Building a better working world

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

Directors' Report and Audited Financial Statements
31 March 2017

Company No.:23742-V

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
31 MARCH 2017

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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 2017.

PRINCIPAL ACTIVITIES

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

The principal activities of its subsidiaries are disclosed in Note 14 to the financial statements.

During the current financial year, the Bank was granted approval by the Securities Commission to carry on an additional regulated activity i.e. futures broking. Consequently, its wholly-owned subsidiary, AmFutures Sdn Bhd ceased to carry on its principal activity of futures broking and remained a dormant company. The Bank also acquired two fund management entities ("FMEs"), AmFunds Management Berhad and AmIslamic Funds Management Sdn Bhd from a related company, AmInvestment Group Berhad. Further details are disclosed in Note 46 to the financial statements.

Other than as disclosed above, there have been no other significant changes in the nature of the activities of the the Bank and its subsidiaries during the financial year.

SIGNIFICANT EVENTS

Significant events during the year are as disclosed in Note 46 to the financial statements.

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit for the financial year	41,067	26,649

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 acquisitions of the fund management entities as disclosed in Note 46 to the financial statements.

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

OUTLOOK FOR NEXT FINANCIAL YEAR

Malaysia's Gross Domestic Product (GDP) is expected to grow by 4.3 - 4.8% in 2017 (2016: 4.2%) underpinned by continued expansion in domestic activities and stronger exports from improving global economy.

Domestic investment activity will continue to support GDP growth from capital expenditure in the export-oriented industries, particularly in the manufacturing sector together with continued roll-out of large-scale infrastructure projects. Private consumption is expected to grow on the back of consistent wage growth and recent pro-growth government measures.

Inflation is projected to be higher at 3.0% - 4.0% in 2017 (2016: 2.1%) reflecting the impact of persistent weakness of the ringgit and higher commodity prices, especially on the retail fuel price.

The banking system's loans is expected to grow between 5.0% and 6.0% in 2017, supported by modest growth in retail loans especially in mortgage loans for affordable homes and improvement in business loans from higher exports and firmer commodity prices.

BUSINESS PLAN AND STRATEGY

We made solid progress in the first year of our AMMB Holdings Berhad ("AMMB") Group "Top4" journey with early benefits reflected in our FY2017 results. As we enter the second year of our "Top4" journey, we will see more momentum building from initiatives rolled out in FY2017, contributing to higher income growth and strengthening of our funding and capital positions. Meanwhile, our digital banking transformation is set to gain momentum in FY2018 as we progressively materialise initiatives that will help improve customer experience and overall efficiency.

Wholesale Banking's strategic priorities for FY18 are growing payroll accounts, improving profitability and evolutionising the business through analytics and innovative financial solutioning. With the establishment of the new Business Banking division to better serve the small and medium-sized enterprise (SME) segment, Wholesale Banking will heighten focus on the Mid Corporate segment, enhance foreign exchange across all customer segments, along with developing digital capabilities.

Corporate Finance remains focused on spurring growth in the mergers and acquisitions arena, initial public offerings and equity fund raising activities. Equity Markets is focused on Primary Distribution whilst Fund Management deepens its efforts in building Islamic Funds to align to national aspirations. Debt Capital Markets and Private Banking continue to work relentlessly to harness opportunities to increase market share in their respective fields.

Premised on the consistent growth in Malaysia's economy and our commitment to achieve our "Top4" aspirations, the Bank remains focused in delivering optimal returns for our shareholders.

DIVIDENDS

During the financial year, the final single-tier dividend of 17.00 sen per ordinary share on 200,000,000 ordinary shares amounting to RM34,000,000 in respect of financial year ended 31 March 2016 was paid on 25 August 2016.

In respect of the current financial year, the Board of Directors had declared an interim single-tier dividend of 1.00 sen per ordinary share on 200,000,000 ordinary shares amounting to RM2,000,000 which was paid on 14 December 2016.

On 2 May 2017, the Directors proposed the payment of final single tier dividend of 10.15 sen per ordinary share amounting to RM20,300,000 in respect of the current financial year ended 31 March 2017. 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 2018.

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which 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.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Bank, through the ultimate holding company, AMMB Holdings Berhad has maintained, a Directors' and Officers' Liability Insurance on a group basis up to an aggregate limit of RM300 million against any legal liability incurred by the Directors and officers in the discharge of their duties while holding office for the Group and the Bank. The Directors and Officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

DIRECTORS

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

Tan Sri Azman Hashim
Dato' Rohana Tan Sri Mahmood
Tan Bun Poo
Ramesh Pillai (Appointed on 9.1.2017)
Graham Kennedy Hodges (Resigned on 1.7.2016)
Kevin Paul Corbally (Appointed on 1.7.2016 and Resigned on 27.9.2016)

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

No	Name of subsidiary	Name of directors
1.	AmFunds Management Berhad	Dato' Mustafa bin Mohd Nor Tai Terk Lin Datin Maznah binti Mahbob Raja Maimunah Binti Raja Abdul Aziz (appointed on 7.3.2017)
2.	AmIslamic Funds Management Sdn Bhd	Datin Maznah binti Mahbob Sum Leng Kuang Tai Terk Lin Zainal Abidin Mohd Kassim Raja Maimunah Binti Raja Abdul Aziz (appointed on 7.3.2017)
3.	AmFutures Sdn Bhd	StephenNoel Kwong Yong Shian Lee Yew Kin Hon Chu Nyaw Yeoh Lip Khoon
4.	AMMB Nominees (Tempatan) Sdn Bhd AMMB Nominees (Asing) Sdn Bhd	Datin Maznah binti Mahbob Khoo Teck Beng
5.	AM Nominees (Tempatan) Sdn Bhd AM Nominees (Asing) Sdn Bhd	Harinder Pal Singh a/l Joga Singh Khoo Teck Beng

DIRECTORS (Cont'd.)

No	Name of subsidiary	Name of directors
6.	AMSEC Nominees (Tempatan) Sdn Bhd AMSEC Nominees (Asing) Sdn Bhd	Lee Yew Kin Hon Chu Nyaw
7.	AmResearch Sdn Bhd	Lee Yew Kin Khoo Teck Beng
8.	AmFraser International Pte Ltd AmGlobal Investments Pte Ltd	Lee Yew Kin Lim Hock Aun Wong Yong Fei

DIRECTORS' INTERESTS

Under the Bank's Constitution, the Directors are not required to hold shares in the Bank.

None of the Directors in office at the end of the financial year had any interest in shares in the Bank or its 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").

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.

EXECUTIVES' SHARE SCHEME (CONT'D.)

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) DIRECTORS' PROFILE

TAN SRI AZMAN HASHIM
Non-Independent Non-Executive Chairman

Tan Sri Azman Hashim, a Malaysian, male, aged 78, was appointed to the Board of the Bank on 7 May 1982 and as the Non-Independent Non-Executive Chairman on 17 November 1989.

Tan Sri Azman has been the Non-Independent Non-Executive Chairman of AMMB Holdings Berhad ('AMMB'), the holding company of the Bank, since 1991 and he is also the Chairman of the board of several subsidiaries of AMMB, namely AmBank (M) Berhad, AmGeneral Insurance Berhad, AmMetlife Insurance Berhad, AmGeneral Holdings Berhad, AmInvestment Group Berhad and AMFB Holdings Berhad.

Tan Sri Azman, a Fellow Chartered Banker (FCB), a Chartered Accountant (FCPA), a Fellow of the Institute of Chartered Accountants and a Fellow of the Institute of Chartered Secretaries and Administrators, has been in the banking industry since 1960 when he joined Bank Negara Malaysia and served there until 1964. He practised as a Chartered Accountant in Azman Wong Salleh and Co. from 1964 to 1971. He then joined the board of Malayan Banking Berhad from 1966 until 1980 and was its Executive Director from 1971 until 1980. He was the Executive Chairman of Kwong Yik Bank Berhad, a subsidiary of Malayan Banking Berhad, from 1980 until April 1982 when he acquired AmInvestment Bank Berhad.

Tan Sri Azman is the Executive Chairman of Amcorp Group Berhad and Chairman of the Asian Institute of Finance Berhad, the Asian Institute of Chartered Bankers, Asian Banking School Sdn Bhd, Malaysian Investment Banking Association, the Malaysia Productivity Corporation, Malaysia South-South Corporation Berhad and Chairman Emeritus of Pacific Basin Economic Council (PBEC).

He is the President of Malaysia South-South Association, Malaysia-Japan Economic Association, Malaysian Prison FRIENDS Club and a Member of the APEC Business Advisory Council and East Asia Business Council. He is also the Leader of the ASEAN Japanese Business Meeting (Malaysia Committee, Keizai Doyukai). He is the Pro-Chancellor of Open University of Malaysia and a member of the Governing Body of Asian Productivity Organisation.

Tan Sri Azman is also involved in several charitable organisations as Chairman and Trustee of AmGroup Foundation and Perdana Leadership Foundation and Trustee for Yayasan Azman Hashim, Malaysian Liver Foundation, Yayasan Tuanku Najihah and Yayasan Canselor Open University Malaysia. Tan Sri Azman is also the Founder and Council Member of Azman Hashim Family (L) Foundation and Azman Hashim Charitable (L) Foundation.

DATO' ROHANA BINTI TAN SRI MAHMOOD
Independent Non-Executive Director

Dato' Rohana Binti Tan Sri Mahmood, a Malaysian, female, aged 63, was appointed to the Board of the Bank on 20 May 2013. She is a member of the Audit and Examination Committee of Directors and the Risk Management Committee of Directors of the Bank.

Dato' Rohana has been a Senior Independent Non-Executive Director of AMMB since 2011 and Chairman of AMMB's Group Nomination and Remuneration Committee and Governance Committee. Dato' Rohana is the Chairman/Partner/Director and Founder of RM Capital Partners, a Malaysian private equity fund. She was the Chairman and co-founder of Ethos Capital, a Malaysian private equity fund since 2007. The fund successfully ended in November 2012.

CORPORATE GOVERNANCE (CONT'D.)

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

DATO' ROHANA BINTI TAN SRI MAHMOOD (CONT'D.)
Independent Non-Executive Director

Dato' Rohana is a member of Global Council of the Asia Society, New York, member of APEC Business Advisory Council (ABAC) of Malaysia and a board member of Pacific Basin Economic Council (PBEC), Hong Kong.

Dato' Rohana is a director of other listed companies, namely Sime Darby Berhad, Sime Darby Property Berhad and Paramount Corporation Berhad. She is also the Chairman/Director and Founder of RMCP One Sdn Bhd. She sits on the board of various private companies including amongst others, Sime Darby Industrial Holdings Sdn Bhd, KDU University College Sdn Bhd, YIM Technology Resources Sdn Bhd and RM Capital Partners & Associates Sdn Bhd.

Dato' Rohana is the Chairman of Advisory Council and founding member of the Kuala Lumpur Business Club, an exclusive (by invitation only) networking, and business development organisation limited to 100 members of Malaysia's leading corporate and business leaders. She is a Distinguished Fellow and board member of the Institute of Strategic and International Studies (ISIS) Malaysia. Prior to ISIS, Dato' Rohana was attached to the Ministry of Foreign Affairs Malaysia.

Dato' Rohana holds a Bachelor of Arts (Honours) degree in Politics from Essex University and Master's degree in International Relations from Sussex University, United Kingdom.

TAN BUN POO
Independent Non-Executive Director

Tan Bun Poo, a Malaysian, male, aged 66, was appointed to the Board of the Bank on 5 June 2015 as Independent Non-Executive Director. He is the Chairman of the Audit and Examination Committee of Directors and a member of the Risk Management Committee of Directors of the Bank.

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

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

Tan Bun Poo is the Chairman of the Audit and Examination Committee and a Member of the Nomination and Remuneration Committee and Risk Management Committee of AmMetLife Takaful Berhad.

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

RAMESH PILLAI
Independent Non-Executive Director

Ramesh Pillai, a Malaysian, male, aged 52, was appointed to the Board of the Bank on 9 January 2017 as Independent Non-Executive Director. He is the Chairman of the Risk Management Committee of Directors and a member of the Audit and Examination Committee of Directors of the Bank.

Ramesh started his career with Price Waterhouse's Financial Institutions specialism in London gaining experience in Audit, Consultancy and Corporate Finance assignments. He has over 30 years of risk management experience, both in the public and private sector and has held various positions, including that of CEO, Finance Director and Group Chief Risk Officer (in Conventional and Islamic Banks). He was also with Pengurusan Danaharta Nasional as its Chief Risk Officer as well as Bank Negara Malaysia as the Head of its Deposit Insurance Taskforce.

CORPORATE GOVERNANCE (CONT'D.)

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

RAMESH PILLAI (CONT'D.)
Independent Non-Executive Director

Ramesh is currently the Chairman of the Board of Governors of the Institute of Enterprise Risk Practitioners (providing professional certification in Enterprise Risk Management) as well as the Group Managing Director of Friday Concepts (International), an International Boutique Risk Management consultancy. He is also an Independent Non-Executive Director of Bank Simpanan Nasional Berhad and Gibraltar BSN Life Berhad.

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

(b) DIRECTORS' TRAINING

The Board recognised the importance of ensuring that Directors are continuously being developed to acquire or enhance the requisite knowledge and skills to discharge their duties effectively.

All new Directors appointed to the Board would attend a formal induction programme to familiarise themselves with the Bank's strategy and aspiration, the line of businesses and corporate functions, key financial highlights, people initiatives, requirements of audit, compliance and risk management conducted by the various Managing Directors / Chief Executive Officers / Heads of the business units as well as Senior Management, and organised by the Group Learning and Development unit. The Company Secretary would also provide the new Directors with an information kit regarding disclosure obligations of a director, Board Charter, Code of Ethics, Constitution of the Bank, Board Committees' Terms of Reference, Schedule of Matters Reserved for the Board, amongst others.

Apart from attending the Financial Institutions Directors' Education (FIDE) Programme, accredited by ICLIF, and Capital Market Director Programme (CMDP), accredited by Securities Industry Development Corporation (SIDC), all Directors appointed to the Board, have also attended other relevant training programmes, talks, seminars, dialogue sessions and focus group sessions organised by the regulatory authorities, FIDE Forum (an alumni association for Financial Institutions Directors) and professional bodies to further enhance their business acumen and professionalism in discharging their duties to the Bank.

The Directors also attend offsite Strategy Meeting to have an in-depth understanding and continuous engagement with Management pertaining to the Group's strategic direction. In addition, the Directors are constantly updated on information relating to the Group's development and industry development through discussion at Board meetings with the Senior Management team.

(c) BOARD RESPONSIBILITY AND OVERSIGHT

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

The Board supervises the management of the Bank's businesses, policies and affairs with the goal of enhancing shareholder's value. The Board meets eighteen (18) 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.

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

The Board currently comprises four (4) Directors with wide skills and experience, three (3) of whom are Independent Non-Executive Directors. The Directors participate fully in decision making on key issues regarding the Bank and its subsidiaries. The Independent Non-Executive Directors ensure strategies proposed by the Management are fully discussed and examined, as well as taking into account the long term interests of various stakeholders.

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

(d) COMMITTEES OF THE BOARD

The Board delegates certain responsibilities to the Board Committees. The Board Committees, together with the Committees established at 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.)

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

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

Number of Meetings attended in Financial Year ("FY") 2017

Directors	Board of Directors	Audit and Examination Committee	Risk Management Committee	Group Nomination and Remuneration Committee (at AMMB Group level)
Tan Sri Azman Hashim	19/19 (Chairman)	N/A	N/A	N/A
Dato' Rohana Tan Sri Mahmood	18/19	6/7	6/7 (Chairman)	8/8 (Chairman)
Tan Bun Poo	19/19	7/7 (Chairman)	7/7	N/A
Ramesh Pillai (appointed on 9.1.2017)	4/5	N/A	3/3[a]	N/A
Graham Kennedy Hodges (resigned on 1.7.2016)	3/3	2/2[b]	1/1[b]	N/A
Kevin Paul Corbally (appointed on 1.7.2016 and resigned on 27.9.2016)	4/5	1/2[c]	0/1[c]	N/A
Number of meetings held in FY2017	19	7	7	8

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 9.1.2017
   [b] Ceased as member following resignation as Director
   [c] Appointed as member on 1.7.2016 and ceased as member following resignation as Director

CORPORATE GOVERNANCE (CONT'D.)

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

GROUP NOMINATION AND REMUNERATION COMMITTEE

The Committee comprises seven (7) 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 recommendations to the Board of the Bank with regard to any changes that are deemed necessary.
- recommending the appointment of Directors to the Board and Committees of the Board as well as annually review the mix of skills, experience and competencies that Non-Executive and Executive Directors should bring to the Board.
- on an annual basis, assessing the effectiveness of the Board as a whole and the Committees as well as the contribution of the Chairman and each Director to the effectiveness of the Board.
- recommending to the Board the framework/methodology for the remuneration of the Directors, Chief Executive Officers and other Senior Management staff with the relevant experience and expertise needed to assist in managing the 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 the ESS in accordance with the By-Laws of the Scheme as approved by the shareholders of AMMB.

The Committee met eight (8) times during the financial year ended 31 March 2017.

AUDIT AND EXAMINATION COMMITTEE

The Audit and Examination Committee ("AEC") comprises two (2) members, all of whom are Independent Non-Executive Directors.

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

The AEC met seven (7) times during the financial year ended 31 March 2017 to review the scope of work of both the internal audit function and the statutory auditors, the results arising thereafter as well as their evaluation of the system of internal controls. The AEC also followed up on the resolution of major issues raised by the internal auditors, statutory auditors as well as the regulatory authorities in the audit reports. The financial statements were reviewed by the AEC prior to their submission to the Board of the Bank for adoption.

In addition, the AEC has reviewed the procedures set up by the Bank to identify and report, and where necessary, 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.

CORPORATE GOVERNANCE (CONT'D.)

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

INTERNAL AUDIT FUNCTION (CONT'D.)

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.

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, cyber security, legal and capital risks impacting the AMMB Group. They are assisted by the AMMB Group Risk Management Division.

There were seven (7) meetings held during financial year 2017.

