FINANCIAL STATEMENTS

DIRECTORS' REPORT
for the financial year ended 31 December 2017

The Directors hereby submit their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Bank during the financial year are banking and related financial services. The principal activities of the subsidiaries are Islamic banking business, investment banking and stock-broking, money-broking, fund and asset management, property management services, nominee and trustee services.

The details of the subsidiary companies are disclosed in Note 16 of the financial statements.

The principal activity of the joint ventures are underwriting of life insurance business and property development while the associates are principally engaged in the underwriting of general insurance business and investment holding.

Islamic banking business refers generally to the acceptance of deposits and granting of financing under the Shariah principles. There were no significant changes in the nature of these activities during the financial year.

During the financial year, AFFIN Holdings Berhad ('AHB') and its wholly-owned subsidiary, AFFIN Bank Berhad ('ABB') announced on 16 February 2017 that both companies intended to undertake an internal reorganisation as disclosed in Note 54 to the financial statements.

FINANCIAL RESULTS

	The Group RM'000	The Bank RM'000
Profit before zakat and taxation	554,070	374,388
Zakat	(3,371)	-
Profit before taxation	550,699	374,388
Taxation	(126,261)	(91,536)
Net profit for the financial year	**424,438**	**282,852**

DIVIDENDS

The dividends on ordinary shares paid or declared by the Bank since 31 December 2016 were as follows:

In respect of the financial year ended 31 December 2016 as shown in the Directors' report for that financial year:

	RM'000
Final single-tier dividend of 4.52 sen per share paid on 28 April 2017	76,300

In respect of the financial year ended 31 December 2017:	
Single-tier interim dividend of 2.34 sen per share paid on 27 December 2017	45,500

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are shown in the financial statements and notes to the financial statements.

BAD AND DOUBTFUL DEBTS AND FINANCING

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

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

CURRENT ASSETS

Before the financial statements of the Group and the Bank were made out, the Directors took reasonable steps to ascertain that any current assets, other than debts and financing, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and the Bank, have been written down to an amount which they might expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and 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 or the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability in respect of the Group or the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business or activities of the Group.

No contingent or other liability of the Group or 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 or the Bank to meet their obligation 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 the Bank that would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

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

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

SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

Significant events during and after financial year are disclosed in Note 54 to the financial statements.

DIRECTORS' REPORT
for the financial year ended 31 December 2017

DIRECTORS

The name of Directors of the Bank in the office during the financial year and during the period from the end of the financial year to the date of report are:

Gen Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (Retired)
Chairman / Non-Independent Non-Executive Director
(Appointed w.e.f. 22.6.2017)

En. Mohd Suffian bin Haji Haron
Non-Independent Non-Executive Director

Tan Sri Mohd Ghazali bin Mohd Yusoff
Independent Non-Executive Director

En. Abd Malik bin A Rahman
Independent Non-Executive Director

Mr Tang Peng Wah
Non-Independent Non-Executive Director
(Appointed w.e.f. 22.5.2017)

Dato' Mohd Hata bin Robani
Independent Non-Executive Director
(Appointed w.e.f. 17.10.2017)

Dato' Abdul Aziz bin Abu Bakar
Independent Non-Executive Director
(Appointed w.e.f. 17.10.2017)

Mr Ignatius Chan Tze Ching
Non-Independent Non-Executive Director
(Appointed w.e.f. 1.12.2017)

Mr Aubrey Li Kwok-Sing
Non-Independent Non-Executive Director
(Completed his tenure of directorship w.e.f. 17.3.2017)

Jen Tan Sri Dato' Seri Ismail bin Haji Omar (Bersara)
Chairman / Non-Independent Non-Executive Director
(Completed his tenure of directorship w.e.f. 1.4.2017)

Tan Sri Dato' Seri Mohamed Jawhar
Non-Independent Non-Executive Director
(Completed his tenure of directorship w.e.f. 1.7.2017)

In accordance with Article 118 of the Company's Constitution, Encik Abd Malik bin A Rahman retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

In accordance with Article 124 of the Company's Constitution, the following Directors retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election:

1. Gen Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (Retired)
2. Mr Tang Peng Wah
3. Dato' Mohd Hata bin Robani
4. Dato' Abdul Aziz bin Abu Bakar
5. Mr Ignatius Chan Tze Ching

The Directors' names and their remuneration details are set out in the subsidiaries' statutory accounts and the said names and details are deemed incorporated herein by such reference and made a part hereof.

RESPONSIBILITY STATEMENT BY BOARD OF DIRECTORS

In the course of preparing the annual financial statements of the Group and of the Bank, the Directors are collectively responsible in ensuring that these financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

It is the responsibility of the Directors to ensure that the financial reporting of the Group and of the Bank present a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2017 and of the financial results and cash flows of the Group and of the Bank for the financial year then ended.

The financial statements are prepared on the going concern basis and the Directors have ensured that proper accounting records are kept, applied the appropriate accounting policies on a consistent basis and made accounting estimates that are reasonable and fair so as to enable the preparation of the financial statements of the Group and of the Bank with reasonable accuracy.

The Directors have also taken the necessary steps to ensure that appropriate systems are in place for the assets of the Group and of the Bank to be properly safeguarded for the prevention and detection of fraud and other irregularities. The systems, by their nature, can only provide reasonable and not absolute assurance against material misstatements, whether due to fraud or error.

The Statement by Directors pursuant to Section 251(2) of the Companies Act, 2016 is set out on page 249 of this Annual Report.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings required to be kept under Section 59, of the Companies Act, 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Bank or its subsidiaries or its holding companies or subsidiaries of the holding company or its related companies during the financial year except as follows:

	Number of ordinary shares			
	As at 1.1.2017	Bought	Sold	As at 31.12.2017
AFFIN Holdings Berhad				
Gen Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (Retired)	40,000	-	-	40,000
Abd Malik Bin A Rahman	10,000	3,000	-	13,000
Boustead Heavy Industries Corporation Berhad				
Abd Malik Bin A Rahman	3,000	-	-	3,000
Abd Malik Bin A Rahman	1,000 *	-	-	1,000

	Number of ordinary shares			
	As at 1.1.2017	Bought	Sold	As at 31.12.2017
Boustead Holdings Berhad				
Abd Malik Bin A Rahman	6,580	-	-	6,580
Abd Malik Bin A Rahman	13,580 *	-	-	13,580
Boustead Plantations Berhad				
Gen Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (Retired)	50,000	-	-	50,000
Abd Malik Bin A Rahman	2,000	-	-	2,000
Abd Malik Bin A Rahman	2,000 *	-	-	2,000
ABB Trustee Berhad				
Jen Tan Sri Dato' Seri Ismail bin Haji Omar (Bersara)	20,000	-	20,000	-

* Indirect shares

Other than the above, the Directors in office at the end of the financial year did not have any other interest in the shares in the Bank or its related companies during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no other arrangements subsisted to which the Bank or any of its subsidiaries is a party with the object or objects of enabling Directors of the Bank or any of its subsidiaries to acquire benefits by means of the acquisition of shares in, or debenture of, the Bank or any other body corporate.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive a benefit (other than the fees and other emoluments shown in the Note 37 to the financial statements) by reason of a contract made by the Bank or by a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

OTHER STATUTORY INFORMATION

Statutory information regarding the Group and the Bank

(a) As at the end of the financial year

Before the financial statements of the Group and the Bank were prepared, the Directors took reasonable steps:

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Bank had been written down to an amount which the current assets might be expected so to realise.

(b) From the end of the financial year to the date of this report

(i) The Directors are not aware of any circumstances:

- which would render the amounts written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent;
- which would render the values attributed to current assets in the financial statements of the Group and of the Bank misleading; or
- which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

(c) As at the date of this report

(i) there are no charges on the assets of the Group and of the Bank which have arisen since the end of the financial year which secures the liabilities of any other person;

(ii) there are no contingent liabilities in the Group and in the Bank which have arisen since the end of the financial year; and

(iii) the Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements misleading.

(d) No contingent or other liability of any company in the Group 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 affect the ability of the Bank and its subsidiaries to meet their obligations when they fall due.

(e) 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 which would render any amount stated in the respective financial statements misleading.

(f) In the opinion of the Directors:

(i) the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) 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 to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.

BUSINESS PLAN AND STRATEGY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Malaysia's economic growth was stronger from the first three quarters of 2017, with ending results projected at 5.7%. The growth was supported by domestic demand, particularly private sector spending. From the supply side, the improvement was broadly based across all sectors, led by services and manufacturing sectors.

In 2017, the banking industry in Malaysia continues to operate in challenging environment with pressure on asset quality and profitability. The Group had been focusing on AFFINITY Program ('AFFINITY') initiatives to improve earnings and operating efficiencies. It has been supported with the implementation of "Priority Islamic" approach to further tap into the faster growing segment of the banking industry.

We continued to focus on attracting low cost deposits current and saving accounts ('CASA') to further strengthen the bank's liquidity and funding profile. The focus is on building digital banking capabilities with enhanced analytics for better customer engagement, expanding targeted growth segments, enhancing productivity through automation and emphasising customer experience.

The Group's profit before tax and zakat recorded at RM554.1 million for financial year ended 31 December 2017, with the expansion in total income and overhead expenses by 17.8% and 34.6% respectively.

Gross loan, advances and financing expanded by RM3.0 billion or 7.0%, closed at RM46.1 billion as at 31 December 2017. Total customer deposits increased by RM3.3 billion (6.9%) to RM50.9 billion with higher contribution mainly from term deposits and money market deposits by RM8.8 billion, with lower Negotiable Instrument of Deposits by RM5.3 billion.

The Group maintained Total Capital ratio of 17.23%, while Common Equity Tier 1 and Tier 1 ratios stood at 12.21% and 12.23% respectively as at 31 December 2017.

BUSINESS OUTLOOK FOR 2018

Malaysia's economic growth is set to continue in 2018 with GDP expected to remain strong from 5.0% to 5.5%. Domestic demand will remain the key growth supported by solid labor market conditions and investments, mainly in infrastructure spending. Inflation is projected to hold at range from 3.0% to 3.5% with lower impact from global oil prices and increasing food prices is likely to continue. With GDP growth projected above 5%, BNM is expected to raise the Overnight Policy Rate (OPR) by between 25 to 50 basis points in 2018.

Malaysian banking industry is anticipated to remain sound, supported by healthy asset quality and strong capital buffers. Loan growth for the banking sector is expected to remain flat from 5% to 6%. The Islamic banking market share close to 30% of the banking system and expected to grow faster than conventional banks.

2018 will be a momentous year for the Group as we continue our growth path with AFFINITY. In addition, the reorganization of the Group is expected to strengthen the Bank's capital position. Leveraging on the Group's infrastructure, the Bank will continue to strengthen its existing offerings, accelerate the development of its digital banking solution and further improve its innovativeness to meet customers' requirement.

Our strategic focus for the 2018 will be on both retail and business banking segments, especially in the Small and Medium Enterprises ('SME') segment as well as transactional banking. This year, we will also be focusing on brand visibility, compliance requirements, asset quality and liquidity management.

RATING BY EXTERNAL AGENCIES

The Bank has been rated by the following external rating agency:

Name of rating agency	: RATING AGENCY MALAYSIA BERHAD ('RAM')
Date of rating	: 2 June 2017
Rating classifications:	
- Long term	: AA_3
- Short term	: P1

RAM has reaffirmed the Bank's long-term and short-term financial institution ratings, at AA_3 and P1, respectively, with a stable outlook.

'AA' rating is defined by RAM as an entity has a strong capacity to meets its financial obligations and is resilient against adverse changes in circumstances, economic condition and/or operating environments. The subscript 3 in this category indicates as the lower end of its generic rating in the AA category.

A P1 rating is defined by RAM as obligations which are supported by superior ability with regards to timely payment of obligations.

DIRECTORS' REPORT
for the financial year ended 31 December 2017

ZAKAT

The Bank's subsidiary, AFFIN Islamic Bank Berhad ('AFFIN Islamic') is obliged to pay zakat to comply with the principles of Shariah. AFFIN Islamic does not pay zakat on behalf of its depositors.

HOLDING COMPANY AND ULTIMATE HOLDING CORPORATE BODY

The holding company of the Bank is AFFIN Holdings Berhad, a public listed company incorporated in Malaysia and the ultimate holding corporate body is Lembaga Tabung Angkatan Tentera, a statutory body incorporated under the Tabung Angkatan Tentera Act, 1973.

SUBSIDIARIES

Details of subsidiaries are set out in Note 16 to the financial statements.

DIRECTORS' REMUNERATION

Details of Directors' remuneration and total amount of indemnity given are set out in Note 37 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 36 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146) a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 29 March 2018, signed on behalf of the Board of Directors:

Gen Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (Retired)
Chairman

Abd Malik bin A Rahman
Director

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2017

	Note	The Group 2017 RM'000	The Group 2016 RM'000	The Bank 2017 RM'000	The Bank 2016 RM'000
ASSETS					
Cash and short-term funds	2	**4,146,815**	4,364,490	**2,209,948**	3,337,831
Deposits and placements with banks and other financial institutions	3	**464,446**	152,234	**495,133**	406,075
Investment accounts due from designated financial institution		**-**	-	**2,749,067**	2,110,079
Financial assets at fair value through profit or loss ('FVTPL')	4	**105,180**	-	**10,129**	-
Derivative financial assets	5	**173,125**	167,304	**120,819**	166,240
Financial investments available-for-sale	6	**14,627,359**	10,279,997	**8,487,818**	8,446,589
Financial investments held-to-maturity	7	**128,639**	373,524	**120,532**	301,402
Loans, advances and financing	8	**45,722,158**	42,668,297	**29,143,900**	30,753,354
Trade receivables	9	**550,737**	-	**-**	-
Commodity Gold at FVTPL		**32,198**	-	**-**	-
Other assets	10	**100,503**	61,932	**50,795**	53,941
Amount due from subsidiaries	11	**-**	-	**2**	196,839
Amount due from joint ventures	12	**38,849**	46,725	**-**	-
Amount due from associate	13	**500**	500	**-**	-
Tax recoverable		**21,541**	15,492	**8,553**	15,462
Deferred tax assets	14	**27,185**	8,056	**-**	-
Statutory deposits with Bank Negara Malaysia	15	**1,772,640**	1,482,000	**1,203,000**	1,150,000
Investment in subsidiaries	16	**-**	-	**3,063,462**	575,224
Investment in joint ventures	17	**160,594**	-	**163,640**	-
Investment in associates	18	**566,278**	750	**548,482**	-
Property and equipment	19	**466,082**	401,799	**425,390**	394,717
Intangible assets	20	**903,962**	164,089	**171,980**	167,982
TOTAL ASSETS		**70,008,791**	60,187,189	**48,972,650**	48,075,735
LIABILITIES AND EQUITY					
Deposits from customers	21	**50,920,229**	47,633,056	**33,295,153**	37,106,463
Investment accounts of customers		**449**	-	**-**	-
Deposits and placements of banks and other financial institutions	22	**5,706,599**	3,547,203	**3,980,305**	2,583,235
Obligation on securities sold under repurchase agreements		**1,050,935**	999,740	**954,922**	999,740
Derivative financial liabilities	23	**263,676**	402,772	**210,877**	409,283
Bills and acceptances payable		**42,152**	37,726	**42,152**	37,726
Trade payables	24	**677,022**	-	**-**	-
Other liabilities	25	**945,372**	439,488	**482,660**	402,445
Amount due to subsidiaries	26	**-**	-	**448,149**	41,395
Provision for taxation		**9,560**	6,022	**-**	-
Deferred tax liabilities	14	**27,859**	12,884	**17,841**	12,884
Subordinated term loan and medium term notes	27	**2,036,144**	1,304,592	**2,036,144**	1,304,592
TOTAL LIABILITIES		**61,679,997**	54,383,483	**41,468,203**	42,897,763
Share capital	28	**4,684,752**	1,688,770	**4,684,752**	1,688,770
Reserves	29	**3,586,034**	4,114,936	**2,819,695**	3,489,202
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**8,270,786**	5,803,706	**7,504,447**	5,177,972
Non-controlling interest	16	**58,008**	-	**-**	-
TOTAL EQUITY		**8,328,794**	5,803,706	**7,504,447**	5,177,972
TOTAL LIABILITIES AND EQUITY		**70,008,791**	60,187,189	**48,972,650**	48,075,735
COMMITMENTS AND CONTINGENCIES	45	**32,285,564**	22,483,498	**21,411,929**	21,185,728

The accounting policies and notes form an integral part of these financial statements.

INCOME STATEMENTS
for the financial year ended 31 December 2017

	Note	The Group 2017 RM'000	The Group 2016 RM'000	The Bank 2017 RM'000	The Bank 2016 RM'000
Interest income	30	**2,367,624**	2,327,761	**2,300,099**	2,325,217
Interest expense	31	**(1,512,371)**	(1,495,679)	**(1,473,986)**	(1,495,688)
Net interest income		**855,253**	832,082	**826,113**	829,529
Income from Islamic banking business	32	**334,267**	272,806	**-**	-
		1,189,520	1,104,888	**826,113**	829,529
Fee and commission income	33	**280,777**	114,584	**106,731**	114,584
Fee and commission expense	33	**(68,533)**	(8,210)	**(8,602)**	(8,210)
Net fee and commission income	33	**212,244**	106,374	**98,129**	106,374
Net gains on financial instruments	34	**94,342**	43,517	**72,472**	43,517
Other income	35	**64,349**	69,651	**59,435**	69,432
Other operating income		**370,935**	219,542	**230,036**	219,323
Net income		**1,560,455**	1,324,430	**1,056,149**	1,048,852
Other operating expenses	36	**(934,289)**	(694,116)	**(637,470)**	(561,401)
Operating profit before allowances		**626,166**	630,314	**418,679**	487,451
Allowances for impairment losses on loans, advances and financing and trade receivables	38	**(71,619)**	(23,701)	**(44,291)**	(27,461)
Allowances for impairment losses on securities	39	**(1,287)**	(3,855)	**-**	(3,855)
Allowances for Impairment losses on others	40	**(12,260)**	-	**-**	-
Operating profit		**541,000**	602,758	**374,388**	456,135
Share of results of a joint venture		**(4,070)**	-	**-**	-
Share of results of an associate		**17,140**	-	**-**	-
Profit before zakat and taxation		**554,070**	602,758	**374,388**	456,135
Zakat		**(3,371)**	(2,887)	**-**	-
Profit before taxation		**550,699**	599,871	**374,388**	456,135
Taxation	42	**(126,261)**	(135,740)	**(91,536)**	(104,819)
Net profit after zakat and taxation		**424,438**	464,131	**282,852**	351,316
Attributable to:					
Equity holder of the Bank		**417,855**	464,131	**282,852**	351,316
Non-controlling interest		**6,583**	-	**-**	-
		424,438	464,131	**282,852**	351,316
Earnings per share attributable to equity holders of the Bank (sen):					
- Basic	43	**24.0**	27.5	**16.2**	20.8

The accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2017

		The Group		The Bank	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit after zakat and taxation		**424,438**	464,131	**282,852**	351,316
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Net fair value change in financial investments available-for-sale		**23,379**	8,002	**37,296**	21,365
Foreign exchange translation reserve		**215**	-	**-**	-
Net gain transferred to profit or loss on disposal of financial investments available-for-sale		**118**	-	**-**	-
Net transfer to profit or loss on impairment of financial investments available-for-sale		**2,298**	-	**-**	-
Deferred tax on financial investments available-for-sale	14	**(6,080)**	(1,718)	**(8,951)**	(4,925)
Share of other comprehensive income of a joint venture		**1,024**	-	**-**	-
Share of other comprehensive loss of an associate		**(94)**	-	**-**	-
Other comprehensive income for the financial year, net of tax		**20,860**	6,284	**28,345**	16,440
Total comprehensive income for the financial year		**445,298**	470,415	**311,197**	367,756
Total comprehensive income for the financial year attributable to:					
Equity holders of the Bank		**438,513**	470,415	**311,197**	367,756
Non-controlling interest		**6,785**	-	**-**	-
		445,298	470,415	**311,197**	367,756

The accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2017

The Group	Attributable to Equity Holders of the Bank								Non-Controlling interest RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS revaluation reserves RM'000	Regulatory reserves RM'000	Foreign exchange reserves RM'000	Retained profits RM'000	Total Shareholders' equity RM'000		
At 1 January 2017	**1,688,770**	**858,904**	**1,721,637**	**75,229**	**280,204**	**-**	**1,178,962**	**5,803,706**	**-**	**5,803,706**
Net profit for the financial year	-	-	-	-	-	-	417,855	417,855	6,583	424,438
Other comprehensive income (net of tax)										
- Financial investments available-for-sale	-	-	-	20,507	-	-	-	20,507	138	20,645
Foreign Exchange translation reserve	-	-	-	-	-	151	-	151	64	215
Total comprehensive income	-	-	-	20,507	-	151	417,855	438,513	6,785	445,298
Issuance of new shares pursuant to Group Reorganisation as disclosed in Note 54	2,137,078	-	-	-	-	-	-	2,137,078	-	2,137,078
- Effects of predecessor accounting as disclosed in Note 54	-	-	-	1,860	12,113	-	1,492	15,465	61,155	76,620
Transfer of share premium to share capital pursuant to the Companies Act 2016 (*)	858,904	(858,904)	-	-	-	-	-	-	-	-
Transfer of statutory reserves to retained profits persuant to Policy Documents on 'Capital Funds' and 'Capital Funds for Islamic Banks' issued by BNM on 3 May 2017 (Note 29(c))	-	-	(1,721,637)	-	-	-	1,721,637	-	-	-
Transfer to regulatory reserves (Note 29(d))	-	-	-	-	525,082	-	(525,082)	-	-	-
Dilution of interest in a subsidiary, namely AFFIN Hwang AIIMAN Sukuk Fund	-	-	-	-	-	-	(2,176)	(2,176)	(932)	(3,108)
Dividends declared and paid during the financial year	-	-	-	-	-	-	(121,800)	(121,800)	(9,000)	(130,800)
At 31 December 2017	**4,684,752**	**-**	**-**	**97,596**	**817,399**	**151**	**2,670,888**	**8,270,786**	**58,008**	**8,328,794**
At 1 January 2016	1,688,770	858,904	1,577,509	68,945	278,547	-	1,029,155	5,501,830	-	5,501,830
Net profit for the financial year	-	-	-	-	-	-	464,131	464,131	-	464,131
Other comprehensive income (net of tax)										
- Financial investments available-for-sale	-	-	-	6,284	-	-	-	6,284	-	6,284
Total comprehensive income	-	-	-	6,284	-	-	464,131	470,415	-	470,415
Transfer to statutory reserves (Note 29(c))	-	-	144,128	-	-	-	(144,128)	-	-	-
Transfer to regulatory reserves (Note 29(d))	-	-	-	-	1,657	-	(1,657)	-	-	-
Dividends declared and paid during the financial year	-	-	-	-	-	-	(168,539)	(168,539)	-	(168,539)
At 31 December 2016	1,688,770	858,904	1,721,637	75,229	280,204	-	1,178,962	5,803,706	-	5,803,706

* The New Companies Act 2016 ('New Act'), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to credit of the share premium account of RM858,904 becomes part of Group's share capital pursuant to the transitional provisions set out in Section 618(2) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transaction.

The accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 31 December 2017

The Bank	Share capital RM'000	Non-distributable: Share premium RM'000	Statutory reserves RM'000	AFS revaluation reserves RM'000	Regulatory reserves RM'000	Distributable: Retained profits RM'000	Total RM'000
At 1 January 2017	**1,688,770**	**858,904**	**1,416,621**	**93,292**	**207,026**	**913,359**	**5,177,972**
Net profit for the financial year	-	-	-	-	-	282,852	282,852
Other comprehensive income (net of tax)							
- Financial investments available-for-sale	-	-	-	28,345	-	-	28,345
Total comprehensive income	-	-	-	28,345	-	282,852	311,197
Issuance of new shares pursuant to Group Reorganisation as disclosed in Note 54	2,137,078	-	-	-	-	-	2,137,078
Transfer of share premium to share capital pursuant to the Companies Act 2016 (*)	858,904	(858,904)	-	-	-	-	-
Transfer of statutory reserves to retained profits pursuant to Policy Document on 'Capital Funds' and 'Capital Funds' for Islamic Banks' issued by BNM on 3 May 2017 (Note 29(c))	-	-	(1,416,621)	-	-	1,416,621	-
Transfer to regulatory reserves (Note 29(d))	-	-	-	-	503,717	(503,717)	-
Dividends declared and paid during the financial year	-	-	-	-	-	(121,800)	(121,800)
At 31 December 2017	**4,684,752**	**-**	**-**	**121,637**	**710,743**	**1,987,315**	**7,504,447**
At 1 January 2016	1,688,770	858,904	1,328,792	76,852	220,148	805,289	4,978,755
Net profit for the financial year	-	-	-	-	-	351,316	351,316
Other comprehensive income (net of tax)							
- Financial investments available-for-sale	-	-	-	16,440	-	-	16,440
Total comprehensive income	-	-	-	16,440	-	351,316	367,756
Transfer to statutory reserves (Note 29(c))	-	-	87,829	-	-	(87,829)	-
Transfer from regulatory reserves (Note 29(d))	-	-	-	-	(13,122)	13,122	-
Dividends declared and paid during the financial year	-	-	-	-	-	(168,539)	(168,539)
At 31 December 2016	1,688,770	858,904	1,416,621	93,292	207,026	913,359	5,177,972

* The New Companies Act 2016 ('New Act'), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to credit of the share premium account of RM858,904 becomes part of Group's share capital pursuant to the transitional provisions set out in Section 618(2) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transaction.

The accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2017

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	**550,699**	599,871	**374,388**	456,135
Adjustments for items not involving the movement of cash and cash equivalents:				
Interest income:				
- financial investments available-for-sale	**(355,889)**	(301,744)	**(317,057)**	(301,744)
- financial investments held-to-maturity	**(22,535)**	(17,776)	**(22,070)**	(17,776)
Dividend income:				
- financial assets at fair value through profit or loss	**(198)**	-	**-**	-
- financial investments available-for-sale	**(4,338)**	(2,673)	**(1,980)**	(2,673)
Gain on sale:				
- financial assets at fair value through profit or loss	**(17,961)**	(432)	**(153)**	(432)
- financial investments available-for-sale	**(33,276)**	(32,993)	**(28,762)**	(32,993)
Gain on redemption of financial investments held-to-maturity	**(39,784)**	-	**(39,784)**	-
Unrealised (gain)/loss on revaluation:				
- financial assets at fair value through profit or loss	**(727)**	(2)	**24**	(2)
- derivatives	**2,774**	(4,965)	**(985)**	(4,965)
- foreign exchange	**(79,622)**	(30,226)	**(83,221)**	(30,226)
Allowance for impairment loss:				
- financial investments available-for-sale	**1,287**	318	**-**	318
- financial investments held-to-maturity	**-**	3,537	**-**	3,537
Depreciation of property and equipment	**17,677**	14,724	**14,439**	13,688
Property and equipment written-off	**181**	57	**107**	55
Foreclosed properties - impairment made	**-**	59	**-**	59
(Gain)/loss on sale of property and equipment	**(777)**	94	**(752)**	94
Amortisation of intangible assets	**14,714**	9,681	**11,012**	9,255
Gain on sale of foreclosed properties	**(2,260)**	(153)	**(2,260)**	(153)
Share of results of a joint venture	**4,070**	-	**-**	-
Share of results of an associate	**(17,140)**	-	**-**	-
Net individual impairment	**63,673**	21,918	**55,327**	38,441
Net collective impairment	**49,319**	49,832	**28,512**	35,935
Bad debt and financing written-off	**1,302**	2,838	**1,301**	2,816
Impairment losses on other assets	**12,260**	-	**-**	-
Interest expense - subordinated term loan and medium term notes	**97,750**	46,616	**97,750**	46,616
Zakat	**3,371**	2,887	**-**	-
Gain on disposal of subsidiary	**-**	-	**(162)**	-
Operating profit before changes in working capital	**244,570**	361,468	**85,674**	215,985

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2017

	The Group		The Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Decrease/(increase) in operating assets:				
Reverse repurchase agreements with financial institutions	**47,527**	-	**-**	-
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months	**(96,413)**	377,155	**58,353**	176,522
Investment accounts due from designated financial institutions	**-**	-	**(638,988)**	(778,761)
Financial assets at fair value through profit or loss	**107,582**	150,555	**(10,000)**	150,555
Commodity Gold at FVTPL	**(32,198)**	-	**-**	-
Loans, advances and financing	**(1,950,052)**	(638,288)	**1,524,314**	2,072,142
Other assets	**41,577**	15,337	**4,139**	19,242
Trade receivables	**136**	-	**-**	-
Derivative financial instruments	**(155,133)**	(4,635)	**(152,985)**	3,844
Statutory deposits with Bank Negara Malaysia	**(108,640)**	122,600	**(53,000)**	195,000
Amount due from subsidiaries	**-**	-	**603,591**	(563,699)
Amount due from joint ventures	**(4,453)**	(6,789)	**-**	-
Amount due from associate	**-**	(500)	**-**	-
(Decrease)/increase in operating liabilities:				
Deposits from customers	**(1,541,260)**	(180,157)	**(3,811,310)**	(707,655)
Investment accounts of customers	**449**	**-**	**-**	**-**
Deposits and placements of banks and other financial institutions	**1,488,290**	811,607	**1,397,070**	805,029
Obligation on securities sold under repurchase agreements	**51,195**	(741,206)	**(44,818)**	(741,206)
Bills and acceptances payable	**(92,474)**	(39,388)	**4,426**	(39,388)
Recourse obligation on loans sold to Cagamas Berhad	**-**	(134,585)	**-**	(134,585)
Trade payables	**(85,759)**	-	**-**	-
Other liabilities	**243,872**	39,746	**80,215**	48,438
Cash (used in)/generated from operations	**(1,841,184)**	132,920	**(953,319)**	721,463
Zakat paid	**(4,161)**	(2,862)	**-**	-
Tax refund	**3**	5,459	**-**	5,440
Tax paid	**(131,193)**	(122,913)	**(88,621)**	(86,687)
Net cash (used in)/generated from operating activities	**(1,976,535)**	12,604	**(1,041,940)**	640,216
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received:				
- financial investments available-for-sale	**355,889**	301,744	**317,057**	301,744
- financial investments held-to-maturity	**22,535**	17,776	**22,070**	17,776
Dividend income:				
- financial assets at fair value through profit or loss	**198**	-	**-**	-
- financial investments available-for-sale	**4,338**	2,673	**1,980**	2,673

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2017

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Redemption of financial investments held-to-maturity net of purchase	**316,586**	3,594	**220,654**	(567)
Net sale of financial investments available-for-sale	**642,691**	47,530	**24,828**	419,428
Proceeds from disposal of				
- property and equipment	**2,512**	230	**2,487**	230
- intangible assets	**16**	-	**-**	-
- foreclosed properties	**2,330**	588	**2,330**	588
Purchase of property and equipment	**(60,611)**	(27,544)	**(57,970)**	(26,991)
Purchase of intangible assets	**(4,900)**	(2,680)	**(4,071)**	(2,680)
Proceed from disposal of subsidiary	**-**	-	**662**	-
Subscription of shares in subsidiary	**-**	-	**(500,000)**	(100,000)
Subscription of shares in a joint venture	**(15,300)**	-	**(15,300)**	-
Investment in associates (Note 18)				
- pursuant to the Group Reorganisation	**(367,945)**	-	**(367,945)**	-
- acquisitions of shares from other shareholders	**(180,537)**	-	**(180,537)**	-
- subscription of shares in an associate	**-**	(250)	**-**	-
Cash flow arising from Group Reorganisation (Note 54)	**609,933**	-	**-**	-
Net cash generated from/(used in) investing activities	**1,327,735**	343,661	**(533,755)**	612,201
CASH FLOWS FROM FINANCING ACTIVITIES				
(Repayment)/drawdown of subordinated term loan	**(1,300,000)**	300,000	**(1,300,000)**	300,000
Interest payment on subordinated term loan	**(66,198)**	(46,470)	**(66,198)**	(46,470)
Drawdown of subordinated medium term notes	**2,000,000**	-	**2,000,000**	-
Payment of dividend to the shareholder of the Bank	**(121,800)**	(168,539)	**(121,800)**	(168,539)
Payment of dividend to non-controlling interest	**(9,000)**	-	**-**	-
Net cash generated from financing activities	**503,002**	84,991	**512,002**	84,991
Net (decrease)/increase in cash and cash equivalents	**(145,798)**	441,256	**(1,063,693)**	1,337,408
Net increase in foreign exchange	**79,622**	30,226	**83,221**	30,226
Cash and cash equivalents at beginning of the financial year	**4,364,490**	3,893,008	**3,391,038**	2,023,404
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	**4,298,314**	4,364,490	**2,410,566**	3,391,038
CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:				
Cash and short-term funds (Note 2)	**4,146,815**	4,364,490	**2,209,948**	3,337,831
Deposits and placements of banks and other financial institutions (Note 3)	**464,446**	152,234	**495,133**	406,075
	4,611,261	4,516,724	**2,705,081**	3,743,906
Less:				
Amount held on behalf of commissioned dealer's representatives	**(49,119)**	-	**-**	-
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months	**(263,828)**	(152,234)	**(294,515)**	(352,868)
	4,298,314	4,364,490	**2,410,566**	3,391,038

The accounting policies and notes form an integral part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2017

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

(A) BASIS OF PREPARATION

The financial statements of the Group and the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The financial statements incorporate those activities relating to Islamic banking business which have been undertaken by AFFIN Islamic Bank Berhad, a wholly owned subsidiary of the Bank. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

The financial statements of the Group and the Bank have been prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group and Bank's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 52.

Standards, amendments to published standards and interpretations that are effective

The Group and the Bank have applied the following amendments for the first time for the financial year beginning on 1 January 2017:

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative'
- Amendments to MFRS 112 'Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses'
- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 12 'Disclosures of Interests in Other Entities'

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities. Other than that, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning on or after 1 January 2017. None of these is expected to have a significant effect on the financial statements of the Group and the Bank, except the following:

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

  IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

  The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

  If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

  An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

(A) BASIS OF PREPARATION

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (continued)

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

  Classification and measurements

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ('OCI'). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:

  - For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.

  - When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

The combined application of the entity's business model and the cash flow characteristics of the financial assets do not result in the significant change in the classification of financial asset when compared to the existing classification of financial assets in the statement of financial position as at 31 December 2017. However, the Group and the Bank have identified certain instruments currently held a financial investments available for sales of which that fail the solely for the payment of principal and interest ('SPPI') test will be reclassified as fair value through profit or loss ('FVTPL') with certain equity instruments elected at inception to be fair valued in OCI accordingly on 1 January 2018.

The Group and the Bank do not expect a significant impact arising from the changes in classification and measurement of the financial assets.

There will be no changes to the Group's and the Bank's accounting for financial liabilities. All the financial liabilities, except for derivatives financial liabilities which is at FVTPL, will remain as amortised cost as there has not been significant change in the requirements for financial liabilities under MFRS 9.

Impairment of financial assets

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The new impairment model requires the recognition of impairment allowances based on expected credit losses ('ECL') rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, lease receivables, loan commitments, financial guarantee contracts and other loan commitments.

Under MFRS 9, impairment will be measured on each reporting date according to a three-stage expected credit loss impairment model:

- Stage 1 – from initial recognition of a financial assets to the date on which the credit risk of the asset has increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months (12-month ECL).

- Stage 2 – following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset (Lifetime ECL).

- Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised (Lifetime ECL).

(A) BASIS OF PREPARATION

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (continued)

Impairment of financial assets (continued)

As all financial assets within the scope of MFRS 9 impairment model will be assessed for at least 12-month ECL, and the population of financial assets to which full lifetime ECL applies is larger than the population of impaired loans for which there is objective evidence of impairment in accordance with MFRS 139, the total allowance for credit losses is expected to increase under MFRS 9 relative to the allowance for credit losses under MFRS 139.

In addition, changes in the required credit loss allowance, including the impact of movements between Stage 1 (12-month ECL) and Stage 2 (lifetime ECL) and the application of forward looking information, will be recorded in profit or loss, allowance for credit losses will be more volatile under MFRS 9.

Disclosures

The new standard requires more extensive disclosures especially in the areas of ECL. The Group and the Bank expect the changes in the extent of disclosures in the financial statements for the year ending 31 December 2018.

Based on the preliminary assessments performed, the Group and the Bank expect a significant increase in the impairment on loans, financing and other losses arising from the new impairment requirements, which will result in a reduction in the Group's and the Bank's opening retained profits and overall capital position as of 1 January 2018.

The Group and the Bank are now progressing to the finalisation of the implementation of the identified changes and will complete this process prior to the releasing of the interim results for the financial period ending 31 March 2018.

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

  A new five-step process is applied before revenue can be recognised:

  - Identify contracts with customers;
  - Identify the separate performance obligations;
  - Determine the transaction price of the contract;
  - Allocate the transaction price to each of the separate performance obligations; and
  - Recognise the revenue as each performance obligation is satisfied.

  Key provisions of the new standard are as follows:

  - Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
  - If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
  - The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
  - There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
  - As with any new standard, there are also increased disclosures.

(A) BASIS OF PREPARATION

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (continued)

Disclosures (continued)

- MFRS 16 'Leases' (effective from 1 January 2019) 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.

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

  IC Interpretation 23 will be applied retrospectively.

The Group and the Bank will apply these standards when effective. The adoption of the above standards, amendments to published standards and interpretations to existing standards are not expected to have any significant impact on the financial statements of the Group and the Bank except for MFRS 16. The financial effect of adoption of MFRS 16 is still being assessed by the Group and the Bank.

Guidelines and Regulatory requirement that are effective

- **Significant changes in regulatory requirements**

  Bank Negara Malaysia ('BNM') has issued the policy document on Capital Funds which came into effect on 3 May 2017. The policy document has been updated to remove the requirement for a banking institution to maintain a reserve fund.

  BNM expects banking institutions to exercise prudence before submitting an application to distribute the reserves as dividends. BNM in considering the dividend application, shall consider, among others, the banking institution's ability to comply with the fully phased-in capital conservation buffer requirement and any other buffers that the BNM may specify.

- **Companies Act, 2016**

  The Companies Act, 2016 ('New Act') was enacted to replace the Companies Act, 1965 with the objectives to create a legal and regulatory structure that will facilitate business, and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation while section 241 and Division 8 of Part III of the New Act come into operation on 31 January 2017.

  Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and of the Bank upon the commencement of the New Act on 31 January 2017 are:

  (i) removal of the authorised share capital;

  (ii) shares of the Group and the Bank will cease to have par or nominal value; and

  (iii) the Group and the Bank's share premium account will become part of the Group and the Bank's share capital.

(A) BASIS OF PREPARATION

Guidelines and Regulatory requirement that are effective (continued)

- **Companies Act, 2016 (continued)**

Notwithstanding this provision, the Group and the Bank may within 24 months from the commencement of the New Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The adoption of the New Act does not have any financial impact on the Group and the Bank for the current financial year as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption is mainly on the disclosures to the annual report and financial statements for the financial year ended 31 December 2017.

(B) CONSOLIDATION

The consolidated financial statements include the financial statements of the Bank, subsidiaries, joint ventures and associates, made up to the end of the financial year.

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the 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 the 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.

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 the 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 the income statement.

Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The Group applies predecessor accounting to account for business combinations under common control. Under the predecessor accounting, assets and liabilities acquired are not restated to their respective fair values but at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to ensure uniform accounting policies of the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised.

(B) CONSOLIDATION

(i) Subsidiaries (continued)

The acquired entity's results, assets and liabilities are consolidated from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the period before the transaction occurred. The corresponding amounts for the previous year are not restated.

Inter-company transactions, balances, unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(iii) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(iv) Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position. Under the equity method, the investment in a joint venture is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture in profit or loss, and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture, including any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(B) CONSOLIDATION

(iv) Joint arrangements (continued)

When the Group ceases to equity account its joint venture because of a loss of joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

(v) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains or losses arising in investments in associates are recognised in the profit or loss.

(C) INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES IN SEPARATE FINANCIAL STATEMENTS

In the Bank's separate financial statements, investments in subsidiaries and joint ventures are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries and joint ventures, the difference between disposal proceeds and carrying amounts of the investments are recognised in profit or loss.

The amount due from subsidiaries of which the Bank does not expect repayment in the foreseeable future are considered as part of the Bank's investments in the subsidiaries.

(D) INTANGIBLE ASSETS

Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in the profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ('CGUs'), or groups of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Identifiable intangible assets arising from business combination

Identifiable intangible assets arising from business combination are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. The fair value of intangible assets are generally determined using income approach methodologies such as the discounted cash flow method. Intangible assets with an definite useful life are amortised using the straight-line method over their estimated useful economic life. Intangible assets within an indefinite useful life are not amortised. Generally, the identified intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exists, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. Intangible assets with indefinite useful life are annually tested for impairment and whether there is an indication that the asset may be impaired.

The identifiable intangible assets arising from business combination consist of brand and customer relationship. Brand and customer relationship are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows as follows:

Brand	- 3 years
Customer relationship	- 7 years

Computer software

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group and the Bank are recognised as intangible assets when the following criteria are met:

(i) it is technically feasible to complete the software product so that it will be available for use;

(ii) management intends to complete the software product and use or sell it;

(iii) there is an ability to use or sell the software product;

(iv) it can be demonstrated how the software product will generate probable future economic benefits;

(v) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

(vi) the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised from the point at which the asset is ready for use over their estimated useful lives of five years.

(E) IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

Interest and financing income and expense for all interest/profit-bearing financial instruments are recognised within "interest income", "interest expense" and "income from Islamic banking business" respectively in the income statement using the effective interest/profit method.

The effective interest/profit method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest and financing income or expense over the relevant period. The effective interest/profit rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest/profit rate, the Group and the Bank take 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 effective interest rate, but not future credit losses.

Interest/profit income on impaired financial assets is recognised using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

When a loan/financing receivable is impaired, the Group and the Bank reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest/profit rate of the instrument, and continues unwinding the discount as interest/profit income. Interest/profit income on impaired loans/financing and receivables are recognised using the original effective interest/profit rate.

(G) RECOGNITION OF FEES AND OTHER INCOME

Fees and commissions are recognised as income when all conditions precedent are fulfilled. Commitment fees for loans, advances and financing that are likely to be drawn down are deferred (together with related direct costs) and income which forms an integral part of the effective interest/profit rate of a financial instrument is recognised as an adjustment to the effective interest/profit rate on the financial instrument.

Corporate advisory fees are recognised as income on completion of each stage of the engagement and issuance of invoice.

Portfolio management fees, commitment fee, guarantee fees and agency fees which are material are recognised as income based on a time apportionment method.

For stock-broking business, brokerage income is recognised on execution of contract. Rollover fee is recognised upon the rollover of specific contracts under share margin financing. Where debtors are classified as doubtful or bad, interest income is suspended until it is realised on cash basis.

For fund and unit trusts management, initial service charge and management fee are recognised as income on an accrual basis at the rates stated in the prospectus of the respective unit trust funds. Distribution income from the unit trust funds is recognised on the ex-distribution date. Management fee for private mandates is recognised as income on an accrual basis at the rates stated in the Investment Mandate Agreement of the respective private mandates.

(G) RECOGNITION OF FEES AND OTHER INCOME

Dividends are recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

Net profit from financial assets held at fair value through profit or loss and financial investments available-for-sale are recognised upon disposal of the assets, as the difference between net disposal proceeds and the carrying amount of the assets.

(H) FINANCIAL ASSETS

Classification

The Group and the Bank classify its financial assets in the following categories: at fair value through profit or loss, loans/financing and receivables, available-for-sale and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluate this designation at the end of each reporting period.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held-for-trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling it in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges (Note O).

The Group and the Bank have not elected to designate any financial assets at fair value through profit or loss.

(ii) Loans/financing and receivables

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

(iii) Financial investments available-for-sale

Financial investments available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories.

(iv) Financial investments held-to-maturity

Financial investments held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's and the Bank's management have the positive intention and ability to hold to maturity. If the Group and the Bank were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the settlement date, the date that an asset is delivered to or by the Group and the Bank.

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(H) FINANCIAL ASSETS

Subsequent measurement – gains and losses

Financial investments available-for-sale and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans/financing and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest/profit method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest/profit and dividend income are recognised in income statement in the period in which the changes arise.

Changes in the fair value financial investments available-for-sale are recognised in other comprehensive income, except for impairment losses (Note I) and foreign exchange gains and losses on monetary assets (Note N).

Interest/profit and dividend income on financial investments available-for-sale are recognised separately in income statements. Interest/profit on financial investments available-for-sale calculated using the effective interest/profit method is recognised in income statements. Dividend income on available-for-sale equity instruments are recognised in income statements when the Group's right to receive payments is established.

De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group and the Bank have transferred substantially all risks and rewards of ownership.

Loans/financing and receivables that are factored out to banks and other financial institutions with recourse to the Group and the Bank are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

When financial investments available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

Reclassification of financial assets

The Group and the Bank may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans/financing and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group and the Bank may choose to reclassify financial assets that would meet the definition of loans/financing and receivables out of the held-for-trading or available-for-sale categories if the Group and the Bank have the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest/profit rates for financial assets reclassified to loans/financing and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust the effective interest/profit rates prospectively.

(I) IMPAIRMENT OF FINANCIAL ASSETS

Assets carried at amortised cost

The Group and the Bank assess at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(I) IMPAIRMENT OF FINANCIAL ASSETS

Assets carried at amortised cost (continued)

The criteria that the Group and the Bank use to determine that there is objective evidence of an impairment loss include among others:

- past due contractual payments;
- significant financial difficulties of the borrower;
- probability of bankruptcy or other financial re-organisation;
- default of related borrower;
- breach of trading accounts terms and conditions;
- contract of dealer;
- measurable decrease in estimated future cash flows than was originally envisaged; and
- significant deterioration in issuer's credit rating.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest/profit rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in income statements. If 'loans/financing and receivables' or a 'held-to-maturity investment' has a variable interest/profit rate, the discount rate for measuring any impairment loss is the current effective interest/profit rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in income statements.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

For loans, advances and financing, the Group and the Bank first assess whether objective evidence of impairment exists individually for loans, advances and financing that are individually significant, and individually or collectively for loans, advances and financing that are not individually significant. If the Group and the Bank determine that no objective evidence of impairment exists for individually assessed loans, advances and financing, whether significant or not, it includes the asset in a group of loans, advances and financing with similar credit risk characteristics and collectively assesses them for impairment.

(i) Individual impairment allowance

Loans, advances and financing 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. Loans/financing that are individually assessed for impairment and for which no impairment loss is required (over-collateralised loans/financing) are collectively assessed as a separate segment.

The amount of the loss is measured as the difference between the loans/financing's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loans/financing's original effective interest/profit rate. The carrying amount of the loans/financing is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loans/financing has a variable interest/profit rate, the discount rate for measuring any impairment loss is the current effective interest/profit rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised loans/financing reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

(I) IMPAIRMENT OF FINANCIAL ASSETS

(ii) Collective impairment allowance

For the purposes of a collective evaluation of impairment, loans, advances and financing are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such loans, advances and financing by being indicative of the borrowers' ability to pay all amounts due according to the contractual terms of the loans/financing being evaluated.

Future cash flows in a group of loans/financing that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans/financing in the Bank and historical loss experience for loans/financing with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did 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 currently exist.

Estimates of changes in future cash flows for groups of loans/financing should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group and the Bank to reduce any differences between loss estimates and actual loss experience.

Based on the Guideline on Classification and Impairment Provisions for Loans/Financing, banking institutions are required to maintain, in aggregate, collective impairment provisions and regulatory reserves of no less than 1.2% of total outstanding loans/financing (excluding loans/financing with an explicit guarantee from the Federal Government of Malaysia), net of individual impairment provisions. Banking institutions are required to comply with the requirement by 31 December 2015.

As at reporting date, the Group and the Bank have maintained the collective impairment provisions and regulatory reserves of no less than 1.2% in the books.

Assets classified as available-for-sale

The Group and the Bank assess at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group and the Bank assess at each date of the statement of financial position whether there is any objective evidence that a financial investment or group of financial investments is impaired. The criteria the Group and the Bank use to determine whether there is objective evidence of impairment include non-payment of coupon or principal redemption, significant financial difficulty of issuer or obligor and significant drop in rating.

In the case of equity securities classified as available-for-sale, in addition to the criteria above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in income statements. The amount of cumulative loss reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income statements. Impairment losses recognised in income statements on equity instruments classified as available-for-sale are not reversed through income statements.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income statements, the impairment loss is reversed through income statements in subsequent periods.

(J) FINANCIAL LIABILITIES

All financial liabilities which include derivative financial instruments have to be recognised in the statement of financial position and measured in accordance with their assigned category.

The Group and the Bank's holding in financial liabilities are in financial liabilities at fair value through profit or loss (including financial liabilities held-for-trading and those that designated at fair value) and financial liabilities at amortised cost. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss.

(J) FINANCIAL LIABILITIES

Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held-for-trading, and financial liabilities designated by the Group and the Bank as at fair value through profit or loss upon initial recognition. The Group and the Bank do not have any non-derivative financial liabilities designated at fair value through profit or loss.

