

**AFFIN**HOLDINGS  
AFFIN HOLDINGS BERHAD  
(23218-W)



*Annual Report 2016*

# 41<sup>st</sup> ANNUAL GENERAL MEETING

of AFFIN Holdings Berhad will be held at  
Taming Sari Grand Ballroom,  
The Royale Chulan, 5 Jalan Conlay,  
50450 Kuala Lumpur

**Monday, 24 April 2017 at 10.00 a.m.**



## COVER RATIONALE

An exciting illustration of the fast-changing Kuala Lumpur skyline dominates the cover. It symbolizes AFFIN Holdings Berhad's extensive transformational accomplishments. In addition, it highlights the intrinsic dynamism that drives our momentum for major transformation.

The striking illustration stands out against a background of pure white. The pristine backdrop symbolizes AFFIN Holdings Berhad's integrity, which is the foundation upon which growth and transformation are achieved.



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# VISION

THE PREFERRED **ONE STOP  
FINANCIAL SERVICES PROVIDER**  
COMMITTED TO MEETING AND  
EXCEEDING CUSTOMERS'  
EXPECTATIONS

# MISSION

Delivering premier investment and commercial  
banking solutions to satisfy the needs of our  
valued clients in all sectors;

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Adoption of best business and management  
practices, investment in technology and human  
resources and strategic alliances with reputable  
world class players; and

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Achieving continuous growth and prosperity for  
the shareholders.

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## NOTICE OF 41<sup>ST</sup> ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the **FORTY-FIRST (41<sup>ST</sup>) ANNUAL GENERAL MEETING** of **AFFIN HOLDINGS BERHAD** will be held at the Taming Sari Grand Ballroom, The Royale Chulan Kuala Lumpur, 5 Jalan Conlay, 50450 Kuala Lumpur on Monday, 24 April 2017 at 10.00 a.m. for the following purposes:-

### AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 and the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To declare a final single-tier dividend of 2 sen per share. **Resolution 2**
3. To re-elect the following Directors who retire by rotation and being eligible, offer themselves for re-election in accordance with Article 104 of the Company's Articles of Association:-
  - 3.1 Mr. Ignatius Chan Tze Ching **Resolution 3**
  - 3.2 Dr. Rosnah binti Omar **Resolution 4**
4. To re-elect the following Directors who retire at the forthcoming AGM in accordance with Article 110 of the Company's Articles of Association:-
  - 4.1 Tan Sri Mohd Ghazali bin Mohd Yusoff **Resolution 5**
  - 4.2 Dato' Mohd Hata bin Robani **Resolution 6**
5. To approve payment of Directors' Fees and other benefits for the financial year ended 31 December 2016. **Resolution 7**
6. To approve payment of Directors' Fees and other benefits on a monthly basis for the period from the date of this Annual General Meeting to the date of next Annual General Meeting of the Company. **Resolution 8**
7. To re-appoint Auditors and to authorise the Directors to fix their remuneration. **Resolution 9**
8. **SPECIAL BUSINESS**

To consider and if thought fit, to pass the following resolutions:-

  - 8.1 **Ordinary Resolution**

**Authority to Allot and Issue Shares in General Pursuant to Section 75 and 76 of the Companies Act, 2016**

"**THAT** pursuant to Section 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 also 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**

NOTICE OF 41<sup>ST</sup> ANNUAL GENERAL MEETING

## 8.2 Ordinary Resolution

**Allotment and Issuance of New Ordinary Shares of RM1.00 each in AFFIN Holdings Berhad ("AFFIN Shares") in relation to the Dividend Reinvestment Plan by the Company that provides the Shareholders of the Company with the Option to Reinvest their whole or a portion of the Dividend for which the Reinvestment Option applies in New AFFIN Shares ("Dividend Reinvestment Plan")**

"THAT pursuant to the Dividend Reinvestment Plan as approved by the shareholders at the Extraordinary General Meeting held on 16 April 2012, approval be and is hereby given to the Company to allot and issue such number of new AFFIN Shares upon the election of the shareholders of the Company to reinvest the dividend pursuant to the Dividend Reinvestment Plan until conclusion of the next Annual General Meeting upon such terms and conditions and to such shareholders as the Directors may, in their absolute discretion, deem fit and in the interest of the Company provided that the issue price of the said new AFFIN Shares shall be fixed by the Directors at not more than 10% discount to the adjusted volume-weighted average market price ("WAMP") for the 5 market days of AFFIN Shares immediately prior to the pricing fixing date, of which the WAMP shall be adjusted ex-dividend before applying the abovementioned discount in arriving at the issue price:

**AND THAT** the Directors of the Company be and are hereby authorised to do all such acts, execute all such documents and to enter into all such transactions, arrangements and agreements, deeds or undertakings as may be necessary or expedient in order to give full effect to the Dividend Reinvestment Plan with full power to assent to any condition, variation, modification and/or amendment as may be imposed and/or agreed to by any relevant authorities or at the discretion of the Directors in the best interest of the Company."

**Resolution 11**

## 8.3 Ordinary Resolution

**Proposed Renewal of 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 31 March 2017 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; or
- iii. revoked or varied by a resolution passed by the shareholders of the Company at a general meeting

whichever is earlier.