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 and Group Risk Projects.

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.

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

MANAGEMENT INFORMATION

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

HOLDING COMPANY

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

RATING BY EXTERNAL AGENCY

From a credit rating perspective, we believe in providing our stakeholders with an independent view of the Bank. As such, we continue to maintain credit ratings with RAM Rating Services Berhad.

Details of the Bank's ratings are as follows:

Rating Agency	Date accorded	Rating Classification	Ratings
RAM Rating Services	December 2016	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 AND AUDITORS' REMUNERATION

The auditors, Ernst & Young, have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 27 to the financial statements.

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

TAN SRI AZMAN HASHIM

TAN BUN POO

Kuala Lumpur, Malaysia
30 May 2017

Company No.:23742-V

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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

We, **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 20 to 164 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2017 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
30 May 2017

Company No.:23742-V

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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

I, **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 20 to 164 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 30 May 2017.

MANDY JEAN SIMPSON

Before me,

PESURUHJAYA SUMPAH
No. W 530
TAN SEOK KETT
MALAYSIA

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

COMMISSIONER FOR OATHS

EY
Building a better working world

Ernst & Young AF 0039
GST Reg No: 001556430848
Chartered Accountants
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23742-V

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of AmInvestment Bank Berhad, which comprise the statements of financial position as at 31 March 2017 of the Group and of the Bank, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 20 to 164.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

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

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

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

Building a better working world

23742-V

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 14 to the financial statements.

Other matters

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

Ernst & Young
Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
30 May 2017

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

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note	Group 31 March 2017 RM'000	Group 31 March 2016 (Restated) RM'000	Group 1 April 2015 (Restated) RM'000	Bank 31 March 2017 RM'000	Bank 31 March 2016 (Restated) RM'000	Bank 1 April 2015 (Restated) RM'000
ASSETS							
Cash and short-term funds	6	584,391	560,305	1,057,655	471,568	458,535	850,687
Derivative financial assets	7	-	2	1	-	2	1
Financial assets held-for-trading	8	955	532	441	955	532	441
Financial investments available-for-sale	9	11,720	11,720	40,680	11,720	11,720	40,680
Financial investments held-to-maturity	10	104,643	75,100	75,100	104,643	75,100	75,100
Loans and advances	11	291,825	301,897	319,685	291,825	301,897	319,685
Statutory deposit with Bank Negara Malaysia	12	5,330	2,591	7,483	5,330	2,591	7,483
Deferred tax assets	13	8,868	7,105	6,214	6,863	4,542	2,782
Investments in subsidiaries	14	-	-	-	68,927	19,131	102,941
Investments in an associate		-	-	1,167	-	-	100
Other assets	15	514,363	753,331	649,734	485,083	724,475	613,506
Property and equipment	16	21,446	22,454	23,758	20,338	21,357	22,514
Intangible assets	17	40,612	41,746	43,246	2,513	2,582	2,162
Assets held for sale	18	-	1,719	-	-	100	-
TOTAL ASSETS		1,584,153	1,778,502	2,225,164	1,469,765	1,622,564	2,038,082
LIABILITIES AND EQUITY							
Deposits and placements of banks and other financial institutions	19	550,000	400,000	980,869	550,000	400,000	980,869
Derivative financial liabilities	7	12	4	-	12	4	-
Other liabilities	20	448,124	717,382	596,572	428,010	698,116	548,611
TOTAL LIABILITIES		998,136	1,117,386	1,577,441	978,022	1,098,120	1,529,480
Share capital	21	200,000	200,000	200,000	200,000	200,000	200,000
Reserves	22	386,017	461,116	447,723	291,743	324,444	308,602
Equity attributable to equity holder of the Bank		586,017	661,116	647,723	491,743	524,444	508,602
TOTAL LIABILITIES AND EQUITY		1,584,153	1,778,502	2,225,164	1,469,765	1,622,564	2,038,082
COMMITMENTS AND CONTINGENCIES	38	207,844	235,153	332,518	207,844	235,153	332,518
NET ASSETS PER ORDINARY SHARE (RM)		2.93	3.31	3.24	2.46	2.62	2.54

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

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

		Group		Bank	
		2017	2016 (Restated)	2017	2016 (Restated)
	Note	RM'000	RM'000	RM'000	RM'000
Operating revenue	2.5(v)	287,421	353,417	184,231	209,533
Interest income	23	33,220	43,674	30,892	40,921
Interest expense	24	(19,152)	(29,943)	(18,937)	(29,943)
Net interest income		14,068	13,731	11,955	10,978
Net income from Islamic banking business	48(xv)	20,090	29,343	20,090	29,343
Other operating income	25	318,454	360,458	165,049	175,568
Direct costs	26	(84,657)	(80,626)	(31,964)	(36,315)
Share of results of an associate		-	552	-	-
Net income		267,955	323,458	165,130	179,574
Other operating expenses	27	(201,754)	(192,862)	(127,267)	(120,278)
Operating profit		66,201	130,596	37,863	59,296
(Allowances for)/Writeback of impairment on:					
Loans and advances	29	655	79	655	79
Subsidiary	14	-	-	(11)	(74)
Doubtful receivables, net		(1,224)	(6,087)	2,177	(2,466)
(Allowances for)/Writeback of provision for commitments and contingencies	20	(6,179)	178	(6,179)	178
Profit before taxation		59,453	124,766	34,505	57,013
Taxation	30	(18,386)	(25,034)	(7,856)	(9,986)
Zakat		-	38	-	38
Profit for the financial year attributable to equity holder of the Bank		41,067	99,770	26,649	47,065
Basic earnings per share (sen)	31	20.5	49.9		

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

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	Group		Bank	
	2017	2016 (Restated)	2017	2016 (Restated)
	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	41,067	99,770	26,649	47,065
Other comprehensive income/(loss):				
Items that are or may be reclassified subsequently to the income statement				
Currency translation on foreign operations, net	870	(11,056)	-	-
Net loss on financial investments available-for-sale	-	(1,349)	-	(1,349)
Income tax relating to the components of other comprehensive income	-	325	-	325
Other comprehensive income/(loss) for the financial year, net of tax	870	(12,080)	-	(1,024)
Total comprehensive income for the financial year attributable to equity holder of the Bank	41,937	87,690	26,649	46,041

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 2017

	<----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**	**Foreign currency translation reserve RM'000**	**Retained earnings RM'000**	**Total Equity RM'000**
At 1 April 2016									
As previously reported	200,000	2,815	200,000	2,800	7,656	-	2,165	103,699	519,135
Effect arising from the pooling of interests	-	-	-	-	141,981	-	-	-	141,981
As restated	200,000	2,815	200,000	2,800	149,637	-	2,165	103,699	661,116
Profit for the financial year	-	-	-	-	-	-	-	41,067	41,067
Other comprehensive income	-	-	-	-	-	-	870	-	870
Total comprehensive income	-	-	-	-	-	-	870	41,067	41,937
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	-	(184)	(184)
Effect arising from the pooling of interests	-	-	-	-	(67,522)	-	-	(13,330)	(80,852)
Dividends paid (Note 32)	-	-	-	-	-	-	-	(36,000)	(36,000)
Transactions with owner and other equity movements	-	-	-	-	(67,522)	-	-	(49,514)	(117,036)
At 31 March 2017	200,000	2,815	200,000	2,800	82,115	-	3,035	95,252	586,017

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 2017

	<-----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**	**Foreign currency translation reserve RM'000**	**Retained earnings RM'000**	**Total Equity RM'000**
At 1 April 2015									
As previously reported	200,000	2,815	200,000	2,800	7,656	1,076	37,445	58,511	510,303
Effect arising from the pooling of interests	-	-	-	-	137,420	-	-	-	137,420
As restated	200,000	2,815	200,000	2,800	145,076	1,076	37,445	58,511	647,723
Profit for the financial year	-	-	-	-	-	-	-	99,770	99,770
Other comprehensive loss	-	-	-	-	-	(1,024)	(11,056)	-	(12,080)
Total other comprehensive (loss)/income	-	-	-	-	-	(1,024)	(11,056)	99,770	87,690
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	-
Effect arising from the pooling of interests	-	-	-	-	4,561	-	-	(48,643)	(44,082)
Dividends paid (Note 32)	-	-	-	-	-	-	-	(30,000)	(30,000)
Transactions with owner and other equity movements	-	-	-	-	4,561	(52)	(24,224)	(54,582)	(74,297)
At 31 March 2016	200,000	2,815	200,000	2,800	149,637	-	2,165	103,699	661,116

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 2017

		<--------------Attributable to equity holder of the Bank------------->					
		Non-distributable				Distributable	
	Share capital	Statutory reserve	Regulatory reserve	Merger reserve	Available-for-sale reserve	Retained earnings	Total equity
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2016					-		
As previously reported	200,000	200,000	2,800	-	-	99,023	501,823
Effect arising from the pooling of interests	-	-	-	22,621	-	-	22,621
As restated at 1 April 2016	200,000	200,000	2,800	22,621	-	99,023	524,444
Profit for the financial year	-	-	-	-	-	26,649	26,649
Total comprehensive income	-	-	-	-	-	26,649	26,649
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	-	(183)	(183)
Effect arising from the pooling of interests	-	-	-	(22,621)	-	(546)	(23,167)
Dividend paid (Note 32)	-	-	-	-	-	(36,000)	(36,000)
Transactions with owner and other equity movements	-	-	-	(22,621)	-	(36,729)	(59,350)
At 31 March 2017	200,000	200,000	2,800	-	-	88,943	491,743

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 2017

	<--------------Attributable to equity holder of the Bank------------->						
		Non-distributable				Distributable	
Bank	**Share capital RM'000**	**Statutory reserve RM'000**	**Regulatory reserve RM'000**	**Merger reserve RM'000**	**Available-for-sale reserve/ (deficit) RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 April 2015							
As previously reported	200,000	200,000	2,800	-	1,024	82,533	486,357
Effect arising from the pooling of interests	-	-	-	22,245	-	-	22,245
As restated at 1 April 2015	200,000	200,000	2,800	22,245	1,024	82,533	508,602
Profit for the financial year	-	-	-	-	-	47,065	47,065
Other comprehensive loss	-	-	-	-	(1,024)	-	(1,024)
Total comprehensive (loss)/income	-	-	-	-	(1,024)	47,065	46,041
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	-	(199)	(199)
Effect arising from the pooling of interests	-	-	-	376	-	(376)	-
Dividends paid (Note 32)	-	-	-	-	-	(30,000)	(30,000)
Transactions with owner and other equity movements	-	-	-	376	-	(30,575)	(30,199)
At 31 March 2016	200,000	200,000	2,800	22,621	-	99,023	524,444

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 2017

		Group		Bank	
		2017	2016 (Restated)	2017	2016 (Restated)
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation:		59,453	124,766	34,505	57,013
Add/(less) adjustments for:					
Writeback of impaired loans and advances	29	(655)	(79)	(655)	(79)
Amortisation of intangible assets	27	2,239	2,253	936	848
Accretion of discount less amortisation of premium for securities		(247)	(1,388)	(247)	(1,386)
Depreciation of property and equipment	27	3,072	3,047	2,706	2,662
Gain on disposal of an associate	25	(560)	-	(2,179)	-
Loss on liquidation of subsidiary		-	-	-	42
Gain on repayment of capital by a subsidiary	25	-	(21,706)	-	(26,485)
Gross dividend income from financial assets held-for-trading	25	(7)	(8)	(7)	(8)
Gross dividend income from financial investments available-for-sale	25	(1,388)	(1,388)	(1,388)	(1,388)
Gross dividend income from subsidiary	25	-	-	(24,500)	-
Impairment loss on subsidiary		-	-	11	74
Net loss on disposal of property and equipment	25	69	71	69	71
Net loss/(gain) on derivatives	25	66	(22)	66	(22)
Net (gain)/loss on revaluation of financial assets held-for-trading	25	(36)	10	(36)	10
Gain on disposal of subsidiary	25	-	(11,935)	-	-
Net (gain)/loss from sale of financial investments available-for-sale	25	(340)	49	(340)	49
Net loss from sale of financial assets held-for-trading	25	11	4	11	4
Property and equipment written off	27	2	-	2	-
Provision/(Writeback of provision) for commitments and contingencies	20	6,179	(178)	6,179	(178)
Allowances made for/(writeback of) doubtful receivables - net		1,224	6,087	(2,177)	2,466
Share of results of associate		-	(552)	-	-
Scheme shares and options granted under AMMB Executives' Share Scheme	27	2,976	(2,942)	1,620	(2,008)
Net non-trading foreign exchange loss/(gain)	25	609	(458)	-	(1)
Operating profit before working capital changes carried forward		72,667	95,631	14,576	31,684

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

		Group		Bank	
		2017	2016 (Restated)	2017	2016 (Restated)
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)					
Operating profit before working capital changes brought forward		72,667	95,631	14,576	31,684
Decrease/(Increase) in operating assets:					
Deposits and placements with banks and other financial institutions		-	150,000	-	150,000
Financial assets held-for-trading		(399)	(105)	(398)	(105)
Loans and advances		10,727	17,867	10,727	17,867
Statutory deposit with Bank Negara Malaysia		(2,739)	4,892	(2,739)	4,892
Other assets		229,562	(98,978)	233,209	(119,860)
Increase/(Decrease) in operating liabilities:					
Deposits and placements of banks and other financial institutions		150,000	(580,869)	150,000	(580,869)
Other liabilities		(274,788)	109,679	(276,460)	149,528
Cash generated from/(used in) operations		185,030	(301,883)	128,915	(346,863)
Taxation paid, net		(16,106)	(17,955)	(3,496)	(2,960)
Net cash generated from/(used in) operating activities		168,924	(319,837)	125,419	(349,823)
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received from other investments		1,395	1,396	1,395	1,396
Dividends received from subsidiaries		-	-	24,500	-
Proceeds from disposal of property and equipment		239	2,160	239	87
Proceeds from/(purchase of) securities – net		(28,956)	29,272	(28,956)	29,272
Consideration paid for futures broking business transferred from a subsidiary	46(a)	-	-	(23,153)	-
Acquisition of fund management subsidiaries	46(b)	(49,807)	-	(49,807)	-
Purchase of computer software	17(b)	(1,105)	(1,868)	(867)	(1,601)
Purchase of property and equipment	16	(2,392)	(3,958)	(2,017)	(1,662)
Proceeds from liquidation of a subsidiary company		-	11,935	-	458
Proceeds from capital redemption		-	-	-	109,721
Proceeds from disposal of an associate		2,279	-	2,279	-
Net cash (used in)/generated from investing activities		(78,347)	38,937	(76,387)	137,671

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

		Group		Bank	
		2017	2016 (Restated)	2017	2016 (Restated)
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		(36,000)	(30,000)	(36,000)	(30,000)
Dividends paid by the fund management entities*		(31,000)	(44,000)	-	-
Net cash used in financing activities		(67,000)	(74,000)	(36,000)	(30,000)
Net increase/(decrease) in cash and cash equivalents		23,577	(354,900)	13,032	(242,152)
Cash and cash equivalents at beginning of the financial year		560,305	907,655	458,535	700,687
Effect of exchange rate changes		509	7,550	-	-
Cash and cash equivalents at end of the financial year		584,391	560,305	471,568	458,535
Cash and cash equivalents comprise:					
Cash and bank balances	6	420,312	399,803	314,886	303,911
Deposit placements with licensed banks and other financial institutions	6	164,079	160,502	156,682	154,624
		584,391	560,305	471,568	458,535

*This represents payment of dividend by the fund management entities (AmFund Management Berhad and AmIslamic Funds Management Sdn Bhd), to its previous shareholder, AmInvestment Group Berhad. The fund management entities were acquired on 21 July 2016 by the Bank. For more details on the acquisition, refer to Note 46 (b).

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 2017

1. CORPORATE INFORMATION

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

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

During the current financial year, the Bank was granted approval by the Securities Commission to carry on an additional regulated activity i.e. futures broking. Consequently, its wholly-owned subsidiary, AmFutures Sdn Bhd ceased to carry on its principal activity of futures broking and remained a dormant company. The Bank also acquired two fund management entities, AmFunds Management Berhad and AmIslamic Fund Management Sdn Bhd from a related company, AmInvestment Group Berhad. Further details are disclosed in Note 46. The principal activities of the Bank's subsidiaries are as disclosed in Note 14.

Other than the above, there have been no significant changes in the nature of the activities of the Bank and its subsidiaries during the financial year.

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

The consolidated financial statements of the Bank and its subsidiaries (“the Group”) and the separate financial statements of the Bank have been approved and authorised for issue by the Board of Directors on 2 May 2017.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

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

2.2 Statement of compliance

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

2.3 Presentation of financial statements

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

The statements of financial position are presented in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (“current”) and more than 12 months after the reporting date (“non-current”) is presented in Note 40.

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 2017.

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 size of the Group's voting rights and potential voting rights relative to the size and dispersion of voting rights and potential rights held by the other vote holders.

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

The statement of profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity owner of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies 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 a transaction with equity owner of the Group. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary
- derecognises the carrying amount of any non-controlling interests
- derecognises the cumulative translation differences recorded in equity
- recognises any consideration received at its fair value
- recognises any investment retained at its fair value
- recognises any surplus or deficit in 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 capitalised 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 consideration transferred for the acquisition of a subsidiary is the acquisition date fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary.

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

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is classified as a financial asset or a financial liability is recognised in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement* ("MFRS 139"), is recognised in profit or loss.

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.

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

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

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

2.5(b) Investments in subsidiaries

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(c) Investments in associates and joint ventures

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

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

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

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

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

The 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.

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

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

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.)

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.

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

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

2.5(d) Transactions with non-controlling interests

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

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

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

2.5(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 exchange rate at the reporting date.

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

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

iii. Group entities

On consolidation, the assets and liabilities of foreign subsidiaries and operations are translated into RM at the exchange rates prevailing at the reporting date and their 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 reclassified to profit or loss.

2.5(f) Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses. Such cost includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, as well as borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. When significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

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

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

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 profit or loss when the asset is derecognised.