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated and effective as hedging instruments.

Financial liabilities classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in profit or loss. Gains and losses arising from changes in fair value of financial liabilities classified held-for-trading are included in the income statement.

Other liabilities measured at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost.

De-recognition

Financial liabilities are de-recognised when they have been redeemed or otherwise extinguished.

(K) OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(L) PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment are initially stated at cost, net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the property and equipment.

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property and equipment initially recognised 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. Cost also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

(L) PROPERTY AND EQUIPMENT AND DEPRECIATION

Freehold land is not depreciated as it has an infinite life. Other property and equipment are depreciated on the straight-line basis to allocate the cost, to their residual values over their estimated useful lives, summarised as follows:

Buildings	50 years
Leasehold buildings	50 years or over the remaining lease period, whichever is shorter
Renovation and leasehold premises	5 to 10 years or the period of the lease whichever is greater
Office equipment and furniture	3 to 10 years
Computer equipment and software	5 years
Motor vehicles	5 years

Depreciation on capital work in progress commences when the assets are ready for their intended use.

Residual value and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

At the end of the reporting period, the Group assesses whether there is any indication of impairment or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amount and are recognised within other operating income in the income statement.

(M) LEASES

Accounting by lessee

Finance leases

Leases of property and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in income statement over the lease term on the same basis as the lease expense.

Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on the straight-line basis over the lease period.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in income statement when incurred.

(N) FOREIGN CURRENCY TRANSLATIONS

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Ringgit Malaysia, which is the Bank's functional and presentation currency.

(N) FOREIGN CURRENCY TRANSLATIONS

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchanges rate prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flows or net investment hedge or are attributable to items that form part of the net investment in a foreign operation.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit and loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

(O) DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e the fair value of the consideration given or received) unless fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

As at reporting date, the Group and the Bank have not designated any derivative as hedging instruments.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(P) CURRENT AND DEFERRED INCOME TAXES

Current tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and branch operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

(P) CURRENT AND DEFERRED INCOME TAXES

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax assets is realised or the deferred tax liability is settled.

Deferred tax liability is recognised for all temporary differences associated with investment in subsidiaries and joint venture except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the joint venturer is unable to control the reversal of the temporary difference for joint ventures. Only where there is an agreement in place that gives the joint venturer the ability to control the reversal of the temporary difference, a deferred tax liability is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investment in subsidiaries and joint arrangements only to the extent that it is probable the temporary difference will reverse in future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on net basis.

(Q) ZAKAT

Zakat represents business zakat payable by the Group to comply with the principles of Shariah and as approved by the Shariah Committee. The Bank’s subsidiary, AFFIN Islamic Bank Berhad only pays zakat on its business and does not pay zakat on behalf of depositors. Zakat provision is calculated based on 2.5775% of the prior year’s asset growth method.

(R) CASH AND CASH EQUIVALENTS

Cash and short-term funds consists of cash in hand, bank balances and deposits and placements maturing within one month which are held for the purpose of meeting short term commitments and are readily convertible to known amount of cash without significant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash and short-term funds and deposits and placements with financial institutions, with original maturity 3 months or less.

(S) FORECLOSED PROPERTIES

Foreclosed properties are stated at the lower of their carrying amount and fair value less cost to sell.

(T) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group and the Bank do not recognise contingent assets and liabilities other than those arising from business combination, but disclose its existence in the financial statements. A contingent liability is possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank. The Group and the Bank do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(U) BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable, which are financial liabilities, represent the Bank's own bills and acceptances rediscounted and outstanding in the market (Note J).

(V) PROVISIONS

Provisions are recognised by the Group and the Bank when all of the following conditions have been met:

- the Group and the Bank have a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources to settle the obligation will be required; and
- a reliable estimate of the amount of obligation can be made.

Where the Group and the Bank expect 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. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

(W) EMPLOYEE BENEFITS

Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Defined contribution plan

The defined contribution plan is a pension plan under which the Group pays fixed contributions to the National Pension Scheme, the Employees' Provident Fund ('EPF') and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's contribution to defined contribution plans are charged to the income statement in the period to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(W) EMPLOYEE BENEFITS

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 any possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(X) FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the Group or Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans/financing or payables of subsidiaries are provided by the Bank for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

(Y) SALE AND REPURCHASE AGREEMENTS

Securities purchased under resale agreements are securities which the Group and the Bank have purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the statements of financial position.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group and the Bank have sold from its portfolio, with a commitment to repurchase at future dates. Such financing and the obligation to repurchase the securities is reflected as a liability on the statement of financial position.

The difference between sale and repurchase price as well as purchase and resale price are amortised as interest income and interest expense respectively on an effective yield method.

(Z) RESTRICTED INVESTMENT ACCOUNTS ('RIA')

These deposits are used to fund specific financing. The RIA is a contract based on the Shariah concept of Mudharabah between two parties, i.e. investor and entrepreneur to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture will be shared based on pre-agreed ratios with the Bank as Mudarib (manager or manager of funds), and losses shall be borne solely by capital provider.

(AA) SHARE CAPITAL

Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Share issue costs

Incremental cost directly attributable to the issue of new shares or options are deducted against share premium account.

(AA) SHARE CAPITAL

Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument are recognised directly in equity.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Bank, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(AB) BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest/profit method.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(AC) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is the person or group that allocates resources to and assess the performance of the operating segments of an entity. The Group has determined the Managing Director/CEO of the respective operating segments as its chief operating desicion-maker.

(AD) TRUST ACTIVITIES

The Group act as trustees in other fiduciary capabilities that result in holding or placing of assets on behalf of individuals, trust and other institutions. These assets and income arising thereon are excluded from the financial statements, as they are not assets of the Group.

(AE) TRADE RECEIVABLES

In accordance with the Rules of Bursa Malaysia Securities Berhad ("Bursa Securities"), clients' accounts are classified as impaired accounts under the following circumstances:

Types	Criteria for classification of accounts as impaired
Contra losses	When an account remains outstanding for 16 calendar days or more from the date of contra transaction.
Overdue purchase contract	When an account remains outstanding from T+5 market days onwards (non-margin purchase) and T+9 market days onwards discretionary financing.

Bad debts are written-off when identified. Impairment allowances are made for balances due from clients which are considered doubtful or which have been classified as impaired, after taking into consideration collateral held by the Group and deposits of and amounts due to dealer representative in accordance with the Rules of Bursa Securities.

(AF) GOLD COMMODITY

Commodity comprises gold bullion and is designated at fair value through profit or loss upon initial recognition. The commodity is recognised when the commodity is received into the vault of the Custodian.

The fair value of gold bullion as at the reporting date is determined by reference to prices published by the London Bullion Market Association ('LBMA'). Differences arising from changes in gold prices are recorded in profit or loss.

The commodity is derecognised when the risks and rewards of ownership have been substantially transferred.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

1 GENERAL INFORMATION

There have been significant changes in the principal activities of the Group and the Bank during the financial year, which involve the acquisition of the subsidiaries' assets and liabilities by the Bank under the Proposed Reorganisation as stated in Note 54.

The Bank is principally engaged in all aspects of banking and related financial services. The principal activities of the Bank's subsidiaries are commercial banking and hire purchase business, Islamic banking business, investment banking and stock-broking, money-broking, fund and asset management, property management services, nominee and trustee services. The principal activities of the joint ventures are underwriting of life insurance business and property development while the associates are principally engaged in general insurance business and investment holding.

The holding company of the Bank is AFFIN Holdings Berhad, a public listed company incorporated in Malaysia and the ultimate holding corporate body is Lembaga Tabung Angkatan Tentera, a statutory body incorporated under the Tabung Angkatan Tentera Act, 1973.

The Bank is a limited liability company, incorporated and domiciled in Malaysia.

2 CASH AND SHORT-TERM FUNDS

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances with banks and other financial institutions	**1,018,054**	289,669	**566,301**	282,862
Money at call and deposit placements maturing within one month	**3,128,761**	4,074,821	**1,643,647**	3,054,969
	4,146,815	4,364,490	**2,209,948**	3,337,831

The cash and short-term funds is inclusive of remisiers' trust monies of RM49,119,000 (2016:RM NIL).

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Licensed banks	**464,446**	152,234	**495,133**	406,075

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group 2017 RM'000	The Group 2016 RM'000	The Bank 2017 RM'000	The Bank 2016 RM'000
At fair value				
Unquoted securities:				
- Corporate bonds/Sukuk in Malaysia	**1,775**	-	**-**	-
- Corporate bonds/Sukuk outside Malaysia	**17,028**	-	**-**	-
Money market instruments:				
Malaysian Government securities	**20,349**	-	**-**	-
Malaysian Government investment issues	**10,129**	-	**10,129**	-
Malaysian Government Islamic investment issues	**10,224**	-	**-**	-
Quoted securities:				
- Shares in Malaysia	**38,696**	-	**-**	-
- Unit Trusts in Malaysia	**6,979**	-	**-**	-
Total financial assets at fair value through profit or loss	**105,180**	-	**10,129**	-

5 DERIVATIVE FINANCIAL ASSETS

	The Group 2017 Contract/ notional amount RM'000	**The Group 2017** Assets RM'000	The Group 2016 Contract/ notional amount RM'000	The Group 2016 Assets RM'000
At fair value				
Foreign exchange derivatives:				
Currency forwards	**515,361**	**6,075**	1,764,528	113,263
Cross currency swaps	**3,075,603**	**96,883**	1,963,860	36,441
Currency swap	**2,402,127**	**50,211**	-	-
Interest rate derivatives:				
Interest rate swaps	**1,801,000**	**19,956**	1,013,500	17,600
	7,794,091	**173,125**	4,741,888	167,304

	The Bank 2017 Contract/ notional amount RM'000	**The Bank 2017** Assets RM'000	The Bank 2016 Contract/ notional amount RM'000	The Bank 2016 Assets RM'000
At fair value				
Foreign exchange derivatives:				
Currency forwards	**135,977**	**2,116**	1,738,521	111,513
Cross currency swaps	**3,468,924**	**99,777**	2,060,604	37,127
Interest rate derivatives:				
Interest rate swaps	**1,326,000**	**18,926**	1,013,500	17,600
	4,930,901	**120,819**	4,812,625	166,240

6 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At fair value				
Money market instruments:				
Malaysian Government treasury bills	**12,517**	-	**-**	-
Malaysian Government securities	**262,298**	90,237	**111,019**	90,237
Malaysian Government investment issues	**2,398,206**	1,527,767	**1,185,300**	898,982
Cagamas Bonds/Sukuk	**137,598**	76,088	**70,980**	70,825
Sukuk Perumahan Kerajaan	**450,475**	406,288	**279,963**	276,858
Negotiable Instruments of Deposit and Islamic Debt Certificates	**760,323**	2,514,468	**1,772,500**	2,514,468
Khazanah Bonds/Sukuk	**384,575**	439,219	**228,326**	265,931
	4,405,992	5,054,067	**3,648,088**	4,117,301
Quoted securities:				
Shares in Malaysia	**6,296**	-	**-**	-
Unit trusts in Malaysia	**208,907**	-	**-**	-
REITs in Malaysia	**13,083**	-	**-**	-
REITs outside Malaysia	**10,977**	-	**-**	-
Unquoted securities:				
Shares in Malaysia	**252,432**	216,948	**229,568**	216,948
Corporate bonds/Sukuk				
- in Malaysia	**9,230,824**	4,587,663	**4,309,562**	3,691,021
- outside Malaysia	**507,022**	421,675	**300,956**	421,675
	14,635,533	10,280,353	**8,488,174**	8,446,945
Allowance for impairment losses	**(8,174)**	(356)	**(356)**	(356)
	14,627,359	10,279,997	**8,487,818**	8,446,589

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Movement in allowance for impairment losses				
At beginning of the financial year	**356**	1,301	**356**	269
Amount arising from Group Reorganisation (Note 54)	**11,466**	-	**-**	-
Allowance made during the financial year	**1,287**	318	**-**	318
Amount written-off	**(4,935)**	(1,263)	**-**	(231)
At end of the financial year	**8,174**	356	**356**	356

Included in the Group's and the Bank's financial investments available-for-sale are corporate bonds amounting to RM1,085.6 million and RM985.0 million (2016: RM1,057.7 million) respectively which are pledged as collateral for obligation on the securities sold under repurchase agreements.

7 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At amortised cost				
Unquoted securities:				
Corporate bonds/Sukuk in Malaysia	**124,085**	377,061	**124,069**	304,939
Redeemable Secured Loan Stock	**15,041**	-	**-**	-
	139,126	377,061	**124,069**	304,939
Allowance for impairment losses	**(10,487)**	(3,537)	**(3,537)**	(3,537)
	128,639	373,524	**120,532**	301,402

Movement in allowance for impairment losses

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At beginning of the financial year	**3,537**	178	**3,537**	178
Amount arising from Group Reorganisation (Note 54)	**6,950**	-	**-**	-
Allowance made during the financial year	**-**	3,537	**-**	3,537
Amount written-off during the financial year	**-**	(178)	**-**	(178)
At end of the financial year	**10,487**	3,537	**3,537**	3,537

8 LOANS, ADVANCES AND FINANCING

(i) By type

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Overdrafts	**1,867,780**	1,919,668	**1,554,785**	1,640,789
Term loans/financing				
- Housing loans/financing	**8,486,642**	6,964,223	**4,086,865**	4,106,693
- Hire purchase receivables	**12,365,906**	11,920,683	**8,501,399**	8,739,325
- Syndicated financing	**2,634,929**	2,079,384	**1,227,635**	1,496,645
- Business term loans/financing	**13,699,795**	13,440,419	**9,399,271**	9,898,640
- Other term loans/financing	**412,788**	-	**-**	-
Bills receivables	**27,811**	30,113	**19,583**	8,738
Trust receipts	**222,179**	297,955	**207,462**	291,017
Claims on customers under acceptances credits	**1,260,155**	1,082,209	**1,009,909**	907,586
Staff loans/financing (of which RM Nil to Directors)	**167,350**	155,172	**133,194**	142,063
Credit cards	**111,414**	91,091	**111,402**	91,091
Revolving credits	**4,395,924**	5,069,950	**3,136,532**	3,750,341
Margin financing	**357,181**	-	**-**	-
Factoring	**4,207**	1,560	**4,207**	1,560
Other receivables	**40,497**	-	**-**	-
Gross loans, advances and financing	**46,054,558**	43,052,427	**29,392,244**	31,074,488
Less:				
Allowance for impairment losses				
- Individual	**(93,885)**	(149,499)	**(69,836)**	(131,497)
- Collective	**(238,515)**	(234,631)	**(178,508)**	(189,637)
Total net loans, advances and financing	**45,722,158**	42,668,297	**29,143,900**	30,753,354

Included in the Group's business term loans/financing as at reporting date is RM53.7 million (2016: RM53.7 million) and RM51.1 million (2016: RM78.0 million) of term financing disbursed by AFFIN Islamic Bank Berhad to joint ventures AFFIN-i Nadayu Sdn Bhd and KL South Development Sdn Bhd respectively.

(ii) By maturity structure

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Maturing within one year	**8,636,523**	8,828,952	**6,092,359**	6,790,065
One year to three years	**4,823,382**	4,700,048	**3,719,003**	3,690,330
Three years to five years	**6,805,424**	7,072,074	**4,988,404**	5,696,213
Over five years	**25,789,229**	22,451,353	**14,592,478**	14,897,880
	46,054,558	43,052,427	**29,392,244**	31,074,488

8 LOANS, ADVANCES AND FINANCING

(iii) By type of customer

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Domestic banking institutions	-	3,033	-	3,033
Domestic non-banking institutions				
- Others	774,836	814,693	553,756	605,194
Domestic business enterprises				
- Small medium enterprises	12,511,252	12,504,565	9,988,662	10,729,868
- Others	10,842,187	10,225,035	6,878,274	7,708,023
Government and statutory bodies	1,104,981	1,467,488	58,657	85,570
Individuals	20,042,711	17,663,433	11,602,284	11,696,882
Other domestic entities	13,189	88,036	4,160	78,346
Foreign entities	765,402	286,144	306,451	167,572
	46,054,558	43,052,427	29,392,244	31,074,488

(iv) By interest/profit rate sensitivity

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fixed rate				
- Housing loans/financing	384,844	403,899	337,989	357,962
- Hire purchase receivables	12,368,159	11,920,683	8,501,399	8,739,326
- Other fixed rate loans/financing	3,092,517	3,434,446	1,551,713	2,079,862
- Margin financing	357,181	-	-	-
Variable rate				
- BLR and BR	19,131,797	16,749,266	11,372,025	11,359,696
- Cost plus	10,682,080	10,544,133	7,629,118	8,537,642
- Other variable rate	37,980	-	-	-
	46,054,558	43,052,427	29,392,244	31,074,488

8 LOANS, ADVANCES AND FINANCING

(v) By economic sectors

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Primary agriculture	**859,639**	896,922	**524,490**	494,803
Mining and quarrying	**638,033**	861,542	**263,840**	850,194
Manufacturing	**2,085,077**	2,102,831	**1,561,820**	1,768,086
Electricity, gas and water supply	**179,040**	182,805	**66,646**	118,436
Construction	**2,621,265**	2,509,215	**1,705,228**	1,986,124
Real estate	**8,373,983**	7,845,338	**6,375,208**	6,389,929
Wholesale & retail trade and restaurants & hotels	**2,782,437**	2,791,557	**2,283,708**	2,383,908
Transport, storage and communication	**2,421,243**	2,082,979	**1,514,303**	1,798,763
Finance, insurance and business services	**3,022,240**	2,835,367	**2,240,310**	2,374,384
Education, health and others	**2,783,211**	3,077,832	**1,163,623**	1,046,112
Household	**20,240,269**	17,795,793	**11,691,226**	11,793,554
Others	**48,121**	70,246	**1,842**	70,195
	46,054,558	43,052,427	**29,392,244**	31,074,488

(vi) By economic purpose

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Purchase of securities	**1,448,427**	664,778	**480,252**	389,262
Purchase of transport vehicles	**12,689,074**	12,281,400	**8,702,450**	9,030,869
Purchase of landed property of which:				
- Residential	**8,465,547**	7,078,070	**3,928,963**	4,134,200
- Non-residential	**6,383,585**	5,991,465	**4,821,020**	4,879,275
Fixed assets other than land and building	**275,714**	325,485	**175,731**	253,064
Personal use	**702,599**	691,241	**661,340**	637,648
Credit card	**111,414**	91,091	**111,402**	91,091
Consumer durable	**582**	879	**577**	879
Construction	**3,451,504**	3,215,672	**2,328,238**	2,319,987
Merger and acquisition	**89,071**	97,992	**89,071**	97,992
Working capital	**11,402,100**	12,251,552	**7,666,531**	9,114,083
Others	**1,034,941**	362,802	**426,669**	126,138
	46,054,558	43,052,427	**29,392,244**	31,074,488

8 LOANS, ADVANCES AND FINANCING

(vii) By geographical distribution

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Perlis	**231,679**	195,079	**28,931**	47,641
Kedah	**1,464,362**	1,434,211	**786,429**	772,318
Pulau Pinang	**2,660,130**	2,369,676	**2,088,712**	2,007,416
Perak	**1,595,065**	1,416,128	**962,749**	973,397
Selangor	**13,075,574**	12,411,054	**8,305,353**	8,950,162
Wilayah Persekutuan	**13,283,748**	12,986,958	**7,847,522**	8,752,844
Negeri Sembilan	**1,309,232**	1,216,093	**647,921**	767,492
Melaka	**1,036,264**	1,030,455	**788,511**	831,300
Johor	**5,134,735**	4,046,707	**3,401,016**	3,212,336
Pahang	**1,035,997**	897,686	**652,916**	595,356
Terengganu	**818,457**	743,413	**438,849**	347,503
Kelantan	**229,318**	216,290	**62,062**	63,115
Sarawak	**2,137,082**	1,710,795	**1,792,876**	1,578,664
Sabah	**1,749,113**	1,626,472	**1,432,806**	1,570,576
Labuan	**206,288**	664,510	**137,294**	600,536
Outside Malaysia	**87,514**	86,900	**18,297**	3,832
	46,054,558	43,052,427	**29,392,244**	31,074,488

(viii) Movements of impaired loans

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At beginning of the financial year	**687,946**	767,847	**590,447**	626,139
Amount arising from Group Reorganisation (Note 54)	**29,919**	-	**-**	-
Classified as impaired	**1,445,665**	679,669	**989,469**	515,330
Reclassified as non-impaired	**(676,240)**	(383,917)	**(338,471)**	(272,326)
Amount written-back during the financial year	**(156,769)**	(197,704)	**(127,510)**	(110,492)
Amount written-off during the financial year	**(163,215)**	(177,949)	**(154,849)**	(168,204)
At end of the financial year	**1,167,306**	687,946	**959,086**	590,447
Ratio of gross impaired loans, advances and financing to gross loans, advances and financing (*)	**2.53%**	1.60%	**2.98%**	1.78%

* For the Bank, restricted investment accounts included in the ratio calculation amounting to RM2,749.0 million (2016: RM2,110.0 million).

8 LOANS, ADVANCES AND FINANCING

(ix) Movements in allowance for impairment on loans, advances and financing

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Individual impairment				
At beginning of the financial year	**149,499**	270,137	**131,497**	231,621
Amount arising from Group Reorganisation (Note 54)	**8**	-	**-**	-
Allowance made during the financial year	**110,892**	81,349	**94,484**	62,010
Amount written-back during the financial year	**(47,255)**	(59,431)	**(39,157)**	(23,569)
Amount written-off during the financial year	**(112,633)**	(132,589)	**(112,633)**	(128,440)
Unwinding of income	**(5,236)**	(10,324)	**(4,355)**	(10,125)
Exchange differences	**(1,390)**	357	**-**	-
At end of the financial year	**93,885**	149,499	**69,836**	131,497

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Collective impairment				
At beginning of the financial year	**234,631**	229,461	**189,637**	192,790
Amount arising from Group Reorganisation (Note 54)	**2,534**	-	**-**	-
Net allowance made during the financial year	**49,319**	49,832	**28,512**	35,935
Amount written-off during the financial year	**(47,969)**	(44,662)	**(39,641)**	(39,088)
At end of the financial year	**238,515**	234,631	**178,508**	189,637

(x) Impaired loans by economic sectors

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Primary agriculture	**14,055**	14,331	**13,980**	14,288
Mining and quarrying	**13,615**	120	**13,552**	63
Manufacturing	**24,569**	20,434	**23,477**	19,406
Electricity, gas and water supply	**288**	207	**53**	96
Construction	**144,542**	102,416	**88,388**	97,335
Real estate	**252,055**	56,931	**207,512**	23,296
Wholesale & retail trade and restaurants & hotels	**41,691**	46,878	**36,564**	46,289
Transport, storage and communication	**292,658**	2,106	**292,478**	1,799
Finance, insurance and business services	**76,650**	128,829	**60,756**	128,337
Education, health and others	**730**	732	**605**	570
Household	**306,453**	314,962	**221,721**	258,968
	1,167,306	687,946	**959,086**	590,447

8 LOANS, ADVANCES AND FINANCING

(xi) Impaired loans by economic purpose

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Purchase of securities	**51**	158	**51**	158
Purchase of transport vehicles	**235,606**	86,062	**213,673**	69,732
Purchase of landed property of which:				
- Residential	**207,849**	203,075	**137,494**	161,680
- Non-residential	**272,499**	54,715	**247,641**	48,562
Fixed assets other than land and building	**984**	878	**749**	651
Personal use	**17,203**	28,441	**16,393**	27,616
Credit card	**622**	408	**622**	408
Consumer durable	**16**	17	**16**	17
Construction	**164,218**	39,998	**156,243**	39,998
Working capital	**256,643**	267,187	**184,515**	234,618
Others	**11,615**	7,007	**1,689**	7,007
	1,167,306	687,946	**959,086**	590,447

(xii) Impaired loans by geographical distribution

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Perlis	**2,627**	5,245	**505**	443
Kedah	**55,385**	48,834	**41,964**	45,818
Pulau Pinang	**26,769**	41,022	**25,156**	38,916
Perak	**16,023**	18,490	**10,252**	14,165
Selangor	**264,602**	264,698	**177,166**	233,730
Wilayah Persekutuan	**232,178**	79,564	**222,501**	76,894
Negeri Sembilan	**79,958**	79,423	**73,650**	74,573
Melaka	**6,604**	16,091	**4,527**	15,153
Johor	**34,040**	27,974	**30,216**	26,457
Pahang	**18,715**	9,574	**17,615**	7,880
Terengganu	**296,647**	6,245	**290,641**	1,229
Kelantan	**4,925**	5,337	**1,437**	1,694
Sarawak	**58,261**	7,951	**21,545**	7,753
Sabah	**42,307**	45,914	**41,911**	45,742
Outside Malaysia	**28,265**	31,584	**-**	-
	1,167,306	687,946	**959,086**	590,447

9 TRADE RECEIVABLES

	The Group	
	2017 RM'000	2016 RM'000
Amount due from stock-broking clients:		
- performing accounts	265,799	-
- impaired accounts (i)	1,366	-
Amount due from brokers	72,708	-
Amount due from Bursa Securities Clearing Sdn Bhd	83,281	-
Management fees receivable on fund management	128,612	-
	551,766	-
Allowance for impairment (ii)		
- Individual	(1,029)	-
	550,737	-
(i) Movements of impaired trade receivables		
At beginning of the financial year	-	-
Amount arising from Group Reorganisation (Note 54)	1,742	-
Classified as impaired	136	-
Amount written-back during the financial year	(512)	-
At end of the financial year	1,366	-
(ii) Movements in allowance for impairment on trade receivables		
Individual impairment		
At beginning of the financial year	-	-
Amount arising from Group Reorganisation (Note 54)	993	-
Allowance made during the financial year	121	-
Amount written-back during the financial year	(85)	-
At end of the financial year	1,029	-

10 OTHER ASSETS

	The Group 2017 RM'000	The Group 2016 RM'000	The Bank 2017 RM'000	The Bank 2016 RM'000
Other debtors (a)	**43,021**	21,343	**4,943**	19,424
Prepayments and deposits	**19,867**	21,898	**19,088**	21,429
Cheque clearing accounts	**17,535**	10,721	**9,493**	7,759
Foreclosed properties (b)	**19,912**	7,970	**17,271**	5,329
Collaterals pledged for derivative transactions	**168**	-	**-**	-
	100,503	61,932	**50,795**	53,941

	The Group 2017 RM'000	The Group 2016 RM'000	The Bank 2017 RM'000	The Bank 2016 RM'000
(a) Other debtors				
Other debtors	**43,733**	21,343	**4,943**	19,424
Less: Allowance for bad and doubtful debts	**(712)**	-	**-**	-
	43,021	21,343	**4,943**	19,424
Movements in the allowances for bad and doubtful debts are as follows:				
At beginning of the financial year	**-**	-	**-**	-
Amount arising from Group Reorganisation (Note 54)	**781**	-	**-**	-
Allowance made during the financial year	**403**	-	**-**	-
Amount written-back during the financial year	**(472)**	-	**-**	-
At end of the financial year	**712**	-	**-**	-
(b) Foreclosed properties				
At beginning of the financial year	**7,970**	4,906	**5,329**	4,315
Purchased during the financial year	**12,012**	3,558	**12,012**	1,508
Disposal during the financial year	**(70)**	(435)	**(70)**	(435)
	19,912	8,029	**17,271**	5,388
Foreclosed properties - impairment made	**-**	(59)	**-**	(59)
At end of the financial year	**19,912**	7,970	**17,271**	5,329

11 AMOUNT DUE FROM SUBSIDIARIES

	The Bank 2017 RM'000	The Bank 2016 RM'000
Advances to AFFIN Islamic	**-**	196,828
Advances to other subsidiaries	**2**	11
	2	196,839

The advances to subsidiaries are unsecured, bear no interest/profit rate and repayable on demand.

12 AMOUNT DUE FROM JOINT VENTURES

	The Group 2017 RM'000	The Group 2016 RM'000
Advances to joint ventures	**51,178**	46,725
Less:		
Allowances to impairment losses	**(12,329)**	-
	38,849	46,725
Movement in the impairment allowances for amount due from Joint Ventures		
At beginning of the financial year	**-**	-
Allowance made during the year	**12,329**	-
At end of the financial year	**12,329**	-

The advances to joint ventures are unsecured, bear no interest/profit rate and repayable on demand.

13 AMOUNT DUE FROM ASSOCIATE

	The Group 2017 RM'000	The Group 2016 RM'000
Advances to associate	**500**	500

The advances to associate are unsecured, bear no profit rate and payable on demand.

14 DEFERRED TAX ASSETS/(LIABILITIES)

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

	The Group 2017 RM'000	The Group 2016 RM'000	The Bank 2017 RM'000	The Bank 2016 RM'000
Deferred tax assets	**27,185**	8,056	**-**	-
Deferred tax liabilities	**(27,859)**	(12,884)	**(17,841)**	(12,884)
	(674)	(4,828)	**(17,841)**	(12,884)

14 DEFERRED TAX ASSETS/(LIABILITIES)

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets:				
- settled more than 12 months	**4,580**	-	**-**	-
- settled within 12 months	**33,686**	35,380	**-**	27,071
Deferred tax liabilities:				
- settled more than 12 months	**(23,865)**	(6,705)	**(4,867)**	(6,685)
- settled within 12 months	**(15,075)**	(33,503)	**(12,974)**	(33,270)
Deferred tax (liabilities)/assets	**(674)**	(4,828)	**(17,841)**	(12,884)
At beginning of the financial year	**(4,828)**	(11,506)	**(12,884)**	(15,104)
Amount arising from Group Reorganisation (Note 54)	**(8,059)**	-	**-**	-
Credited/(charged) to income statement (Note 42)	**18,293**	8,396	**3,994**	7,145
Charged to equity	**(6,080)**	(1,718)	**(8,951)**	(4,925)
At end of the financial year	**(674)**	(4,828)	**(17,841)**	(12,884)

The movement in deferred tax assets and liabilities during the financial year are as follows (RM'000):

The Group 2017	**Property and equipment**	**Intangible assets**	**Other liabilities**	**Financial investment AFS**	**Foreign exchange translation gain**	**Total**
At beginning of the financial year	**(3,628)**	**(7,120)**	**29,676**	**(23,756)**	**-**	**(4,828)**
Amount arising from Group Reorganisation (Note 54)	**(2,737)**	**(10,350)**	**19,742**	**(1,734)**	**(12,980)**	**(8,059)**
Credited/(charged) to income statements	**(499)**	**2,345**	**12,978**	**-**	**3,469**	**18,293**
Charged to equity	**-**	**-**	**-**	**(6,080)**	**-**	**(6,080)**
At end of the financial year	**(6,864)**	**(15,125)**	**62,396**	**(31,570)**	**(9,511)**	**(674)**

The Group 2016	Property and equipment	Intangible assets	Other liabilities	Financial investment AFS	Foreign exchange translation gain	Total
At beginning of the financial year	(3,285)	(4,204)	18,021	(22,038)	-	(11,506)
Credited/(charged) to income statements	(343)	(2,916)	11,655	-	-	8,396
Charged to equity	-	-	-	(1,718)	-	(1,718)
At end of the financial year	(3,628)	(7,120)	29,676	(23,756)	-	(4,828)

14 DEFERRED TAX ASSETS/(LIABILITIES)

The movement in deferred tax assets and liabilities during the financial year are as follows (RM'000):

The Bank 2017	**Property and equipment**	**Intangible assets**	**Other liabilities**	**Financial investment AFS**	**Total**
At beginning of the financial year	**(3,376)**	**(7,120)**	**27,073**	**(29,461)**	**(12,884)**
Credited/(charged) to income statements	**(609)**	**1,515**	**3,088**	**-**	**3,994**
Charged to equity	**-**	**-**	**-**	**(8,951)**	**(8,951)**
At end of the financial year	**(3,985)**	**(5,605)**	**30,161**	**(38,412)**	**(17,841)**

The Bank 2016	Property and equipment	Intangible assets	Other liabilities	Financial investment AFS	Total
At beginning of the financial year	(3,018)	(4,101)	16,551	(24,536)	(15,104)
Credited/(charged) to income statements	(358)	(3,019)	10,522	-	7,145
Charged to equity	-	-	-	(4,925)	(4,925)
At end of the financial year	(3,376)	(7,120)	27,073	(29,461)	(12,884)

The amount of unused tax losses for which no deferred tax asset is recognised in the statement of financial position are as follows:

	The Group		**The Bank**	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Tax losses	**90,884**	98,867	**-**	-

15 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

16 INVESTMENT IN SUBSIDIARIES

	The Bank	
	2017 RM'000	**2016 RM'000**
Unquoted shares, at cost	**3,066,341**	578,103
Less: Allowance for impairment losses	**(2,879)**	(2,879)
	3,063,462	575,224
Movement of Investment in Subsidiaries		
Balance as at beginning of financial year	**578,103**	519,509
Amount arising from Group Reorganisation (Note 54)	**1,988,738**	-
Additional subscription in shares issue by AFFIN Islamic Bank Bhd	**500,000**	100,000
Disposal/winding up of subsidiaries	**(500)**	(41,406)
	3,066,341	578,103

16 INVESTMENT IN SUBSIDIARIES

	The Bank	
	2017 RM'000	2016 RM'000
Movement in allowance for impairment losses		
At beginning of the financial year	**2,879**	30,435
Amount written off	**-**	(27,556)
At end of the financial year	**2,879**	2,879

The subsidiaries of the Bank, all of which are incorporated in Malaysia, are as follows:

Name	Principal Activities	Issued and Paid up share capital	Percentage of equity held 2017 %	2016 %
AFFIN Islamic Bank Bhd	Islamic banking business	1,060,000	**100**	100
PAB Properties Sdn Bhd	Property management services	8,000	**100**	100
ABB Nominee (Tempatan) Sdn Bhd	Share nominee services	40	**100**	100
AFFIN Recoveries Bhd	Dormant	125,000	**100**	100
ABB Nominee (Asing) Sdn Bhd	Dormant	2	**100**	100
AFFIN Factors Sdn Bhd	In member's voluntary winding-up	-	**-**	-
AFFIN Futures Sdn Bhd	In member's voluntary winding-up	-	**-**	-
ABB IT & Services Sdn Bhd	In member's voluntary winding-up	-	**-**	-
BSNCB Nominees (Tempatan) Sdn Bhd	In member's voluntary winding-up	-	**-**	-
BSNC Nominees (Tempatan) Sdn Bhd	In member's voluntary winding-up	-	**-**	-
PAB Property Development Sdn Bhd	In member's voluntary winding-up	-	**-**	-
AFFIN-ACF Nominees (Tempatan) Sdn Bhd	In member's voluntary winding-up	-	**-**	-
AFFIN Hwang Investment Bank Berhad ^	Provision of investment banking services	999,800	**100**	-
AFFIN Hwang Asset Management Berhad ^	Asset management and management of unit trust and private retirement scheme	10,000	**70**	-
AFFIN Capital Services Berhad ^^	Investment holdings	12,000	**70**	-
AIIMAN Asset Management Sdn. Bhd. (AIIMAN) ^^	Islamic fund management	10,000	**70**	-
AccelVantage Academy Sdn. Bhd.	Training and coaching services	408	**51**	-
Affin Hwang AIIMAN Global Sukuk Fund	Investment in Shariah-compliant fixed income instruments	**	**99**	-
TradePlus Shariah Gold Tracker	Investment in Shariah-Gold bar	**	**62**	-
AFFIN Hwang Nominees (Asing) Sdn Bhd ^	Nominee services	726	**100**	-
AFFIN Hwang Nominees (Tempatan) Sdn Bhd ^	Nominee services	731	**100**	-
AHC Global Sdn Bhd ^	Investment holdings	726	**100**	-
AHC Associates Sdn Bhd ^	Investment holdings	726	**100**	-
Affin Hwang Trustee Berhad (*/^)	Trustee services	3,500	**100**	100
AFFIN Moneybrokers Sdn Bhd ^	Money-broking	1,000	**100**	-

16 INVESTMENT IN SUBSIDIARIES

* The Bank has disposed the entire share capital of Affin Hwang Trustee Berhad (formerly know as ABB Trustee Berhad)('AHTB') comprising 100,000 ordinary shares of RM10 each (of which RM5 is uncalled) for a total consideration of approximately RM630,000. The entire share capital of AHTB is acquired by five shareholders in equal proportion, namely AFFIN Hwang Investment Bank Berhad, AFFIN Hwang Nominees (Tempatan) Sdn Bhd, AFFIN Hwang Nominess (Asing) Sdn Bhd, AHC Global Sdn Bhd and AHC Associates Sdn Bhd, each holding 20% equity interest in AHTB. The disposal was completed on 25 January 2017.

^ Subsidiaries acquired during the financial year pursuant to the Group Reorganisation stated in Note 54.

^^ Direct subsidiaries of AFFIN Hwang Asset Management Berhad

** These Funds are subsidiaries consolidated in the Group as the Group controls the funds in accordance with 'MFRS 10 "Consolidated Financial Statements"

Details of a subsidiary which has material non-controlling interests:

The summarised financial information of the asset management subsidiary, AFFIN Hwang Asset Management Berhad ('AHAM') has non-controlling interests which is material to the Group is set out below. The proportion of ownership interests and voting rights held by non-controlling interests is 30.0%. The summarised financial information below represents amounts before inter-company eliminations.

	2017 RM'000	2016 RM'000
Summarised financial position		
Total assets	631,584	-
Total liabilities	(438,223)	-
Net asset	193,361	-
Non-controlling interest ('NCI')	58,008	-
Summarised financial results		
Profit before taxation	25,781	-
Taxation	(3,837)	-
Other comprehensive income	671	-
Total comprehensive income	22,615	-
Summarised cash flows		
Net cash used in operating activities	(3,724)	-
Net cash used in investing activities	(9,389)	-
Net decrease in cash and cash equivalents	(13,113)	-
Profit allocated to NCI of the Group	6,583	-
Dividends paid to NCI of the Group	(9,000)	-
Movements in NCI at Group level		
Balance at beginning of the financial year	-	-
Amount arising from Group Reorganisation (Note 54)	61,155	-
Profit for the financial year	6,583	-
Other comprehensive income for the financial year	202	-
Dilution of interest in subsidirary	(932)	-
Dividends paid for the financial year	(9,000)	-
Balance at end of the financial year	58,008	-

17 INVESTMENT IN JOINT VENTURES

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unquoted shares at cost	**650**	650	**-**	-
Amount arising from Group Reorganisation (Note 54)	**148,340**	-	**148,340**	-
Acquisition of additional shares (a)	**15,300**	-	**15,300**	-
Group's share of post acquisition retained losses	**(4,720)**	(650)	**-**	-
Share of post acquisition reserve	**1,024**	-	**-**	-
	160,594	-	**163,640**	-

(a) During the year, the Bank subscribed to 15,300,000 new ordinary shares in AXA AFFIN Life Insurance Berhad ('AALI').

The joint ventures, all of which are incorporated in Malaysia, are as follows:

Name	Principal Activities	Issued and Paid up share capital (RM'000)	Percentage of equity held 2017 %	2016 %
AXA AFFIN Life Insurance Bhd (*)	Underwriting of life insurance business	398,000	**51**	-
AFFIN-I Nadayu Sdn Bhd (#)	Property development	1,000	**50**	50
KL South Development Sdn Bhd (#)	Property development	500	**30**	30

* Shareholding held directly by the Bank.

\# Shareholding held directly by AFFIN Islamic Bank Berhad.

The summarised financial information of the material joint venture namely AXA AFFIN Life Insurance Berhad ("AALI") is as follows:

	The Group	
	2017 RM'000	2016 RM'000
Revenue	**490,380**	-
Tax expense	**(4,965)**	-
Loss after tax	**(21,094)**	-
Total assets	**1,771,203**	-
Total liabilities	**1,456,313**	-
Total comprehensive loss	**(16,615)**	-
Cash and cash equivalent	**33,221**	-

17 INVESTMENT IN JOINT VENTURES

Reconciliation of the summarised financial information to the carrying amount of the interest in AALI recognised in the consolidated financial statements:

	The Group	
	2017 RM'000	2016 RM'000
Opening net assets as at beginning of the financial year	301,505	-
Loss for the financial year	(21,094)	-
Other comprehensive income	4,479	-
Proceeds from issuance of shares	30,000	-
Closing net assets as at end of the financial year	314,890	-
Interest in AALI:		
- In percentage (%)	51	-
- In thousand (RM'000)	160,594	-
- Share of results of a joint venture	(4,070)	-

The financial information of AFFIN-i Nadayu Sdn Bhd and KL South Development Sdn Bhd is not significant to the Group.

Allowance for impairment of investment in joint ventures

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint ventures is impaired. When an objective evidence of impairment is identified, the investment in joint venture is tested for impairment. An impairment loss is recognised for the amount by which the carrying amount of the joint ventures exceed its recoverable amount. The recoverable amount is assessed based on higher of the fair value less costs to sell and value in use.

AXA AFFIN Life Insurance Berhad

For the financial year ended 31 December 2017 and 2016, the recoverable amount of AXA AFFIN Life Insurance Berhad is assessed using the European Embedded Value ('EEV'). EEV is a measure of the consolidated value of shareholders' interests in the covered business of a life insurance company at a particular point in time.

The EEV components consist of free surplus allocated to the covered business, required capital less the cost of holding required capital, and the present value of future shareholder cash flows from in-force covered business.

Swap rates with ultimate forward rates of 4.20% (2016: 4.20%) is used as discount and earning rates.

Investment in AXA AFFIN Life Insurance Berhad is not sensitive to impairment assessment as at 31 December 2017 and 31 December 2016.

18 INVESTMENT IN ASSOCIATES

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unquoted share at cost	750	750	-	-
Amount arising from Group reorganisation (Note 54)	367,945	-	367,945	-
Acquisition of additional shares (a)	180,537	-	180,537	-
Group's share of post acquisition reserves	17,046	-	-	-
	566,278	750	548,482	-

18 INVESTMENT IN ASSOCIATES

(a) The Bank had on 28 December 2017 acquired additional 15,325,747 shares at a price of RM11.78 per share from Felda Marketing Services Sdn Bhd for a total consideration of RM180.5 million. Pursuant thereto, the Bank hold a total 59,460,710 ordinary shares in AAGI representing 49.95% equity interest therein.

The associates, all of which are incorporated in Malaysia, are as follows:

Name	Principal Activities	Issued and Paid up share capital	Percentage of equity held 2017 %	2016 %
AXA AFFIN General Insurance Bhd (*)	Underwriting of general insurance business	190,645	**49.95**	-
Raeed Holdings Sdn Bhd	Investment Holding company	4,500	**16.67**	16.67

* Shareholding held directly by the Bank.

Raeed Holdings Sdn Bhd is a consortium formed by six Islamic banking institutions and the shareholding is directly held by AFFIN Islamic Bank Berhad.

The summarised financial information of the material associate namely AXA AFFIN General Insurance Berhad ('AAGI') is as follows:

	The Group 2017 RM'000	2016 RM'000
Revenue	**1,491,964**	-
Profit after taxation	**103,174**	-
Total comprehensive income	**112,492**	-
Total assets	**3,595,059**	-
Total liabilities	**2,561,962**	-
Capital commitment for property and equipment	**10,968**	-

Reconciliation of the summarised financial information to the carrying amount of the interest in associate recognised in the consolidated financial statements:

	The Group 2017 RM'000	2016 RM'000
Net assets		
At beginning of the financial year	**920,605**	-
Profit for the financial year	**103,174**	-
Other comprehensive income	**9,318**	-
At end of the financial year	**1,033,097**	-
Interest in associate:		
- in percentage (%)	**49.95**	-
- in thousand (RM'000)	**516,001**	-
- premium on acquisition	**49,527**	-
	565,528	-

The financial information of Raeed Holdings Sdn Bhd is not significant to the Group.