## NOTICE OF 41<sup>ST</sup> ANNUAL GENERAL MEETING

**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 12

9. To transact any other ordinary business of the Company.

By Order of the Board

**NIMMA SAFIRA KHALID**  
Secretary

Kuala Lumpur  
31 March 2017

### Notes:

- a. *A member entitled to attend and vote at the above meeting may appoint one or more proxies (not more than two) on his behalf to attend and on a poll, to vote his stead. A proxy need not be a member of the Company. The completed instrument in writing appointing a proxy or proxies must be deposited at our registrar's office, 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 not less than 48 hours before the time appointed to hold the meeting.*
- b. *The proposed ordinary resolution 8, if passed, will give authority to the Company to pay the Directors' Fees and other benefits on a monthly basis based on the present fees and benefits structure for a period from the date of this Annual General Meeting until the date of next Annual General Meeting of the Company. The total fees and benefits paid and payable to the Directors for the Financial year ending 31 December 2017 will be presented for the shareholders' approval in the next Annual General Meeting of the Company.*
- c. *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.*
- d. *The proposed ordinary resolution 11, if passed, will give authority to the Directors to allot and issue new AFFIN Holdings Berhad shares upon the election of the shareholders of the Company to reinvest the dividend declared by the Company (either an interim, final, special or any other dividend) from time to time pursuant to the Dividend Reinvestment Plan until conclusion of the next Annual General Meeting. A renewal of this authority will be sought at the next Annual General Meeting.*
- e. *The proposed ordinary resolution 12, 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.*
- f. *This document has been prepared in compliance with the Companies Act 1965 as well as the Companies Act 2016 where applicable.*

*As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Fortieth Annual General Meeting held on 18 April 2016 and which will lapse at the conclusion of the Forty-First Annual General Meeting.*

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

## NAME OF DIRECTORS STANDING FOR RE-ELECTION

The directors who are retiring pursuant to the Articles of Association and seeking for re-election in the forthcoming AGM:-

- (i) Ignatius Chan Tze Ching
- (ii) Dr. Rosnah binti Omar
- (iii) Tan Sri Mohd Ghazali bin Mohd Yusoff
- (iv) Dato' Mohd Hata bin Robani

The profiles of the above directors are set out on pages 34 to 41 of this Annual Report.

## DETAILS OF BOARD MEETINGS

Four (4) Board Meetings and seven (7) Special Board Meetings were held during the financial year ended 31 December 2016. Details of the meetings are as follows:-

Date of Meeting	Time	Venue
27 January 2016	9.15 a.m.	7th Floor, Chulan Tower
15 February 2016	3.00 p.m.	7th Floor, Chulan Tower
26 February 2016	8.30 a.m.	7th Floor, Chulan Tower
11 May 2016	9.00 a.m.	7th Floor, Chulan Tower
30 June 2016	9.00 a.m.	7th Floor, Chulan Tower
11 August 2016	9.30 a.m.	7th Floor, Chulan Tower
26 August 2016	9.00 a.m.	7th Floor, Chulan Tower
21 September 2016	9.00 a.m.	7th Floor, Chulan Tower
28 October 2016	3.00 p.m.	7th Floor, Chulan Tower
8 November 2016	9.00 a.m.	7th Floor, Chulan Tower
21 November 2016	10.00 a.m.	7th Floor, Chulan Tower

## DETAILS OF ATTENDANCE OF DIRECTORS

Details of attendance of directors at the Board Meetings held during the financial year ended 31 December 2016 are as follows:-

Name of Directors	Date of Appointment	No. of Meetings Attended
Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) (Chairman)	17 October 2005	11/11
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad <i>(Redesignated as Non-Independent Non-Executive Director on 1.5.2016)</i>	25 April 1991	10/11
Abd Malik bin A Rahman	16 February 2011	11/11
Ignatius Chan Tze Ching	6 August 2013	9/11
Dr. Rosnah binti Omar	5 February 2014	10/11
Joseph Yuk Wing Pang	29 April 2015	7/11
Peter Yuen Wai Hung <i>(Alternate director to Joseph Yuk Wing Pang)</i>	29 April 2015	3/11
Tan Sri Mohd Ghazali bin Mohd Yusoff	20 January 2017	-
Dato' Mohd Hata bin Robani	7 February 2017	-
Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff <i>(Resigned w.e.f. 23.12.2016)</i>	23 December 2011	10/11
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <i>(Ceased as director w.e.f. 29.10.2016)</i>	19 July 1986	3/3
Dato' Mustafa bin Mohamad Ali <i>(Ceased as director w.e.f. 27.10.2016)</i>	28 November 2002	8/8
Lee Chor Kee <i>(Alternate director to Ignatius Chan Tze Ching)</i> <i>(Ceased as director w.e.f. 6.8.2016)</i>	6 April 2015	1/11

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

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

**Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad**  
(Redesignated as Non-Independent Non-Executive Director on 1.5.2016)

**Abd Malik bin A Rahman**

**Ignatius Chan Tze Ching**

**Dr. Rosnah binti Omar**

**Joseph Yuk Wing Pang**

**Peter Yuen Wai Hung**  
(Alternate director to Joseph Yuk Wing Pang)

**Tan Sri Mohd Ghazali bin Mohd Yusoff**  
(Appointed on 20.1.2017)

**Dato' Mohd Hata bin Robani**  
(Appointed on 7.2.2017)

**Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff**  
(Resigned w.e.f. 23.12.2016)

**Tan Sri Dato' Seri Lodin bin Wok Kamaruddin**  
(Ceased as director w.e.f. 29.10.2016)

**Dato' Mustafa bin Mohamad Ali**  
(Ceased as director w.e.f. 27.10.2016)

**Lee Chor Kee**  
(Alternate director to Ignatius Chan Tze Ching)  
(Ceased as director w.e.f. 6.8.2016)

### COMPANY SECRETARY

Nimma Safira binti Khalid

### REGISTRAR

**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  
Tel : 603-2783 9299  
Fax : 603-2783 9222

### REGISTERED OFFICE

7<sup>th</sup> Floor, Chulan Tower  
3 Jalan Conlay  
50450 Kuala Lumpur  
Tel : 603-2142 9569  
Fax : 603-2143 1057