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(g) Leases

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

i. The Group as a lessee

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

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

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

ii. The Group as lessor

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

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

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. 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 profit or loss in the financial year in which the expenditure is incurred.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

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

Intangible assets with finite lives are amortised over the useful 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 accounted for by changing the amortisation period or method, as appropriate, which are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category that is consistent with the function of the intangible assets.

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

2.5(i) Research and development costs

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

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development;
- 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 income or expense is recorded in , "interest income" or "interest expense", as appropriate using the effective interest method in accordance with the terms of the contract. Dividend income is recorded in "investment and trading income" when the right to the payment has been established.

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

b. Financial assets and financial liabilities at 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 method, while dividend income is recorded in "investment and trading income" when the right to the payment has been established.

c. Financial assets and financial liabilities at 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 profit or loss.

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

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

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

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 effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate ("EIR"). The EIR amortisation is included in "interest income" in 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 financial years.

f. Financial assets at amortised cost – loans and receivables

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

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

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 as 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 profit or loss on a systematic and rational basis that reflects the nature of the instrument over its tenure.

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 profit or loss.

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

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

b. Financial liabilities

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(k) 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 reporting date.

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

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

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

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

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

The Group and the Bank use valuation techniques that are 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(k) 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(l) 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(l) 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 profit or loss. 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(l) 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 profit or loss.

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

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

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

2.5(m) 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.

2. ACCOUNTING POLICIES (CONT'D.)

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

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

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis.

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

i. Fair value hedges

The change in the fair value of a hedging derivative is recognised in "investment and trading income" in 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 profit or loss 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 profit or loss.

ii. Cash flow hedges

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(n) 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(o) Impairment of non-financial assets

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

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

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

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(o) 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(p) Foreclosed properties

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

2.5(q) 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(r) 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(s) 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(s) 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(t) 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(u) 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 method. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(u) 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 by reference to the stage of completion of the services. These fees include loan arrangement, commission income, asset management, custody and other management and advisory fees.

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

b. Fee income from providing transaction services

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

iii. Dividend income

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(u) 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(v) Employee benefits

i. Short-term benefits

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

ii. Defined contribution pension plan

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

iii. 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(v) 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(w) Dividends on ordinary shares

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

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

2.5(x) Taxes

i. Current tax

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

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

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(x) Taxes (Cont'd.)

ii. Deferred tax

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

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

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

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

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside the profit or loss. 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(x) Taxes (Cont'd.)

ii. Deferred tax (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 profit or loss.

2.5(y) 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(z) Segment reporting

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

The business segment results are prepared based on the Group's internal management reporting. The Group's segmental reporting is based on the following two operating segments: wholesale banking and group funding and others, as disclosed in Note 43.

2. ACCOUNTING POLICIES (CONT'D.)

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

2.5(aa) 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(ab) 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 standards and amendments to published standards which became effective for the first time for the Group and the Bank on 1 April 2016.

- MFRS 14 Regulatory Deferral Accounts
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138)
- Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141)
- Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10, MFRS 12 and MFRS 128)
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)
- Equity Method in Separate Financial Statements (Amendments to MFRS 127)
- Disclosure Initiative (Amendments to MFRS 101)
- Annual Improvements to MFRSs 2012-2014 Cycle

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

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

3.1(a) Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138)

The amendments clarify the principle in MFRS 116 and MFRS 138 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 existing method of depreciation and amortisation applied by the Group and the Bank comply with these requirements.

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

3.1 New and amended standards and interpretations adopted (Cont'd.)

3.1(b) Disclosure Initiative (Amendments to MFRS 101)

The amendments introduce five narrow-focus improvements to the disclosure requirements and ensure that entities are able to apply professional judgement in determining the extent of information to be disclosed in the financial statements. The amendments also clarify the requirements for presenting an entity's share of items of other comprehensive income of associates and joint ventures, whereby they are required to be grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Since the amendments only affect disclosures, the adoption of these amendments did not have any financial impact on the Group and the Bank.

3.1(c) Annual Improvements to MFRSs 2012-2014 Cycle

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

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

The amendment clarifies that a reclassification of an asset directly from being held for sale to being held for distribution to owners (or vice versa) is not a change to the disposal plan and shall be treated as a continuation of the original plan, and the change in disposal method does not change the date of classification as held for sale or held for distribution to owners. This amendment does not result in any impact as is no reclassification of asset between held for sale and held for distribution during the financial year ended 31 March 2017.

(ii) MFRS 7 Financial Instruments: Disclosures

The amendment clarifies that a servicing contract may constitute continuing involvement in a derecognised financial asset, and an entity shall assess the nature of the arrangement and the fees to determine whether disclosures are required. The amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in condensed interim financial statements.

(iii) MFRS 119 Employee Benefits

The amendment clarifies that the depth of the market for high quality corporate bonds for the purpose of determining the rate used to discount post-employment benefit obligations shall be assessed based on the currency in which the obligation is denominated instead of the country where the obligation is located. The discount rate applied by the Group to discount post-employment benefit obligations complies with this requirement.

(iv) MFRS 134 Interim Financial Reporting

The amendment clarifies that the selected information other than significant events and transactions shall be disclosed either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statements that is available to users of the financial statements on the same terms as the interim financial statements and at the same time. The interim financial statements issued by the Group complied with these requirements as such information of the Group and the Company are disclosed in the interim financial statements.

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

3.2 Standards issued but not yet effective

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

	Effective for annual period beginning on or after
- Disclosure Initiative (Amendments to MFRS 107)	1 January 2017
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
- Annual Improvements to MFRSs 2014-2016 Cycle (Amendments to MFRS 12)	1 January 2017
- Amendments to MFRS 12	1 January 2017
- Amendments to MFRS 1 and MFRS 128	1 January 2018
- MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
- MFRS 9 *Financial Instruments*	1 January 2018
- Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4)	1 January 2018
- Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
- Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
- MFRS 16 *Leases*	1 January 2019

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

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.

3.2a Standards effective for financial year ending 31 March 2018

3.2a(i) Disclosure Initiative (Amendments to MFRS 107)

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

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

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

3.2a Standards effective for financial year ending 31 March 2018 (Cont'd.)

3.2a(ii) Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)

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

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

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

3.2a(iii) Annual Improvements to MFRSs 2014-2016 Cycle

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

MFRS 12 Disclosure of Interests in Other Entities

The amendment clarified that the disclosures requirement of MFRS 12 are applicable to interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities classified as held for sale except for summarised financial information. Previously, it was unclear whether all other MFRS 12 requirements were applicable for these interests.

3.2b Standards effective for financial year ending 31 March 2019

3.2b(i) Annual Improvements to MFRSs 2014-2016 Cycle

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

(i) MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards
The amendments deleted short-term exemptions covering transition provisions of MFRS 7, MFRS 10, and MFRS 119. These transition provisions were available to entities for past reporting periods and are therefore no longer applicable.

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

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

3.2b Standards effective for financial year ending 31 March 2019 (Cont'd.)

3.2b(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.

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.

The Group and the Bank are in the process of assessing the financial implication for adopting MFRS 15.

3.2b(iii) 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.

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

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

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

3.2b Standards effective for financial year ending 31 March 2019 (Cont'd.)

3.2b(iii) MFRS 9 Financial Instruments (Cont'd.)

The Group has set up a multidisciplinary Programme Working Group ("PWG") to prepare for MFRS 9 Implementation with the involvement from Risk, Finance and Operations personnel, as well as the assistance from external consultants. The PWG regularly report to the Programme Steering Committee ("PSC") chaired by the Chief Financial Officer. The Programme has clear individual work streams for classification and measurement, impairment, hedge accounting and disclosures. The Group has also engaged its external auditor to independently verify and validate the accounting policies and solution tools to be developed under the Programme and to report on whether they comply with the requirements of MFRS 9.

The initial assessment and analysis stage was completed during the financial year. As the initial assessment was based on currently available information, the outcome is subject to changes arising from further analysis or additional information being made available in the future.

Having completed its initial assessment, the Group and the Bank expects that:

- The majority of loans and advances that are classified as loans and receivables under MFRS 139, as well as investments in debt securities classified as held to maturity under MFRS 139 are expected to be measured at amortised cost under MFRS 9.
- The majority of the debt securities classified as available for sale under MFRS 139 are expected to be measured at amortised cost or FVOCI. Some securities, however, will be classified as FVTPL.
- Financial assets and liabilities held for trading are expected to be continue to be measured at FVTPL.

The impairment requirements are expected to result in a higher allowance for impairment losses. The Group and the Bank will perform a detailed assessment in the financial year ending 31 March 2018 to determine the extent of the impact.

3.2b(iv) Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)

The amendments clarify the measurement basis and the effects of vesting conditions on the measurement of cash-settled share-based payments, as well as the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in MFRS 2 that will require an award to be treated as if it was wholly equity-settled when an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.

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

3.2b(v) IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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

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

3.2b Standards effective for financial year ending 31 March 2019 (Cont'd.)

3.2b(v) IC Interpretation 22 Foreign Currency Transactions and Advance Consideration (Cont'd.)

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

3.2c Standards effective for financial year ending 31 March 2020

MFRS 16 Leases

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

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

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

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

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

MFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early application permitted provided MFRS 15 is also applied. The Group and the Bank are in the process of assessing the financial implication for adopting MFRS 16.

3.2d Standard deferred to a date to be determined by MASB

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

The amendments clarify that:

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

4. SIGNIFICANT CHANGES IN REGULATORY REQUIREMENTS - COMPANIES ACT, 2016

Companies Act, 2016 ("CA 2016") was enacted to replace Companies Act, 1965 ("CA 1965"), and all of the provisions in CA 2016 other than Section 241 and Division 8 of Part III came into operations on 31 January 2017.

Amongst others, CA 2016 abolished the concept of par or nominal value of shares that was applied under CA 1965. Concepts tied to par value under CA 1965, such as authorised share capital, share premium and capital redemption reserve have similarly been abolished. This change has no impact to the financial statements of the Group and the Bank as there are no outstanding share premium in the Group's and the Bank's books as at balance sheet date.

4. SIGNIFICANT CHANGES IN REGULATORY REQUIREMENTS - COMPANIES ACT, 2016 (CONT'D.)

In addition, the disclosure requirements under the Ninth Schedule of CA 1965 have also been removed upon the commencement of CA 2016. This change is applicable to all financial statements for the financial year ending on or after 31 January 2017. Nevertheless, this change will not result in any significant impact to the financial statements of the Group and the Bank for the financial year ended 31 March 2017 as a majority of the disclosure requirements under the Ninth Schedule of CA 1965 are also required by the applicable approved accounting standards.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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.

5.1 Allowance for impairment on loans and advances (Note 11 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).

5.2 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.

5.3 Impairment of goodwill (Note 17 (a))

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

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

5.4 Deferred tax assets (Note 13) 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.

5.5 Fair value measurement 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.

5.6 Development costs

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

6. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2017	2016 (Restated)	2017	2016 (Restated)
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	420,312	399,803	314,886	303,911
Deposit placements maturing within one month:				
Licensed banks	161,602	143,249	154,205	137,371
Other financial institutions	2,477	17,253	2,477	17,253
	164,079	160,502	156,682	154,624
	584,391	560,305	471,568	458,535

7. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Group and Bank	2017			2016		
	Contract/ Notional Amount	Fair Value Assets	Fair Value Liabilities	Contract/ Notional Amount	Fair Value Assets	Fair Value Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading derivatives						
Foreign exchange related contracts:						
One year or less	262	-	-	1,332	-	4
Equity related contracts:						
One year or less	1,037	-	12	516	2	-
Total	1,299	-	12	1,848	2	4

8. FINANCIAL ASSETS HELD-FOR-TRADING

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
At Fair Value		
Quoted Securities:		
In Malaysia:		
Unit trusts	955	532

9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
At Cost		
Unquoted Securities:		
In Malaysia:		
Shares	11,714	11,714
Outside Malaysia:		
Shares	6	6
	11,720	11,720

10. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
At Amortised Cost		
Money Market Securities:		
Islamic Treasury Bills	29,543	-
Unquoted Securities:		
In Malaysia:		
Private debt securities	75,100	75,100
	104,643	75,100

11. LOANS AND ADVANCES

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
At Amortised Cost		
Share margin financing	239,865	247,016
Revolving credits	52,694	55,725
Staff loans	2,134	2,679
Gross loans and advances	294,693	305,420
Less:		
Allowance for impairment on loans and advances		
Individual allowance (Note 11 (i))	(2,163)	(2,251)
Collective allowance (Note 11 (i))	(705)	(1,272)
	(2,868)	(3,523)
Net loans and advances	291,825	301,897

11. LOANS AND ADVANCES (CONT'D.)

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

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
Domestic business enterprises:		
Small and medium enterprises	3,455	4,685
Others	51,764	43,965
Individuals	239,474	256,770
	294,693	305,420

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

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
In Malaysia	294,693	305,420

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

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
Fixed rate:		
Staff housing loans	1,785	2,046
Staff hire purchase receivables	349	633
Other fixed rate loans	239,865	247,016
	241,999	249,695
Variable rate:		
Cost-plus	52,694	55,725
	294,693	305,420

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

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
Agriculture	861	860
Real estate	3,806	4,233
Business activities	50,552	43,557
Household, of which:		
Purchase of residential properties	1,785	2,046
Purchase of transport vehicles	349	633
Others	237,340	254,091
	294,693	305,420

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

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
Maturing within one year	292,606	302,780
Over one year to three years	248	428
Over three years to five years	154	282
Over five years	1,685	1,930
	294,693	305,420

11. LOANS AND ADVANCES (CONT'D.)

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Balance at beginning of financial year	2,251	2,291	2,251	2,291
Recoveries	(88)	(40)	(88)	(40)
Balance at end of financial year	2,163	2,251	2,163	2,251
Gross impaired loans and advances as % of gross loans and advances	0.73%	0.74%	0.73%	0.74%
Loan loss coverage (including Regulatory Reserve)	262.0%	280.9%	262.0%	280.9%

(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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Individual allowance				
Balance at beginning of the financial year	2,251	2,291	2,251	2,291
Written back during the financial year (Note 29)	(88)	(40)	(88)	(40)
Balance at end of the financial year	2,163	2,251	2,163	2,251
Collective allowance				
Balance at beginning of the financial year	1,272	1,311	1,272	1,311
Written back during the the financial year (Note 29)	(567)	(39)	(567)	(39)
Balance at end of the financial year	705	1,272	705	1,272
Expressed as % of total loans and advances less individual allowance (including regulatory reserve)	1.20%	1.34%	1.20%	1.34%

12. 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.

13. 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		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets	8,868	7,105	6,863	4,542

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets	9,504	8,232	7,661	5,596
Deferred tax liabilities	(636)	(1,127)	(798)	(1,054)
	8,868	7,105	6,863	4,542

13. DEFERRED TAX ASSETS (CONT'D.)

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

Group **Deferred tax assets**	Balance at beginning of the financial year RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Balance at end of the financial year RM'000
31 March 2017				
Provision for commitments and contingencies	96	41	-	137
Provisions	5,427	687	-	6,114
Other temporary differences	2,709	544	-	3,253
	8,232	1,272	-	9,504
31 March 2016 (Restated)				
Provision for commitments and contingencies	139	(43)	-	96
Provisions	8,735	(3,308)	-	5,427
Available for sale reserve	(325)	-	325	-
Other temporary differences	(1,500)	4,209	-	2,709
	7,049	858	325	8,232
Deferred tax liabilities				
31 March 2017				
Excess of capital allowances over depreciation	(1,127)	491	-	(636)
	(1,127)	491	-	(636)
31 March 2016 (Restated)				
Excess of capital allowances over depreciation	(859)	(268)	-	(1,127)
	(859)	(268)	-	(1,127)

13. DEFERRED TAX ASSETS (CONT'D.)

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

Bank **Deferred tax assets**	**Balance at beginning of the financial year RM'000**	**Recognised in profit or loss RM'000**	**Recognised in other comprehensive income RM'000**	**Balance at end of the financial year RM'000**
31 March 2017				
Provision for commitments and contingencies	96	41	-	137
Excess of capital allowances over depreciation	-	-	-	-
Provisions	2,240	1,922	-	4,162
Other temporary differences	3,260	102	-	3,362
	5,596	2,066	-	7,661
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
Deferred tax liabilities				
31 March 2017				
Excess of capital allowances over depreciation	(1,054)	256	-	(798)
	(1,054)	256	-	(798)
31 March 2016				
Excess of capital allowances over depreciation	(708)	(346)	-	(1,054)
	(708)	(346)	-	(1,054)

As at 31 March 2017, the Group has unabsorbed capital allowances of approximately RM1,011,249 (2016: RM3,553,946) that is available for offset against future taxable profit of leasing business from its subsidiaries. Deferred tax asset is not recognised due to uncertainty in timing of its recoverability.

14. INVESTMENTS IN SUBSIDIARIES

	Bank 2017 RM'000	Bank 2016 RM'000
Unquoted shares, at cost	73,701	23,894
Less: Impairment loss	(4,774)	(4,763)
	68,927	19,131

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

	Principal Activities	Effective Equity Interest 2017 %	Effective Equity Interest 2016 %
Subsidiaries			
Incorporated in Malaysia			
AMMB Nominees (Tempatan) Sdn Bhd	Nominee services	100	100
AMMB Nominees (Asing) Sdn Bhd	Nominee services	100	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	Dormant	100	100
AmFunds Management Berhad	Fund management	100	-
AmIslamic Funds Management Sdn Bhd	Fund management	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

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.

On 18 August 2016, AmFutures Sdn Bhd surrendered its capital market services license and became dormant.

On 21 July 2016, the Bank acquired 100% equity interest in AmFunds Management Berhad and AmIslamic Funds Management Sdn Bhd, the FMEs of AmBank Group from a related company, AmInvestment Group Berhad. Further details are disclosed in Note 46.

14. INVESTMENTS IN SUBSIDIARIES (CONTD.)

In the financial year ended 31 March 2016 :

(a) 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) upon the finalisation of the completion audit of FSPL.

(b) FIPL had 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 and RM26,485,000 recognised in the profit or loss of the Group and the Bank, respectively in the financial year ended 31 March 2016.