19 PROPERTY AND EQUIPMENT

The Group 2017	Freehold land RM'000	<--Leasehold land--> 50 years or more RM'000	Less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Renovation RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work in progress RM'000	Total RM'000
Cost											
At beginning of the financial year	278,905	11,822	5,900	26,368	80,982	116,686	60,636	83,289	3,114	10,363	678,065
Amount acquired from Group Reorganisation (Note 54)	-	-	-	-	-	30,362	20,749	46,861	7,476	-	105,448
Additions	-	-	-	-	-	2,721	2,073	20,268	5	35,544	60,611
Disposals	-	-	-	(2,628)	-	(655)	(519)	(1,433)	(377)	-	(5,612)
Write-off	-	-	-	-	-	(1,799)	(1,762)	(4,423)	(651)	-	(8,635)
Reclassification	-	-	-	-	-	31	-	1,287	-	(12,257)	(10,939)
At end of the financial year	278,905	11,822	5,900	23,740	80,982	147,346	81,177	145,849	9,567	33,650	818,938
Accumulated depreciation and impairment losses											
At beginning of the financial year	140	2,200	2,206	13,262	27,536	108,206	47,932	72,410	2,374	-	276,266
Amount acquired from Group Reorganisation (Note 54)	-	-	-	-	-	12,351	16,542	38,231	4,120	-	71,244
Charge for the financial year	-	98	128	408	1,627	4,388	3,457	6,933	638	-	17,677
Disposal	-	-	-	(893)	-	(655)	(519)	(1,433)	(377)	-	(3,877)
Write-off	-	-	-	-	-	(1,799)	(1,712)	(4,358)	(585)	-	(8,454)
At end of the financial year	140	2,298	2,334	12,777	29,163	122,491	65,700	111,783	6,170	-	352,856
Net book value at end of the financial year	278,765	9,524	3,566	10,963	51,819	24,855	15,477	34,066	3,397	33,650	466,082

19 PROPERTY AND EQUIPMENT

The Group 2016	Freehold land RM'000	<--Leasehold land--> 50 years or more RM'000	Less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Renovation RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work in progress RM'000	Total RM'000
Cost											
At beginning of the financial year	278,905	11,822	5,900	26,368	80,982	113,020	59,607	75,455	3,649	15,161	670,869
Additions	-	-	-	-	-	4,009	1,692	7,382	332	14,129	27,544
Disposals	-	-	-	-	-	-	(16)	-	(867)	-	(883)
Write-off	-	-	-	-	-	(367)	(624)	(521)	-	-	(1,512)
Reclassification	-	-	-	-	-	24	(23)	973	-	(18,927)	(17,953)
At end of the financial year	278,905	11,822	5,900	26,368	80,982	116,686	60,636	83,289	3,114	10,363	678,065
Accumulated depreciation and impairment losses											
At beginning of the financial year	140	2,102	2,078	12,824	25,910	103,675	45,055	69,193	2,579	-	263,556
Charge for the financial year	-	98	128	438	1,626	4,890	3,468	3,738	338	-	14,724
Disposal	-	-	-	-	-	-	(16)	-	(543)	-	(559)
Write-off	-	-	-	-	-	(360)	(574)	(521)	-	-	(1,455)
Reclassification	-	-	-	-	-	1	(1)	-	-	-	-
At end of the financial year	140	2,200	2,206	13,262	27,536	108,206	47,932	72,410	2,374	-	276,266
Net book value at end of the financial year	278,765	9,622	3,694	13,106	53,446	8,480	12,704	10,879	740	10,363	401,799

19 PROPERTY AND EQUIPMENT

The Bank 2017	Freehold land RM'000	<--Leasehold land--> 50 years or more RM'000	Less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Renovation RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work in progress RM'000	Total RM'000
Cost											
At beginning of the financial year	276,397	9,932	5,900	25,069	80,074	112,111	58,150	80,471	2,614	10,363	661,081
Additions	-	-	-	-	-	3,408	1,756	17,578	5	35,223	57,970
Disposals	-	-	-	(2,628)	-	(656)	(400)	-	(377)	-	(4,061)
Write-off	-	-	-	-	-	(948)	(982)	(4,126)	(584)	-	(6,640)
Reclassification	-	-	-	-	-	31	(1)	1,161	491	(12,264)	(10,582)
At end of the financial year	276,397	9,932	5,900	22,441	80,074	113,946	58,523	95,084	2,149	33,322	697,768
Accumulated depreciation and impairment losses											
At beginning of the financial year	-	1,933	2,206	12,392	26,943	104,055	46,330	70,482	2,023	-	266,364
Charge for the financial year	-	90	128	382	1,609	3,353	2,885	5,687	305	-	14,439
Disposal	-	-	-	(893)	-	(656)	(400)	-	(377)	-	(2,326)
Write-off	-	-	-	-	-	(948)	(939)	(4,061)	(585)	-	(6,533)
Reclassification	-	-	-	-	-	-	-	-	434	-	434
At end of the financial year	-	2,023	2,334	11,881	28,552	105,804	47,876	72,108	1,800	-	272,378
Net book value at end of the financial year	276,397	7,909	3,566	10,560	51,522	8,142	10,647	22,976	349	33,322	425,390

19 PROPERTY AND EQUIPMENT

The Bank 2016	Freehold land RM'000	<--Leasehold land--> 50 years or more RM'000	Less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Renovation RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work in progress RM'000	Total RM'000
Cost											
At beginning of the financial year	276,397	9,932	5,900	25,069	80,074	108,474	57,126	72,564	3,149	15,161	653,846
Additions	-	-	-	-	-	3,977	1,652	6,901	332	14,129	26,991
Disposals	-	-	-	-	-	-	(16)	-	(867)	-	(883)
Write-off	-	-	-	-	-	(362)	(584)	(130)	-	-	(1,076)
Reclassification	-	-	-	-	-	22	(28)	1,136	-	(18,927)	(17,797)
At end of the financial year	276,397	9,932	5,900	25,069	80,074	112,111	58,150	80,471	2,614	10,363	661,081
Accumulated depreciation and impairment losses											
At beginning of the financial year	-	1,843	2,078	11,980	25,335	99,847	43,655	66,868	2,327	-	253,933
Charge for the financial year	-	90	128	412	1,608	4,562	3,234	3,415	239	-	13,688
Disposal	-	-	-	-	-	-	(16)	-	(543)	-	(559)
Write-off	-	-	-	-	-	(355)	(536)	(130)	-	-	(1,021)
Reclassification	-	-	-	-	-	1	(7)	329	-	-	323
At end of the financial year	-	1,933	2,206	12,392	26,943	104,055	46,330	70,482	2,023	-	266,364
Net book value at end of the financial year	276,397	7,999	3,694	12,677	53,131	8,056	11,820	9,989	591	10,363	394,717

20 INTANGIBLE ASSETS

The Group 2017	**Goodwill RM'000**	**Brand RM'000**	**Customer Relationship RM'000**	**Computer Software RM'000**	**Total RM'000**
Cost					
At beginning of the financial year	**133,430**	**-**	**-**	**166,727**	**300,157**
Amount arising from Group Reorganisation (Note 54)	**689,621**	**5,415**	**83,622**	**27,266**	**805,924**
Additions	**-**	**-**	**-**	**4,900**	**4,900**
Disposals	**-**	**-**	**-**	**(20)**	**(20)**
Write-off	**-**	**-**	**-**	**(4)**	**(4)**
Reclassification from property and equipment (Note 19)	**-**	**-**	**-**	**10,939**	**10,939**
At end of the financial year	**823,051**	**5,415**	**83,622**	**209,808**	**1,121,896**
Less: Accumulated amortisation					
At beginning of the financial year	**-**	**-**	**-**	**(136,068)**	**(136,068)**
Amount arising from Group Reorganisation (Note 54)	**-**	**(5,302)**	**(41,811)**	**(20,047)**	**(67,160)**
Amortised during the financial year	**-**	**(113)**	**(2,985)**	**(11,616)**	**(14,714)**
Disposals	**-**	**-**	**-**	**4**	**4**
Write-off	**-**	**-**	**-**	**4**	**4**
At end of the financial year	**-**	**(5,415)**	**(44,796)**	**(167,723)**	**(217,934)**
Net book value at end of the financial year	**823,051**	**-**	**38,826**	**42,085**	**903,962**

The Group 2016	Goodwill RM'000	Brand RM'000	Customer Relationship RM'000	Computer Software RM'000	Total RM'000
Cost					
At beginning of the financial year	133,430	146,107	-	-	279,537
Additions	-	2,680	-	-	2,680
Write-off	-	(13)	-	-	(13)
Reclassification from property and equipment (Note 19)	-	17,953	-	-	17,953
At end of the financial year	133,430	166,727	-	-	300,157
Less: Accumulated amortisation					
At beginning of the financial year	-	(126,400)	-	-	(126,400)
Amortised during the financial year	-	(9,681)	-	-	(9,681)
Write-off	-	13	-	-	13
At end of the financial year	-	(136,068)	-	-	(136,068)
Net book value at end of the financial year	133,430	30,659	-	-	164,089

20 INTANGIBLE ASSETS

The Bank 2017	**Goodwill RM'000**	**Computer Software RM'000**	**Total RM'000**
Cost			
At beginning of the financial year	**137,323**	**160,326**	**297,649**
Additions	**-**	**4,071**	**4,071**
Write-off	**-**	**(4)**	**(4)**
Reclassification from property and equipment (Note 19)	**-**	**10,939**	**10,939**
At end of the financial year	**137,323**	**175,332**	**312,655**
Less: Accumulated amortisation			
At beginning of the financial year	**-**	**(129,667)**	**(129,667)**
Amortised during the financial year	**-**	**(11,012)**	**(11,012)**
Write-off	**-**	**4**	**4**
At end of the financial year	**-**	**(140,675)**	**(140,675)**
Net book value at end of the financial year	**137,323**	**34,657**	**171,980**

The Bank 2016	Goodwill RM'000	Computer Software RM'000	Total RM'000
Cost			
At beginning of the financial year	137,323	139,705	277,028
Additions	-	2,680	2,680
Write-off	-	(13)	(13)
Reclassification from property and equipment (Note 19)	-	17,953	17,953
At end of the financial year	137,323	160,325	297,648
Less: Accumulated amortisation			
At beginning of the financial year	-	(120,424)	(120,424)
Amortised during the financial year	-	(9,255)	(9,255)
Write-off	-	13	13
At end of the financial year	-	(129,666)	(129,666)
Net book value at end of the financial year	137,323	30,659	167,982

20 INTANGIBLE ASSETS

Goodwill

The carrying amount of the Group's and the Bank's goodwill has been allocated to the following business segments, which represent the Bank's cash-generating units ('CGUs'):

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Business banking	**119,698**	119,698	**123,591**	123,591
Consumer banking	**13,732**	13,732	**13,732**	13,732
Investment banking (a)	**266,884**	-	**-**	-
Asset management (a)	**180,931**	-	**-**	-
Stock-broking (a)	**230,686**	-	**-**	-
Money-broking (a)	**11,120**	-	**-**	-
	823,051	133,430	**137,323**	137,323

(a) Goodwill recognised arising from Group Reorganisation as disclosed in Note 54.

Goodwill is allocated to the Group's CGUs which are expected to benefit from the synergies of the acquisitions. For annual impairment testing purposes, the recoverable amount of the CGUs are based on their value-in-use calculations using the cash flow projections based on 5 years financial budgets of the respective subsidiaries, which were approved by Directors. The cash flows beyond the fifth year are assumed to grow on perpetual basis based on forecasted Gross Domestic Product ("GDP") growth rate of Malaysia, adjusted for specific risk of the CGUs.

The cash flow projections are derived based on a number of key factors including past performance and management's expectations of the market developments. The discount rates used are based on the pre-tax weighted average cost of capital plus an appropriate risk premium where applicable, at the date of assessment of the CGUs.

During the financial year, impairment was not required for goodwill arising from all the business segments. The impairment charge is most sensitive to discount rate and the directors are of the view that any reasonable possible changes to the assumptions applied are not likely to cause the recoverable amount of all the CGUs to be lower than its carrying amount, other than Investment Banking and Stock-broking CGUs.

The estimated terminal growth rates and discount rates used for value in use calculation are as follows:

	Discount Rate		Terminal Rate	
	2017 %	2016 %	2017 %	2016 %
Business banking	**12.48**	11.67	**5.00**	4.50
Consumer banking	**12.43**	11.57	**5.00**	4.50
Investment banking	**11.25**	-	**5.00**	4.50
Asset management	**11.25**	-	**5.00**	4.50
Stock-broking	**11.25**	-	**5.00**	4.50
Money-broking	**7.41**	-	**5.00**	4.50

For investment banking and stockbroking CGUs, the estimated recoverable amount will be equal to the carrying value under the assumptions below:

	Investment banking %	Stock-broking %
Discount rate	**11.55**	**11.64**
Terminal growth rate	**4.78**	**3.65**
Cash flows	**96.38**	**81.40**

21 DEPOSITS FROM CUSTOMERS

(i) By type of deposit	The Group 2017 RM'000	The Group 2016 RM'000	The Bank 2017 RM'000	The Bank 2016 RM'000
Demand deposits	**7,514,976**	7,608,648	**4,445,816**	5,037,616
Savings deposits	**2,068,084**	2,043,157	**1,528,259**	1,565,872
Fixed deposits	**34,333,682**	26,549,515	**20,955,124**	19,839,651
Commodity Murabahah	**586,029**	768,412	**-**	-
Money market deposits	**1,450,161**	518,016	**1,450,161**	518,016
Negotiable instruments of deposit ('NID')	**4,865,486**	10,145,308	**4,915,793**	10,145,308
Others	**101,811**	-	**-**	-
	50,920,229	47,633,056	**33,295,153**	37,106,463

(ii) Maturity structure of fixed deposits and NID	The Group 2017 RM'000	The Group 2016 RM'000	The Bank 2017 RM'000	The Bank 2016 RM'000
Due within six months	**28,146,343**	29,695,766	**18,136,022**	24,967,259
Six months to one year	**8,440,099**	6,283,803	**5,645,663**	4,490,502
One year to three years	**2,326,825**	544,151	**2,065,142**	512,720
Three years to five years	**285,901**	171,103	**24,090**	14,478
	39,199,168	36,694,823	**25,870,917**	29,984,959

(iii) By type of customer	The Group 2017 RM'000	The Group 2016 RM'000	The Bank 2017 RM'000	The Bank 2016 RM'000
Government and statutory bodies	**8,025,732**	6,970,831	**2,502,386**	3,766,293
Business enterprise	**13,909,710**	12,855,326	**8,813,469**	8,536,353
Individuals	**14,544,917**	12,922,185	**12,927,124**	11,601,961
Domestic banking institutions	**4,924,729**	7,399,892	**4,970,867**	7,399,775
Domestic non-banking financial institutions	**8,316,341**	6,332,943	**3,221,556**	5,052,773
Foreign entities	**596,604**	499,655	**507,288**	425,962
Other entities	**602,196**	652,224	**352,463**	323,346
	50,920,229	47,633,056	**33,295,153**	37,106,463

22 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group 2017 RM'000	The Group 2016 RM'000	The Bank 2017 RM'000	The Bank 2016 RM'000
Licensed banks	**2,875,922**	2,211,825	**1,833,042**	1,611,023
Licensed investment banks	**98,321**	165,173	**43,711**	165,172
Bank Negara Malaysia	**1,176,407**	63,235	**1,176,296**	63,235
Other financial institutions	**1,555,949**	1,106,970	**927,256**	743,805
	5,706,599	3,547,203	**3,980,305**	2,583,235
Maturity structure of deposits				
Due within six months	**5,706,599**	3,499,664	**3,980,305**	2,583,235
Six months to one year	**-**	47,539	**-**	-
	5,706,599	3,547,203	**3,980,305**	2,583,235

23 DERIVATIVE FINANCIAL LIABILITIES

	The Group 2017 Contract/ notional amount RM'000	The Group 2017 Liabilities RM'000	The Group 2016 Contract/ notional amount RM'000	The Group 2016 Liabilities RM'000
At fair value				
Foreign exchange derivatives:				
Currency forwards	**3,362,909**	**106,537**	411,616	15,223
Cross currency swaps	**2,544,896**	**133,756**	2,952,673	371,016
Currency swaps	**529,884**	**5,147**	-	-
Interest rate derivatives:				
Interest rate swaps	**2,416,148**	**18,236**	1,596,773	16,533
	8,853,837	**263,676**	4,961,062	402,772

	The Bank 2017 Contract/ notional amount RM'000	The Bank 2017 Liabilities RM'000	The Bank 2016 Contract/ notional amount RM'000	The Bank 2016 Liabilities RM'000
At fair value				
Foreign exchange derivatives:				
Currency forwards	**1,256,430**	**58,249**	404,467	14,510
Cross currency swaps	**2,865,264**	**135,924**	3,858,921	378,240
Interest rate derivatives:				
Interest rate swaps	**1,226,148**	**16,704**	1,596,773	16,533
	5,347,842	**210,877**	5,860,161	409,283

24 TRADE PAYABLES

	The Group	
	2017 RM'000	2016 RM'000
Amount due to unit trust funds	**253,359**	-
Amount due to unit holders	**29,865**	-
Amount due to clients	**299,655**	-
Amount due to brokers	**94,143**	-
	677,022	-

The trade payables represent amount payable under outstanding sales contracts in relation to the stock-broking business.

25 OTHER LIABILITIES

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding programmes	**37,944**	38,563	**37,944**	38,563
Margin and collateral deposits	**131,494**	149,616	**114,402**	141,203
Other creditors and accruals	**190,253**	52,647	**53,153**	49,165
Sundry creditors	**175,693**	91,257	**156,128**	75,562
Cheque clearing accounts	**34,112**	19,272	**34,112**	19,272
Provision for zakat	**3,223**	2,332	**-**	-
Defined contribution plan (a)	**18,111**	15,437	**16,737**	14,380
Accrued employee benefits	**129,887**	33,621	**36,969**	31,360
Unearned income	**53,972**	36,743	**33,215**	32,940
Trust accounts for remisiers	**49,119**	-	**-**	-
Collaterals pledged for derivative transactions	**29**	-	**-**	-
Securities borrowings and lending - borrow	**82,030**	-	**-**	-
Amounts payable to commissioned and salaried dealer's representatives	**39,505**	-	**-**	-
	945,372	439,488	**482,660**	402,445

(a) The Group and the Bank contributes to the Employee Provident Fund ('EPF'), the national defined contribution plan. Once the contributions have been paid, the Group and the Bank has no further payment obligations.

26 AMOUNT DUE TO SUBSIDIARIES

The amount due to subsidiaries are relating to intercompany transactions which are unsecured, bear no interest rate (2016: Nil) and repayable on demand.

27 SUBORDINATED TERM LOAN AND MEDIUM TERM NOTES

		The Group and The Bank 2017 RM'000	2016 RM'000
(a)	Tier-2 Subordinated Medium Term Notes ('MTN')	**2,036,144**	-
(b)	Basel II Subordinated term loan 3	**-**	302,733
(c)	Basel III Subordinated term loan 1	**-**	400,102
(d)	Basel III Subordinated term loan 2	**-**	301,218
(e)	Basel III Subordinated term loan 3	**-**	300,539
		2,036,144	1,304,592

	At 1 January 2017 RM'000	**Cash flow RM'000**	**Interest expense RM'000**	**At 31 December 2017 RM'000**
Tier-2 Subordinated Medium Term Notes	**-**	**2,000,000**	**-**	**2,000,000**
Subordinated term loans	**1,300,000**	**(1,300,000)**	**-**	**-**
Interest payable	**4,592**	**(66,198)**	**97,750**	**36,144**
	1,304,592	**633,802**	**97,750**	**2,036,144**

	At 1 January 2016 RM'000	Cash flow RM'000	Interest expense RM'000	At 31 December 2016 RM'000
Subordinated term loans	1,000,000	300,000	-	1,300,000
Interest payable	4,446	(46,470)	46,616	4,592
	1,004,446	253,530	46,616	1,304,592

(a) The Bank had on 7 February 2017 and 20 September 2017 issued 2 tranches of Tier-2 Subordinated MTNs of RM1.0 billion each out of its approved BASEL III Compliant MTN programme of up to RM6.0 billion in nominal value. The Subordinated MTNs were issued for a tenure of 10 years from the issue date on a 10-year non-callable 5 basis, at a coupon rate of 5.45% and 5.03% respectively. The MTNs were issued for the purpose of general banking business and working capital requirements of the Bank.

(b) The subordinated loan were issued on 16 January 2012 and carries interest rate at cost of fund ('COF') plus 1.00% per annum for a tenure of 10 years with the Bank's holding company. The loan was fully repaid on 16 January 2017.

(c) The subordinated loan were issued on 30 December 2015 and carries interest rate at cost of fund ('COF') plus 1.00% per annum for a tenure of 10 years with the Bank's holding company. The loan was fully repaid on 4 August 2017.

(d) The subordinated loan were issued on 26 May 2016 and carries interest rate at cost of fund ('COF') plus 1.00% per annum for a tenure of 10 years with the Bank's holding company. The loan was fully repaid on 17 October 2017.

(e) The subordinated loan were issued on 16 December 2016 and carries interest rate at cost of fund ('COF') plus 0.725% per annum for a tenure of 10 years with the Bank's holding company. The loan was fully repaid on 17 October 2017.

COF refers to rate determined by the lender on an interest determination date falling within the interest duration.

28 SHARE CAPITAL

	The Group and The Bank			
	2017 Number of ordinary shares '000	2017 RM'000	2016 Number of ordinary shares '000	2016 RM'000
Authorised share capital (a):				
Ordinary shares of RM1.00 each	**-**	**-**	2,000,000	2,000,000
	-	**-**	2,000,000	2,000,000
Ordinary share issued and fully paid:				
At beginning of the financial year	**1,688,770**	**1,688,770**	1,688,770	1,688,770
New shares issuance	**254,179**	**2,137,078**	-	-
Transition to no-par value regime under the Companies Act, 2016 (a)	**-**	**858,904**	-	-
At end of the financial year (shares with no par value) (2016: par value of RM1.00 each)	**1,942,949**	**4,684,752**	1,688,770	1,688,770

(a) The new Companies Act, 2016 ('New Act'), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account of RM858,904,000 becomes part of the Group and the Bank's share capital pursuant to the transitional provisions set out in Section 618 (2) of the New Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

29 RESERVES

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Retained profits	**2,670,888**	1,178,962	**1,987,315**	913,359
Share premium	**-**	858,904	**-**	858,904
Foreign exchange reserves	**151**	-	**-**	-
AFS revaluation reserves (b)	**97,596**	75,229	**121,637**	93,292
Statutory reserves (c)	**-**	1,721,637	**-**	1,416,621
Regulatory reserves (d)	**817,399**	280,204	**710,743**	207,026
	3,586,034	4,114,936	**2,819,695**	3,489,202

(a) As at 31 December 2017, the Bank has a tax exempt account balance of RM10.9 million (2016: RM10.9 million) under Section 12 of the Income Tax (Amendment) Act 1999, subject to agreement by the Inland Revenue Board.

(b) AFS revaluation reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as financial investment available-for-sale. The gains or losses are transferred in the income statement upon disposal or when the securities become impaired.

(c) The requirement to maintain a statutory reserve funds has been removed pursuant to BNM's Capital Fund Policy with effect from 3 May 2017. Consequently, the statutory reserve amount has been transferred to retained earnings.

(d) The Group and the Bank are required to maintain in aggregate collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans, advances and financing, net of individual impairment allowances.

30 INTEREST INCOME

	The Group		The Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Loans, advances and financing	**1,771,964**	1,807,744	**1,638,124**	1,714,508
Money at call and deposit placements with financial institutions	**109,899**	84,450	**216,710**	175,142
Reverse repurchase agreements with financial institutions	**368**	-	**368**	-
Financial assets at FVTPL	**1,649**	240	**209**	240
Financial investments:				
- Available-for-sale	**355,889**	301,744	**317,057**	301,744
- Held-to-maturity	**22,535**	17,776	**22,070**	17,776
Interest rate derivatives	**105,151**	115,807	**105,561**	115,807
Others	**169**	-	**-**	-
	2,367,624	2,327,761	**2,300,099**	2,325,217
of which:				
Interest income earned on impaired loans, advances and financing	**2,257**	8,070	**1,865**	8,070

31 INTEREST EXPENSE

	The Group		The Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Deposits from customers	**1,197,187**	1,188,329	**1,147,499**	1,188,338
Deposits and placements of banks and other financial institutions	**91,497**	113,284	**103,682**	113,284
Securities sold under repurchase agreements	**22,055**	33,193	**21,554**	33,193
Interest rate derivatives	**102,444**	108,712	**102,916**	108,712
Loan sold to Cagamas Berhad	**-**	4,931	**-**	4,931
Subordinated term loan	**34,580**	46,616	**34,580**	46,616
Medium term notes	**63,170**	-	**63,170**	-
Others	**1,438**	614	**585**	614
	1,512,371	1,495,679	**1,473,986**	1,495,688

32 INCOME FROM ISLAMIC BANKING BUSINESS

	The Group 2017 RM'000	The Group 2016 RM'000
Income derived from investment of depositors' funds and others	**605,874**	486,809
Income derived from investment of investment account funds	**92,746**	90,061
Income derived from investment of shareholders' funds	**62,362**	44,186
Total distributable income	**760,982**	621,056
Income attributable to depositors	**(426,715)**	(348,250)
	334,267	272,806
of which:		
Financing income earned on impaired financing, advances and other financing	**1,794**	409

33 OTHER OPERATING INCOME

		The Group 2017 RM'000	The Group 2016 RM'000	The Bank 2017 RM'000	The Bank 2016 RM'000
(a)	**Fee and commission income**				
	Net brokerage	**19,265**	-	**-**	-
	Underwriting	**350**	-	**-**	-
	Portfolio management fees	**96,591**	-	**-**	-
	Corporate advisory fees	**2,312**	-	**-**	-
	Commission	**28,595**	25,905	**28,863**	25,905
	Service charges and fees	**56,380**	64,324	**56,557**	64,324
	Guarantee fees	**21,832**	24,355	**21,311**	24,355
	Arrangement fees	**2,002**	-	**-**	-
	Agency fees	**930**	-	**-**	-
	Initial service charges	**50,491**	-	**-**	-
	Other fee income	**2,029**	-	**-**	-
		280,777	114,584	**106,731**	114,584
(b)	**Fee and commission expenses**	**(68,533)**	(8,210)	**(8,602)**	(8,210)
	Net fee and commision income	**212,244**	106,374	**98,129**	106,374

34 NET GAINS ON FINANCIAL INSTRUMENTS

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Income from financial instruments:				
Gain/(loss) arising on financial assets at FVTPL				
- net gain on disposal	**17,961**	432	**153**	432
- unrealised (losses)/gains	**727**	2	**(24)**	2
- gross dividend income	**198**	-	**-**	-
	18,886	434	**129**	434
Gain/(loss) on derivatives:				
- realised	**832**	2,452	**832**	2,452
- unrealised	**(2,774)**	4,965	**985**	4,965
	(1,942)	7,417	**1,817**	7,417
Gain arising on financial investments available-for-sale:				
- net gain on disposal	**33,276**	32,993	**28,762**	32,993
- gross dividend income	**4,338**	2,673	**1,980**	2,673
	37,614	35,666	**30,742**	35,666
Gain arising on financial investments held-to-maturity:				
- net gain on redemption	**39,784**	-	**39,784**	-
	39,784	-	**39,784**	-
Net gain on financial instruments	**94,342**	43,517	**72,472**	43,517

35 OTHER INCOME

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Foreign exchange gain/(loss):				
- realised	**(27,489)**	30,665	**(35,700)**	30,665
- unrealised	**79,622**	30,226	**83,221**	30,226
Rental income	**2,128**	1,556	**2,151**	1,556
Gain/(loss) on sale of property and equipment	**777**	(94)	**752**	(94)
Gain on disposal of foreclosed properties	**2,260**	153	**2,260**	153
Other non-operating income	**7,051**	7,145	**6,589**	6,926
Gain on disposal of subsidiary	**-**	-	**162**	-
	64,349	69,651	**59,435**	69,432

36 OTHER OPERATING EXPENSES

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Personnel costs (a)	**606,345**	390,037	**396,200**	308,736
Establishment costs (b)	**217,097**	216,274	**162,105**	180,883
Marketing expenses (c)	**37,334**	28,562	**26,666**	23,931
Administrative and general expenses (d)	**73,513**	59,243	**52,499**	47,851
	934,289	694,116	**637,470**	561,401

(a) Personnel costs

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages, salaries and bonuses	**409,313**	295,171	**264,641**	233,311
Defined contribution plan ('EPF')	**67,155**	49,145	**44,276**	38,754
Voluntary separation scheme	**46,518**	-	**44,271**	-
Other personnel costs	**83,359**	45,721	**43,012**	36,671
	606,345	390,037	**396,200**	308,736

(b) Establishment costs

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Rental of premises	**28,346**	24,977	**19,059**	20,171
Equipment rental	**1,273**	682	**766**	563
Repair and maintenance	**37,607**	34,463	**26,212**	27,418
Depreciation of property and equipment	**17,677**	14,724	**14,439**	13,688
Amortisation of intangible assets	**14,714**	9,681	**11,012**	9,255
IT Consultancy fees	**51,399**	65,111	**40,060**	54,940
Dataline rental	**8,165**	7,732	**6,430**	6,591
Security services	**17,721**	17,450	**13,071**	13,653
Electricity, water and sewerage	**11,509**	11,532	**8,779**	9,758
Insurance/Takaful and indemnities	**24,089**	24,970	**22,245**	24,187
Other establishment costs	**4,597**	4,952	**32**	659
	217,097	216,274	**162,105**	180,883

36 OTHER OPERATING EXPENSES

(c) Marketing expenses

	The Group		The Bank	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Dealers' handling charges	**300**	-	**-**	-
Business promotion and advertisement	**12,372**	10,312	**8,862**	9,524
Entertainment	**2,724**	2,359	**1,468**	2,040
Traveling and accommodation	**7,144**	4,017	**4,614**	3,190
Commission and brokerage expenses	**11,939**	9,979	**9,840**	7,783
Other marketing expenses	**2,855**	1,895	**1,882**	1,394
	37,334	28,562	**26,666**	23,931

(d) Administration and general expenses

	The Group		The Bank	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Telecommunication expenses	**6,680**	5,181	**3,157**	4,223
Auditors' remuneration	**3,086**	1,695	**1,784**	1,241
Professional fees	**17,430**	10,751	**15,957**	9,572
Property and equipment written-off	**181**	57	**107**	55
Mail and courier charges	**3,156**	4,042	**2,429**	3,342
Stationery and consumables	**8,618**	10,011	**5,476**	7,477
Directors' fees and allowances	**2,923**	2,097	**2,144**	2,041
Donations	**1,845**	2,027	**1,562**	1,464
Settlement, clearing and bank charges	**11,932**	10,462	**9,966**	9,455
Stamp duties	**1,791**	763	**1,786**	763
Operational and litigation write-off expenses	**1,155**	1,876	**1,082**	1,615
Subscription fees	**1,817**	-	**-**	-
GST input tax-non recoverable	**10,465**	6,268	**5,712**	4,440
Other administration and general expenses	**2,434**	4,013	**1,337**	2,163
	73,513	59,243	**52,499**	47,851

Included in other operating expenses of the Group and the Bank are Chief Executive Officer ('CEO') and Directors' remuneration totalling RM3,457,000 (2016: RM2,193,000).

36 OTHER OPERATING EXPENSES

The expenditure includes the following statutory disclosure:

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors' remuneration (Note 37)	**6,380**	4,290	**5,601**	4,234
Auditors' remuneration: (a)				
- statutory audit fees	**2,047**	1,108	**1,188**	834
- over provision in prior year	**(212)**	(30)	**(155)**	(17)
- regulatory related fees	**608**	411	**292**	258
- tax fees	**215**	67	**31**	27
- non audit fees	**428**	139	**428**	139

(a) There was no indemnity given to or insurance effected for the Group and the Bank during the financial year.

37 CEO AND DIRECTORS' REMUNERATION

The Managing Director/Chief Executive Officer ('MD/CEO') and Directors of the Bank who have held office during the financial year are as follows:

Managing Director/Chief Executive Officer

Kamarul Ariffin Bin Mohd Jamil

Non-Executive Directors

Gen Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (Retired)
(Chairman) (appointed w.e.f. 22.6.2017)

En. Mohd Suffian Bin Haji Haron

Tan Sri Mohd Ghazali Bin Mohd Yusoff

En. Abd Malik Bin A Rahman

Mr Tang Peng Wah
(appointed w.e.f. 22.5.2017)

Dato' Mohd Hata bin Robani
(appointed w.e.f. 17.10.2017)

Dato' Abdul Aziz bin Abu Bakar
(appointed w.e.f. 17.10.2017)

Mr Ignatius Chan Tze Ching
(appointed w.e.f. 1.12.2017)

Mr Aubrey Li Kwok-Sing
(completed his tenure of directorship w.e.f. 17.3.2017)

Jen Tan Sri Dato' Seri Ismail Bin Haji Omar (Bersara)
(Chairman) (completed his tenure of directorship w.e.f. 1.4.2017)

Tan Sri Dato' Seri Mohamed Jawhar
(completed his tenure of directorship w.e.f. 1.7.2017)

37 CEO AND DIRECTORS' REMUNERATION

The aggregate amount of remuneration for the Directors of the Bank for the financial year was as follows:

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Managing Director/Chief Executive Officer				
Salaries	**1,410**	960	**1,410**	960
Bonuses	**1,450**	800	**1,450**	800
Defined contribution plan ('EPF')	**467**	291	**467**	291
Other employee benefits	**61**	61	**61**	61
Benefits-in-kind	**69**	81	**69**	81
Non-Executive Directors				
Fees and other emoluments	**2,894**	2,073	**2,124**	2,017
Benefits-in-kind	**29**	24	**20**	24
Directors' remuneration (Note 36)	**6,380**	4,290	**5,601**	4,234
Directors of subsidiaries	**1,212**	-	**-**	-
Total directors' remuneration	**7,592**	4,290	**5,601**	4,234

The Directors Remuneration in the current financial year represents remuneration for Directors' of the Group, the Bank and its subsidiaries to comply with the requirements of the Companies Act, 2016. The comparative figures have not been restated to include the Directors in the subsidiaries of the Bank. The names of directors of subsidiaries and their remuneration details are set out in the respective subsidiary's statutory accounts and the said information is deemed incorporated herein by such reference and made a part thereof.

Included in the Directors' emoluments are benefits-in-kind (based on estimated monetary value) receivable from the holding company and its subsidiaries of RM29,000 and RM28,000 respectively.

During the financial year, Directors and Officers of the Group are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors & Officers of the Group was RM40 million. The total amount of premium paid for the Directors' and Officers' Liability Insurance by the Group and the Bank was RM1,048,851 and RM57,913 respectively.

37 CEO AND DIRECTORS' REMUNERATION

A summary of the total remuneration of the MD/CEO and Directors are as follows:

The Group 2017	Salaries RM'000	Bonuses RM'000	Directors' Fees RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Managing Director/Chief Executive Officer						
Kamarul Ariffin Bin Mohd Jamil	1,410	1,450	-	* 528	69	3,457
Total	1,410	1,450	-	528	69	3,457
Non-Executive Directors						
Gen Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi Bin Haji Zainuddin (Retired)	-	-	137	-	8	145
En. Mohd Suffian Bin Haji Haron	-	-	596	-	9	605
Tan Sri Mohd Ghazali bin Mohd Yusoff	-	-	366	-	-	366
En. Abd Malik Bin A Rahman	-	-	363	-	-	363
Mr Tang Peng Wah	-	-	115	-	-	115
Dato' Mohd Hata bin Robani	-	-	39	-	-	39
Dato' Abdul Aziz bin Abu Bakar	-	-	38	-	-	38
Ignatius Chan Tze Ching	-	-	13	-	-	13
Jen Tan Sri Dato' Seri Ismail Bin Haji Omar (Bersara)	-	-	130	369	12	511
Mr Aubrey Li Kwok-Sing	-	-	35	150	-	185
Tan Sri Dato' Seri Mohamed Jawhar	-	-	288	255	-	543
Total	-	-	2,120	774	29	2,923
Grand total	1,410	1,450	2,120	1,302	98	6,380

* Includes allowances and EPF

37 CEO AND DIRECTORS' REMUNERATION

A summary of the total remuneration of the MD/CEO and Directors are as follows:

The Group 2016	Salaries RM'000	Bonuses RM'000	Directors' Fees RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Managing Director/Chief Executive Officer						
Kamarul Ariffin Bin Mohd Jamil	960	800	-	* 352	81	2,193
Total	960	800	-	352	81	2,193
Non-Executive Directors						
Jen Tan Sri Dato' Seri Ismail Bin Haji Omar (Bersara)	-	-	516	96	24	636
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	-	-	387	-	-	387
En. Mohd Suffian Bin Haji Haron	-	-	540	-	-	540
Tan Sri Dato' Seri Mohamed Jawhar	-	-	534	-	-	534
Total	-	-	1,977	96	24	2,097
Grand total	960	800	1,977	448	105	4,290

* Includes allowances and EPF

37 CEO AND DIRECTORS' REMUNERATION

A summary of the total remuneration of the MD/CEO and Directors are as follows:

The Bank 2017	Salaries RM'000	Bonuses RM'000	Directors' Fees RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Managing Director/Chief Executive Officer						
Kamarul Ariffin Bin Mohd Jamil	1,410	1,450	-	* 528	69	3,457
Total	1,410	1,450	-	528	69	3,457
Non-Executive Directors						
Gen Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi Bin Haji Zainuddin (Retired)	-	-	137	-	8	145
En. Mohd Suffian Bin Haji Haron	-	-	367	-	-	367
Tan Sri Mohd Ghazali bin Mohd Yusoff	-	-	366	-	-	366
En. Abd Malik Bin A Rahman	-	-	310	-	-	310
Mr Tang Peng Wah	-	-	115	-	-	115
Dato' Mohd Hata bin Robani	-	-	39	-	-	39
Dato' Abdul Aziz bin Abu Bakar	-	-	38	-	-	38
Ignatius Chan Tze Ching	-	-	13	-	-	13
Jen Tan Sri Dato' Seri Ismail Bin Haji Omar (Bersara)	-	-	75	204	12	291
Mr Aubrey Li Kwok-Sing	-	-	35	150	-	185
Tan Sri Dato' Seri Mohamed Jawhar	-	-	185	90	-	275
Total	-	-	1,680	444	20	2,144
Grand total	1,410	1,450	1,680	972	89	5,601

* Includes allowances and EPF

37 CEO AND DIRECTORS' REMUNERATION

A summary of the total remuneration of the MD/CEO and Directors are as follows:

The Bank 2016	Salaries RM'000	Bonuses RM'000	Directors' Fees RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Managing Director/Chief Executive Officer						
Kamarul Ariffin Bin Mohd Jamil	960	800	-	* 352	81	2,193
Total	960	800	-	352	81	2,193
Non-Executive Directors						
Jen Tan Sri Dato' Seri Ismail Bin Haji Omar (Bersara)	-	-	296	96	24	416
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	-	-	217	-	-	217
Mr Aubrey Li Kwok-Sing	-	-	148	-	-	148
En. Mohd Suffian Bin Haji Haron	-	-	341	-	-	341
Tan Sri Dato' Seri Mohamed Jawhar	-	-	322	-	-	322
Tan Sri Mohd Ghazali bin Mohd Yusoff	-	-	330	-	-	330
En. Abd Malik Bin A Rahman	-	-	241	-	-	241
Mr Tang Peng Wah (Alternate Director to Mr Aubrey Li Kwok-Sing)	-	-	26	-	-	26
Total	-	-	1,921	96	24	2,041
Grand total	960	800	1,921	448	105	4,234

* Includes allowances and EPF

38 ALLOWANCES FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING AND TRADE RECEIVABLES

	The Group		The Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Individual impairment - loan, advances and financing and trade receivables				
- made during the financial year	**111,013**	81,349	**94,484**	62,010
- written-back	**(47,340)**	(59,431)	**(39,157)**	(23,569)
Collective impairment				
- net allowance made during the financial year	**49,319**	49,832	**28,512**	35,935
Bad debts and financing				
- recovered	**(42,675)**	(50,887)	**(40,849)**	(49,731)
- written-off	**1,302**	2,838	**1,301**	2,816
	71,619	23,701	**44,291**	27,461

39 ALLOWANCES FOR IMPAIRMENT LOSSES ON SECURITIES

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Allowance for/(write-back of) impairment losses				
- Financial investments available-for-sale	**1,287**	318	**-**	318
- Financial investments held-to-maturity	**-**	3,537	**-**	3,537
	1,287	3,855	**-**	3,855

40 ALLOWANCES FOR IMPAIRMENT LOSSES ON OTHERS

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Allowance for/(write-back of) impairment losses:				
Other debtors	**(69)**	-	**-**	-
Amount due from joint ventures	**12,329**	-	**-**	-
	12,260	-	**-**	-

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Related parties that have transactions and their relationship with the Bank are as follows:

Related parties	Relationship
Lembaga Tabung Angkatan Tentera ('LTAT')	Ultimate holding corporate body, which is Government-Linked Investment Company ('GLIC') of the Government of Malaysia
AFFIN Holdings Berhad ('AHB')	Holding company
Subsidiaries and associates of LTAT	Subsidiary and associate companies of the ultimate holding corporate body
Subsidiaries of AFFIN Bank Berhad as disclosed in Note 16	Subsidiaries
Joint ventures as disclosed in Note 17	Joint ventures
Associates as disclosed in Note 18	Associates
Key management personnel	The key management personnel of the Group and the Bank consist of: - Directors - Managing Director/Chief Executive Officer - Members of Senior Management team and the company secretary
Related parties of key management personnel (deemed as related to the Bank)	- Close family members and dependents of key management personnel - Entities that are controlled, jointly controlled or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly. Key management personnel include the Managing Director/Chief Executive Officer of the Bank in office during the financial year and his remuneration for the financial year are disclosed in Note 37.

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

The Group and the Bank do not have any individually or collectively significant transactions outside the ordinary course of business with the Government of Malaysia and government-related entities. In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances.

(a) Related parties transactions and balances

The Group	Ultimate holding corporate body 2017 RM'000	Ultimate holding corporate body 2016 RM'000	Holding company 2017 RM'000	Holding company 2016 RM'000	Other related companies 2017 RM'000	Other related companies 2016 RM'000	Companies in which certain Directors have substantial interest 2017 RM'000	Companies in which certain Directors have substantial interest 2016 RM'000	Key management personnel 2017 RM'000	Key management personnel 2016 RM'000
Income										
Interest on corporate bonds/sukuk	**-**	-	**-**	-	**40,804**	38,958	**-**	-	**-**	-
Interest on loans, advances and financing	**-**	-	**-**	-	**53,654**	53,950	**4,577**	5,564	**130**	210
Interest rate derivatives	**-**	-	**-**	-	**1,613**	1,844	**-**	-	**-**	-
Interest on deposits and placements with banks and other financial institutions	**-**	-	**-**	-	**393**	338	**-**	-	**-**	-
Other income	**-**	-	**-**	-	**8,265**	8,569	**-**	-	**-**	-
	-	-	**-**	-	**104,729**	103,659	**4,577**	5,564	**130**	210
Expenditure										
Interest on fixed deposits	**-**	3	**1,781**	975	**11,412**	14,127	**748**	2,132	**324**	295
Interest on Negotiable instruments of deposit	**-**	-	**-**	-	**12,420**	4,737	**-**	-	**-**	-
Interest on deposits and placements of banks and other financial institutions	**-**	-	**-**	-	**302**	223	**-**	-	**-**	-
Profit paid on commodity murabahah	**132**	231	**-**	-	**1,573**	1,727	**-**	-	**-**	-
Interest on money market deposits	**1,621**	2,968	**683**	396	**5,591**	5,457	**-**	-	**-**	-
Interest rate derivatives	**-**	-	**-**	-	**1,473**	1,806	**-**	-	**-**	-
Interest on subordinated term loan	**-**	-	**32,080**	46,615	**-**	-	**-**	-	**-**	-
Brokerage fees	**-**	-	**-**	-	**516**	543	**-**	-	**-**	-
Rental	**318**	297	**-**	-	**12,279**	12,291	**-**	-	**157**	166
Other expenditure	**-**	-	**-**	-	**7,120**	6,593	**-**	-	**-**	-
	2,071	3,499	**34,544**	47,986	**52,686**	47,504	**748**	2,132	**481**	461

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties transactions and balances (continued)

The Group	Ultimate holding corporate body 2017 RM'000	Ultimate holding corporate body 2016 RM'000	Holding company 2017 RM'000	Holding company 2016 RM'000	Other related companies 2017 RM'000	Other related companies 2016 RM'000
Amount due from						
Corporate bonds/sukuk	**-**	-	**-**	-	**1,012,177**	1,009,192
Loans, advances and financing	**-**	-	**-**	-	**1,284,802**	1,650,773
Deposits and placements with banks and other financial institutions	**-**	-	**-**	-	**66**	58,371
Intercompany balances	**-**	-	**9**	9	**33,349**	47,225
Security deposits	**-**	-	**-**	-	**3,206**	3,206
	-	-	**9**	9	**2,333,600**	2,768,767
Amount due to						
Demand and savings deposits	**134,918**	107,492	**1,356**	997	**564,581**	957,624
Fixed deposits	**-**	-	**73,233**	27,968	**376,830**	432,010
Negotiable instruments of deposit	**-**	-	**-**	-	**450,186**	419,882
Deposits and placements of banks and other financial institutions	**-**	-	**-**	-	**43,783**	65,078
Commodity murabahah	**5,002**	7,507	**-**	-	**4,215**	251,018
Money market deposits	**104,233**	114,597	**250**	4,136	**230,399**	193,241
Subordinated term loan	**-**	-	**-**	1,304,592	**-**	-
	244,153	229,596	**74,839**	1,337,693	**1,669,994**	2,318,853
Commitments and contingencies	**-**	-	**-**	-	**2,147,317**	1,705,295

The Group	Companies in which certain Directors have substantial interest 2017 RM'000	Companies in which certain Directors have substantial interest 2016 RM'000	Key management personnel 2017 RM'000	Key management personnel 2016 RM'000
Amount due from				
Loans, advances and financing	**78,320**	99,624	**4,365**	5,675
Security deposits	**9**	-	**-**	29
	78,329	99,624	**4,365**	5,704
Amount due to				
Demand and savings deposits	**5,247**	3,493	**8,708**	9,210
Fixed deposits	**20,185**	19,149	**9,477**	7,980
	25,432	22,642	**18,185**	17,190
Commitments and contingencies	**1,013**	7	**-**	-

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties transactions and balances (continued)

The Bank	Ultimate holding corporate body 2017 RM'000	2016 RM'000	Holding company 2017 RM'000	2016 RM'000	Subsidiaries 2017 RM'000	2016 RM'000	Other related companies 2017 RM'000	2016 RM'000	Companies in which certain Directors have substantial interest 2017 RM'000	2016 RM'000	Key management personnel 2017 RM'000	2016 RM'000
Income												
Interest on deposits and placements with banks and other financial institutions	**-**	-	**-**	-	**3,214**	1,484	**393**	338	**-**	-	**-**	-
Interest on restricted investment accounts ('RIA')	**-**	-	**-**	-	**106,516**	89,272	**-**	-	**-**	-	**-**	-
Interest on corporate bonds/sukuk	**-**	-	**-**	-	**-**	-	**40,804**	38,958	**-**	-	**-**	-
Interest on loans, advances and financing	**-**	-	**-**	-	**-**	-	**43,007**	44,846	**-**	-	**102**	186
Interest rate derivatives	**-**	-	**-**	-	**-**	-	**1,613**	1,844	**-**	-	**-**	-
Other income	**-**	-	**-**	-	**111,458**	87,365	**8,265**	8,569	**-**	-	**-**	-
	-	-	**-**	-	**221,188**	178,121	**94,082**	94,555	**-**	-	**102**	186
Expenditure												
Interest on fixed deposits	**-**	3	**1,781**	975	**14**	13	**8,352**	9,627	**748**	2,079	**221**	138
Interest on negotiable instruments of deposit	**-**	-	**-**	-	**-**	-	**12,420**	4,737	**-**	-	**-**	-
Interest on deposits and placements of banks and other financial institutions	**-**	-	**-**	-	**-**	-	**302**	223	**-**	-	**-**	-
Interest on money market deposits	**1,621**	2,968	**683**	396	**-**	-	**5,591**	5,457	**-**	-	**-**	-
Interest rate derivatives	**-**	-	**-**	-	**-**	-	**1,473**	1,806	**-**	-	**-**	-
Interest on subordinated term loan	**-**	-	**32,080**	46,615	-	-	**-**	-	**-**	-	**-**	-
Brokerage fees	**-**	-	**-**	-	**-**	-	**516**	543	**-**	-	**-**	-
Rental	**318**	297	**-**	-	**407**	407	**12,279**	12,291	**-**	-	**157**	166
Other expenditure	**-**	-	**-**	-	**-**	-	**7,006**	6,536	**-**	-	**-**	-
	1,939	3,268	**34,544**	47,986	**421**	420	**47,939**	41,220	**748**	2,079	**378**	304

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties transactions and balances (continued)

The Bank	Ultimate holding corporate body 2017 RM'000	Ultimate holding corporate body 2016 RM'000	Holding company 2017 RM'000	Holding company 2016 RM'000	Subsidiaries 2017 RM'000	Subsidiaries 2016 RM'000
Amount due from						
Restricted investment accounts ('RIA')	**-**	-	**-**	-	**2,749,072**	2,110,079
Deposits and placements with banks and other financial institutions	**-**	-	**-**	-	**69,258**	285,026
Intercompany balances	**-**	-	**9**	9	**-**	196,839
Security deposits	**-**	-	**-**	-	**-**	-
	-	-	**9**	9	**2,818,330**	2,591,944
Amount due to						
Demand and savings deposits	**133,933**	102,996	**1,356**	997	**274**	609
Fixed deposits	**-**	-	**73,233**	27,968	**429**	416
Money market deposits	**104,233**	114,597	**250**	4,136	**-**	-
Intercompany balances	**-**	-	**-**	-	**448,146**	41,395
Subordinated term loan	**-**	-	**-**	1,304,592	**-**	-
	238,166	217,593	**74,839**	1,337,693	**448,849**	42,420
Commitments and contingencies	**-**	-	**-**	-	**-**	-

The Bank	Other related companies 2017 RM'000	Other related companies 2016 RM'000	Companies in which certain Directors have substantial interest 2017 RM'000	Companies in which certain Directors have substantial interest 2016 RM'000	Key management personnel 2017 RM'000	Key management personnel 2016 RM'000
Amount due from						
Corporate bonds/sukuk	**1,012,177**	1,009,192	**-**	-	**-**	-
Loans, advances and financing	**998,210**	1,051,172	**-**	-	**2,923**	5,045
Deposits and placements with banks and other financial institutions	**66**	58,310	**-**	-	**-**	-
Security deposits	**3,206**	3,206	**-**	-	**-**	29
	2,013,659	2,121,880	**-**	-	**2,923**	5,074
Amount due to						
Demand and savings deposits	**430,191**	578,717	**539**	482	**4,890**	6,039
Fixed deposits	**267,555**	284,090	**20,185**	19,149	**6,063**	5,595
Negotiable instruments of deposit	**450,186**	419,882	**-**	-	**-**	-
Deposits and placements of banks and other financial institutions	**43,783**	65,078	**-**	-	**-**	-
Money market deposits	**230,399**	193,241	**-**	-	**-**	-
	1,422,114	1,541,008	**20,724**	19,631	**10,953**	11,634
Commitments and contingencies	**1,743,742**	1,541,228	**1,000**	7	**-**	-

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(b) Key management personnel compensation

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

	The Group 2017 RM'000	The Group 2016 RM'000	The Bank 2017 RM'000	The Bank 2016 RM'000
Directors' fees, other emoluments and benefits				
Fees	**2,120**	1,977	**1,680**	1,921
Other emoluments	**774**	96	**444**	96
Benefits-in-kind	**29**	24	**20**	24
	2,923	2,097	**2,144**	2,041
Short-term employment benefits				
Salaries	**11,911**	7,567	**7,813**	6,769
Bonuses	**8,671**	3,601	**6,579**	3,191
Defined contribution plan ('EPF')	**3,669**	1,962	**2,480**	1,742
Other employee benefits	**1,758**	1,304	**1,293**	1,097
Benefits-in-kind	**464**	375	**339**	318
	26,473	14,809	**18,504**	13,117

Included in the above table is the CEO and directors' remuneration as disclosed in Note 37.

42 TAXATION

	The Group 2017 RM'000	The Group 2016 RM'000	The Bank 2017 RM'000	The Bank 2016 RM'000
Malaysian income tax				
Current tax	**143,003**	143,516	**94,114**	111,560
Under provision in prior year	**1,551**	620	**1,416**	404
Deferred tax (Note 14)	**(18,293)**	(8,396)	**(3,994)**	(7,145)
Tax expense for the year	**126,261**	135,740	**91,536**	104,819

	The Group 2017 %	The Group 2016 %	The Bank 2017 %	The Bank 2016 %
Statutory tax rate in Malaysia	**24.00**	24.00	**24.00**	24.00
Tax effect in respect of:				
Non allowable expenses	**1.36**	0.45	**1.53**	0.43
Non taxable income	**(1.13)**	(0.10)	**(0.16)**	(0.14)
Effect of different tax rate	**(0.88)**	(1.07)	**(1.29)**	(1.40)
Tax savings arising from income exempt from tax for International Currency Business Unit ('ICBU')	**(0.17)**	(0.76)	**-**	-
Under provision in prior year	**0.28**	0.10	**0.38**	0.09
Other temporary differences not recognised in prior years	**(0.55)**	-	**-**	-
Average effective tax rate	**22.91**	22.62	**24.46**	22.98

43 EARNINGS PER SHARE

The basic earnings per ordinary share for the Group and the Bank have been calculated based on the net profit attributable to equity holders of the Group and the Bank of RM417,855,000 (2016: RM464,131,000) and RM282,852,000 (2016: RM351,316,000) respectively. The weighted average number of shares in issue during the financial year of 1,742,391,000 (2016: 1,688,770,000) is used for the computation.