### STOCK EXCHANGE

Bursa Malaysia Securities Berhad  
Stock Code : 5185  
Stock Name: AFFIN

### PRINCIPAL BANKERS

AFFIN Bank Berhad  
RHB Bank Berhad  
Public Bank Berhad

### WEBSITE

<http://www.affin.com.my>

## MANAGEMENT DISCUSSION AND ANALYSIS



### ECONOMIC OUTLOOK

Malaysia's real GDP growth is projected to recover gradually from 4.1% year on year in 1H2016 to around 4.2% estimated for full-year 2016 (5.0% in 2015). Against a backdrop of modest but healthy growth in the global economy, it is expected that the country's real GDP growth to improve to 4.4% in 2017, supported by domestic demand, especially from private consumption and investment. However, as a highly open and trade-dependent economy, Malaysia's real GDP growth and external demand will likely be influenced by the health of the global economy in 2017.

The International Monetary Fund ("IMF") expects some improvement in the global economy, with global GDP growth of 3.4% year on year in 2017, higher than its forecast of 3.1% in 2016 (3.2% in 2015). However, the global economy is still clouded by uncertainty from the Brexit vote and the sustainability of China's economic growth, as well as tensions from the US political scene, with anti-trade sentiment on international trade. There is a possibility of some slowdown in world economic indicators that may prompt IMF to make another round of downward revisions to global GDP growth for 2017, which has already been revised downward three times from the earlier projection of 3.8% a year ago.

The improvement in the government's budget fiscal deficit from -3.1% of GDP in 2016 to -3.0% of GDP projected for 2017 can be achieved, but based on the assumption that the revenue target is attainable. Government revenue is projected to increase from higher collection from direct taxation and oil-related revenue (based on a crude oil price assumption of US\$45/barrel in 2017 vs. US\$40/barrel in 2016).

Consumer spending should be supported largely by support initiatives that were announced in the recent 2017 Budget, such as BR1M for low-income household groups. In addition to on-going infrastructure projects such as the Pan Borneo Highway, RAPID, and MRT Line 2, the announcement of new projects in the latest Budget 2017, especially the new East Coast Railway Line (ECRL) project connecting Klang Valley to the East Coast, should provide a boost to private investment growth.

Export growth is expected to pick up from 0.1% year on year in 2016 to 2.5% in 2017, while import growth should rise from 1.4% to 2.7% over the same period, with the trade balance improving slightly to RM83.4 billion in 2017 (estimated RM82.7 billion in 2016). The current account surplus is expected to narrow from 1.3% of Gross National Income (GNI) in 2016 to 1.0% of GNI in 2017. The sustainability of Malaysia's current account surplus position should be determined mainly by the trade surplus, as both a services deficit and an income deficit will likely persist in the quarters ahead.

The Malaysia's headline inflation is expected to average around 2.2% to 2.3% in 2016 (2.1% in 2015) before rising to 2.6% in 2017. BNM has left its policy rate unchanged at the Monetary Policy Committee (MPC) meeting on 23 November 2016. BNM's decision to cut its Overnight Policy Rate (OPR) rate by another 25bps at meetings in 1H2017 would be data-dependent, especially on external uncertainties.

Against any major downside risks from external developments, it is believed that Malaysia's economic fundamentals will remain sound, supported by an improving economic outlook, lower fiscal deficit position, sustainable (though narrowing) current account surplus, healthy foreign exchange reserves as well as manageable inflationary pressure.

## MANAGEMENT DISCUSSION AND ANALYSIS

The global economy is still clouded by uncertainty from the Brexit vote (i.e. possible reduction in trade and financial flows between UK and the rest of the European Union) and the sustainability of China's economic growth, as well as financial volatility stemming from US monetary policy and capital flows on emerging markets.

According to the IMF, the downside risks to 2017 would also be influenced by tensions from the US political scene, where anti-immigrant and anti-trade rhetoric has been prominent from the start of the current presidential election. Across the world, the IMF noted that protectionist trade measures have been on the rise. The World Trade Organization ("WTO") also cautioned about rising concerns of growing anti-globalization sentiment, where anti-trade policy positions could worsen from the perspective of global trade as well as job creation and economic growth and development, which are closely linked to an open trading system.

In the past, based on IMF's definition, global growth of below 3% is "equivalent to a global recession." However, global growth has not been weaker than 3% since 2009, when the world economy stalled in the wake of the Global Financial Crisis, and it is believed that the risk of global growth falling below 3% in 2016 and 2017 is relatively small.

### GROUP'S FINANCIAL PERFORMANCE

For the financial year ended 31 December 2016, the Group reported a Profit Before Tax After Zakat ("PBT") of RM737.7 million, a significant improvement of RM223.3 million or 43.4% as compared to RM514.4 million achieved in 2015. The improved performance was mainly due to lower allowance for loan impairment of RM170.0 million as well as the increase in other operating income, Islamic banking income and net interest income totalling RM133.4 million. The share of profits in associate was also up by RM26.2 million while the share of losses in joint venture company was lower by RM14.6 million. For the financial year under review, both the overhead expenses and finance cost were higher by RM57.2 million and RM15.7 million respectively, and there was an allowance for impairment loss on securities of RM24.9 million as compared to a write-back of RM23.8 million in the previous year.