The movements in allowance for impairment are as follows:

	Bank	
	2017	**2016**
	RM'000	**RM'000**
Balance at the beginning of the financial year	4,763	85,746
Allowance made during the financial year	11	74
Capital repayment of FIPL	-	(81,057)
Balance at end of the financial year	4,774	4,763

15. OTHER ASSETS

	Group 2017 RM'000	Group 2016 (Restated) RM'000	Bank 2017 RM'000	Bank 2016 (Restated) RM'000
Trade receivables	392,311	623,126	391,575	622,192
Other receivables, deposits and prepayments	57,116	58,947	24,631	26,072
Interest receivable	721	489	719	483
Tax recoverable	51,550	56,821	46,359	55,156
Margin deposits	21,330	21,540	21,330	21,540
Amount due from:				
Holding company	76	682	-	682
Subsidiaries	-	-	3,226	3,732
Related companies	1,032	613	1,032	607
	524,136	762,218	488,872	730,464
Less:				
Accumulated impairment loss	(9,773)	(8,887)	(3,789)	(5,989)
	514,363	753,331	485,083	724,475

Trade receivables mainly relate to those in respect of the stock and futures 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 movements in allowance for impairment are as follows:

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 (Restated) RM'000
Balance at beginning of financial year	8,887	8,843	5,989	8,843
Allowance made/(written back) during the financial year, net	1,236	5,025	(2,165)	2,063
Amount written-off	(699)	(4,917)	(35)	(4,917)
Foreign exchange differences	349	(64)	-	-
Balance at end of the financial year	9,773	8,887	3,789	5,989

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 RM2,201,000 (2016: RM4,337,000) and RM 2,201,000 (2016: RM4,337,000) respectively.

16. PROPERTY AND EQUIPMENT

2017 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 2016	3,000	17,133	16,375	24,225	26,483	2,734	89,950
Additions	-	-	1,100	234	1,058	-	2,392
Disposals	-	-	-	(49)	(368)	(1,018)	(1,435)
Written off	-	-	-	(204)	-	-	(204)
At 31 March 2017	3,000	17,133	17,475	24,206	27,173	1,716	90,703
Accumulated Depreciation							
At 1 April 2016	825	4,777	14,961	21,191	23,814	1,928	67,496
Depreciation for the financial year (Note 27)	60	343	838	777	1,007	47	3,072
Disposals	-	-	-	(46)	(369)	(712)	(1,127)
Reclassification	-	-	-	18	-	-	18
Written off	-	-	-	(202)	-	-	(202)
At 31 March 2017	885	5,120	15,799	21,738	24,452	1,263	69,257
Carrying Amount							
At 31 March 2017	2,115	12,013	1,676	2,468	2,721	453	21,446

16. PROPERTY AND EQUIPMENT (CONT'D.)

2016 (Restated) 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							
As previously reported	3,000	17,133	15,405	23,403	25,958	3,252	88,151
Effect of pooling of interest	-	-	502	1,008	911	(4)	2,417
At 1 April 2015 (as restated)	3,000	17,133	15,907	24,411	26,869	3,248	90,568
Additions	-	-	313	1,206	2,439	-	3,958
Disposals	-	-	-	(1,223)	(2,104)	(514)	(3,841)
Reclassification	-	-	155	(155)	-	-	-
Written off	-	-	-	(14)	(721)	-	(735)
At 31 March 2016	3,000	17,133	16,375	24,225	26,483	2,734	89,950
Accumulated Depreciation							
As previously reported	765	4,435	13,751	20,363	24,089	2,218	65,621
Effect of pooling of interest	-	-	211	393	590	4	1,198
At 1 April 2015 (as restated)	765	4,435	13,962	20,756	24,679	2,222	66,819
Depreciation for the financial year (Note 27)	60	342	844	814	914	73	3,047
Disposals	-	-	-	(192)	(1,058)	(367)	(1,617)
Reclassification	-		155	(173)	-	-	(18)
Written off	-	-	-	(14)	(721)	-	(735)
At 31 March 2016	825	4,777	14,961	21,191	23,814	1,928	67,496
Carrying Amount							
At 31 March 2016	2,175	12,356	1,414	3,034	2,669	806	22,454

16. PROPERTY AND EQUIPMENT (CONT'D.)

2017 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 2016	3,000	17,133	15,866	23,503	26,118	2,775	88,395
Additions	-	-	990	170	857	-	2,017
Disposals	-	-	-	(49)	(229)	(1,018)	(1,296)
Written off	-	-	-	(204)	-	-	(204)
Reclassification/adjustments	-	-	-	-	-	(2)	(2)
At 31 March 2017	3,000	17,133	16,856	23,420	26,746	1,755	88,910
Accumulated Depreciation							
At 1 April 2016	825	4,778	14,656	20,954	23,888	1,937	67,038
Depreciation for the financial year (Note 27)	60	343	739	651	866	47	2,706
Disposals	-	-	-	(46)	(229)	(712)	(987)
Written off	-	-	-	(202)	-	-	(202)
Reclassification/adjustments	-	-	-	19	-	(2)	17
At 31 March 2017	885	5,121	15,395	21,376	24,525	1,270	68,572
Carrying Amount							
At 31 March 2017	2,115	12,012	1,461	2,044	2,221	485	20,338

16. PROPERTY AND EQUIPMENT (CONT'D.)

2016 (Restated) 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							
As previously reported	3,000	17,133	15,191	23,061	26,228	3,293	87,906
Effect of pooling of interest	-	-	85	549	350	-	984
At 1 April 2015 (as restated)	3,000	17,133	15,276	23,610	26,578	3,293	88,890
Additions	-	-	312	134	1,188	-	1,634
Transfer from a subsidiary	-	-	165	80	90	-	335
Disposals	-	-	-	(194)	(1,016)	(518)	(1,728)
Reclassification	-	-	113	(113)	(1)	-	(1)
Written off	-	-	-	(14)	(721)	-	(735)
At 31 March 2016	3,000	17,133	15,866	23,503	26,118	2,775	88,395
Accumulated Depreciation							
As previously reported	765	4,435	13,541	19,987	24,465	2,227	65,420
Effect of pooling of interest	-	-	82	546	328	-	956
At 1 April 2015 (as restated)	765	4,435	13,623	20,533	24,793	2,227	66,376
Depreciation for the financial year (Note 27)	60	343	755	681	750	73	2,662
Depreciation transfer from a subsidiary	-	-	165	60	83	-	308
Disposals	-	-	-	(193)	(1,016)	(363)	(1,572)
Reclassification	-	-	113	(113)	(1)	-	(1)
Written off	-	-	-	(14)	(721)	-	(735)
At 31 March 2016	825	4,778	14,656	20,954	23,888	1,937	67,038
Carrying Amount							
At 31 March 2016	2,175	12,355	1,210	2,549	2,230	838	21,357

16. PROPERTY AND EQUIPMENT (CONT'D.)

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

	Group and Bank	
	2017	2016
	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	1,815	1,875
	2,115	2,175

17. INTANGIBLE ASSETS

The net carrying amount of intangible assets are as follows:

		Group		Bank	
		2017	2016 (Restated)	2017	2016 (Restated)
		RM'000	RM'000	RM'000	RM'000
	Note				
Goodwill	(a)	36,442	36,442	-	-
Computer software	(b)	4,170	5,304	2,513	2,582
		40,612	41,746	2,513	2,582

The movement in intangible assets is as follows:

(a) Goodwill

	Group	
	2017	2016
	RM'000	RM'000 (Restated)
At beginning of financial year	36,442	-
Effect of pooling of interest	-	36,442
At end of financial year	36,442	36,442

Impairment assessment on goodwill

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

	Group	
	2017	2016 (Restated)
	RM'000	RM'000
Fund management	36,442	36,442

The recoverable amount of the CGU, which is a reportable business segment, is based on its value in use, computed by discounting the expected future cash flows of the unit. The key assumptions for the computation of value in use include the discount rate and growth rates applied. The discount rate applied to the cash flow projections are derived from the pre-tax weighted average cost of capital plus a reasonable risk premium at the date of assessment of the CGU. The discount rate applied is 7.1% (2016 : 6.4%). Cash flow projections are based on the most recent three-year financial budget approved by the Board, taking into account projected regulatory capital requirements. Cash flows for the fourth to tenth years are extrapolated using the growth rate of 4.7% (2016 : 4.8%) to extrapolate cash flows beyond the projected years. Impairment is recognised in the statement of profit or loss when the carrying amount of a CGU exceeded its recoverable amount.

17. INTANGIBLE ASSETS (CONT'D.)

(a) Goodwill (Cont'd.)

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

(b) Computer Software

	Group		Bank	
	2017	2016 (Restated)	2017	2016 (Restated)
	RM'000	RM'000	RM'000	RM'000
Cost				
As previously reported	23,609	14,572	16,142	14,270
Effect of pooling of interest	-	7,169	-	121
At 1 April (as restated)	23,609	21,741	16,142	14,391
Additions	1,105	1,868	867	1,601
Transfer from a subsidiary	-	-	-	150
Reclassification	1	-	1	-
At 31 March	24,715	23,609	17,010	16,142
Accumulated Amortisation				
As previously reported	18,305	12,725	13,560	12,560
Effect of pooling of interest	-	3,285	-	82
At 1 April (as restated)	18,305	16,010	13,560	12,642
Amortisation for the financial year (Note 27)	2,239	2,253	936	848
Transfer from a subsidiary	-	-	-	70
Disposals	-	42	-	-
Reclassification	1	-	1	-
At 31 March	20,545	18,305	14,497	13,560
Carrying amount	4,170	5,304	2,513	2,582

18. ASSET HELD FOR SALE

In the financial year ended 31 March 2016, the Board approved the proposal to dispose of AmTrustee, the associated company of the Group. Accordingly, the investment in AmTrustee Berhad had been reclassified as asset held for sale as at 31 March 2016.

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Assets				
Unquoted shares, at cost	-	100	-	100
Share of post acquisition reserves	-	1,619	-	-
	-	1,719	-	100

On 23 June 2016, the Group completed the disposal of its 20% shareholding in AmTrustee Berhad, previously classified as Asset held for sale, for a total cash consideration of RM2,283,076. The disposal resulted in a gain of RM560,000 and RM 2,179,000 to the Group and Bank, respectively for the current financial year.

19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2017	2016
	RM'000	RM'000
Licensed bank	550,000	400,000

20. OTHER LIABILITIES

	Group		Bank	
	2017	2016 (Restated)	2017	2016 (Restated)
	RM'000	RM'000	RM'000	RM'000
Trade payables	376,535	617,560	376,535	617,560
Other payables and accruals	53,979	82,482	39,670	67,546
Interest payable	3,773	2,564	3,773	2,564
Provision for commitments and contingencies	573	402	573	402
Amounts due to:				
Holding company	22	13	22	-
Related companies	13,242	14,361	7,437	10,044
	448,124	717,382	428,010	698,116

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

As at the reporting date, the holding company, AMMB has given an unsecured guarantee amounting to RM150,000,000 on behalf of the Bank for the payment and discharge of all monies due on trading accounts maintained by Morgan Stanley & Co. International Plc in respect of its future trading activity with the Bank.

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

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

	Group and Bank	
	2017	2016
	RM'000	RM'000
Balance at beginning of financial year	402	580
Provision/(writeback of provision) for the financial year	6,179	(178)
Settlement during the financial year	(6,008)	-
Balance at end of financial year	573	402

21. SHARE CAPITAL

	Group and Bank	
	2017	2016
	RM'000	RM'000
Issued and fully paid:		
Ordinary shares		
Balance at the beginning and end of the financial year	200,000	200,000

The holder of fully paid ordinary shares, which have no par value, is entitled to receive dividends as and when declared by the Bank. All fully paid ordinary shares carry one vote per share without restrictions and rank equally with regards to the Bank's residual assets.

22. RESERVES

		Group		Bank	
		2017	2016 (Restated)	2017	2016 (Restated)
	Note	RM'000	RM'000	RM'000	RM'000
Other reserves	(a)	290,765	357,417	202,800	225,421
Retained earnings	(b)	95,252	103,699	88,943	99,023
Total reserves		386,017	461,116	291,743	324,444

(a) 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 and are not distributable as cash dividends.

(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 2017 RM'000	Group 2016 (Restated) RM'000	Bank 2017 RM'000	Bank 2016 (Restated) RM'000
Cash and short-term funds	8,960	14,755	6,632	12,002
Financial investments available-for-sale	-	3,147	-	3,147
Financial investments held-to-maturity	3,128	3,136	3,128	3,136
Loans and advances	20,203	21,804	20,203	21,804
Others	929	832	929	832
	33,220	43,674	30,892	40,921

24. INTEREST EXPENSE

	Group 2017 RM'000	Group 2016 (Restated) RM'000	Bank 2017 RM'000	Bank 2016 (Restated) RM'000
Deposits and placements of banks and other financial institutions	18,530	29,541	18,530	29,541
Others	622	402	407	402
	19,152	29,943	18,937	29,943

25. OTHER OPERATING INCOME

	Group 2017 RM'000	Group 2016 (Restated) RM'000	Bank 2017 RM'000	Bank 2016 (Restated) RM'000
Fee and commission income:				
Brokerage fees and commission	65,464	83,451	65,464	83,451
Corporate advisory	9,753	15,930	9,753	15,930
Fees on loans and securities	11,418	6,543	11,418	6,543
Guarantee fees	91	173	91	173
Portfolio management fees	35,787	33,147	1,509	1,279
Underwriting commission	4,342	3,404	4,342	3,404
Wealth management fees	24,293	18,085	32,751	26,855
Unit trust management fees	109,709	123,113	-	-
Unit trust service charges	36,311	25,195	-	-
Other fee and commission income	7,694	6,800	6,462	5,980
	304,862	315,841	131,790	143,615
Investment and trading income:				
Gross dividend income from:				
Subsidiaries	-	-	24,500	-
Financial assets held-for-trading	7	8	7	8
Financial investments available-for-sale	1,388	1,388	1,388	1,388
Net foreign exchange gain[1]	3,080	2,994	2,391	1,556
Net (loss)/gain on derivatives	(66)	22	(66)	22
Net gain/(loss) on revaluation of financial assets held-for-trading	36	(10)	36	(10)
Net loss from sale of financial assets held-for-trading	(11)	(4)	(11)	(4)
Net gain/(loss) from sale of financial investments available-for-sale	340	(49)	340	(49)
Gain on disposal of an associate	560	-	2,179	-
Gain on disposal of subsidiary	-	11,935	-	-
Gain on repayment of capital by a subsidiary	-	21,706	-	26,485
	5,334	37,990	30,764	29,396

25. OTHER OPERATING INCOME (CONT'D.)

	Group 2017 RM'000	Group 2016 (Restated) RM'000	Bank 2017 RM'000	Bank 2016 (Restated) RM'000
Other income:				
Net loss on disposal of property and equipment	(69)	(71)	(69)	(71)
Net non-trading foreign exchange (loss)/gain	(609)	458	-	1
Rental income	2,310	2,337	2,310	2,337
Others	6,626	3,903	254	290
	8,258	6,627	2,495	2,557
	318,454	360,458	165,049	175,568

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

26. DIRECT COSTS

	Group 2017 RM'000	Group 2016 (Restated) RM'000	Bank 2017 RM'000	Bank 2016 (Restated) RM'000
Dealers incentive	2,586	4,735	2,586	4,735
Brokerage commission	14,390	19,178	14,395	19,178
Unit trust commission	52,698	44,311	-	-
Others	14,983	12,402	14,983	12,402
	84,657	80,626	31,964	36,315

27. OTHER OPERATING EXPENSES

	Note	Group 2017 RM'000	Group 2016 (Restated) RM'000	Bank 2017 RM'000	Bank 2016 (Restated) RM'000
Personnel costs:					
- Contributions to EPF/Private Retirement Scheme		15,732	12,518	11,332	8,569
- Salaries, allowances and bonuses		97,629	78,649	70,391	53,979
- Scheme shares and options granted under AMMB ESS		(2,976)	2,942	(1,620)	2,008
- Social security costs		545	438	375	292
- Others		12,995	10,376	9,441	7,216
		123,925	104,923	89,919	72,064
Establishment costs:					
- Amortisation of intangible assets	17(b)	2,239	2,253	936	848
- Cleaning, maintenance and security		1,534	1,945	1,476	1,875
- Computerisation costs		11,851	8,520	11,548	8,243
- Depreciation of property and equipment	16	3,072	3,047	2,706	2,662
- Rental of premises		10,091	9,957	7,983	7,918
- Others		3,610	4,273	3,133	3,852
		32,397	29,995	27,782	25,398

27. OTHER OPERATING EXPENSES (CONT'D.)

	Group 2017 RM'000	Group 2016 (Restated) RM'000	Bank 2017 RM'000	Bank 2016 (Restated) RM'000
Marketing and communication expenses:				
- Advertising, promotional and other marketing activities	1,059	1,938	261	995
- Sales commission	1,006	680	857	520
- Travel and entertainment	2,071	2,387	1,541	1,695
- Communication expenses	4,089	4,591	2,438	2,447
- Others	2,201	2,430	1,687	2,088
	10,426	12,026	6,784	7,745
Administration and general expenses:				
- Professional services	18,800	17,885	4,292	2,804
- Travelling	792	902	421	376
- Others	20,246	18,999	7,847	7,260
	39,838	37,786	12,560	10,440
Service transfer pricing, net	(4,832)	7,332	(9,778)	3,831
Business efficiency costs	-	800	-	800
	201,754	192,862	127,267	120,278

The above expenditure includes the following statutory disclosure:

	Group 2017 RM'000	Group 2016 (Restated) RM'000	Bank 2017 RM'000	Bank 2016 (Restated) RM'000
Auditors' remuneration:				
Parent auditor:				
Audit	232	228	179	172
Regulatory and assurance related	158	97	98	97
Other services	690	212	690	212
Firms affiliated with parent auditor:				
Audit	19	17	-	-
Hire of motor vehicles and office equipment	1,207	1,264	873	962
Property and equipment written off	2	-	2	-

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

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:

2017	Fees RM'000	Salaries RM'000	Bonus RM'000	Other Emolument RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer:						
Raja Maimunah Binti Raja Abdul Aziz*	-	219	800	36	128	1,183
Non-Executive Directors:						
Tan Sri Azman Hashim	160	-	-	260	-	420
Dato' Rohana Tan Sri Mahmood	150	-	-	76	-	226
Tan Bun Poo	150	-	-	85	-	235
Ramesh Pillai**	34	-	-	13	-	47
Graham Kennedy Hodges***^	37	-	-	17	-	54
Kevin Paul Corbally****^	36	-	-	15	-	51
	567	-	-	466	-	1,033
Total directors' remuneration	567	219	800	502	128	2,216

* Appointed on 7 February 2017
** Appointed on 9 January 2017
*** Resigned on 1 July 2016
**** Appointed on 1 July 2016 and resigned on 27 September 2016
^ Payable to Australia and New Zealand Banking Group Limited

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

29. WRITEBACK OF ALLOWANCE FOR IMPAIRMENT ON LOANS AND ADVANCES

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Writeback of allowance for impairment on loans and advances:				
Individual allowance (Note 11(i))	88	40	88	40
Collective allowance (Note 11(i))	567	39	567	39
	655	79	655	79

30. TAXATION

	Group		Bank	
	2017 RM'000	2016 (Restated) RM'000	2017 RM'000	2016 (Restated) RM'000
Current tax:				
Estimated tax payable	14,986	23,806	5,028	9,730
Under provision of taxation in respect of prior financial years	5,163	1,795	5,150	1,691
	20,149	25,601	10,178	11,421
Deferred tax (Note 13):				
Relating to origination and reversal of temporary differences	(1,676)	(530)	(2,235)	(1,398)
Over provision of deferred tax in prior financial year	(87)	(37)	(87)	(37)
	(1,763)	(567)	(2,322)	(1,435)
Taxation	18,386	25,034	7,856	9,986

Domestic income tax is calculated at the statutory tax rate of 24% (2016: 24%) on the estimated chargeable profit for the financial year.

