank | |
|---|---|---|
| | 2016 | 2015 |
| | RM'000 | RM'000 |
| Balance at beginning of financial year | 580 | 1,012 |
| Writeback for the financial year | (178) | (432) |
| Balance at end of financial year | 402 | 580 |

## 21. SHARE CAPITAL

| | Group and Bank | |
|---|---|---|
| | 2016 | 2015 |
| | RM'000 | RM'000 |
| Authorised: | | |
| Ordinary shares of RM1.00 each | | |
| Balance at the beginning and end of the financial year | 2,000,000 | 2,000,000 |
| Issued and fully paid: | | |
| Ordinary shares of RM1.00 each | | |
| Balance at the beginning and end of the financial year | 200,000 | 200,000 |

## 22. RESERVES

| | Note | Group 2016 RM'000 | Group 2015 RM'000 | Bank 2016 RM'000 | Bank 2015 RM'000 |
|---|---|---|---|---|---|
| Other reserves | (a) | 215,436 | 251,792 | 202,800 | 203,824 |
| Retained earnings | (b) | 103,699 | 58,511 | 99,023 | 82,533 |
| Total reserves | | 319,135 | 310,303 | 301,823 | 286,357 |

(a) The other reserves and their movements are analysed as follows:

| Group | Capital reserve RM'000 | Statutory reserve RM'000 | Regulatory reserve RM'000 | Merger reserve RM'000 | Available-for-sale reserve RM'000 | Foreign exchange fluctuation reserve RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **At 1 April 2014** | 2,815 | 200,000 | - | 7,656 | 1,759 | 34,517 | 246,747 |
| Other comprehensive income/(loss) | | | | | | | |
| Net loss on changes in fair value financial investments available-for-sale | - | - | - | - | (928) | - | (928) |
| Income tax relating to other comprehensive loss | - | - | - | - | 245 | - | 245 |
| Foreign exchanges differences | - | - | - | - | - | 2,928 | 2,928 |
| | - | - | - | - | (683) | 2,928 | 2,245 |
| Transfer to regulatory reserve | - | - | 2,800 | - | - | - | 2,800 |
| **At 31 March 2015** | 2,815 | 200,000 | 2,800 | 7,656 | 1,076 | 37,445 | 251,792 |
| **At 1 April 2015** | 2,815 | 200,000 | 2,800 | 7,656 | 1,076 | 37,445 | 251,792 |
| Other comprehensive income/(loss) | | | | | | | |
| Net loss on changes in fair value financial investments available-for-sale | - | - | - | - | (1,398) | - | (1,398) |
| Transfer to profit or loss upon disposals | - | - | - | - | 49 | - | 49 |
| Income tax relating to other comprehensive loss | - | - | - | - | 325 | - | 325 |
| Foreign exchanges differences | - | - | - | - | - | (11,056) | (11,056) |
| | - | - | - | - | (1,024) | (11,056) | (12,080) |
| Transfer to retained earnings | - | - | - | - | (52) | (24,224) | (24,276) |
| **At 31 March 2016** | 2,815 | 200,000 | 2,800 | 7,656 | - | 2,165 | 215,436 |

## 22. RESERVES (CONT'D.)

| **Bank** | **Statutory reserve RM'000** | **Regulatory reserve RM'000** | **Available-for-sale reserve RM'000** | **Total RM'000** |
|---|---|---|---|---|
| **At 1 April 2014** | 200,000 | - | 1,707 | 201,707 |
| Other comprehensive income/(loss) | | | | |
| Net loss on changes in fair value financial investments available-for-sale | - | - | (928) | (928) |
| Income tax relating to other comprehensive loss | - | - | 245 | 245 |
| | - | - | (683) | (683) |
| Transfer to regulatory reserve | - | 2,800 | - | 2,800 |
| **At 31 March 2015** | 200,000 | 2,800 | 1,024 | 203,824 |
| **At 1 April 2015** | 200,000 | 2,800 | 1,024 | 203,824 |
| Other comprehensive income/(loss) | | | | |
| Net loss on changes in fair value financial investments available-for-sale | - | - | (1,398) | (1,398) |
| Transfer to profit or loss upon disposal | - | - | 49 | 49 |
| Income tax relating to other comprehensive loss | - | - | 325 | 325 |
| | - | - | (1,024) | (1,024) |
| **At 31 March 2016** | 200,000 | 2,800 | - | 202,800 |

The other reserves relate to the following:

(i) Capital reserve is in respect of dilution and accretion in net attributable assets of the Group arising from capitalisation of subsidiaries' bonus issues.

(ii) Statutory reserve is maintained in compliance with Section 47 (2) (f) of the Financial Services Act, 2013.

(iii) Regulatory reserve is held as a buffer to absorb potential credit loss as required by Bank Negara Malaysia in excess of the requirements of the accounting standards.

(iv) Merger reserve represents reserve arising from the acquisition of certain subsidiaries which was accounted for using the merger accounting method.

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

(vi) 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.

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

## 23. INTEREST INCOME

| | Group 2016 RM'000 | Group 2015 RM'000 | Bank 2016 RM'000 | Bank 2015 RM'000 |
|---|---|---|---|---|
| Cash and short-term funds | 12,713 | 20,710 | 10,354 | 18,821 |
| Financial investments available-for-sale | 3,147 | 13,724 | 3,147 | 13,724 |
| Financial investments held-to-maturity | 3,136 | 3,145 | 3,136 | 3,145 |
| Loans and advances | 21,804 | 33,230 | 21,804 | 32,501 |
| Others | 831 | 344 | 624 | 143 |
| | 41,631 | 71,153 | 39,065 | 68,334 |

## 24. INTEREST EXPENSE

| | Group 2016 RM'000 | Group 2015 RM'000 | Bank 2016 RM'000 | Bank 2015 RM'000 |
|---|---|---|---|---|
| Deposits and placements of banks and other financial institutions | 29,541 | 55,108 | 29,541 | 55,108 |
| Debt capital | - | 1,106 | - | - |
| Others | 402 | 228 | - | 2 |
| | 29,943 | 56,442 | 29,541 | 55,110 |

## 25. OTHER OPERATING INCOME

| | Group 2016 RM'000 | Group 2015 RM'000 | Bank 2016 RM'000 | Bank 2015 RM'000 |
|---|---|---|---|---|
| Fee and commission income: | | | | |
| Brokerage fees and commission | 83,451 | 115,024 | 79,640 | 96,698 |
| Corporate advisory | 15,930 | 21,438 | 15,930 | 21,438 |
| Fees on loans and securities | 6,543 | 10,468 | 6,543 | 10,468 |
| Guarantee fees | 173 | 277 | 173 | 277 |
| Portfolio management fees | 1,279 | 1,579 | 1,279 | 1,579 |
| Underwriting commission | 3,404 | 8,563 | 3,404 | 8,536 |
| Wealth management fees | 26,855 | 35,904 | 26,855 | 35,904 |
| Other fee and commission income | 6,234 | 4,898 | 5,980 | 3,768 |
| | 143,869 | 198,151 | 139,804 | 178,668 |
| Investment and trading income: | | | | |
| Gross dividend income from: | | | | |
| Associate | - | - | - | 1,000 |
| Financial assets held-for-trading | 8 | 12 | 8 | 7 |
| Financial investments available-for-sale | 1,388 | 469 | 1,388 | 469 |
| Net foreign exchange gain[1] | 1,555 | 1,685 | 1,514 | 1,648 |
| Net gain on derivatives | 22 | 13 | 22 | 13 |
| Net loss on revaluation of financial assets held-for-trading | (10) | (34) | (10) | (34) |
| Net (loss)/gain from sale of financial assets held-for-trading | (4) | 9 | (4) | 33 |
| Net loss from sale of financial investments available-for-sale | (49) | - | (49) | - |
| | 2,910 | 2,154 | 2,869 | 3,136 |

## 25. OTHER OPERATING INCOME (CONT'D.)

| | Group 2016 RM'000 | Group 2015 RM'000 | Bank 2016 RM'000 | Bank 2015 RM'000 |
|---|---|---|---|---|
| Other income: | | | | |
| Net (loss)/gain on disposal of property and equipment | (71) | 18 | (71) | 18 |
| Net non-trading foreign exchange gain | 492 | 347 | 1 | - |
| Gain on liquidation of subsidiary | - | 20,052 | 42 | 199 |
| Gain on disposal of subsidiary | 11,935 | 14,012 | - | - |
| Gain on repayment of capital by a subsidiary | 21,706 | - | 26,485 | - |
| Rental income | 2,337 | 2,343 | 2,337 | 2,344 |
| Others | 776 | 877 | 255 | 101 |
| | 37,175 | 37,649 | 29,049 | 2,662 |
| | 183,954 | 237,954 | 171,722 | 184,466 |

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

## 26. DIRECT COSTS

| | Group 2016 RM'000 | Group 2015 RM'000 | Bank 2016 RM'000 | Bank 2015 RM'000 |
|---|---|---|---|---|
| Dealers incentive | 4,735 | 6,024 | 4,735 | 6,024 |
| Brokerage commission | 19,178 | 32,889 | 18,221 | 24,325 |
| Others | 12,402 | 21,987 | 12,402 | 21,987 |
| | 36,315 | 60,900 | 35,358 | 52,336 |

## 27. OTHER OPERATING EXPENSES

| | Note | Group 2016 RM'000 | Group 2015 RM'000 | Bank 2016 RM'000 | Bank 2015 RM'000 |
|---|---|---|---|---|---|
| Personnel costs: | | | | | |
| - Contributions to EPF | | 8,886 | 12,294 | 8,482 | 10,226 |
| - Salaries, allowances and bonuses | | 56,143 | 79,583 | 53,438 | 62,604 |
| - Scheme shares and options granted under AMMB ESS | | 1,997 | 6,096 | 2,008 | 5,886 |
| - Social security costs | | 300 | 337 | 289 | 322 |
| - Others | | 6,777 | 12,075 | 7,195 | 6,993 |
| | | 74,103 | 110,385 | 71,412 | 86,031 |
| Establishment costs: | | | | | |
| - Amortisation of intangible assets | 17(b) | 865 | 767 | 832 | 729 |
| - Cleaning, maintenance and security | | 1,878 | 2,357 | 1,864 | 1,298 |
| - Computerisation costs | | 8,301 | 5,417 | 7,432 | 9 |
| - Depreciation of property and equipment | 16 | 2,672 | 4,584 | 2,643 | 2,884 |
| - Rental of premises | | 8,035 | 12,017 | 7,771 | 8,209 |
| - Others | | 3,890 | 3,668 | 3,826 | 2,034 |
| | | 25,641 | 28,810 | 24,368 | 15,163 |

## 27. OTHER OPERATING EXPENSES (CONT'D.)

| | Group | | Bank | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Marketing and communication expenses: | | | | |
| - Advertising, promotional and other marketing activities | 995 | 816 | 985 | 799 |
| - Sales commission | 520 | 532 | 520 | 532 |
| - Travel and entertainment | 1,741 | 2,365 | 1,670 | 1,957 |
| - Communication expenses | 2,495 | 3,655 | 2,414 | 2,906 |
| - Others | 2,088 | 2,230 | 2,087 | 2,239 |
| | 7,839 | 9,598 | 7,676 | 8,433 |
| Administration and general expenses: | | | | |
| - Professional services | 4,250 | 4,302 | 2,678 | 2,418 |
| - Travelling | 383 | 635 | 376 | 615 |
| - Others | 7,314 | 7,644 | 6,894 | 5,317 |
| | 11,947 | 12,581 | 9,948 | 8,350 |
| Service transfer pricing, net | 1,835 | (7,345) | 2,765 | (7,260) |
| Business efficiency costs | 800 | - | 800 | - |
| | 122,165 | 154,029 | 116,969 | 110,717 |

The above expenditure includes the following statutory disclosure:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Auditors' remuneration: | | | | |
| Parent auditor: | | | | |
| Audit | 184 | 178 | 155 | 150 |
| Regulatory and assurance related | 97 | 109 | 97 | 109 |
| Other services | 212 | 15 | 212 | 15 |
| Firms affiliated with parent auditor: | | | | |
| Audit | 17 | 87 | - | - |
| Hire of motor vehicles and office equipment | 992 | 1,938 | 945 | 690 |
| Property and equipment written off | - | 55 | - | - |

Personnel costs include salaries, bonuses, contributions to Employees Provident Fund ("EPF") and all other staff related expenses. Contributions to EPF, a substantial shareholder of the holding company, by the Group and the Bank amounted to RM8,886,000 (2015: RM12,294,000) and RM8,482,000 (2015: RM10,226,000), respectively.

## 28. CHIEF EXECUTIVE OFFICER'S AND DIRECTORS' REMUNERATION

The total remuneration (including benefits-in-kind) of the chief executive officer's and directors of the Bank are as follows:

| 2016 | Fees RM'000 | Salaries RM'000 | Bonus RM'000 | Other Emolument RM'000 | Benefits-in-kind RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Chief Executive Officer:** | | | | | | |
| Kok Tuck Cheong* | - | 977 | 200 | 1,252 | 66 | 2,495 |
| **Non-Executive Directors:** | | | | | | |
| Tan Sri Azman Hashim | 160 | - | - | 269 | - | 429 |
| Graham Kennedy Hodges**^ | 150 | - | - | 63 | - | 213 |
| Dato' Rohana Tan Sri Mahmood | 150 | - | - | 78 | - | 228 |
| Tan Bun Poo# | 123 | - | - | 64 | - | 187 |
| Tan Sri Datuk Clifford Francis Herbert*** | 27 | - | - | 11 | - | 38 |
| Tan Sri Datuk Dr Aris Osman**** | 60 | - | - | 29 | - | 89 |
| Cheah Tek Kuang***** | 88 | - | - | 19 | - | 107 |
| | 758 | - | - | 533 | - | 1,291 |
| Total directors' remuneration | 758 | 977 | 200 | 1,785 | 66 | 3,786 |

* Resigned on 30 November 2015

** Appointed on 28 April 2015

*** Resigned on 5 June 2015

**** Retired on 24 August 2015

***** Resigned on 20 October 2015

^ Payable to Australia and New Zealand Banking Group Limited

\# Appointed on 5 June 2015

| 2015 | Fees RM'000 | Salaries RM'000 | Bonus RM'000 | Other Emolument RM'000 | Benefits-in-kind RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Chief Executive Officer:** | | | | | | |
| Kok Tuck Cheong | - | 1,461 | 472 | 395 | 95 | 2,423 |
| **Non-Executive Directors:** | | | | | | |
| Tan Sri Azman Hashim | 160 | - | - | 273 | - | 433 |
| Graham Kennedy Hodges** | 22 | - | - | 2 | - | 24 |
| Cheah Tek Kuang | 160 | - | - | 27 | - | 187 |
| Tun Mohd Hanif bin Omar | 150 | - | - | 9 | - | 159 |
| Tan Sri Datuk Dr Aris Osman | 150 | - | - | 68 | - | 218 |
| Tan Sri Datuk Clifford Francis Herbert | 150 | - | - | 71 | - | 221 |
| Dato' Rohana Tan Sri Mahmood | 150 | - | - | 51 | - | 201 |
| Loh Chen Peng* | 37 | - | - | 13 | - | 50 |
| Ashok Ramamurthy^ | 150 | - | - | - | - | 150 |
| | 1,129 | - | - | 514 | - | 1,643 |
| Total directors' remuneration | 1,129 | 1,461 | 472 | 909 | 95 | 4,066 |

* Resigned with effect from 1 July 2014

* Payable to Australia and New Zealand Banking Group Limited

^ Payable to AMMB Holdings Berhad

## 29. WRITEBACK OF ALLOWANCE FOR IMPAIRMENT ON LOANS AND ADVANCES

| | Group | | Bank | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Writeback of allowance for impairment on loans and advances: | | | | |
| Individual allowance (Note 10(i)) | 40 | 907 | 40 | 116 |
| Collective allowance (Note 10(i)) | 39 | 2,730 | 39 | 2,730 |
| Impaired loans and advances recovered | - | 1,075 | - | 1,075 |
| | 79 | 4,712 | 79 | 3,921 |

## 30. TAXATION

| | Group | | Bank | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Current tax: | | | | |
| Estimated tax payable | 9,778 | 1,950 | 9,447 | 1,850 |
| Under/(Over) provision of taxation in respect of prior financial years | 1,795 | (1,447) | 1,696 | (1,446) |
| | 11,573 | 503 | 11,143 | 404 |
| Deferred tax (Note 12): | | | | |
| Relating to origination and reversal of temporary differences | (1,399) | 11,827 | (1,399) | 11,827 |
| Relating to changes in tax rates | - | 121 | - | 121 |
| Over provision of deferred tax in prior financial year | (36) | (321) | (36) | (321) |
| | (1,435) | 11,627 | (1,435) | 11,627 |
| Taxation | 10,138 | 12,130 | 9,708 | 12,031 |

Domestic income tax is calculated at the statutory tax rate of 24% (2015: 25%) on the estimated chargeable profit for the financial year.

As at the end of the current financial year, the Group and the Bank have tax exempt income totalling RM9,776,491 (2015: RM10,100,432) and RM9,776,491 (2015: RM9,776,737) respectively pertaining to subsidiaries.