	The Group		The Bank	
	2017	**2016**	**2017**	**2016**
Net profit attributable to equity holders of the Bank (RM'000)	**417,855**	464,131	**282,852**	351,316
Weighted average number of ordinary shares in issue ('000)	**1,742,391**	1,688,770	**1,742,391**	1,688,770
Basic earnings per share (sen)	**24.0**	27.5	**16.2**	20.8

44 DIVIDENDS

Dividends recognised as distribution to ordinary equity holders of the Bank:

	The Group and The Bank 2017		The Group and The Bank 2016	
	Dividend per share sen	**Amount of dividend RM'000**	Dividend per share sen	Amount of dividend RM'000
Ordinary shares				
Single tier dividend:				
- Interim dividend	**2.34**	**45,500**	3.80	64,173
- Final dividend	**4.52**	**76,300**	6.18	104,366
	6.86	**121,800**	9.98	168,539

45 COMMITMENTS AND CONTINGENCIES

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

The commitments and contingencies consist of:

	The Group		The Bank	
	2017 Principal amount RM'000	2016 Principal amount RM'000	2017 Principal amount RM'000	2016 Principal amount RM'000
Direct credit substitutes (*)	**573,469**	423,565	**376,301**	390,178
Transaction-related contingent items	**2,091,113**	2,252,924	**1,797,759**	1,970,056
Short-term self-liquidating trade-related contingencies	**431,400**	496,339	**151,867**	183,789
Irrevocable commitments to extend credit:	**11,605,731**	9,178,584	**8,306,590**	7,579,320
- maturity less than one year	**8,349,806**	7,663,856	**6,707,971**	6,534,578
- maturity more than one year	**3,255,925**	1,514,728	**1,598,619**	1,044,742
Foreign exchange related contracts (#):	**12,430,780**	7,092,677	**7,726,595**	8,062,513
- less than one year	**12,007,480**	6,667,157	**7,587,059**	7,636,993
- one year to less than five years	**380,815**	383,035	**97,051**	383,035
- more than five years	**42,485**	42,485	**42,485**	42,485
Interest rate related contracts (#):	**4,217,148**	2,610,273	**2,552,148**	2,610,273
- less than one year	**886,000**	593,125	**736,000**	593,125
- one year to less than five years	**2,216,148**	1,187,148	**701,148**	1,187,148
- more than five years	**1,115,000**	830,000	**1,115,000**	830,000
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	**571,760**	198,586	**136,844**	159,049
Unutilised credit card lines	**364,163**	230,550	**363,825**	230,550
	32,285,564	22,483,498	**21,411,929**	21,185,728

* Included in direct credit substitutes as above are financial guarantee contracts of RM533.4 million and RM376.2 million at the Group and the Bank, respectively (2016: RM423.4 million and RM390.0 million at the Group and the Bank, respectively), of which fair value at the time of issuance is zero.

\# The fair value of these derivatives have been recognised as "derivative financial assets" and "derivative financial liabilities" in the statement of financial position and disclosed in Note 5 and Note 23 to the financial statements.

46 FINANCIAL RISK MANAGEMENT

The Group has set up objectives and policies to manage the risks that arise in connection with financial instruments. The risk management framework and policies of the Group are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in the operations of the Group. The establishment of the overall financial risk management objectives is consistent and in tandem with the strategy to create and enhance shareholders' value, whilst guided by a prudent and robust framework of risk management policies. In achieving the objective of maximising returns to shareholders, the Board takes cognisance of the risk elements that the Group is confronted with in its operations. In view of the multi-faceted risks inherent especially in the Group's operations in the banking sector, the Group places great emphasis on the importance of risk management and has put in place clear and comprehensive risk management mechanisms and strategies to identify, monitor, manage and control the relevant risk factors.

46 FINANCIAL RISK MANAGEMENT

(i) Credit risk

Credit risk is the potential financial loss resulting from the failure of the customer to settle financial and contractual obligations through lending/financing, hedging, trading and investing activities. It includes both pre-settlement and settlement risks of trading counterparties. Credit risk emanates mainly from loans, advances and financing, loan/financing commitments arising from such lending activities, as well as through financial transaction with counterparties including interbank money market activities as well as derivative instruments used for hedging and debt securities.

The management of credit risk in the Group and the Bank are governed by the Credit Risk Management Framework which is supported by a set of approved credit policies, guidelines and procedures. New and existing businesses are governed by Credit Plan which is developed as part of the annual business planning and budgeting process. The Credit Plan is reviewed at least annually to ensure the guidelines and criteria reflect portfolio strategy and market environment. Approval authorities are delegated to Senior Management and Group Management Credit Committee ('GMCC') to implement the credit policies and ensure sound credit granting standards. Board Credit Review and Recovery Committee ('BCRRC') has review/veto power.

An independent Group Credit Management function is headed by Group Chief Credit Officer ('GCCO') with direct reporting line to MD/CEO to ensure sound credit appraisal and approval process. Group Risk Management ('GRM') with direct reporting line to Group Board Risk Management Committee ('GBRMC') has functional responsibilities for the management of credit risk, to ensure adherence to risk standards and discipline.

Credit risk measurement

Loans, advances and financing

Credit evaluation is the process of analysing the creditworthiness of the prospective customer against the Group and the Bank's underwriting criteria and the ability to make a return commensurate with the level of risk undertaken. Assessment and quantification of credit risk are supported by the use of internal rating models, scorecards and decision support tools.

The Group and the Bank adopt a credit risk grading methodology encompassing probability of default ('PD') driven scorecards for business loans, advances and financing. Separate scorecards have been developed for two categories of business borrowers, Large Corporate ('LC') and Small Medium Enterprise ('SME').

For consumer mass market products, statistically developed application scorecards are used to assess the risks associated with the credit application as a decision support tool at loans, advances and financing origination.

Stress Testing supplements the overall assessment of credit risk.

Over-the-Counter ('OTC') Derivatives

The OTC Derivatives credit exposure is computed using the Current Exposure Method. Under the Current Exposure Method, computation of credit equivalent exposure for interest rate and exchange rate related contracts is derived from the summation of the two elements; the replacement costs (obtained by marking-to-market) of all contracts and the potential future exposure of outstanding contracts (Add On charges depending on the specific remaining tenure to maturity).

Risk limit control and mitigation policies

The Group and the Bank employ various policies and practices to control and mitigate credit risk.

Lending/Financing limits

The Group and the Bank establish internal limits and related lending guidelines to manage large exposures and avoid undue concentration of credit risk in its credit portfolio. The limits include single customer groupings, connected parties and industry segments. These risks are monitored regularly and the limits reviewed annually or sooner depending on changing market and economic conditions.

The credit risk exposure for derivative and loans, advances and financing books is managed as part of the overall lending/financing limits with customers together with potential exposure from market movements.

46 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Risk limit control and mitigation policies (continued)

Collateral

Credits are established against borrower's capacity to repay rather than rely solely on security. However, collateral may be taken to mitigate credit risk. The main collateral types accepted and given value are:

- mortgage over residential properties;
- charges over commercial real estate or vehicles financed;
- charges over business assets such as business premises, inventory and accounts receivable; and
- charges over financial instruments such as marketable securities.

Documentary and commercial letters of credit are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Credit related commitments

Commitment to extend credit represents unutilised portion of approved credit in the form of loans, guarantees or letters of credit. In terms of credit risk, the Group and the Bank are potentially exposed to loss in an amount equal to the total unutilised commitments. However, the potential amount of loss is less than the total unutilised commitments, as most commitments to extend credit are contingent upon customers maintaining specific minimum credit standards.

The Group and the Bank monitor the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than short-term commitments.

Credit risk monitoring

Corporate credits and large individual accounts are reviewed by the Business Units at least once a year using updated financial and other relevant information. This is to ensure that the credit grades remain appropriate and any signs of weaknesses or deterioration in the credit quality are detected. Remedial action is taken where evidence of deterioration emanates.

Retail credits are actively monitored and managed on a portfolio basis by product type. A collection management system is in place to promptly identify, monitor and manage delinquent accounts at early stages of delinquency.

An Early Alert Process is adopted to pro-actively identify, report, and manage warning signs of potential credit deterioration. Watchlist accounts are closely reviewed and monitored with corrective measures initiated to prevent them from turning impaired. As a rule, watchlist accounts are either worked up or worked out within a period of twelve months.

Active portfolio monitoring as well as exceptions reporting is in place to manage the overall risk profile, identify, analyze and mitigate adverse trends or specific areas of risk concerns.

Maximum exposure to credit risk

For financial assets recognised on the statement of financial position, the exposure to credit risk equals their carrying amount. For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the guarantee was to be called upon. For loan commitments and other commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

All financial assets of the Group and the Bank are subject to credit risk except for cash in hand, equity securities held as financial assets held-for-trading or financial investments available-for-sale, as well as non-financial assets.

46 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Maximum exposure to credit risk (continued)

The exposure to credit risk of the Group and the Bank equals their carrying amount in the statement of financial position as at reporting date, except for the followings:

	The Group		The Bank	
	2017 Maximum Credit Exposure RM'000	2016 Maximum Credit Exposure RM'000	2017 Maximum Credit Exposure RM'000	2016 Maximum Credit Exposure RM'000
Credit risk exposures of on-balance sheet assets:				
Short-term funds (*)	**3,901,539**	4,151,994	**1,964,718**	3,125,334
Financial assets at FVTPL(**)	**59,505**	-	**10,129**	-
Financial investments available-for-sale (#)	**14,143,838**	10,063,405	**8,258,606**	8,229,997
Other assets (@)	**63,377**	39,212	**21,449**	33,910
Credit risk exposure of off-balance sheet items:				
Financial guarantees	**573,469**	423,565	**376,301**	390,178
Loan commitments and other credit related commitments	**15,064,167**	12,357,133	**10,756,885**	10,122,914
Total maximum credit risk exposure	**33,805,895**	27,035,309	**21,388,088**	21,902,333

The following have been excluded for the purpose of maximum credit risk exposure calculation:

* cash in hand

** investment in shares and unit trusts

\# investment in quoted and unquoted shares, unit trusts and REITS

@ prepayment

Whilst the Group and the Bank's maximum exposure to credit risk is the carrying value of the assets, or in the case of off-balance sheet items, the amount guaranteed, committed or accepted, in most cases the likely exposure is far less due to collateral, credit enhancements and other actions taken to mitigate the credit exposure.

The financial effect of collateral held for loans, advances and financing of the Group and the Bank are 77% (2016: 74%) and 77% (2016: 73%) respectively. The financial effects of collateral for the other financial assets are insignificant.

46 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Credit risk concentrations

Credit risk is the risk of financial loss from the failure of customers to meet their obligations. Exposure to credit risk is managed through portfolio management. The credit portfolio's risk profiles and exposures are reviewed and monitored regularly to ensure that an acceptable level of risk diversification is maintained. Exposure to credit risk is also managed in part by obtaining collateral security and corporate and personal guarantees.

The credit risk concentrations of the Group and the Bank, by industry concentration, are set out in the following tables:

The Group 2017	Short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing RM'000	Other assets RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	-	-	80,848	-	856,488	110	937,446	682,229
Mining and quarrying	-	-	-	-	22,596	-	636,896	-	659,492	220,875
Manufacturing	-	-	-	1,285	76,912	-	2,067,305	628	2,146,130	2,401,295
Electricity, gas and water supply	-	-	-	-	1,010,826	-	178,409	735	1,189,970	398,622
Construction	-	-	-	-	824,433	-	2,582,926	274	3,407,633	2,998,056
Real estate	-	-	-	-	388,386	-	8,339,677	720	8,728,783	1,451,013
Transport, storage and communication	-	-	-	-	349,442	-	2,395,644	777	2,745,863	547,940
Finance, insurance and business services	1,098,232	464,446	18,803	170,988	3,009,170	108,737	2,997,807	104,679	7,972,862	1,091,833
Government and government agencies	2,803,307	-	40,702	-	6,790,380	-	1,103,682	109	10,738,180	1,061,315
Wholesale & retail trade and restaurants & hotels	-	-	-	852	583,078	19,902	2,759,440	8	3,363,280	1,299,822
Others	-	-	-	-	1,007,767	-	21,803,884	^ 545,423	23,357,074	3,484,636
Total assets	**3,901,539**	**464,446**	**59,505**	**173,125**	**14,143,838**	**128,639**	**45,722,158**	**653,463**	**65,246,713**	**15,637,636**

^ Others include amount due from associate, joint ventures, trade receivables and other assets.

46 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Credit risk concentrations (continued)

The Group 2016	Short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Derivative financial assets RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing RM'000	Other assets RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	647	-	-	894,335	-	894,982	184,465
Mining and quarrying	-	-	-	-	-	860,308	-	860,308	343,842
Manufacturing	-	-	8,261	205,737	-	2,085,541	-	2,299,539	2,124,054
Electricity, gas and water supply	-	-	58	314,428	-	182,170	-	496,656	11,361
Construction	-	-	10	-	180,886	2,461,925	-	2,642,821	2,619,711
Real estate	-	-	-	20,390	-	7,803,959	-	7,824,349	1,082,628
Transport, storage and communication	-	-	-	171,075	-	2,074,137	-	2,245,212	680,795
Finance, insurance and business services	386,606	152,234	139,251	4,295,135	172,736	2,762,022	-	7,907,984	1,187,903
Government and government agencies	3,765,388	-	-	5,020,839	-	1,464,675	-	10,250,902	1,329,537
Wholesale & retail trade and restaurants & hotels	-	-	2,975	35,801	19,902	2,757,124	-	2,815,802	1,676,223
Others	-	-	16,102	-	-	19,322,101	^ 86,437	19,424,640	1,540,029
Total assets	4,151,994	152,234	167,304	10,063,405	373,524	42,668,297	86,437	57,663,195	12,780,548

^ Others include amount due from associate, joint ventures and other assets.

46 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Credit risk concentrations (continued)

The Bank 2017	Short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Investment accounts due from designated financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing RM'000	Other assets RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	-	-	-	-	-	522,016	-	522,016	258,196
Mining and quarrying	-	-	-	-	-	-	-	262,794	-	262,794	212,872
Manufacturing	-	-	-	-	1,285	19,974	-	1,544,992	-	1,566,251	2,224,463
Electricity, gas and water supply	-	-	-	-	-	258,110	-	66,451	-	324,561	263,141
Construction	-	-	-	-	-	81,248	-	1,679,878	-	1,761,126	2,545,447
Real estate	-	-	-	-	-	60,229	-	6,357,082	-	6,417,311	1,137,645
Transport, storage and communication	-	-	-	-	-	65,759	-	1,489,941	-	1,555,700	488,596
Finance, insurance and business services	583,937	495,133	2,749,067	-	118,883	2,998,016	100,630	2,217,583	-	9,263,249	745,455
Government and government agencies	1,380,781	-	-	10,129	-	4,257,775	-	58,584	-	5,707,269	528,491
Wholesale & retail trade and restaurants & hotels	-	-	-	-	651	441,760	19,902	2,264,176	-	2,726,489	1,259,921
Others	-	-	-	-	-	75,735	-	12,680,403	^ 21,451	12,777,589	1,468,959
Total assets	1,964,718	495,133	2,749,067	10,129	120,819	8,258,606	120,532	29,143,900	^ 21,451	42,884,355	11,133,186

^ Others include amount due from subsidiaries.

46 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Credit risk concentrations (continued)

The Bank 2016	Short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Investment accounts due from designated financial institutions RM'000	Derivative financial assets RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing RM'000	Other assets RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	-	647	-	-	492,698	-	493,345	124,487
Mining and quarrying	-	-	-	-	-	-	849,015	-	849,015	331,554
Manufacturing	-	-	-	8,261	165,514	-	1,751,385	-	1,925,160	1,880,678
Electricity, gas and water supply	-	-	-	58	264,356	-	118,111	-	382,525	8,403
Construction	-	-	-	10	-	180,886	1,941,576	-	2,122,472	2,113,279
Real estate	-	-	-	-	20,390	-	6,368,356	-	6,388,746	948,879
Transport, storage and communication	-	-	-	-	140,973	-	1,791,098	-	1,932,071	589,916
Finance, insurance and business services	412,965	406,075	2,110,079	138,187	4,002,028	100,614	2,302,275	-	9,472,223	774,166
Government and government agencies	2,712,369	-	-	-	3,600,935	-	85,479	-	6,398,783	864,698
Wholesale & retail trade and restaurants & hotels	-	-	-	2,975	35,801	19,902	2,351,004	-	2,409,682	1,630,453
Others	-	-	-	16,102	-	-	12,702,357	^ 230,749	12,949,208	1,246,429
Total assets	3,125,334	406,075	2,110,079	166,240	8,229,997	301,402	30,753,354	230,749	45,323,230	10,512,942

^ Others include amount due from subsidiaries.

46 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Collaterals

The main collateral types accepted and given value are as follows:

- Mortgages over residential properties;
- Charges over commercial real estate or vehicles financed;
- Charges over business assets such as business premises, inventory and account receivables; and
- Charges over financial instruments such as marketable securities

Total loans, advances and financing - credit quality

All loans, advances and financing are categorised into “neither past due nor impaired”, “past due but not impaired” and “impaired”.

Past due loans refer to loans, advances and financing that are overdue by one day or more.

Loans, advances and financing are classified impaired when they fulfill any of the following criteria:

i) the principal or interest/profit or both is past due more than 90 days or 3 months from the first day of default;

ii) where the account is in arrears for less than 90 days or 3 months, there is evidence of impairment to indicate that the borrower/customer is “unlikely to repay” its credit obligations; or

iii) the loan/financing is classified as rescheduled and restructured in Central Credit Reference Information System (CCRIS).

Distribution of loans, advances and financing by credit quality

	The Group		The Bank	
	2017 RM’000	**2016 RM’000**	**2017 RM’000**	**2016 RM’000**
Neither past due nor impaired (a)	**41,461,068**	39,828,268	**25,930,215**	28,593,953
Past due but not impaired (b)	**3,426,184**	2,536,213	**2,502,943**	1,890,088
Impaired (c)	**1,167,306**	687,946	**959,086**	590,447
Gross loans, advances and financing	**46,054,558**	43,052,427	**29,392,244**	31,074,488
less: Allowance for impairment				
-Individual	**(93,885)**	(149,499)	**(69,836)**	(131,497)
-Collective	**(238,515)**	(234,631)	**(178,508)**	(189,637)
Net loans, advances and financing	**45,722,158**	42,668,297	**29,143,900**	30,753,354

46 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Total loans, advances and financing - credit quality (continued)

(a) Loans/financing neither past due nor impaired

Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group and the Bank's internal credit grading system is as follows:

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Quality classification				
Satisfactory	**41,040,244**	38,177,186	**25,714,471**	27,220,848
Special mention	**420,824**	1,651,082	**215,744**	1,373,105
	41,461,068	39,828,268	**25,930,215**	28,593,953

Quality classification definitions

Satisfactory: Exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or levels of expected loss.

Special mention: Exposures require varying degrees of special attention and default risk is of greater concern which are under the monitoring of Group Early Alert Committee ('GEAC').

(b) Loans/financing past due but not impaired

Certain loans, advances and financing are past due but not impaired as the collateral values of these loans/financing are in excess of the principal and profit outstanding. Allowances for these loans/financing may have been set aside on a portfolio basis. The Group and the Bank's loans, advances and financing which are past due but not impaired are as follows:

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Past due up to 30 days	**2,114,614**	1,208,874	**1,679,475**	1,016,374
Past due 31-60 days	**933,927**	953,657	**549,444**	588,648
Past due 61-90 days	**377,643**	373,682	**274,024**	285,066
	3,426,184	2,536,213	**2,502,943**	1,890,088

(c) Loans/financing impaired

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Analysis of impaired assets:				
Gross impaired loans/financing	**1,167,306**	687,946	**959,086**	590,447
Individually impaired loans/financing	**890,974**	426,348	**759,852**	381,384

46 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Collateral and other credit enhancements obtained

The Group and the Bank obtained assets by taking possession of collateral held as security or calling upon other credit enhancements.

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Nature of assets				
Industrial and residential properties	**19,912**	7,970	**17,271**	5,329

Foreclosed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. The carrying amount of foreclosed properties held by the Group and the Bank as at reporting date has been classified as Other assets as disclosed in Note 10.

Deposits and short-term funds, corporate bonds/sukuk, treasury bills and derivatives - credit quality

Corporate bonds/Sukuk, treasury bills and other eligible bills included in financial assets held-for-trading and financial investments available-for-sale are measured on a fair value basis. The fair value will reflect the credit risk of the issuer.

Most listed and some unlisted securities are rated by external rating agencies. The Group and the Bank mainly uses external credit ratings provided by RAM, MARC, Standard & Poors' or Moody's.

46 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

The table below presents the deposits and short-term funds, corporate bonds/sukuk, treasury bills and other eligible bills that neither past due nor impaired and impaired, analysed by rating:

The Group 2017	Sovereigns RM'000	AAA RM'000	AA- to AA+ RM'000	A- to A+ RM'000	Lower than A- RM'000	Unrated RM'000	* Impaired RM'000	Total RM'000
Short-term funds	2,803,306	216,033	593,067	148,206	99,881	41,046	-	3,901,539
Deposits and placements with banks and other financial institutions	-	464,446	-	-	-	-	-	464,446
Financial assets at FVTPL								
Malaysian Government Islamic investment issues	10,224	-	-	-	-	-	-	10,224
Malaysian Government investment issues	10,129	-	-	-	-	-	-	10,129
Malaysian Government securities	20,349	-	-	-	-	-	-	20,349
Corporate bonds/Sukuk	-	-	-	5,249	7,542	6,012	-	18,803
Derivative financial assets	-	84,953	43,032	27,376	10,835	6,929	-	173,125
Financial investments available-for-sale								
Malaysian Government treasury bills	12,517	-	-	-	-	-	-	12,517
Malaysian Government securities	262,298	-	-	-	-	-	-	262,298
Malaysian Government investment issues	2,398,206	-	-	-	-	-	-	2,398,206
Sukuk Perumahan Kerajaan	450,475	-	-	-	-	-	-	450,475
Negotiable Instruments of Deposit and Islamic Debt Certificates	-	352,755	356,974	-	-	50,594	-	760,323
Khazanah Bonds/Sukuk	384,575	-	-	-	-	-	-	384,575
Cagamas bonds	-	137,598	-	-	-	-	-	137,598
Corporate bonds/Sukuk	5,215,689	1,768,950	1,679,481	81,808	156,858	835,060	-	9,737,846
Financial investments held-to-maturity								
Corporate bonds/Sukuk	-	-	-	-	-	100,646	27,993	128,639
	11,567,768	3,024,735	2,672,554	262,639	275,116	1,040,287	27,993	18,871,092

46 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

The table below presents the deposits and short-term funds, corporate bonds/sukuk, treasury bills and other eligible bills that neither past due nor impaired and impaired, analysed by rating (continued):

The Group 2016	Sovereigns RM'000	AAA RM'000	AA- to AA+ RM'000	A- to A+ RM'000	Lower than A- RM'000	Unrated RM'000	* Impaired RM'000	Total RM'000
Short-term funds	3,765,387	197,689	174,736	3,906	10,276	-	-	4,151,994
Deposits and placements with banks and other financial institutions	-	41,289	110,945	-	-	-	-	152,234
Derivative financial assets	-	12,216	8,203	621	2,190	144,074	-	167,304
Financial investments available-for-sale								
Malaysian Government securities	90,237	-	-	-	-	-	-	90,237
Malaysian Government investment issues	1,527,767	-	-	-	-	-	-	1,527,767
Sukuk Perumahan Kerajaan	406,288	-	-	-	-	-	-	406,288
Negotiable Instruments of Deposit and Islamic Debt Certificates	-	-	2,014,200	500,268	-	-	-	2,514,468
Khazanah Bonds/Sukuk	439,219	-	-	-	-	-	-	439,219
Cagamas bonds	-	76,088	-	-	-	-	-	76,088
Corporate bonds/Sukuk	2,557,328	1,044,015	956,275	189,362	143,475	118,883	-	5,009,338
Financial investments held-to-maturity								
Corporate bonds/Sukuk	-	-	-	-	-	353,622	19,902	373,524
	8,786,226	1,371,297	3,264,359	694,157	155,941	616,579	19,902	14,908,461

* Net of allowance for impairment.

Collateral is not generally obtained directly from the issuers of debt securities. Certain debt securities may be collateralised by specifically identified assets that would be obtainable in the event of default.

Deposits and short-term funds, corporate bonds/sukuk, treasury bills and derivatives which are past due but not impaired is not significant.

46 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

The table below presents the deposits and short-term funds, corporate bonds/sukuk, treasury bills and other eligible bills that neither past due nor impaired and impaired, analysed by rating (continued):

The Bank 2017	Sovereigns RM'000	AAA RM'000	AA- to AA+ RM'000	A- to A+ RM'000	Lower than A- RM'000	Unrated RM'000	* Impaired RM'000	Total RM'000
Short-term funds	1,380,781	202,900	226,982	107,721	46,334	-	-	1,964,718
Deposits and placements with banks and other financial institutions	-	454,133	41,000	-	-	-	-	495,133
Investment accounts due from designated financial institutions	-	-	-	-	-	2,749,067	-	2,749,067
Financial assets at FVTPL								
Malaysian Government investment issues	10,129	-	-	-	-	-	-	10,129
Derivative financial assets	-	54,211	40,757	15,259	7,308	3,284	-	120,819
Financial investments available-for-sale								
Malaysian Government securities	111,019	-	-	-	-	-	-	111,019
Malaysian Government investment issues	1,185,300	-	-	-	-	-	-	1,185,300
Sukuk Perumahan Kerajaan	279,963	-	-	-	-	-	-	279,963
Negotiable Instruments of Deposit and Islamic Debt Certificates	-	352,755	1,419,745	-	-	-	-	1,772,500
Khazanah Bonds/Sukuk	228,326	-	-	-	-	-	-	228,326
Cagamas bonds	-	70,980	-	-	-	-	-	70,980
Corporate bonds/Sukuk	2,453,167	689,001	778,993	20,430	136,862	532,065	-	4,610,518
Financial investments held-to-maturity								
Corporate bonds/Sukuk	-	-	-	-	-	100,630	19,902	120,532
	5,648,685	1,823,980	2,507,477	143,410	190,504	3,385,046	19,902	13,719,004

46 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

The table below presents the deposits and short-term funds, corporate bonds/sukuk, treasury bills and other eligible bills that neither past due nor impaired and impaired, analysed by rating (continued):

The Bank 2016	Sovereigns RM'000	AAA RM'000	AA- to AA+ RM'000	A- to A+ RM'000	Lower than A- RM'000	Unrated RM'000	* Impaired RM'000	Total RM'000
Short-term funds	2,712,369	197,688	173,816	-	41,461	-	-	3,125,334
Deposits and placements with banks and other financial institutions	-	41,289	110,945	-	253,841	-	-	406,075
Investment accounts due from designated financial institutions	-	-	-	-	-	2,110,079	-	2,110,079
Derivative financial assets	-	12,216	6,452	621	2,877	144,074	-	166,240
Financial investments available-for-sale								
Malaysian Government securities	90,237	-	-	-	-	-	-	90,237
Malaysian Government investment issues	898,982	-	-	-	-	-	-	898,982
Sukuk Perumahan Kerajaan	276,858	-	-	-	-	-	-	276,858
Negotiable Instruments of Deposit and Islamic Debt Certificates	-	-	2,014,200	500,268	-	-	-	2,514,468
Khazanah Bonds/Sukuk	265,931	-	-	-	-	-	-	265,931
Cagamas bonds	-	70,825	-	-	-	-	-	70,825
Corporate bonds/Sukuk	2,068,927	727,166	864,883	189,362	143,475	118,883	-	4,112,696
Financial investments held-to-maturity								
Corporate bonds/Sukuk	-	-	-	-	-	281,500	19,902	301,402
	6,313,304	1,049,184	3,170,296	690,251	441,654	2,654,536	19,902	14,339,127

* Net of allowance for impairment.

Collateral is not generally obtained directly from the issuers of debt securities. Certain debt securities may be collateralised by specifically identified assets that would be obtainable in the event of default.

Deposits and short-term funds, corporate bonds/sukuk, treasury bills and derivatives which are past due but not impaired is not significant.

46 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Other financial assets - credit quality

Other financial assets of the Group and the Bank are neither past due nor impaired are summarised as below:

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Neither past due nor impaired				
Trade receivables	**550,737**	-	**-**	-
Other assets	**63,377**	39,212	**21,449**	33,910
Amount due from subsidiaries	**-**	-	**2**	196,839
Amount due from associate	**500**	500	**-**	-
Impaired				
Amount due from joint ventures	**51,178**	46,725	**-**	-
Allowance for impairment	**(12,329)**	-	**-**	-
	38,849	46,725	**-**	-

Other financial assets that are past due but not impaired or impaired are not significant.

(ii) Market risk

Market risk is defined as changes in the market value of a trading or investment position arising from movements in market factors such as interest rate, foreign exchange rates and implied volatility rates. The Group and the Bank's exposure to market risk results largely from interest rate and foreign exchange rate risks.

Market risk may arise from proprietary trading position and investment activities (including those for liquidity requirement purposes) in the Trading and Investment Book respectively.

The Market Risk Management Framework governs the market risk activities of the Group and the Bank which are supported by a set of approved market risk management policies, guidelines and procedures.

Risk parameters are established based on risk appetite, market liquidity and business strategies as well as macroeconomic conditions. These parameters are reviewed at least annually.

Market risk arising from the Trading Book is primarily controlled through the imposition of Stop-loss and Value-at-Risk ('VaR') risk parameters.

Interest rate risk is quantified by analyzing the mismatches in timing repricing of the rate sensitive assets and rate sensitive liabilities. Earnings-at-Risk ('EaR') or Net Interest Income simulation is conducted to assess the variation in short term earnings under various rates scenarios. The potential long term effect of the overall exposure is tracked by assessing the impact on Economic Value of Equity ('EVE'), also known as Economic Value-at-Risk ('EVaR'). Thresholds are set for EaR and EVaR as management triggers.

Periodic stress tests are conducted to quantify market risk arising from probability of abnormal market movements.

Risk Management Policies and Procedures

Risk management policies and procedures are reviewed and updated to ensure relevance to current business needs as well as current/applicable regulatory requirements such as BNM's policy documents on:

a) Managing Unauthorised Trading & Market Manipulation,

b) Code of Conduct for Malaysia Wholesale Financial Markets, and

c) Principles for a Fair and Effective Financial Market for Malaysian Financial Market.

46 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Value-at-Risk ('VaR')

Value-at-Risk ('VaR') is used to compute the maximum potential loss amount over a specified holding period of the Trading portfolio.

It measures the risk of losses arising from potential adverse movements in interest/profit rates, implied volatility rates and foreign exchange rates that could affect values of financial instruments.

Backtesting of the VaR computation system is conducted to validate and reassess the accuracy of the VaR model.

Other risk measures

- Mark-to-market

  Mark-to-market valuation tracks the current market value of the outstanding financial instruments.

- Stress testing

  Stress tests are conducted to attempt to quantify market risk arising from abnormal market movements. Stress tests measure the changes in values arising from extreme movements in interest rates and foreign exchange rates based on past experiences and simulated stress scenarios.

Interest/profit rate sensitivity

The table below shows the sensitivity for the financial assets and financial liabilities held as at reporting date.

Impact on profit after tax is measured using Repricing Gap Simulation methodology based on 100 basis point parallel shifts in interest rate.

Impact on equity represents the changes in fair value of fixed income instruments held in available-for-sale portfolio arising from the shifts in interest/profit rate.

	The Group		**The Bank**	
	2017 +100 basis point RM million	**2017 -100 basis point RM million**	**2017 +100 basis point RM million**	**2017 -100 basis point RM million**
Impact on profit after tax	**(58.9)**	**58.9**	**(26.9)**	**26.9**
Impact on equity	**(125.1)**	**147.0**	**(220.6)**	**234.7**

	The Group		The Bank	
	2016 +100 basis point RM million	2016 -100 basis point RM million	2016 +100 basis point RM million	2016 -100 basis point RM million
Impact on profit after tax	(28.3)	28.3	(15.0)	15.0
Impact on equity	(248.6)	265.4	(182.1)	194.0

46 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Foreign exchange risk sensitivity analysis

An analysis of the exposure to assess the impact of a one per cent change in exchange rate to the profit after tax are as follows:

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
+1%				
Euro	**6,557**	2,877	**4,989**	4,967
United States Dollar	**43,022**	44,218	**36,265**	46,368
Great Britain Pound	**1,057**	1,571	**1,056**	1,585
Australian Dollar	**243**	41	**88**	39
New Zealand Dollar	**11**	262	**10**	262
Japanese Yen	**115**	480	**24**	479
Others	**2,209**	2,047	**691**	2,038
	53,214	51,496	**43,123**	55,738
-1%				
Euro	**(6,557)**	(2,877)	**(4,989)**	(4,967)
United States Dollar	**(43,022)**	(44,218)	**(36,265)**	(46,368)
Great Britain Pound	**(1,057)**	(1,571)	**(1,056)**	(1,585)
Australian Dollar	**(243)**	(41)	**(88)**	(39)
New Zealand Dollar	**(11)**	(262)	**(10)**	(262)
Japanese Yen	**(115)**	(480)	**(24)**	(479)
Others	**(2,209)**	(2,047)	**(691)**	(2,038)
	(53,214)	(51,496)	**(43,123)**	(55,738)

Foreign exchange risk

The Group and the Bank are exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The risk of fluctuations in foreign currency exchange rates is managed via setting of thresholds on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

The following table summarises the Group and the Bank's exposure to foreign currency exchange rate risk at reporting date. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

46 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Foreign exchange risk (continued)

The Group 2017	Euro RM'000	United States Dollar RM'000	Great Britain Pound RM'000	Australian Dollar RM'000	New Zealand Dollar RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
Assets								
Short-term funds	1,115	556,109	(29)	7,300	475	970	18,416	584,356
Financial assets at FVTPL	-	172	-	110	-	-	279	561
Derivative financial assets	2,449	25	812	3,566	764	2	739	8,357
Financial investments available-for-sale	145,397	165,251	-	16,217	-	-	191,134	517,999
Loans, advances and financing	-	791,930	-	-	-	-	-	791,930
Trade receivables	-	7,822	-	3,705	-	-	24,167	35,694
Other assets	-	1,579	-	-	-	-	-	1,579
Total financial assets	148,961	1,522,888	783	30,898	1,239	972	234,735	1,940,476
Liabilities								
Deposits from customers	212,283	581,433	3,732	7,289	638	651	40,938	846,964
Deposits and placements of banks and other financial institutions	-	852,263	14,751	192,813	63,950	-	36,411	1,160,188
Derivative financial liabilities	795	86,960	5	8	-	-	1,090	88,858
Trade payables	-	9,205	-	6,397	-	-	20,565	36,167
Other liabilities	25	8,025	59	588	-	-	730	9,427
Total financial liabilities	213,103	1,537,886	18,547	207,095	64,588	651	99,734	2,141,604
Net on-balance sheet financial position	(64,142)	(14,998)	(17,764)	(176,197)	(63,349)	321	135,001	(201,128)
Off balance sheet commitments	926,903	5,675,805	156,830	208,190	64,815	14,798	155,699	7,203,040

46 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Foreign exchange risk (continued)

The Group 2016	Euro RM'000	United States Dollar RM'000	Great Britain Pound RM'000	Australian Dollar RM'000	New Zealand Dollar RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
Assets								
Short-term funds	395	186,378	1,483	1,385	452	1,055	7,933	199,081
Derivative financial assets	5,272	136,611	2,260	18	13	3	2,096	146,273
Financial investments available-for-sale	47,490	226,021	-	-	27,006	-	121,158	421,675
Loans, advances and financing	-	1,171,284	-	-	-	-	-	1,171,284
Other assets	-	1,739	-	-	-	-	-	1,739
Total financial assets	53,157	1,722,033	3,743	1,403	27,471	1,058	131,187	1,940,052
Liabilities								
Deposits from customers	602,713	228,630	7,178	6,140	327	803	41,055	886,846
Deposits and placements of banks and other financial institutions	-	17,243	-	-	-	-	-	17,243
Derivative financial liabilities	4,413	2,856	11,116	393	-	156	1,437	20,371
Other liabilities	16	5,799	-	-	-	-	-	5,815
Total financial liabilities	607,142	254,528	18,294	6,533	327	959	42,492	930,275
Net on-balance sheet financial position	(553,985)	1,467,505	(14,551)	(5,130)	27,144	99	88,695	1,009,777
Off balance sheet commitments	932,581	4,350,680	221,296	10,560	7,331	63,026	180,605	5,766,079

46 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Foreign exchange risk (continued)

The Bank 2017	Euro RM'000	United States Dollar RM'000	Great Britain Pound RM'000	Australian Dollar RM'000	New Zealand Dollar RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
Assets								
Short-term funds	744	575,120	216	283	287	668	6,614	583,932
Deposits and placements with banks and other financial institutions	-	41,000	-	-	-	-	-	41,000
Investment accounts due from designated financial institution	-	361,691	-	-	-	-	-	361,691
Derivative financial assets	3,490	91	812	3,566	764	2	739	9,464
Financial investments available-for-sale	145,397	100,094	-	-	-	-	55,465	300,956
Loans, advances and financing	-	335,378	-	-	-	-	-	335,378
Other assets	-	1,578	-	-	-	-	-	1,578
Total financial assets	149,631	1,414,952	1,028	3,849	1,051	670	62,818	1,633,999
Liabilities								
Deposits from customers	150,600	151,585	3,644	7,177	638	647	40,926	355,217
Deposits and placements of banks and other financial institutions	-	852,263	14,751	192,813	63,950	-	36,411	1,160,188
Derivative financial liabilities	795	88,895	5	8	-	-	1,090	90,793
Other liabilities	25	7,214	59	-	-	-	-	7,298
Total financial liabilities	151,420	1,099,957	18,459	199,998	64,588	647	78,427	1,613,496
Net on-balance sheet financial position	(1,789)	314,995	(17,431)	(196,149)	(63,537)	23	(15,609)	20,503
Off balance sheet commitments	658,258	4,456,674	156,393	207,688	64,815	3,136	106,466	5,653,430

46 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Foreign exchange risk (continued)

The Bank 2016	Euro RM'000	United States Dollar RM'000	Great Britain Pound RM'000	Australian Dollar RM'000	New Zealand Dollar RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
Assets								
Short-term funds	-	214,619	1,085	1,067	452	890	7,327	225,440
Deposits and placements with banks and other financial institutions	-	53,207	-	-	-	-	-	53,207
Derivative financial assets	5,684	135,126	2,267	18	13	3	2,096	145,207
Financial investments available-for-sale	47,490	226,021	-	-	27,006	-	121,158	421,675
Loans, advances and financing	-	1,105,742	-	-	-	-	-	1,105,742
Other assets	-	1,739	-	-	-	-	-	1,739
Total financial assets	53,174	1,736,454	3,352	1,085	27,471	893	130,581	1,953,010
Liabilities								
Deposits from customers	244,255	206,078	6,929	6,121	327	798	41,055	505,563
Deposits and placements of banks and other financial institutions	-	17,243	-	-	-	-	-	17,243
Derivative financial liabilities	4,524	6,271	11,116	393	-	156	1,437	23,897
Other liabilities	16	5,799	-	-	-	-	-	5,815
Total financial liabilities	248,795	235,391	18,045	6,514	327	954	42,492	552,518
Net on-balance sheet financial position	(195,621)	1,501,063	(14,693)	(5,429)	27,144	(61)	88,089	1,400,492
Off balance sheet commitments	849,155	4,599,947	223,221	10,560	7,331	63,026	180,023	5,933,263

46 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Interest/profit rate risk

Interest/profit rate risk is the risk to earnings and capital arising from exposure to adverse movements in interest/profit rates mainly due to mismatches in timing repricing of assets and liabilities. These mismatches are actively managed from an earnings and economic value perspective.

The objective of interest/profit rate risk management is to achieve a stable and sustainable net interest/profit income from the following perspectives:

(1) Next 12 months' Earnings - Interest/profit rate risk from the earnings perspective is the impact based on changes to the net interest/profit income ('NII') over the next 12 months. This risk is measured through sensitivity analysis including the application of an instantaneous 100 basis point parallel shock in interest/profit rates across the yield curve.

(2) Economic Value - Measuring the change in the economic value of equity ('EVE') is an assessment of the long term impact to the Group and the Bank's capital. This is assessed through the application of relevant duration factors to capture the net economic value impact over the long term or total life of all balance sheet assets and liabilities to adverse changes in interest/profit rates.

Interest/profit rate risk thresholds are established in line with the Group and the Bank's strategy and risk appetite. These thresholds are reviewed regularly to ensure relevance in the context of prevailing market conditions.

The following table represents the Group's and the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates as at reporting date.

46 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Interest/profit rate risk (continued)

The Group 2017	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	3,243,136	-	-	-	-	903,679	-	4,146,815
Deposits and placements with banks and other financial institutions	40,000	250,000	160,000	10,000	-	4,446	-	464,446
Financial assets at FVTPL	-	-	-	-	-	-	105,180	105,180
Derivative financial assets	-	-	-	-	-	-	173,125	173,125
Financial investments available-for-sale	308,844	716,603	1,223,268	4,142,464	7,601,107	635,073	-	14,627,359
Financial investment held-to-maturity	16	-	-	108,050	-	20,573	-	128,639
Loans, advances and financing								
- non-impaired	25,557,490	2,759,674	3,142,786	9,630,482	3,796,971	(129,725) ^	-	44,757,678
- impaired	-	-	-	-	-	964,480 #	-	964,480
Commodity Gold at FVTPL	-	-	-	-	-	32,198	-	32,198
Others (1)	170	5	20	24	-	670,458	-	670,677
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,772,640	-	1,772,640
Total assets	29,149,656	3,726,282	4,526,074	13,891,020	11,398,078	4,873,822	278,305	67,843,237

^ The negative balance represents collective impairment allowance for loans, advances and financing in accordance with the Group's accounting policy on allowance for unimpaired loans, advances and financing.

Net of individual and collective impairment allowance for impaired loans, advances and financing.

(1) Others include other assets, amount due from joint ventures and associate and trade receivables.

46 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Interest/profit rate risk (continued)

The Group 2017	Non-trading book: Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities								
Deposits from customers	16,995,794	12,690,397	15,418,778	2,587,791	-	3,227,469	-	50,920,229
Investment accounts of customers	-	-	449	-	-	-	-	449
Deposits and placements of banks and other financial institutions	4,247,158	1,297,924	148,322	-	-	13,195	-	5,706,599
Obligation on securities sold under repurchase agreements	1,050,022	-	-	-	-	913	-	1,050,935
Derivative financial liabilities	-	-	-	-	-	-	263,676	263,676
Bills and acceptances payable	-	-	-	-	-	42,152	-	42,152
Subordinated term loan and medium term notes	-	-	-	-	2,000,000	36,144	-	2,036,144
Other liabilities (2)	29	-	-	-	-	1,622,365	-	1,622,394
Total liabilities	22,293,003	13,988,321	15,567,549	2,587,791	2,000,000	4,942,238	263,676	61,642,578
Net interest/profit sensitivity gap	6,856,653	(10,262,039)	(11,041,475)	11,303,229	9,398,078			

(2) Other liabilities include trade payables and other liabilities.

46 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Interest/profit rate risk (continued)

The Group 2016	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	4,069,728	-	-	-	-	294,762	-	4,364,490
Deposits and placements with banks and other financial institutions	40,000	50,000	60,000	-	-	2,234	-	152,234
Derivative financial assets	-	-	-	-	-	-	167,304	167,304
Financial investments available-for-sale	854,965	1,465,959	871,412	2,555,669	4,227,949	304,043	-	10,279,997
Financial investment held-to-maturity	178,144	-	72,065	50,000	50,000	23,315	-	373,524
Loans, advances and financing								
- non-impaired	24,537,597	2,723,113	3,129,917	8,950,311	3,023,543	(137,903) ^	-	42,226,578
- impaired	-	-	-	-	-	441,719 #	-	441,719
Others (1)	-	-	26,931	-	-	74,256	-	101,187
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,482,000	-	1,482,000
Total assets	29,680,434	4,239,072	4,160,325	11,555,980	7,301,492	2,484,426	167,304	59,589,033

^ The negative balance represents collective impairment allowance for loans, advances and financing in accordance with the Group's accounting policy on allowance for unimpaired loans, advances and financing.

\# Net of individual and collective impairment allowance for impaired loans, advances and financing.

(1) Others include other assets and amount due from joint ventures.

46 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Interest/profit rate risk (continued)

The Group 2016	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities								
Deposits from customers	17,419,287	11,685,708	14,356,736	702,512	-	3,468,813	-	47,633,056
Deposits and placements of banks and other financial institutions	1,963,246	1,299,470	266,625	-	-	17,862	-	3,547,203
Obligation on securities sold under repurchase agreements	876,309	120,637	-	-	-	2,794	-	999,740
Derivative financial liabilities	-	-	-	-	-	-	402,772	402,772
Bills and acceptances payable	-	-	-	-	-	37,726	-	37,726
Subordinated term loan and medium term notes	1,300,000	-	-	-	-	4,592	-	1,304,592
Other liabilities	-	-	-	-	-	439,488	-	439,488
Total liabilities	21,558,842	13,105,815	14,623,361	702,512	-	3,971,275	402,772	54,364,577
Net interest/profit sensitivity gap	8,121,592	(8,866,743)	(10,463,036)	10,853,468	7,301,492			

46 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Interest/profit rate risk (continued)

The Bank 2017	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	1,642,430	-	-	-	-	567,518	-	2,209,948
Deposits and placements with banks and other financial institutions	40,000	290,993	160,000	-	-	4,140	-	495,133
Investment accounts due from designated financial institutions	2,739,077	-	-	-	-	9,990	-	2,749,067
Financial assets at FVTPL	-	-	-	-	-	-	10,129	10,129
Derivative financial assets	-	-	-	-	-	-	120,819	120,819
Financial investments available-for-sale	230,009	689,078	1,031,991	2,743,520	3,479,290	313,930	-	8,487,818
Financial investment held-to-maturity	-	-	-	100,000	-	20,532	-	120,532
Loans, advances and financing								
- non-impaired	17,378,864	1,507,542	2,138,415	5,936,942	1,471,395	(94,643) ^	-	28,338,515
- impaired	-	-	-	-	-	805,385 #	-	805,385
Other assets	-	-	-	-	-	33,523	-	33,523
Amount due from subsidiaries	-	-	-	-	-	2	-	2
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,203,000	-	1,203,000
Total assets	22,030,380	2,487,613	3,330,406	8,780,462	4,950,685	2,863,377	130,948	44,573,871

^ The negative balance represents collective impairment allowance for loans, advances and financing in accordance with the Group's accounting policy on allowance for unimpaired loans, advances and financing.

\# Net of individual and collective impairment allowance for impaired loans, advances and financing.

46 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Interest/profit rate risk (continued)

The Bank 2017	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities								
Deposits from customers	9,769,750	8,897,045	9,492,115	2,068,951	-	3,067,292	-	33,295,153
Deposits and placements of banks and other financial institutions	2,965,592	905,971	99,500	-	-	9,242	-	3,980,305
Obligation on securities sold under repurchase agreements	954,403	-	-	-	-	519	-	954,922
Derivative financial liabilities	-	-	-	-	-	-	210,877	210,877
Bills and acceptances payable	-	-	-	-	-	42,152	-	42,152
Subordinated term loan and medium term notes	-	-	-	-	2,000,000	36,144	-	2,036,144
Other liabilities	-	-	-	-	-	482,660	-	482,660
Amount due to subsidiaries	-	-	-	-	-	448,149	-	448,149
Total liabilities	13,689,745	9,803,016	9,591,615	2,068,951	2,000,000	4,086,158	210,877	41,450,362
Net interest sensitivity gap	8,340,635	(7,315,403)	(6,261,209)	6,711,511	2,950,685			

46 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Interest/profit rate risk (continued)

	Non-trading book							
The Bank 2016	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	3,051,910	-	-	-	-	285,921	-	3,337,831
Deposits and placements with banks and other financial institutions	40,000	303,163	60,000	-	-	2,912	-	406,075
Investment accounts due from designated financial institutions	-	697,210	130,481	439,947	835,426	7,015	-	2,110,079
Derivative financial assets	-	-	-	-	-	-	166,240	166,240
Financial investments available-for-sale	849,966	1,460,960	789,048	1,992,153	3,069,497	284,965	-	8,446,589
Financial investment held-to-maturity	178,144	-	-	50,000	50,000	23,258	-	301,402
Loans, advances and financing								
- non-impaired	18,813,079	1,437,720	2,424,936	6,143,831	1,664,475	(109,362) ^	-	30,374,679
- impaired	-	-	-	-	-	378,675 #	-	378,675
Other assets	-	-	-	-	-	48,612	-	48,612
Amount due from subsidiaries	-	-	-	-	-	196,839	-	196,839
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,150,000	-	1,150,000
Total assets	22,933,099	3,899,053	3,404,465	8,625,931	5,619,398	2,268,835	166,240	46,917,021

^ The negative balance represents collective impairment allowance for loans, advances and financing in accordance with the Group's accounting policy on allowance for unimpaired loans, advances and financing.

Net of individual and collective impairment allowance for impaired loans, advances and financing.