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	
	2017	2016 (Restated)	2017	2016 (Restated)
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	59,453	124,766	34,505	57,013
Taxation at Malaysian statutory tax rate of 24.0% (2016: 24.0%)	14,269	29,944	8,281	13,683
Under provision of current tax in prior years	5,163	1,795	5,150	1,691
Tax recoverable recognised on income subject to tax remission	(83)	(211)	(83)	(211)
Over provision of deferred tax in prior years	(87)	(37)	(87)	(37)
Income not subject to tax	(2,731)	(8,950)	(6,665)	(6,631)
Expenses not deductible for tax purposes	1,855	2,625	1,260	1,491
Tax on share in result of an associate	-	(132)	-	-
Taxation	18,386	25,034	7,856	9,986

31. BASIC EARNINGS PER SHARE

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to shareholder of the Bank	41,067	99,770	26,649	47,065
Weighted average number of of ordinary shares in issue	200,000	200,000	200,000	200,000
Basic earnings per share (sen)	20.5	49.9	13.3	23.5

32. DIVIDENDS

	Group and Bank	
	2017	2016
	RM'000	RM'000
Recognised during the financial year:		
Final single tier cash dividend of 17.00 sen per ordinary share in respect of financial year ended 31 March 2016 (2015: 10.00 sen per ordinary share in respect of financial year ended 31 March 2015)	34,000	20,000
Interim single tier cash dividend of 1.00 sen per ordinary share in respect of financial year ended 31 March 2017 (2016: 5.00 sen per ordinary share in respect of financial year ended 31 March 2016)	2,000	10,000
	36,000	30,000
Proposed but not recognised as a liability:		
Final single tier cash dividend of 10.15 sen per ordinary share in respect of financial year ended 31 March 2017 (2016: 17.00 sen per ordinary share in respect of financial year ended 31 March 2016)	20,300	34,000

On 2 May 2017, the directors proposed the payment of final single tier dividend of 10.15 sen per ordinary share amounting to RM20,300,000 in respect of the current financial year ended 31 March 2017. 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 2018.

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 14.

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

(ii) Related companies

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

(iii) Key management personnel

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

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

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

(v) 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 financial year:

	Companies which have significant influence over the Group		Companies in which certain Directors have substantial financial interest	
Group and Bank	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Expenses				
Insurance premiums	-	-	60	1,462
Directors fees	195	42	-	-
Travelling expenses	-	-	324	226
	195	42	384	1,688

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

	Related Companies		Associate	
Group	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Income				
Interest on deposits and placements	13,944	18,848	-	-
Rental income	1,923	2,128	-	-
	15,867	20,976	-	-
Expenses				
Interest on deposits and placements	18,844	29,557	-	-
Service transfer pricing, net	(4,727)	7,752	(105)	(420)
	14,117	37,309	(105)	(420)

	Related Companies	
Group	**2017 RM'000**	**2016 RM'000**
Amount due from related parties		
Cash and short-term funds	155,946	143,248
Interest receivable	269	18
Others	1,108	1,035
	157,323	144,301
Amount due to related parties		
Deposits and placements of banks and other financial institutions	550,000	400,000
Interest payable	3,773	2,564
Others	13,264	14,374
	567,037	416,938

33. RELATED PARTY TRANSACTIONS (CONT'D.)

Bank	Subsidiaries 2017 RM'000	Subsidiaries 2016 RM'000	Related Companies 2017 RM'000	Related Companies 2016 RM'000	Associate 2017 RM'000	Associate 2016 RM'000
Income						
Interest on deposits and placements	-	-	13,355	17,662	-	-
Rental income	-	-	1,923	2,128	-	-
	-	-	15,278	19,790	-	-
Expenses						
Interest on deposits and placements	-	-	18,844	29,557	-	-
Service transfer pricing, net	(150)	1,765	(9,523)	2,486	(105)	(420)
	(150)	1,765	9,321	32,043	(105)	(420)

Bank	Subsidiaries 2017 RM'000	Subsidiaries 2016 RM'000	Related Companies 2017 RM'000	Related Companies 2016 RM'000	Associate 2017 RM'000	Associate 2016 RM'000
Amount due from related parties						
Cash and short-term funds	-	-	143,249	137,370	-	-
Interest receivable	-	-	267	12	-	-
Others	3,226	3,732	1,032	1,030	-	260
	3,226	3,732	144,548	138,412	-	260
Amount due to related parties						
Deposits and placements of banks and other financial institutions			550,000	400,000	-	-
Interest payable			3,773	2,564	-	-
Others			7,459	10,055	-	-
			561,232	412,619	-	-

(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 (2016: 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors:				
Fees	567	758	567	758
Other emoluments	466	533	466	533
Total short-term employee benefits	1,033	1,291	1,033	1,291
Other key management personnel:				
Salaries and other emoluments	2,654	3,568	2,654	3,568
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	1,178	94	1,178	94
Share based payment	160	-	160	-
Total short-term employee benefits	3,992	3,662	3,992	3,662

34. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

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

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

(ii) Controlling shareholder and his close relatives;

(iii) Influential shareholder and his close relatives;

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

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

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

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

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

Credit transactions and exposures to connected parties include the extension of credit facilities and/or commitments and contingencies transactions that give rise to credit/counterparty risk, the underwriting and acquisition of equities and private debt securities issued by the connected parties.

The credit transactions with connected parties are all transacted on an arm's length basis and on terms and conditions no more favourable than those entered into with other counterparties with similar circumstances and credit worthiness. Due care has been taken to ensure that the credit worthiness of the connected party is not less than that normally required of other persons.

There are no outstanding credit transactions and exposures with connected parties as at 31 March 2017 (2016 : NIL).

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 2017 amounted to RM44,982,000,000 (2016 (Restated) : RM42,597,000,000) and RM7,839,000,000 (2016 : RM6,420,000,000), respectively.

36. CAPITAL COMMITMENTS

	Group and Bank	
	2017	**2016**
	RM'000	**RM'000**
Authorised and contracted for:		
Purchase of office equipment, information technology equipment and solutions	1,729	391
	1,729	391
Authorised but not contracted for:		
Purchase of office equipment, information technology equipment and solutions	889	255
	2,618	646

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 and Bank	
	2017	**2016**
	RM'000	**RM'000**
12 months ending 31 March		
One year or less	8,885	16,209
Over one year to five years	1,584	9,038
	10,469	25,247

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	
	2017	2016
	RM'000	RM'000
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	203,135	202,519
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	19	19
Others	-	100
	203,154	202,638
Contingent Liabilities		
Direct credit substitutes	3,391	17,319
Obligations under an on-going underwriting agreement	-	13,348
	3,391	30,667
Derivative Financial Instruments		
Foreign exchange related contracts:		
- One year or less	262	1,332
Equity related contracts:		
- One year or less	1,037	516
	1,299	1,848
	207,844	235,153

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 Participating Organisations of Bursa Malaysia Securities Berhad" ("FRSIC 18"):

	Group		Bank	
	2017	2016	2017	2016 (Restated)
	RM'000	RM'000	RM'000	RM'000
Clients trust balances' and dealers representative balances	299,497	236,102	299,497	236,102
Remisiers trust balances	21,942	23,274	21,942	23,274
	321,439	259,376	321,439	259,376

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.

2017 Group	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
ASSETS			
Cash and short-term funds	584,391	-	584,391
Financial assets held-for-trading	955	-	955
Financial investments available-for-sale	-	11,720	11,720
Financial investments held-to-maturity	29,543	75,100	104,643
Loans and advances	289,744	2,081	291,825
Statutory deposit with Bank Negara Malaysia	-	5,330	5,330
Deferred tax assets	-	8,868	8,868
Other assets	504,746	9,617	514,363
Property and equipment	-	21,446	21,446
Intangible assets	-	40,612	40,612
TOTAL ASSETS	1,409,379	174,774	1,584,153
LIABILITIES			
Deposits and placements of banks and other financial institutions	550,000	-	550,000
Derivative financial liabilities	12	-	12
Other liabilities	447,984	140	448,124
TOTAL LIABILITIES	997,996	140	998,136

2016 (Restated) Group	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
ASSETS			
Cash and short-term funds	560,305	-	560,305
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	299,263	2,634	301,897
Statutory deposit with Bank Negara Malaysia	-	2,591	2,591
Deferred tax assets	-	7,105	7,105
Other assets	742,776	10,555	753,331
Property and equipment	-	22,454	22,454
Intangible assets	-	41,746	41,746
Asset held for sale	1,719	-	1,719
TOTAL ASSETS	1,604,597	173,905	1,778,502
LIABILITIES			
Deposits and placements of banks and other financial institutions	400,000	-	400,000
Derivative financial liabilities	4	-	4
Other liabilities	717,382	-	717,382
TOTAL LIABILITIES	1,117,386	-	1,117,386

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

2017 Bank	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
ASSETS			
Cash and short-term funds	471,568	-	471,568
Financial assets held-for-trading	955	-	955
Financial investments available-for-sale	-	11,720	11,720
Financial investments held-to-maturity	29,543	75,100	104,643
Loans and advances	289,744	2,081	291,825
Statutory deposit with Bank Negara Malaysia	-	5,330	5,330
Deferred tax assets	-	6,863	6,863
Investments in subsidiaries	-	68,927	68,927
Other assets	475,467	9,616	485,083
Property and equipment	-	20,338	20,338
Intangible assets	-	2,513	2,513
TOTAL ASSETS	1,267,277	202,488	1,469,765
LIABILITIES			
Deposits and placements of banks and other financial institutions	550,000	-	550,000
Derivative financial liabilities	12	-	12
Other liabilities	427,870	140	428,010
TOTAL LIABILITIES	977,882	140	978,022

2016 (Restated) Bank	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
ASSETS			
Cash and short-term funds	458,535	-	458,535
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	299,262	2,635	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	713,920	10,555	724,475
Property and equipment	-	21,357	21,357
Intangible assets	-	2,582	2,582
Asset held for sale	100	-	100
TOTAL ASSETS	1,472,351	150,213	1,622,564
LIABILITIES			
Deposits and placements of banks and other financial institutions	400,000	-	400,000
Derivative financial liabilities	4	-	4
Other liabilities	698,116	-	698,116
TOTAL LIABILITIES	1,098,120	-	1,098,120

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.

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 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. 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.

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 AMMB Group's business activities.

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 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 AMMB Group's risk rating methodologies and systems. BNM has the right to impose further capital requirements on Malaysian Financial Institutions.

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 Assets and Liabilities Committee ("GALCO"). GALCO is also responsible for managing the Group's statement of financial position, capital and liquidity.

A strong governance and process framework is embedded in the capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Board. The Risk Management Committee 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.)

GALCO proposes internal triggers and target ranges for capital management and operationally oversees adherence with these. For the current financial year ending 31 March 2017 (“FY 2017”), these ranges are 16.0% to 18.0% for the Common Equity Tier 1 Capital Ratio, 16.0% to 18.0% for the Tier 1 Capital Ratio, and 16.0% to 18.0% 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	
	2017	**2016 (Restated)**	**2017**	**2016 (Restated)**
Before deducting proposed dividends:				
Common Equity Tier 1 ("CET1") Capital Ratio	38.339%	35.422%	32.916%	34.341%
Tier 1 ("T1") Capital Ratio	38.339%	35.422%	32.916%	34.341%
Total Capital Ratio	38.591%	35.659%	32.916%	34.341%
After deducting proposed dividends:				
CET1 Capital Ratio	36.880%	33.445%	31.373%	32.026%
Tier 1 Capital Ratio	36.880%	33.445%	31.373%	32.026%
Total Capital Ratio	37.132%	33.682%	31.373%	32.026%

The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

The capital adequacy ratios are computed in accordance to BNM's guidelines on Capital Adequacy Framework (Capital Components) issued by the Prudential Financial Policy Department on 13 October 2015 which is based on Basel III capital accord. Pursuant to these guidelines, 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	
	2017	**2016 (Restated)**	**2017**	**2016 (Restated)**
	RM'000	**RM'000**	**RM'000**	**RM'000**
CET1 Capital				
Ordinary shares	200,000	200,000	200,000	200,000
Retained earnings	95,252	103,699	88,943	99,023
Exchange fluctuation reserve	3,035	2,165	-	-
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	82,115	149,637	-	22,621
Less : Regulatory adjustments applied on CET1 capital				
Goodwill	(36,442)	(36,442)	-	-
Other intangibles	(4,170)	(5,304)	(2,513)	(2,582)
Deferred tax assets	(9,158)	(7,462)	(7,153)	(4,899)
Regulatory reserve	(2,800)	(2,800)	(2,800)	(2,800)
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	-	-	(39,847)	(8,321)
Deduction in excess of Tier 2 *	-	-	(6,458)	(1,477)
CET1 capital/T1 capital	**533,447**	**609,108**	**432,972**	**504,365**
Tier 2 ("T2") capital				
Collective impairment provisions and regulatory reserves	3,505	4,072	3,505	4,072
Less : Regulatory adjustments applied on T2 capital	-	-	(3,505)	(4,072)
T2 capital	**3,505**	**4,072**	**-**	**-**
Total Capital	**536,952**	**613,180**	**432,972**	**504,365**

*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	
	2017	**2016 (Restated)**	**2017**	**2016 (Restated)**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Credit risk	824,747	1,107,660	1,015,958	1,123,172
Market risk	35,133	52,532	20,158	35,866
Operational risk	531,513	559,382	279,251	309,658
	1,391,393	1,719,574	1,315,367	1,468,696

42. RISK MANAGEMENT

42.1 GENERAL RISK MANAGEMENT

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

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

The Risk Appetite Framework provides portfolio limits/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

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.

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 Group's capital requirements are robustly tested over a three year period.

We adopt a conservative approach to liquidity management, maintaining stable and diversified funding base consistent with Basel III liquidity matrix (Net Stable Funds Ratio, and Liquidity Coverage Ratios).

AMMB Group manages operational risk by setting the operational risk appetite statements and measurements that AMMB Group is willing to tolerate to support its business strategies and objectives. 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. 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.

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 AmBank Islamic's Shariah Committee.

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 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.

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

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 • Select asset and portfolio mix
Assessment/ Measurement	• Internal credit rating system • Probability of default ("PD") • Loss given default ("LGD") • Exposure at default ("EAD")
Control/ Mitigation	• Portfolio Limits, Counterparty Limits, • Wholesale Pricing • Collateral and tailored facility structures
Monitoring/ Review	• Monitor and report portfolio mix • Review customer under Classified Account • Review customers under Rescheduled and Restructured Account • Undertake post mortem credit review

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

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

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

For retail credits, credit-scoring systems to better differentiate the quality of borrowers are being used to complement the credit assessment and approval processes.

To support credit risk management, our rating models for major portfolios have been upgraded to facilitate:

- improvement in the accuracy of individual obligor risk ratings;
- enhancement to pricing models;
- loan loss provision calculation;
- stress-testing; and
- enhancement to portfolio management.