Taxation in foreign jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

## 30. TAXATION (CONT'D.)

A reconciliation of taxation applicable to profit before taxation at the statutory tax rate to taxation at the effective tax rate of the Group and of the Bank is as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Profit before taxation | 61,227 | 50,133 | 56,359 | 54,610 |
| Taxation at Malaysian statutory tax rate of 24.0% (2015: 25.0%) | 14,694 | 12,533 | 13,526 | 13,653 |
| Effect of changes in tax rates on opening balance of deferred tax | - | 121 | - | 121 |
| Under/(Over) provision of current tax in prior years | 1,795 | (1,447) | 1,696 | (1,446) |
| Tax recoverable recognised on income subject to tax remission | (211) | (27) | (211) | (27) |
| Over provision of deferred tax asset in prior years | (36) | (321) | (36) | (321) |
| Income not subject to tax | (8,786) | (503) | (6,631) | (446) |
| Expenses not deductible for tax purposes | 2,755 | 1,879 | 1,364 | 497 |
| Tax on share in result of an associate | (132) | (125) | - | - |
| Deferred tax assets not recognised | 59 | 20 | - | - |
| Taxation | 10,138 | 12,130 | 9,708 | 12,031 |

## 31. BASIC EARNINGS PER SHARE

| | Group | | Bank | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Net profit attributable to shareholder of the Bank | 51,127 | 38,003 | 46,689 | 42,579 |
| Weighted average number of  of ordinary shares in issue | 200,000 | 200,000 | 200,000 | 200,000 |
| Basic earnings per share (sen) | 25.6 | 19.0 | 23.3 | 21.3 |

## 32. DIVIDENDS

| | Group and Bank 2016 RM'000 | 2015 RM'000 |
|---|---|---|
| Recognised during the financial year: | | |
| Final single tier cash dividend of 10.00 sen per ordinary share in respect of financial year ended 31 March 2015 (2015: NIL) | 20,000 | - |
| Interim single tier cash dividend of 5.00 sen per ordinary share in respect of financial year ended 31 March 2016 (2015: 6.75 sen per ordinary share in respect of financial year ended 31 March 2015) | 10,000 | 13,500 |
| | 30,000 | 13,500 |
| Proposed but not recognised as a liability: | | |
| Final single tier cash dividend of 17.00 sen per ordinary share in respect of financial year ended 31 March 2016 (2015: NIL) | 34,000 | - |

The directors propose the payment of final single tier dividend of 17.0 sen per ordinary shares amounting to RM34,000,000 in respect of the current financial year ended 31 March 2016. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained earnings in the next financial year ending 31 March 2017.

## 33. RELATED PARTY TRANSACTIONS

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

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

(i) Subsidiaries

Details of the subsidiaries are disclosed in Note 13.

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

(ii) Related companies

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

(iii) Associate

Details of the associate are disclosed in Note 14.

(iv) Key management personnel

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

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

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

(vi) Companies which have significant influence over the Group

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

## 33. RELATED PARTY TRANSACTIONS (CONT'D.)

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

| Group and Bank | Companies which have significant influence over the Group 2016 RM'000 | Companies which have significant influence over the Group 2015 RM'000 | Companies in which certain Directors have substantial financial interest 2016 RM'000 | Companies in which certain Directors have substantial financial interest 2015 RM'000 |
|---|---|---|---|---|
| **Expenses** | | | | |
| Cleaning and maintenance | - | - | 496 | - |
| Insurance premiums | - | - | 1,462 | 1,165 |
| Directors fees | 42 | - | - | - |
| Travelling expenses | - | - | 226 | 301 |
| Other expenses | - | - | 30 | 44 |
| | 42 | - | 2,214 | 1,510 |

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

| Group | Related Companies 2016 RM'000 | Related Companies 2015 RM'000 | Associate 2016 RM'000 | Associate 2015 RM'000 |
|---|---|---|---|---|
| **Income** | | | | |
| Interest on deposits and placements | 18,848 | 26,905 | - | - |
| Rental income | 2,128 | 2,165 | - | - |
| | 20,976 | 29,070 | - | - |
| **Expenses** | | | | |
| Interest on deposits and placements | 29,557 | 57,106 | - | - |
| Cleaning and maintenance | - | 8 | - | - |
| Rental of premises | - | 7,385 | - | - |
| Other expenses | - | 1 | - | - |
| Service transfer pricing, net | 2,255 | (6,925) | (420) | (420) |
| | 31,812 | 57,575 | (420) | (420) |

| Group | Related Companies 2016 RM'000 | Related Companies 2015 RM'000 | Associate 2016 RM'000 | Associate 2015 RM'000 |
|---|---|---|---|---|
| **Amount due from related parties** | | | | |
| Cash and short-term funds | 143,249 | 894,090 | - | - |
| Interest receivable | 18 | 4,072 | - | - |
| Others | 2,920 | 3,069 | - | - |
| | 146,187 | 901,231 | - | - |
| **Amount due to related parties** | | | | |
| Deposits and placements of banks and other financial institutions | 400,000 | 980,869 | - | - |
| Interest payable | 2,564 | 16,233 | - | - |
| Others | 10,054 | 10,487 | - | - |
| | 412,618 | 1,007,589 | - | - |

## 33. RELATED PARTY TRANSACTIONS (CONT'D.)

| Bank | Subsidiaries 2016 RM'000 | Subsidiaries 2015 RM'000 | Related Companies 2016 RM'000 | Related Companies 2015 RM'000 | Associate 2016 RM'000 | Associate 2015 RM'000 |
|---|---|---|---|---|---|---|
| **Income** | | | | | | |
| Interest on deposits and placements | - | - | 17,662 | 26,225 | - | - |
| Rental income | - | - | 2,128 | 2,165 | - | - |
| | - | - | 19,790 | 28,390 | - | - |
| **Expenses** | | | | | | |
| Interest on deposits and placements | - | - | 29,557 | 56,023 | - | - |
| Cleaning and maintenance | - | - | - | 8 | - | - |
| Rental of premises | - | - | - | 7,385 | - | - |
| Other expenses | - | - | - | 1 | - | - |
| Service transfer pricing, net | 1,826 | 2,076 | 1,359 | (8,916) | (420) | (420) |
| | 1,826 | 2,076 | 30,916 | 54,501 | (420) | (420) |

| Bank | Subsidiaries 2016 RM'000 | Subsidiaries 2015 RM'000 | Related Companies 2016 RM'000 | Related Companies 2015 RM'000 | Associate 2016 RM'000 | Associate 2015 RM'000 |
|---|---|---|---|---|---|---|
| **Amount due from related parties** | | | | | | |
| Cash and short-term funds | - | - | 132,192 | 780,383 | - | - |
| Interest receivable | - | - | 12 | 4,072 | - | - |
| Others | 1,269 | 38 | 2,914 | 2,972 | 260 | 243 |
| | 1,269 | 38 | 135,118 | 787,427 | 260 | 243 |
| **Amount due to related parties** | | | | | | |
| Deposits and placements of banks and other financial institutions | - | - | 400,000 | 980,869 | - | - |
| Interest payable | - | - | 2,564 | 16,233 | - | - |
| Others | - | 290 | 9,766 | 5,478 | - | - |
| | - | 290 | 412,330 | 1,002,580 | - | - |

(b) There were no loans granted to the Directors of the Bank. Loans made to other key management personnel of the Group and the Bank are on similar terms and conditions generally available to other employees of the Group. All related party transactions are conducted at terms agreed between parties during the financial year. None of the loans granted to key management personnel (2015: RM NIL) are impaired.

## 33. RELATED PARTY TRANSACTIONS (CONT'D.)

(c) Key management personnel compensation

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

| | Group | | Bank | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| **Directors:** | | | | |
| Fees | 758 | 1,129 | 758 | 1,129 |
| Salaries and other remuneration | 533 | 514 | 533 | 514 |
| Total short-term employee benefits | 1,291 | 1,643 | 1,291 | 1,643 |
| **Other key management personnel:** | | | | |
| Fees | - | 27 | - | - |
| Salaries and other remuneration | 3,568 | 1,707 | 3,568 | 1,707 |
| Other short-term employee benefits (including estimated monetary value of benefits-in-kind) | 94 | 844 | 94 | 844 |
| Total short-term employee benefits | 3,662 | 2,578 | 3,662 | 2,551 |

## 34. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

| | Group | | Bank | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Outstanding credit exposures with connected parties | - | 28,517 | - | 28,517 |
| Percentage of outstanding credit exposures to connected parties as a proportion to total credit exposures | 0.00% | 6.08% | 0.00% | 6.08% |

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

(i) Directors of the Bank and their close relatives;

(ii) Controlling shareholder and his close relatives;

(iii) Influential shareholder and his close relatives;

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

(v) Officers and their close relatives who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually;

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

(vii) Any person for whom the persons listed in (i) to (v) above is a guarantor; and

(viii) Subsidiary of or an entity controlled by the Bank and its connected parties.

## 34. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES (CONT'D.)

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 private debt securities 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 no more favourable than those entered into with other counterparties with similar circumstances and credit worthiness. Due care has been taken to ensure that the credit worthiness of the connected party is not less than that normally required of other persons.

## 35. FIDUCIARY DUTY IN RESPECT OF INVESTMENT PORTFOLIO MANAGEMENT

Investment portfolio funds managed by the Group and the Bank on behalf of customers as at 31 March 2016 amounted to RM6,420,000,000 (2015: RM6,549,000,000).

## 36. CAPITAL COMMITMENTS

| | Group | | Bank | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Authorised and contracted for: | | | | |
| Purchase of office equipment, information technology equipment and solutions | 391 | 415 | 391 | 415 |
| | 391 | 415 | 391 | 415 |
| Authorised but not contracted for: | | | | |
| Purchase of office equipment, information technology equipment and solutions | 255 | 1,157 | 255 | 1,157 |
| | 646 | 1,572 | 646 | 1,572 |

## 37. OPERATING LEASE COMMITMENTS

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

| | Group | | Bank | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| 12 months ending 31 March | | | | |
| One year or less | 16,209 | 13,157 | 16,209 | 13,157 |
| Over one year to five years | 9,038 | 12,752 | 9,038 | 12,752 |
| | 25,247 | 25,909 | 25,247 | 25,909 |

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

## 38. COMMITMENTS AND CONTINGENCIES

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

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

| | Group and Bank | |
|---|---|---|
| | **2016** | **2015** |
| | **RM'000** | **RM'000** |
| **Commitments** | | |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year | 202,519 | 230,174 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year | 19 | 19 |
| Others | 100 | 100 |
| | 202,638 | 230,293 |
| **Contingent Liabilities** | | |
| Direct credit substitutes | 17,319 | 99,447 |
| Obligations under an on-going underwriting agreement | 13,348 | - |
| | 30,667 | 99,447 |
| **Derivative Financial Instruments** | | |
| Foreign exchange related contracts: | | |
| - One year or less | 1,332 | 2,321 |
| Equity related contracts: | | |
| - One year or less | 516 | 457 |
| | 1,848 | 2,778 |
| | 235,153 | 332,518 |

## 38. COMMITMENTS AND CONTINGENCIES (CONT'D.)

As at the reporting date, other commitments and contingencies of the Group and of the Bank are as follows:

(a) Legal suits:
- Zurich Insurance Malaysia Bhd ("Zurich") (formerly known as Malaysian Assurance Alliance Berhad)-V-AmTrustee Bhd ("AmTrustee") & Meridian Asset Management S/B ("Meridian") ("Zurich Suit")
- Meridian Asset Management S/B-V-AmTrustee Bhd ("Meridian Suit")

(Currently pending before the Federal Court)

**Nature of Claim**

<u>Zurich Suit:</u>
Zurich claims on 25 January 2006 for breach of trust for losses suffered by it amounting to RM27.6 million when Zurich appointed Meridian as an external fund manager for certain of its insurance funds. Meridian appointed AmTrustee as custodian for the said insurance funds.

<u>Meridian Suit</u>:
Meridian claims on 12 December 2005 for losses suffered by it amounting to RM19.6 million arising from the custodian services provided by AmTrustee to Meridian. The losses are funds invested by Zurich and Kumpulan Wang Persaraan (DiPerbadankan) ("KWAP"), with Meridian.

**Status:**

**High Court Decision on 11 April 2013**

<u>Zurich Suit:</u>
High Court dismissed Zurich's claim against AmTrustee. Meridian was found to be fully liable to Zurich.

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

Parties then appealed to the Court of Appeal on 8 and 9 May 2013.

**Court of Appeal Decision on 19 May 2014**

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

<u>Meridian Suit:</u>
The High Court decision was maintained.

Parties applied for leave (i.e. permission) to appeal to the Federal Court on 28 May 2014.

## 38. COMMITMENTS AND CONTINGENCIES (CONTD.)

**Federal Court**

Due to the winding up of Meridian on 7 August 2015 and subsequent appointment of the Insolvency Department over Meridian, the Insolvency Department sought an adjournment of the hearing of AmTrustee's leave application to enable them to obtain instructions from the contributories and creditors of Meridian. The Federal Court granted the adjournment and fixed the leave application for Case Management on 24 March 2016, for the Insolvency Department to revert with their instructions. On 24 March, the Insolvency Department sought for another adjournment as they are as yet unable to revert with their instructions. This adjourned Case Management took place on 22 April 2016 and the Court then fixed AmTrustee's leave application for hearing on 29 June 2016.

<u>Solicitors' Opinion on the Strength of AmTrustee's Case</u>

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

AmTrustee's solicitors are in the opinion that AmTrustee has a reasonably good chance to overturn the Court of Appeal's decision at the full appeal hearing.

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

(b) AmFutures Sdn Bhd ('AmFutures") and the Bank were served with a total of 19 suits by 19 individuals ("Claimants") in relation to a purported investment scheme called Futures Crude Palm Oil ("Alleged Scheme") allegedly offered by a person(s) unknown to AmFutures and the Bank to the Claimants. In the suits, the Claimants claim for the return of their alleged principal investment sum and the return of investment in the Alleged Scheme.

The parties to the suits had agreed that trial of one test case to be heard first by the Court and the decision in the test case shall be binding on all the other suits filed by the Claimants. The trial hearing dates for the test case were fixed on from 27 April 2015 to 29 April 2015. The decision of the test case was delivered on 22 June 2015 in which the Court dismissed the claim against AmFutures and the Bank with costs, to be borne by the Claimants. One of the Claimants managed to file an appeal. All other 18 claimants did not appeal against the dismissal of their suits. The solicitors for AmFutures and the Bank is of the view that AmFutures and the Bank have a good chance of successfully challenging the appeal. The appeal fixed for hearing on 22 January 2016.

On 18 February 2016, the High Court was heard and dismissed appeal. AmFutures and the Bank were awarded with total costs of RM10,000. The deadline to file a further appeal to the Court of Appeal was on 18 March 2016. No further appeal was filed.