In line with the AHB's financial performance and dividend policy, the Board of Directors has proposed a single-tier final dividend of 2.0 sen per share for the financial year ended 31 December 2016.

With effect from financial year 2012, the Company adopted a dividend policy to pay a minimum dividend based on 50% of the Company's profit after taxation for each financial year, provided the distribution would not be detrimental to the Company's cash requirement or any plans approved by the Board.

In recommending dividends, the Board endeavours to maintain a consistent and regular dividend payment policy that promotes a stable stream of return to the shareholders of AHB, taking into consideration the allocation of capital resources to support the organic business growth of the Group.

In December 2016, AHB won the Merit Award for most improved annual report at the Malaysian Asean Corporate Governance Awards 2016.



## MANAGEMENT DISCUSSION AND ANALYSIS

### RISK MANAGEMENT IN THE GROUP

The main types of risks faced by the Group include the following:-

- Credit Risk
- Market Risk
- Liquidity Risk
- Operational Risk
- Strategic Risk
- Reputational Risk
- Shariah Non-Compliance Risk
- Business Continuity Risk
- Emerging risk; and
- Life & Savings Insurance Risk

Identifying and monitoring of emerging risks are integral to the Group's risk management approach. The emerging risks are identified through a top-down and bottom-up approach involving members of the Group Board Risk Management Committee, Board Risk Management Committees of the financial subsidiaries, senior management, independent risk management and control units and business units. This is followed by comprehensive risk assessments to qualify the risk exposures and the mitigation impact of the risk management with policies and guidelines on business activities and business strategies.

The assessments serve to identify the appropriate risk mitigating initiatives to manage the emerging risks. In addition, stress testing, both internal and regulatory programmes are used to assess the effect of changes in economic conditions on the Group's operations.

The Board of Directors of AHB has the overall responsibility in establishing a sound Terms of Reference and Group ERM Framework and risk management structure as well as reviewing its adequacy and effectiveness. The Group ERM framework is designed to manage the Group's risks within its risk appetite and capital management to achieve the business goals and objectives.

The Board has established a risk governance structure to ensure effective oversight of risks and strategic risk management in the Group. The Group has a well-established risk governance structure to

proactively manage risks in the interests of all stakeholders. The Board acknowledged that the Group has effective on-going process to identify, qualify, quantify, manage and report on significant risks faced by the Group in its pursuit of financial and non-financial performance. The Board, through its committees and engagement sessions with the risk management committees at the subsidiaries maintains overall responsibility for oversight risk and strategic risk management within the Group of Companies.

An effective risk management system is vital for AHB Group to create value to its shareholders, customers, counterparties, employees, investors and the community it serves at large. As risks evolve from time to time, the Group continues to enhance its integrated risk management approach and processes towards the effective management of Group Enterprise Wide Risk Management. The Group Risk Management Framework is governed by a strong oversight and strategic ERM function comprising AHB Board, Financial Subsidiaries Board, Management Committees, Group Chief Risk Officers as well as all Business and Support units in Risk Management Departments.

### REVIEW OF BUSINESS OPERATIONS AND PROSPECTS

#### AFFIN Bank Berhad ("AFFINBANK")

AFFINBANK offers a plethora of conventional and Islamic financial products and services for consumer, corporate, commercial, small & medium enterprises ("SMEs") and institutional clients. The Bank offers Islamic financial products and services through its wholly owned subsidiary AFFIN Islamic Bank Berhad. In view of the strong demand and growth in the Islamic financing front, the Bank has launched its Priority Islamic Policy ("PIP") which is the Bank's strategic move to be aligned with the Central Bank of Malaysia's Financial Sector Blueprint for financial institution to enhance its Islamic financing portfolio to 40% in 2020. Under this new business approach, all new accounts and facility application are encouraged to be booked under Islamic portfolio and it has shown progress as the Bank's Islamic portfolio has increased to 27.8% (as at December 2016) of the Bank's total banking assets.



MANAGEMENT DISCUSSION AND ANALYSIS



The Bank has also embarked on a three-year Group Strategic Transformation Program known as 'AFFINITY'. AFFINITY is by far the biggest transformation exercise that the Bank has embarked on. One must understand that the Banking landscape has evolved and with this comes new challenges namely, the disruption caused by Financial Technology ("Fintech"), the way customers perceive banking, the state of the economy and the weakening of Deposits and Loan Growth hence the importance of AFFINITY to elevate the Bank to greater heights. Under AFFINITY, there are thirty-two (32) new transformation projects (17 of which has been initiated beginning July 2016) being identified across eight pillars, namely targeted customer segments, delivery channels, products and solutions, operations, technology, people and organisation, performance management and risk and compliance governance. The Bank is also currently in the process of enhancing its digital banking positioning to elevate its competitiveness in the industry, in line with its aspiration to become highly digital & innovative Bank with customer centricity at heart.

Apart from driving deposits, AFFINBANK implemented quarterly branch reviews as an avenue to share ideas for betterment and provide a platform to give recognition to performers with respect to customer service and compliance. This has resulted in lesser audit and compliance issues at the branch level. Under the AFFINITY program, monthly collaboration meetings with product hubs and Business Centres are being held to tap on existing customers for business opportunities and bigger share of wallet. In terms of branch network, ABG has ninety-nine (99) conventional branches including

two new branches opened in 2016 at Kota Damansara, Selangor and Tabuan Jaya, Sarawak and nine (9) Islamic branches respectively in Malaysia. The Bank will continue to expand their branch network to ensure that the Bank is well represented in Malaysia.