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 AMMB Group’s optimal portfolio mix. Credit Risk portfolio management strategies include, amongst others:

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

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

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

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

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

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

Credit risk exposure and concentration

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

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

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

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

42.2.1a Industry Analysis of the Group

Group 2017	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail, Restaurant, and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	-	-	-	-	-	-	-	584,252	139	-	-	-	-	-	584,391
Financial investments held-to-maturity															
Money Market Securities	-	-	-	-	-	-	-	-	29,543	-	-	-	-	-	29,543
Unquoted Private Debt Securities	-	-	-	-	-	-	-	100	75,000	-	-	-	-	-	75,100
Loans and advances															
Other loans and advances net of individual allowance	861	-	-	-	-	-	-	-	-	3,806	48,389	-	239,474	-	292,530
Less : Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(705)
															291,825
Other financial assets	2	582	110	216	1,113	389	209	175,643	36,120	177	28,218	3,081	46,385	169,760	462,005
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-	5,330	-	-	-	-	-	5,330
Total financial assets	863	582	110	216	1,113	389	209	759,995	146,132	3,983	76,607	3,081	285,859	169,760	1,448,194
Commitments															
Irrevocable commitments to extend credit	-	-	-	-	-	-	-	-	-	9,675	-	-	193,479	-	203,154
Contingent liabilities															
Direct credit substitutes	-	-	-	-	3,391	-	-	-	-	-	-	-	-	-	3,391
Total commitment & contingent liabilities	-	-	-	-	3,391	-	-	-	-	9,675	-	-	193,479	-	206,545

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

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

Group 2016 (Restated)	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail, Restaurant, and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	-	-	-	-	-	-	-	560,006	299	-	-	-	-	-	560,305
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	130,975	5,494	104	16,533	4,158	197,789	357,432	715,928
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-	2,591	-	-	-	-	-	2,591
Total financial assets	1,465	1	530	370	1,556	218	164	691,083	83,384	4,337	57,839	4,158	454,559	357,432	1,655,823
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

Bank 2017	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail, Restaurant, and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	-	-	-	-	-	-	-	471,429	139	-	-	-	-	-	471,568
Financial investments held-to-maturity															
Money Market Securities	-	-	-	-	-	-	-	-	29,543	-	-	-	-	-	29,543
Unquoted Private Debt Securities	-	-	-	-	-	-	-	100	75,000	-	-	-	-	-	75,100
Loans and advances															
Other loans and advances net of individual allowance	861	-	-	-	-	-	-	-	-	3,806	48,389	-	239,474	-	292,530
Less : Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(705)
															291,825
Other financial assets	2	582	110	216	1,113	389	209	178,793	5,257	177	28,217	3,081	46,385	168,194	432,724
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-	5,330	-	-	-	-	-	5,330
Total financial assets	863	582	110	216	1,113	389	209	650,322	115,269	3,983	76,606	3,081	285,859	168,194	1,306,090
Commitments															
Irrevocable commitments to extend credit	-	-	-	-	-	-	-	-	-	9,675	-	-	193,479	-	203,154
Contingent liabilities															
Direct credit substitutes	-	-	-	-	3,391	-	-	-	-	-	-	-	-	-	3,391
Total commitment & contingent liabilities	-	-	-	-	3,391	-	-	-	-	9,675	-	-	193,479	-	206,545

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

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

Bank **2016 (Restated)**	**Agriculture RM'000**	**Mining and Quarrying RM'000**	**Manufacturing RM'000**	**Electricity, Gas and Water RM'000**	**Construction RM'000**	**Wholesale, Retail, Restaurant, and Hotel RM'000**	**Transport, Storage and Communication RM'000**	**Finance and Insurance RM'000**	**Government and Central Banks RM'000**	**Real Estate RM'000**	**Business Activities RM'000**	**Education and Health RM'000**	**Household RM'000**	**Others RM'000**	**Total RM'000**
Cash and short-term funds	-	-	-	-	-	-	-	458,236	299	-	-	-	-	-	458,535
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	86,070	4,596	104	16,533	4,158	197,789	352,319	665,012
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-	2,591	-	-	-	-	-	2,591
Total financial assets	1,465	1	530	370	1,556	218	164	544,408	82,486	4,337	57,839	4,158	454,559	352,319	1,503,137
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.)

42.2.1b Geographical Analysis of the Group

	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Group			
2017			
Cash and short-term funds	565,536	18,855	584,391
Financial investments held-to-maturity			
Money Market Securities	29,543	-	29,543
Unquoted Private Debt Securities	75,100	-	75,100
Loans and advances			
Other loans and advances net of individual allowance	292,530	-	292,530
Less : Collective allowance	-	-	(705)
	292,530	-	291,825
Other financial assets	460,402	1,603	462,005
Statutory deposit with Bank Negara Malaysia	5,330	-	5,330
Total financial assets	1,428,441	20,458	1,448,194
Commitments			
Irrevocable commitments to extend credit	203,154	-	203,154
Contingent liabilities			
Direct credit substitutes	3,391	-	3,391
Total commitments and contingent liabilities	206,545	-	206,545

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			
2016 (Restated)			
Cash and short-term funds	543,745	16,560	560,305
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	710,792	5,136	715,928
Statutory deposit with Bank Negara Malaysia	2,591	-	2,591
Total financial assets	1,635,399	21,696	1,655,823
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

	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Bank			
2017			
Cash and short-term funds	452,713	18,855	471,568
Financial investments held-to-maturity			
Money Market Securities	29,543	-	29,543
Unquoted Private Debt Securities	75,100	-	75,100
Loans and advances			
Other loans and advances net of individual allowance	292,530	-	292,530
Less : Collective allowance	-	-	(705)
	292,530	-	291,825
Other financial assets	432,689	35	432,724
Statutory deposit with Bank Negara Malaysia	5,330	-	5,330
Total financial assets	1,287,905	18,890	1,306,090
Commitments			
Irrevocable commitments to extend credit	203,154	-	203,154
Contingent liabilities			
Direct credit substitutes	3,391	-	3,391
Total commitments and contingent liabilities	206,545	-	206,545

42. RISK MANAGEMENT (CONT'D.)

42.2 CREDIT RISK MANAGEMENT (CONT'D.)

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

Bank **2016 (Restated)**	**In Malaysia** **RM'000**	**Outside Malaysia** **RM'000**	**Total** **RM'000**
Cash and short-term funds	441,975	16,560	458,535
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	664,981	31	665,012
Statutory deposit with Bank Negara Malaysia	2,591	-	2,591
Total financial assets	1,487,818	16,591	1,503,137
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.)

42.2.2 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 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 are currently aligned to 8 rating categories (7 for non-defaulted and 1 for those that have defaulted) in accordance with the Capital Adequacy Framework (Basel II – Risk-Weighted Assets). The following categories based on the descriptions are appended below.

Description of the categories for 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:- i. Exceptionally solid and stable operating and financial performance. ii. Debt servicing capacity has been exceptionally strong over the long term. iii. All available information, of which there is a substantial quantity of extremely high quality, supports the view that these historical performance standards will be maintained for the foreseeable future. iv. Highly unlikely to be adversely affected by foreseeable events.
Very strong	Strong government institutions or institutional clients, with identifiably higher, albeit modest, long term risk but still demonstrating solid and stable operating and financial performance. The key characteristics are:- i. Based on their activities, financial profile and past capacity to repay, counterparties with this rating carry a small, but clearly identifiable degree of risk. ii. Debt servicing capacity in previous period has been substantial and solid, and is projected to continue over the medium term but may be more vulnerable to changes in business, economic and financial conditions than is the case for stronger ratings.
Strong	Counterparties demonstrate medium to long-term operational and financial stability and consistency but they are identifiably susceptible to cyclical trends or variability in earnings. The key characteristics are:- i. Counterparties present an identifiable degree of generally acceptable risk, possibly expressing itself as variability in financial and/ or operating performance. ii. Debt servicing capacity is quite good but adverse changes in circumstances and economic conditions are more likely to impair this capacity.
Satisfactory	Counterparties demonstrate adequate medium term operational and financial stability. Protection factors are considered sufficient for prudent investment. The key characteristics are:- i. Counterparties present a mostly satisfactory risk that requires mitigation, possibly expressing itself as variability in financial and/ or operating performance. ii. Debt servicing capacity is satisfactory but adverse changes in circumstances and economic condition may impair this capacity. iii. Counterparty's financial and/ or non-financial profile provides a limited buffer to mitigate the negative impact of any future adverse changes in circumstances and economic conditions.

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

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 and advance is classified as impaired under the following circumstances:

(a) when the principal or interest or both is past due or the amount outstanding is in excess of approved limit (for revolving facilities), each for more than 90 days or 3 months on any material obligation[1]; or

(b) for loans and advances where repayments are scheduled on intervals of 3 months or longer, the loan and advance is to be classified as impaired 1+30 days or 1 day +1 month past due (the 30-days grace period is to allow for exclusion of administrative default[2]).

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

(d) a loan and advance may also be classified as impaired:

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

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

The 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 Forum.

[1] Material obligation as determined by Management. Current “material” threshold is set at more than RM200.00.

[2] Administrative defaults include cases where exposures become overdue because of oversight on the part of the obligor and/or the banking institution. Instances of administrative defaults may be excluded from the historical default count, subject to appropriate policies and procedures established by the banking institution to evaluate and approve such cases.

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[3] for reasons other than payment in default (as outlined in the Trust Deeds Guidelines issued by the Securities Commission of Malaysia ("SC")); or

iii. Where it is deemed appropriate to classify as impaired and approved by the Watchlist Forum.

(f) in the case of stock broking and futures broking:

i. For margin financing, the account is impaired after 7 days when there is shortfall to market value i.e. the collateral value is lower than the outstanding balance.

ii. For futures business, the account is impaired when the overlosses are not remedied within 30 days and are not secured against dealer's retention funds.

(g) The loan is deemed impaired when it is classified as R&R in the Central Credit Reference Information System ("CCRIS").

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

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													
2017													
Cash and short-term funds	18,856	565,534	1	-	-	-	-	-	-	-	584,391	-	-
Financial investments held-to-maturity													
Money Market Securities	-	29,543	-	-			-	-	-	-	29,543	-	-
Unquoted Private Debt Securities	-	75,000	-	-	-	-	-	100	-	-	75,100	-	-
Gross loans and advances													
Other loans and advances	-	-	237,702	54,828	-	-	-	-	-	2,163	294,693	2,163	(2,163)
Other financial assets	-	52,770	103,048	30,725	4,199	38	22,538	247,306	1,402	9,752	471,778	9,752	(9,773)
Statutory deposit with Bank Negara Malaysia	-	5,330	-	-	-	-	-	-	-	-	5,330	-	-
	18,856	728,177	340,751	85,553	4,199	38	22,538	247,406	1,402	11,915	1,460,835	11,915	(11,936)

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													
2016 (Restated)													
Cash and short-term funds	16,548	543,754	3	-	-	-	-	-	-	-	560,305	-	-
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	-	-	244,765	58,404	-	-	-	-	-	2,251	305,420	2,251	(2,251)
Other financial assets	-	56,177	32,613	14,531	4,204	1,124	18,565	581,187	1,004	15,410	724,815	15,410	(8,887)
Statutory deposit with Bank Negara Malaysia	-	2,591	-	-	-	-	-	-	-	-	2,591	-	-
	16,548	677,522	277,381	72,935	4,204	1,124	18,565	581,289	1,004	17,661	1,668,233	17,661	(11,138)

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													
2017													
Cash and short-term funds	18,856	452,711	1	-	-	-	-	-	-	-	471,568	-	-
Financial investments held-to-maturity													
Money Market Securities	-	29,543	-	-	-	-	-	-	-	-	29,543	-	-
Unquoted Private Debt Securities	-	75,000	-	-	-	-	-	100	-	-	75,100	-	-
Gross loans and advances													
Other loans and advances	-	-	237,702	54,828	-	-	-	-	-	2,163	294,693	2,163	(2,163)
Other financial assets	-	30,518	97,603	30,725	4,199	38	22,538	245,721	1,402	3,769	436,513	3,769	(3,789)
Statutory deposit with Bank Negara Malaysia	-	5,330	-	-	-	-	-	-	-	-	5,330	-	-
	18,856	593,102	335,306	85,553	4,199	38	22,538	245,821	1,402	5,932	1,312,747	5,932	(5,952)

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													
2016 (Restated)													
Cash and short-term funds	16,548	441,984	3	-	-	-	-	-	-	-	458,535	-	-
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	-	-	244,765	58,404	-	-	-	-	-	2,251	305,420	2,251	(2,251)
Other financial assets	-	32,324	32,612	14,531	4,204	1,124	18,565	559,224	1,004	7,413	671,001	7,413	(5,989)
Statutory deposit with Bank Negara Malaysia	-	2,591	-	-	-	-	-	-	-	-	2,591	-	-
	16,548	551,899	277,380	72,935	4,204	1,124	18,565	559,326	1,004	9,664	1,512,649	9,664	(8,240)

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					
2017					
Other financial assets	-	1,350	50	2	1,402
2016					
Other financial assets	-	700	225	79	1,004
Bank					
2017					
Other financial assets	-	1,350	50	2	1,402
2016					
Other financial assets	-	700	225	79	1,004

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Group and Bank						
Gross loans and advances						
Share margin financing	239,865	247,016	237,702	244,765	2,163	2,251
Revolving credits	52,694	55,725	52,694	55,725	-	-
Staff loans	2,134	2,679	2,134	2,679	-	-
	294,693	305,420	292,530	303,169	2,163	2,251

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 and advances[4] 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.

[4] Excluding loans and advances with an explicit guarantee from the Government of Malaysia.

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 • Review market-related information such as market trend and economic data • Keep abreast with regulatory requirements
Assessment/ Measurement	• Liquidity Coverage Ratio ('LCR') • Other Detailed Management Controls
Control/ Mitigation	• LCR Limits • Other Detailed Management Limits
Monitoring/ Review	• Monitor limits • Periodical review and reporting

The liquidity risk management of the Bank is aligned to BNM's Liquidity Coverage Ratio ("LCR") issued by BNM. 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 2017	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	584,690	-	-	-	-	-	-	584,690
Financial assets held-for-trading	-	-	-	-	-	-	955	955
Financial investments available-for-sale	-	-	-	-	-	-	11,720	11,720
Financial investments held-to-maturity	-	-	31,551	1,577	12,619	93,774	-	139,521
Gross loans and advances	289,011	3,885	702	366	1,708	1,039	-	296,712
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	5,330	-	5,330
Deferred tax assets	-	-	-	-	-	-	8,868	8,868
Other assets	441,635	1,626	7,327	53,445	9,522	95	-	513,650
Property and equipment	-	-	-	-	-	-	21,446	21,446
Intangible assets	-	-	-	-	-	-	40,612	40,612
Total Undiscounted Assets	1,315,336	5,511	39,580	55,388	23,849	100,238	83,601	1,623,504
Liabilities								
Deposits and placements of banks and other financial institutions	101,210	303,511	151,810	-	-	-	-	556,531
Derivative financial liabilities	12	-	-	-	-	-	-	12
Other liabilities	419,249	21,613	-	3,348	140	-	-	444,350
Total Undiscounted Liabilities	520,471	325,124	151,810	3,348	140	-	-	1,000,893
Net Undiscounted Assets/(Liabilities)	794,865	(319,612)	(112,230)	52,040	23,709	100,238	83,601	622,611

2017	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	172,125	31,010	-	-	19	-	-	203,154
Contingent liabilities								
Direct credit substitutes	-	-	3,391	-	-	-	-	3,391
Total commitments and contingent liabilities	172,125	31,010	3,391	-	19	-	-	206,545

42. RISK MANAGEMENT (CONT'D.)

42.3 Liquidity Risk Management (Cont'd.)

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

Group 2016 (Restated)	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Assets								
Cash and short-term funds	572,691	-	-	-	-	-	-	572,691
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	-	308,273
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	2,591	-	2,591
Deferred tax assets	-	-	-	-	-	-	7,105	7,105
Other assets	664,900	2,312	11,870	57,003	10,339	216	-	746,640
Property and equipment	-	-	-	-	-	-	22,454	22,454
Intangible assets	-	-	-	-	-	-	41,746	41,746
Total Undiscounted Assets	1,527,764	13,428	14,392	59,022	27,263	100,969	83,557	1,826,393
Liabilities								
Deposits and placements of banks and other financial institutions	151,447	252,270	-	-	-	-	-	403,717
Derivative financial liabilities	4	-	-	-	-	-	-	4
Other liabilities	697,063	17,586	-	164	-	-	-	714,813
Total Undiscounted Liabilities	848,514	269,856	-	164	-	-	-	1,118,534
Net Undiscounted Assets/(Liabilities)	679,250	(256,429)	14,392	58,858	27,263	100,969	83,557	707,859

2016 (Restated)

	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
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 (Cont'd.)

Bank **2017**	**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	471,867	-	-	-	-	-	-	471,867
Financial assets held-for-trading	-	-	-	-	-	-	955	955
Financial investments available-for-sale	-	-	-	-	-	-	11,720	11,720
Financial investments held-to-maturity	-	-	31,551	1,577	12,619	93,774	-	139,521
Gross loans and advances	289,011	3,885	702	366	1,708	1,039	-	296,712
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	5,330	-	5,330
Deferred tax assets	-	-	-	-	-	-	6,863	6,863
Investment in subsidiaries	-	-	-	-	-	-	68,927	68,927
Other assets	423,408	1,626	1,466	48,254	9,521	95	-	484,370
Property and equipment	-	-	-	-	-	-	20,338	20,338
Intangible assets	-	-	-	-	-	-	2,513	2,513
Total Undiscounted Assets	1,184,285	5,511	33,719	50,198	23,849	100,238	111,316	1,509,117
Liabilities								
Deposits and placements of banks and other financial institutions	101,210	303,511	151,810	-	-	-	-	556,531
Derivative financial liabilities	12	-	-	-	-	-	-	12
Other liabilities	403,906	16,845	-	3,346	140	-	-	424,237
Total Undiscounted Liabilities	505,128	320,356	151,810	3,346	140	-	-	980,780
Net Undiscounted Assets/(Liabilities)	679,157	(314,844)	(118,091)	46,852	23,709	100,238	111,316	528,336

2017	**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	172,125	31,010		-	19	-	-	203,154
Contingent liabilities								
Direct credit substitutes		-	3,391	-	-	-	-	3,391
Total commitments and contingent liabilities	172,125	31,010	3,391	-	19	-	-	206,545

42. RISK MANAGEMENT (CONT'D.)

42.3 Liquidity Risk Management (Cont'd.)

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

Bank 2016 (Restated)	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Assets								
Cash and short-term funds	470,431	-	-	-	-	-	-	470,431
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	647,522	2,312	1,768	57,002	10,339	216	-	719,158
Propety and equipment	-	-	-	-	-	-	21,348	21,348
Intangible assets	-	-	-	-	-	-	2,542	2,542
Asset held for sale	-	-	-	100	-	-	-	100
Total Undiscounted Assets	1,408,125	13,428	4,290	59,121	27,263	100,969	59,815	1,673,010
Liabilities								
Deposits and placements of banks and other financial institutions	151,447	252,270	-	-	-	-	-	403,717
Derivative financial liabilities	4	-	-	-	-	-	-	4
Other liabilities	683,507	11,980	-	164	-	-	-	695,651
Total Undiscounted Liabilities	834,958	264,250	-	164	-	-	-	1,099,372
Net Undiscounted Assets/(Liabilities)	573,166	(250,822)	4,290	58,957	27,263	100,969	59,815	573,638

2016 (Restated)	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
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.)