## 39. MONIES IN TRUST

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

| | Group | | Bank | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Clients trust balances' and dealers representative balances | 236,102 | 231,895 | 219,635 | 217,371 |
| Remisiers trust balances | 23,274 | 23,713 | 22,988 | 23,321 |
| | 259,376 | 255,608 | 242,623 | 240,692 |

## 40. 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.

| 2016<br>Group | Less than 12 months RM'000 | Over 12 months RM'000 | Total RM'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and short-term funds | 465,737 | - | 465,737 |
| Derivative financial assets | 2 | - | 2 |
| Financial assets held-for-trading | 532 | - | 532 |
| Financial investments available-for-sale | - | 11,720 | 11,720 |
| Financial investments held-to-maturity | - | 75,100 | 75,100 |
| Loans and advances | 299,257 | 2,640 | 301,897 |
| Statutory deposit with Bank Negara Malaysia | - | 2,591 | 2,591 |
| Deferred tax assets | - | 4,542 | 4,542 |
| Other assets | 718,671 | 10,579 | 729,250 |
| Property and equipment | - | 21,356 | 21,356 |
| Intangible assets | - | 2,583 | 2,583 |
| Asset held for sale | 1,719 | - | 1,719 |
| **TOTAL ASSETS** | 1,485,918 | 131,111 | 1,617,029 |
| **LIABILITIES** | | | |
| Deposits and placements of banks and other financial institutions | 400,000 | - | 400,000 |
| Derivative financial liabilities | 4 | - | 4 |
| Other liabilities | 697,890 | - | 697,890 |
| **TOTAL LIABILITIES** | 1,097,894 | - | 1,097,894 |

| 2015<br>Group | Less than 12 months RM'000 | Over 12 months RM'000 | Total RM'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and short-term funds | 952,491 | - | 952,491 |
| Derivative financial assets | 1 | - | 1 |
| Financial assets held-for-trading | 441 | - | 441 |
| Financial investments available-for-sale | 28,886 | 11,794 | 40,680 |
| Financial investments held-to-maturity | - | 75,100 | 75,100 |
| Loans and advances | 316,166 | 3,519 | 319,685 |
| Statutory deposit with Bank Negara Malaysia | - | 7,483 | 7,483 |
| Deferred tax assets | - | 2,782 | 2,782 |
| Investments in associates | - | 1,167 | 1,167 |
| Other assets | 615,872 | 6,714 | 622,586 |
| Property and equipment | - | 22,530 | 22,530 |
| Intangible assets | - | 2,920 | 2,920 |
| **TOTAL ASSETS** | 1,913,857 | 134,009 | 2,047,866 |
| **LIABILITIES** | | | |
| Deposits and placements of banks and other financial institutions | 980,869 | - | 980,869 |
| Other liabilities | 556,694 | - | 556,694 |
| **TOTAL LIABILITIES** | 1,537,563 | - | 1,537,563 |

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

| 2016<br>Bank | Less than<br>12 months<br>RM'000 | Over<br>12 months<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and short-term funds | 436,104 | - | 436,104 |
| Derivative financial assets | 2 | - | 2 |
| Financial assets held-for-trading | 532 | - | 532 |
| Financial investments available-for-sale | - | 11,720 | 11,720 |
| Financial investments held-to-maturity | - | 75,100 | 75,100 |
| Loans and advances | 299,256 | 2,641 | 301,897 |
| Statutory deposit with Bank Negara Malaysia | - | 2,591 | 2,591 |
| Deferred tax assets | - | 4,542 | 4,542 |
| Investments in subsidiaries | - | 19,131 | 19,131 |
| Other assets | 691,898 | 10,573 | 702,471 |
| Property and equipment | - | 21,348 | 21,348 |
| Intangible assets | - | 2,542 | 2,542 |
| Asset held for sale | 100 | - | 100 |
| **TOTAL ASSETS** | 1,427,892 | 150,188 | 1,578,080 |
| | | | |
| **LIABILITIES** | | | |
| Deposits and placements of banks and other financial institutions | 400,000 | - | 400,000 |
| Derivative financial liabilities | 4 | - | 4 |
| Other liabilities | 676,253 | - | 676,253 |
| **TOTAL LIABILITIES** | 1,076,257 | - | 1,076,257 |

| 2015<br>Bank | Less than<br>12 months<br>RM'000 | Over<br>12 months<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and short-term funds | 829,505 | - | 829,505 |
| Derivative financial assets | 1 | - | 1 |
| Financial assets held-for-trading | 441 | - | 441 |
| Financial investments available-for-sale | 28,886 | 11,794 | 40,680 |
| Financial investments held-to-maturity | - | 75,100 | 75,100 |
| Loans and advances | 316,166 | 3,519 | 319,685 |
| Statutory deposit with Bank Negara Malaysia | - | 7,483 | 7,483 |
| Deferred tax assets | - | 2,782 | 2,782 |
| Investments in subsidiaries | - | 102,941 | 102,941 |
| Investments in associates | - | 100 | 100 |
| Other assets | 595,387 | 6,713 | 602,100 |
| Property and equipment | - | 22,486 | 22,486 |
| Intangible assets | - | 1,710 | 1,710 |
| **TOTAL ASSETS** | 1,770,386 | 234,628 | 2,005,014 |
| | | | |
| **LIABILITIES** | | | |
| Deposits and placements of banks and other financial institutions | 980,869 | - | 980,869 |
| Other liabilities | 537,788 | - | 537,788 |
| **TOTAL LIABILITIES** | 1,518,657 | - | 1,518,657 |

## 41. CAPITAL ADEQUACY

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

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

The capital plan takes the following into account:

(a) Regulatory capital requirements:
- forecast demand for capital to support the credit ratings; and
- increases in demand for capital due to business growth.

(b) Or stresses:
- available supply of capital and capital raising options; and
- internal controls and governance for managing the Bank's risk, performance and capital.

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

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

The AMMB Group's assessment of risk appetite is closely integrated with the 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 AMMB Group's business activities.

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

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

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

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

## 41. CAPITAL ADEQUACY (CONT'D.)

Group CEOs Committee proposes internal triggers and target ranges for capital management and operationally oversees adherence with these. For the current financial year ending 31 March 2016 (“FY 2016”), these ranges are 8.1% to 10.1% for the Common Equity Tier 1 Capital Ratio, 9.6% to 11.6% for the Tier 1 Capital Ratio, and 14.0% to 16.0% for the Total Capital Ratio.

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

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

(a) The capital adequacy ratios of the Group and the Bank as at 31 March are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| **Before deducting proposed dividends:** | | | | |
| Common Equity Tier 1 ("CET1") Capital Ratio | 34.669% | 28.744% | 33.574% | 24.196% |
| Tier 1 ("T1") Capital Ratio | 34.669% | 28.744% | 33.574% | 24.196% |
| Total Capital Ratio | 34.946% | 28.744% | 33.574% | 24.196% |
| **After deducting proposed dividends:** | | | | |
| CET1 Capital Ratio | 32.352% | 27.534% | 31.204% | 22.820% |
| Tier 1 Capital Ratio | 32.352% | 27.534% | 31.204% | 22.820% |
| Total Capital Ratio | 32.630% | 27.534% | 31.204% | 22.820% |

The capital adequacy ratio of the AMMB Group refers to the consolidated capital base as a ratio of the consolidated risk-weighted assets of the Bank and its subsidiaries. The capital adequacy ratio of the Bank refers to the combined capital base as a ratio of the risk-weighted assets of the Bank for the financial year.

The minimum regulatory capital adequacy requirements for the risk weighted capital ratios are as follows:

| | Calendar Year | | |
|---|---|---|---|
| | **2013** | **2014** | **2015 onwards*** |
| CET 1 Capital Ratio | 3.5% | 4.0% | 4.5% |
| Tier 1 Capital Ratio | 4.5% | 5.5% | 6.0% |
| Total Capital Ratio | 8.0% | 8.0% | 8.0% |

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

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

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

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

| | CCB |
|---|---|
| **Calendar year 2016** | 0.625% |
| **Calendar year 2017** | 1.25% |
| **Calendar year 2018** | 1.875% |
| **Calendar year 2019 onwards** | 2.50% |

## 41. CAPITAL ADEQUACY (CONT'D.)

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

| | Group | | Bank | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **CET1 Capital** | | | | |
| Ordinary shares | 200,000 | 200,000 | 200,000 | 200,000 |
| Retained earnings | 103,699 | 58,511 | 99,023 | 82,533 |
| Available-for-sale ("AFS") reserve/(deficit) | - | 1,076 | - | 1,024 |
| Exchange fluctuation reserve | 2,165 | 37,445 | - | - |
| Statutory reserve | 200,000 | 200,000 | 200,000 | 200,000 |
| Regulatory reserve | 2,800 | 2,800 | 2,800 | 2,800 |
| Capital reserve | 2,815 | 2,815 | - | - |
| Merger reserve | 7,656 | 7,656 | - | - |
| Less : Regulatory adjustments applied on CET1 capital | | | | |
| Other intangibles | (2,583) | (2,920) | (2,542) | (1,710) |
| Deferred tax assets | (4,899) | (2,782) | (4,899) | (2,782) |
| 55% of Available-for-sale ("AFS") reserve | - | (592) | - | (563) |
| Regulatory reserve | (2,800) | (2,800) | (2,800) | (2,800) |
| Investments in capital instruments of unconsolidated financial and insurance/takaful entities | - | (12,021) | (8,321) | (52,370) |
| Deduction in excess of Tier 2 * | - | (13,922) | (1,477) | (74,446) |
| **CET1 capital/T1 capital** | **508,853** | **475,266** | **481,784** | **351,686** |
| **Tier 2 ("T2") capital** | | | | |
| Collective impairment provisions and regulatory reserves | 4,072 | 4,111 | 4,072 | 4,111 |
| Less : Regulatory adjustments applied on T2 capital | - | (4,111) | (4,072) | (4,111) |
| **T2 capital** | **4,072** | **-** | **-** | **-** |
| **Total Capital** | **512,925** | **475,266** | **481,784** | **351,686** |

*The portion of regulatory adjustments not deducted from Tier 2 Capital (as the 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 Bank Negara Malaysia's Capital Adequacy Framework (Capital Components).

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

| | Group | | Bank | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Credit risk | 1,068,131 | 1,155,040 | 1,096,673 | 1,122,413 |
| Market risk | 46,347 | 117,058 | 35,738 | 16,101 |
| Operational risk | 353,281 | 380,922 | 302,599 | 314,533 |
| Large exposure risk for equity holdings | - | 438 | - | 438 |
| | 1,467,759 | 1,653,458 | 1,435,010 | 1,453,485 |

## 42. RISK MANAGEMENT

### 42.1 GENERAL RISK MANAGEMENT

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

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

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

**Board Approved Risk Appetite Statement**

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

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

The AMMB Group enforces to adopt a conservative approach for liquidity management, maintaining stable and diversified funding base consistent with Basel III liquidity matrix (Net Stable Funds Ratio, and Liquidity Coverage Ratios). Our targeted Unadjusted Loan Deposit Ratio is up to maximum 100% with continually improving Current Account and Savings Account (“CASA”) deposit composition and market share.

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

The AMMB Group manages shariah risk by ensuring that its operations, business, affairs and activities are in compliance with rulings of the BNM’s Shariah Advisory Council (“SAC”) and the AmBank Islamic's Shariah Committee.

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

## 42. RISK MANAGEMENT (CONT'D.)

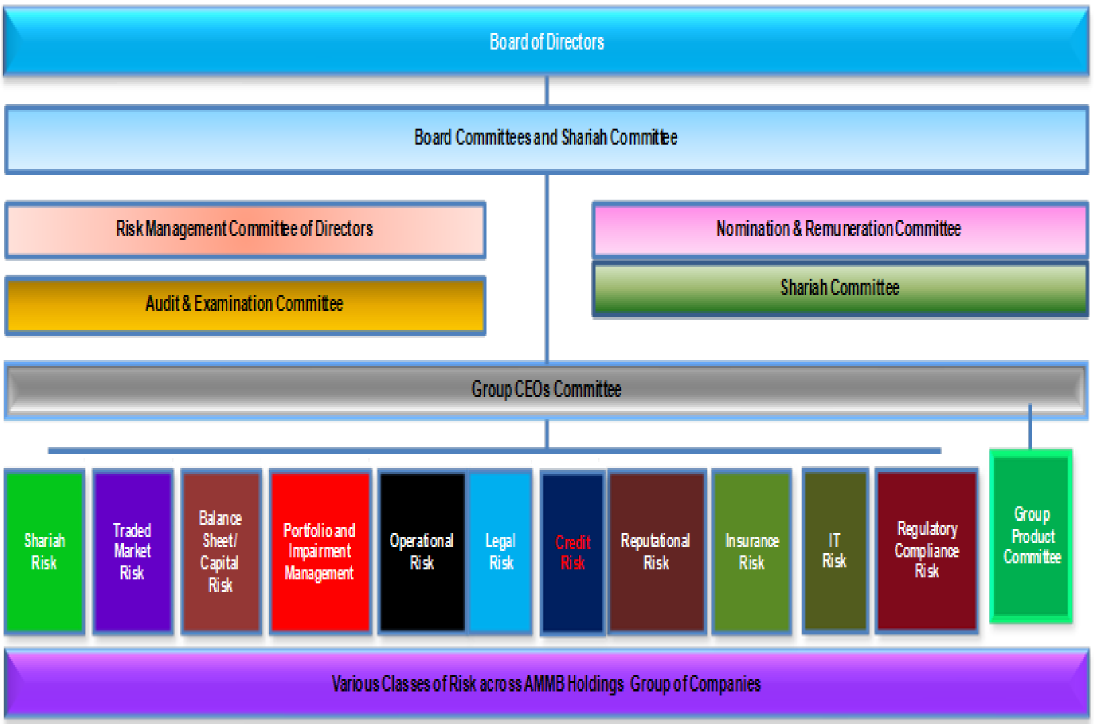
### 42.1 GENERAL RISK MANAGEMENT DISCLOSURE (CONT'D.)

**Risk Management Governance**

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

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

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




### 42.2 CREDIT RISK MANAGEMENT

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

| | |
|---|---|
| **Identification** | • Identify/recognise credit risk on transactions and/or positions<br>• Select asset and portfolio mix |
| **Assessment/ Measurement** | • Internal credit rating system<br>• Probability of default ("PD")<br>• Loss given default ("LGD")<br>• Exposure at default ("EAD") |
| **Control/ Mitigation** | • Portfolio Limits, Counterparty Limits, Benchmark Returns/Wholesale Pricing<br>• Collateral and tailored facility structures |
| **Monitoring/ Review** | • Monitor and report portfolio mix<br>• Review customers under Rescheduled and Restructured Account<br>• Undertake post mortem review |

## 42. RISK MANAGEMENT (CONT'D.)

### 42.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Bank's transaction 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 ("GRAF") and related credit policies.

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

- Concentration threshold/review trigger on single counterparty credit;
- Setting Loan to Value limits for asset backed loans/advancing (i.e. exchange traded shares 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/advancing pursuant to the BNM's revised policy on Classification and Impairment Provisions for Loans/Advancing issued in April 2015.
- Setting Guidelines on Wholesale Pricing/Benchmark Returns which serve as a guide as to the minimum returns the Group requires for the risk undertaken, taking into account operating expenses and cost of capital.

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

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

Group Risk prepares monthly Risk Reports which detail important portfolio composition and trend analysis incorporating asset growth, asset quality, 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 Standardized Approach to determine the regulatory capital charge related to credit risk exposure.

**Credit risk exposure and concentration**

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

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

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

**42. RISK MANAGEMENT (CONT'D.)**

**42.2 Credit Risk Management (Cont'd.)**

**42.2.1a Industry Analysis of the Group**

| | Agriculture | Mining and Quarrying | Manufacturing | Electricity, Gas and Water | Construction | Wholesale, Retail, Restaurant, and Hotel | Transport, Storage and Communication | Finance and Insurance | Government and Central Banks | Real Estate | Business Activities | Education and Health | Household | Others | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Group** | | | | | | | | | | | | | | | |
| **2016** | | | | | | | | | | | | | | | |
| Cash and short-term funds | - | - | - | - | - | - | - | 465,438 | 299 | - | - | - | - | - | 465,737 |
| Derivative financial assets | - | - | - | - | - | - | - | 2 | - | - | - | - | - | - | 2 |
| Financial investments held-to-maturity | | | | | | | | | | | | | | | |
| *Unquoted Private Debt Securities* | - | - | - | - | - | - | - | 100 | 75,000 | - | - | - | - | - | 75,100 |
| Loans and advances | | | | | | | | | | | | | | | |
| Other loans and advances net of individual allowance | 860 | - | - | - | - | - | - | - | - | 4,233 | 41,306 | - | 256,770 | - | 303,169 |
| Less : Collective allowance | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (1,272) |
| | | | | | | | | | | | | | | | 301,897 |
| Other financial assets | 605 | 1 | 530 | 370 | 1,556 | 218 | 164 | 84,833 | 5,494 | 104 | 16,533 | 4,158 | 197,789 | 361,984 | 674,339 |
| Statutory deposit with Bank Negara Malaysia | - | - | - | - | - | - | - | - | 2,591 | - | - | - | - | - | 2,591 |
| Total financial assets | 1,465 | 1 | 530 | 370 | 1,556 | 218 | 164 | 550,373 | 83,384 | 4,337 | 57,839 | 4,158 | 454,559 | 361,984 | 1,519,666 |
| **Commitments** | | | | | | | | | | | | | | | |
| Irrevocable commitments to extend credit | - | - | - | - | 19,226 | - | - | - | - | 9,250 | 1,650 | - | 172,412 | - | 202,538 |
| Others | - | - | - | - | - | - | - | 100 | - | - | - | - | - | - | 100 |
| **Contingent liabilities** | | | | | | | | | | | | | | | |
| Direct credit substitutes | - | - | - | - | 10,656 | - | - | - | - | 6,663 | - | - | - | - | 17,319 |
| Obligations under on-going underwriting agreement | - | - | 13,348 | - | - | - | - | - | - | - | - | - | - | - | 13,348 |
| Total commitment & contingent liabilities | - | - | 13,348 | - | 29,882 | - | - | 100 | - | 15,913 | 1,650 | - | 172,412 | - | 233,305 |

**42. RISK MANAGEMENT (CONT'D.)**

**42.2 Credit Risk Management (Cont'd.)**

**42.2.1a Industry Analysis of the Group (Cont'd.)**

| | Agriculture | Mining and Quarrying | Manufacturing | Electricity, Gas and Water | Construction | Wholesale, Retail, Restaurant, and Hotel | Transport, Storage and Communication | Finance and Insurance | Government and Central Banks | Real Estate | Business Activities | Education and Health | Household | Others | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Group** | | | | | | | | | | | | | | | |
| **2015** | | | | | | | | | | | | | | | |
| Cash and short-term funds | - | - | - | - | - | - | - | 952,491 | - | - | - | - | - | - | 952,491 |
| Derivative financial assets | - | - | - | - | - | - | - | 1 | - | - | - | - | - | - | 1 |
| Financial investments available-for-sale | | | | | | | | | | | | | | | |
| *Unquoted Private Debt Securities* | - | - | - | - | - | - | - | 28,886 | - | - | - | - | - | - | 28,886 |
| Financial investments held-to-maturity | | | | | | | | | | | | | | | |
| *Unquoted Private Debt Securities* | - | - | - | - | - | - | - | 100 | 75,000 | - | - | - | - | - | 75,100 |
| Loans and advances | | | | | | | | | | | | | | | |
| Other loans and advances net of individual allowance | 860 | - | - | - | - | - | - | - | - | 5,527 | 49,111 | - | 265,498 | - | 320,996 |
| Less : Collective allowance | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (1,311) |
| | | | | | | | | | | | | | | | 319,685 |
| Other financial assets | 240 | - | 212 | 1,161 | 125 | 214 | 7,384 | 102,296 | 5,745 | 1,130 | 8,593 | 5,302 | 410,249 | 10,897 | 553,548 |
| Statutory deposit with Bank Negara Malaysia | - | - | - | - | - | - | - | - | 7,483 | - | - | - | - | - | 7,483 |
| Total financial assets | 1,100 | - | 212 | 1,161 | 125 | 214 | 7,384 | 1,083,774 | 88,228 | 6,657 | 57,704 | 5,302 | 675,747 | 10,897 | 1,937,194 |
| **Commitments** | | | | | | | | | | | | | | | |
| Irrevocable commitments to extend credit | - | - | - | - | 8,085 | - | - | - | - | 7,950 | 4,500 | 48,722 | 160,936 | - | 230,193 |
| Others | - | - | - | - | - | - | - | 100 | - | - | - | - | - | - | 100 |
| **Contingent liabilities** | | | | | | | | | | | | | | | |
| Direct credit substitutes | - | - | - | - | 21,797 | - | - | - | - | 26,650 | 51,000 | - | - | - | 99,447 |
| Total commitment & contingent liabilities | - | - | - | - | 29,882 | - | - | 100 | - | 34,600 | 55,500 | 48,722 | 160,936 | - | 329,740 |