46 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Interest/profit rate risk (continued)

	Non-trading book							
The Bank 2016	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities								
Deposits from customers	12,943,391	9,959,725	10,309,153	514,914	-	3,379,280	-	37,106,463
Deposits and placements of banks and other financial institutions	1,497,747	849,470	219,500	-	-	16,518	-	2,583,235
Obligation on securities sold under repurchase agreements	876,310	120,637	-	-	-	2,793	-	999,740
Derivative financial liabilities	-	-	-	-	-	-	409,283	409,283
Bills and acceptances payable	-	-	-	-	-	37,726	-	37,726
Subordinated term loan and medium term notes	1,300,000	-	-	-	-	4,592	-	1,304,592
Other liabilities	-	-	-	-	-	402,445	-	402,445
Amount due to subsidiaries	-	-	-	-	-	41,395	-	41,395
Total liabilities	16,617,448	10,929,832	10,528,653	514,914	-	3,884,749	409,283	42,884,879
Net interest sensitivity gap	6,315,651	(7,030,779)	(7,124,188)	8,111,017	5,619,398			

46 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk

Liquidity risk is the risk of inability of a bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. Liquidity risk includes the inability to manage sudden decreases or changes in funding sources. Liquidity risk also arises from the failure to recognise changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

The Liquidity Risk Management Framework governs the liquidity risk management activities of the Group and the Bank. The objective of liquidity risk management is to ensure that there are sufficient funds to meet contractual and regulatory obligations without incurring unacceptable losses as well as to undertake new transactions. The Group and the Bank's liquidity management process involves establishing liquidity risk management policies and prudential thresholds, liquidity risk threshold monitoring, stress testing and establishing contingency funding plans. These building blocks of liquidity risk management are subject to regular reviews to ensure relevance in the context of prevailing market conditions and regulatory landscape.

The Group's and the Bank short term liquidity risk management is premised on BNM's Liquidity Coverage Ratio ('LCR') final standards. The LCR is a quantitative requirement which seeks to ensure that the Group and the Bank hold sufficient high-quality liquid assets ('HQLA') to withstand a significant liquidity stress scenario over a 30-day horizon.

Long term liquidity risk profile is assessed via the Net Stable Funding Ratio ('NSFR') which promotes resilience over a longer time horizon for the Group and the Bank to fund its activities with more stable sources of funding on an ongoing basis.

The Group and the Bank also employ a set of liquidity risk indicators as an early alert of any structural change for liquidity risk management. The liquidity risk indicators include internal and external qualitative as well as quantitative indicators.

Liquidity stress tests are conducted periodically and on ad-hoc basis to gauge the Group and the Bank's resilience in the event of a liquidity disruption.

The Contingency Funding Plan provides a systematic approach in handling liquidity disruption. The document encompasses strategies, decision-making authorities, and courses of action to be taken in the event of liquidity crisis and emergencies, enabling the Group and the Bank to respond to an unexpected liquidity disruption in an effective and efficient manner.

The Group Board Risk Management Committee ('GBRMC') is responsible for the Group and the Bank's liquidity policy and the strategic management of liquidity has been delegated to the Group Asset Liability Management Committee ('GALCO'). The Liquidity Management Committee ('LMC'), which is a sub-committee of GALCO, augments the functions of GALCO by directing its focus specifically to liquidity issues. The GBRMC is informed regularly on the liquidity position of the Group and the Bank.

46 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk (continued)

Liquidity risk disclosure table which is based on contractual undiscounted cash flow

The table below provides analysis of cash flow payables for financial liabilities based on remaining contractual maturities on undiscounted basis. The balances in the table below do not agree directly to the balances reported in the statement of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

The Group 2017	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-12 months RM'000**	**>1-5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Deposits from customers	**19,851,076**	**12,929,811**	**15,984,826**	**2,863,857**	**-**	**51,629,570**
Investment accounts of customers	**10**	**20**	**509**	**-**	**-**	**539**
Deposits and placements of banks and other financial institutions	**4,258,688**	**1,308,459**	**151,312**	**-**	**-**	**5,718,459**
Obligation on securities sold under repurchase agreements	**1,053,056**	**-**	**-**	**-**	**-**	**1,053,056**
Bills and acceptances payable	**42,152**	**-**	**-**	**-**	**-**	**42,152**
Trade payables	**677,022**	**-**	**-**	**-**	**-**	**677,022**
Other liabilities	**766,160**	**41,179**	**136,842**	**1,242**	**-**	**945,423**
Subordinated Medium Term Note	**-**	**52,417**	**52,383**	**420,038**	**2,498,237**	**3,023,075**
	26,648,164	**14,331,886**	**16,325,872**	**3,285,137**	**2,498,237**	**63,089,296**

The Group 2016	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Deposits from customers	20,555,858	11,923,838	14,822,567	780,116	-	48,082,379
Deposits and placements of banks and other financial institutions	1,973,803	1,315,056	271,519	-	-	3,560,378
Obligation on securities sold under repurchase agreements	879,770	121,323	-	-	-	1,001,093
Bills and acceptances payable	37,726	-	-	-	-	37,726
Other liabilities	439,488	-	-	-	-	439,488
Subordinated term loan	304,292	7,139	33,275	176,781	1,202,145	1,723,632
	24,190,937	13,367,356	15,127,361	956,897	1,202,145	54,844,696

46 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk (continued)

Liquidity risk disclosure table which is based on contractual undiscounted cash flow (continued)

The Bank 2017	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-12 months RM'000**	**>1-5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Deposits from customers	**12,601,702**	**9,055,103**	**9,846,720**	**2,216,668**	**-**	**33,720,193**
Deposits and placements of banks and other financial institutions	**2,973,945**	**913,257**	**101,484**	**-**	**-**	**3,988,686**
Obligation on securities sold under repurchase agreements	**956,916**	**-**	**-**	**-**	**-**	**956,916**
Bills and acceptances payable	**42,152**	**-**	**-**	**-**	**-**	**42,152**
Other liabilities	**482,660**	**-**	**-**	**-**	**-**	**482,660**
Amount due to subsidiaries	**448,149**	**-**	**-**	**-**	**-**	**448,149**
Subordinated Medium Term Note	**-**	**52,417**	**52,383**	**420,038**	**2,498,237**	**3,023,075**
	17,505,524	**10,020,777**	**10,000,587**	**2,636,706**	**2,498,237**	**42,661,831**

The Bank 2016	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Deposits from customers	16,072,622	10,159,568	10,634,918	555,578	-	37,422,686
Deposits and placements of banks and other financial institutions	1,507,183	862,296	222,697	-	-	2,592,176
Obligation on securities sold under repurchase agreements	879,770	121,323	-	-	-	1,001,093
Bills and acceptances payable	37,726	-	-	-	-	37,726
Other liabilities	402,445	-	-	-	-	402,445
Amount due to subsidiaries	41,395	-	-	-	-	41,395
Subordinated term loan	304,292	7,139	33,275	176,781	1,202,145	1,723,632
	19,245,433	11,150,326	10,890,890	732,359	1,202,145	43,221,153

46 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk (continued)

Derivative financial liabilities

Derivative financial liabilities based on contractual undiscounted cash flow:

The Group 2017	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Derivatives settled on net basis						
Interest rate derivatives	(236)	(1,645)	(3,479)	(6,948)	(1,393)	(13,701)
Derivatives settled on gross basis						
Foreign exchange derivatives:						
Outflow	(3,098,864)	(2,345,793)	(1,576,490)	(265,812)	-	(7,286,959)
Inflow	3,082,036	2,332,287	1,486,613	228,958	-	7,129,894
	(16,828)	(13,506)	(89,877)	(36,854)	-	(157,065)

The Bank 2017	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Derivatives settled on net basis						
Interest rate derivatives	(260)	(1,103)	(3,226)	(7,057)	(1,393)	(13,039)
Derivatives settled on gross basis						
Foreign exchange derivatives:						
Outflow	(1,652,143)	(1,233,050)	(1,223,218)	(125,134)	-	(4,233,545)
Inflow	1,652,712	1,235,301	1,147,539	100,851	-	4,136,403
	569	2,251	(75,679)	(24,283)	-	(97,142)

46 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk (continued)

Derivative financial liabilities (continued)

Derivative financial liabilities based on contractual undiscounted cash flow:

The Group 2016	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Derivatives settled on net basis						
Interest rate derivatives	(424)	(1,194)	(3,930)	(8,461)	(2,685)	(16,694)
Derivatives settled on gross basis						
Foreign exchange derivatives:						
Outflow	(1,969,654)	(280,116)	(1,935,333)	(274,066)	-	(4,459,169)
Inflow	1,969,768	280,403	1,937,099	201,077	-	4,388,347
	114	287	1,766	(72,989)	-	(70,822)

The Bank 2016	Up to 1 month RM'000	> 1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Derivatives settled on net basis						
Interest rate derivatives	(424)	(1,194)	(3,930)	(8,461)	(2,685)	(16,694)
Derivatives settled on gross basis						
Foreign exchange derivatives:						
Outflow	(1,859,028)	(280,116)	(1,935,333)	(274,066)	-	(4,348,543)
Inflow	1,859,129	280,403	1,937,099	201,077	-	4,277,708
	101	287	1,766	(72,989)	-	(70,835)

46 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities.

Maturities of assets and liabilities of the Group and the Bank by remaining contractual maturities profile are as follows:

The Group 2017	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	4,146,815	-	-	-	-	-	4,146,815
Deposits and placements with banks and other financial institutions	-	200,618	-	111,813	152,015	-	464,446
Financial assets at FVTPL	10,926	818	1,595	15,846	30,321	45,674	105,180
Derivative financial assets	35,973	56,154	59,743	12,127	9,128	-	173,125
Financial investments available-for-sale	337,126	677,080	1,211,461	4,253,970	7,634,201	513,521	14,627,359
Financial investments held-to-maturity	19,902	-	630	108,107	-	-	128,639
Loans, advances and financing	2,905,435	1,704,773	1,476,730	11,519,073	28,116,147	-	45,722,158
Trade receivables	549,932	786	19	-	-	-	550,737
Other assets	32,581	2,783	14,489	14,018	1,561	35,071	100,503
Amount due from joint ventures	38,849	-	-	-	-	-	38,849
Amount due from associate	500	-	-	-	-	-	500
Statutory deposits with Bank Negara Malaysia	1,772,640	-	-	-	-	-	1,772,640
Other non-financial assets (1)	-	-	-	-	-	2,177,840	2,177,840
	9,850,679	2,643,012	2,764,667	16,034,954	35,943,373	2,772,106	70,008,791

(1) Other non-financial assets include tax recoverable, deferred tax assets, investment in joint ventures, investment in associates, property and equipment and intangible assets and commodity gold at FVTPL.

46 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The Group 2017	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Liabilities							
Deposits from customers	19,835,639	12,847,719	15,624,271	2,612,600	-	-	50,920,229
Investment accounts of customers	-	-	449	-	-	-	449
Deposits and placements of banks and other financial institutions	4,255,757	1,301,941	148,901	-	-	-	5,706,599
Obligation on securities sold under repurchase agreements	1,050,935	-	-	-	-	-	1,050,935
Derivative financial liabilities	34,059	57,482	132,268	39,521	346	-	263,676
Bills and acceptances payable	42,152	-	-	-	-	-	42,152
Trade payables	677,022	-	-	-	-	-	677,022
Other liabilities	756,887	41,179	136,842	1,102	-	9,362	945,372
Subordinated term loan and medium term notes	-	36,144	-	-	2,000,000	-	2,036,144
Other non-financial liabilities (2)	-	-	-	-	51	37,368	37,419
	26,652,451	14,284,465	16,042,731	2,653,223	2,000,397	46,730	61,679,997
Net liquidity gap	(16,801,772)	(11,641,453)	(13,278,064)	13,381,731	33,942,976	2,725,376	

(2) Other non-financial liabilities include deferred tax liabilities and provision for taxation.

46 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The Group 2016	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	4,364,490	-	-	-	-	-	4,364,490
Deposits and placements with banks and other financial institutions	-	-	-	101,507	50,727	-	152,234
Derivative financial assets	28,978	32,064	96,528	1,903	7,831	-	167,304
Financial investments available-for-sale	836,723	1,407,041	855,418	2,706,274	4,227,949	246,592	10,279,997
Financial investments held-to-maturity	19,902	-	6,676	90,190	256,756	-	373,524
Loans, advances and financing	3,858,511	2,344,564	1,821,611	11,374,252	23,269,359	-	42,668,297
Other assets	30,436	2,102	14,133	6,146	1,145	7,970	61,932
Amount due from joint ventures	46,725	-	-	-	-	-	46,725
Amount due from associate	500	-	-	-	-	-	500
Statutory deposits with Bank Negara Malaysia	1,482,000	-	-	-	-	-	1,482,000
Other non-financial assets (1)	-	-	-	-	-	590,186	590,186
	10,668,265	3,785,771	2,794,366	14,280,272	27,813,767	844,748	60,187,189

(1) Other non-financial assets include tax recoverable, deferred tax assets, property and equipment and intangible assets.

46 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The Group 2016	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Liabilities							
Deposits from customers	20,539,928	11,849,312	14,528,885	714,931	-	-	47,633,056
Deposits and placements of banks and other financial institutions	1,971,629	1,307,301	268,273	-	-	-	3,547,203
Obligation on securities sold under repurchase agreements	878,754	120,986	-	-	-	-	999,740
Derivative financial liabilities	44,928	28,005	164,636	159,764	5,439	-	402,772
Bills and acceptances payable	37,726	-	-	-	-	-	37,726
Other liabilities	439,488	-	-	-	-	-	439,488
Subordinated term loan and medium term notes	304,592	-	-	-	1,000,000	-	1,304,592
Other non-financial liabilities (2)	-	-	-	-	-	18,906	18,906
	24,217,045	13,305,604	14,961,794	874,695	1,005,439	18,906	54,383,483
Net liquidity gap	(13,548,780)	(9,519,833)	(12,167,428)	13,405,577	26,808,328	825,842	

(2) Other non-financial liabilities include deferred tax liabilities and provision for taxation.

46 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The Bank 2017	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	2,209,948	-	-	-	-	-	2,209,948
Deposits and placements with banks and other financial institutions	-	241,618	-	101,500	152,015	-	495,133
Investment accounts due from designated financial institutions	2,749,067	-	-	-	-	-	2,749,067
Financial assets at FVTPL	10,129	-	-	-	-	-	10,129
Derivative financial assets	17,932	46,109	46,492	1,083	9,203	-	120,819
Financial investments available-for-sale	247,572	639,945	1,014,546	2,847,253	3,479,290	259,212	8,487,818
Financial investments held-to-maturity	19,902	-	630	100,000	-	-	120,532
Loans, advances and financing	1,941,990	1,065,019	1,027,765	8,593,938	16,515,188	-	29,143,900
Other assets	12,656	1,780	12,000	5,982	1,106	17,271	50,795
Amount due from subsidiaries	2	-	-	-	-	-	2
Statutory deposits with Bank Negara Malaysia	1,203,000	-	-	-	-	-	1,203,000
Other non-financial assets (1)	-	-	-	-	-	4,381,507	4,381,507
	8,412,198	1,994,471	2,101,433	11,649,756	20,156,802	4,657,990	48,972,650

(1) Other non-financial assets include tax recoverable, deferred tax assets, investment in subsidiaries, investment in joint ventures, investment in associates, property and equipment and intangible assets.

46 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The Bank 2017	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Liabilities							
Deposits from customers	12,591,327	8,996,850	9,617,871	2,089,105	-	-	33,295,153
Deposits and placements of banks and other financial institutions	2,971,701	908,941	99,663	-	-	-	3,980,305
Obligation on securities sold under repurchase agreements	954,922	-	-	-	-	-	954,922
Derivative financial liabilities	17,895	43,049	120,080	29,432	421	-	210,877
Bills and acceptances payable	42,152	-	-	-	-	-	42,152
Other liabilities	482,660	-	-	-	-	-	482,660
Amount due to subsidiaries	448,149	-	-	-	-	-	448,149
Subordinated term loan and medium term notes	-	36,144	-	-	2,000,000	-	2,036,144
Other non-financial liabilities (2)	-	-	-	-	-	17,841	17,841
	17,508,806	9,984,984	9,837,614	2,118,537	2,000,421	17,841	41,468,203
Net liquidity gap	(9,096,608)	(7,990,513)	(7,736,181)	9,531,219	18,156,381	4,640,149	

(2) Other non-financial liabilities include deferred tax liabilities and provision for taxation.

46 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The Bank 2016	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	3,337,831	-	-	-	-	-	3,337,831
Deposits and placements with banks and other financial institutions	-	253,841	-	101,508	50,726	-	406,075
Investment accounts due from designated financial institutions	7,015	697,210	130,481	439,947	835,426	-	2,110,079
Derivative financial assets	27,913	32,065	96,528	1,903	7,831	-	166,240
Financial investments available-for-sale	823,164	1,395,251	769,327	2,142,758	3,069,497	246,592	8,446,589
Financial investments held-to-maturity	19,902	-	614	50,000	230,886	-	301,402
Loans, advances and financing	3,235,415	1,341,106	1,694,028	9,053,005	15,429,800	-	30,753,354
Other assets	26,153	1,506	13,982	5,868	1,103	5,329	53,941
Amount due from subsidiaries	196,839	-	-	-	-	-	196,839
Statutory deposits with Bank Negara Malaysia	1,150,000	-	-	-	-	-	1,150,000
Other non-financial assets (1)	-	-	-	-	-	1,153,385	1,153,385
	8,824,232	3,720,979	2,704,960	11,794,989	19,625,269	1,405,306	48,075,735

(1) Other non-financial assets include tax recoverable, deferred tax assets, investment in subsidiaries, property and equipment and intangible assets.

46 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The Bank 2016	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Liabilities							
Deposits from customers	16,058,046	10,097,111	10,424,430	526,876	-	-	37,106,463
Deposits and placements of banks and other financial institutions	1,505,555	856,946	220,734	-	-	-	2,583,235
Obligation on securities sold under repurchase agreements	878,754	120,986	-	-	-	-	999,740
Derivative financial liabilities	51,439	28,005	164,636	159,764	5,439	-	409,283
Bills and acceptances payable	37,726	-	-	-	-	-	37,726
Other liabilities	402,445	-	-	-	-	-	402,445
Amount due to subsidiaries	41,395	-	-	-	-	-	41,395
Subordinated term loan and medium term notes	304,592	-	-	-	1,000,000	-	1,304,592
Other non-financial liabilities (2)	-	-	-	-	-	12,884	12,884
	19,279,952	11,103,048	10,809,800	686,640	1,005,439	12,884	42,897,763
Net liquidity gap	(10,455,720)	(7,382,069)	(8,104,840)	11,108,349	18,619,830	1,392,422	

(2) Other non-financial liabilities include provision for taxation.

(iv) Operational risk management

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or external events. The definition includes legal risk, and exposure to litigation from all aspects of the Group and the Bank's activities, but excludes strategic business, reputational and systemic risks.

The Group Operational Risk Management Framework governs the management of operational risk across the Group and the Bank.

Group Board Risk Management Committee ('GBRMC') approves all policies/policy changes relating to operational risk. GORMC supports GBRMC in the review and monitoring of operational risk and provides the forum to discuss and manage all aspects of operational risk including control lapses.

The operational risk management ('ORM') function within Group Risk Management ('GRM') operates in independent capacity to facilitate business/support units managing the risks in activities associated with the operational function of the Group and the Bank.

The Group and the Bank adopt the Basic Indicator Approach for the purpose of calculating the capital requirement for operational risk. The capital requirement is calculated by taking 15% of the average annual gross income over the previous three years.

Operational risks are managed daily through established systems and processes to ensure compliance with policies, guidelines and control procedures.

The Group and the Bank employs the following standard operational risk tools for risk and control identification and assessment:

- Risk Control Self Assessment ('RCSA')
- Key Control Standards ('KCS')
- Key Risk Indicator ('KRI')
- Loss Event Database ('LED')

46 FINANCIAL RISK MANAGEMENT

(iv) Operational risk management (continued)

Scenario analysis is an extension of the risk assessment process whereby business/support unit identify potential operational risk events in a given scenario, assess the potential outcomes and the need for additional risk management controls or mitigation solutions for each of the potential outcome.

Information Technology ('IT') and cyber risks are managed as part of the operational risk activities. The IT systems and processes are assessed and tested regularly for resilience and continuity, and that they are secure from internal and external threats.

Introduction of new products or services are evaluated to assess suitability, potential risks and operational readiness.

Operational Risk Coordinators ('ORC') are appointed at business and support units as champions of ORM activities within respective units. The ORC is responsible for the reporting of ORM activities and to liaise with Group Operational Risk Management on all operational defects and results. As an internal requirement, all Operational Risk Coordinators must satisfy an Internal Operational Risk (including business continuity management) Certification Program. These coordinators will first go through an on-line self learning exercise before attempting on-line assessments to measure their skills and knowledge level. This will enable Group Risk Management to prescribe appropriate training and development activities for the coordinators.

(v) Shariah Non-Compliance Risk

Shariah non-compliance ('SNC') is the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the Bank may suffer arising from the failure to comply with the rulings of the Shariah Advisory Council of Bank Negara Malaysia ('SAC'), standards on Shariah matters issued by BNM pursuant to section 29(1) of the IFSA or decisions or advice of the Shariah Committee that are consistent with the rulings of the SAC.

The Shariah Governance Framework for Islamic Financial Institutions (BNM/RH/GL_012_3) issued by BNM and the Bank's Shariah Risk Management Framework are the main reference for the Shariah governance and Shariah risk management process within Affin Islamic Bank Berhad.

A Shariah Committee ('SC') is established to deliberate on Shariah issues presented to them and provide resolution as well as guidance. GORMC together with BRMC and GBRMC assist the Board in the overall oversight of Shariah Risk Management of the Group.

Shariah Risk Management is part of an integrated risk management control function to identify all possible risks of SNC and where appropriate, to provide mitigating measures that need to be taken to reduce the risk. The scope covers overall business activities and operations, from Islamic product origination until maturity.

SNC risk is proactively managed via the following tools and methodologies:

1. SNC Event Reporting to BNM to collect, evaluate, monitor and report Shariah loss data;

2. Shariah Risk and Control Self-Assessment ('RCSA')/Risk Profiling to assist business/functional unit to identify and assess risks and controls. RCSA will be performed annnually or as and when there is occurrence of significant events either internal or external;

3. Key Risk Indicator ('KRI') to predict and highlight any potential high risk area. These indicators will be reviewed on a periodic basis (monthly or quarterly) to alert Management to changes that may have risk concerns; and

4. Key Control Standard ('KCS') to validate the effectiveness of control measures.

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(vi) Business Continuity Risk

Business continuity risk is the risk of losses in assets, revenue, reputation and stakeholder/customer confidence due to the discontinuation of services in both business and technology operations.

The Business Continuity Management Framework governs the management of business continuity issues, in line with BNM Guidelines on Business Continuity Management ('BCM').

GBRMC approves all policies and its changes relating to business continuity management. It also reviews, monitors and discusses business continuity management reports tabled at its meetings. GORMC supports GBRMC in the review and monitoring of Business Continuity Risk and provides the forum to discuss and manage all aspects of operational risk including control lapses.

The BCM function is an independent body overseeing the management of the overall business continuity risk.

Annual Risk Assessment and Business Impact Analysis are made compulsory for each business and support unit in the Bank to undertake. The outcome of this assessment will translate into a risks listing that require business and support units to derive action plans to address the risks.

Risk control is established through adherence with established BCM guidelines and standards throughout the implementation of BCM programs. Rigorous testing on business continuity and disaster recovery plans are diligently performed to ensure effective and smooth execution of the plan for resumption and recovery of disrupted business.

Policies and processes are in place to support the monitoring and reporting of business continuity risks.

(vii) Fair value of financial instruments

Fair value is defined as 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 Group and the Bank measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

46 FINANCIAL RISK MANAGEMENT

(vii) Fair value of financial instruments (continued)

This category includes unquoted shares held for socio economic reasons. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. The Group's and the Bank's exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Group's and the Bank's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

The Group and the Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial year (2016: Nil).

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

The Group 2017	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Assets				
Financial assets at FVTPL				
- Money market instruments	**-**	**40,702**	**-**	**40,702**
- Shares and unit trusts	**45,675**	**-**	**-**	**45,675**
- Corporate bonds/Sukuk	**-**	**18,803**	**-**	**18,803**
Derivative financial assets	**-**	**173,125**	**-**	**173,125**
Financial investments available-for-sale *				
- Money market instruments	**-**	**4,405,992**	**-**	**4,405,992**
- Shares, unit trusts and REITs	**233,637**	**61**	**249,823**	**483,521**
- Corporate bonds/Sukuk	**-**	**9,707,816**	**30,030**	**9,737,846**
Total	**279,312**	**14,346,499**	**279,853**	**14,905,664**
Liabilities				
Derivative financial liabilities	**-**	**263,676**	**-**	**263,676**
Total	**-**	**263,676**	**-**	**263,676**

The Group 2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Derivative financial assets	-	167,304	-	167,304
Financial investments available-for-sale *				
- Money market instruments	-	5,054,067	-	5,054,067
- Shares and unit trusts	-	-	216,592	216,592
- Corporate bonds/Sukuk	-	4,979,293	30,045	5,009,338
Total	-	10,200,664	246,637	10,447,301
Liabilities				
Derivative financial liabilities	-	402,772	-	402,772
Total	-	402,772	-	402,772

* Net of allowance for impairment.

46 FINANCIAL RISK MANAGEMENT

(vii) Fair value of financial instruments (continued)

The Bank 2017	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Assets				
Financial assets at FVTPL	**-**	**10,129**	**-**	**10,129**
Derivative financial assets	**-**	**120,819**	**-**	**120,819**
Financial investments available-for-sale *				
- Money market instruments	**-**	**3,648,088**	**-**	**3,648,088**
- Shares	**-**	**-**	**229,212**	**229,212**
- Corporate bonds/Sukuk	**-**	**4,580,488**	**30,030**	**4,610,518**
Total	**-**	**8,359,524**	**259,242**	**8,618,766**
Liabilities				
Derivative financial liabilities	**-**	**210,877**	**-**	**210,877**
Total	**-**	**210,877**	**-**	**210,877**

The Bank 2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Derivative financial assets	-	166,240	-	166,240
Financial investments available-for-sale *				
- Money market instruments	-	4,117,301	-	4,117,301
- Shares	-	-	216,592	216,592
- Corporate bonds/Sukuk	-	4,082,651	30,045	4,112,691
Total	-	8,366,192	246,637	8,612,829
Liabilities				
Derivative financial liabilities	-	409,283	-	409,283
Total	-	409,283	-	409,283

* Net of allowance for impairment.

The following table present the changes in Level 3 instruments for the financial year ended:

	The Group		**The Bank**	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
At beginning of the financial year	**246,637**	205,423	**246,637**	204,898
Amount arising from Group Reorganisation (Note 54)	**19,864**	-	**-**	-
Purchases	**22,724**	30,045	**22,724**	30,045
Sales	**(4,159)**	(25)	**(4,159)**	-
Reclassify to investment in associate	**-**	(500)	**-**	-
Net changes in income accrued	**(15)**	-	**(15)**	-
Total (losses)/gains recognised in other comprehensive income	**(5,198)**	12,012	**(5,945)**	12,012
Allowance for impairment losses	**-**	(318)	**-**	(318)
At end of the financial year	**279,853**	246,637	**259,242**	246,637

46 FINANCIAL RISK MANAGEMENT

(vii) Fair value of financial instruments (continued)

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

As at reporting date, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include unquoted shares held for socio economic purposes.

Qualitative information about the fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value assets 2017 RM'000	2016 RM'000	Valuation techniques	Unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial investments available-for-sale					
The Group			Net tangible	Net tangible	Higher net tangible assets
Unquoted shares	**279,853**	246,637	assets	assets	results in higher fair value
The Bank			Net tangible	Net tangible	Higher net tangible assets
Unquoted shares	**259,242**	246,637	assets	assets	results in higher fair value

In estimating its significance, the Group and the Bank used an approach that is currently based on methodologies used for fair value adjustments. These adjustments reflects the values that the Group and the Bank estimate are appropriate to adjust from the valuations produced to reflect for uncertainties in the inputs used. The methodologies used can be a statistical or other relevant approved techniques.

The Group 2017	**Carrying value RM'000**	**Fair value Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets					
Loans, advances and financing	**45,722,158**	**-**	**47,927,075**	**-**	**47,927,075**
	45,722,158	**-**	**47,927,075**	**-**	**47,927,075**
Financial liabilities					
Deposits from customers	**50,920,229**	**-**	**50,947,469**	**-**	**50,947,469**
Subordinated term loan and medium term notes	**2,036,144**	**-**	**2,038,350**	**-**	**2,038,350**
	52,956,373	**-**	**52,985,819**	**-**	**52,985,819**

The Group 2016	Carrying value RM'000	Fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets					
Loans, advances and financing	42,668,297	-	41,856,606	-	41,856,606
	42,668,297	-	41,856,606	-	41,856,606
Financial liabilities					
Deposits from customers	47,633,056	-	47,644,913	-	47,644,913
	47,633,056	-	47,644,913	-	47,644,913

46 FINANCIAL RISK MANAGEMENT

(vii) Fair value of financial instruments (continued)

The Bank 2017	**Carrying value RM'000**	**Fair value Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets					
Loans, advances and financing	**29,143,900**	**-**	**31,708,765**	**-**	**31,708,765**
	29,143,900	**-**	**31,708,765**	**-**	**31,708,765**
Financial liabilities					
Deposits from customers	**33,295,153**	**-**	**33,304,706**	**-**	**33,304,706**
Subordinated term loan and medium term notes	**2,036,144**	**-**	**2,038,350**	**-**	**2,038,350**
	35,331,297	**-**	**35,343,056**	**-**	**35,343,056**

The Bank 2016	Carrying value RM'000	Fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets					
Loans, advances and financing	30,753,354	-	30,244,399	-	30,244,399
	30,753,354	-	30,244,399	-	30,244,399
Financial liabilities					
Deposits from customers	37,106,463	-	37,113,009	-	37,113,009
	37,106,463	-	37,113,009	-	37,113,009

Other than as disclosed above, the total fair value of each financial assets and liabilities presented on the statements of financial position as at reporting date of the Group and the Bank approximates the total carrying amount.

The fair value estimates were determined by application of the methodologies and assumptions described below.

Short-term funds and placements with banks and other financial institutions

For short-term funds and placements with banks and other financial institutions with maturity of less than six months, the carrying amount is a reasonable estimate of fair value.

For amounts with maturities of six months or more, fair values have been estimated by reference to current rates at which similar deposits and placements would be made to banks with similar credit ratings and maturities.

46 FINANCIAL RISK MANAGEMENT

(vii) Fair value of financial instruments (continued)

The fair value estimates were determined by application of the methodologies and assumptions described below:

Financial investments held-to-maturity

The fair values of financial investments held-to-maturity are reasonable estimates based on quoted market prices. In the absence of such quoted prices, the fair values are based on the expected cash flows of the instruments discounted by indicative market yields for the similar instruments as at reporting date or the audited net tangible asset of the invested company.

Loans, advances and financing

Loans, advances and financing of the Group comprise of floating rate loans and fixed rate loans. For performing floating rate loans, the carrying amount is a reasonable estimate of their fair values.

The fair values of performing fixed rate loans are arrived at using the discounted cash flows based on the prevailing market rates of loans, advances and financing with similar credit ratings and maturities.

The fair values of impaired loans, advances and financing, whether fixed or floating are represented by their carrying values, net of individual and collective allowances, being the reasonable estimate of recoverable amount.

Other assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in other assets and other liabilities are assumed to approximate their fair values.

Deposits from customers, banks and other financial institutions, bills and acceptances payable

The carrying values of deposits and liabilities with maturities of six months or less are assumed to be reasonable estimates of their fair values. Where the remaining maturities of deposits and liabilities are above six months, their estimated fair values are arrived at using the discounted cash flows based on prevailing market rates currently offered for similar remaining maturities.

The estimated fair value of deposits with no stated maturity, which include non-interest bearing deposits, approximates carrying amount which represents the amount repayable on demand.

Recourse obligation on loans sold to Cagamas Berhad

For floating rate loans sold to Cagamas Berhad, the carrying value is generally a reasonable estimate of their fair values.

The fair values of fixed rate loans sold to Cagamas Berhad are arrived at using the discounted cash flow methodology at prevailing market rates of similarly profiled loans.

Subordinated term note

For fixed rate borrowings, the estimate of fair value is based on discounted cash flow model using prevailing lending rates for borrowings with similar risks and remaining term to maturity.

For floating rate borrowings, the carrying value is generally a reasonable estimate of their fair values.

47 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In accordance with MFRS 132 "Financial Instruments: Presentation", the Group and the Bank report financial assets and financial liabilities on a net basis on the statements of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangement on:

- All financial assets and liabilities that are reported net on statements of financial position; and
- All derivative financial instruments and reverse repurchase and repurchased agreements and other similar secured lending and borrowing agreements that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for statements of financial position netting.

The table identifies the amounts that have been offset in the statements of financial position and also those amounts that are covered by enforceable netting arrangements (offsetting arrangements and financial collateral) but do not qualify for netting under the requirements of MFRS 132 described above.

The "Net amounts" presented below are not intended to represent the Group's and the Bank's actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

Related amount not offset

Derivative financial assets and liabilities

The 'Financial instruments' column identifies financial assets and liabilities that are subject to set off under netting agreements, such as the ISDA Master Agreement or derivative exchange or clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transaction covered by the agreements if an event of default or other predetermined events occur.

Financial collateral refers to cash and non-cash collateral obtained, typically daily or weekly, to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

Obligation on securities sold under repurchase agreements

The 'Financial instruments' column identifies financial assets and liabilities that are subject to set-off under netting agreements, such as global master repurchase agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transaction covered by the agreements if an event of default or other predetermined events occur.

47 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group 2017	Effects of offsetting on the statements of financial position: Gross amount RM'000	Amount offset RM'000	Net amount reported on statement of financial position RM'000	Related amounts not offset: Financial instruments RM'000	Financial collateral RM'000	Net amount RM'000
Financial assets						
Derivative financial assets	173,125	-	173,125	(61,268)	-	111,857
Trade receivables						
- Amount due from Bursa Securities Clearing Sdn Bhd	956,640	(873,359)	83,281	-	-	83,281
Total assets	**1,129,765**	**(873,359)**	**256,406**	**(61,268)**	**-**	**195,138**
Financial liabilities						
Obligation on securities sold under repurchase agreements	1,050,935	-	1,050,935	(1,050,935)	-	-
Derivative financial liabilities	263,676	-	263,676	(61,268)	(138)	202,270
Trade payables						
- Amount due to Bursa Securities Clearing Sdn Bhd	873,359	(873,359)	-	-	-	-
Total liabilities	**2,187,970**	**(873,359)**	**1,314,611**	**(1,112,203)**	**(138)**	**202,270**

The Group 2016	Effects of offsetting on the statements of financial position: Gross amount RM'000	Amount offset RM'000	Net amount reported on statement of financial position RM'000	Related amounts not offset: Financial instruments RM'000	Financial collateral RM'000	Net amount RM'000
Financial assets						
Derivative financial assets	167,304	-	167,304	(38,960)	-	128,344
Total assets	167,304	-	167,304	(38,960)	-	128,344
Financial liabilities						
Obligation on securities sold under repurchase agreements	999,740	-	999,740	(999,740)	-	-
Derivative financial liabilities	402,772	-	402,772	(38,960)	-	363,812
Total liabilities	1,402,512	-	1,402,512	(1,038,700)	-	363,812

47 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	Effects of offsetting on the statements of financial position			Related amounts not offset		
The Bank 2017	**Gross amount RM'000**	**Amount offset RM'000**	**Net amount reported on statement of financial position RM'000**	**Financial instruments RM'000**	**Financial collateral RM'000**	**Net amount RM'000**
Financial assets						
Derivative financial assets	**120,819**	**-**	**120,819**	**(25,157)**	**-**	**95,662**
Total assets	**120,819**	**-**	**120,819**	**(25,157)**	**-**	**95,662**
Financial liabilities						
Obligation on securities sold under repurchase agreements	**954,922**	**-**	**954,922**	**(954,922)**	**-**	**-**
Derivative financial liabilities	**210,877**	**-**	**210,877**	**(25,157)**	**-**	**185,720**
Total liabilities	**1,165,799**	**-**	**1,165,799**	**(980,079)**	**-**	**185,720**

	Effects of offsetting on the statements of financial position			Related amounts not offset		
The Bank 2016	Gross amount RM'000	Amount offset RM'000	Net amount reported on statement of financial position RM'000	Financial instruments RM'000	Financial collateral RM'000	Net amount RM'000
Financial assets						
Derivative financial assets	166,240	-	166,240	(39,647)	-	126,593
Total assets	166,240	-	166,240	(39,647)	-	126,593
Financial liabilities						
Obligation on securities sold under repurchase agreements	999,740	-	999,740	(999,740)	-	-
Derivative financial liabilities	409,283	-	409,283	(39,647)	-	369,636
Total liabilities	1,409,023	-	1,409,023	(1,039,387)	-	369,636

48 LEASE COMMITMENTS

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

	The Group		**The Bank**	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Within one year	**27,999**	22,844	**22,550**	22,153
One year to five years	**15,326**	22,986	**12,008**	22,304

49 CAPITAL MANAGEMENT

The total capital and capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components).

The Group and the Bank are currently adopting the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the BNM Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier 1 Capital Ratio ('CET 1') and Tier 1 Capital Ratio are 5.750% (2016: 5.125%) and 7.250% (2016: 6.625%) respectively for year 2016. The minimum regulatory capital adequacy requirement is 9.250% (2016: 8.625%) for total capital ratio.

The Group and the Bank's objectives when managing capital are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Group and the Bank operates;
- To safeguard the Group and the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Group and the Bank maintain a ratio of total regulatory capital to its risk-weighted assets above a minimum level agreed with the management which takes into account the risk profile of the Group and the Bank.

The table in Note 50 below summarises the composition of regulatory capital and the ratios of the Group and the Bank for the financial year ended 31 December 2017.

50 CAPITAL ADEQUACY

The capital adequacy ratios are as follows:

	The Group (#)		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Paid-up share capital	**4,684,752**	1,688,770	**4,684,752**	1,688,770
Share premium	**-**	858,904	**-**	858,904
Statutory reserves	**-**	1,721,637	**-**	1,416,621
Retained profits	**2,670,888**	1,178,962	**1,987,315**	913,359
Unrealised gains and losses on AFS	**97,596**	98,985	**121,638**	122,753
Translation reserve	**151**	-	**-**	-
	7,453,387	5,547,258	**6,793,705**	5,000,407
Less:				
Goodwill and other intangibles	**(903,962)**	(164,089)	**(171,980)**	(167,982)
55% of cumulative unrealised gains of AFS	**(53,678)**	(54,442)	**(66,901)**	(67,514)
Investment in associate/subsidiaries	**(581,498)**	(450)	**(3,020,467)**	(345,134)
CET1 capital	**5,914,249**	5,328,277	**3,534,357**	4,419,777
Non-controlling interest	**9,213**	-	**-**	-
Tier I capital	**5,923,462**	5,328,277	**3,534,357**	4,419,777

50 CAPITAL ADEQUACY

	The Group (#)		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Subordinated term loan	**2,000,000**	1,180,000	**2,000,000**	1,180,000
Collective impairment @	**129,725**	137,903	**94,643**	109,362
Regulatory adjustments	**436,217**	280,204	**314,759**	207,026
Less:				
Investment in associate/subsidiaries	**(145,374)**	(300)	**(755,117)**	(230,090)
Tier II capital	**2,420,568**	1,597,807	**1,654,285**	1,266,298
Total capital	**8,344,030**	6,926,084	**5,188,642**	5,686,075
CET1 capital ratio	**12.213%**	12.201%	**10.124%**	12.595%
Tier 1 capital ratio	**12.232%**	12.201%	**10.124%**	12.595%
Total capital ratio	**17.231%**	15.860%	**14.862%**	16.204%
CET1 capital ratio (net of proposed dividends)^	**12.213%**	12.026%	**10.124%**	12.378%
Tier 1 capital ratio (net of proposed dividends)^	**12.232%**	12.026%	**10.124%**	12.378%
Total capital ratio (net of proposed dividends)^	**17.231%**	15.685%	**14.862%**	15.986%
Risk-weighted assets for:				
Credit risk	**45,275,347**	40,928,681	**32,752,159**	32,838,523
Market risk	**604,034**	333,445	**242,490**	296,191
Operational risk	**2,544,825**	2,408,896	**1,916,984**	1,956,481
Total risk-weighted assets	**48,424,206**	43,671,022	**34,911,633**	35,091,195

@ Qualifying collective impairment is restricted to allowances on unimpaired portion of the loans, advances and financing.

The Group comprises the banking and non-banking subsidiaries.

^ Net proposed dividends of RM NIL (2016: RM76,300,000).

In accordance with BNM's Guidelines on Investment Account, the credit and market risk weighted on the assets funded by the RIA are included in calculation of capital adequacy for the Bank. As at 31 December 2017, RIA assets included in the Total Capital Ratio calculation amounted to RM2,749.8 million (2016: RM2,112.2 million).

The capital adequacy ratios of the AFFIN Islamic Bank Berhad is as follows:

	Economic Entity		The Bank	
	2017	2016	2017	2016
(Before and after deducting proposed dividend)				
CET1 capital ratio	**15.086%**	12.421%	**15.087%**	12.424%
Tier 1 capital ratio	**15.086%**	12.421%	**15.087%**	12.424%
Total capital ratio	**16.251%**	13.598%	**16.251%**	13.598%

50 CAPITAL ADEQUACY

The capital adequacy ratios of the AFFIN Hwang Investment Bank Berhad is as follows:

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(Before deducting proposed dividend)				
CET1 capital ratio	34.802%	-	40.546%	-
Tier 1 capital ratio	35.059%	-	40.546%	-
Total capital ratio	35.438%	-	40.546%	-
(After deducting proposed dividend)				
CET1 capital ratio	32.342%	-	37.449%	-
Tier 1 capital ratio	32.599%	-	37.449%	-
Total capital ratio	32.978%	-	37.449%	-

51 LITIGATION AGAINST THE BANK

A claim by the Plaintiff against the Bank vide Write of Summons and Statement of Claim dated 22 January 2016 ('Writ') for the following:

i) RM56,885,317.82 together with interest at 5% per annum from 1999 till full settlement as alleged damages;

ii) SGD9,928,473.75 together with interest at 5% per annum from 2013 till full settlement as alleged losses;

iii) RM776,331.00 being alleged losses of Plaintiff's shares in Berlian Ferries Pte. Ltd which was transferred out as a result of his bankruptcy in 2013 with interest at 5% per annum from 2013 till full settlement as alleged losses;

iv) RM500,000 as cost in respect of legal proceedings in Singapore.

The Bank had on 25 January 1996 given Suria Barisan (M) Sdn Bhd ('Suria') a credit facility of RM21.6 million ('Facility') against security of unquoted shares belonging to Naval Dockyard Sdn Bhd and guaranteed by the Plaintiff and Puan Norashikin Binti Abdul Latiff ('Guarantor').

Suria, the Plaintiff and the Guarantor ('All') defaulted in the Facility which led to the Bank filing a debt recovery action against All of them in 1999. Judgement was obtained against All on 8 July 2004.

The Plaintiff was made bankrupt on 17 January 2013. The bankruptcy was set aside in September 2015 on the grounds that he was solvent due to a third party, Chenet Finance Ltd ('Chenet') being ordered by a Singapore Court to pay damages to the Director General of Insolvency Malaysia ('DGI') as receiver of Plaintiff's Estate. The Bank has appealed and hearing of appeal is fixed on 2 April 2018 at the Federal Court.

The Plaintiff's claim ('Claim') is premised on alleged wrongful acts by the Bank as follows:

- failure to sell 7.2 million shares in Naval Dockyard Sdn Bhd ('NDSB shares') which was pledged by Suria to the Bank as security for the Facility on a timely basis. On this claim, Plantiff claims damages under (i) above;
- allowed the release of the Guarantor from her liability upon payment of a certain sum pursuant to her Guarantee without giving the same opportunity to the Plaintiff;
- the Bank had corresponded with the opponent of Plantiff in Singapore to prevent the Plaintiff from claiming his assets in Singapore. Plantiff has alleged conspiracy between the Bank and the opponent of the Plantiff in Singapore. On this claim, Plantiff claims losses under (ii) above;
- the Bank had allegedly wrongfully made Plantiff a bankrupt in 2013 which bankruptcy was set aside in 2015. On this claim, Plantiff claims losses under (iii) above;
- The Plantiff is also claiming the amount of (iv) above being cost of proceedings incurred by him in Singapore.

51 LITIGATION AGAINST THE BANK

The Bank has a good defence ('Defence') on the merits with regard to each of the alleged wrongful act as follows:

- the sale of NDSB Shares was subject to the approval from the relevant authorities as per the terms of the Facility Agreement and the price has to be based on the offer from the approved prospective buyer;
- the release of the Guarantor is the prerogative of the Bank pursuant to the terms of the Guarantee Agreement;
- the Plantiff's bankruptcy is based on a judgement of Court;
- the Bank's legal firm had corresponded with the legal firm of the Plantiff's opponent in Singapore only to inform the status of the Plantiff proceedings in Malaysia and any alleged conspiracy is denied; and
- the claim for cost is unreasonable as the Bank was not in any way involved in the Singapore proceedings.

The above Claim against the Bank by the Plaintiff is a result of the Debt Recovery Action against the Plaintiff which was commenced in the ordinary course of business.

The Board of Directors of the Bank are of the view that save for the orders, cost and other relief sought by the Plaintiff, which will materialize only if the Court rules in the Plaintiff's favour, the Writ and Statement of Claim is not expected to result in any immediate losses, material, financial and operational impact on the Bank for the current financial year ended 31 December 2017.

52 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group and the Bank make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. To enhance the information content of the estimates, certain variables that are anticipated to have material impact to the Group's and the Bank's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Allowance for impairment losses on loans, advances and financing

The accounting estimates and judgments related to the impairment of loans and provision for off-balance sheet positions are critical accounting estimate because the underlying assumptions used for both the individually and collectively assessed impairment can change from period to period and may significantly affect the Group and the Bank's results of operations.

In assessing assets for impairment, management judgment is required. The determination of the impairment allowance required for loans which are deemed to be individually significant often requires the use of considerable management judgment concerning such matters as local economic conditions, the financial performance of the counterparty and the value of any collateral held, for which there may not be a readily accessible market. The actual amount of the future cash flows and their timing may differ from the estimates used by management and consequently may cause actual losses to differ from the reported allowances.

The impairment allowance for portfolios of smaller-balance homogenous loans/financing, such as those to individuals and small business customers of the private and retail business, and for those loans/financing which are individually significant but for which no objective evidence of impairment exists, is determined on a collective basis. The collective impairment allowance is calculated on a portfolio basis using statistical models which incorporate numerous estimates and judgments, and therefore is subject to estimation uncertainty. The Group and the Bank perform a regular review of the models and underlying data and assumptions as far as possible to reflect the current economic circumstances. The probability of default, loss given defaults, and loss identification period, amongst other thing, are all taken into account during this review.

Estimated impairment of goodwill

The Group performs an impairment review on an annual basis to ensure that the carrying value of the goodwill does not exceed its recoverable amounts from cash generating units to which the goodwill is allocated. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercise judgment in estimating the future cash flows, growth rate and discount rate.

53 CREDIT EXPOSURES ARISING FROM TRANSACTIONS WITH CONNECTED PARTIES

The following credit exposures are based on Bank Negara Malaysia's revised Guidelines on Credit Transaction and Exposures with Connected Parties, which are effective 1 January 2008.

		The Bank	
		2017	**2016**
(i)	The aggregate value of outstanding credit exposures with connected parties (RM'000)	**3,271,199**	2,990,808
(ii)	The percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**6%**	6%
(iii)	The percentage of outstanding credit exposures with connected parties which is impaired or in default	**Nil**	Nil

54 SIGNIFICANT AND SUBSEQUENT EVENT

<u>**Proposals in relation to the Reorganisation of AFFIN Holdings Berhad Group of Companies ('Group Reorganisation')**</u>

On 16 February 2017, AFFIN Hwang Investment Bank Berhad ('AHIB') had on behalf of the Board of Directors of AFFIN Holdings Berhad (the 'Company' or 'AHB') announced that AHB and AFFIN Bank Berhad ('ABB') proposed to undertake the following proposals:

(i) Proposed transfer by AHB of the following identified companies to ABB:

- AFFIN Hwang Investment Bank Berhad, a wholly-owned subsidiary of AHB ('AHIB');
- AFFIN Moneybrokers Sdn Bhd, a wholly-owned subsidiary of AHB ('AMB');
- AXA AFFIN Life Insurance Berhad, a 51.00% - owned joint venture company of AHB ('AALI'); and
- AXA AFFIN General Insurance Berhad, a 37.07% - owned associate of AHB ('AAGI')

(AHIB, AMB, AALI and AAGI shall collectively be referred to as the 'Identified Companies' and item (i) above shall now be referred to as 'the Reorganisation');

(ii) Proposed distribution of the entire shareholdings in ABB held by AHB to the entitled shareholders of AHB whose names appear in AHB's Record of Depositors on an entitlement date to be determined and announced by the Board at a later date ('Entitlement Date')('Entitled Shareholders'), after completion of the Reorganisation, on the Entitlement Date by way of a distribution-in-specie via a reduction of the following:

- the entire consolidated capital of AHB (which includes the entire issued and paid-up share capital of AHB and the entire share premium account of AHB; and
- the retained profits of AHB

(item (ii) above shall be referred to as 'the Distribution');

(iii) Proposed subscription by ABB of 2 new ordinary shares in AHB ('AHB Shares') which will be undertaken simultaneously with the Proposed Distribution ('the Subscription');

(iv) Proposed amendments to the Memorandum and Articles ('M&A') of AHB and ABB to facilitate the Proposed Transfer of Listing Status ('the Amendments'); and

(v) Proposed transfer of the listing status from AHB to ABB on the Main Market of Bursa Malaysia Securities Berhad ('Bursa Securities') ('the Transfer of Listing Status')

(the above shall collectively be referred to as the 'Proposals').