42.4 MARKET RISK MANAGEMENT

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

Traded Market Risk

The TMR management process is depicted in the table below.

Identification	• Identify market risks within existing and new products. • Review market-related information such as market trends and economic data.
Assessment/ Measurement	• Value-at-Risk ("VaR") • Loss Limit • Historical Stress Loss ("HSL") • Other Detailed Management Controls
Control/ Mitigation	• VaR Limits • Loss Limits/Triggers (Annual/Monthly/Daily) • HSL Limit • Position Size Limits • Maximum Tenor Limits • Maximum Holding Period • Minimum Holding Period • Approved Portfolio Products • Approved Contries/Currencies • Other Detailed Management Limits
Monitoring/ Review	• Monitor limits • Periodical review and reporting

TMR arises from transactions in which the Group acts as principal with clients or the market. It involves taking positions in fixed income, equity, foreign exchange, commodities and/or derivatives. The objectives of TMR management are to understand, accurately measure and work with the business to ensure exposures are managed within the Board and Group CEOs committee approved limit structures and risk appetite. This is done via robust traded market risk measurement, limit setting, limit monitoring, and collaboration and agreement with Business Units.

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

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

42. RISK MANAGEMENT (CONT'D.)

42.4 MARKET RISK MANAGEMENT (CONT'D.)

Traded Market Risk (Cont'd.)

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

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

IBMR is committed to on-going improvements in market risk processes and systems, and allocates substantial resources to this endeavour.

Non-Traded Market Risk

Interest Rate Risk/Rate of Return Risk in Banking Book ("IRR/RORBB")

The IRR/RORBB risk management process is depicted in the table below:

Identification	• Identify IRR/RORBB within existing and new products • Review market-related information such as market trend and economic data
Assessment/ Measurement	• VaR • Earnings-at-Risk ("EaR") • PV01 • Other Detailed Management Controls
Control/ Mitigation	• VaR limits • EaR limits • PV01 limits
Monitoring/ Review	• Monitor limits • Periodical review and reporting

IRR/RORBB arises from changes in market interest/profit rates that impact core net interest/profit income, future cash flows or fair values of financial instruments. This risk arises from mismatches between repricing dates of assets and liabilities, changes in yield curves, volatilities in interest/profit margins and implied volatilities on interest/profit rate options. The provision of retail and wholesale banking products and services (primarily lending 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

	2017		**2016**	
	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	501	(501)	338	(338)
Impact on Equity	-	-	-	-

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

	2017		2016	
	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	501	(501)	338	(338)
Impact on Equity	-	-	-	-

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

(ii) Foreign Exchange Risk

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

	2017		2016 (Restated)	
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	8,327	(8,327)	1,097	(1,097)
SGD	1,930	(1,930)	571	(571)
AUD	25	(25)	(44)	44
EUR	16	(16)	24	(24)
JPY	1	(1)	12	(12)
GBP	3	(3)	1	(1)
Others	1	(1)	5	(5)
Bank				
USD	5,731	(5,731)	1,097	(1,097)
SGD	1,831	(1,831)	534	(534)
AUD	5	(5)	-	-
EUR	16	(16)	24	(24)
JPY	1	(1)	12	(12)
GBP	3	(3)	1	(1)
Others	1	(1)	5	(5)

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.

	2017		2016	
	Prices + 10 % (RM'000)	Prices - 10 % (RM'000)	Prices + 10 % (RM'000)	Prices - 10 % (RM'000)
The Group				
Impact on profit before taxation	(9)	9	2	(2)
Impact on equity	-	-	-	-
The Bank				
Impact on profit before taxation	(9)	9	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 • Risk and Control Self-Assessment • Key Risk Indicators • Key Control Testing
Control/ Mitigation	• Policies addressing control and governance requirements to mitigate specific operational risk • Advisory on the establishment of internal controls • Contingency planning
Monitoring/ Review	• Monitoring and reporting of loss incidents by Event Type, Portfolio and Line of Business and entity, reporting of operational risk board and management triggers, risk profile status, key risk indicator breaches and key control testing exceptions • Periodical review of risk profile within Line of Business

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external incidents which includes but is not limited to legal risk. It excludes strategic, systemic and reputational risk.

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 Worksplace Safety;
- Client, Products and Business Practices;
- Business Disruption, System Failures and Damage to Physical Assets; and
- Execution, Delivery and Process Management.

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

- The first line of defence is 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.

Business Continuity Management

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

Identification	• Identify events that potentially threaten the business operations and areas of criticality.
Assessment/ Measurement	• Business Impact Analysis • Threat Assessment
Control/ Mitigation	• Policies governing the BCM implementation • BCM methodologies controlling the process flow • Implementing the Business Continuity Plan
Monitoring/ Review	• BCM Plan testing and exercise • Review of BCM Plan • Plan maintenance

The 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.

42. RISK MANAGEMENT (CONT'D.)

42.5 OPERATIONAL RISK MANAGEMENT (CONT'D.)

Business Continuity Management (Cont'd.)

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 judgement, failure to respond to changes in regulatory framework and failure to protect assets (including intellectual properties) owned by the banks which may lead to incurrence of losses, disruption or otherwise impact on the Group’s financials or reputation.

Legal risk is overseen by 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.

42.7 REGULATORY COMPLIANCE RISK

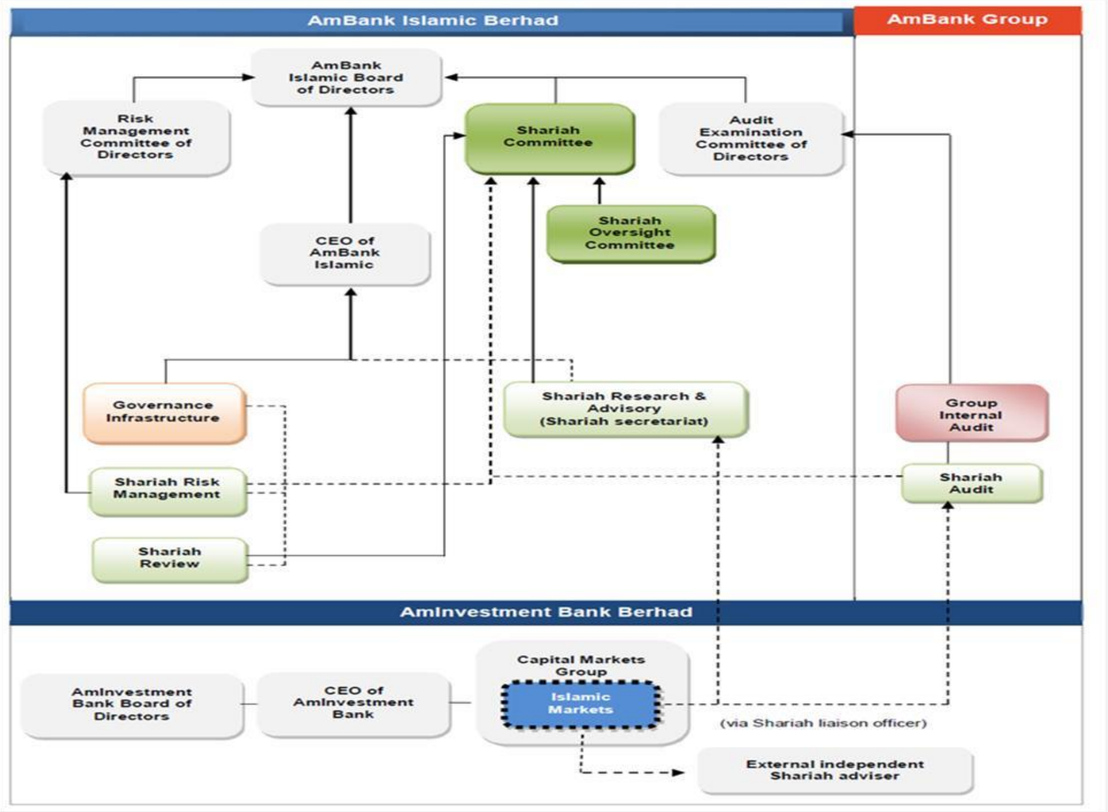
The Group has in place a compliance framework to promote the safety and soundness of the Group by minimising financial, reputational and operational risks arising from regulatory non-compliance.

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

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

42. RISK MANAGEMENT (CONT'D.)

42.8 SHARIAH GOVERNANCE STRUCTURE



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

The Bank adopts a leverage model (with some minor refinements/enhancements during the current financial period) whereby, through its Islamic window i.e. Islamic Markets ("IM"), it leverages on AmBank Islamic Shariah Governance Structure, including the Shariah Committee of AmBank Islamic. Alternatively, IM 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.

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.

Risk Management Committee of Directors
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.

42. RISK MANAGEMENT (CONT'D.)

42.8 SHARIAH GOVERNANCE STRUCTURE (CONT'D.)

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, IM

As per the leveraging model, the Bank via IM leverages on AmBank Islamic Shariah Governance Structure, through its appointed Shariah Liaison Officer(s) who shall communicate with the Shariah Secretariat in escalating Shariah matters/issues to the Shariah Committee, if any. IM 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, also 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 IM, 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

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

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

Shariah Advisory

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

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

Ultimately, all Shariah advise dispensed by IM be in line with the Shariah Resolutions (fatwa) issued by SAC of BNM and/or the SC, at all time.

Shariah Risk Management

IM shall identify, measure, monitor and control the occurrence of Shariah non-compliance risks and to mitigate any possible non-compliant events. As per the leveraging model, the Shariah risk assessment will be reported to the Group Risk infrastructure . Endorsement by the appointed Shariah adviser for all Islamic capital market products shall provide the assurance that the Islamic capital market product satisfies the Shariah compliance.

42. RISK MANAGEMENT (CONT'D.)

42.8 SHARIAH GOVERNANCE STRUCTURE (CONT'D.)

Shariah Risk Management (Cont'd.)

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 Islamic Markets and Shariah Adviser (Shariah committee and/or independent Shariah adviser); 3rd – Shariah Audit.

Shariah Review

IM shall review the structure, terms and conditions, documentation and issuance process of Islamic capital market products. Endorsement by the appointed Shariah adviser as part of the requirement by the Securities Commission for all the Islamic capital market products serves as assurance that the Islamic capital market products are Shariah compliant.

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.

42.8.1 Shariah Non-Compliant Income

There was no shariah non-compliant incidents and income during the financial period ended 31 March 2017 (Nil for the financial year ended 31 March 2016).

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 various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

In addition, fair value information for non-financial assets and liabilities such as investments in subsidiaries and other investment and deferred taxation are excluded, as they do not fall within the scope of MFRS 7 Financial Instruments: Disclosure and Presentation, which requires the fair value information to be disclosed.

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

Group and Bank

	2017		2016	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial Assets				
Financial investments held-to-maturity	104,643	102,312	75,100	72,978

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

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

2017	Group Level 1 RM'000	Group Level 2 RM'000	Group Level 3 RM'000	Group Total RM'000	Bank Level 1 RM'000	Bank Level 2 RM'000	Bank Level 3 RM'000	Bank Total RM'000
Assets measured at fair value								
Financial assets held-for-trading								
- Quoted Securities	955	-	-	955	955	-	-	955
Assets for which fair values are disclosed								
Financial investments held-to-maturity								
- Money Market Securities	-	29,566	-	29,566	-	29,566	-	29,566
- Unquoted private debt securities	-	72,646	100	72,746	-	72,646	100	72,746
	-	102,212	100	102,312	-	102,212	100	102,312
Liabilities measured at fair value								
Derivative financial liabilities	12	-	-	12	12	-	-	12

2016	Group Level 1 RM'000	Group Level 2 RM'000	Group Level 3 RM'000	Group Total RM'000	Bank Level 1 RM'000	Bank Level 2 RM'000	Bank Level 3 RM'000	Bank Total 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

43. FAIR VALUES OF FINANCIAL INSTRUMENTS

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 (Cont'd.)

(d) Financial investments available-for-sale

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

(e) Other trading assets

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

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

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

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. Fund Management – comprises the asset and fund management services, offering a variety of investment solutions for various assets classess to retail, corporate and institutional clients;

iii. Private Banking – manages the private wealth of high net worth individuals, family groups and companies by offering comprehensive wealth management solutions and integrated access to expertise and resources of AMMB Group;

iv. Corporate finance – provides an extensive range of corporate finance and advisory services which include mergers and acquisitions, divestitures, take-overs, initial public offerings, restructuring, privatisations, issuance of equity and equity-linked instruments as well as valuation support;

v. Capital 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;

vi. Others – include other non-core Wholesale Banking activities within the Group which includes Markets and Corporate and Commercial Banking.

(b) Group Funding and Others

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

2. Measurements of Segment Performance

The segment performance is measured on income, expenses and profit basis. These are shown after allocation of certain centralised cost, funding income and expenses and expenses directly associated with each segment. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

3. Operating Revenue

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

4. Major customers

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

Note:
The revenue generated by a majority of the operating segments substantially comprise finance income. The Chief Operating Decision Maker relies primarily on the net finance income information to assess the performance of, and to make decisions about resources to be allocated to these operating segments.

44. BUSINESS SEGMENT ANALYSIS (CONT'D.)

	Wholesale Banking							
2017 Group	**Equity Markets RM'000**	**Fund Management 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	66,680	125,821	32,873	18,713	19,521	50	23,763	287,421
Revenue from other segments	220	-	(1,952)	(18)	(118)	(18)	1,886	-
Revenue	66,900	125,821	30,921	18,695	19,403	32	25,649	287,421
Net interest income/(expense)	20,101	1,615	694	(18)	(118)	(20)	(134)	22,120
Other operating income (net of direct costs)	46,394	123,989	30,227	18,713	19,521	52	6,379	245,275
Gain on disposal of an associate	-	-	-	-	-	-	560	560
Income	66,495	125,604	30,921	18,695	19,403	32	6,805	267,955
Other operating expenses	(58,668)	(72,793)	(19,168)	(16,883)	(9,300)	(6,089)	(18,853)	(201,754)
of which:								
Depreciation of property and equipment	(1,074)	(367)	(239)	(57)	(35)	(463)	(837)	(3,072)
Amortisation of intangible assets	(806)	(1,303)	(36)	(8)	(1)	(85)	-	(2,239)
Profit/(loss) before impairment losses	7,827	52,811	11,753	1,812	10,103	(6,057)	(12,048)	66,201
Writeback/(allowance) for impairment on loan and advances	643	-	37	-	-	5	(30)	655
(Allowance)/writeback for impairment losses other assets	(1,264)	-	-	40	-	-	-	(1,224)
(Allowance)/writeback of provision for commitments and contingencies	(115)	-	(48)	-	-	18	(6,034)	(6,179)
Profit/(loss) before taxation	7,091	52,811	11,742	1,852	10,103	(6,034)	(18,112)	59,453
Taxation	(2,321)	(10,331)	(2,818)	(445)	(2,425)	1,448	(1,494)	(18,386)
Profit/(loss) for the period	4,770	42,480	8,924	1,407	7,678	(4,586)	(19,606)	41,067
Other information:								
Total segment assets	903,033	154,165	56,968	2,232	6,561	2,086	459,108	1,584,153
Total segment liabilities	580,829	25,248	5,269	1,323	2,978	3,151	379,338	998,136
Cost to income ratio	88.2%	58.0%	62.0%	90.3%	47.9%	>100%	>100%	75.3%
Gross loans and advances	239,865	-	52,694	-	-	-	2,134	294,693
Net loans and advances	237,222	-	52,567	-	-	-	2,036	291,825
Impaired loans and advances	2,163	-	-	-	-	-	-	2,163
Total deposits and placements	-	-	-	-	-	-	550,000	550,000
Additions to:								
Property and equipment	902	376	105	12	-	936	61	2,392
Intangible assets	638	239	-	-	-	225	3	1,105

44. BUSINESS SEGMENT ANALYSIS (CONT'D.)

2016 (Restated) Group	Wholesale Banking							
	Equity Markets RM'000	Fund Management 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	134,235	29,447	23,208	24,025	1,046	51,403	353,417
Revenue from other segments	425	-	(1,967)	(29)	(274)	(28)	1,873	-
Revenue	90,478	134,235	27,480	23,179	23,751	1,018	53,276	353,417
Net interest income/(expenses)	22,179	2,043	746	(29)	(273)	(28)	(3,616)	21,022
Other operating income (net of direct costs)	55,962	132,192	26,734	23,208	24,024	1,046	26,783	289,949
Gain on disposal of a subsidiary	11,935	-	-	-	-	-	-	11,935
Income	90,076	134,235	27,480	23,179	23,751	1,018	23,167	322,906
Share in results of an associate	-	-	-	-	-	-	552	552
Other operating expenses	(59,296)	(70,697)	(17,805)	(12,903)	(10,513)	(4,881)	(16,767)	(192,862)
of which:								
Depreciation of property and equipment	(946)	(375)	(252)	(56)	(31)	(593)	(794)	(3,047)
Amortisation of intangible assets	(724)	(1,388)	(27)	(6)	(2)	(105)	(1)	(2,253)
Profit/(loss) before impairment losses	30,780	63,538	9,675	10,276	13,238	(3,863)	6,952	130,596
Writeback/(allowance) for impairment on loan and advances	120	-	(40)	-	-	(4)	3	79
Allowance for impairment losses other assets	(5,395)	-	-	(20)	(10)	(2)	(660)	(6,087)
Writeback of provision for commitments and contingencies	183	-	8	-	-	(13)	-	178
Profit/(loss) before taxation	25,688	63,538	9,643	10,256	13,228	(3,882)	6,295	124,766
Taxation and zakat	(4,283)	(14,895)	(2,314)	(2,461)	(3,175)	931	1,201	(24,996)
Profit/(loss) for the period	21,405	48,643	7,329	7,795	10,053	(2,951)	7,496	99,770
Other information:								
Total segment assets	1,069,334	166,158	57,890	2,051	10,493	2,538	470,038	1,778,502
Total segment liabilities	796,560	24,176	3,868	1,617	3,205	2,392	285,568	1,117,386
Cost to income ratio	65.8%	52.7%	64.8%	55.7%	44.3%	>100%	70.7%	59.6%
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 and placements	-	-	-	-	-	-	400,000	400,000
Additions to:								
Property and equipment	1,262	2,321	102	70	67	92	44	3,958
Intangible assets	1,574	267	10	17	-	-	-	1,868

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 2017						
Other assets	550,865	(36,502)	514,363	(57,778)	(11,495)	445,090
Other liabilities	484,626	(36,502)	448,124	-	-	448,124
31 March 2016 (Restated)						
Other assets	775,278	(21,947)	753,331	(32,254)	(9,825)	711,252
Other liabilities	739,329	(21,947)	717,382	-	-	717,382
Bank						
31 March 2017						
Other assets	521,585	(36,502)	485,083	(57,778)	(11,495)	415,810
Other liabilities	464,512	(36,502)	428,010	-	-	428,010
31 March 2016 (Restated)						
Other assets	746,422	(21,947)	724,475	(32,254)	(9,825)	682,396
Other liabilities	720,063	(21,947)	698,116	-	-	698,116

46. SIGNIFICANT EVENTS

a) Transfer of futures broking business from AmFutures Sdn Bhd ("AmFutures") to the Bank

During the financial year, the Bank had completed the acquisition of futures broking business ("the Business Transfer") from the Bank's wholly-owned subsidiary, AmFutures. The Business Transfer is part of the Group's internal restructuring plans to achieve operational efficiencies with the capital market intermediary activities undertaken through the Bank.