**42. RISK MANAGEMENT (CONT'D.)**

**42.2 Credit Risk Management (Cont'd.)**

**42.2.1a Industry Analysis of the Bank**

| | Agriculture | Mining and Quarrying | Manufacturing | Electricity, Gas and Water | Construction | Wholesale, Retail, Restaurant, and Hotel | Transport, Storage and Communication | Finance and Insurance | Government and Central Banks | Real Estate | Business Activities | Education and Health | Household | Others | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Bank** | | | | | | | | | | | | | | | |
| **2016** | | | | | | | | | | | | | | | |
| Cash and short-term funds | - | - | - | - | - | - | - | 435,805 | 299 | - | - | - | - | - | 436,104 |
| Derivative financial assets | - | - | - | - | - | - | - | 2 | - | - | - | - | - | - | 2 |
| Financial investments held-to-maturity | | | | | | | | | | | | | | | |
| *Unquoted Private Debt Securities* | - | - | - | - | - | - | - | 100 | 75,000 | - | - | - | - | - | 75,100 |
| Loans and advances | | | | | | | | | | | | | | | |
| Other loans and advances net of individual allowance | 860 | - | - | - | - | - | - | - | - | 4,233 | 41,306 | - | 256,770 | - | 303,169 |
| Less : Collective allowance | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (1,272) |
| | | | | | | | | | | | | | | | 301,897 |
| Other financial assets | 605 | 1 | 530 | 370 | 1,556 | 218 | 164 | 64,066 | 4,596 | 104 | 16,533 | 4,158 | 197,789 | 356,871 | 647,561 |
| Statutory deposit with Bank Negara Malaysia | - | - | - | - | - | - | - | - | 2,591 | - | - | - | - | - | 2,591 |
| Total financial assets | 1,465 | 1 | 530 | 370 | 1,556 | 218 | 164 | 499,973 | 82,486 | 4,337 | 57,839 | 4,158 | 454,559 | 356,871 | 1,463,255 |
| **Commitments** | | | | | | | | | | | | | | | |
| Irrevocable commitments to extend credit | - | - | - | - | 19,226 | - | - | - | - | 9,250 | 1,650 | - | 172,412 | - | 202,538 |
| Others | - | - | - | - | - | - | - | 100 | - | - | - | - | - | - | 100 |
| **Contingent liabilities** | | | | | | | | | | | | | | | |
| Direct credit substitutes | - | - | - | - | 10,656 | - | - | - | - | 6,663 | - | - | - | - | 17,319 |
| Obligations under on-going underwriting agreement | - | - | 13,348 | - | - | - | - | - | - | - | - | - | - | - | 13,348 |
| Total commitment & contingent liabilities | - | - | 13,348 | - | 29,882 | - | - | 100 | - | 15,913 | 1,650 | - | 172,412 | - | 233,305 |

**42. RISK MANAGEMENT (CONT'D.)**

**42.2 Credit Risk Management (Cont'd.)**

**42.2.1a Industry Analysis of the Bank (Cont'd.)**

| | Agriculture | Mining and Quarrying | Manufacturing | Electricity, Gas and Water | Construction | Wholesale, Retail, Restaurant, and Hotel | Transport, Storage and Communication | Finance and Insurance | Government and Central Banks | Real Estate | Business Activities | Education and Health | Household | Others | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Bank** | | | | | | | | | | | | | | | |
| **2015** | | | | | | | | | | | | | | | |
| Cash and short-term funds | - | - | - | - | - | - | - | 829,505 | - | - | - | - | - | - | 829,505 |
| Derivative financial assets | - | - | - | - | - | - | - | 1 | - | - | - | - | - | - | 1 |
| Financial investments available-for-sale | | | | | | | | | | | | | | | |
| *Unquoted Private Debt Securities* | - | - | - | - | - | - | - | 28,886 | - | - | - | - | - | - | 28,886 |
| Financial investments held-to-maturity | | | | | | | | | | | | | | | |
| *Unquoted Private Debt Securities* | - | - | - | - | - | - | - | 100 | 75,000 | - | - | - | - | - | 75,100 |
| Loans and advances | | | | | | | | | | | | | | | |
| Other loans and advances net of individual allowance | 860 | - | - | - | - | - | - | - | - | 5,527 | 49,111 | - | 265,498 | - | 320,996 |
| Less : Collective allowance | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (1,311) |
| | | | | | | | | | | | | | | | 319,685 |
| Other financial assets | 240 | - | 212 | 1,161 | 125 | 214 | 7,384 | 91,558 | 5,745 | 1,130 | 146 | 5,302 | 410,075 | 10,014 | 533,306 |
| Statutory deposit with Bank Negara Malaysia | - | - | - | - | - | - | - | - | 7,483 | - | - | - | - | - | 7,483 |
| Total financial assets | 1,100 | - | 212 | 1,161 | 125 | 214 | 7,384 | 950,050 | 88,228 | 6,657 | 49,257 | 5,302 | 675,573 | 10,014 | 1,793,966 |
| **Commitments** | | | | | | | | | | | | | | | |
| Irrevocable commitments to extend credit | - | - | - | - | 8,085 | - | - | - | - | 7,950 | 4,500 | 48,722 | 160,936 | - | 230,193 |
| Others | - | - | - | - | - | - | - | 100 | - | - | - | - | - | - | 100 |
| **Contingent liabilities** | | | | | | | | | | | | | | | |
| Direct credit substitutes | - | - | - | - | 21,797 | - | - | - | - | 26,650 | 51,000 | - | - | - | 99,447 |
| Total commitment & contingent liabilities | - | - | - | - | 29,882 | - | - | 100 | - | 34,600 | 55,500 | 48,722 | 160,936 | - | 329,740 |

**42. RISK MANAGEMENT (CONT'D.)**

**42.2 Credit Risk Management (Cont'd.)**

**42.2.1b Geographical Analysis of the Group**

| | In Malaysia RM'000 | Outside Malaysia RM'000 | Total RM'000 |
|---|---|---|---|
| **Group** | | | |
| **2016** | | | |
| Cash and short-term funds | 443,609 | 22,128 | 465,737 |
| Derivative financial assets | 2 | - | 2 |
| Financial investments held-to-maturity | | | |
| *Unquoted Private Debt Securities* | 75,100 | - | 75,100 |
| Loans and advances | | | |
| Other loans and advances net of individual allowance | 303,169 | - | 303,169 |
| Less : Collective allowance | - | - | (1,272) |
| | 303,169 | - | 301,897 |
| Other financial assets | 669,203 | 5,136 | 674,339 |
| Statutory deposit with Bank Negara Malaysia | 2,591 | - | 2,591 |
| Total financial assets | 1,493,674 | 27,264 | 1,519,666 |
| **Commitments** | | | |
| Irrevocable commitments to extend credit | 202,538 | - | 202,538 |
| Others | 100 | - | 100 |
| **Contingent liabilities** | | | |
| Direct credit substitutes | 17,319 | - | 17,319 |
| Obligations under on-going underwriting agreement | 13,348 | - | 13,348 |
| Total commitments and contingent liabilities | 233,305 | - | 233,305 |

## 42. RISK MANAGEMENT (CONT'D.)

### 42.2 Credit Risk Management (Cont'd.)

### 42.2.1b Geographical Analysis of the Group (Cont'd.)

| | In Malaysia RM'000 | Outside Malaysia RM'000 | Total RM'000 |
|---|---|---|---|
| **Group** | | | |
| **2015** | | | |
| Cash and short-term funds | 834,080 | 118,411 | 952,491 |
| Derivative financial assets | 1 | - | 1 |
| Financial investments available-for-sale | | | |
| *Unquoted Private Debt Securities* | - | 28,886 | 28,886 |
| Financial investments held-to-maturity | | | |
| *Unquoted Private Debt Securities* | 75,100 | - | 75,100 |
| Loans and advances | | | |
| Other loans and advances net of individual allowance | 318,593 | 2,403 | 320,996 |
| Less : Collective allowance | - | - | (1,311) |
| | 318,593 | 2,403 | 319,685 |
| Other financial assets | 544,486 | 9,062 | 553,548 |
| Statutory deposit with Bank Negara Malaysia | 7,483 | - | 7,483 |
| Total financial assets | 1,779,743 | 158,762 | 1,937,194 |
| **Commitments** | | | |
| Irrevocable commitments to extend credit | 230,193 | - | 230,193 |
| Others | 100 | - | 100 |
| **Contingent liabilities** | | | |
| Direct credit substitutes | 99,447 | - | 99,447 |
| Total commitments and contingent liabilities | 329,740 | - | 329,740 |

**42. RISK MANAGEMENT (CONT'D.)**

**42.2 Credit Risk Management (Cont'd.)**

**42.2.1b Geographical Analysis of the Bank**

| | In Malaysia RM'000 | Outside Malaysia RM'000 | Total RM'000 |
|---|---|---|---|
| **Bank** | | | |
| **2016** | | | |
| Cash and short-term funds | 419,544 | 16,560 | 436,104 |
| Derivative financial assets | 2 | - | 2 |
| Financial investments held-to-maturity | | | |
| *Unquoted Private Debt Securities* | 75,100 | - | 75,100 |
| Loans and advances | | | |
| Other loans and advances net of individual allowance | 303,169 | - | 303,169 |
| Less : Collective allowance | - | - | (1,272) |
| | 303,169 | - | 301,897 |
| Other financial assets | 647,531 | 31 | 647,562 |
| Statutory deposit with Bank Negara Malaysia | 2,591 | - | 2,591 |
| Total financial assets | 1,447,937 | 16,591 | 1,463,256 |
| **Commitments** | | | |
| Irrevocable commitments to extend credit | 202,538 | - | 202,538 |
| Others | 100 | - | 100 |
| **Contingent liabilities** | | | |
| Direct credit substitutes | 17,319 | - | 17,319 |
| Obligations under on-going underwriting agreement | 13,348 | - | 13,348 |
| Total commitments and contingent liabilities | 233,305 | - | 233,305 |

**42. RISK MANAGEMENT (CONT'D.)**

**42.2 Credit Risk Management (Cont'd.)**

**42.2.1b Geographical Analysis of the Bank (Cont'd.)**

| | In Malaysia RM'000 | Outside Malaysia RM'000 | Total RM'000 |
|---|---|---|---|
| **Bank** | | | |
| **2015** | | | |
| Cash and short-term funds | 810,278 | 19,227 | 829,505 |
| Derivative financial assets | 1 | - | 1 |
| Financial investments available-for-sale | | | |
| *Unquoted Private Debt Securities* | - | 28,886 | 28,886 |
| Financial investments held-to-maturity | | | |
| *Unquoted Private Debt Securities* | 75,100 | - | 75,100 |
| Loans and advances | | | |
| Other loans and advances net of individual allowance | 318,593 | 2,403 | 320,996 |
| Less : Collective allowance | - | - | (1,311) |
| | 318,593 | 2,403 | 319,685 |
| Other financial assets | 532,502 | 804 | 533,306 |
| Statutory deposit with Bank Negara Malaysia | 7,483 | - | 7,483 |
| Total financial assets | 1,743,957 | 51,320 | 1,793,966 |
| **Commitments** | | | |
| Irrevocable commitments to extend credit | 230,193 | - | 230,193 |
| Others | 100 | - | 100 |
| **Contingent liabilities** | | | |
| Direct credit substitutes | 99,447 | - | 99,447 |
| Total commitments and contingent liabilities | 329,740 | - | 329,740 |

## 42. RISK MANAGEMENT (CONT'D.)

### 42.2 CREDIT RISK MANAGEMENT (CONT'D.)

### 42.2.2 Main Types of Collateral

**Main Types of Collateral Taken by the Bank**

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 Bank include:

- Cash and term deposits;
- Exchange traded shares, bonds, sukuk, convertible bonds and marketable securities;
- Non-exchange traded debt securities/sukuk; and
- Unit trusts (including Amanah Saham Nasional, Amanah Saham Bumiputera and mutual funds).

Where the customer risk profile is considered very sound, a transaction may be provided on an “unsecured” basis, i.e., not be supported by collateral.

The Group Collateral Policy, issued in August 2015, is the internally recognised collateral 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**

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

**Use of Credit Derivatives and Netting for Risk Mitigation**

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

**Transaction Structuring to Mitigate Credit Risk**

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

**Concentrations of Credit Risk Mitigation**

The Bank carefully monitors collateral concentrations via portfolio management reporting and amendments as necessary to its Risk Appetite Framework and related policies governing Loan to Value metrics.

The main types of collateral undertaken by the Bank are exchange traded shares and unit trusts.

## 42. RISK MANAGEMENT (CONT'D.)

### 42.2 CREDIT RISK MANAGEMENT (CONT'D.)

#### 42.2.3 Credit Quality

The credit quality of financial assets are analysed based on broad categories. Internal credit rating grades assigned to corporate and retail lending business were realigned in 2015 from existing 5 rating categories to 8 rating categories (7 for non-defaulted and 1 for those that have defaulted) in accordance with the Capital Adequacy Framework (Basel II – Risk-Weighted Assets). The following categories based on the descriptions are appended below.

**Description of the categories for Wholesale Banking**

| Credit quality classification | Description |
|---|---|
| Exceptionally strong | Highest rating, for exceptionally strong government institutions and a small number of very large multinational institutional clients. The key characteristics are:-<br>i. Exceptionally solid and stable operating and financial performance.<br>ii. Debt servicing capacity has been exceptionally strong over the long term.<br>iii. All available information, of which there is a substantial quantity of extremely high quality, supports the view that these historical performance standards will be maintained for the foreseeable future.<br>iv. Highly unlikely to be adversely affected by foreseeable events. |
| Very strong | Strong government institutions or institutional clients, with identifiably higher, albeit modest, long term risk but still demonstrating solid and stable operating and financial performance. The key characteristics are:-<br>i. Based on their activities, financial profile and past capacity to repay, counterparties with this rating carry a small, but clearly identifiable degree of risk.<br>ii. Debt servicing capacity in previous period has been substantial and solid, and is projected to continue over the medium term but may be more vulnerable to changes in business, economic and financial conditions than is the case for stronger ratings. |
| Strong | Counterparties demonstrate medium to long-term operational and financial stability and consistency but they are identifiably susceptible to cyclical trends or variability in earnings. The key characteristics are:-<br>i. Counterparties present an identifiable degree of generally acceptable risk, possibly expressing itself as variability in financial and/ or operating performance.<br>ii. Debt servicing capacity is quite good but adverse changes in circumstances and economic conditions are more likely to impair this capacity. |
| Satisfactory | Counterparties demonstrate adequate medium term operational and financial stability. Protection factors are considered sufficient for prudent investment. The key characteristics are:-<br>i. Counterparties present a mostly satisfactory risk that requires mitigation, possibly expressing itself as variability in financial and/ or operating performance.<br>ii. Debt servicing capacity is satisfactory but adverse changes in circumstances and economic condition may impair this capacity.<br>iii. Counterparty's financial and/ or non-financial profile provides a limited buffer to mitigate the negative impact of any future adverse changes in circumstances and economic conditions. |

**42. RISK MANAGEMENT (CONT'D.)**

**42.2 CREDIT RISK MANAGEMENT (CONT'D.)**

**42.2.3 Credit Quality (Cont'd.)**

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

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

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

The above ECAIs used by the Group are:

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

## 42. RISK MANAGEMENT (CONT'D.)

### 42.2 CREDIT RISK MANAGEMENT (CONT'D.)

#### 42.2.4 Impairment

**Definition of past due and impaired loans and advances**

All loans and advances are categorised as either:
- Neither past due nor impaired;
- Past due but not impaired; or
- Impaired.

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

A loan is classified as impaired under the following circumstances:

(a) When the principal or interest or both is past due[1] or the amount outstanding is in excess of approved limit (for revolving facilities), each for more than 90 days or 3 months on any material obligation[2] ; or

(b) For loans/advances where repayments are scheduled on intervals of 3 months or longer, the loan/advances 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] .