The Bank has successfully issued RM1 billion subordinated debt in February 2017, part of the issuance of the Bank's Medium Term Notes ("MTN") Program of RM6.0 billion. The MTN Program can be utilised amongst others, for general banking, working capital requirements and business purposes of the Bank.

On a different note, the Bank signed an agreement on 22 September 2016 with the Asian Banking School ("ABS") for the provision of a customised training programme on Ethics, Risk and Compliance Culture Awareness ("ERC") (the first Bank in Malaysia to partner with ABS for ERC). The objectives of this program are to empower staff to develop ethical and critical, risk-return based decision making skills and to align core behaviour to inculcate a strong and healthy ethics, risk and compliance culture.

AFFINBANK Group registered a PBT of RM599.9 million for the financial year ended 31 December 2016, an increase of RM142.4 million or 31.1% as compared to RM457.5 million achieved in 2015. The improved performance was mainly due to lower allowance for loan impairment, net of lower recoveries of RM163.3 million, higher other operating income and higher Islamic banking income of RM35.0 million and RM33.9 million respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

**Consumer Banking**

In 2016, Consumer Banking implemented AFFINITY Quick Wins Initiatives, BMS as Sales Leader, Repeat Purchase@HP, Mortgage Early Settlement Counter Offer, Deposit Sales @ Branches and strengthen hub-branch Linkages. In addition AFFINBANK also re-launched the AFFINBANK BHPetrol MasterCard® Contactless, successfully re-carded the entire credit card and debit card base from signature to PIN, launched the Cash-on-Call Installment Program, obtain an award for USJ Taipan branch from PNB under PNB-ASNB Starz Award 2015/6 for registering the highest number of counter transactions in AFFINBANK and tied up with Cycle & Carriage Bintang Bhd, Kah Motor Bhd, Naza Kia Malaysia Bhd to offer GAP insurance as part of their product offerings. In 2017, Consumer Banking will focus on AFFIN Digital projects as core part of digitisation of Consumer Banking business as well as revamping front-end channels and re-engineering digital enterprise besides continuing collaboration between branches, hubs and SMEs for better synergies and introducing Combi-Card, Elite/Infinite and Islamic Credit Cards.

**Hire Purchase**

The Total Industry Volume ("TIV") for the new car market declined by 13% in 2016 to 580,124 units compared to 666,677 in 2015. It is the first time that the TIV dipped below the 600,000 mark in six years due

mainly to uncertainties surrounding the economy, rising cost of living and weak consumer sentiment. Despite this, AFFINBANK continued to pursue its strategy of managing growth with asset preservation in view of the implementation of MFRS9 in 2018. Despite a slight negative growth last year which was in line with the industry, AFFINBANK managed to improve its sales yield by 30 basis points. During the year, AFFINBANK worked closely with the dealer principals for a win-win relationships, e.g. AFFINBANK offered insurance product from AXA AFFIN General Insurance Bhd i.e. GAP that they can package and sell together with its hire purchase as differentiated product offering to their customers compared to their competitors. Cycle & Carriage Bintang Bhd's Guaranteed Value Proposition is an example of such win-win relationships.

2017 continues to be challenging and the Malaysian Automotive Association is predicting a mild recovery in sales should the Malaysian economy pick up in the second of half of this year with a forecast of 590,000 units. Against such backdrop, AFFINBANK's strategy remains unchanged i.e. to remain focused on asset preservation and to pursue more win-win opportunities with AFFINBANK principal dealers. AFFINBANK is also pursuing its AFFINITY quick wins on repeat customer which was implemented last year in which AFFINBANK is exploring ways to encourage its customers to take hire purchase from AFFINBANK after they have settled their existing ones.

## CHAIRMAN'S STATEMENT

### Mortgage Business

Despite the softening property market, Mortgage Business had a sterling performance in 2016. Loan base grew 13% and loan stock increased 60% compared to 2015. This was mainly attributed to the implementation of sales hubs as part of the Consumer Banking transformation. Furthermore, AFFINBANK strengthened its sales team with the recruitment of talented product specialists to increase the team selling capabilities in the marketplace. AFFINBANK will continue the momentum gained in 2016 and focus on few areas i.e. affordable landed property and secondary market, first time house buyers and house owners that are upgrading.

The property sector will remain challenging in 2017. Affordability continues to be the main issue with many consumers delaying big tickets purchases like houses due to rising cost of living and uncertain financial and employment outlook. Interest margin remains under pressure. To counter this, AFFINBANK will look at increasing its cross-selling activities to deepen AFFINBANK's share of customer wallet. The Bank will continue to target young professionals, first home buyers and homeowners looking to upgrade or buy affordable residential properties ranging from RM300,000 to RM700,000.

### Amanah Saham Nasional Berhad ("ASNB") Business

AFFINBANK is relatively a newcomer in the ASNB financing segment compared to heavyweights such as Maybank, CIMB and RHB. Despite challenges from competition, internal processing and limited resources, AFFINBANK managed to grow the ASNB business by 152% over last year.

This year, AFFINBANK will be working closely to improve the process, build a more stable and sustainable sales force and harness opportunities within the Group, LTAT and Boustead to sell and aim to achieve the prescribed PNB-ASNB quota by middle of 2017.

### Cards Business

Cards Business Department achieved commendable results despite the challenging market conditions, outpacing the industry growth rate of 2.5% in loan base by 8.7% year on year (Visa report for FY2016). This was attributed to the roll-out of three regional Card Sales Hubs i.e. in Penang, Johor and Central and strong collaboration with branches and other product hubs. The number of applications increased by 142% whilst the number of approved credit card grew by 238%. In addition, Cards Business also successfully completed a re-carding exercise in line with the move from being signature to PIN based. Furthermore, AFFINBANK also relaunched the AFFINBANK BHPetrol Contactless MasterCard® and Cash-on-Call Instalment Program.