The Business Transfer which involved the acquisition of assets and liabilities of the futures broking business was completed on 16 August 2016 and the acquisition price was payable by cash amounting to approximately RM 23.2 million based on the book value of the net assets transferred.

The Business Transfer had been accounted for by the Bank via pooling of interests method. Under the pooling of interests method, the results and the financial position of the Business Transfer are included in the financial statements as if the Business Transfer had been effected prior to and throughout the current financial year.

The effect of pooling of interests method for the current financial year is as follows:

	2017 RM'000	2016 RM'000
Operating revenue	5,892	4,745
Interest income	2,457	1,856
Interest expense	(1,314)	(402)
Net interest income	1,143	1,454
Other operating income	3,760	3,846
Direct costs	(325)	(957)
Net income	4,578	4,343
Other operating expenses	(3,053)	(3,309)
Operating profit	1,525	1,034
Allowance for doubtful receivables, net	-	(380)
Profit before taxation	1,525	654
Taxation	(376)	(278)
Profit for the financial year	1,149	376

The effect of pooling of interests method for the comparative period is disclosed in Note 47.

b) Acquisition of fund management entities ("FMEs") from a related company, AmInvestment Group Berhad

On 21 July 2016, the Bank acquired 100% equity interest in AmFunds Management Berhad and AmIslamic Funds Management Sdn Bhd, the FMEs of AmBank Group from a related company, AmInvestment Group Berhad. The acquisition was pursuant to the realignment of all capital markets related activities of AmBank Group, which are under the purview of Securities Commission Malaysia, under the Bank. The equity interest in these subsidiaries are acquired at their book values of RM 49.8 million.

As the Bank and the FMEs above are entities under common control, the transaction has been accounted for via the pooling of interest method. Under the pooling of interest method, the results of both subsidiaries above, together with the assets and liabilities are included in the financial statements of the Group as if the merger had been effected prior to and throughout the current financial year.

46. SIGNIFICANT EVENTS (CONT'D.)

b) Acquisition of fund management entities ("FMEs") from a related company, AmInvestment Group Berhad (Contd.)

The effect of pooling of interests method for the current financial year is as follows:

	2017 RM'000	2016 RM'000
Operating revenue	125,821	134,235
Interest income	1,832	2,043
Interest expense	(217)	-
Net interest income	1,615	2,043
Other operating income	185,145	185,273
Direct costs	(61,156)	(53,081)
Net income	125,604	134,235
Other operating expenses	(72,793)	(70,697)
Profit before taxation	52,811	63,538
Taxation	(10,331)	(14,895)
Profit for the financial year	42,480	48,643

The comparative figures for this financial year had been restated as per Note 47.

Other than disclosed as above, there are no other significant changes in the composition of the Group for the financial year ended 31 March 2017.

47. RESTATEMENT OF COMPARATIVE INFORMATION

The following comparative figures have been restated arising from the effect of pooling of interest method as mentioned in Note 46 above.

(i) Reconciliation of statements of financial position as at 31 March 2016

Group	As previously reported RM'000	Effect of pooling of interests method RM'000	As restated RM'000
Cash and short-term funds	465,737	94,568	560,305
Deferred tax assets	4,542	2,563	7,105
Other assets	729,250	24,081	753,331
Property and equipment	21,356	1,098	22,454
Intangible assets	2,583	39,163	41,746
Total assets	1,617,029	161,473	1,778,502
Other liabilities	697,890	19,492	717,382
Total liabilities	1,097,894	19,492	1,117,386
Reserves	319,135	141,981	461,116
Equity	519,135	141,981	661,116
Total liabilities and equity	1,617,029	161,473	1,778,502

47. RESTATEMENT OF COMPARATIVE INFORMATION

(i) Reconciliation of statements of financial position as at 31 March 2016 (Cont'd.)

Bank	As previously reported	Effect of pooling of interests method	As restated
	RM'000	RM'000	RM'000
Cash and short-term funds	436,104	22,431	458,535
Other assets	702,471	22,004	724,475
Property and equipment	21,348	9	21,357
Intangible assets	2,542	40	2,582
Total assets	1,578,080	44,484	1,622,564
Other liabilities	676,253	21,863	698,116
Total liabilities	1,076,257	21,863	1,098,120
Reserves	301,823	22,621	324,444
Equity	501,823	22,621	524,444
Total liabilities and equity	1,578,080	44,484	1,622,564

(ii) Reconciliation of statement of profit or loss for the financial year ended 31 March 2016

Group	As previously reported	Effect of pooling of interests method	As restated
	RM'000	RM'000	RM'000
Operating revenue	219,181	134,236	353,417
Interest income	41,631	2,043	43,674
Other operating income	183,954	176,504	360,458
Direct costs	(36,315)	(44,311)	(80,626)
Net income	189,222	134,236	323,458
Other operating expenses	(122,165)	(70,697)	(192,862)
Operating profit	67,057	63,539	130,596
Profit before taxation	61,227	63,539	124,766
Taxation	(10,138)	(14,896)	(25,034)
Profit after taxation	51,127	48,643	99,770

Bank	As previously reported	Effect of pooling of interests method	As restated
	RM'000	RM'000	RM'000
Operating revenue	204,788	4,745	209,533
Interest income	39,065	1,856	40,921
Interest expense	(29,541)	(402)	(29,943)
Other operating income	171,722	3,846	175,568
Direct costs	(35,358)	(957)	(36,315)
Net income	175,231	4,343	179,574
Other operating expenses	(116,969)	(3,309)	(120,278)
Operating profit	58,262	1,034	59,296
Provision for doubtful receivables, net	(2,086)	(380)	(2,466)
Profit before taxation	56,359	654	57,013
Taxation	(9,708)	(278)	(9,986)
Profit after taxation	46,689	376	47,065

47. RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

(iii) Reconciliation of statements of changes in equity

	As previously reported RM'000	Effect of pooling of interests method RM'000	As restated RM'000
Group			
As at 31 March 2016			
Merger reserve	7,656	141,981	149,637
As at 31 March 2015			
Merger reserve	7,656	137,420	145,076
Bank			
As at 31 March 2016			
Merger reserve	-	22,621	22,621
As at 31 March 2015			
Merger reserve	-	22,245	22,245

(iv) Reconciliation of condensed statements of cash flows for the financial year ended 31 March 2016

	As previously reported	Effect of pooling of interests method	As restated
Group	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation	61,227	63,539	124,766
Amortisation of intangible assets	865	1,388	2,253
Depreciation of property and equipment	2,672	375	3,047
Scheme shares and options granted under AMMB Executives' Share Scheme	(1,997)	(945)	(2,942)
Net non-trading foreign exchange gain	(492)	34	(458)
Other assets	(96,489)	(2,489)	(98,978)
Other liabilities	122,562	(12,883)	109,679
Taxation paid,net	(3,581)	(14,374)	(17,955)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from other investments	1,041	355	1,396
Proceeds from disposal of property and equipment	86	2,074	2,160
Proceeds from securities – net	30,354	(1,082)	29,272
Purchase of computer software	(1,601)	(267)	(1,868)
Purchase of property and equipment	(1,636)	(2,322)	(3,958)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid by the fund management entities	-	(44,000)	(44,000)

47. RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

(iv) Reconciliation of condensed statements of cash flows for the financial year ended 31 March 2016 (Cont'd.)

Bank

	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation	56,359	654	57,013
Amortisation of intangible assets	832	16	848
Depreciation of property and equipment	2,643	19	2,662
Allowances made for doubtful receivables - net	2,086	380	2,466
Other assets	(108,586)	(11,274)	(119,860)
Other liabilities	138,487	11,041	149,528
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from other investments	1,047	349	1,396
Proceeds from disposal of property and equipment	85	2	87
Purchase of computer software	(1,664)	63	(1,601)
Purchase of property and equipment	(1,661)	(1)	(1,662)

(v) Capital adequacy ratios as at 31 March 2016

	As previously reported	Effect of pooling of interests method	As restated
Group			
Before deducting proposed dividends			
Common Equity Tier 1 ("CET 1") Capital Ratio	34.669%	0.753%	35.422%
Tier 1 Capital Ratio	34.669%	0.753%	35.422%
Total Capital Ratio	34.946%	0.713%	35.659%
After deducting proposed dividends			
CET 1 Capital Ratio	32.352%	1.093%	33.445%
Tier 1 Capital Ratio	32.352%	1.093%	33.445%
Total Capital Ratio	32.630%	1.052%	33.682%
Bank			
Before deducting proposed dividends			
Common Equity Tier 1 ("CET 1") Capital Ratio	33.574%	0.767%	34.341%
Tier 1 Capital Ratio	33.574%	0.767%	34.341%
Total Capital Ratio	33.574%	0.767%	34.341%
After deducting proposed dividends			
CET 1 Capital Ratio	31.204%	0.822%	32.026%
Tier 1 Capital Ratio	31.204%	0.822%	32.026%
Total Capital Ratio	31.204%	0.822%	32.026%

48. ISLAMIC BANKING BUSINESS

The financial position as at 31 March 2017 and the results for the financial year ended 31 March 2017 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 2017

	Note	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
ASSETS			
Cash and short-term funds	(ii)	301,587	287,034
Other receivables, deposits and prepayments		6,136	18,413
Deferred tax assets	(iii)	333	296
Property and equipment	(iv)	12	16
TOTAL ASSETS		308,068	305,759
LIABILITIES AND ISLAMIC BANKING FUNDS			
Other liabilities	(vi)	103,706	114,616
TOTAL LIABILITIES		103,706	114,616
ISLAMIC BANKING FUNDS			
Capital funds	(vii)	30,000	30,000
Reserves		174,362	161,143
Islamic Banking Funds		204,362	191,143
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		308,068	305,759
COMMITMENT AND CONTINGENCIES	(xiv)	-	6,663

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

48. ISLAMIC BANKING BUSINESS (CONT'D.)

STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	Note	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
Income derived from investment of depositors' funds and others	(viii)	2,817	2,959
Total attributable income		2,817	2,959
Income attributable to the depositors	(ix)	(314)	(16)
Profit attributable to the Group and the Bank		2,503	2,943
Income derived from investment of Islamic banking funds	(x)	17,714	26,493
Direct costs	(xi)	(127)	(93)
Total net income		20,090	29,343
Other operating expenses	(xii)	(3,143)	(4,370)
Writeback on impairment/(impairment) on doubtful receivables, net		11	(21)
Profit before taxation		16,958	24,952
Taxation	(xiii)	(3,739)	(5,353)
Zakat		-	38
Profit after taxation and zakat		13,219	19,637

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

48. ISLAMIC BANKING BUSINESS (CONT'D.)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	Non-distributable	Distributable	
	Capital Funds RM'000	Retained Earnings RM'000	Total RM'000
Group and Bank			
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
At 1 April 2016	30,000	161,143	191,143
Profit for the financial year	-	13,219	13,219
At 31 March 2017	30,000	174,362	204,362

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

48. ISLAMIC BANKING BUSINESS (CONT'D.)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	Group and Bank	
	2017	2016
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	16,958	24,952
Add adjustments for:		
Depreciation of property and equipment	8	9
Amortisation of intangible assets	-	1
(Writeback on impairment)/impairment for doubtful receivables - net	(11)	21
Operating profit before working capital changes	16,955	24,983
Decrease in operating assets:		
Other receivables, deposits and prepayments	12,289	5,435
(Decrease)/increase in operating liabilities:		
Other liabilities	(14,687)	11,020
Net cash generated from operating activities	14,557	41,438
Taxation refunded/(paid)	-	-
Net cash generated from operating activities	14,557	41,438
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(4)	-
Net cash used in investing activities	(4)	-
Net increase in cash and cash equivalents	14,553	41,438
Cash and cash equivalents at beginning of the financial year	287,034	245,596
Cash and cash equivalents at end of the financial year	301,587	287,034

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

48. 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 2017 RM'000	Group and Bank 2016 RM'000
Cash and bank balances	281,587	276,633
Deposit placement maturing within one month:		
Licensed banks	20,000	10,401
	301,587	287,034

(iii) DEFERRED TAX ASSETS

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
Balance at beginning of financial year	296	1
Recognised in statements of profit or loss (Note xiii)	37	295
Balance at end of the financial year	333	296

The deferred taxation is in respect of the following:

	2017 RM'000	2016 RM'000
Temporary difference between depreciation and tax allowance	(6)	(6)
Temporary differences from provisions	339	302
	333	296

48. 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
2017				
COST				
At 1 April 2016	88	58	85	231
Additions	-	4	-	4
Disposal	-	(3)	(4)	(7)
Written off	-	(5)	-	(5)
At 31 March 2017	88	54	81	223
ACCUMULATED DEPRECIATION				
At 1 April 2016	88	52	75	215
Depreciation for financial year	-	3	5	8
Disposal	-	(3)	(4)	(7)
Written off	-	(5)	-	(5)
At 31 March 2017	88	47	76	211
NET BOOK VALUE				
At 31 March 2017	-	7	5	12
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

48. ISLAMIC BANKING BUSINESS (CONT'D.)

(v) INTANGIBLE ASSETS

Computer Software	Group and Bank 2017 RM'000	Group and Bank 2016 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	19	18
Amortisation for the financial year	-	1
Balance at end of financial year	19	19
NET CARRYING AMOUNT	-	-

(vi) OTHER LIABILITIES

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
Trade payables	107	1,105
Other payables and accruals	1,125	1,006
Amount due to head office	98,366	106,224
Taxation	4,108	6,281
	103,706	114,616

Amount due to head office is unsecured, non-profit bearing and repayable on demand.

(vii) CAPITAL FUNDS

	Group and Bank 2017 RM'000	Group and Bank 2016 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

48. ISLAMIC BANKING BUSINESS (CONT'D.)

(viii) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
Income derived from investment of other deposits	2,817	2,959

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 2017 RM'000	Group and Bank 2016 RM'000
Other deposit and placement from Head Office	314	16

(x) INCOME DERIVED FROM INVESTMENT OF ISLAMIC BANKING FUNDS

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
Finance income and hibah:		
Deposits with banks and other financial institutions	5,551	4,349
Fee and commission income:		
Brokerage fees and commissions	1,643	1,651
Corporate advisory	1,708	662
Guarantee fees	20	806
Fees on financing and securities	8,792	19,025
	12,163	22,144
Total	17,714	26,493

(xi) DIRECT COSTS

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
Brokerage commission	15	11
Others	112	82
	127	93

48. ISLAMIC BANKING BUSINESS (CONT'D.)

(xii) OTHER OPERATING EXPENSES

	Group and Bank	
	2017	2016
	RM'000	RM'000
Personnel costs	2,452	3,877
Establishment costs	170	183
Marketing and communication expenses	75	20
Administration and general expenses	214	159
Service transfer pricing expenses	232	131
	3,143	4,370

(xiii) TAXATION

	Group and Bank	
	2017	2016
	RM'000	RM'000
Income tax expense	4,108	6,281
Over provision of tax expense in prior financial year	(332)	(633)
Deferred taxation	(37)	(295)
	3,739	5,353

(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 2017, the commitments and contingencies outstanding are as follows:

	2017 Principal Amount RM'000	2016 Principal Amount RM'000
Group and Bank		
Contingent Liabilities		
Al-Kafalah guarantees	-	6,663

48. 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 2017 RM'000	Group and Bank 2016 RM'000
Income derived from investment of depositors' funds	2,817	2,959
Less: Income attributable to depositors	(314)	(16)
Income attributable to the Group and the Bank	2,503	2,943
Net income derived from Islamic banking funds	17,587	26,400
	20,090	29,343

(xvi) CAPITAL ADEQUACY RATIO

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

	Group and Bank 2017	Group and Bank 2016
CET1 Capital Ratio	189.278%	162.361%
T1 Capital Ratio	189.278%	162.361%
Total Capital Ratio	189.278%	162.361%

The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

The capital adequacy ratios are computed in accordance to BNM's guidelines on Capital Adequacy Framework for Islamic Banks (Capital Components) issued by the Prudential Financial Policy Department on 13 October 2015 which is based on Basel III capital accord. Pursuant to these guidelines, 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%

48. 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	2017 RM'000	2016 RM'000
CET1 Capital		
Capital funds	30,000	30,000
Retained earnings	174,362	161,143
Less : Regulatory adjustments applied on CET1 capital		
Deferred tax assets	(333)	(296)
CET1 capital/ Tier 1 capital/ Total capital	**204,029**	**190,847**

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

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
Credit risk	66,446	77,154
Operational risk	41,347	40,392
	107,793	117,546