(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/advances 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/advances obligation of a customer triggers a default of another loan/advances obligation of the same customer or
- a default of a loan/advances obligation of a customer triggers a default of a loan/advances obligation of other customer within the same customer group.

The CACC 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.

iii. If deemed appropriate by the Watchlist Committee.

---

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

[2] Material obligation as determined by Management.

[3] Administrative defaults include cases where exposures become overdue because of oversight on the part of the obligor and/or the banking institution. Instances of administrative defaults may be excluded from the historical default count, subject to appropriate policies and procedures established by the banking institution to evaluate and approve such cases.

## 42. RISK MANAGEMENT (CONT'D.)

### 42.2 CREDIT RISK MANAGEMENT (CONT'D.)

#### 42.2.4 Impairment (Cont'd.)

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

(e) Debt instruments (for example, fixed income securities, debt converted instrument etc.) shall be classified as impaired:

i. When the coupon/interest payment or face/nominal value redemption is one (1) day past due after the grace period, where there is a stipulated grace period within the contractually agreed terms; or

ii. When an event of default (EOD) has been declared by the Trustee/Facility Agent[4] for reasons other than payment in default (as outlined in the Trust Deeds Guidelines issued by the Securities Commission of Malaysia ("SC")); or

iii. Where it is deemed appropriate to classify as impaired and approved by the Watchlist Committee.

(f) in the case of stock broking and futures broking:

i. For margin financing, the account is impaired after 7 days when there is shortfall to market value i.e. the collateral value is lower than the outstanding balance.

ii. For futures business, the account is impaired when the overlosses are not remedied within 30 days and are not secured against dealer’s retention funds.

[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.

**42. RISK MANAGEMENT (CONT'D.)**

**42.2 Credit Risk Management (Cont'd.)**

**42.2.5 Group Credit Quality By Class of Financial Assets**

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

| | <-----------------------Neither past due nor impaired------------------------> | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Exceptionally Strong Credit Profile | Very Strong Credit Profile | Strong Credit Profile | Satisfactory Risk | Moderate Risk | Marginal Risk | Substandard | Unrated | Past Due but not Impaired | Impaired | Total | Gross Amount Individually Impaired | Individual Allowance |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Group** | | | | | | | | | | | | | |
| **2016** | | | | | | | | | | | | | |
| Cash and short-term funds | 22,077 | 443,657 | 3 | - | - | - | - | - | - | - | 465,737 | - | - |
| Derivative financial assets | - | | - | - | - | - | - | 2 | - | - | 2 | - | - |
| Financial investments held-to-maturity | | | | | | | | | | | | | |
| *Unquoted Private Debt Securities* | - | 75,000 | - | - | - | - | - | 100 | - | - | 75,100 | - | - |
| Gross loans and advances | | | | | | | | | | | | | |
| Other loans and advances | - | - | 300,490 | 2,679 | - | - | - | - | - | 2,251 | 305,420 | 2,251 | (2,251) |
| Other financial assets | - | 11,905 | 32,613 | 14,531 | 4,204 | 1,124 | 18,565 | 583,615 | 1,004 | 12,512 | 680,073 | 1,396 | (5,734) |
| Statutory deposit with Bank Negara Malaysia | - | 2,591 | - | - | - | - | - | - | - | - | 2,591 | - | - |
| | 22,077 | 533,153 | 333,106 | 17,210 | 4,204 | 1,124 | 18,565 | 583,717 | 1,004 | 14,763 | 1,528,923 | 3,647 | (7,985) |

**42. RISK MANAGEMENT (CONT'D.)**

**42.2 Credit Risk Management (Cont'd.)**

**42.2.5 Group Credit Quality By Class of Financial Assets (Cont'd.)**

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

| | <-----------------------Neither past due nor impaired-------------------------> | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Exceptionally Strong Credit Profile | Very Strong Credit Profile | Strong Credit Profile | Satisfactory Risk | Moderate Risk | Marginal Risk | Substandard | Unrated | Past Due but not Impaired | Impaired | Total | Gross Amount Individually Impaired | Individual Allowance |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Group** | | | | | | | | | | | | | |
| **2015** | | | | | | | | | | | | | |
| Cash and short-term funds | 18,070 | 934,418 | 3 | - | - | - | - | - | - | - | 952,491 | - | - |
| Derivative financial assets | - | - | - | - | - | - | - | 1 | - | - | 1 | - | - |
| Financial investments available-for-sale | | | | | | | | | | | | | |
| *Unquoted Private Debt Securities* | - | - | - | 28,886 | - | - | - | - | - | - | 28,886 | - | - |
| Financial investments held-to-maturity | | | | | | | | | | | | | |
| *Unquoted Private Debt Securities* | - | 75,000 | - | - | - | - | - | 100 | - | - | 75,100 | - | - |
| Gross loans and advances | | | | | | | | | | | | | |
| Other loans and advances | - | - | 317,465 | 3,531 | - | - | - | - | - | 2,291 | 323,287 | 2,291 | (2,291) |
| Other financial assets | - | 19,625 | 106,486 | 17,888 | 8,532 | - | 17,607 | 371,166 | 10,731 | 10,356 | 562,391 | 10,348 | (8,842) |
| Statutory deposit with Bank Negara Malaysia | | 7,483 | - | - | - | - | - | - | - | - | 7,483 | - | - |
| | 18,070 | 1,036,526 | 423,954 | 50,305 | 8,532 | - | 17,607 | 371,267 | 10,731 | 12,647 | 1,949,639 | 12,639 | (11,133) |

**42. RISK MANAGEMENT (CONT'D.)**

**42.2 Credit Risk Management (Cont'd.)**

**42.2.5 Bank Credit Quality By Class of Financial Assets**

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

| | <----------------------- | ---------------- | Neither past due nor impaired | ------------------------ | > | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Exceptionally Strong Credit Profile** | **Very Strong Credit Profile** | **Strong Credit Profile** | **Satisfactory Risk** | **Moderate Risk** | **Marginal Risk** | **Substandard** | **Unrated** | **Past Due but not Impaired** | **Impaired** | **Total** | **Gross Amount Individually Impaired** | **Individual Allowance** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Bank** | | | | | | | | | | | | | |
| **2016** | | | | | | | | | | | | | |
| Cash and short-term funds | 16,548 | 419,553 | 3 | - | - | - | - | - | - | - | 436,104 | - | - |
| Derivative financial assets | - | - | - | - | - | - | - | 2 | - | - | 2 | - | - |
| Financial investments held-to-maturity | | | | | | | | | | | | | |
| *Unquoted Private Debt Securities* | - | 75,000 | - | - | - | - | - | 100 | - | - | 75,100 | - | - |
| Gross loans and advances | | | | | | | | | | | | | |
| Other loans and advances | - | - | 300,490 | 2,679 | - | - | - | - | - | 2,251 | 305,420 | 2,251 | (2,251) |
| Other financial assets | - | 11,060 | 32,612 | 14,531 | 4,204 | 1,124 | 18,565 | 562,783 | 1,004 | 7,413 | 653,296 | 1,396 | (5,734) |
| Statutory deposit with Bank Negara Malaysia | - | 2,591 | - | - | - | - | - | - | - | - | 2,591 | - | - |
| | 16,548 | 508,204 | 333,105 | 17,210 | 4,204 | 1,124 | 18,565 | 562,885 | 1,004 | 9,664 | 1,472,513 | 3,647 | (7,985) |

**42. RISK MANAGEMENT (CONT'D.)**

**42.2 Credit Risk Management (Cont'd.)**

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

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

| | <-----------------------Neither past due nor impaired------------------------> | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Exceptionally Strong Credit Profile** | **Very Strong Credit Profile** | **Strong Credit Profile** | **Satisfactory Risk** | **Moderate Risk** | **Marginal Risk** | **Substandard** | **Unrated** | **Past Due but not Impaired** | **Impaired** | **Total** | **Gross Amount Individually Impaired** | **Individual Allowance** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Bank** | | | | | | | | | | | | | |
| **2015** | | | | | | | | | | | | | |
| Cash and short-term funds | 18,070 | 811,432 | 3 | - | - | - | - | - | - | - | 829,505 | - | - |
| Derivative financial assets | - | - | - | - | - | - | - | 1 | - | - | 1 | - | - |
| Financial investments available-for-sale | | | | | | | | | | | | | |
| *Unquoted Private Debt Securities* | - | - | - | 28,886 | - | - | - | - | - | - | 28,886 | - | - |
| Financial investments held-to-maturity | | | | | | | | | | | | | |
| *Unquoted Private Debt Securities* | - | 75,000 | - | - | - | - | - | 100 | - | - | 75,100 | - | - |
| Gross loans and advances | | | | | | | | | | | | | |
| Other loans and advances | - | - | 317,465 | 3,531 | - | - | - | - | - | 2,291 | 323,287 | 2,291 | (2,291) |
| Other financial assets | - | 18,697 | 106,486 | 17,888 | 8,532 | - | 17,607 | 360,283 | 2,473 | 8,753 | 540,719 | 8,745 | (7,413) |
| Statutory deposit with Bank Negara Malaysia | - | 7,483 | - | - | - | - | - | - | - | - | 7,483 | - | - |
| | 18,070 | 912,612 | 423,954 | 50,305 | 8,532 | - | 17,607 | 360,384 | 2,473 | 11,044 | 1,804,981 | 11,036 | (9,704) |

## 42. RISK MANAGEMENT (CONT'D.)

### 42.2 Credit Risk Management (Cont'd.)

#### 42.2.6 Aging Analysis of Past Due But Not Impaired By Class of Financial Assets

| | Up to 1 month RM'000 | >1 to 3 months RM'000 | >3 to 6 months RM'000 | >6 to 12 months RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **2016** | | | | | |
| Other financial assets | - | 700 | 225 | 79 | 1,004 |
| **2015** | | | | | |
| Other financial assets | - | 1,696 | 9,035 | - | 10,731 |
| **Bank** | | | | | |
| **2016** | | | | | |
| Other financial assets | - | 700 | 225 | 79 | 1,004 |
| **2015** | | | | | |
| Other financial assets | - | 1,696 | 777 | - | 2,473 |

#### 42.2.7 Estimated Value of Collateral for Gross Loans and Advances

| | Gross exposure to credit risk | | Financial effect of collateral | | Unsecured portion of credit exposure | |
|---|---|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| **Group and Bank** | | | | | | |
| Gross loans and advances | | | | | | |
| Share margin financing | 247,016 | 258,270 | 244,765 | 255,979 | 2,251 | 2,291 |
| Revolving credits | 55,725 | 61,486 | 55,725 | 61,486 | - | - |
| Staff loans | 2,679 | 3,531 | 2,679 | 3,531 | - | - |
| | 305,420 | 323,287 | 303,169 | 320,996 | 2,251 | 2,291 |

## 42. RISK MANAGEMENT (CONT'D.)

### 42.2 CREDIT RISK MANAGEMENT (CONT'D.)

#### 42.2.8 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 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 allowance 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/advances net of individual impairment.

### 42.3 LIQUIDITY RISK MANAGEMENT

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

## 42. RISK MANAGEMENT (CONT'D.)

### 42.3 LIQUIDITY RISK MANAGEMENT (CONT'D.)

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

| | |
|---|---|
| **Identification** | • Identify liquidity risk within existing and new business activities.<br>• Review market-related information such as market trend and economic data.<br>• Keep abreast with regulatory requirements. |
| **Assessment/ Measurement** | • Liquidity Coverage Ratio ("LCR")<br>• Depositor Concentration Ratios<br>• Other Detailed Management Controls |
| **Control/ Mitigation** | • LCR Limits<br>• Depositor Concentration Ratios<br>• Other Detailed Management Limits |
| **Monitoring/ Review** | • Monitor limits<br>• Periodical review and reporting |

The liquidity risk management of the Bank is aligned to BNM's Liquidity Coverage Ratio ("LCR") issued by BNM on 31 March 2015. The primary objective of the Bank's liquidity risk management is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments when they fall due. This objective is partly managed through maintenance of a portfolio of high-quality liquid assets to protect against adverse funding conditions and support day-to-day operations. The secondary objective is to ensure an optimal funding structure and to balance the key liquidity risk management objectives, which includes diversification of funding sources, customer base and maturity period.

The Board of Directors provides the liquidity risk management oversight while the Group CEOs Committee is the responsible governing body that approves the Group's liquidity management and strategies policies, and is responsible for setting liquidity limits, proposing liquidity risk policies and contingency funding plan, and practices to be in compliance with local regulatory requirements, and monitor liquidity on an ongoing basis. The Capital and Balance Sheet Management Department and Group Risk Management propose and oversee the implementation of policies and other controls relating to the above risks.

The Group has put in place a Contingency Funding Plan to identify early warning signals of possible liquidity problem. The Contingency Funding Plan also sets out the detailed responsibilities among the relevant departments in the event of actual liquidity crises occurring to ensure orderly execution of procedures to restore the liquidity position and confidence in the organisation.

Stress testing is undertaken to assess and plan for the impact for various scenarios which may put the Group's liquidity at risk.

In preparation to the impending implementation of BNM 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.

**42. RISK MANAGEMENT (CONT'D.)**

**42.3 Liquidity Risk Management (Cont'd.)**

**42.3.1 Analysis of Assets and Liabilities By Remaining Contractual Maturities**

| Group and Bank 2016 | 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 | 478,123 | - | - | - | - | - | - | 478,123 |
| Derivative financial assets | 2 | - | - | - | - | - | - | 2 |
| Financial assets held-for-trading | - | - | - | - | - | - | 532 | 532 |
| Financial investments available-for-sale | - | - | - | - | - | - | 11,720 | 11,720 |
| Financial investments held-to-maturity | - | - | 1,542 | 1,577 | 12,619 | 96,901 | - | 112,639 |
| Gross loans and advances | 290,170 | 11,116 | 980 | 442 | 4,305 | 1,261 | - | 308,274 |
| Statutory deposit with Bank Negara Malaysia | - | - | - | - | - | 2,591 | - | 2,591 |
| Deferred tax assets | - | - | - | - | - | - | 4,542 | 4,542 |
| Other assets | 649,594 | 2,312 | 7,779 | 57,003 | 10,339 | 216 | - | 727,243 |
| Property and equipment | - | - | - | - | - | - | 21,356 | 21,356 |
| Intangible assets | - | - | - | - | - | - | 2,583 | 2,583 |
| Asset held for sale | - | - | - | 1,719 | - | - | - | 1,719 |
| **Total Undiscounted Assets** | 1,417,889 | 13,428 | 10,301 | 60,741 | 27,263 | 100,969 | 40,733 | 1,671,324 |
| **Liabilities** | | | | | | | | |
| Deposits and placements of banks and other financial institutions | 151,447 | 252,270 | - | - | - | - | - | 403,717 |
| Derivative financial liabilities | 4 | - | - | - | - | - | - | 4 |
| Other liabilities | 683,152 | 12,005 | - | 164 | - | - | - | 695,321 |
| **Total Undiscounted Liabilities** | 834,603 | 264,275 | - | 164 | - | - | - | 1,099,042 |
| **Net Undiscounted Assets/(Liabilities)** | 583,286 | (250,847) | 10,301 | 60,577 | 27,263 | 100,969 | 40,733 | 572,282 |

**2016**

| | 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 |
|---|---|---|---|---|---|---|---|---|
| **Commitments** | | | | | | | | |
| Irrevocable commitments to extend credit | 149,968 | 33,344 | - | - | - | 19,226 | - | 202,538 |
| Others | - | - | - | - | - | 100 | - | 100 |
| **Contingent liabilities** | | | | | | | | |
| Direct credit substitutes | - | - | - | - | 17,319 | - | - | 17,319 |
| Obligations under on-going underwriting agreement | 13,348 | - | - | - | - | - | - | 13,348 |
| **Total commitments and contingent liabilities** | 163,316 | 33,344 | - | - | 17,319 | 19,326 | - | 233,305 |

## 42. RISK MANAGEMENT (CONT'D.)

### 42.3 Liquidity Risk Management (Cont'd.)

### 42.3.1 Analysis of Assets and Liabilities By Remaining Contractual Maturities (Contd.)

| Group and Bank 2015 | 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 | 956,564 | - | - | - | - | - | - | 956,564 |
| Derivative financial assets | 1 | - | - | - | - | - | - | 1 |
| Financial assets held-for-trading | - | - | - | - | - | - | 441 | 441 |
| Financial investments available-for-sale | - | - | 965 | 29,483 | - | - | 12,934 | 43,382 |
| Financial investments held-to-maturity | - | - | 1,559 | 1,559 | 12,636 | 100,020 | - | 115,774 |
| Gross loans and advances | 299,589 | 17,730 | 1,809 | 588 | 5,827 | 1,703 | - | 327,246 |
| Statutory deposit with Bank Negara Malaysia | - | - | - | - | - | 7,483 | - | 7,483 |
| Deferred tax assets | - | - | - | - | - | - | 2,782 | 2,782 |
| Investment in subsidiaries | - | - | - | - | - | - | 1,167 | 1,167 |
| Other assets | 532,812 | 1,232 | 3,668 | 73,261 | 6,753 | - | - | 617,726 |
| Property and equipment | - | - | - | - | - | - | 22,530 | 22,530 |
| Intangible assets | - | - | - | - | - | - | 2,920 | 2,920 |
| **Total Undiscounted Assets** | 1,788,966 | 18,962 | 8,001 | 104,891 | 25,216 | 109,206 | 42,774 | 2,098,016 |
| **Liabilities** | | | | | | | | |
| Deposits and placements of banks and other financial institutions | 206,886 | 408,020 | 356,768 | 33,468 | - | - | - | 1,005,142 |
| Other liabilities | 507,207 | 33,119 | - | 135 | - | - | - | 540,461 |
| **Total Undiscounted Liabilities** | 714,093 | 441,139 | 356,768 | 33,603 | - | - | - | 1,545,603 |
| **Net Undiscounted Assets/(Liabilities)** | 1,074,873 | (422,177) | (348,767) | 71,288 | 25,216 | 109,206 | 42,774 | 552,413 |