Card business has also been placed under the AFFINITY program to strengthen the business which includes defining its go-to-market strategy to increase card base, merchants and profitability. As a result, more product offerings will come on-board in 2017 which includes the introduction of Elite/Infinite cards for the super affluent market segment, UnionPay to cater to customers doing business in China and

Islamic credit card to allow AFFINBANK to penetrate into this growing segment offering our customers better choices.

### Wealth Management

In general, the investment sentiment among the high net worth customer segment continues to be cautious. Fixed Deposits remained the primary option with real estate investments a close second. Unit Trust Funds and Investment-Linked Insurance continue to remain the core products in Wealth Management for most banks. Moreover, there are tractions on structured products such as Dual Currency Investment ("DCI") as well as Equity-Linked Notes ("ELN"). AFFINBANK is working very closely with its partners including AFFIN Hwang Asset Management to introduce more sophisticated products to the Bank's affluent customers.

In 2016, AFFINBANK had adopted a shift from product push to emphasize on customer needs with the objective of strengthening the Bank's relationship with customers. This shift which is part of the Consumer Banking transformation came together with the establishment of Wealth Management teams housed in selected branches to provide better service thus helping AFFINBANK to grow its Asset Under Management ("AUM") from RM95 million to RM142 million in 2016. It is believed that a deeper understanding of the Bank's customer segments and needs will shape its future value propositions and privileges and these will help AFFINBANK achieve recognition as one of the preferred providers of quality investment advisory and banking services for our affluent customer segment.

The on-going market liberalisation has facilitated growth in the wealth management industry and these reforms have helped increase the liquidity for the trading of equity, bonds and derivatives in Malaysia. This has enabled many financial institutions to provide more sophisticated products to high net worth customers. It represents both an opportunity and a challenge for AFFINBANK to focus on the importance of overall portfolio management for this group of customers.

In 2017, AFFINBANK will launch the Personalised Banking platform which sees a shift from just merely providing transactional conveniences, towards a cohesive unit with financial planning advisory competence and quality offerings of product, services and privileges. AFFINBANK aims to constantly review its service packages, introduce new ideas and make bold changes to become a convenient one-stop financial solution centre for High Net Worth ("HNW") customers. Over time, AFFINBANK plans to be ready for new business opportunities and strive towards becoming one of the preferred banks for the High Net Worth segment.

### Digitalisation Roadmap

Digitalisation Roadmap in AFFINBANK had kick-started with the launch of AFFIN Digital focusing on two main ecosystems, revamping front-end touch points and re-engineering digital enterprise. AFFIN Digital strives to re-engineer consumer business to be customer centric with digital innovations at core, with the first priority on consumer banking and continue to expand to other business areas. Thus, creating a seamless, easy-to-use digital proposition at all customer touch points.

## MANAGEMENT DISCUSSION AND ANALYSIS



The 3-year roadmap consists of 22 projects in the pipeline which aims to create lasting impression and top mind awareness towards AFFINBANK brand, introduce new and exciting technologies to banking services and promote strategic partnerships to create value-added products and services.

Moving forward, AFFINBANK aspires to become a premier digital bank in Malaysia with digital transformation in the following areas namely, to prioritize mobile focus development for all products and services, provide consistent customer experience across all channels, i.e. start digital end traditional (“SDET”) or start traditional end digital SDET, explore next-day technologies, collaborate with FinTechs to fast-track innovation and create innovation lab to spur innovative thinking and culture, leverage social media platforms and digital marketing efforts to reach and engage new and existing customers, provide peace of mind banking for customers at all digital touch points and become a highly digital and innovative bank with customer centricity at heart, coupled with analytics to offer right products at the right time, using the right channel.

The Bank has also won the JomPay Award being the highest biller acquired within Group B consisting of local and foreign banks.

#### AFFIN Islamic Bank Berhad (“AFFIN ISLAMIC”)

AFFIN ISLAMIC gained traction on several strategic fronts and achieved new milestones on its 10th anniversary in 2016. The Bank successfully navigated through a challenging environment of contracting margins and intensified competition to continue registering growth in all key parameters.

AFFIN ISLAMIC’s deposit portfolio continued to grow by 5.0% despite intense competition for deposits during the year. This was a result of various collaborations with its parent company, AFFINBANK. These included promotions such as the OMG Deposit Campaign, Joyful Raya Merdeka Deposit Campaign, 20% Cash Back for Debit/Credit Card usage, AFFIN E-Fair campaign (for online services, bill payment and financing). The Bank’s financing portfolio benefitted from RM2.7 billion to record 29.3% growth from the previous year. Together, these enabled AFFIN ISLAMIC to end the year with total assets of RM15.3 billion, an expansion by 14.2% from the previous financial year.

2016 saw AFFIN ISLAMIC entered into a number of collaborative ventures between Islamic financial institutions which included the founding and launch of the Investment Account Platform together with five other Islamic banks. IAP, the first Shariah-compliant digital investment platform is expected to gain greater momentum in the future with the growing demand for online crowdfunding supported by a robust risk management infrastructure. The platform benefits entrepreneurs and small and medium enterprises that require financing in a more structured and cost-effective manner by allowing investors to invest directly into business ventures and enjoy higher potential returns.

One of the three inaugural investment accounts offered on IAP during the year was developed by AFFIN ISLAMIC involving ICT Zone Ventures Berhad for a total financing of RM4 million to aid in supplying computer notebooks for Program Latihan Khidmat Negara (PLKN) programme on a rental basis.