(1) <u>Transfer consideration for the Identified Companies and mode of satisfaction</u>

The transfer of consideration for each of the identified Companies shall be based on their respective carrying value recorded by AHB in its management accounts as at the Cut-Off-Date ('Transfer Consideration'). Carrying value comprised AHB's cost of investment in the said Identifies Companies and its share of post-acquisition profits recorded by the respective Identified Companies.

The mode of satisfaction for the Transfer Consideration had been agreed to be as follows:

- for AHIB, AMB, and AALI - issuance of 254,178,931 new ordinary shares in ABB ('ABB Shares'); and
- for AAGI - to be fully satisfied in cash to be paid by ABB to AHB

AHB and ABB had decided to fix the number of new ABB Shares that the ABB would issue to AHB to satisfy part of the Transfer Consideration to facilitate the exchange ratio for the Distribution. As at 16 February 2017, ABB had 1,688,769,616 ABB Shares in issue whilst AHB had 1,942,948,547 AHB Shares in issue. ABB would issue 254,178,931 new ABB Shares for the Transfer Consideration of AHIB, AMB and AALI. This would result in both AHB and ABB having the same resultant number of shares in issue, being 1,942,948,547 shares.

54 SIGNIFICANT AND SUBSEQUENT EVENTS

Proposals in relation to the Reorganisation of AFFIN Holdings Berhad Group of Companies ('Group Reorganisation')(continued)

(1) Transfer consideration for the Identified Companies and mode of satisfaction (continued)

With the equal amount number of shares in issue, AHB would be able to undertake a distribution-in-specie of 1 ABB Share for each existing AHB Share held pursuant to the Distribution, minimising the incidence of odd lots for its shareholders when undertaking the Distribution.

(2) Inter-conditional of the Proposal

The Reorganisation is not conditional upon any of the other Proposals.

The Distribution, the Subscription, the Amendments and the Transfer of Listing Status are inter-conditional upon each other and are also conditional upon the Reorganisation.

Save as disclosed above, the Proposals are not conditional upon any other proposal undertaken or to be undertaken by AHB or ABB.

(3) Status of Corporate Proposals

(a) The Reorganisation

On 2 October 2017, AHB had entered into a share sale agreement ('SSA') with ABB in relation to the Reorganisation. The Cut-off-Date for the Transfer Consideration for the Identified Companies was fixed at 30 September 2017 as all the conditions precedent to the SSA had been fulfilled by both parties on 2 October 2017.

On 16 October 2017, the Transfer Consideration for the Identified Companies had been finalised to be RM2.505 billion and satisfied by ABB, partly in cash and partly in shares as follows:

Identified Companies	Number of shares transferred from AHB to ABB	Transfer Consideration (RM'000)	Mode of satisfaction
AHIB	780,000,000	1,966,460	233,886,035 shares in ABB
AMB	1,000,000	22,278	2,649,692 New ABB Shares
AALI	368,000,100	148,340	17,643,204 New ABB Shares
AAGI	119,047,619	367,945	Cash
	Total Consideration	**2,505,023**	

The Reorganisation is deemed completed on 16 October 2017.

(b) The Distribution

On 5 January 2018, AHIB had on behalf of the Board of Directors of AHB announced that the Entitlement Date of the Distribution was fixed at 5.00 p.m. on 22 January 2018. The said Distribution which entailed the distribution of the entire shareholding in ABB held by AHB to the Entitled Shareholders on the basis of 1 ABB share for each.

The Distribution was implemented by way of distribution-in-specie via a reduction of the entire consolidated capital of AHB and the retained earnings of AHB.

(c) The Subscription

The Subscription was implemented concurrently with the Distribution. The said Subscription which entailed ABB subscribing to 2 new ordinary shares of AHB for RM2.00 had been completed on 30 January 2018.

Consequently, AHB had become a subsidiary of ABB upon the completion of the Distribution and the Subscription on 30 January 2018.

(d) The Transfer of Listing Status

Upon completion of the Distribution and the Subscription, the Transfer of Listing Status from AHB to ABB was completed on 2 February 2018, where:

(i) ABB had been admitted to the Official List of Bursa Securities in place of AHB, with the listing and quotation for the entire enlarged issue share capital of ABB on the Main Market of Bursa Securities; and

(ii) AHB and AHB shares had been withdrawn from the Official List of Bursa Securities.

54 SIGNIFICANT AND SUBSEQUENT EVENTS

Proposals in relation to the Reorganisation of AFFIN Holdings Berhad Group of Companies ('Group Reorganisation')(continued)

The Group has adopted predecessor accounting and only incorporate the acquired entity's results and statements of financial position prospectively from the date on which the business combination between entities under common control occurred. Accordingly, the corresponding amounts for previous year are also not restated.

(1) Transfer of AHIB and AMB are as follows:

	AHIB RM'000	AMB RM'000	Total RM'000
ASSETS			
Cash and short-term funds	606,328	3,605	609,933
Reverse repurchase agreements with financial institutions	47,527	-	47,527
Deposits and placements with banks and other financial institutions	10,142	5,040	15,182
Financial assets at fair value through profit or loss	194,074	-	194,074
Derivative financial assets	86,075	-	86,075
Financial investments available-for-sale	4,932,124	81	4,932,205
Financial investments held-to-maturity	31,917	-	31,917
Loans, advances and financing	1,218,034	-	1,218,034
Trade receivables	548,946	1,927	550,873
Other assets	79,654	458	80,112
Tax recoverable	17,731	406	18,137
Deferred tax assets	4,157	-	4,157
Statutory deposits with Bank Negara Malaysia	182,000	-	182,000
Property and equipment	33,679	525	34,204
Intangible assets			
- Goodwill	678,501	11,120	689,621
- Brand name and customers relationship	41,924	-	41,924
- Computer software and others	7,065	154	7,219
TOTAL ASSETS	**8,719,878**	**23,316**	**8,743,194**
LIABILITIES			
Deposits from customers	4,793,290	-	4,793,290
Deposits and placements of banks and other financial institutions	671,106	-	671,106
Obligation on securities sold under repurchase agreements	96,898	-	96,898
Derivative financial liabilities	93,517	-	93,517
Trade payables	762,707	74	762,781
Other liabilities	244,829	899	245,728
Provision for taxation	2,300	-	2,300
Deferred tax liabilities	12,151	65	12,216
TOTAL LIABILITIES	**6,676,798**	**1,038**	**6,677,836**
Net assets transferred to the Group	2,043,080	22,278	2,065,358
Less: Non-controlling interest	(61,155)	-	(61,155)
Effect of predecessor accounting	(15,465)	-	(15,465)
Total purchase consideration	1,966,460	22,278	1,988,738
Less: New issuance of shares	(1,966,460)	(22,278)	(1,988,738)
Add: Cash and cash equivalent of the net assets transferred	606,328	3,605	609,933
Net cash inflow from Group Reorganisation	**606,328**	**3,605**	**609,933**

54 SIGNIFICANT AND SUBSEQUENT EVENTS

Proposals in relation to the Reorganisation of AFFIN Holdings Berhad Group of Companies ('Group Reorganisation')(continued)

(2) Transfer of AALI (Investment in Joint Venture) and AAGI (Investment in Associate) are as follows:

	AALI RM'000	AAGI RM'000	Total RM'000
Share of net assets at the date of Group Reorganisation	148,340	367,945	516,285
Less: Purchase consideration			
(1) New issuance of shares	(148,340)	-	(148,340)
(2) Cash consideration	-	(367,945)	(367,945)
Premium/discount arising from the transfer	-	-	-
Net cash outflow arising from the transfer	-	(367,945)	(367,945)

55 SEGMENT ANALYSIS

Operating segments are reported in a manner consistent with the internal financial reporting system provided to the chief operating decision-maker, who is the person or group that allocates resources to and assess the performance of the operating segments of an entity. The Group has determined the Managing Director/CEO of the respective operating segments as its chief operating desicion-maker.

Following the change in composition of the Group arising from the internal reorganisation as disclosed in Note 54, the Group is required to disclosed segmental reporting in accordance to MFRS8 'Operating Segment'.

Comparative segment information has been presented accordingly in comformity with the changes to the reportable business segment.

The Group's operations are principally conducted in Malaysia and accordingly, no analysis in respect of geographical segments has been presented. The Group comprises the following main segments:

Commercial Banking

The Commercial Banking segment focuses on business of banking in all aspects which includes Islamic Banking operations. Its activities are generally structured into three key areas, Corporate and Public Sector ('CPS'), Small Medium Enterprise ('SME') and Consumer Banking.

CPS and SME provides a full range of financial products and services to cater mainly the business and funding needs of corporate customers, ranging from large corporate and the public sector to small and medium enterprises. The products and services offered include long-term loans, project and equipment financing and short-term credit such as overdrafts and trade financing and other fee-based services.

Consumer Banking comprises the full range of products and services offered to individuals, including savings and fixed deposits, remittance services, current accounts, consumer loans such as vehicle loans (i.e. hire purchase), housing loans, overdrafts and personal loans, credit cards, unit trusts and bancassurance products.

Investment Banking

The Investment Banking segment focuses on business of a merchant bank, stock-broking, fund and asset management.

This segment focuses on business needs of mainly large corporate customers and financial institutions. The products and services offered to customers include advisory services and structuring of private debt securities, corporate finance and advisory services for corporate listings, mergers and acquisitions, capital raising through issues of equity and debt instruments, corporate and debts restructuring exercises.

It also provides structured lending solutions mainly in support of corporate finance and capital market activities as well as access to variety of funds and capital market investment products to corporate, institutional and individual investors for competitive returns and other investment benefits including portfolio diversification and liquidity enhancement.

The stock-broking business comprises institutional and retail stock-broking business for securities listed on local and foreign stock exchanges, investment management and research services.

The fund and asset management arm provides the establishment, management and distribution of unit trust funds and private retirement as well as provision of fund management services to private clients.

55 SEGMENT ANALYSIS

Insurance

The insurance segment includes the business of underwriting all classes of general and life insurance businesses in Malaysia.

Others

Other business segments in the Group include operation of investment holding companies, money-broking and other related financial services whose results are not material to the Group and therefore do not render separate disclosure in the financial statements and have been reported in aggregate.

2017	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External revenue	1,388,594	169,510	-	2,351	-	1,560,455
Intersegment revenue	6,636	(4,355)	-	241	(2,522)	-
Segment revenue	1,395,230	165,155	-	2,592	(2,522)	1,560,455
Operating expenses of which:	(809,943)	(123,344)	-	(3,524)	2,522	(934,289)
Depreciation of property and equipment	(15,329)	(2,285)	-	(63)	-	(17,677)
Amortisation of intangible assets	(11,012)	(3,686)	-	(16)	-	(14,714)
Allowances for impairment losses on loans, advances, financing and trade receivables/securities	(83,718)	(1,448)	-	-	-	(85,166)
Segment results	501,569	40,363	-	(932)	-	541,000
Share of joint venture's results (net of tax)	-	-	(4,070)	-	-	(4,070)
Share of associate's results (net of tax)	-	-	17,140	-	-	17,140
Profit before taxation and zakat	501,569	40,363	13,070	(932)	-	554,070
Zakat	(3,000)	(371)	-	-	-	(3,371)
Profit before taxation	498,569	39,992	13,070	(932)	-	550,699
Taxation						(126,261)
Net profit for the financial year						424,438
Segment assets	61,000,856	8,267,007	-	14,056	-	69,281,919
Investment in joint ventures	-	-	160,594	-	-	160,594
Investment in associates	750	-	565,528	-	-	566,278
Total segment assets						70,008,791
Segment liabilities						
Total segment liabilities	56,369,634	5,308,014	-	2,349	-	61,679,997
Other information						
Capital expenditure	62,876	2,635	-	-	-	65,511

55 SEGMENT ANALYSIS

2016	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External revenue	1,324,430	-	-	-	-	1,324,430
Intersegment revenue	-	-	-	-	-	-
Segment revenue	1,324,430	-	-	-	-	1,324,430
Operating expenses of which:	(694,116)	-	-	-	-	(694,116)
Depreciation of property and equipment	(14,724)	-	-	-	-	(14,724)
Amortisation of intangible assets	(9,681)	-	-	-	-	(9,681)
Allowances for impairment losses on loans, advances, financing and trade receivables/securities	(27,556)	-	-	-	-	(27,556)
Segment results	602,758	-	-	-	-	602,758
Share of joint venture's results (net of tax)	-	-	-	-	-	-
Share of associate's results (net of tax)	-	-	-	-	-	-
Profit before taxation and zakat	602,758	-	-	-	-	602,758
Zakat	(2,887)	-	-	-	-	(2,887)
Profit before taxation	599,871	-	-	-	-	599,871
Taxation						(126,261)
Net profit for the financial year						473,610
Segment assets	60,186,439	-	-	-	-	60,186,439
Investment in joint ventures	-	-	-	-	-	-
Investment in associates	750	-	-	-	-	750
Total segment assets						60,187,189
Segment liabilities						
Total segment liabilities	54,383,483	-	-	-	-	54,383,483
Other information						
Capital expenditure	30,224	-	-	-	-	30,224

56 CHANGES IN COMPARATIVE INFORMATION

The following comparative information have been reclassified based on the revised presentation in income statements to reflect the nature of the relevant transactions. The Group and the Bank's prior year results are not affected by these reclassification.

	The Group		
	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Income Statements			
Fee and commission income	-	114,584	114,584
Fee and commission expenses	-	(8,210)	(8,210)
Net gains on financial instruments	-	43,517	43,517
Other operating income/Other income	219,542	(149,891)	69,651

	The Bank		
	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Income Statements			
Fee and commission income	-	114,584	114,584
Fee and commission expenses	-	(8,210)	(8,210)
Net gains on financial instruments	-	43,517	43,517
Other operating income/Other income	219,323	(149,891)	69,432

57 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 29 March 2018.

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

We, GEN DATO' SERI DIRAJA TAN SRI (DR.) MOHD ZAHIDI BIN HAJI ZAINUDDIN (RETIRED) and ABD MALIK BIN A RAHMAN, two of the Directors of AFFIN BANK BERHAD, state that, in the opinion of the Directors, the accompanying financial statements set out on pages 105 to 248 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2017 and of the results and cash flows of the Group and the Bank for the financial year ended on the date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

In accordance with a resolution of the Board of Directors dated 29 March 2018.

GEN DATO' SERI DIRAJA TAN SRI (DR.) MOHD ZAHIDI BIN HAJI ZAINUDDIN (RETIRED)
Chairman

ABD MALIK BIN A RAHMAN
Director

STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act, 2016

I, RAMANATHAN RAJOO, the officer of AFFIN BANK BERHAD primarily responsible for the financial management of the Group and the Bank, do solemnly and sincerely declare that, in my opinion, the accompanying financial statements set out on pages 105 to 248, are correct and I make this solemn declaration conscientiously believing the same to be true, by virtue of the provisions of the Statutory Declarations Act, 1960.

RAMANATHAN RAJOO

Subscribed and solemnly declared by the above named RAMANATHAN RAJOO at Kuala Lumpur in Malaysia on 29 March 2018, before me.

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

to the Members of AFFIN Bank Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 105 to 248.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

Independence and other ethical responsibilities

We are independent of the Group and of the 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.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of Group and the Bank. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Bank, the accounting processes and controls, and the industry in which the Group and the Bank operate.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Bank for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
Impairment assessment of goodwill – RM823,051,000 (Refer to Summary of Significant Group Accounting Policy Notes D and Note 20 to the financial statement) Goodwill amounting to RM823,051,000 arose from previous acquisitions and is allocated to Commercial Banking, Investment Banking, Stock-broking, Asset Management and Money-broking cash generating units ("CGUs"). The Bank determines the recoverable amount of the CGUs based on the value-in-use calculations.	We satisfied ourselves with the procedures performed below on the management's assumptions used in the impairment model. We have compared cash flow projections to the budgets, which were approved by the respective subsidiaries' Board of Directors. We also held discussions with management to understand the basis for the assumptions used. We have compared the budgets against the actual results from prior years to assess the reliability of budgeting.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Key audit matters

Impairment assessment of goodwill – RM823,051,000 (continued)

We focused on this area due to the slowing down in loan growth and capital market activities of the Group. Given the materiality of the goodwill and sensitivity of the recoverable amount of Investment Banking and Stock-broking CGUs, impairment of goodwill could have significant impact on the financial statements. We also focused on this area due to the significant judgements made by the Directors over underlying assumptions in the impairment tests.

Based on the impairment assessment prepared by management, the Investment Banking and Stock-broking CGUs were sensitive to changes in the discount rates and terminal growth rates as disclosed in Note 20 Intangible Assets.

How our audit addressed the key audit matter

We tested the assumptions used by management, in relation to the discounts rates, compounded annual and terminal growth rates for all CGUs. The discount rates used were based on the pre-tax weighted average cost of capital plus an appropriate risk premium, at the date of assessment of all the CGUs. We have assessed the reasonableness of the discount rates by independently re-calculating the pre-tax weighted average cost of capital based on data of comparable entities obtained from independent sources for each CGUs. The terminal growth rates were based on the forecasted Gross Domestic Product ("GDP") growth rate of Malaysia. We have compared the terminal growth rates used by management with the forecasted GDP growth rates independently obtained and assessed the reasonableness of the adjustments made to reflect the specific risk of the CGUs.

We have assessed the sensitivity of the impairment assessment for each of the CGU by varying the following:

- underlying assumptions applied on the budgeted cash flows in relation to compounded annual growth rates;
- discounts rates; and terminal growth rates.

Key audit matters

Impairment of loans, advances and financing assets RM238,515,000 (collective allowance) RM93,885,000 (individual allowance)

(Refer to accounting policy Notes I (i), I (ii) and Notes 8 to the financial statement)

Impairment of loans, advances and financing are assessed on collective basis for portfolios of loans, advances and financing of a similar credit characteristics and on an individual basis for significant loans, advances and financing.

We focused on this area due to the significance of impairment allowance on loans, advances and financing assets balance. The Directors also exercised significant judgement on the following areas:

Timing of impairment recognition

The assessment of objective evidence of impairment based on mandatory, judgemental triggers and indicators of increase in credit risk upon rescheduling and restructuring of loans, advances and financing

Individual assessment

Estimates on the amount and timing of futures cash flows based on realisation of collateral or borrowers' business cash flows

Collective assessment

Estimates based on the statistical models and assumptions on the probability of default ("PD") and loss given default ("LGD")

How our audit addressed the key audit matter

We tested the design and operating effectiveness of the controls over impairment of loans, advances and financing. These controls covered:

Individual assessment

- Identification of impaired loans based on mandatory and judgement triggers
- Identification of Early Alert and Watchlist borrowers with potential indicators of objective evidence of impairment
- Approval and classification of rescheduled and restructured loans, advances and financing in loans system
- Classification of non-performing loans, advances and financing in loans system
- Collateral valuation including assessment of panel valuers
- Information Technology ("IT") general control for loans system

Collective assessment

- Computation of months-in-arrears in the loans system
- Loans segmentation
- Loans data interface from loans system to impairment systems
- IT general control for loans and impairment system

Based on the tests of control performed, we did not identify any material exceptions.

Our details testing over the loans, advances and financing were as below:

Timing of impairment recognition

We performed individual credit assessment on a sample of loans, advances and financing on those identified as Early Alert, Watchlist and Restructured and Rescheduled which not been identified by management as having objective evidence of impairment and formed our own judgement on whether all objective evidence of impairment had been appropriately identified by the management under Early Alert, Watchlist, Rescheduled and Restructured. We found no material exceptions in these tests.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Key audit matters	How our audit addressed the key audit matter
Impairment of loans, advances and financing assets RM238,515,000 (collective allowance) RM93,885,000 (individual allowance) (continued))	We also increased our sample of individual credit assessment on loans, advances and financing with exposure in oil and gas, shipping, bullet repayment and US dollars exposures and certain performing exposures above certain threshold, which had not been identified by management as potentially impaired and formed our own judgement as to whether that was appropriate. We found no material exceptions in these tests. *Individual assessment* Where individual impairment had been identified for loans, advances and financing, we assessed the reasonableness of the underlying assumptions of the cash flows forecasts prepared by management. For cash flows forecasts based on realisation of collateral, we agreed the collateral valuation to the current valuation report prepared by independent valuers. If current valuation report is not available, we compared the value used by management against the independent third party publicly available report on property market based on similar property type, location and size. For cash flow forecasts based on borrower's business cash flows, we assessed the reasonableness of the underlying key assumptions used by management and performed sensitivity analysis. *Collective assessment* Where impairment was calculated on a collective basis, our testing, on a sample basis, included the following: - We re-performed the bucketing of loans into delinquency buckets (loans impairment migration) and re-computed the PD - We agreed the loans recoveries data for LGD to supporting evidence - We re-performed the calculation of collective impairment and agreed the results to the impairment system. We also checked the accuracy of posting of impairment allowance to the general ledger Based on our work done, we noted certain differences in the quantum of individual assessment and collective impairment required. The differences were not material in the context of the overall financial statements.

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:

- Management Discussion and Analysis,
- Corporate Governance Overview Statement,
- Statement on Risk Management and Internal Control,
- Board Audit Committee Report,
- Risk Management,
- Five-Year Group Financial Summary,
- Directors' Report
- Basel II Pillar 3 Disclosures

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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Information other than the financial statements and auditors' report thereon (continued)

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.

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the 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:

(a) 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.

(b) 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

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

(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 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 Bank to cease to continue as a going concern.

(e) 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.

(f) 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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Auditors' responsibilities for the audit of the financial statements (continued)

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

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

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

OTHER MATTERS

This report is made solely to the members 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.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

NG YEE LING
03032/01/2019 J
Chartered Accountant

Kuala Lumpur, Malaysia
29 March 2018

BASEL II PILLAR 3 DISCLOSURES

1 INTRODUCTION

1.1 Background

The Capital Adequacy Framework (Basel II – Risk-Weighted Assets) issued by Bank Negara Malaysia ('BNM'), which is the equivalent of the Basel II issued by the Basel Committee of Banking Supervision and the Islamic Financial Services Board is structured around three fundamental pillars:

- Pillar 1 defines the minimum capital requirement to ensure that financial institutions hold sufficient capital to cover their exposure to credit, market and operational risks.

- Pillar 2 requires financial institutions to have a process for assessing their overall capital adequacy in relation to their risk profile and a strategy for maintaining their capital levels.

- Pillar 3 requires financial institutions to establish and implement an appropriate disclosure policy that promotes transparency regarding their risk management practices and capital adequacy positions.

Pillar 3 disclosure is required under the BNM Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3).

Affin Bank Berhad ('the Bank') and its subsidiaries ('the Group') adopt the following approaches under Pillar 1 requirements:

- Standardised Approach for Credit Risk

- Basic Indicator Approach for Operational Risk

- Standardised Approach for Market Risk

1.2 Scope of Application

This document contains the disclosure requirements under Pillar 3 for the Group and the Bank for the year ended 31 December 2017. The disclosures are made in line with the Pillar 3 disclosure requirements under the Basel II framework as laid out by BNM.

The disclosures should be read in conjunction with the Group and the Bank's 2017 Annual Report for the year ended 31 December 2017.

The capital requirements of the Group and the Bank are generally based on the principles of consolidation adopted in the preparation of its financial statements.

2 RISK GOVERNANCE STRUCTURE

2.1 Overview

The Board of Directors of the Bank is ultimately responsible for the overall performance of the Bank. The Board's responsibilities are congruent with the framework of BNM Guidelines. The Board also exercises great care to ensure that high ethical standards are upheld, and that the interests of stakeholders are not compromised. These include responsibility for determining the Bank's general policies and strategies for the short, medium and long term, approving business plans, including targets and budgets, and approving major strategic decisions.

The Board has overall responsibility for maintaining the proper management and protection of the Bank's interests by ensuring effective implementation of the risk management policy and process, as well as adherence to a sound system of internal control. The Board also recognises that risks cannot be eliminated completely. As such, the inherent system of internal control is designed to provide a reasonable though not absolute assurance against the risk of material errors, fraud or losses occurring. The system of internal controls encompasses controls relating to financial, operational, risk management and compliance with applicable laws, regulations, policies and guidelines.

The terms of reference of the Board Committees as disclosed in the Annual Report provide an outline of respective roles and functions. In carrying out its functions, the Board has delegated specific responsibilities to other Board Committees, which operate under approved terms of reference, to assist the Board in discharging their duties. The Chairmen of the various Committees report on the outcome of their Committee meetings to the Board and any further deliberation is made at Board level, if required. These reports and deliberations are incorporated into the minutes of the Board meetings. The Board meets on a monthly basis.

2 RISK GOVERNANCE STRUCTURE

2.2 Board Committees

Board Nomination and Remuneration Committee ('BNRC')

The BNRC is responsible for providing a formal and transparent procedure for the appointment of Directors, Managing Director/Chief Executive Officer and Senior Management. The BNRC develops the remuneration policy for Directors, Managing Director/Chief Executive Officer, Senior Management and other material risk takers, whereby, it assesses the effectiveness of individual Director, the Board as a whole and the performance of the Managing Director/Chief Executive Officer as well as Senior Management.

The Committee obtains advice from experts in compensation and benefits, both internally and externally.

Group Board Risk Management Committee ('GBRMC')

The GBRMC is responsible for overseeing management activities in managing credit, market, liquidity, operational, legal, reputational and other material risks as well as ensuring that the risk management process is in place and functioning effectively.

It is responsible for setting the overall tone of the Group and the Bank's strategy and ensuring effective communication and integration of risk appetite within the business strategy, operations and culture.

The Committee also assists the Board in oversight responsibilities on internal controls, and risk management strategies, policies, processes, frameworks and other risk related matters. It has the responsibility of reviewing and/or approving risk management policies, guidelines and reports.

Board Credit Review and Recovery Committee ('BCRRC')

The BCRRC is responsible for providing critical review of loans/financing and other credit facilities with high risk implications and vetoing loan/financing applications that have been approved by the Group Management Credit Committee as appropriate.

Board Audit Committee ('BAC')

The BAC is responsible for providing oversight and reviewing the adequacy and integrity of the internal control systems as well as oversees the work of the internal and external auditors.

Reliance is placed on the results of independent audits performed primarily by internal auditors, the outcome of statutory audits on financial statements conducted by external auditors and on representations by Management based on their control self-assessment of all areas of their responsibility.

Minutes of BAC meetings, which provide a summary of the proceedings, are circulated to Board members for notation and discussion. The Bank has an established Group Internal Audit Division (GIA) which reports functionally to the BAC and administratively to the Managing Director/Chief Executive Officer.

Board Oversight Transformation Committee ('BOTC')

The BOTC is responsible for overseeing the transformation plan (AFFINITY Program) in the Bank, secure the consistency of strategic decision and ensure that the transformation plan is implemented effectively in a timely manner.

Shariah Committee

The Shariah Committee is formed as legislated under the Islamic Financial Services Act 2013 and as per the Shariah Governance Framework for Islamic Financial Institutions.

The roles and responsibilities of the Shariah Committee include advising the Board on Shariah matters to ensure that the business operations of the Bank comply with Shariah principles at all times. SC is also responsible for endorsing and validating relevant documentations of the Bank's products to ensure that the products comply with Shariah principles, and advising the Bank on matters to be referred to the Shariah Advisory Council.

2 RISK GOVERNANCE STRUCTURE

2.3 Management Committees

Management Committee ('MCM')

The MCM comprises the senior management team chaired by Managing Director/Chief Executive Officer (MD/CEO). MCM is responsible for assisting the Board in managing the day-to-day operations, formulating tactical plans and business strategies while monitoring the banking entities' overall performance, and ensuring all business activities conducted are in accordance with the Bank's corporate objectives, strategies, policies as well as Annual Business Plan and Budget.

The MCM is supported by the following sub-committees:

- Governance, Risk and Compliance
- Branch Performance
- IT, Operations, Digital and Customer Experience

Group Management Credit Committee ('GMCC')

The GMCC is established within senior management to approve complex and large loans/financing and workout/ recovery proposals beyond the delegated authority of the individual approvers.

Group Asset and Liability Management Committee ('GALCO')

The GALCO comprising the senior management team chaired by the MD/CEO, manages the Bank's asset and liability position by identifying, managing and controlling balance sheet risks and capital management in the execution of the business strategy, while implementing asset liability strategy and policy for the balance sheet of the respective subsidiary.

Liquidity Management Committee ('LMC')

The LMC is a sub-committee of the GALCO. The role of LMC is to augment the functions of GALCO by directing its focus specifically to liquidity issues.

Group Operational Risk Management Committee ('GORMC')

The GORMC is a senior management committee chaired by the Group Chief Risk Officer, established to oversee the management of operational risks issues and control lapses while supporting GBRMC in its review and monitoring of operational risk. It is also responsible for reviewing and ensuring that the operational risk programme, process and framework are implemented in accordance with regulatory requirement and manage loss incidents to an acceptable level.

Group Early Alert Committee ('GEAC')

The GEAC is a senior management committee, established to monitor credit quality through monthly reviews of the Early Alert and Watchlist Accounts as well as to review the actions taken to address the emerging risks and issues in these accounts.

2.4 Group Risk Management Function

Group Risk Management ('GRM'), headed by the Group Chief Risk Officer ('GCRO') is segregated from the lines of business, with direct reporting line to GBRMC to ensure independence of risk management function.

The independence of risk function is critical towards controlling and managing the risk taking activities of the Group and the Bank to achieve an optimum return in line with the subsidiaries' risk appetite, with consideration to variations required due to differences in each subsidiary's business model.

Committees namely BCRRC, SC, MCM, GMCC, GALCO, LMC, GORMC and GEAC assist GBRMC in managing credit, market, liquidity, operational and other material risks in the Group and the Bank. The responsibilities of these Committees include risk identification, risk assessment and measurement, risk control and mitigation and risk monitoring and reporting.

2 RISK GOVERNANCE STRUCTURE

2.5 Internal Audit and Internal Control Activities

In accordance with BNM's guidelines on Corporate Governance for Licensed Institutions, GIA conducts continuous reviews on auditable areas within the Bank. The reviews by GIA are focused on areas of significant risks and effectiveness of internal control in accordance with the audit plan approved by the BAC.

Based on GIA's review, identification and assessment of risk, testing and evaluation of controls, GIA will provide an opinion on the effectiveness of internal controls maintained by each entity. The risks highlighted on the respective auditable areas as well as recommendation made by the GIA are addressed at BAC and Management meetings on bi-monthly basis. The BAC also conducts annual reviews on the adequacy of internal audit function, scope of work, resources and budget of GIA.

3 CAPITAL MANAGEMENT

3.1 Internal Capital Adequacy Assessment Process ('ICAAP')

In line with the BNM guidelines on Risk-Weighted Capital Adequacy Framework - Internal Capital Adequacy Assessment Process (Pillar 2), the Bank has put in place the ICAAP Framework to assess the capital adequacy to ensure that the level of capital maintained by the Bank is adequate at all times, taking into consideration the Bank's risk profile and business strategies.

The Bank's capital management approach is focused on maintaining an appropriate level of capital to meet its business needs and regulatory requirements as capital adequacy and risk management are closely aligned. The Bank operates within an agreed risk appetite whilst optimising the use of shareholders' funds to deliver sustainable returns.

3.2 Capital structure

The total capital and capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components).

The Group and the Bank are currently adopting the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the BNM Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier 1 Capital Ratio ('CET 1') and Tier 1 Capital Ratio are 5.750% (2016: 5.125%) and 7.250% (2016: 6.625%) respectively for year 2017. The minimum regulatory capital adequacy requirement is 9.250% (2016: 8.625%) for total capital ratio.

The following table sets forth further details on the capital resources and capital adequacy ratios for the Group and the Bank as at 31 December 2017.

3 CAPITAL MANAGEMENT

3.2 Capital structure (continued)

	The Group		The Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Paid-up share capital	**4,684,752**	1,688,770	**4,684,752**	1,688,770
Share premium	**-**	858,904	**-**	858,904
Statutory reserves	**-**	1,721,637	**-**	1,416,621
Retained profits	**2,670,888**	1,178,962	**1,987,315**	913,359
Unrealised gains and losses on AFS	**97,596**	98,985	**121,638**	122,753
Translation reserve	**151**	-	**-**	-
	7,453,387	5,547,258	**6,793,705**	5,000,407
Less:				
Goodwill	**(903,962)**	(164,089)	**(171,980)**	(167,982)
55% of cumulative unrealised gains of AFS	**(53,678)**	(54,442)	**(66,901)**	(67,514)
Investment in associate/subsidiaries	**(581,498)**	(450)	**(3,020,467)**	(345,134)
CET1 capital	**5,914,249**	5,328,277	**3,534,357**	4,419,777
Non-controlling interest	**9,213**	-	**-**	-
Tier I capital	**5,923,462**	5,328,277	**3,534,357**	4,419,777
Subordinated term loan	**2,000,000**	1,180,000	**2,000,000**	1,180,000
Collective impairment	**129,725**	137,903	**94,643**	109,362
Regulatory adjustments	**436,217**	280,204	**314,759**	207,026
Less:				
Investment in associate/subsidiaries	**(145,374)**	(300)	**(755,117)**	(230,090)
Tier II capital	**2,420,568**	1,597,807	**1,654,285**	1,266,298
Total capital	**8,344,030**	6,926,084	**5,188,642**	5,686,075
CET1 capital ratio	**12.213%**	12.201%	**10.124%**	12.595%
Tier 1 capital ratio	**12.232%**	12.201%	**10.124%**	12.595%
Total capital ratio	**17.231%**	15.860%	**14.862%**	16.204%
CET1 capital ratio (net of proposed dividends)	**12.213%**	12.026%	**10.124%**	12.378%
Tier 1 capital ratio (net of proposed dividends)	**12.232%**	12.026%	**10.124%**	12.378%
Total capital ratio (net of proposed dividends)	**17.231%**	15.685%	**14.862%**	15.986%
Risk-weighted assets for:				
Credit risk	**45,275,347**	40,928,681	**32,752,159**	32,838,523
Market risk	**604,034**	333,445	**242,490**	296,191
Operational risk	**2,544,825**	2,408,896	**1,916,984**	1,956,481
Total risk-weighted assets	**48,424,206**	43,671,022	**34,911,633**	35,091,195

3 CAPITAL MANAGEMENT

3.3 Capital adequacy

The Group and the Bank have in place an internal limit for its CET 1 capital ratio, Tier I capital ratio and Total capital ratio, which is guided by the need to maintain a prudent relationship between available capital and the risks of its underlying businesses. The capital management process is monitored by senior management through periodic reviews.

Refer to Appendix I.

4 RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Bank are principally engaged in all aspects of banking and related financial services. The principal activities of the Bank's subsidiaries are Islamic banking business, investment banking, stockbroking activities, dealing in options and futures, property management services, nominee and trustee services.

The Group and the Bank's business activities involve the analysis, measurement, acceptance, and management of risks which operates within well defined risk acceptance criteria covering customer segments, industries and products. The Group and the Bank do not enter into risk it cannot administer, book, monitor or value, or deal with persons of questionable integrity.

The risk management policies are established to identify, assess, measure, control and mitigate all key risks as well as manage and monitor the risk positions.

The risk management policies and systems are reviewed regularly to reflect changes in markets, products and best practice in risk management processes. The Group and the Bank's aim is to achieve an appropriate balance between risk and return as well as minimise any potential adverse effects.

5 CREDIT RISK

5.1 Credit risk management objectives and policies

Credit risk is the potential financial loss resulting from the failure of the customer to settle financial and contractual obligations through lending/financing, hedging, trading and investing activities. It includes both pre- settlement and settlement risks of trading counterparties. Credit risk emanates mainly from loans/financing and advances, loan/financing commitments arising from such lending activities, as well as through financial transaction with counterparties including interbank money market activities as well as derivative instruments used for hedging and debt securities.

The management of credit risk in the Group and the Bank is governed by the Credit Risk Management Framework which is supported by a set of approved credit policies, guidelines and procedures. New and existing businesses are governed by Credit Plan which is developed as part of the annual business planning and budgeting process. The Credit Plan is reviewed at least annually to ensure the guidelines and criteria reflect portfolio strategy and market environment. Approval authorities are delegated to Senior Management and GMCC to implement the credit policies and ensure sound credit granting standards. BCRRC has review/veto power.

An independent Group Credit Management function is headed by Group Chief Credit Officer ('GCCO') with direct reporting line to MD/CEO to ensure sound credit appraisal and approval process. GRM with direct reporting line to GBRMC has functional responsibilities for the management of credit risk, to ensure adherence to risk standards and discipline.

5 CREDIT RISK

5.2 Application of Standardised Approach for credit risk

The Group and the Bank use the following External Credit Assessment Institutions ('ECAIs') to determine the risk weights for the rated credit exposures:-

- RAM Rating Services Berhad
- Malaysian Rating Corporation Berhad
- Standard & Poor's Rating Services
- Moody's Investors Service
- Fitch Ratings

The external ratings of the ECAIs are used to determine the risk weights of the following types of exposure: sovereigns, banks, public sector entities and corporates.

The mapping of the rating categories of different ECAIs to the risk weights is in accordance with BNM guidelines. In cases where there is no issuer or issue rating, the exposures are treated as unrated and accorded a risk weight appropriate for unrated exposure in the respective category.

Refer to Appendix II and Appendices III (i) to III (ii).

5.3 Credit risk measurement

Loans, advances and financing

Credit evaluation is the process of analysing the creditworthiness of the prospective customer against the Group and the Bank's underwriting criteria and the ability to make a return commensurate with the level of risk undertaken. Assessment and quantification of credit risk are supported by the use of internal rating models, scorecards and decision support tools.

The Group and the Bank adopts a credit risk grading methodology encompassing probability of default ('PD') driven scorecards for business loans, advances and financing. Separate scorecards have been developed for two categories of business borrowers, Large Corporate ('LC') and Small Medium Enterprise ('SME').

For consumer mass market products, statistically developed application scorecards are used to assess the risks associated with the credit application as a decision support tool at loans, advances and financing origination.

Stress Testing supplements the overall assessment of credit risk.

Over-the-Counter ('OTC') Derivatives

The OTC Derivatives credit exposure is computed using the Current Exposure Method. Under the Current Exposure Method, computation of credit equivalent exposure for interest rate and exchange rate related contracts is derived from the summation of the two elements; the replacement costs (obtained by marking-to-market) of all contracts and the potential future exposure of outstanding contracts (Add On charges depending on the specific remaining tenure to maturity).

5.4 Risk limit control and mitigation policies

The Bank employs various policies and practices to control and mitigate credit risk.

Lending/financing limits

The Group and the Bank establishes internal limits and related lending guidelines to manage large exposures and avoid undue concentration of credit risk in its credit portfolio. The limits include single customer groupings, connected parties, geographical and industry segments. These risks are monitored regularly and the limits reviewed annually or sooner depending on changing market and economic conditions.

The credit risk exposure for derivative and loans, advances and financing books is managed as part of the overall lending limits with customers together with potential exposure from market movements.

5 CREDIT RISK

5.4 Risk limit control and mitigation policies (continued)

Collateral

Credits are established against borrower's capacity to repay rather than rely solely on security. However, collateral may be taken to mitigate credit risk. The main collateral types accepted and given value are:

- Mortgages over residential properties;
- Charges over commercial real estate or vehicles financed;
- Charges over business assets such as business premises, inventory and account receivables; and
- Charges over financial instruments such as marketable securities

Credit related commitments

Commitment to extend credit represents unutilised portion of approved credit in the form of loans, advances and financing, guarantees or letters of credit. In terms of credit risk, the Bank is potentially exposed to loss in an amount equal to the total unutilised commitments. However, the potential amount of loss is less than the total unutilised commitments, as most commitments to extend credit are contingent upon customers maintaining specific minimum credit standards.

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than short-term commitments.

Refer to Appendix IV (a) to (b).

5.5 Credit risk monitoring

Corporate credits and large individual accounts are reviewed by the Business Units at least once a year using updated financial and other relevant information. This is to ensure that the credit grades remain appropriate and any signs of weaknesses or deterioration in the credit quality are detected. Remedial action is taken where evidence of deterioration emanates.

Retail credits are actively monitored and managed on a portfolio basis by product type. A collection management system is in place to promptly identify, monitor and manage delinquent accounts at early stages of delinquency.

An Early Alert Process is adopted to pro-actively identify, report, and manage warning signs of potential credit deterioration. Watchlist accounts are closely reviewed and monitored with corrective measures initiated to prevent them from turning impaired. As a rule, watchlist accounts are either worked up or worked out within a period of twelve months.

Active portfolio monitoring as well as exceptions reporting is in place to manage the overall risk profile, identify, analyse and mitigate adverse trends or specific areas of risk concerns.

5.6 Impairment provisioning

Individual impairment provisioning

All significant loans, advances and financing exposures, with or without past due status, are subject to individual assessment for impairment when an evidence of impairment surfaces, or at the very least once annually during the Annual Review process.

If impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate/rate of return (i.e. the effective interest rate/rate of return computed at initial recognition). The level of impairment allowance on loans, advances and financing is to be reviewed at least quarterly, and more frequently when individual circumstances require. The review covers the collateral held (including reconfirmation of its enforceability) and an assessment of actual and expected receipts.

All significant loans, advances and financing which are deemed not impaired after individual assessment and all loans, advances and financing which are deemed impaired but do not result in impairment allowance after individual assessment are included in the collective impairment assessment.

Significant loans that are deemed not impaired after individual assessment are included in a group of loans with similar characteristics and collectively assessed for impairment.

5 CREDIT RISK

5.6 Impairment provisioning (continued)

Collective impairment provisioning

All loans, advances and financing are grouped in respective business segments according to similar credit risk characteristics and is generally based on industry, asset or collateral type, credit grade and past due status.

Collective assessment for impairment allowance is conducted in accordance with the impairment methodologies approved by the Board for all loans, advances and financing not covered under the individual impairment assessment.

Impairment allowance will be determined for each segment based on its respective loss probabilities (history) and other information relevant to estimation of the future cash flows.

The Bank is required to maintain, in aggregate, collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/financing (excluding loans/financing with explicit guarantee from Government of Malaysia), net of individual impairment.

Total loans, advances and financing - credit quality

All loans, advances and financing are categorised into “neither past due nor impaired”, “past due but not impaired” and “impaired”.

Past due loans refer to loans, advances and financing that are overdue by one day or more.

Loans, advances and financing are classified impaired when they fulfill any of the following criteria:

i) the principal or interest/profit or both is past due more than 90 days or 3 months from the first day of default

ii) where the account is in arrears for less than 90 days or 3 months, there is evidence of impairment to indicate that the borrower/ customer is “unlikely to repay” its credit obligations

iii) the loan/financing is classified as rescheduled and restructured in Central Credit Reference Information System (CCRIS).

Analysed by economic sectors

	The Group		The Bank	
	2017	2016	2017	2016
Past due loans	RM’000	RM’000	RM’000	RM’000
Primary agriculture	**82,850**	11,794	**10,433**	10,640
Mining and quarrying	**1,836**	1,286	**1,691**	1,154
Manufacturing	**24,864**	40,385	**22,732**	38,086
Electricity, gas and water supply	**1,053**	974	**530**	438
Construction	**106,898**	106,594	**56,937**	85,530
Real estate	**449,073**	119,137	**417,258**	98,494
Wholesale & retail trade and restaurants & hotels	**106,507**	193,688	**93,294**	182,830
Transport, storage and communication	**320,089**	95,456	**313,821**	92,444
Finance, insurance and business services	**128,361**	70,082	**88,679**	64,277
Education, health and others	**262,787**	22,641	**259,376**	14,081
Household	**2,029,897**	1,874,176	**1,260,313**	1,302,114
	3,514,215	2,536,213	**2,525,064**	1,890,088

5 CREDIT RISK

5.6 Impairment provisioning (continued)

Analysed by economic sectors (continued)

Individual impairment	The Group 2017 RM'000	The Group 2016 RM'000	The Bank 2017 RM'000	The Bank 2016 RM'000
Primary agriculture	**611**	197	**611**	197
Mining and quarrying	**67**	-	**67**	-
Manufacturing	**11,071**	8,698	**11,066**	8,684
Construction	**16,215**	26,001	**6,804**	25,867
Real estate	**13,941**	18,998	**924**	1,585
Wholesale & retail trade and restaurants & hotels	**6,737**	16,737	**5,403**	16,737
Transport, storage and communication	**18,259**	-	**18,259**	-
Finance, insurance and business services	**15,600**	65,241	**15,600**	65,241
Household	**11,384**	13,627	**11,102**	13,186
	93,885	149,499	**69,836**	131,497

Individual impairment charged	The Group 2017 RM'000	The Group 2016 RM'000	The Bank 2017 RM'000	The Bank 2016 RM'000
Primary agriculture	**708**	1	**708**	1
Mining and quarrying	**3,576**	-	**3,576**	-
Manufacturing	**11,025**	2,584	**11,025**	2,272
Electricity and water supply	**-**	942	**-**	942
Construction	**24,002**	26,361	**13,221**	26,226
Real estate	**10,762**	19,396	**10,198**	2,280
Wholesale & retail trade and restaurants & hotels	**6,332**	11,890	**4,998**	11,421
Transport, storage and communication	**18,259**	58	**18,259**	58
Finance, insurance and business services	**14,942**	6,741	**14,942**	6,741
Education, health and others	**227**	-	**227**	-
Household	**21,057**	13,376	**17,330**	12,069
	110,890	81,349	**94,484**	62,010

Individual impairment written-off	The Group 2017 RM'000	The Group 2016 RM'000	The Bank 2017 RM'000	The Bank 2016 RM'000
Manufacturing	**14,538**	-	**7,038**	-
Construction	**26,617**	37,007	**26,617**	37,007
Wholesale & retail trade and restaurants & hotels	**21,983**	3,331	**11,307**	1,787
Transport, storage and communication	**-**	668	**-**	668
Finance, insurance and business services	**62,993**	88,978	**62,993**	88,978
Household	**4,678**	2,605	**4,678**	-
	130,809	132,589	**112,633**	128,440

5 CREDIT RISK

5.6 Impairment provisioning (continued)

Analysed by economic sectors (continued)

Collective impairment	The Group 2017 RM'000	The Group 2016 RM'000	The Bank 2017 RM'000	The Bank 2016 RM'000
Primary agriculture	**2,541**	2,389	**1,864**	1,908
Mining and quarrying	**1,069**	1,234	**979**	1,179
Manufacturing	**6,700**	8,592	**5,762**	8,017
Electricity, gas and water supply	**630**	635	**195**	325
Construction	**22,124**	21,289	**18,547**	18,681
Real estate	**19,629**	22,381	**17,201**	19,988
Wholesale & retail trade and restaurants & hotels	**16,292**	17,696	**14,130**	16,167
Transport, storage and communication	**7,341**	8,842	**6,103**	7,665
Finance, insurance and business services	**9,714**	8,105	**7,127**	6,869
Education, health and others	**5,569**	7,132	**4,084**	4,247
Household	**146,906**	136,336	**102,516**	104,591
	238,515	234,631	**178,508**	189,637

Analysed by geographical area

Past due loans	The Group 2017 RM'000	The Group 2016 RM'000	The Bank 2017 RM'000	The Bank 2016 RM'000
Perlis	**4,240**	4,573	**2,977**	2,965
Kedah	**129,218**	118,870	**64,296**	70,337
Pulau Pinang	**389,084**	117,259	**358,682**	95,865
Perak	**130,178**	126,871	**65,719**	67,975
Selangor	**777,495**	724,498	**472,758**	523,592
Wilayah Persekutuan	**587,368**	449,176	**394,076**	356,151
Negeri Sembilan	**126,667**	111,709	**58,961**	73,443
Melaka	**105,042**	94,182	**76,767**	75,000
Johor	**669,700**	242,796	**592,916**	191,625
Pahang	**85,324**	61,984	**57,088**	42,208
Terengganu	**62,522**	66,538	**5,084**	3,882
Kelantan	**33,070**	29,392	**8,467**	6,719
Sarawak	**196,430**	151,651	**155,511**	149,113
Sabah	**216,366**	236,484	**210,262**	231,080
Outside Malaysia	**1,511**	230	**1,500**	133
	3,514,215	2,536,213	**2,525,064**	1,890,088

5 CREDIT RISK

5.6 Impairment provisioning (continued)

Analysed by geographical area (continued)

	The Group		The Bank	
Individual impairment	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Perlis	**75**	-	**75**	-
Kedah	**11,124**	949	**3,141**	927
Pulau Pinang	**6,420**	14,020	**6,420**	14,020
Perak	**8**	1,436	**8**	1,436
Selangor	**13,478**	76,241	**10,620**	75,786
Wilayah Persekutuan	**24,071**	24,082	**11,393**	24,082
Negeri Sembilan	**14,671**	2,174	**14,671**	2,174
Melaka	**3**	140	**-**	140
Johor	**4,030**	4,650	**4,030**	4,650
Pahang	**90**	72	**90**	72
Terengganu	**18,441**	-	**18,259**	-
Kelantan	**-**	3	**-**	3
Sarawak	**345**	229	**-**	-
Sabah	**1,129**	8,207	**1,129**	8,207
Outside Malaysia	**-**	17,296	**-**	-
	93,885	149,499	**69,836**	131,497

	The Group		The Bank	
Collective impairment	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Perlis	**827**	861	**369**	475
Kedah	**12,262**	10,167	**7,919**	7,371
Pulau Pinang	**10,333**	11,069	**8,480**	9,703
Perak	**12,650**	12,576	**7,508**	8,565
Selangor	**70,050**	73,047	**51,211**	58,803
Wilayah Persekutuan	**43,452**	46,569	**35,239**	38,648
Negeri Sembilan	**10,042**	8,892	**6,712**	6,991
Melaka	**6,888**	6,503	**5,619**	5,720
Johor	**24,261**	20,785	**19,188**	18,325
Pahang	**5,133**	5,043	**3,609**	3,553
Terengganu	**5,547**	5,577	**729**	1,486
Kelantan	**4,124**	3,373	**1,327**	839
Sarawak	**11,418**	9,973	**10,105**	9,531
Sabah	**20,958**	18,932	**20,224**	18,630
Labuan	**407**	1,188	**244**	994
Outside Malaysia	**163**	76	**25**	3
	238,515	234,631	**178,508**	189,637

6 MARKET RISK

6.1 Market risk management objectives and policies

Market risk is defined as changes in the market value of a trading or investment position arising from movements in market factors such as interest rate, foreign exchange rates and implied volatility rates. The Group and the Bank's exposure to market risk results largely from interest rate and foreign exchange rate risks.