**2015**

| | 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 |
|---|---|---|---|---|---|---|---|---|
| **Commitments** | | | | | | | | |
| Irrevocable commitments to extend credit | 178,294 | 28,399 | - | - | - | 23,500 | - | 230,193 |
| Others | - | - | - | - | - | 100 | - | 100 |
| **Contingent liabilities** | | | | | | | | |
| Direct credit substitutes | 51,000 | - | - | - | 48,447 | - | - | 99,447 |
| **Total commitments and contingent liabilities** | 229,294 | 28,399 | - | - | 48,447 | 23,600 | - | 329,740 |

## 42. RISK MANAGEMENT (CONT'D.)

### 42.3 Liquidity Risk Management (Cont'd.)

#### 42.3.1 Analysis of Assets and Liabilities By Remaining Contractual Maturities

| | Up to 1 month | >1 to 3 months | >3 to 6 months | >6 to 12 months | >1 to 5 years | Over 5 years | No maturity specified | Total |
|---|---|---|---|---|---|---|---|---|
| **Bank** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **2016** | | | | | | | | |
| **Assets** | | | | | | | | |
| Cash and short-term funds | 448,000 | - | - | - | - | - | - | 448,000 |
| Derivative financial assets | 2 | - | - | - | - | - | - | 2 |
| Financial assets held-for-trading | - | - | - | - | - | - | 532 | 532 |
| Financial investments available-for-sale | - | - | - | - | - | - | 11,720 | 11,720 |
| Financial investments held-to-maturity | - | - | 1,542 | 1,577 | 12,619 | 96,901 | - | 112,639 |
| Gross loans and advances | 290,170 | 11,116 | 980 | 442 | 4,305 | 1,261 | - | 308,274 |
| Statutory deposit with Bank Negara Malaysia | - | - | - | - | - | 2,591 | - | 2,591 |
| Deferred tax assets | - | - | - | - | - | - | 4,542 | 4,542 |
| Investment in subsidiaries | - | - | - | - | - | - | 19,131 | 19,131 |
| Other assets | 631,119 | 2,312 | 1,038 | 57,003 | 10,339 | 216 | - | 702,027 |
| Property and equipment | - | - | - | - | - | - | 21,348 | 21,348 |
| Intangible assets | - | - | - | - | - | - | 2,542 | 2,542 |
| Asset held for sale | - | - | - | 100 | - | - | - | 100 |
| **Total Undiscounted Assets** | 1,369,291 | 13,428 | 3,560 | 59,122 | 27,263 | 100,969 | 59,815 | 1,633,448 |
| **Liabilities** | | | | | | | | |
| Deposits and placements of banks and other financial institutions | 151,447 | 252,270 | - | - | - | - | - | 403,717 |
| Derivative financial liabilities | 4 | - | - | - | - | - | - | 4 |
| Other liabilities | 661,544 | 11,980 | - | 164 | - | - | - | 673,688 |
| **Total Undiscounted Liabilities** | 812,995 | 264,250 | - | 164 | - | - | - | 1,077,409 |
| **Net Undiscounted Assets/(Liabilities)** | 556,296 | (250,822) | 3,560 | 58,958 | 27,263 | 100,969 | 59,815 | 556,039 |

**2016**

| | Up to 1 month | >1 to 3 months | >3 to 6 months | >6 to 12 months | >1 to 5 years | Over 5 years | No maturity specified | Total |
|---|---|---|---|---|---|---|---|---|
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Commitments** | | | | | | | | |
| Irrevocable commitments to extend credit | 149,968 | 33,344 | | - | - | 19,226 | - | 202,538 |
| Others | - | - | - | - | - | 100 | - | 100 |
| **Contingent liabilities** | | | | | | | | |
| Direct credit substitutes | | - | - | - | 17,319 | - | - | 17,319 |
| Obligations under on-going underwriting agreement | 13,348 | - | - | - | - | - | - | 13,348 |
| **Total commitments and contingent liabilities** | 163,316 | 33,344 | - | - | 17,319 | 19,326 | - | 233,305 |

## 42. RISK MANAGEMENT (CONT'D.)

### 42.3 Liquidity Risk Management (Cont'd.)

#### 42.3.1 Analysis of Assets and Liabilities By Remaining Contractual Maturities (Contd.)

| Bank<br>2015 | Up to 1 month<br>RM'000 | >1 to 3 months<br>RM'000 | >3 to 6 months<br>RM'000 | >6 to 12 months<br>RM'000 | >1 to 5 years<br>RM'000 | Over 5 years<br>RM'000 | No maturity specified<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Cash and short-term funds | 833,578 | - | - | - | - | - | - | 833,578 |
| Derivative financial assets | 1 | - | - | - | - | - | - | 1 |
| Financial assets held-for-trading | - | - | - | - | - | - | 441 | 441 |
| Financial investments available-for-sale | - | - | 965 | 29,483 | - | - | 12,934 | 43,382 |
| Financial investments held-to-maturity | - | - | 1,559 | 1,559 | 12,636 | 100,020 | - | 115,774 |
| Gross loans and advances | 299,589 | 17,730 | 1,809 | 588 | 5,827 | 1,703 | - | 327,246 |
| Statutory deposit with Bank Negara Malaysia | - | - | - | - | - | 7,483 | - | 7,483 |
| Deferred tax assets | - | - | - | - | - | - | 2,782 | 2,782 |
| Investment in subsidiaries | - | - | - | - | - | - | 102,941 | 102,941 |
| Investment in associates | - | - | - | - | - | - | 100 | 100 |
| Other assets | 521,904 | 1,232 | 2,250 | 65,149 | 6,712 | - | - | 597,247 |
| Propety and equipment | - | - | - | - | - | - | 22,486 | 22,486 |
| Intangible assets | - | - | - | - | - | - | 1,710 | 1,710 |
| **Total Undiscounted Assets** | 1,655,072 | 18,962 | 6,583 | 96,779 | 25,175 | 109,206 | 143,394 | 2,055,171 |
| **Liabilities** | | | | | | | | |
| Deposits and placements of banks and other financial institutions | 206,886 | 408,020 | 356,768 | 33,467 | - | - | - | 1,005,141 |
| Other liabilities | 492,222 | 29,197 | - | 135 | - | - | - | 521,554 |
| **Total Undiscounted Liabilities** | 699,108 | 437,217 | 356,768 | 33,602 | - | - | - | 1,526,695 |
| **Net Undiscounted Assets/(Liabilities)** | 955,964 | (418,255) | (350,185) | 63,177 | 25,175 | 109,206 | 143,394 | 528,476 |

| 2015 | Up to 1 month<br>RM'000 | >1 to 3 months<br>RM'000 | >3 to 6 months<br>RM'000 | >6 to 12 months<br>RM'000 | >1 to 5 years<br>RM'000 | Over 5 years<br>RM'000 | No maturity specified<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Commitments** | | | | | | | | |
| Irrevocable commitments to extend credit | 178,294 | 28,399 | - | - | - | 23,500 | - | 230,193 |
| Others | - | - | - | - | - | 100 | | 100 |
| **Contingent liabilities** | | | | | | | | |
| Direct credit substitutes | 51,000 | - | - | - | 48,447 | - | - | 99,447 |
| **Total commitments and contingent liabilities** | 229,294 | 28,399 | - | - | 48,447 | 23,600 | - | 329,740 |

## 42. RISK MANAGEMENT (CONT'D.)

### 42.4 MARKET RISK MANAGEMENT

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

**Traded Market Risk**

The TMR management process is depicted in the table below.

| | |
|---|---|
| **Identification** | • Identify market risks within existing and new products.<br>• Review market-related information such as market trends and economic data. |
| **Assessment/ Measurement** | • Value-at-Risk ("VaR")<br>• Annual Loss Limit ("ALL")<br>• Historical Stress Loss ("HSL")<br>• Other Detailed Management Controls |
| **Control/ Mitigation** | • VaR Limits<br>• HSL Limits<br>• Loss Limits/ Triggers (Annual/Monthly/Daily)<br>• Position Size Limits<br>• Maximum Tenor Limits<br>• Maximum Holding Period<br>• Approved Instruments/Currencies/Countries<br>• Other Detailed Management Limits |
| **Monitoring/ Review** | • Monitor limits<br>• Periodical review and reporting |

TMR arises from transactions in which the Group acts as principal with clients or the market. It involves taking positions in fixed income, equity, foreign exchange, commodities and/or derivatives. The objectives of TMR management are to understand, accurately measure and work with the business to ensure exposures are managed within the Board and Group CEOs committee approved limit structures and risk appetite. This is done via robust traded market risk measurement, limit setting, limit monitoring, and collaboration and agreement with Business Units.

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

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

## 42. RISK MANAGEMENT (CONT'D.)

### 42.4 MARKET RISK MANAGEMENT (CONT'D.)

**Traded Market Risk (Cont'd.)**

Apart from VaR, ALL and HSL, additional sensitivity controls (e.g. Greek Limits/PV01) and indicators are used to monitor changes in portfolio value due to changes in risk factors under different market conditions.

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

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

IBMR is committed to on-going improvements in market risk processes and systems, and allocates substantial resources to this endeavour.

**Non-Traded Market Risk**

**Interest Rate Risk/Rate of Return Risk in Banking Book ("IRR/RORBB")**

The IRR/RORBB risk management process is depicted in the table below:

| | |
|---|---|
| **Identification** | • Identify IRR/RORBB within existing and new products<br>• Review market-related information such as market trend and economic data |
| **Assessment/ Measurement** | • VaR<br>• Earnings-at-Risk ("EaR")<br>• PV01<br>• Other Detailed Management Controls |
| **Control/ Mitigation** | • VaR limits<br>• EaR limits<br>• PV01 limits<br>• Other Detailed Management Limits |
| **Monitoring/ Review** | • Monitor limits<br>• Periodical review and reporting |

IRR/RORBB arises from changes in market interest/profit rates that impact core net interest/profit income, future cash flows or fair values of financial instruments. This risk arises from mismatches between repricing dates of assets and liabilities, changes in yield curves, volatilities in interest/profit margins and implied volatilities on interest/profit rate options. The provision of retail and wholesale banking products and services (primarily lending and deposit taking activities) creates interest/profit rate-sensitive positions in the Bank's statement of financial position.

The principal objectives of balance sheet risk management are to manage interest/profit income sensitivity while maintaining acceptable levels of IRR/RORBB and funding risk, and to manage the economic value of Group's capital.

## 42. RISK MANAGEMENT (CONT'D.)

### 42.4 MARKET RISK MANAGEMENT (CONT'D.)

The Board's oversight of IRR/RORBB is supported by the Group CEOs Committee. Group CEOs Committee is responsible for the alignment of Group-wide risk appetite and funding needs, taking into consideration the Group's business strategies. Group CEOs Committee consistently oversees the Group's gapping positions, asset growth and liability mix against the interest rate outlook. It also reviews strategies to ensure a comfortable level of IRR/RORBB is maintained. The Group has successfully engaged long-term borrowings and written interest rate swaps to manage IRR/RORBB, and maintained an acceptable gapping profile as a result. In accordance with the Group's policy, positions are monitored on a daily basis and hedging strategies are employed to ensure risk exposures are maintained within Board-established limits.

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

The rate scenarios may include rapid ramping of interest/profit rates, gradual ramping of interest/profit rates, and narrowing or widening of spreads. Usually each analysis incorporate what management deems the most appropriate assumptions about customer behaviour in an interest/profit rate scenario. However, in certain cases, assumptions are deliberately changed to test the Group's exposure to a specified event.

The Group's strategy seeks to optimise exposure to IRR/RORBB within Board-approved limits. This is achieved through the ability to reposition the interest rate exposure of the statement of financial position using dynamic product and funding strategies, supported by MFRS 139-compliant interest rate hedging activities using interest rate swaps and other derivatives. These approaches are governed by Group's policies in the areas of product and liquidity management as well as the banking book policy statements and hedging policies.

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

**Market Risk Sensitivity**

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

Interest rate risk/rate of return risk ("IRR/ROR") is the risk that the value of a financial instrument will fluctuate due to changes in market interest rate and is managed through gap and sensitivity analysis. Interest rate movements also affect the Group's income and expense from assets and liabilities as well as capital fund. The Group has adopted IRR/ROR hedging measures to cushion the interest rate volatility.

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

**The Group**

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Interest rate + 100 bps (RM'000) | Interest rate - 100 bps (RM'000) | Interest rate + 100 bps (RM'000) | Interest rate - 100 bps (RM'000) |
| Impact on Profit before taxation | 338 | (338) | 445 | (445) |
| Impact on Equity | - | - | (156) | 156 |

## 42. RISK MANAGEMENT (CONT'D.)

### 42.4 MARKET RISK MANAGEMENT (CONT'D.)

**Market Risk Sensitivity (Cont'd.)**

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

**The Bank**

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | **Interest rate + 100 bps (RM'000)** | **Interest rate - 100 bps (RM'000)** | **Interest rate + 100 bps (RM'000)** | **Interest rate - 100 bps (RM'000)** |
| Impact on Profit before taxation | 338 | (338) | 445 | (445) |
| Impact on Equity | - | - | (156) | 156 |

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

**(ii) Foreign Exchange Risk**

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

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

**Impact on profit before taxation:**

| | 2016 | | 2015 | |
|---|---|---|---|---|
| **Currency** | **Foreign exchange rate + 10 % (RM'000)** | **Foreign exchange rate - 10 % (RM'000)** | **Foreign exchange rate + 10 % (RM'000)** | **Foreign exchange rate - 10 % (RM'000)** |
| **Group** | | | | |
| USD | 1,097 | (1,097) | 937 | (937) |
| SGD | 534 | (534) | 487 | (487) |
| EUR | 24 | (24) | 25 | (25) |
| JPY | 12 | (12) | 11 | (11) |
| GBP | 1 | (1) | - | - |
| Others | 5 | (5) | 102 | (102) |
| **Bank** | | | | |
| USD | 1,093 | (1,093) | 933 | (933) |
| SGD | 534 | (534) | 487 | (487) |
| EUR | 24 | (24) | 25 | (25) |
| JPY | 12 | (12) | 11 | (11) |
| GBP | 1 | (1) | - | - |
| Others | 5 | (5) | 97 | (97) |

## 42. RISK MANAGEMENT (CONT'D.)

### 42.4 MARKET RISK MANAGEMENT (CONT'D.)

**Market Risk Sensitivity (Cont'd.)**

**(iii) Equity Price Risk**

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

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

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Prices + 10 % (RM'000) | Prices - 10 % (RM'000) | Prices + 10 % (RM'000) | Prices - 10 % (RM'000) |
| **The Group** | | | | |
| Impact on profit before taxation | 2 | (2) | (2) | 2 |
| Impact on equity | - | - | - | - |
| **The Bank** | | | | |
| Impact on profit before taxation | 2 | (2) | (2) | 2 |
| Impact on equity | - | - | - | - |

### 42.5 OPERATIONAL RISK MANAGEMENT

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

| | |
|---|---|
| **Identification** | • Identify and analyse risks in key processes/activities within Line of Business (including new products) |
| **Assessment/ Measurement** | • Incident Management and Data Collection<br>• Risk and Control Self-Assessment<br>• Key Risk Indicators<br>• Key Control Testing<br>• Risk Treatment Plan |
| **Control/ Mitigation** | • Policies addressing control and governance requirements to mitigate specific operational risk<br>• Advisory on the establishment of internal controls<br>• Contingency planning |
| **Monitoring/ Review** | • Monitoring and reporting of loss incidents by Event Type, Portfolio and Line of Business and entity, reporting of operational risk board and management triggers, risk profile status, key risk indicator breaches and key control testing exceptions<br>• Periodical review of risk profile within Line of Business |

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external incidents which includes but is not limited to legal risk. It excludes strategic, systemic and reputational risk.

## 42. RISK MANAGEMENT (CONT'D.)

### 42.5 OPERATIONAL RISK MANAGEMENT (CONT'D.)

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

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

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

- The first line of defence is the responsiblity of the management of operational risk to ensure that accountability and ownership is as close as possible to the activity that creates the risk and ensuring that effective action is taken to manage them. Enhanced First Line of Defence 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 of defense, Group Operational Risk is responsible for exercising governance over operational risk through the management of the operational risk framework, policy development, quality assurance of internal controls, operational risk measurement and capital allocation, fraud strategy and reporting of operational risk issues to Group CEOs Committee (“GCC”), Risk Management Committee of Directors (“RMCD”) and Board.