AFFIN ISLAMIC, together with seven other banks, participated in a syndicated Islamic financing facility with UDA Holdings Berhad for up

MANAGEMENT DISCUSSION AND ANALYSIS



to RM500 million to partly-fund the property developer's eight upcoming projects including serviced apartments at Jalan Sultan Ismail in Kuala Lumpur and condominiums in Cheras.

AFFIN ISLAMIC also signed a Memorandum of Understanding with the Islamic Corporation for the Development of the Private Sector or ICD, the private sector arm of Islamic Development Bank Group in Saudi Arabia at its headquarters in Jeddah. Both parties will work towards identifying areas for strategic collaboration within the Asian region in the fields of technical and advisory support on product development and Shariah concepts such as placement of funds, lines of finance and liquidity management. 2016 also saw the Bank collaborate with Danajamin to provide a financing facility of RM160 million to KNM Group Berhad for projects related to Refinery and Petrochemical Integrated Development (RAPID) in Pengerang, Johor. The Bank continued to enhance its services by strengthening SME facility creation processes and develop new business products that offer higher profitability.



Efforts to widen customer reach among the millennials saw marketing campaigns focus on the technology-savvy trend by utilizing online engagement and social media interaction. This included social media campaigns in collaboration with The New Straits Times Press Malaysia as the main sponsor for Harian Metro Mountain Bike Grand Prix 2016 to promote healthy lifestyles. Other initiatives included a nationwide advertisement campaign to generate further brand awareness while future plans include actively promoting products and campaigns on the Youtube channel. AFFIN Education Financing-i, was one of two products launched in 2016 in collaboration with Management Science University. The Shariah-compliant financing facility offers financing of between RM5,000 and RM150,000 for deserving students from universities and colleges who wish to further their studies in diploma, degree or postgraduate courses.

The Bank also launched the Restricted Investment Account (RIA) under a Mudarabah concept (profit sharing and loss bearing) offering returns based on performance of underlying assets, investment into specified assets with a mandate by customers and maturity and withdrawal conditions agreed at inception stage.

The Bank's participation in a number of prestigious industry events further enhanced its position as one of the major Islamic financial institutions in the country. These included the Global Islamic Finance Forum, 13th Annual Kuala Lumpur Islamic Finance Forum and the 6th ISRA-IRTI-Durham University Strategic Round.

## MANAGEMENT DISCUSSION AND ANALYSIS



AFFIN ISLAMIC enjoyed a commendable performance in 2016 registering a 32.8% increase in profit after zakat and taxation ("PAZT") to RM112.6 million in 2016 on the back of 29.1% financing and 5.3% deposit growth respectively. New financing income grew from RM205.7 million to RM229.0 million, an increase of 11.2% while total assets stood at RM15.3 billion, representing a 14.2% increase from 2015. The Bank's good asset quality was reflected by an improvement of 0.7% in the gross impaired financing ratio from 1.5% to 0.8%. Net impaired financing ratio declined substantially to 0.6% from 1.1% the previous year, while Return on Equity and Return on Asset improved by 8.3% and 21.5% respectively.

2017 will see the Bank continue to strengthen its network presence and customer reach with the upcoming launch of mobile and enhanced internet banking in line with the increasing utilisation of online transactions and online marketing channels such as Facebook, Instagram, Youtube and Twitter. In addition AFFIN ISLAMIC will also enhance its financing portfolio, in line with the Priority Islamic Policy implementation focusing on resilient and recession proof industries.

#### **AFFIN Hwang Capital (AFFIN Hwang Investment Bank Berhad and AFFIN Hwang Asset Management Berhad)**

AFFIN Hwang Capital ("AHC") is the investment banking group which is organised around three principal business areas namely Investment Banking, Securities and Asset Management. Over the last two years, its focus has been to consolidate and rationalise its business operations subsequent to the merger of businesses between AFFIN Investment Bank Berhad group and HwangDBS Investment Bank Berhad group.

For the financial year ended 31 December 2016, AHC reported a Pre-Provision Operating Profit ("PPOP") of RM131.6 million that was mainly due to a 7.9% improvement in Net Income from RM509.1 million to RM549.1 million. This was driven primarily by an 8.2% increase in Fee Income from RM353.1 million to RM382.2 million. Operating Expenses had also improved by RM7.7 million led by a 10.9% improvement for personnel costs primarily from impact of staff rationalisation initiative. Consequently, Profit Before Tax after Zakat ("PBT") and Profit After Tax ("PAT") came in at respectable RM129.8 million at RM103.2 million respectively. After tax Return on Equity climbed up to 5.9% while Cost to Income ratio has similarly improved.

AHC continues to foster and establish strategic partnerships in the region for cross border collaboration, especially in the areas of institutional equities trading and research that now includes partnerships with the Daiwa Securities Group of Japan, Thanachart Securities Plc of Thailand and recently with PT Bahana Securities of Indonesia.