Market risk may arise from proprietary trading position and investment activities (including those for liquidity requirement purposes) in the Trading and Investment Book respectively.

The Market Risk Management Framework governs the market risk activities of the Group and the Bank which is supported by a set of approved market risk management policies, guidelines and procedures.

Risk parameters are established based on risk appetite, market liquidity and business strategies as well as macroeconomic conditions. These parameters are reviewed at least annually.

Market risk arising from the Trading Book is primarily controlled through the imposition of Stop-loss and Value- at-Risk ('VaR') risk parameters.

Interest rate risk is quantified by analyzing the mismatches in timing repricing of the rate sensitive assets and rate sensitive liabilities. Earnings-at-Risk ('EaR') or Net Interest Income simulation is conducted to assess the variation in short term earnings under various rates scenarios. The potential long term effect of the overall exposure is tracked by assessing the impact on Economic Value of Equity ('EVE'), also known as Economic Value-at-Risk ('EVaR'). Thresholds are set for EaR and EVaR as management triggers.

Periodic stress tests are conducted to quantify market risk arising from probability of abnormal market movements.

<u>Risk Management Policies and Procedures</u>

Risk management policies and procedures are reviewed and updated to ensure relevance to current business needs as well as current/ applicable regulatory requirements such as BNM's policy documents on:

a) Managing Unauthorised Trading & Market Manipulation,

b) Code of Conduct for Malaysia Wholesale Financial Markets, and

c) Principles for a Fair and Effective Financial Market for Malaysian Financial Market.

6.2 Application of Standardised Approach for market risk Capital Charge Computation

The Group and the Bank adopt the Standardised Approach for the purpose of calculating the capital requirement for market risk.

Refer to Appendix I.

6.3 Market risk measurement, control and monitoring

The Group and the Bank's market risks are measured primarily using mark-to-market revaluation and Value-at- Risk (VaR) methodologies. Market risk parameters are the tolerance level of risk acceptance set by the Group and the Bank to confine losses arising from adverse rate or price movements. Market risk management parameters are established based on its risk appetite, market liquidity and business strategies as well as macroeconomic conditions. These parameters are reviewed at least on an annual basis.

Market risk arising from the Trading Book is primarily controlled through the imposition of Stop-loss and Value- at-Risk ('VaR') risk parameters.

The Group and the Bank quantify interest/profit rate risk by analyzing the mismatches in timing repricing of the rate sensitive assets and rate sensitive liabilities. Earnings-at-Risk ('EaR') or Net Interest/Profit Income simulation is conducted to assess the variation in short term earnings under various rates scenarios. The potential long term effect of the overall exposure is tracked by assessing the impact on Economic Value of Equity ('EVE'), also known as Economic Value-at-Risk ('EVaR'). Thresholds are set for EaR and EVaR as management triggers.

In addition, periodic stress tests are conducted to quantify market risk arising from probability of abnormal market movements.

The GALCO and GBRMC are regularly kept informed of the Group and the Bank's risk profile and positions.

6 MARKET RISK

6.4 Value-at-Risk ('VaR')

Value-at-Risk ('VaR') is used to compute the maximum potential loss amount over a specified holding period of the Trading portfolio.

It measures the risk of losses arising from potential adverse movements in interest/profit rates, implied volatility rates and foreign exchange rates that could affect values of financial instruments.

Backtesting of the VaR computation system is conducted to validate and reassess the accuracy of the VaR model.

Other risk measures include the following:

(i) Mark-to-market valuation tracks the current market value of the outstanding financial instruments.

(ii) Stress tests are conducted to attempt to quantify market risk arising from abnormal market movements. Stress tests measure the changes in values arising from extreme movements in interest rates and foreign exchange rates based on past experiences and simulated stress scenarios.

6.5 Foreign Exchange Risk

The Group and the Bank are exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The risk of fluctuations in foreign currency exchange rates is managed via setting of thresholds on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

7 LIQUIDITY RISK

7.1 Liquidity risk management objectives and policies

Liquidity risk is the risk of inability of a bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. Liquidity risk includes the inability to manage sudden decreases or changes in funding sources. Liquidity risk also arises from the failure to recognise changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

The Liquidity Risk Management Framework governs the liquidity risk management activities of the Group and the Bank. The objective of liquidity risk management is to ensure that there are sufficient funds to meet contractual and regulatory obligations without incurring unacceptable losses as well as to undertake new transactions. The Group and the Bank's liquidity management process involves establishing liquidity risk management policies and prudential thresholds, liquidity risk threshold monitoring, stress testing and establishing contingency funding plans. These building blocks of liquidity risk management are subject to regular reviews to ensure relevance in the context of prevailing market conditions and regulatory landscape.

7.2 Liquidity risk measurement, control and monitoring

The Group and the Bank's short term liquidity risk management is premised on BNM's Liquidity Coverage Ratio ('LCR') final standards. The LCR is a quantitative requirement which seeks to ensure that the Group and the Bank holds sufficient high-quality liquid assets ('HQLA') to withstand a significant liquidity stress scenario over a 30-day horizon.

Long term liquidity risk profile is assessed via the Net Stable Funding Ratio ('NSFR') which promotes resilience over a longer time horizon for the Group and the Bank to fund its activities with more stable sources of funding on an ongoing basis.

The Group and the Bank also employs a set of liquidity risk indicators as an early alert of any structural change for liquidity risk management. The liquidity risk indicators include internal and external qualitative as well as quantitative indicators.

Liquidity stress tests are conducted periodically and on ad-hoc basis to gauge the Group and the Bank's resilience in the event of a liquidity disruption.

The Contingency Funding Plan provides a systematic approach in handling liquidity disruption. The document encompasses strategies, decision-making authorities, and courses of action to be taken in the event of liquidity crisis and emergencies, enabling the Group and the Bank to respond to an unexpected liquidity disruption in an effective and efficient manner.

The Group Board Risk Management Committee ('GBRMC') is responsible for the Group and the Bank's liquidity policy and the strategic management of liquidity has been delegated to the Group Asset Liability Management Committee ('GALCO'). The Liquidity Management Committee ('LMC'), which is a sub-committee of GALCO, augments the functions of GALCO by directing its focus specifically to liquidity issues. The GBRMC is informed regularly on the liquidity position of the Group and the Bank.

8 OPERATIONAL RISK

8.1 Operational risk management objectives and policies

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or external events. The definition includes legal risk, and exposure to litigation from all aspects of the Group and the Bank's activities, but excludes strategic business, reputational and systemic risks.

The Group Operational Risk Management Framework governs the management of operational risk across the Group and the Bank.

Group Board Risk Management Committee ('GBRMC') approves all policies/policy changes relating to operational risk. GORMC supports GBRMC in the review and monitoring of operational risk and provides the forum to discuss and manage all aspects of operational risk including control lapses.

The operational risk management ('ORM') function within Group Risk Management ('GRM') operates in independent capacity to facilitate business/support units managing the risks in activities associated with the operational function of the Group and the Bank.

8.2 Application of Basic Indicator Approach for operational risk

The Group and the Bank adopt the Basic Indicator Approach for the purpose of calculating the capital requirement for operational risk. The capital requirement is calculated by taking 15% of the average annual gross income over the previous three years.

8.3 Operational risk measurement, control and monitoring

Operational risks are managed daily through established systems and processes to ensure compliance with policies, guidelines and control procedures.

The Group and the Bank employs the following standard operational risk tools for risk and control identification and assessment:

- Risk Control Self Assessment ('RCSA')
- Key Control Standards ('KCS')
- Key Risk Indicator ('KRI')
- Loss Event Database ('LED')

Scenario analysis is an extension of the risk assessment process whereby business/support unit identify potential operational risk events in a given scenario, assess the potential outcomes and the need for additional risk management controls or mitigation solutions for each of the potential outcome.

Information Technology ('IT') and cyber risks are managed as part of the operational risk activities. The IT systems and processes are assessed and tested regularly for resilience and continuity, and that they are secure from internal and external threats.

Introduction of new products or services are evaluated to assess suitability, potential risks and operational readiness.

Operational Risk Coordinators ('ORC') are appointed at business and support units as champions of ORM activities within respective units. The ORC is responsible for the reporting of ORM activities and to liaise with Group Operational Risk Management on all operational defects and results.

8.4 Certification

As an internal requirement, all Operational Risk Coordinators must satisfy an Internal Operational Risk (including business continuity management) Certification Program. These coordinators will first go through an on-line self learning exercise before attempting on-line assessments to measure their skills and knowledge level. This will enable Group Risk Management to prescribe appropriate training and development activities for the coordinators.

9 SHARIAH NON-COMPLIANCE RISK

9.1 Shariah non-compliance risk objectives and policies

Shariah non-compliance ('SNC') is the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the Bank may suffer arising from the failure to comply with the rulings of the Shariah Advisory Council of Bank Negara Malaysia ('SAC'), standards on Shariah matters issued by BNM pursuant to section 29(1) of the IFSA or decisions or advice of the Shariah Committee that are consistent with the rulings of the SAC.

The Shariah Governance Framework for Islamic Financial Institutions (BNM/RH/GL_012_3) issued by BNM and the Bank's Shariah Risk Management Framework are the main reference for the Shariah governance and Shariah risk management process within Affin Islamic Bank Berhad.

A Shariah Committee ('SC') is established to deliberate on Shariah issues presented to them and provide resolution as well as guidance. GORMC together with BRMC and GBRMC assist the Board in the overall oversight of Shariah risk management of the Group.

Shariah Risk Management is part of an integrated risk management control function to identify all possible risks of Shariah non-compliance and where appropriate, to provide mitigating measures that need to be taken to reduce the risk. The scope covers overall business activities and operations, commencing from Islamic product origination until maturity.

9.2 Shariah non-compliance risk measurement, control and monitoring

SNC risk is proactively managed via the following tools and methodologies:

1. SNC Event Reporting to BNM to collect, evaluate, monitor and report Shariah loss data;

2. Shariah Risk and Control Self-Assessment ('RCSA') / Risk Profiling to assist business/functional unit to identify and assess risks and controls. RCSA will be performed annually or as and when there is occurrence of significant events either internal or external;

3. Key Risk Indicator ('KRI') to predict and highlight any potential high risk area. These indicators will be reviewed on a periodic basis (monthly or quarterly) to alert Management to changes that may have risk concerns; and

4. Key Control Standard ('KCS') to validate the effectiveness of control measures.

10 BUSINESS CONTINUITY RISK

10.1 Business continuity risk management objectives and policies

Business continuity risk is the risk of losses in assets, revenue, reputation and stakeholder/customer confidence due to the discontinuation of services in both business and technology operations.

The Business Continuity Management Framework governs the management of business continuity issues, in line with BNM Guidelines on Business Continuity Management ('BCM').

GBRMC approves all policies and its changes relating to business continuity management. It also reviews, monitors and discusses business continuity management reports tabled at its meetings. GORMC supports GBRMC in the review and monitoring of Business Continuity Risk and provides the forum to discuss and manage all aspects of operational risk including control lapses.

The BCM function oversees the management of the overall business continuity risk.

10.2 Business continuity risk measurement, control and monitoring

Annual Risk Assessment and Business Impact Analysis are made compulsory for each business and support unit in the Group and the Bank to undertake. The outcome of this assessment will translate into a risks listing that require business and support units to derive action plans to address the risks.

Risk control is established through adherence with established BCM guidelines and standards throughout the implementation of BCM programs. Rigorous testing on business continuity and disaster recovery plans are diligently performed to ensure effective and smooth execution of the plan for resumption and recovery of disrupted business.

Policies and processes are in place to support the monitoring and reporting of business continuity risks.

BASEL II PILLAR 3 DISCLOSURES
as at 31 December 2017

The Group and the Bank have adopted Basel II - Risk Weighted Assets computation under the BNM's Risk-Weighted Capital Adequacy Framework with effect from 1 January 2008. The Group and the Bank have adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operation risk computation.

The following information concerning the Group and the Bank's risk exposures are disclosed as accompanying information to the annual report, and does not form part of the audited accounts.

Disclosure on Capital Adequacy under the Standardised Approach (RM'000)

Group
2017

	Exposure Class		Gross Exposures/ EAD before CRM	Net Exposures/ EAD after CRM	Risk Weighted Assets	Total Risk Weighted Assets after Effects of PSIA	Minimum Capital Requirements at 8%
1	**CREDIT RISK**						
	On Balance Sheet Exposures						
	Corporates		28,576,002	27,630,803	21,935,287	21,935,287	1,754,823
	Regulatory Retail		14,543,952	13,895,123	10,459,134	10,459,134	836,731
	Other Assets		3,583,287	3,952,097	1,305,763	1,305,763	104,461
	Sovereigns/Central Banks		8,956,404	8,956,404	4,089	4,089	327
	Public Sector Entities		-	-	-	-	-
	Banks, Development Financial Institutions & MDBs		2,859,992	2,985,564	891,718	891,718	71,337
	Insurance Companies, Securities Firms & Fund Managers		311,854	318,319	287,973	287,973	23,038
	Residential Mortgages		7,418,233	7,388,027	3,189,091	3,189,091	255,128
	Higher Risk Assets		156,983	153,368	221,719	221,719	17,737
	Specialised Financing/Investment		-	-	-	-	-
	Equity Exposure		19,902	19,902	19,902	19,902	1,592
	Securitisation Exposure		-	-	-	-	-
	Defaulted Exposures		1,786,865	1,814,959	2,510,697	2,510,697	200,856
	Total for On-Balance Sheet Exposures		68,213,474	67,114,566	40,825,373	40,825,373	3,266,030
	Off Balance Sheet Exposures						
	Off Balance Sheet Exposures other than OTC derivatives or credit derivatives		5,499,135	5,186,859	4,354,651	4,354,651	348,373
	Defaulted Exposures		69,412	64,247	95,323	95,323	7,626
	Total for Off-Balance Sheet Exposures		5,568,547	5,251,106	4,449,974	4,449,974	355,999
	Total for On and Off-Balance Sheet Exposures		73,782,021	72,365,672	45,275,347	45,275,347	3,622,029
2	**MARKET RISK**	Long Position	Short Position				
	Interest Rate Risk	14,710,576	14,794,357	(83,781)	307,912	-	24,633
	Equity Position Risk	47,544	-	47,544	125,607	-	10,049
	Foreign Currency Risk	4,073,979	3,942,827	131,152	170,515	-	13,641
3	**OPERATIONAL RISK**						
	Operational Risk				2,544,825		203,586
	Total RWA and Capital Requirements				48,424,206	45,275,347	3,873,938

PSIA "Profit Sharing Investment Account"
OTC "Over The Counter"

Disclosure on Capital Adequacy under the Standardised Approach (RM'000) (continued)

Group
2016

	Exposure Class		Gross Exposures/ EAD before CRM	Net Exposures/ EAD after CRM	Risk Weighted Assets	Total Risk Weighted Assets after Effects of PSIA	Minimum Capital Requirements at 8%
1	CREDIT RISK						
	On Balance Sheet Exposures						
	Corporates		24,934,627	23,929,044	19,800,446	19,798,580	1,584,036
	Regulatory Retail		13,510,768	13,281,519	9,987,739	9,987,739	799,019
	Other Assets		2,852,930	2,852,930	794,052	794,052	63,525
	Sovereigns/Central Banks		7,299,495	7,299,495	-	-	-
	Public Sector Entities		-	-	-	-	-
	Banks, Development Financial Institutions & MDBs		3,896,577	3,896,577	1,125,160	1,123,205	90,013
	Insurance Companies, Securities Firms & Fund Managers		311,931	311,931	288,154	288,154	23,052
	Residential Mortgages		5,852,510	5,820,744	2,496,394	2,496,394	199,712
	Higher Risk Assets		211,986	211,529	308,243	308,243	24,659
	Specialised Financing/Investment		-	-	-	-	-
	Equity Exposure		19,902	19,902	19,902	19,902	1,592
	Securitisation Exposure		-	-	-	-	-
	Defaulted Exposures		1,657,538	1,623,862	2,332,583	2,332,583	186,607
	Total for On-Balance Sheet Exposures		60,548,264	59,247,533	37,152,673	37,148,852	2,972,215
	Off Balance Sheet Exposures						
	Off Balance Sheet Exposures other than OTC derivatives or credit derivatives		4,313,006	4,155,553	3,715,467	3,719,288	297,237
	Defaulted Exposures		46,818	40,533	60,541	60,541	4,843
	Total for Off-Balance Sheet Exposures		4,359,824	4,196,086	3,776,008	3,779,829	302,080
	Total for On and Off-Balance Sheet Exposures		64,908,088	63,443,619	40,928,681	40,928,681	3,274,295
2	MARKET RISK	Long Position	Short Position				
	Interest Rate Risk	11,406,492	11,690,327	(283,835)	225,625	-	18,050
	Foreign Currency Risk	42,862	70,574	(27,712)	107,820	-	8,626
3	OPERATIONAL RISK						
	Operational Risk				2,408,896		192,712
	Total RWA and Capital Requirements				43,671,022	40,928,681	3,493,683

PSIA "Profit Sharing Investment Account"
OTC "Over The Counter"

Disclosure on Capital Adequacy under the Standardised Approach (RM'000)

Bank
2017

	Exposure Class		Gross Exposures/ EAD before CRM	Net Exposures/ EAD after CRM	Risk Weighted Assets	Total Risk Weighted Assets after Effects of PSIA	Minimum Capital Requirements at 8%
1	**CREDIT RISK**						
	On Balance Sheet Exposures						
	Corporates		20,741,917	19,916,489	16,464,505	16,464,505	1,317,160
	Regulatory Retail		9,948,274	9,672,371	7,292,978	7,292,978	583,438
	Other Assets		3,053,336	3,053,336	920,921	920,921	73,674
	Sovereigns/Central Banks		3,545,364	3,545,364	-	-	-
	Public Sector Entities		-	-	-	-	-
	Banks, Development Financial Institutions & MDBs		3,117,230	3,117,230	942,235	942,235	75,379
	Insurance Companies, Securities Firms & Fund Managers		311,806	311,806	287,925	287,925	23,034
	Residential Mortgages		3,132,744	3,114,477	1,185,722	1,185,722	94,858
	Higher Risk Assets		7,670	7,670	11,505	11,505	920
	Specialised Financing/Investment		-	-	-	-	-
	Equity Exposure		19,902	19,902	19,902	19,902	1,592
	Securitisation Exposure		-	-	-	-	-
	Defaulted Exposures		1,629,272	1,591,527	2,293,516	2,293,516	183,482
	Total for On-Balance Sheet Exposures		**45,507,515**	**44,350,172**	**29,419,209**	**29,419,209**	**2,353,537**
	Off Balance Sheet Exposures						
	Off Balance Sheet Exposures other than OTC derivatives or credit derivatives		3,785,108	3,619,260	3,241,237	3,241,237	259,299
	Defaulted Exposures		66,664	61,499	91,713	91,713	7,337
	Total for Off-Balance Sheet Exposures		**3,851,772**	**3,680,759**	**3,332,950**	**3,332,950**	**266,636**
	Total for On and Off-Balance Sheet Exposures		**49,359,287**	**48,030,931**	**32,752,159**	**32,752,159**	**2,620,173**
2	**MARKET RISK**	**Long Position**	**Short Position**				
	Interest Rate Risk	9,869,557	9,950,325	(80,768)	212,167	-	16,973
	Foreign Currency Risk	28,789	30,323	(1,534)	30,323	-	2,426
3	**OPERATIONAL RISK**						
	Operational Risk				1,916,984		153,359
	Total RWA and Capital Requirements				**34,911,633**	**32,752,159**	**2,792,931**

PSIA "Profit Sharing Investment Account"
OTC "Over The Counter"

Disclosure on Capital Adequacy under the Standardised Approach (RM'000) (continued)

Bank
2016

	Exposure Class		Gross Exposures/ EAD before CRM	Net Exposures/ EAD after CRM	Risk Weighted Assets	Total Risk Weighted Assets after Effects of PSIA	Minimum Capital Requirements at 8%
1	CREDIT RISK						
	On Balance Sheet Exposures						
	Corporates		20,517,217	19,596,671	16,372,760	16,370,194	1,309,822
	Regulatory Retail		10,069,033	9,856,100	7,418,580	7,418,580	593,486
	Other Assets		2,572,816	2,572,816	751,552	751,552	60,124
	Sovereigns/Central Banks		5,334,682	5,334,682	-	-	-
	Public Sector Entities		-	-	-	-	-
	Banks, Development Financial Institutions & MDBs		3,866,995	3,866,995	1,121,237	1,121,237	89,699
	Insurance Companies, Securities Firms & Fund Managers		311,866	311,866	288,089	288,089	23,047
	Residential Mortgages		3,111,099	3,089,793	1,216,333	1,216,333	97,307
	Higher Risk Assets		188,984	188,984	283,476	283,476	22,678
	Specialised Financing/Investment		-	-	-	-	-
	Equity Exposure		19,902	19,902	19,902	19,902	1,592
	Securitisation Exposure		-	-	-	-	-
	Defaulted Exposures		1,509,618	1,479,144	2,142,746	2,142,746	171,420
	Total for On-Balance Sheet Exposures		47,502,212	46,316,953	29,614,675	29,612,109	2,369,175
	Off Balance Sheet Exposures						
	Off Balance Sheet Exposures other than OTC derivatives or credit derivatives		3,629,653	3,472,360	3,185,431	3,187,997	254,834
	Defaulted Exposures		31,882	25,764	38,417	38,417	3,073
	Total for Off-Balance Sheet Exposures		3,661,535	3,498,124	3,223,848	3,226,414	257,907
	Total for On and Off-Balance Sheet Exposures		51,163,747	49,815,077	32,838,523	32,838,523	2,627,082
2	MARKET RISK	Long Position	Short Position				
	Interest Rate Risk	10,354,955	10,646,498	(291,543)	225,617	-	18,049
	Foreign Currency Risk	5,617	70,574	(64,958)	70,574	-	5,646
3	OPERATIONAL RISK						
	Operational Risk				1,956,481		156,518
	Total RWA and Capital Requirements				35,091,195	32,838,523	2,807,295

PSIA "Profit Sharing Investment Account"
OTC "Over The Counter"

Disclosure on Capital Adequacy under the Standardised Approach (continued)

Market risk is defined as changes in the market value of a trading or investment position arising from movements in market factors such as interest/profit rate, foreign exchange rates and implied volatility rates. The Group and the Bank's Capital-at-Risk ('CaR') is defined as the amount of the Group and the Bank's capital that is exposed to the risk of unexpected losses arising particularly from movements in interest/profit and foreign exchange rates. A CaR reference threshold is set as a management trigger to ensure that the Group and the Bank's capital adequacy are not impinged upon in the event of adverse market movements. The Group and the Bank currently adopt BNM's Standardised Approach for the computation of market risk capital charges. The market risk capital charge addresses among others, capital requirement for market risk which includes the interest/profit rate risk in the Group and the Bank's Trading Book as well as foreign exchange risk in the Trading and Banking Books.

The computation of market risk capital charge covers the following outstanding financial instruments:

a) Foreign Exchange ('FX')

b) Interest Rate Swap ('IRS')

c) Cross Currency Swap ('CCS')

d) Fixed Income Instruments (i.e. Corporate Bonds / Sukuk and Government Securities)

e) FX Options

The Bank's Trading Book Policy Statement stipulates the policies and procedures for including or excluding exposures from the Trading Book for the purpose of calculating regulatory market risk capital.

Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000)

Group
2017

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing / Investment	Securitisation	Equity		
0%	8,992,659	-	195,548	-	2,471,302	-	-	-	2,054,515	-	-	-	13,714,024	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	80,822	10	1,823,673	29,852	4,176,522	468	-	-	739,774	-	-	-	6,851,121	1,370,224
35%	-	-	-	-	-	-	6,297,954	-	-	-	-	-	6,297,954	2,204,284
50%	-	-	1,274,670	-	162,676	4,033	954,954	7,297	-	-	-	-	2,403,630	1,201,816
75%	-	-	-	-	-	14,013,356	10,356	-	-	-	-	-	14,023,712	10,517,784
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	12,596	307,625	24,773,971	179,489	809,753	2,072	1,157,808	-	-	19,902	27,263,216	27,263,216
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	1,422,971	110,104	126,997	151,943	-	-	-	-	1,812,015	2,718,023
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
938%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight											-		-	-
Deduction from Capital Base	-		-	-	-	-	-	-	-	-	-	-	-	

PSE "Public Sector Entities"
MDB "Multilateral Development Banks"
FDI "Financial Development Institutions"

Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000) (continued)

Group
2016

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing / Investment	Securitisation	Equity		
0%	7,339,819	-	213,631	-	2,204,247	-	-	-	1,913,990	-	-	-	11,671,687	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	51,369	10	2,580,442	29,722	2,342,675	805	-	-	181,109	-	-	-	5,186,132	1,037,226
35%	-	-	-	-	-	-	4,694,295	-	-	-	-	-	4,694,295	1,643,003
50%	-	-	1,359,928	-	356,878	1,190	551,612	9,051	-	-	-	-	2,278,659	1,139,329
75%	-	-	-	-	-	13,429,685	13,865	-	-	-	-	-	13,443,550	10,082,663
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	6,686	300,429	22,570,399	128,482	671,239	-	757,831	-	-	19,902	24,454,968	24,454,968
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	4,852	-	1,243,109	136,994	121,425	207,948	-	-	-	-	1,714,328	2,571,492
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
938%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight											-		-	-
Deduction from Capital Base	-		-	-	-	-	-	-	-	-	-	-	-	

PSE "Public Sector Entities"
MDB "Multilateral Development Banks"
FDI "Financial Development Institutions"

Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000) (continued)

Bank
2017

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing / Investment	Securitisation	Equity		
0%	3,549,934	-	175,762	-	1,838,464	-	-	-	1,608,481	-	-	-	7,172,641	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	12,765	10	2,001,807	29,852	2,051,054	468	-	-	654,918	-	-	-	4,750,874	950,175
35%	-	-	-	-	-	-	2,854,066	-	-	-	-	-	2,854,066	998,923
50%	-	-	1,254,192	-	42,403	1,478	218,024	-	-	-	-	-	1,516,097	758,048
75%	-	-	-	-	-	9,736,246	10,211	-	-	-	-	-	9,746,457	7,309,843
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	12,596	301,112	19,026,131	172,432	179,939	-	789,937	-	-	19,902	20,502,049	20,502,049
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	1,294,951	102,455	76,890	14,451	-	-	-	-	1,488,747	2,233,121
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
938%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight											-		-	-
Deduction from Capital Base	-		-	-	-	-	-	-	-	-	-	-	-	

PSE "Public Sector Entities"
MDB "Multilateral Development Banks"
FDI "Financial Development Institutions"

Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000) (continued)

Bank
2016

	Exposures after Netting and Credit Risk Mitigation													
Risk Weights	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing / Investment	Securitisation	Equity	Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
0%	5,334,682	-	193,890	-	1,723,568	-	-	-	1,522,776	-	-	-	8,774,916	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	3,953	10	2,556,436	29,722	1,838,120	805	-	-	373,111	-	-	-	4,802,157	960,431
35%	-	-	-	-	-	-	2,716,549	-	-	-	-	-	2,716,549	950,792
50%	-	-	1,359,928	-	197,597	1,190	220,685	-	-	-	-	-	1,779,400	889,700
75%	-	-	-	-	-	9,963,087	13,576	-	-	-	-	-	9,976,663	7,482,498
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	6,686	300,364	18,830,697	123,216	228,177	-	676,929	-	-	19,902	20,185,971	20,185,971
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	4,852	-	1,163,476	124,815	92,227	194,051	-	-	-	-	1,579,421	2,369,130
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
938%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight											-		-	-
Deduction from Capital Base	-		-	-	-	-	-	-	-	-	-	-	-	

PSE "Public Sector Entities"
MDB "Multilateral Development Banks"
FDI "Financial Development Institutions"

(i) Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000)

Group
2017

Exposure Class	**Ratings of Corporate by Approved ECAIs**					
	Moodys	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Ba3**	**B1 to C**	**Unrated**
	S&P	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
	Fitch	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
	RAM	**AAA to AA3**	**A to A3**	**BBB1 to BB3**	**B to D**	**Unrated**
	MARC	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
	Rating & Investment Inc	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
On and Off-Balance-Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		**-**	**-**	**-**	**-**	**25**
Insurance Cos, Securities Firms & Fund Managers		**-**	**-**	**-**	**-**	**337,668**
Corporates		**3,188,098**	**92,068**	**130,461**	**-**	**30,670,285**
Total		**3,188,098**	**92,068**	**130,461**	**-**	**31,007,978**

Group
2016

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off-Balance-Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	25
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	330,151
Corporates		1,038,675	246,939	-	-	28,934,089
Total		1,038,675	246,939	-	-	29,264,265

(i) **Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)**

Bank
2017

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moodys	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Ba3**	**B1 to C**	**Unrated**
	S&P	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
	Fitch	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
	RAM	**AAA to AA3**	**A to A3**	**BBB1 to BB3**	**B to D**	**Unrated**
	MARC	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
	Rating & Investment Inc	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
On and Off-Balance-Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		**-**	**-**	**-**	**-**	**25**
Insurance Cos, Securities Firms & Fund Managers		**-**	**-**	**-**	**-**	**331,154**
Corporates		**1,363,196**	**33,660**	**28,819**	**-**	**23,837,140**
Total		**1,363,196**	**33,660**	**28,819**	**-**	**24,168,319**

Bank
2016

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off-Balance-Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	25
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	330,086
Corporates		804,331	155,580	-	-	24,055,926
Total		804,331	155,580	-	-	24,386,037

(ii) **Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)**

Group
2017

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance-Sheet Exposures							
Sovereigns and Central Banks		2,756,528	6,294,245	-	-	-	22,707
Total		**2,756,528**	**6,294,245**	**-**	**-**	**-**	**22,707**

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance-Sheet Exposures							
Banks, MDBs and FDIs		1,589,991	36,479	17,335	12,596	-	1,650,047
Total		**1,589,991**	**36,479**	**17,335**	**12,596**	**-**	**1,650,047**

(ii) Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)

Group
2016

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance-Sheet Exposures Sovereigns and Central Banks		-	7,391,986	-	-	-	-
Total		-	7,391,986	-	-	-	-

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance-Sheet Exposures Banks, MDBs and FDIs		1,611,619	628,491	2,582	6,686	4,852	1,911,309
Total		1,611,619	628,491	2,582	6,686	4,852	1,911,309

(ii) **Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)**

Bank
2017

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance-Sheet Exposures							
Sovereigns and Central Banks		-	3,562,700	-	-	-	-
Total		-	3,562,700	-	-	-	-

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance-Sheet Exposures							
Banks, MDBs and FDIs		1,577,899	36,479	17,335	12,597	-	1,800,047
Total		1,577,899	36,479	17,335	12,597	-	1,800,047

(ii) Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)

Bank
2016

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance-Sheet Exposures Sovereigns and Central Banks		-	5,339,434	-	-	-	-
Total		-	5,339,434	-	-	-	-

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance-Sheet Exposures Banks, MDBs and FDIs		1,599,205	628,491	2,582	6,686	4,852	1,879,976
Total		1,599,205	628,491	2,582	6,686	4,852	1,879,976

a) **Disclosures on Credit Risk Mitigation (RM'000)**

Group
2017

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
CREDIT RISK				
On Balance Sheet Exposures				
Sovereigns/Central Banks	8,956,404	-	-	-
Banks, Development Financial Institutions & MDBs	2,859,992	-	-	-
Insurance Cos, Securities Firms & Fund Managers	311,854	-	191	-
Corporates	28,576,002	63,490	1,031,309	-
Regulatory Retail	14,543,952	388	318,459	-
Residential Mortgages	7,418,233	-	31,417	-
Higher Risk Assets	156,983	7,297	3,615	-
Other Assets	3,583,287	-	-	-
Equity Exposure	19,902	-	-	-
Defaulted Exposures	1,786,865	80	42,971	-
Total for On-Balance Sheet Exposures	**68,213,474**	**71,255**	**1,427,962**	**-**
Off Balance Sheet Exposures				
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	5,499,135	-	15	-
Defaulted Exposures	69,412	-	-	-
Total for Off-Balance Sheet Exposures	**5,568,547**	**-**	**15**	**-**
Total for On and Off-Balance Sheet Exposures	**73,782,021**	**71,255**	**1,427,977**	**-**

a) **Disclosures on Credit Risk Mitigation (RM'000) (continued)**

Group
2016

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
CREDIT RISK				
On Balance Sheet Exposures				
Sovereigns/Central Banks	7,299,495	-	-	-
Banks, Development Financial Institutions & MDBs	3,886,803	-	-	-
Insurance Cos, Securities Firms & Fund Managers	311,931	-	-	-
Corporates	24,934,627	57,602	1,139,980	-
Regulatory Retail	13,510,768	710	262,061	-
Residential Mortgages	5,852,510	-	31,768	-
Higher Risk Assets	211,986	9,051	457	-
Other Assets	2,852,930	-	-	-
Equity Exposure	19,902	-	-	-
Defaulted Exposures	1,657,538	95	39,962	-
Total for On-Balance Sheet Exposures	60,538,490	67,458	1,474,228	-
Off Balance Sheet Exposures				
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	4,322,780	-	15	-
Defaulted Exposures	46,818	-	-	-
Total for Off-Balance Sheet Exposures	4,369,598	-	15	-
Total for On and Off-Balance Sheet Exposures	64,908,088	67,458	1,474,243	-

a) **Disclosures on Credit Risk Mitigation (RM'000) (continued)**

Bank
2017

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
CREDIT RISK				
On Balance Sheet Exposures				
Sovereigns/Central Banks	3,545,364	-	-	-
Banks, Development Financial Institutions & MDBs	3,117,230	-	-	-
Insurance Cos, Securities Firms & Fund Managers	311,806	-	191	-
Corporates	20,741,917	1,625	967,651	-
Regulatory Retail	9,948,274	388	298,922	-
Residential Mortgages	3,132,744	-	18,667	-
Higher Risk Assets	7,670	-	-	-
Other Assets	3,053,336	-	-	-
Equity Exposure	19,902	-	-	-
Defaulted Exposures	1,629,272	80	42,910	-
Total for On-Balance Sheet Exposures	45,507,515	2,093	1,328,341	-
Off Balance Sheet Exposures				
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	3,785,108	-	15	-
Defaulted Exposures	66,664	-	-	-
Total for Off-Balance Sheet Exposures	3,851,772	-	15	-
Total for On and Off-Balance Sheet Exposures	49,359,287	2,093	1,328,356	-

a) **Disclosures on Credit Risk Mitigation (RM'000) (continued)**

Bank
2016

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
CREDIT RISK				
On Balance Sheet Exposures				
Sovereigns/Central Banks	5,334,682	-	-	-
Banks, Development Financial Institutions & MDBs	3,866,995	-	-	-
Insurance Cos, Securities Firms & Fund Managers	311,866	-	-	-
Corporates	20,517,217	3,970	1,049,429	-
Regulatory Retail	10,069,033	710	241,326	-
Residential Mortgages	3,111,099	-	21,308	-
Higher Risk Assets	188,984	-	-	-
Other Assets	2,572,816	-	-	-
Equity Exposure	19,902	-	-	-
Defaulted Exposures	1,509,618	95	36,592	-
Total for On-Balance Sheet Exposures	47,502,212	4,775	1,348,655	-
Off Balance Sheet Exposures				
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	3,629,653	-	15	-
Defaulted Exposures	31,882	-	-	-
Total for Off-Balance Sheet Exposures	3,661,535	-	15	-
Total for On and Off-Balance Sheet Exposures	51,163,747	4,775	1,348,670	-

b) Disclosure on Off-Balance Sheet and Counterparty Credit Risk (RM'000)

Counterparty Credit Risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cashflows. An economic loss could occur if the transactions with the counterparty has a positive economic value for the Bank at the time of default.

In contrast to the exposure to credit risk through a loan, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss, Counterparty Credit Risk creates a bilateral risk of loss where the market value for many types of transactions can be positive or negative to either counterparty.

In respect of off-balance sheet items, the credit risk inherent in each off-balance sheet instrument is translated into an on-balance sheet exposure equivalent (credit equivalent) by multiplying the nominal principal amount with a credit conversion factor ('CCF') as prescribed by the Standardised Approach under the Risk Weighted Capital Adequacy Framework. The resulting amount is then weighted against the risk weight of the counterparty. In addition, counterparty risk weights for over-the-counter ('OTC') derivative transactions will be determined based on the external rating of the counterparty and will not be subject to any specific ceiling.

Group
2017

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Amount
Direct Credit Substitutes	573,469		573,469	527,606
Transaction related contingent Items	2,091,113		1,045,556	978,111
Short Term Self Liquidating trade related contingencies	431,400		86,280	43,360
Foreign exchange related contracts				
One year or less	12,007,480	140,577	318,668	119,636
Over one year to five years	380,815	10,260	35,102	18,760
Over five years	42,485	2,332	9,965	1,993
Interest/Profit rate related contracts				
One year or less	886,000	2,715	1,781	428
Over one year to five years	2,216,148	4,616	53,760	14,545
Over five years	1,115,000	12,625	73,210	20,171
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	3,255,925		1,627,962	1,242,686
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	8,349,806		1,669,961	1,428,380
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	571,760		-	-
Unutilised credit card lines	364,163		72,833	54,298
Total	32,285,564	173,125	5,568,547	4,449,974

b) Disclosure on Off-Balance Sheet and Counterparty Credit Risk (RM'000) (continued)

Group
2016

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Amount
Direct Credit Substitutes	423,565		423,565	372,867
Transaction related contingent Items	2,252,924		1,126,462	1,071,960
Short Term Self Liquidating trade related contingencies	496,339		99,268	41,342
Foreign exchange related contracts				
One year or less	6,667,157	146,730	254,057	180,466
Over one year to five years	383,035	1,532	27,970	9,928
Over five years	42,485	1,442	9,666	1,933
Interest/Profit rate related contracts				
One year or less	593,125	2,185	859	287
Over one year to five years	1,187,148	5,727	21,272	5,532
Over five years	830,000	9,688	60,462	15,676
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,514,728		757,364	727,777
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	7,663,856		1,532,771	1,313,927
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	198,586		-	-
Unutilised credit card lines	230,550		46,110	34,313
Total	22,483,498	167,304	4,359,826	3,776,008

b) **Disclosure on Off-Balance Sheet and Counterparty Credit Risk (RM'000) (continued)**

Bank
2017

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Amount
Direct Credit Substitutes	376,301		376,301	338,369
Transaction related contingent Items	1,797,759		898,879	834,003
Short Term Self Liquidating trade related contingencies	151,867		30,374	28,456
Foreign exchange related contracts				
One year or less	7,587,059	99,240	220,154	74,011
Over one year to five years	97,051	321	8,699	4,377
Over five years	42,485	2,332	9,965	1,993
Interest/Profit rate related contracts				
One year or less	736,000	2,715	1,761	488
Over one year to five years	701,148	3,586	18,761	6,225
Over five years	1,115,000	12,625	73,210	20,171
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,598,619		799,309	760,869
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	6,707,971		1,341,594	1,209,740
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	136,844		-	-
Unutilised credit card lines	363,825		72,765	54,248
Total	**21,411,929**	**120,819**	**3,851,772**	**3,332,950**

b) Disclosure on Off-Balance Sheet and Counterparty Credit Risk (RM'000) (continued)

Bank
2016

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Amount
Direct Credit Substitutes	390,178		390,178	347,390
Transaction related contingent Items	1,970,056		985,028	926,804
Short Term Self Liquidating trade related contingencies	183,789		36,758	23,808
Foreign exchange related contracts				
One year or less	7,636,993	145,666	253,946	180,442
Over one year to five years	383,035	1,532	27,970	9,928
Over five years	42,485	1,442	9,666	1,933
Interest/Profit rate related contracts				
One year or less	593,125	2,185	859	287
Over one year to five years	1,187,148	5,727	21,272	5,532
Over five years	830,000	9,688	60,462	15,676
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,044,742		522,371	501,319
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	6,534,578		1,306,916	1,176,416
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	159,049		-	-
Unutilised credit card lines	230,550		46,110	34,313
Total	21,185,728	166,240	3,661,536	3,223,848

c) Disclosures on Market Risk - Interest/profit Rate Risk/Rate of Return Risk in the Banking Book

Interest/profit rate risk is the risk to earnings and capital arising from exposure to adverse movements in interest/profit rates mainly due to mismatches in timing repricing of assets and liabilities. These mismatches are actively managed from an earnings and economic value perspective.

The objective of interest/profit rate risk management is to achieve a stable and sustainable net interest/profit income from the following perspectives:

(1) Next 12 months' Earnings - Interest/profit rate risk from the earnings perspective is the impact based on changes to the net interest/profit income ('NII') over the next 12 months. This risk is measured through sensitivity analysis including the application of an instantaneous 100 basis point parallel shock in interest/profit rates across the yield curve.

(2) Economic Value - Measuring the change in the economic value of equity ('EVE') is an assessment of the long term impact to the Group and the Bank's capital. This is assessed through the application of relevant duration factors to capture the net economic value impact over the long term or total life of all balance sheet assets and liabilities to adverse changes in interest/profit rates.

Interest/profit rate risk thresholds are established in line with the Group and the Bank's strategy and risk appetite. These thresholds are reviewed regularly to ensure relevance in the context of prevailing market conditions.

2017

Type of Currency (RM million)	Group		Bank	
	Impact on Positions (100 basis points) Parallel Shift		Impact on Positions (100 basis points) Parallel Shift	
	Increase/(Decline) in Earnings	Increase/(Decline) in Economic Value	Increase/(Decline) in Earnings	Increase/(Decline) in Economic Value
Ringgit Malaysia	(45.6)	676.2	(12.6)	368.9
US Dollar	(4.5)	36.1	(3.1)	33.3
Euro	(1.1)	9.0	(1.1)	9.0
Great Britain Pound	(0.2)	-	(0.2)	-
Australian Dollar	(1.8)	(0.2)	(1.8)	(0.2)
Singapore Dollar	(0.2)	3.4	(0.2)	0.1
Others (#)	(1.3)	-	(0.8)	(0.1)
Total	**(54.7)**	**724.5**	**(19.8)**	**411.0**

\# Others comprise of CNH, NZD, HKD and AED currencies where the amount of each currency is relatively small.

c) **Disclosures on Market Risk - Interest/profit Rate Risk/Rate of Return Risk in the Banking Book (continued)**

2016

Type of Currency (RM million)	Group		Bank	
	Impact on Positions (100 basis points) Parallel Shift		Impact on Positions (100 basis points) Parallel Shift	
	Increase/(Decline) in Earnings	Increase/(Decline) in Economic Value	Increase/(Decline) in Earnings	Increase/(Decline) in Economic Value
Ringgit Malaysia	(43.2)	355.5	(30.0)	263.6
US Dollar	11.2	8.7	12.0	8.7
Euro	(2.0)	0.1	(2.0)	0.1
Great Britain Pound	(0.1)	-	(0.1)	-
Australian Dollar	(0.1)	-	(0.1)	-
Singapore Dollar	0.4	0.2	0.4	0.2
Others (#)	(3.5)	1.4	0.1	1.4
Total	(37.3)	365.9	(19.7)	274.0

Others comprise of CNH, NZD, HKD and AED currencies where the amount of each currency is relatively small.

ADDITIONAL DISCLOSURE
Pursuant to Listing Requirements

The information set out below is disclosed in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa") ("Listing Requirements"):

1. Utilisation of proceeds raised from corporate proposals

During the financial year ended 31 December 2017, Affin Bank has issued the following instrument:-

RM6.0 billion Tier 2 BASEL III Compliant medium-term notes ("MTN") programme

Affin Bank had on 7 February 2017 and 20 September 2017 issued 2 tranches of Tier 2 Subordinated MTNs of RM1.0 billion each out of its approved BASEL III Compliant MTN programme of up to RM6.0 billion in nominal value. The Subordinated MTNs were issued with a tenure of 10 years from the issuance date on a 10-year non-callable 5 basis, at a coupon rate of 5.45% and 5.03% respectively.

The total RM2.0 billion Tier 2 Subordinated MTNs issuance were fully utilised as follows:-

	Amount RM'million
General banking, working capital requirements and busines purposes	1,000
Repayment of subordinated loan	1,000
Total	**2,000**

2. Material contracts

There were no material contracts entered into by Affin Bank and/or its subsidiary companies involving the interests of directors or major shareholders which subsisted at the end of the financial year ended 31 December 2017 or, if not then subsisting entered into since the end of the previous financial year.

3. Recurrent Related Party Transactions of a Revenue or Trading Nature

At the Annual General Meeting held on 24 April 2017, AFFIN Holdings Berhad ("AFFIN") (the then holding company listed in Bursa prior to the transfer of its listing status to Affin Bank on 2 February 2018) had obtained shareholders' mandate to allow AFFIN and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature, which are necessary for the day-to-day operations of AFFIN and/or its subsidiaries within the ordinary course of business of AFFIN and/or its subsidiaries ("Shareholders' Mandate"). The Shareholders' Mandate also applies to those RRPTs entered into by Affin Bank and its subsidiaries during the financial year ended 31 December 2017.