- Group Internal Audit acts as the third and final line of defence by providing independent assurance on the internal control effectiveness through periodic audit programme.

The Business Continuity Management (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 Bank 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.

### 42.6 LEGAL RISK

In all the jurisdictions that the Group conducts its business, it is subject to legal risks arising from potential breaches of applicable laws, unenforceability of contracts, lawsuits, or adverse judgment, which may lead to incurrence of losses, disrupt or otherwise impact on the Group’s financials or reputation.

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

## 42. RISK MANAGEMENT (CONT'D.)

### 42.7 REGULATORY COMPLIANCE RISK

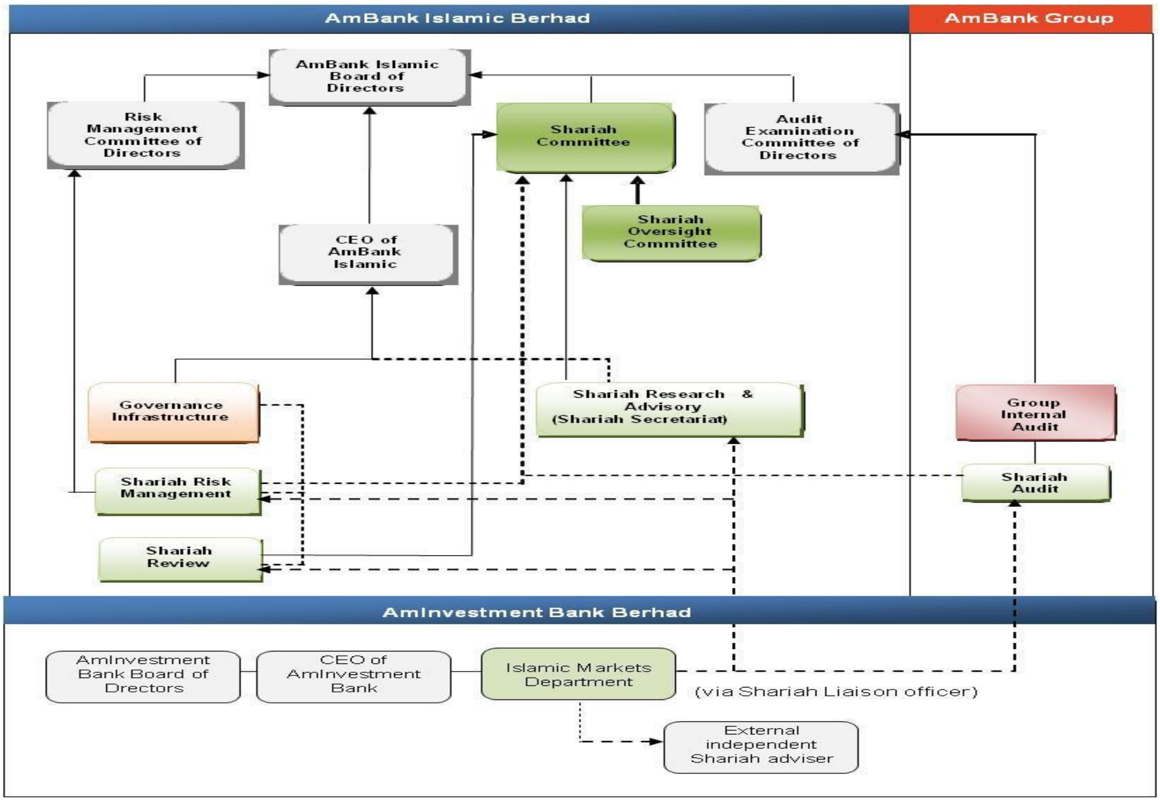
The Group has established a compliance policy which sets out the roles and responsibilities of the Board, Senior Management, Business Units, Group Shared Services, Group Compliance and Group Internal Audit to oversee the management of compliance risk with the aim to promote the safety of the Group by minimising financial, reputational and operational risks arising from legal and regulatory non-compliance.

The Group has put in place the processes to manage the compliance functions in identifying, assessing and monitoring the following activities:

- Management of Anti-Money Laundering ("AML")/Counter Financing of Terrorism ("CFT") ongoing due diligence via tracking, monitoring and reporting of suspicious transactions
- Management of new regulations including timely dissemination, engagement and monitoring
- Undertake periodic compliance assessment including onsite, offsite, thematic and initial one-off onsite validation
- Review of new or variation to existing products and services

Training is provided to employees of Group on relevant legal and regulatory requirements governing its activities and guidance on implementation of internal controls to manage compliance risk.

### 42.8 SHARIAH GOVERNANCE STRUCTURE




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

The Bank adopts a leverage model whereby, through its Islamic window i.e. Islamic Markets Department ("IMD"), it leverages on AmBank Islamic Shariah Governance Structure, including the SC of AmBank Islamic. Alternatively, IMD may also opt for independent external Shariah advisor(s) as approved by the SC of Malaysia when necessary and will be on ad-hoc basis.

## 42. RISK MANAGEMENT (CONT'D.)

### 42.8 SHARIAH GOVERNANCE STRUCTURE (CONT'D.)

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

**Audit Examination Committee ("AEC")**
AEC is a Board committee of the Bank responsible for assisting the Board in ensuring Islamic Banking operations of the Group are Shariah compliant through oversight of the Shariah Audit function performed by Group Internal Audit.

**Risk Management Committee of Directors ("RMCD")**
RMCD is a Board committee of the Bank responsible for assisting the Board in ensuring risk management and control process are in place and functioning, including Shariah risk management .

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

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

**Shariah Oversight Committee**
The Shariah Oversight Committee, which is a sub-committee to the Shariah Committee, performs an oversight function on Islamic capital market product and services 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**
Management via IMD, including the Chief Executive Officer ("CEO") of the Bank, is responsible to make reference to the Shariah Committee or external independent Shariah advisor and/or the Shariah Oversight Committee on Shariah matters and to take necessary measures for implementation. The Management is also responsible in setting the infrastructure and providing the environment and adequate resources to support the Shariah governance structure. This includes putting in place adequate systems and controls in order to ensure compliance with Shariah and to mitigate Shariah non-compliance risk.

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

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

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

## 42. RISK MANAGEMENT (CONT'D.)

### 42.8 SHARIAH GOVERNANCE STRUCTURE (CONT'D.)

*Shariah Advisory (Cont'd.)*

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

**Shariah Risk Management**

As per the leveraging model, the Shariah Risk Management ("SRM") function of AmBank Islamic shall undertake the Shariah risk review of IMD. The SRM function is accountable to the RMCD. 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 and Support Units; 2nd – Shariah Risk Management, Shariah Review, IMD, Compliance; 3rd – Shariah Audit.

**Shariah Review**

As per the leveraging model, the Shariah Review function of AmBank Islamic shall undertake the Shariah review of IMD. The Shariah Review function is accountable to the Shariah Committee.The objective of the Shariah review function is to provide reasonable self-assurance for AmInvestment 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 function 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 capital market product and services operations through Shariah Audit function. Audit coverage include review of product structure documentation, adequacy of systems, internal controls and computation, staff competency and adequacy of the Shariah governance process.

## 43. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

In addition, fair value information for non-financial assets and liabilities such as investments in subsidiaries and other investment and deferred taxation are excluded, as they do not fall within the scope of MFRS 7 Financial Instruments: Disclosure and Presentation, which requires the fair value information to be disclosed.

The estimated fair values of the Group's and the Bank's financial instruments are as follows:

Except as detailed in the following tables, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

## 43. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

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

| | < Group | | | > | < Bank | | | > |
|---|---|---|---|---|---|---|---|---|
| **2016** | **Level 1** | **Level 2** | **Level 3** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Assets measured at fair value** | | | | | | | | |
| Derivative financial assets | 2 | - | - | 2 | 2 | - | - | 2 |
| Financial assets held-for-trading | | | | | | | | |
| - Quoted Securities | 532 | - | - | 532 | 532 | - | - | 532 |
| | 534 | - | - | 534 | 534 | - | - | 534 |
| **Assets for which fair values are disclosed** | | | | | | | | |
| Financial investments held-to-maturity | | | | | | | | |
| - Unquoted private debt securities | - | 72,978 | 100 | 73,078 | - | 72,978 | 100 | 73,078 |
| **Liabilities measured at fair value** | | | | | | | | |
| Derivative financial liabilities | 4 | - | - | 4 | 4 | - | - | 4 |

| | < Group | | | > | < Bank | | | > |
|---|---|---|---|---|---|---|---|---|
| **2015** | **Level 1** | **Level 2** | **Level 3** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Assets measured at fair value** | | | | | | | | |
| Derivative financial assets | 1 | - | - | 1 | 1 | - | - | 1 |
| Financial assets held-for-trading | | | | | | | | |
| - Quoted Securities | 441 | - | - | 441 | 441 | - | - | 441 |
| Financial investments available-for-sale | | | - | | | | | |
| - Unquoted private debt securities | - | 28,886 | - | 28,886 | - | 28,886 | - | 28,886 |
| | 442 | 28,886 | - | 29,328 | 442 | 28,886 | - | 29,328 |
| **Assets for which fair values are disclosed** | | | | | | | | |
| Financial investments held-to-maturity | | | | | | | | |
| - Unquoted private debt securities | - | 72,465 | 100 | 72,565 | - | 72,465 | 100 | 72,565 |

## 43. FAIR VALUES OF FINANCIAL INSTRUMENTS

**43.2** Financial instruments not measured at fair value (excluding those financial instruments where the carrying amounts are resonable approximation of their fair values)

**Group & Bank**

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Carrying amount RM'000 | Fair value RM'000 | Carrying amount RM'000 | Fair value RM'000 |
| **Financial Assets** | | | | |
| Financial investments held-to-maturity | 75,100 | 72,978 | 75,100 | 72,565 |

### 43.3 Determination of fair value

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

**(a) Assets for which fair value approximates carrying value**

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

**(b) Fixed rate financial instruments**

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

**(c) Contingent liabilities and undrawn credit facilities**

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

## 43. FAIR VALUES OF FINANCIAL INSTRUMENTS

### 43.4 Determination of fair value hierarchy

**(d) Financial investments available-for-sale**

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

**(e) Other trading assets**

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

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

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

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

## 44. BUSINESS SEGMENT ANALYSIS

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

1. The Group comprises the following main business segments:

**(a) Wholesale banking**

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

i. Equity Markets – provides clients an investment avenue to participate in the equity markets through its multiple distribution channels, including remisiers, Bank Branch Broking, salaried dealers, and the internet trading platform, offering clients the flexibility to trade equities, futures and equity derivatives both online and offline;

ii. Private Banking – manages the private wealth of high net worth individuals, family groups and companies by offering comprehensive wealth management solutions and integrated access to expertise and resources of AMMB Group;

iii. Corporate finance – provides an extensive range of corporate finance and advisory services which include mergers and acquisitions, divestitures, take-overs, initial public offerings, restructuring, privatisations, issuance of equity and equity-linked instruments as well as valuation support;

iv. Capital market – provides debt financing solutions to clients through a wide array of products which include conventional and Islamic Private Debt Securities, loan syndication, capital and project advisory as well as structured finance and securitization deals;

v. Others – include other non-core Wholesale Banking activities within the Group which includes Markets and Corporate and Commercial Banking.

**(b) Group Funding and Others (Previously known as Operating Segments)**
Group Funding and Others comprises activities to maintain the liquidity of the Group as well as support operations of its main business units and non-core operations of the Group.

2. Measurements of Segment Performance

The segment performance is measured on income, expenses and profit basis. These are shown after allocation of certain centralised cost, funding income and expenses and expenses directly associated with each segment. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

3. Operating Revenue

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

4. Major customers

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

5. During the current financial year, the Group;

(i) has presented allowances for impairment on loans and advances separately from other assets to better align with internal information used to manage the business; and

(ii) has presented non-recurring gains/losses separately from other operating income to provide more meaningful information.

Accordingly, comparatives have been restated to conform with current year's presentation.

## 44. BUSINESS SEGMENT ANALYSIS
### FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

| 2016 Group | Wholesale Banking Equity Markets RM'000 | Private Banking RM'000 | Corporate Finance RM'000 | Capital Market RM'000 | Others RM'000 | Group Funding and Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| External revenue | 90,053 | 29,447 | 23,208 | 16,054 | 9,016 | 51,403 | 219,181 |
| Revenue from other segments | 425 | (1,967) | (29) | (274) | (27) | 1,872 | - |
| Revenue | 90,478 | 27,480 | 23,179 | 15,780 | 8,989 | 53,275 | 219,181 |
| | | | | | | | |
| Net interest income/(expense) | 22,179 | 746 | (29) | (273) | (28) | (3,615) | 18,980 |
| Other operating income (net of direct costs) | 55,962 | 26,734 | 23,208 | 16,053 | 9,017 | 26,781 | 157,755 |
| Gain on disposal of subsidiary | 11,935 | - | - | - | - | - | 11,935 |
| Income | 90,076 | 27,480 | 23,179 | 15,780 | 8,989 | 23,166 | 188,670 |
| Share in results of an associate | - | - | - | - | - | 552 | 552 |
| Other operating expenses | (59,296) | (17,805) | (12,903) | (10,513) | (4,881) | (16,767) | (122,165) |
| *of which:* | | | | | | | |
| *Depreciation of property and equipment* | (946) | (252) | (56) | (31) | (592) | (795) | (2,672) |
| *Amortisation of intangible assets* | (724) | (27) | (6) | (2) | (106) | - | (865) |
| Profit/(Loss) before impairment losses | 30,780 | 9,675 | 10,276 | 5,267 | 4,108 | 6,951 | 67,057 |
| (Allowance)/Writeback for impairment losses on loan & advances | 120 | (40) | - | - | (5) | 4 | 79 |
| (Allowance)/Writeback for impairment losses other assets | (5,397) | - | (20) | (10) | - | (660) | (6,087) |
| Writeback of provision for commitments and contingencies | 183 | 8 | - | - | (13) | - | 178 |
| Profit/(loss) before taxation | 25,686 | 9,643 | 10,256 | 5,257 | 4,090 | 6,295 | 61,227 |
| Taxation and zakat | (4,283) | (2,314) | (2,461) | (1,262) | (982) | 1,202 | (10,100) |
| Profit/(loss) for the year | 21,403 | 7,329 | 7,795 | 3,995 | 3,108 | 7,497 | 51,127 |
| | | | | | | | |
| **Other information:** | | | | | | | |
| Total segment assets | 903,458 | 57,890 | 2,051 | 10,493 | 2,544 | 640,593 | 1,617,029 |
| Total segment liabilities | 630,685 | 3,868 | 1,617 | 3,205 | 2,397 | 456,122 | 1,097,894 |
| Cost to income ratio | 65.8% | 64.8% | 55.7% | 66.6% | 54.3% | 70.7% | 64.6% |
| Gross loans and advances | 247,016 | 55,725 | - | - | - | 2,679 | 305,420 |
| Net loans and advances | 243,730 | 55,560 | - | - | - | 2,607 | 301,897 |
| Impaired loans and advances | 2,251 | - | - | - | - | - | 2,251 |
| Total deposits & placements | - | - | - | - | - | 400,000 | 400,000 |
| Additions to: | | | | | | | |
| Property and equipment | 1,262 | 102 | 70 | 67 | 92 | 44 | 1,637 |
| Intangible assets | 1,574 | 10 | 17 | - | - | - | 1,601 |

**44. BUSINESS SEGMENT ANALYSIS (CONT'D.)**
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

| 2015 Group | Wholesale Banking Equity Markets RM'000 | Private Banking RM'000 | Corporate Finance RM'000 | Capital Market RM'000 | Others RM'000 | Group Funding and Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| External revenue | 141,954 | 39,176 | 31,234 | 12,884 | 4,180 | 36,915 | 266,343 |
| Revenue from other segments | 8,760 | (6,697) | (48) | (154) | 94 | (1,955) | - |
| Revenue | 150,714 | 32,479 | 31,186 | 12,730 | 4,274 | 34,960 | 266,343 |
| Net interest income/(expenses) | 31,199 | 4,839 | (47) | (359) | 300 | (14,703) | 21,229 |
| Other operating income (net of direct costs) | 84,119 | 27,638 | 31,233 | 13,089 | 3,974 | (6,859) | 153,194 |
| Gain from liquidation of subsidiary | 20,052 | - | - | - | - | - | 20,052 |
| Gain from disposal of subsidiary | 14,012 | - | - | - | - | - | 14,012 |
| Income | 149,382 | 32,477 | 31,186 | 12,730 | 4,274 | (21,562) | 208,487 |
| Share in results of an associate | - | - | - | - | - | 500 | 500 |
| Other operating expenses | (98,666) | (20,246) | (20,929) | (6,858) | 1,916 | (9,246) | (154,029) |
| *of which:* | | | | | | | |
| *Depreciation of property and equipment* | (2,648) | (259) | (53) | (36) | (811) | (777) | (4,584) |
| *Amortisation of intangible assets* | (473) | (150) | (13) | (3) | (127) | (1) | (767) |
| Profit/(Loss) before impairment losses | 50,716 | 12,231 | 10,257 | 5,872 | 6,190 | (30,308) | 54,958 |
| Writeback for impairment losses | | | | | | | - |
| on loan & advances | 1,032 | 2,212 | - | - | 732 | 736 | 4,712 |
| (Allowance)/Writeback for impairment losses | | | | | | | - |
| other assets | (9,588) | - | (954) | - | - | 573 | (9,969) |
| Writeback of provision for commitments | | | | | | | |
| and contingencies | 240 | 200 | - | - | (8) | - | 432 |
| Profit/(loss) before taxation | 42,400 | 14,643 | 9,303 | 5,872 | 6,914 | (28,999) | 50,133 |
| Taxation and zakat | (8,970) | (3,661) | (2,326) | (1,468) | (1,728) | 6,023 | (12,130) |
| Profit/(loss) for the year | 33,430 | 10,982 | 6,977 | 4,404 | 5,186 | (22,976) | 38,003 |
| **Other information:** | | | | | | | |
| Total segment assets | 916,503 | 75,184 | 3,589 | 15,379 | 6,292 | 1,030,919 | 2,047,866 |
| Total segment liabilities | 494,876 | 18,417 | 4,843 | 4,917 | 7,740 | 1,006,770 | 1,537,563 |
| Cost to income ratio | 66.0% | 62.3% | 67.1% | 53.9% | -44.8% | -43.9% | 73.7% |
| Gross loans and advances | 258,270 | 61,486 | - | - | - | 3,531 | 323,287 |
| Net loans and advances | 254,864 | 61,363 | - | - | - | 3,458 | 319,685 |
| Impaired loans and advances | 2,291 | - | - | - | - | - | 2,291 |
| Total deposits & placements | - | - | - | - | - | 980,869 | 980,869 |
| Additions to: | | | | | | | |
| Property and equipment | 3,022 | 19 | 83 | 12 | 136 | 531 | 3,803 |
| Intangible assets | 802 | - | - | - | 1 | - | 803 |

## 45. OFFSETTING OF FINANCIAL ASSET AND FINANCIAL LIABILITIES

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

| | | | | Amount not offset in the statements of financial position | | |
|---|---|---|---|---|---|---|
| **Group** | **Gross amount of recognised financial assets/ liabilities RM'000** | **Gross amounts offset in the statements of financial position RM'000** | **Amounts presented in the statements of financial position RM'000** | **Financial Instruments RM'000** | **Cash Collateral received/ pledged RM'000** | **Net Amount RM'000** |
| **31 March 2016** | | | | | | |
| Other assets | 751,197 | (21,947) | 729,250 | (32,254) | (9,825) | 687,171 |
| Other liabilities | 719,837 | (21,947) | 697,890 | - | - | 697,890 |
| **31 March 2015** | | | | | | |
| Other assets | 638,578 | (15,992) | 622,586 | (34,438) | (11,151) | 576,997 |
| Other liabilities | 572,686 | (15,992) | 556,694 | - | - | 556,694 |
| **Bank** | | | | | | |
| **31 March 2016** | | | | | | |
| Other assets | 724,418 | (21,947) | 702,471 | (32,254) | (9,825) | 660,392 |
| Other liabilities | 698,200 | (21,947) | 676,253 | - | - | 676,253 |
| **31 March 2015** | | | | | | |
| Other assets | 618,092 | (15,992) | 602,100 | (34,438) | (11,151) | 556,511 |
| Other liabilities | 553,780 | (15,992) | 537,788 | - | - | 537,788 |

## 46. ISLAMIC BANKING BUSINESS

The financial position as at 31 March 2016 and the results for the financial year ended 31 March 2016 of the Islamic banking business of the Group and the Bank are included in the financial statements, after elimination of intercompany transactions and balances, and are summarised as follows:

### STATEMENTS OF FINANCIAL POSITION
### AS AT 31 MARCH 2016

| | | Group and Bank | |
|---|---|---|---|
| | | 2016 | 2015 |
| | Note | RM'000 | RM'000 |
| **ASSETS** | | | |
| Cash and short-term funds | (ii) | 287,034 | 245,596 |
| Other receivables, deposits and prepayments | | 18,413 | 24,163 |
| Deferred tax assets | (iii) | 296 | 1 |
| Property and equipment | (iv) | 16 | 25 |
| Intangible assets | (v) | - | 1 |
| **TOTAL ASSETS** | | 305,759 | 269,786 |
| **LIABILITIES AND ISLAMIC BANKING FUNDS** | | | |
| Other liabilities | (vi) | 114,616 | 98,280 |
| **TOTAL LIABILITIES** | | 114,616 | 98,280 |
| **ISLAMIC BANKING FUNDS** | | | |
| Capital funds | (vii) | 30,000 | 30,000 |
| Reserves | | 161,143 | 141,506 |
| Islamic Banking Funds | | 191,143 | 171,506 |
| **TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS** | | 305,759 | 269,786 |
| **COMMITMENT AND CONTINGENCIES** | (xiv) | 6,663 | 77,650 |

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

## 46. ISLAMIC BANKING BUSINESS (CONT'D.)

### INCOME STATEMENTS
### FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

| | Note | Group and Bank | |
|---|---|---|---|
| | | 2016 | 2015 |
| | | RM'000 | RM'000 |
| Income derived from investment of depositors' funds and others | (viii) | 2,959 | 2,417 |
| Total attributable income | | 2,959 | 2,417 |
| Income attributable to the depositors | (ix) | (16) | (914) |
| Profit attributable to the Group and the Bank | | 2,943 | 1,503 |
| Income derived from investment of Islamic banking funds | (x) | 26,493 | 15,286 |
| Direct costs | (xi) | (93) | (67) |
| Total net income | | 29,343 | 16,722 |
| Other operating expenses | (xii) | (4,370) | (1,323) |
| Impairment on doubtful sundry receivables, net | | (21) | - |
| Profit before taxation | | 24,952 | 15,399 |
| Taxation | (xiii) | (5,353) | (3,703) |
| Zakat | | 38 | - |
| Profit after taxation and zakat | | 19,637 | 11,696 |

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

**46. ISLAMIC BANKING BUSINESS (CONT'D.)**

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

| | Non-distributable | Distributable | |
|---|---|---|---|
| | Capital Funds RM'000 | Retained Earnings RM'000 | Total RM'000 |
| **Group and Bank** | | | |
| **At 1 April 2014** | 30,000 | 129,810 | 159,810 |
| Profit for the financial year | - | 11,696 | 11,696 |
| **At 31 March 2015** | 30,000 | 141,506 | 171,506 |
| | | | |
| **At 1 April 2015** | 30,000 | 141,506 | 171,506 |
| Profit for the financial year | - | 19,637 | 19,637 |
| **At 31 March 2016** | 30,000 | 161,143 | 191,143 |

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

## 46. ISLAMIC BANKING BUSINESS (CONT'D.)

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

| | Group and Bank 2016 RM'000 | Group and Bank 2015 RM'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before taxation | 24,952 | 15,399 |
| Add adjustments for: | | |
| Depreciation of property and equipment | 9 | 10 |
| Amortisation of intangible assets | 1 | 1 |
| Allowances made for doubtful receivables - net | 21 | - |
| Operating profit before working capital changes | 24,983 | 15,410 |
| (Increase)/decrease in operating assets: | | |
| Other receivables, deposits and prepayments | 5,435 | (7,185) |
| (Decrease)/increase in operating liabilities: | | |
| Deposits and placements of banks and other financial institutions | - | (301,500) |
| Other liabilities | 11,020 | 59,263 |
| Net cash generated from/(used in) operating activities | 41,438 | (234,012) |
| Taxation refunded/(paid) | - | - |
| Net cash generated from/(used in) operating activities | 41,438 | (234,012) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of property and equipment | - | (6) |
| Net cash used in investing activities | - | (6) |
| Net increase/(decrease) in cash and cash equivalents | 41,438 | (234,018) |
| Cash and cash equivalents at beginning of the financial year | 245,596 | 479,614 |
| Cash and cash equivalents at end of the financial year | 287,034 | 245,596 |

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

## 46. ISLAMIC BANKING BUSINESS (CONT'D.)

### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS

### (i) ISLAMIC BANKING BUSINESS

*Disclosure of Shariah Advisor*

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

(a) Advise and provide guidance on all matters pertaining to Shariah principles including product development, marketing and implementation activities.

(b) Assist in the setting up of business and operational procedures with respect to compliance with Shariah principles.

*Zakat obligations*

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

### (ii) CASH AND SHORT TERM FUNDS

| | Group and Bank | |
|---|---|---|
| | 2016 | 2015 |
| | RM'000 | RM'000 |
| Cash and bank balances | 276,633 | 223 |
| Deposit placement maturing within one month: | | |
| Licensed banks | 10,401 | 245,373 |
| | 287,034 | 245,596 |

### (iii) DEFERRED TAX ASSETS

| | Group and Bank | |
|---|---|---|
| | 2016 | 2015 |
| | RM'000 | RM'000 |
| Balance at beginning of financial year | 1 | 292 |
| Recognised in income statement (Note xiii) | 295 | (291) |
| Balance at end of the financial year | 296 | 1 |

The deferred taxation is in respect of the following:

| | | |
|---|---|---|
| Temporary difference between depreciation and tax allowance | (6) | (6) |
| Temporary differences from provisions | 302 | 7 |
| | 296 | 1 |

## 46. ISLAMIC BANKING BUSINESS (CONT'D.)

### (iv) PROPERTY AND EQUIPMENT

| Group and Bank | Leasehold improvements RM'000 | Computer hardware RM'000 | Office equipment, furniture and fittings RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2016** | | | | |
| **COST** | | | | |
| At 1 April 2015 | 88 | 72 | 85 | 245 |
| Disposal | - | (11) | - | (11) |
| Written off | - | (3) | - | (3) |
| At 31 March 2016 | 88 | 58 | 85 | 231 |
| **ACCUMULATED DEPRECIATION** | | | | |
| At 1 April 2015 | 88 | 63 | 69 | 220 |
| Depreciation for financial year | - | 3 | 6 | 9 |
| Disposal | - | (11) | - | (11) |
| Written off | - | (3) | - | (3) |
| At 31 March 2016 | 88 | 52 | 75 | 215 |
| **NET BOOK VALUE** | | | | |
| At 31 March 2016 | - | 6 | 10 | 16 |
| **2015** | | | | |
| **COST** | | | | |
| At 1 April 2014 | 88 | 67 | 84 | 239 |
| Additions | - | 5 | 1 | 6 |
| At 31 March 2015 | 88 | 72 | 85 | 245 |
| **ACCUMULATED DEPRECIATION** | | | | |
| At 1 April 2014 | 86 | 61 | 63 | 210 |
| Depreciation for financial year | 2 | 2 | 6 | 10 |
| At 31 March 2015 | 88 | 63 | 69 | 220 |
| **NET BOOK VALUE** | | | | |
| At 31 March 2015 | - | 9 | 16 | 25 |

## 46. ISLAMIC BANKING BUSINESS (CONT'D.)

### (v) INTANGIBLE ASSETS

| Computer Software | Group and Bank 2016 RM'000 | Group and Bank 2015 RM'000 |
|---|---|---|
| **COST** | | |
| Balance at beginning of financial year | 19 | 19 |
| Balance at end of financial year | 19 | 19 |
| **ACCUMULATED AMORTISATION** | | |
| Balance at beginning of financial year | 18 | 17 |
| Amortisation for the financial year | 1 | 1 |
| Balance at end of financial year | 19 | 18 |
| **NET CARRYING AMOUNT** | - | 1 |

### (vi) OTHER LIABILITIES

| | Group and Bank 2016 RM'000 | Group and Bank 2015 RM'000 |
|---|---|---|
| Trade payables | 1,105 | 4,494 |
| Other payables and accruals | 1,006 | 1,774 |
| Amount due to head office | 77,525 | 62,641 |
| Taxation | 34,980 | 29,371 |
| | 114,616 | 98,280 |

Amount due to head office is unsecured, non-profit bearing and repayable on demand.

### (vii) CAPITAL FUNDS

| | Group and Bank 2016 RM'000 | Group and Bank 2015 RM'000 |
|---|---|---|
| Allocated: | | |
| Balance at beginning and end of financial year | 30,000 | 30,000 |
| Utilised: | | |
| Balance at beginning and end of financial year | 30,000 | 30,000 |

## 46. ISLAMIC BANKING BUSINESS (CONT'D.)

### (viii) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

| | Group and Bank 2016 RM'000 | Group and Bank 2015 RM'000 |
|---|---|---|
| Income derived from investment of other deposits | 2,959 | 2,417 |

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

### (ix) INCOME ATTRIBUTABLE TO THE DEPOSITORS

| | Group and Bank 2016 RM'000 | Group and Bank 2015 RM'000 |
|---|---|---|
| Other deposit and placement from Head Office | 16 | 914 |

### (x) INCOME DERIVED FROM INVESTMENT OF ISLAMIC BANKING FUNDS

| | Group and Bank 2016 RM'000 | Group and Bank 2015 RM'000 |
|---|---|---|
| Finance income and hibah: | | |
| Deposits with banks and other financial institutions | 4,349 | 5,015 |
| Fee and commission income: | | |
| Brokerage fees and commissions | 1,651 | 1,190 |
| Corporate advisory | 662 | 225 |
| Guarantee fees | 806 | 1,032 |
| Fees on financing and securities | 19,025 | 7,822 |
| | 22,144 | 10,269 |
| Other operating income | - | 2 |
| Total | 26,493 | 15,286 |

### (xi) DIRECT COSTS

| | Group and Bank 2016 RM'000 | Group and Bank 2015 RM'000 |
|---|---|---|
| Brokerage commission | 11 | 13 |
| Others | 82 | 54 |
| | 93 | 67 |

## 46. ISLAMIC BANKING BUSINESS (CONT'D.)

### (xii) OTHER OPERATING EXPENSES

| | Group and Bank 2016 RM'000 | Group and Bank 2015 RM'000 |
|---|---|---|
| Personnel costs | 3,877 | 766 |
| Establishment costs | 183 | 162 |
| Marketing and communication expenses | 20 | 52 |
| Administration and general expenses | 159 | 196 |
| Service transfer pricing expenses | 131 | 147 |
| | 4,370 | 1,323 |

### (xiii) TAXATION

| | Group and Bank 2016 RM'000 | Group and Bank 2015 RM'000 |
|---|---|---|
| Income tax expense | 6,281 | 3,597 |
| Over provision of tax expense in prior financial year | (633) | (185) |
| Deferred taxation | (295) | 291 |
| | 5,353 | 3,703 |

### (xiv) COMMITMENTS AND CONTINGENCIES

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

As at 31 March 2016, the commitments and contingencies outstanding are as follows:

| Group and Bank | 2016 Principal Amount RM'000 | 2015 Principal Amount RM'000 |
|---|---|---|
| **Contingent Liabilities** | | |
| Al-Kafalah guarantees | 6,663 | 77,650 |

## 46. ISLAMIC BANKING BUSINESS (CONT'D.)

### (xv) NET INCOME FROM ISLAMIC BANKING BUSINESS

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

| | Group and Bank | |
|---|---|---|
| | 2016 RM'000 | 2015 RM'000 |
| Income derived from investment of depositors' funds | 2,959 | 2,417 |
| Less: Income attributable to depositors | (16) | (914) |
| Income attributable to the Group and the Bank | 2,943 | 1,503 |
| Net income derived from Islamic banking funds | 26,400 | 15,219 |
| | 29,343 | 16,722 |

### (xvi) CAPITAL ADEQUACY RATIO

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

| | Group and Bank | |
|---|---|---|
| | 2016 | 2015 |
| CET1 Capital Ratio | 162.361% | 107.696% |
| T1 Capital Ratio | 162.361% | 107.696% |
| Total Capital Ratio | 162.361% | 107.696% |

The minimum regulatory capital adequacy requirements for the risk weighted capital ratios are as follows:

| | Calendar Year | | |
|---|---|---|---|
| | 2013 | 2014 | 2015 onwards* |
| CET 1 Capital Ratio | 3.5% | 4.0% | 4.5% |
| Tier 1 Capital Ratio | 4.5% | 5.5% | 6.0% |
| Total Capital Ratio | 8.0% | 8.0% | 8.0% |

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

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

The CCB shall be phased-in as follows:

| | CCB |
|---|---|
| **Calendar year 2016** | 0.625% |
| **Calendar year 2017** | 1.25% |
| **Calendar year 2018** | 1.875% |
| **Calendar year 2019 onwards** | 2.50% |

## 46. ISLAMIC BANKING BUSINESS (CONT'D.)

### (xvi) CAPITAL ADEQUACY RATIO (CONT'D.)

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

| **Group and Bank** | **2016 RM'000** | **2015 RM'000** |
|---|---|---|
| **CET1 Capital** | | |
| Capital funds | 30,000 | 30,000 |
| Retained earnings | 161,143 | 141,506 |
| Less : Regulatory adjustments applied on CET1 capital | | |
| Other intangibles | - | (1) |
| Deferred tax assets | (296) | (1) |
| **CET1 capital/ Tier 1 capital/ Total capital** | **190,847** | **171,504** |

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

| | **Group and Bank** | |
|---|---|---|
| | **2016 RM'000** | **2015 RM'000** |
| Credit risk | 77,154 | 127,718 |
| Operational risk | 40,392 | 31,531 |
| | 117,546 | 159,249 |