In accordance with Section 3.1.5 of Practice Note No. 12 of the Listing Requirements, the details of the RRPTs conducted during the financial year ended 31 December 2017 by AFFIN, Affin Bank and its subsidiaries pursuant to the Shareholders' Mandate are disclosed as follows:-

Name of Company	Related Company	Nature of Transaction	Interested Directors/Major Shareholders/ Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
AFFIN	Irat Hotels & Resorts Sdn Bhd ("Irat")	Rental payment by AFFIN for office premises, car park and utilities charges payable monthly for a lease term renewable every three (3) years and payment for other related services	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholder</u> LTAT	906
	Boustead Travel	Provision of travelling related services to AFFIN	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	465

ADDITIONAL DISCLOSURE
Pursuant to Listing Requirements

Name of Company	Related Company	Nature of Transaction	Interested Directors/Major Shareholders/ Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
AFFIN (continued)	Boustead Hotels & Resorts	Hotel facilities and refreshment provided to AFFIN	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	311
	Tricor Issuing House ("Tricor")	Share registrar services provided to AFFIN	Interested Directors Ignatius Chan Tze Ching, Joseph Yuk Wing Pang and Peter Yuen Wai Hung Interested Major Shareholder The Bank of East Asia, Limited	-
Affin Bank	Perbadanan Perwira Niaga Malaysia	Rental payment by Affin Bank for office premises, service charge and space for Automated Teller Machine (ATM) at various locations for a lease period ranging from two (2) to three (3) years	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholder LTAT	142
	Boustead Travel Services Sdn Bhd ("Boustead Travel")	Provision of travelling related services to Affin Bank	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	1,317
	Boustead Properties Sdn Bhd ("Boustead Properties")	Rental payment by Affin Bank for office premises and car park payable monthly for a lease term renewable every five (5) years (Menara AFFIN)	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	11,804
	Lembaga Tabung Angkatan Tentera ("LTAT")	Rental payment by Affin Bank for office premises and car park payable monthly for a lease term renewable every three (3) years	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholder LTAT	319
	Boustead Curve Sdn Bhd ("Boustead Curve")	Rental payment by Affin Bank for office premises, car park and utilities charges for a lease term renewable every three (3) years and payment for other related services (The Curve)	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	196

ADDITIONAL DISCLOSURE
Pursuant to Listing Requirements

Name of Company	Related Company	Nature of Transaction	Interested Directors/Major Shareholders/ Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
Affin Bank (continued)	Boustead Hotels & Resorts Sdn Bhd ("Boustead Hotels & Resorts")	Hotel facilities and refreshment provided to Affin Bank	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	1,120
	Boustead Hotels & Resorts	Rental payment by Affin Bank for space of ATM machine at The Royale Chulan Kuala Lumpur Hotel	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	11
	Boustead Petroleum Marketing Sdn Bhd ("Boustead Petroleum")	LED advertising charges and related expenses to Affin Bank	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	83
	Boustead Petroleum	Rental payment by Affin Bank for space of ATM machine at BHP petrol stations	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	153
	Dr. Rosnah binti Omar	Rental payment by Affin Bank for branch premises payable monthly for a lease term renewable every three (3) years (Ara Damansara)	Interested Director Dr. Rosnah binti Omar	79
	Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin	Rental payment by Affin Bank for branch premises payable monthly for a lease term renewable every three (3) years (Kulai)	Interested Director Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin	60
AFFIN Islamic Bank Berhad ("AFFIN Islamic")	Boustead Travel	Provision of travelling related services to AFFIN Islamic	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	114
	Boustead Hotels & Resorts	Hotel facilities and refreshment provided to AFFIN Islamic	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	4

ADDITIONAL DISCLOSURE

Pursuant to Listing Requirements

Name of Company	Related Company	Nature of Transaction	Interested Directors/Major Shareholders/ Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
AFFIN Hwang Investment Bank Berhad ("AFFIN Hwang IB")	Boustead Realty Sdn Bhd ("Boustead Realty")	Rental payment by AFFIN Hwang IB for office premises, car park and utilities charges for a lease term renewable every three (3) years and payment for other related services (Menara Boustead)	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	4,192
	Boustead Travel	Provision of travelling related services to AFFIN Hwang IB	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	498
	Boustead Petroleum	Petrol consumption	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	29
	Boustead Curve	Rental payment by AFFIN Hwang IB for office premises, car park and utilities charges for a lease term renewable every three (3) years and payment for other related services (The Curve)	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	369
	Irat	Rental payment by AFFIN Hwang IB for office premises, car park and utilities charges for a renewable lease term every three (3) years and payment for other related services (Chulan Tower)	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholder LTAT	2,278
	Boustead Hotels & Resorts	Hotel facilities and refreshment provided to AFFIN Hwang IB for staff in-house training and other expenses	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	136
	Boustead Weld Quay Sdn Bhd	Accommodation and meeting package	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	60

Name of Company	Related Company	Nature of Transaction	Interested Directors/Major Shareholders/ Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
AFFIN Hwang Asset Management Berhad ("AFFIN Hwang Asset Management")	LTAT	Management fees payable by LTAT to AFFIN Hwang Asset Management	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholder LTAT	283
	Boustead Travel	Provision of travelling related services to AFFIN Hwang Asset Management	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	1,081
	Boustead Hotels & Resorts	Hotel facilities and refreshment provided to AFFIN Hwang Asset Management for staff in-house training and other expenses	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	11
	Boustead Realty	Rental payment by AFFIN Hwang Asset Management for office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) andTan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	982
	Nikko Asset Management	Management fees payable by AFFIN Hwang Asset Management to Nikko Asset Management	Interested Director David Jonathan Semaya Interested Major Shareholder Nikko Asset Management	583
	Nikko Asset Management	Advisory fees payable by AFFIN Hwang Asset Management to Nikko Asset Management	Interested Director David Jonathan Semaya Interested Major Shareholder Nikko Asset Management	849
	Nikko Asset Management	Other fees and commission payable by Nikko Asset Management to AFFIN Hwang Asset Management	Interested Director David Jonathan Semaya Interested Major Shareholder Nikko Asset Management	902
AFFIN Moneybrokers Sdn Bhd ("AFFIN Moneybrokers")	Boustead Realty	Rental payment by AFFIN Moneybrokers for office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	411

ADDITIONAL DISCLOSURE

Pursuant to Listing Requirements

Name of Company	Related Company	Nature of Transaction	Interested Directors/Major Shareholders/ Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
AFFIN Moneybrokers Sdn Bhd ("AFFIN Moneybrokers") (continued)	Boustead Travel	Provision of travelling related services to AFFIN Moneybrokers	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	55
AXA AFFIN Life Insurance Berhad ("AXA AFFIN Life")	Irat	Rental payment by AXA AFFIN Life for office premises, car park and utilities charges for lease term renewable every three (3) years and payment for other related services	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	1,907
	AXA Asia Pacific Ltd	Provision of information technology and other support services to AXA AFFIN Life	Interested Directors Loke Kah Meng and Jean Paul Dominique Louis Drouffe Interested Major Shareholder AXA Asia Pacific Ltd	10,497
	AXA Asia Pacific Ltd	Software development and license fees by AXA Asia Pacific Ltd to AXA AFFIN Life	Interested Directors Loke Kah Meng and Jean Paul Dominique Louis Drouffe Interested Major Shareholder AXA Asia Pacific Ltd	3,838
	Boustead Travel	Provision of travelling related services to AXA AFFIN Life	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	1,051
	Boustead Hotels & Resorts	Hotel facilities and refreshment provided to AXA AFFIN Life	Interested Directors Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	73
Total				**47,169**

Note:

1) Tricor ceased to be a related party with effect from 1 April 2017.

2) YBhg Tan Sri Dato' Seri Lodin bin Wok Kamaruddin ceased to be an interested director, ie 6 months after completion of his tenure of directorship at AFFIN, AFFIN Bank, AFFIN Islamic, AFFIN Hwang IB and AXA-AFFIN Life accordingly.

PARTICULAR OF PROPERTIES
as at 31 December 2017

NO.	TITLE / LOT NO.	LOCATION / ADDRESS	DESCRIPTION / EXISTING USE	TENURE	AREA (sq ft) L : LAND AREA B : BUILT-UP AREA	APPROX AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31/12/2017 (RM)
1	HS(D) 5217 P.T. 90 SECTION 1 TOWN OF PORT SWETHENHAM DISTRICT OF KLANG	NO. 1, JLN BERANGAN 42000 PORT KLANG SELANGOR DARUL EHSAN	4 STOREY SHOP OFFICE / BRANCH PREMISES (PORT KLANG) CRC	FREEHOLD	LAND : 3,000 BUILT-UP : 12,768	36	394,182
2	LOT 51412 & 51413 HS(D) 23844 & 23843 P.T. 3479 & 3480 MUKIM OF KUALA LUMPUR DISTRICT OF W. PERSEKUTUAN	NO. 4 & 6 JALAN TELAWI 3 BANGSAR BARU 59100 KUALA LUMPUR	2 UNITS 3 STOREY SHOP OFFICE / BRANCH PREMISES (BANGSAR) CRC	FREEHOLD	LAND : 4,659 BUILT-UP : 11,858	26	2,993,399
3	HS(M) 4961 PT 457 HS(M) 4962 PT 458 MUKIM OF KAJANG DISTRICT OF ULU LANGAT	NO. 2 & 3, JLN SAGA TMN SRI SAGA OFF JLN SG CHUA 43000 KAJANG, SELANGOR DARUL EHSAN	2 UNITS 3 1/2 STOREY SHOP OFFICE / BRANCH PREMISES (KAJANG) CRC	FREEHOLD	LAND : 3,510 BUILT-UP : 11,136	22	211,797
4	PLOT 65 & 66 HS(D) 7570 & 7571 LOT 8552 & 8553 MUKIM 12 DISTRICT OF BARAT DAYA	NO. 124 & 126 JALAN MAYANG PASIR TMN SRI TUNAS 11950 BAYAN BARU PULAU PINANG	2 UNITS 3 STOREY SHOP OFFICE / BRANCH PREMISES (BAYAN BARU) CRC	FREEHOLD	LAND : 3,080 BUILT-UP : 8,360	25	939,629
5	HS(D) 11547, 11548 P.T. 15727, 15728 MUKIM OF AMPANG	NO. 11 & 11A JLN MAMANDA 7/1 AMPANG POINT 68000 AMPANG, SELANGOR	5 STOREY SHOP OFFICE (OCCUPIED GR & 1ST FLOOR ONLY) / BRANCH PREMISES(AMPANG JAYA) CRC	FREEHOLD	LAND : 3,261 BUILT-UP : 5,658.4	21	925,628
6	HS(D) 52849,52850, 52988 & 52989 PT 2, 3, 6620 & 6621 MUKIM OF BATU DISTRICT OF WILAYAH PERSEKUTUAN	NO. 81, 83 & 85 JALAN 2/3A PUSAT PASAR BORONG KM 12, JALAN IPOH 68100 BATU CAVES KUALA LUMPUR	3 UNITS 4 STOREY SHOP OFFICE / BRANCH PREMISES (SELAYANG) CRC	LEASEHOLD/ EXP: 01/01/2086	LAND : 4,950 BUILT-UP : 16,733	22	915,876
7	HS(D) 39216, K1 PT 2068 MUKIM AND DISTRICT OF PETALING	NO. 1, JLN TK 1/11A TMN KINRARA, SECTION 1 BATU 7 ½ , JLN PUCHONG 58200 SELANGOR	3 STOREY SHOP OFFICE + BASEMENT / BRANCH PREMISES (KINRARA) CRC	LEASEHOLD / EXP: 27/8/2091	LAND : 3,900 BUILT-UP : 15,600	23	1,301,157

PARTICULAR OF PROPERTIES
as at 31 December 2017

NO.	TITLE / LOT NO.	LOCATION / ADDRESS	DESCRIPTION / EXISTING USE	TENURE	AREA (sq ft) L : LAND AREA B : BUILT-UP AREA	APPROX AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31/12/2017 (RM)
8	HS(D) 9406, LOT 8226 & PT 4045 HS(D) 9407, LOT 8227 & PT 4046 MUKIM OF DAMANSARA DISTRICT OF PETALING	NO. 7 & 9 JLN SS 15/8A 47500 PETALING JAYA SELANGOR	2 UNITS 4 STOREY SHOP OFFICE / BRANCH PREMISES (SUBANG JAYA) CRC	FREEHOLD	LAND : 3,520 BUILT-UP : 9,944	24	937,859
9	HS(D) 2874 & PTD 4161 TOWNSHIP OF KLUANG DISTRICT OF KLUANG	NO. 503 JLN MERSING 86000 KLUANG, JOHOR	3 STOREY SHOP OFFICE / BRANCH PREMISES (KLUANG) CRC/HPC	FREEHOLD	LAND : 6,000 BUILT-UP : 9,944	24	444,426
10	HS(M) 6367, PT 7485 MUKIM OF CHENOR DISTRICT OF MARAN	NADI KOTA BANDAR PUSAT JENGKA 26400 JENGKA PAHANG	SINGLE STOREY BUNGALOW / BRANCH PREMISES (JENGKA) CRC	LEASEHOLD/ EXP: 21/8/2091	LAND : 20,056 BUILT-UP : 2,100	27	357,359
11	GM 2251 & 2252 LOT 3991 & 3992 MUKIM 5 DISTRICT OF SEBERANG PERAI UTARA	NO. 1317 & 1318 TMN SEPAKAT OFF JLN BUTTERWORTH 13200 KEPALA BATAS SEBERANG PRAI UTARA PULAU PINANG	2 UNITS 3 STOREY SHOP OFFICE / BRANCH PREMISES (KEPALA BATAS) CRC	FREEHOLD	LAND : 2,390 BUILT-UP : 6,920	22	486,860
12	TOWN LEASE NO. 017541374 & 017541383 LOT 82 & 83, BLOK K MUKIM OF KARAMUNSING DISTRICT OF KOTA KINABALU	LOT 19 & 20 SADONG JAYA COMPLEX JALAN JUARA IKAN 3 KARAMUNSING 88300 KOTA KINABALU SABAH	4 STOREY SHOP OFFICE / BRANCH PREMISES (KOTA KINABALU) CRC	LEASEHOLD/ EXP: 21/1/2901	LAND : 2,780 BUILT-UP : 10,144	24	2,148,342
13	HS(D) 73618 & 73619 PT 5733 & 5734 MUKIM OF LABU DISTRICT OF SEREMBAN	NO. 5733 & 5734 JLN TS 2/1 TMN SEMARAK, PHASE II 71800 NILAI, N. SEMBILAN	2 UNITS 3 STOREY SHOP OFFICE / BRANCH PREMISES (NILAI) CRC	FREEHOLD	LAND : 3,600 BUILT-UP : 10,800	23	659,151
14	HS(D) 7156, 7157, 7187 & 7188 PT 34, 35, 65 & 66 BANDAR BUKIT BARU SEKSYEN 11 DISTRICT OF MELAKA TENGAH	NO. 7 & 8, JALAN DR1 DELIMA POINT TAMAN DELIMA RAYA 75150 MELAKA	2 UNITS 5 STOREY SHOP OFFICE / BRANCH PREMISES (BUKIT BARU) CRC	FREEHOLD	LAND : 3,509 BUILT-UP : 17,160	21	1,354,460

PARTICULAR OF PROPERTIES
as at 31 December 2017

NO.	TITLE / LOT NO.	LOCATION / ADDRESS	DESCRIPTION / EXISTING USE	TENURE	AREA (sq ft) L : LAND AREA B : BUILT-UP AREA	APPROX AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31/12/2017 (RM)
15	HS(D) 143324, PT 18 SEKSYEN 14, BANDAR SHAH ALAM SELANGOR DARUL EHSAN	a. COMMERCIAL LAND PRECINT 3.4 PUSAT BANDAR SHAH ALAM b. BANGUNAN AFFINBANK	16-STOREY BUILDING WITH 4 STOREY BASEMENT BUILDING (BANGUNAN AFFIN BANK SHAH ALAM)	LEASEHOLD/ EXP: 11/5/2100	LAND : 32,561 BUILT-UP : 81,400	18	37,150,604 (Note: This property has been sold, currently the purchaser has paid 10% of purchase price on 15 September 2017
16	LOT S03 & S04 PT 72, HS(D) 7295 DISTRICT OF PORT DICKSON	NO. 3 & 4, JALAN AMAN KAWASAN PENAMBAKAN LAUT BANDAR PORT DICKSON 71009 NEGERI SEMBILAN	2 UNITS 3 STOREY SHOP OFFICE / BRANCH PREMISES (PORT DICKSON) CRC	LEASEHOLD/ EXP: 31/1/2085	LAND : 3,532 BUILT-UP : 9,900	21	697,789
17	LOT 2387 & 2388 BLOCK 5 DISTRICT OF MIRI	LOT 2387 & 2388 JALAN BOULEVARD 1A BOULEVARD COMMERCIAL CENTRE 3KM, JALAN MIRI-PUJUT 98000 MIRI, SARAWAK	2 UNITS 3 STOREY SHOP OFFICE / BRANCH PREMISES (MIRI) CRC	LEASEHOLD/ EXP: 21/1/2050	LAND : 3,190 BUILT-UP : 8,371	21	736,572
18	PTD 48474 & 48475 HS(D) 86046 & 86047 MUKIM OF PLENTONG DISTRICT OF JOHOR BHARU	NO. 130 & 132 JLN ROSMERAH 2/17 TMN JOHOR JAYA 81100 JOHOR	2 UNITS 3 STOREY SHOP OFFICE / BRANCH PREMISES (JOHOR JAYA) CRC	FREEHOLD	LAND : 4,773 BUILT-UP : 14,319	23	1,437,697
19	PTD 100479 & 100480 MUKIM OF PLENTONG DISTRICT OF JOHOR BAHRU	NO. 23 AND 25, JALAN PERMAS 10/2, PERMAS JAYA, 81750 MASAI, JOHOR BAHRU, JOHOR	2 UNITS 4 STOREY SHOP OFFICE / BRANCH PREMISES (PERMAS JAYA) CRC	FREEHOLD	LAND : 3,840 BUILT-UP : 13,440	24	1,761,806
20	PT 3686 & 3687 HS(D) 5167 & 5168 MUKIM 1 DISTRICT OF SEBERANG PERAI TENGAH, PENANG	NO. 10 JLN TODAK 1 PUSAT BANDAR SEBERANG JAYA 13700 PERAI, PENANG	4 STOREY SHOP OFFICE / BRANCH PREMISES (SEBERANG JAYA) CRC	LEASEHOLD/ EXP: 21/10/2092	LAND : 3,681 BUILT-UP : 13,716	21	1,629,836

PARTICULAR OF PROPERTIES
as at 31 December 2017

NO.	TITLE / LOT NO.	LOCATION / ADDRESS	DESCRIPTION / EXISTING USE	TENURE	AREA (sq ft) L : LAND AREA B : BUILT-UP AREA	APPROX AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31/12/2017 (RM)
21	LOT 175 & 176 PT 1386 & 1387 GRANT 6787 MUKIM OF KUAH DISTRICT OF LANGKAWI	NO. 149-A, 149-B & 149-C NO. 151-A, 151-B & 151-C PERSIARAN BUNGA RAYA LANGKAWI MALL 07000 KUAH LANGKAWI, KEDAH	2 ADJACENT LOTS 3 STOREY SHOP OFFICE / BRANCH PREMISES (KUAH) CRC	FREEHOLD	LAND : 3,304 BUILT-UP : 9,912	20	1,221,239
22	LOT 1894 TITLE NO. 1289 & LOT 1895 TITLE NO. 1290, DAERAH & BANDAR KUALA TERENGGANU, NEGERI TERENGGANU	63 & 63A , JALAN SULTAN ISMAIL 20200 KUALA TERENGGANU TERENGGANU	3 STOREY SHOP OFFICE / BRANCH PREMISES (KUALA TERENGGANU) CRC	LEASEHOLD/ EXP: 18/12/2048	LAND : 4,171 BUILT-UP : 8,128	17	1,344,301
23	LOT 14127 & 14128 GRANTS 7792 & 7793 MUKIM OF SETAPAK DISTRICT OF KUALA LUMPUR	NO. 159 & 161 JALAN GENTING KELANG 53300 SETAPAK KUALA LUMPUR	2 UNITS 3 STOREY SHOP OFFICE WITH BASEMENT / BRANCH PREMISES (SETAPAK) CRC	FREEHOLD	LAND : 4,306 BUILT-UP : 17,224	29	1,736,807
24	HS(D) 67774 & 67773 LOT 29427 & 29428 MUKIM OF KUALA LUMPUR DISTRICT & STATE OF WILAYAH PERSEKUTUAN	NO. 47 & 49 JALAN TUN MOHD FUAD 3 TAMAN TUN DR ISMAIL 60000 KUALA LUMPUR	2 UNITS 3 STOREY SHOP OFFICE / BRANCH PREMISES (TAMAN TUN DR ISMAIL) CRC	FREEHOLD	LAND : 5,138 BUILT-UP : 11,250	26	3,617,647
25	HS(D) 16728, PTD 9887 & HSD(D) 16729, PTD 9888, MUKIM OF SIMPANG KANAN, DISTRICT OF BATU PAHAT	NO. 3 & 4 JALAN MERAH TAMAN BUKIT PASIR 83000 BATU PAHAT, JOHOR	2 UNITS 3 STOREY SHOP HOUSE / BRANCH PREMISES (BATU PAHAT) CRC	FREEHOLD	LAND : 3,080 BUILT-UP : 16,227	27	735,176
26	HS (M) 14862 & 14863 PT 21350 & 21351 TEMPAT BUKIT RAJA MUKIM OF KAPAR DISTRICT OF KLANG	NO. 29 & 31 JALAN TIARA 3 BANDAR BARU KELANG 41150 KELANG SELANGOR	2 UNITS 4 STOREY SHOP OFFICE / BRANCH PREMISES (KELANG UTARA) CRC	LEASEHOLD/ EXP: 8/5/2093	LAND : 3,300 BUILT-UP : 13,200	20	2,483,814
27	PTD 62642 & 62643 HS(D) 227069 & 227070 MUKIM OF PULAI DISTRICT OF JOHOR BAHRU	NO. 49 & 51 JALAN SRI PERKASA 2/1 TAMAN TAMPOI UTAMA 81200 TAMPOI JOHOR BAHRU, JOHOR	2 ADJACENT LOTS 3 STOREY SHOP HOUSE / BRANCH PREMISES (TAMPOI) CRC	LEASEHOLD/ EXP: 13/4/2094	LAND : 5,468 BUILT-UP : 10,710	20	1,136,886

NO.	TITLE / LOT NO.	LOCATION / ADDRESS	DESCRIPTION / EXISTING USE	TENURE	AREA (sq ft) L : LAND AREA B : BUILT-UP AREA	APPROX AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31/12/2017 (RM)
28	LOT 436 & 437 GERAN NO. 12256 & 12257 SECTION 13 DISTRICT OF KOTA BHARU New Title : HS(D) KB. 4/98, No. PT 133 & HS(D) KB. 5/98, No. PT 134, SECTION 13, DISTRICT OF KOTA BHARU	NO. 3788 H & 3788 I SECTION 13 JALAN SULTAN IBRAHIM 15050 KOTA BHARU, KELANTAN	2 UNITS 3 STOREY SHOP OFFICE / BRANCH PREMISES (KOTA BHARU) CRC	LEASEHOLD/ EXP: 09/03/2064	LAND : 3,200 BUILT-UP : 9,152	32	771,947
29	SUB-LOT 13, LOT 3060 DISTRICT OF BINTULU	SUB LOT 13, OFF LOT 3299 BINTULU TOWN DISTRICT OFF JALAN DIWARTA 97000 BINTULU SARAWAK	1 UNITS 3 STOREY SHOP OFFICE / BRANCH PREMISES (BINTULU) CRC	LEASEHOLD/ EXP: 29/3/2055	LAND : 3,240 BUILT-UP : 9,720	20	569,579
30	LOT 27/28, SEKSYEN 1 NO. HAKMILIK 980/981 MUKIM OF PEKAN BATU	NO. 840 & 842, BT 4 ½ JALAN IPOH 51200 KUALA LUMPUR	4 1/2 STOREY BUILDING + BASEMENT / BRANCH PREMISES (BATU CANTONMENT) CRC	LEASEHOLD/ EXP: 13/01/2037	LAND : 3,081 BUILT-UP : 9,243	32	1,252,255
31	HS(M) 6836 P.T. 14531 MUKIM OF DAMANSARA DISTRICT OF PETALING	NO. 301, 401 & 501, BLOCK C, MENARA GLOMAC KELANA BUSINESS CENTRE 97, JALAN 227/2 47301 KELANA JAYA SELANGOR	BRANCH PREMISES (KELANA JAYA) CREDIT CARD & SSL	LEASEHOLD/ EXP: 21/11/2092	LAND : N/A BUILT-UP NO 301 : 6,916 NO 401 : 6,916 NO 501 : 6,916	17	4,902,363
32	HS(D) 96849 (30438 [new]) LOT/PT 6536 (28035 [new]) MUKIM OF SETAPAK DISTRICT & STATE OF WILAYAH PERSEKUTUAN	NO. 2, JLN 1/27F KLSC WANGSA MAJU 53300 KUALA LUMPUR [C7/50/86-1 & C7/50/86-2 C7/50/86-4, C7/50/86-3]	4 STOREY SHOP OFFICE CORNER UNIT / BRANCH PREMISES (WANGSA MAJU) CRC	LEASEHOLD/ EXP: 19/04/2083	LAND : 4,480 BUILT-UP : 14,920	19	2,213,005
	HS(D) 96848 (30437 [new]) LOT/PT 6537 (28034 [new]) MUKIM OF SETAPAK DISTRICT & STATE OF WILAYAH PERSEKUTUAN	NO. 4, JLN 1/27F KLSC WANGSA MAJU 53300 KUALA LUMPUR [C7/50/85-1, C7/50/85-3]	3 STOREY SHOP OFFICE / BRANCH PREMISES (WANGSA MAJU) CRC	LEASEHOLD/ EXP: 19/04/2083	LAND : 1,920 BUILT-UP : 5,760		

PARTICULAR OF PROPERTIES
as at 31 December 2017

NO.	TITLE / LOT NO.	LOCATION / ADDRESS	DESCRIPTION / EXISTING USE	TENURE	AREA (sq ft) L : LAND AREA B : BUILT-UP AREA	APPROX AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31/12/2017 (RM)
33	HS(D) 23766 PT 199, SECTION 40 MUKIM KUALA LUMPUR	133, JALAN BUNUS OFF JALAN MASJID INDIA 50100 KUALA LUMPUR	1 UNIT 4 1/2 STOREY SHOP OFFICE / BRANCH PREMISES (JALAN BUNUS) CRC	FREEHOLD	LAND : 1,539.9 BUILT-UP : 7,699.8	17	3,176,920
34	GM 405, LOT 1927 GM 407, LOT 2007 GM 409, LOT 2006 MUKIM NIBONG TANAH MERAH, KELANTAN	LOT PT 1995/1996 BANDAR BARU BUKIT BUNGA 17700 TANAH MERAH, KELANTAN	1 UNIT 2 STOREY SHOP OFFICE / BRANCH PREMISES (JELI) CRC	FREEHOLD	LAND : 2,000 BUILT-UP : 4,000	17	267,178
35	HS(D) 103053 LOT NO. 770, SECTION 11 DISTRICT OF PETALING TOWN OF SHAH ALAM	NO. 11, KOMPLEKS PERDAGANGAN UMNO, PERSIARAN DAMAI 40000 SHAH ALAM SELANGOR DARUL EHSAN	1 UNIT 4 STOREY SHOP OFFICE / BRANCH PREMISES (BLC, MORTGAGE & STORAGE)	LEASEHOLD/ EXP: 12/05/2095	LAND : 1,650 BUILT-UP : 8,000	17	1,733,193
	HS(D) 103053 LOT NO. 770, SECTION 11 DISTRICT OF PETALING TOWN OF SHAH ALAM	NO. 12, KOMPLEKS PERDAGANGAN UMNO, PERSIARAN DAMAI 40000 SHAH ALAM SELANGOR DARUL EHSAN	1 UNIT 4 STOREY SHOP OFFICE / BRANCH PREMISES (BLC, MORTGAGE & STORAGE)	LEASEHOLD/ EXP: 12/05/2095	LAND : 1,650 BUILT-UP : 8,000		
36	HS(D) 4705 & 4706, DISTRICT OF MELAKA TENGAH	MELAKA RAYA NO. 200 & 201, TAMAN MELAKA RAYA OFF JALAN PARAMESWARA 75000, MELAKA	2 UNITS 3 STOREY SHOP OFFICE / BRANCH PREMISES (MELAKA RAYA) CRC/HPC	LEASEHOLD/ EXP: 19/12/2075	LAND : 4,430 BUILT-UP : 10,031	37	445,385
37	HS(D) 36868, LOT 25724, MUKIM OF PETALING	SS2 (AIBB/HPC) NO. 161, JALAN SS2/24 47300 PETALING JAYA SELANGOR	3 STOREY SHOP HOUSE / BRANCH PREMISES (SS2) CRC	FREEHOLD	LAND : 2,268 BUILT-UP : 8,902	37	801,325
38	LOT 247 & 248, SECTION 49, LEASE OF STATE LAND	LOTS 247 & 248, SECTION 49, KTLD, JALAN TUNKU ABDUL RAHMAN, 93100 KUCHING SARAWAK	2 UNITS 4 STOREY SHOP OFFICE / BRANCH PREMISES (KUCHING) CRC/ HPC	LEASEHOLD/ EXP: 24/07/2044	LAND : 2,500 BUILT-UP : 9,405	31	804,294

NO.	TITLE / LOT NO.	LOCATION / ADDRESS	DESCRIPTION / EXISTING USE	TENURE	AREA (sq ft) L : LAND AREA B : BUILT-UP AREA	APPROX AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31/12/2017 (RM)
39	HS(D) 194608, PT 1106, PEKAN SERDANG, DAERAH PETALING, SELANGOR	NO. 36, JALAN PSK 3 PUSAT PERDAGANGAN SERI KEMBANGAN 43300 SERI KEMBANGAN SELANGOR	3 STOREY SHOP HOUSE / BRANCH PREMISES (SRI KEMBANGAN) CRC	FREEHOLD	LAND : 3,563 BUILT-UP : 10,684	17	1,252,601
40	LOT 1 MUKIM OF PADANG CINA DISTRICT OF KULIM	KULIM HI-TECH SUITE B.4 KHTP BUSINESS CENTRE KULIM HI-TECH PARK 09000 KULIM, KEDAH	OFFICE/COMMERCIAL COMPLEX KHTP BUSINESS CENTRE (GROUND FLOOR OF 5 STOREY OFFICE / COMMERCIAL COMPLEX)	FREEHOLD	LAND : 9,064.36 BUILT-UP : 9,064.36	19	This property had completed sold on 13 June 2017
41	UNIT NO. P1-01-32, HELD UNDER HAKMILIK, STRATA NO BERDAFTAR GERAN 61929/M1/1/53, LOT NO. 1594, SEKSYEN 2, BANDAR TANJONG TOKONG	FETTES PARK 98-G-32 TO 98-3A-32 BLOCK 32 PRIMA TANJUNG BUSINESS CENTRE JALAN TANJUNG TOKONG 10470 PULAU PINANG	5 STOREY SHOP OFFICE	FREEHOLD	L : 1,037 B : 1,037	17	1,637,818
	UNIT NO. P1-02-32, HELD UNDER HAKMILIK, STRATA NO BERDAFTAR GERAN 61929/M1/2/121, LOT NO. 1594, SEKSYEN 2, BANDAR TANJONG TOKONG				L : N/A B : 1,037		
	UNIT NO. P1-03-32, HELD UNDER HAKMILIK, STRATA NO BERDAFTAR GERAN 61929/M1 MENARA B/3/223, LOT NO. 1594, SEKSYEN 2, BANDAR TANJONG TOKONG				L : N/A B : 1,886		
	UNIT NO. P1-04-32, HELD UNDER HAKMILIK, STRATA NO BERDAFTAR GERAN 61929/M1 MENARA B/4/257, LOT NO. 1594, SEKSYEN 2, BANDAR TANJONG TOKONG				L : N/A B : 1,886		
	UNIT NO. P1-05-32, HELD UNDER HAKMILIK, STRATA NO BERDAFTAR GERAN 61929/M1 MENARA B/5/259, LOT NO. 1594, SEKSYEN 2, BANDAR TANJONG TOKONG				L : N/A B : 1,886		

PARTICULAR OF PROPERTIES
as at 31 December 2017

NO.	TITLE / LOT NO.	LOCATION / ADDRESS	DESCRIPTION / EXISTING USE	TENURE	AREA (sq ft) L : LAND AREA B : BUILT-UP AREA	APPROX AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31/12/2017 (RM)
42	HS(D) 9980 PT 4370 MUKIM & DISTRICT PORT DICKSON New Title :- Lot No. 287, PN 2474 / M1 / 3/48, Mukim Bandar Port Dickson, Daerah Port Dickson	CORUS LAGOON APARTMENT UNIT B-L3-06 BATU 2, JALAN PANTAI 71000 PORT DICKSON NEGERI SEMBILAN	1 UNIT APARTMENT	LEASEHOLD/ EXP: 06/07/2087	LAND : N/A BUILT-UP : 792	17	126,517
43	TITLE NO. 35120 LOT NO. 86, SECTION 2 TOWN OF BATU FERINGHI NORTH EAST DISTRICT OF PENANG New Title : Lot No. 666, Geran HBM 107 / M1 / 22 / 124, Mukim Bandar Batu Peringgi Sek. 2, Daerah Timur Laut, Negeri Pulau Pinang.	SRI SAYANG RESORT APARTMENT UNIT NO. 22-06, 22ND STOREY BATU FERINGHI PULAU PINANG	AN END UNIT 3 BEDROOM APARTMENT	FREEHOLD	LAND : N/A BUILT-UP : 911	17	155,102
44	(L/H) HS(D) 1772 PT 2851 MUKIM OF KIJAL DISTRICT OF KEMAMAN	AWANA KIJAL BEACH RESORT APARTMENT (2 ROOMS) 13B, BAIDURI APARTMENT KM 28, JALAN KEMAMAN-DUNGUN 24100 KIJAL, TERENGGANU	1 UNIT APARTMENT	LEASEHOLD/ EXP: 27/11/2091	LAND : N/A BUILT-UP : 892	17	122,867
45	HS(D) 1772 PT 2851 MUKIM OF KIJAL DISTRICT OF KEMAMAN	AWANA KIJAL BEACH RESORT APARTMENT (3 ROOMS) 19A, BAIDURI APARTMENT KM 28, JALAN KEMAMAN-DUNGUN 24100 KIJAL, TERENGGANU	1 UNIT 3 BEDROOM APARTMENT	LEASEHOLD/ EXP: 27/11/2091	LAND : N/A BUILT-UP : 1,107	17	151,952
46	HS(D) 807 & 808 P.T. 2592 & 2593 DISTRICT OF SEBERANG PERAI UTARA	NO. 55 & 57, TMN SELAT JLN BAGAN LUAR 12710 BUTTERWORTH PULAU PINANG	2 UNITS 4 STOREY SHOP OFFICE / BRANCH PREMISES	FREEHOLD	LAND : 4,779.2 BUILT-UP : 13,760	32	1,419,685

NO.	TITLE / LOT NO.	LOCATION / ADDRESS	DESCRIPTION / EXISTING USE	TENURE	AREA (sq ft) L : LAND AREA B : BUILT-UP AREA	APPROX AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31/12/2017 (RM)
47	HS(M) 2926 & 2925 P.T. 21346 & 21345 MUKIM OF PETALING DISTRICT OF W.P.	NO. 10 & 12 JLN RADIN TENGAH BANDAR BARU SERI PETALING 57000 KUALA LUMPUR	2 UNITS 3 STOREY SHOP OFFICE / BRANCH PREMISES	LEASEHOLD/ EXP: 05/04/2078	LAND : 3,840 BUILT-UP : 11,520	34	490,749
48	HS(D) 16521 & 16496 P.T. 8912 / 1367 & P.T. 8912 / 1366 MUKIM OF KUALA LUMPUR DISTRICT OF PETALING	NO. 20 & 22 JLN 21/12, SEA PARK 46730 PETALING JAYA SELANGOR	2 UNITS 2 STOREY SHOP OFFICE AND BASEMENT / BRANCH PREMISES (SEA PARK)	FREEHOLD	LAND : 3,230 BUILT-UP : 9,750	33	1,350,897
49	TOWN LEASE : 107516432 TOWN LEASE : 107516441 TOWN LEASE : 107516450 DISTRICT OF TAWAU	TB 281, 282 & 283 JLN HJ KARIM TOWN EXTENSION 11 91008 TAWAU, SABAH	3 UNITS 4 STOREY SHOP OFFICE / BRANCH PREMISES (TAWAU)	LEASEHOLD/ EXP: 31/12/2895	LAND : 6,720 BUILT-UP : 13,440	33	1,421,655
50	GERAN NO. HAKMILIK 75550 LOT 1207 SEKSYEN 62 (previously Lot 13151) GERAN NO. HAKMILIK 76429 LOT 20006 SEKSYEN 62 (previously Lot 11641) BANDAR & DISTRICT OF KUALA LUMPUR WILAYAH PERSEKUTUAN KUALA LUMPUR	TRX DISTRICT PLOT C7.9-CT	COMMERCIAL LAND (VACANT LAND)	FREEHOLD	LAND : 54,266	-	259,831,312
51	LOT 400, PN2117 MUKIM OF KAWASAN BANDAR XXXIX DISTRICT OF MELAKA TENGAH	No. 596, JALAN MELAKA RAYA 10 TAMAN MELAKA RAYA BANDAR HILIR 75000 MELAKA	2 STOREY SHOPHOUSE	LEASEHOLD/ EXP: 4/10/2082	LAND : 1,580 BUILT-UP : 2,790	31	254,500
							354,913,398

SHAREHOLDING STATISTICS

Analysis of shareholdings as at 22 March 2018

SIZE OF SHAREHOLDINGS	NO OF HOLDERS	%	NO OF SHARES	%
Less than 100	767	4.33	15,136	0.00
100 to 1,000	2,501	14.12	1,826,452	0.09
1,001 to 10,000	11,067	62.48	43,320,162	2.23
10,001 to 100,000	3,014	17.02	84,024,905	4.33
100,001 to 97,147,426*	361	2.04	139,727,369	7.19
97,147,427** and above	4	0.02	1,674,034,523	86.16
Total	**17,714**	**100.00**	**1,942,948,547**	**100.00**

* Less than 5% of issued shares

** 5% and above of issued shares

LIST OF TOP 30 SHAREHOLDERS AS AT 22 MARCH 2018

NO.	NAME	SHAREHOLDINGS	%
1	LEMBAGA TABUNG ANGKATAN TENTERA	688,269,241	35.42
2	MAYBANK NOMINEES (ASING) SDN BHD THE BANK OF EAST ASIA LIMITED HONG KONG FOR THE BANK OF EAST ASIA LIMITED (INVESTMENT AC)	456,942,493	23.52
3	BOUSTEAD HOLDINGS BERHAD ACCOUNT NON-TRADING	402,012,529	20.69
4	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	126,810,260	6.53
5	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	10,731,350	0.55
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD.	9,368,460	0.48
7	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	4,004,300	0.21
8	PUBLIC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAYLAND PARKVIEW SDN BHD (KLC)	2,800,200	0.14
9	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR AUSTRALIAN SUPER	2,425,800	0.12
10	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEAM HENG MING (E-KTN/RAU)	2,221,300	0.11
11	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR LIM SHIANG LIANG (LIN XIANGLIANG)	1,975,100	0.10
12	FANG INN	1,869,110	0.10
13	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HII YU HO	1,868,000	0.10
14	HSBC NOMINEES (ASING) SDN BHD TNTC FOR LSV EMERGING MARKETS EQUITY FUND L.P.	1,801,000	0.09
15	ZALARAZ SDN BHD	1,603,000	0.08
16	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	1,576,220	0.08
17	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	1,331,500	0.07
18	KEY DEVELOPMENT SDN BERHAD	1,308,580	0.07
19	PERTUBUHAN PELADANG KEBANGSAAN	1,250,000	0.06
20	LEE GUAN SEONG	1,221,000	0.06
21	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (UOB AMM6939-406)	1,080,000	0.06

NO.	NAME	SHAREHOLDINGS	%
22	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR CHE LODIN BIN WOK KAMARUDDIN (PBCL-0G0052)	1,051,328	0.05
23	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	1,031,269	0.05
24	PATRICK FANG LEE CHOONG	1,006,700	0.05
25	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HENG TENG KUANG	1,001,800	0.05
26	CHUAH TEK BENG	1,000,000	0.05
27	G.T.Y. HOLDINGS SDN. BHD	1,000,000	0.05
28	AFFIN HWANG NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (CLIENTS)	880,700	0.05
29	PUBLIC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA KEE TEE (E-JBU/SKI)	880,000	0.05
30	GEMAS BAHRU ESTATES SDN. BHD.	853,190	0.04
	TOTAL	**1,731,174,430**	**89.10**

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 22 MARCH 2018

NAME	DIRECT SHAREHOLDINGS	%	INDIRECT SHAREHOLDINGS	%
LEMBAGA TABUNG ANGKATAN TENTERA (LTAT)	688,269,241	35.42	402,532,529 *	20.72
THE BANK OF EAST ASIA LIMITED	456,942,493	23.52	-	
BOUSTEAD HOLDINGS BERHAD (BHB)	402,012,529	20.69	520,000 #	0.03
EMPLOYEES PROVIDENT FUND BOARD	126,810,260	6.53		

* Deemed interest by virtue of LTAT's interest in BHB

\# Deemed interest by virtue of BHB's interest in UAC Berhad

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE **42ND ANNUAL GENERAL MEETING** OF **AFFIN BANK BERHAD (25046-T)** WILL BE HELD AT THE **TAMING SARI GRAND BALLROOM, THE ROYALE CHULAN KUALA LUMPUR, 5 JALAN CONLAY, 50450 KUALA LUMPUR** ON **TUESDAY, 15 MAY 2018** AT **10.00 A.M.** FOR THE FOLLOWING PURPOSES:-

AGENDA

ORDINARY BUSINESS

1. To lay before the meeting the Audited Financial Statements for the financial year ended 31 December 2017 and the Reports of the Directors and Auditors thereon.

2. To re-elect Encik Abd Malik bin A Rahman who retires by rotation pursuant to Article 118 of the Company's Constitution. **Resolution 1**

3. To re-elect the following Directors who retire pursuant to Article 124 of the Company's Constitution:-

   3.1 Gen Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (Retired) **Resolution 2**
   3.2 Mr. Tang Peng Wah **Resolution 3**
   3.3 Dato' Mohd Hata bin Robani **Resolution 4**
   3.4 Dato' Abdul Aziz bin Abu Bakar **Resolution 5**
   3.5 Mr. Ignatius Chan Tze Ching **Resolution 6**

4. To approve the payment of Directors' Fees, other emoluments and benefits amounting to RM2,144,000 for the financial year ended 31 December 2017. **Resolution 7**

5. To approve the payment of Directors' Fees, other emoluments and benefits on a monthly basis based on the present Directors' remuneration structure from 1 January 2018 to the date of next Annual General Meeting of the Company. **Resolution 8**

6. To re-appoint Messrs PricewaterhouseCoopers as the Company's Auditors for the financial year ending 31 December 2018 and to authorise the Directors to fix the Auditors' remuneration. **Resolution 9**

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions:-

7. Ordinary Resolution

   Authority for Directors to Issue Shares

   "THAT pursuant to Sections 75 and 76 of the Companies Act, 2016, and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 10**

8 Ordinary Resolution

Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

"THAT authority be and is hereby given in line with Chapter 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, for the Company, its subsidiaries or any of them to enter into any of the transactions falling within the types of the Recurrent Related Party Transactions, particulars of which are set out in the Circular to Shareholders dated 16 April 2018 with the Related Parties as described in the said Circular, provided that such transactions are of revenue or trading nature, which are necessary for the day-to-day operations of the Company and/or its subsidiaries within the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms which are those generally available to the public and are not detrimental to the minority shareholders of the Company;

AND THAT such authority shall commence immediately upon the passing of this Ordinary Resolution until:-

i. the conclusion of the next Annual General Meeting of the Company at which time the authority shall lapse unless by a resolution passed at a general meeting, the authority is renewed; or

ii. the expiration of the period within which the next Annual General Meeting of the Company which is to be held pursuant to Section 340(2) of the Companies Act, 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act, 2016); or

iii. revoked or varied by a resolution passed by the shareholders of the Company at a general meeting, whichever is earlier.

AND FURTHER THAT the Board of Directors be and is hereby authorised to do all acts, deeds and things as may be deemed fit, necessary, expedient and/or appropriate in order to implement the Proposed Shareholders' Mandate with full power to assent to all or any conditions, variations, modifications and/or amendments in any manner as may be required by any relevant authorities or otherwise and to deal with all matters relating thereto and to take all such steps and to execute, sign and deliver for and on behalf of the Company all such documents, agreements, arrangements and/or undertakings, with any party or parties and to carry out any other matters as may be required to implement, finalise and complete, and give full effect to the Proposed Shareholders' Mandate in the best interest of the Company." **Resolution 11**

9. To transact any other ordinary business of the Company.

BY ORDER OF THE BOARD

NIMMA SAFIRA KHALID (LS0009015)
Secretary

Kuala Lumpur
16 April 2018

Notes:

(1) A member entitled to attend and vote at the meeting may appoint a proxy or proxies (not more than 2) to attend and vote on his/her behalf. A proxy need not be a member.

(2) Where a member appoints 2 proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.

(3) The instrument appointing a proxy in the case of any individual shall be signed by the appointer or his/her attorney and in the case of a corporation, under its common seal or under the hand of the officer duly authorised.

(4) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 1 proxy in respect of each securities account which is credited with ordinary shares of the Company.

Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominees may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 which is exempted from compliance with the provisions of subsection 25A(1) of the said Act.

(5) The Form of Proxy should be completed and lodged at the office of the Company's Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time set for holding the Annual General Meeting or any adjournment thereof.

(6) Only member registered in the Record of Depositors as at 7 May 2018 shall be eligible to attend the meeting or appoint proxy(ies) to attend the meeting and vote on his/her behalf.

Audited Financial Statements for Financial Year Ended 31 December 2017

The Audited Financial Statements are for discussion only as they do not require shareholders' approval pursuant to Section 340(1) of the Companies Act 2016. Hence, this matter will not be put for voting.

Remuneration and Benefits Payable to Directors

The proposed ordinary resolution 8, if passed, will give authority to the Company to pay the Directors' Fees, other emoluments and benefits on a monthly basis based on the present fees and benefits structure for a period from 1 January 2018 to the date of next Annual General Meeting of the Company.

Authority for Directors to Issue Shares

The Company has not issued any shares under the general mandate for allotment of shares pursuant to Sections 75 and 76 of the Companies Act, 2016 which was approved at the 41st Annual General Meeting held on 30 March 2017 and will lapse at the conclusion of the 42nd Annual General Meeting to be held on 15 May 2018.

The proposed ordinary resolution 10, if passed, will give powers to the Directors to issue up to a maximum of 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company. The authority will, unless revoked or varied by the Company in a General Meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

The General Mandate sought will provide flexibility to the Company for any possible fund raising activities, including but not limited for further placing of shares, for purpose of funding investment(s), working capital and/or acquisition(s).

Proposed Shareholders' Mandate

The proposed ordinary resolution 11, if passed, will enable the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Company and/or its subsidiaries, subject to the transactions being carried out in the ordinary course of business of the Company and/or its subsidiaries and on normal commercial terms which are generally available to the public and not detrimental to the minority shareholders of the Company.

AFFINBANK
AFFIN BANK BERHAD (25046-T)

FORM OF PROXY

I/We ____ NRIC No./Company No. ____________________
(Full Name in Block Letters)

of ____
(Full Address)

Tel No. ____________________ being a member of AFFIN BANK BERHAD, hereby appoint ____
(Full Name in Block Letters)

____ NRIC No. ______________________ of ____________________________________
(Full Address)

____ and/or ____
(Full Name in Block Letters)

________________________________ NRIC No./Company No. __________________________ of ____________________________

____
(Full Address)

or failing him/her, the CHAIRMAN OF THE MEETING as my/our first proxy to attend and vote for me/us on my/our behalf at the 42nd Annual General Meeting of the Company to be held at the **Taming Sari Grand Ballroom, The Royale Chulan Kuala Lumpur, 5 Jalan Conlay, 50450 Kuala Lumpur** on **Tuesday, 15 May 2018** at **10.00 a.m.**, or any adjournment thereof.

My/our proxy/proxies is/are to vote as follows:

No.	Resolutions	For	Against
1	Re-election of Encik Abd Malik bin A Rahman as Director in accordance with Article 118 of the Company's Constitution		
2	Re-election of the following Directors in accordance with Article 124 of the Company's Constitution:-		
	(i) Gen Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (Retired)		
	(ii) Mr. Tang Peng Wah		
	(iii) Dato' Mohd Hata bin Robani		
	(iv) Dato' Abdul Aziz bin Abu Bakar		
	(v) Mr. Ignatius Chan Tze Ching		
3	Approval of the payment of Directors' Fees, other emoluments and benefits amounting to RM2,144,000 for the financial year ended 31 December 2017		
4	Approval of the payment of Directors' Fees, other emoluments and benefits on a monthly basis based on the present Directors' remuneration structure from 1 January 2018 to the date of the next Annual General Meeting of the Company		
5	Re-appointment of Messrs PricewaterhouseCoopers as the Company's Auditors for the financial year ending 31 December 2018 and to authorise the Directors to fix the Auditors' remuneration		
6	Authorisation to the Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016		
7	Approval of the Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

Signed this on __________ day of ____________________ 2018.

CDS Account No. :	
No. of shares held :	
Proportion of shareholdings represented by proxies:	First proxy : % Second proxy: % 100%

____
Signature of Member/Common Seal

Notes:

(1) A member entitled to attend and vote at the meeting may appoint a proxy or proxies (not more than 2) to attend and vote on his/her behalf. A proxy need not be a member.
(2) Where a member appoints 2 proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
(3) The instrument appointing a proxy in the case of any individual shall be signed by the appointer or his/her attorney and in the case of a corporation, under its common seal or under the hand of the officer duly authorised.
(4) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 1 proxy in respect of each securities account which is credited with ordinary shares of the Company. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominees may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 which is exempted from compliance with the provisions of subsection 25A(1) of the said Act.
(5) Unless voting instructions are indicated in the spaces provided above, the proxies may vote as he/she deems fit.
(6) The Form of Proxy should be completed and lodged at the office of the Company's Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time set for holding the Annual General Meeting or any adjournment thereof.
(7) Only member registered in the Record of Depositors as at 7 May 2018 shall be eligible to attend the meeting or appoint proxy(ies) to attend the meeting and vote on his/her behalf.

FOLD THIS FLAP FOR SEALING

Stamp

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

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