AHC's efforts have resulted in a number of international and domestic recognitions which included Most Improved Brokerage in Malaysia as well as the third-ranked Best in Sales Trading in Malaysia by the Asiamoney's Brokers Poll 2016, while continuing to be the market leader in terms of both market trading value and volume on Bursa Malaysia for three years running. Two of its analysts were selected as winners in The Edge's Best Call Awards 2016. AHC also won the Best Asset Manager in Malaysia and the Best Asset Management House of the Year in Malaysia as awarded by Euromoney Private Banking & Wealth Management Survey and The Asset Triple A Islamic Finance Awards respectively in 2016. AHC also received a Notable Mention by The EDGE in the Best M&A Deals, while also came in second in the Malaysian Borrower Loans league table ranking for 2016 by Bloomberg.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Investment Banking

Overall, there was much less capital market activity in 2016 compared to the previous year. Among the year's key assignments were the Initial Public Offering ("IPO") of Serba Dinamik Holdings Berhad, one of the largest domestic IPOs over the last 19 months, as well as the divestment of Brahim's Holdings Berhad's 49% interest in Brahim's Airline Catering Holdings Berhad to SATS Ltd., where the exercise was a Notable Mention for the Best M&A Deals by The EDGE. We were also one of the lead managers for the RM25 billion sukuk for Lembaga Pembiayaan Perumahan Sektor Awam.

The current challenging economic environment is expected to continue, and coupled with low commodity prices, these may adversely impact the debt servicing capacity of borrowers and issuers. In general, AHC would expect to be more prudent in selecting new credit exposures. AHB will continue to focus on engaging its clients and undertake to strengthen the relationships further.

In addition, the collaboration with AHC's regional alliance partnerships will provide increased opportunities for cross border deals. AHC will also maintain engagements within various business units within the AFFIN Banking Group for more referrals opportunities.

### Securities

The FBMKLCI fell from 1692 to 1641 year-on-year, with trading value and volume also came off by 5.5% and 13.5% respectively. AHC's market share meanwhile further improved from 10.9% to 11.4% and 14.4% to 14.9% for market trading value and volume on Bursa Malaysia respectively. AHC's Joint Distribution and Marketing Agreement with Bahana Securities in late 2016 will further enhance its position for outbound trade flows.

The market has been impacted by both local and global events. Notwithstanding that, the strong domestic liquidity, healthy economic fundamentals as well as continuous primary and secondary market fund raising exercises will continue to lend support to the domestic equity market.

Client centricity will be a core focus area. AHC will also leverage on our regional alliance partnerships to grow its institutional outbound business, where the growth prospect is expected to remain positive, supported by the increasing trend of assets diversification by domestic investing institutions. The ongoing technology driven revamp of its retail broking business model is expected to bring positive outcome in the medium term. AHC is also constantly evaluating new sources of growth to diversify its earnings base from traditional brokerage income. Amongst some of the new products identified are Securities Borrowing and Lending services.

### Asset Management

Despite the cautious market sentiment, the Assets Under Administration (AUA) grew from RM34.9 billion to RM36.3 billion year-on-year, with increase mainly from retail segment. Correspondingly, supported by thirteen new funds launched during the year, the initial and management fees were relatively stronger than previous year's performance.

Despite having sustainable revenue base on the fund size, the asset management business will continue to capitalise on the growth potential in the retail and high net worth business categories to further strengthen the relationship and deepening the share of wallet among customers. Continuous efforts on engaging new business partners and expanding to different segments of high potential customer base will be part of the focus in the coming year.

The asset management business is also finding new ways to generate added revenue for the business by launching new funds and venturing into different type of products to penetrate the market moving forward.

### AXA AFFIN Life Insurance Berhad ("AALI")

AALI is a joint venture company between AXA Asia Pacific Holdings Ltd ("AXA") and AHB. AXA is an international Group with a global presence in 64 countries including Europe, North America, Africa and Asia Pacific and has a workforce of more than 166,000 employees. Recognised globally for their financial protection and wealth management expertise, AXA, headquartered in Paris is focused on helping individuals manage risk and achieve their financial goals. In Malaysia, AALI strives to build close and lasting relationship with its customers who are offered support and advice with the highest standard of professional ethics, to help them pursue life confidently. AALI's product offerings are distributed through its bancaassurance and agency sales channels.

Leveraging on AXA Group's strength as a financial protection expert and AHB's local knowledge and diversified network, AALI is focused on helping individuals manage risk and achieve their financial goals via a multi-distribution and multi-partnership strategy to expand reach of customers.

AALI reported a net loss of RM16.2 million in 2016 compared to the previous year's net loss of RM29.2 million attributed mainly to higher investment income and lower expenses.

It however continued to grow its gross premium in 2016 which amounted to RM385.6 million, a healthy 7% increase from RM360.6 million in 2015. While the capital adequacy ratio remains well above



## MANAGEMENT DISCUSSION AND ANALYSIS

the supervisory requirement, a 6% growth in new business was recorded due to a combination of a shift in strategy to a more profitable product mix with a higher proportion in Protection and Health business and prudent cost management. The annualised premium equivalent grew by 1% supported by growth in AFFINBANK, DM/TM, Connect and digital channels while renewed premiums grew by 12%. Customer survey scores were at 76.9 % as part of gauging customer satisfaction.

With the Malaysian life insurance industry forecasted to grow at a moderate rate, AALI also expects to continue its growth trajectory on the back of favourable demographics and relatively low insurance penetration. The company will focus on sustaining growth of its distribution channels through a variety of initiatives set out in its strategic plan while customer centricity and digital levers remain key in an increasingly competitive environment. It is envisaged that the interest rate environment will continue to influence profitability levels as it impacts investment returns, reserving for policyholder liabilities and capital requirements.

Customer segmentation is in its infancy with growing potentials. Priority segments of the population continue to be mass affluent established families and mass affluent young professionals. This continuous growth is to be achieved through expanding reach of consumers through multi distribution channels and platforms as well as product development to cater to different needs.

### AXA AFFIN General Insurance Berhad (“AAGI”)

As one of the fastest growing general insurance companies in Malaysia and leader in medical and health insurance (source: ISM), AAGI offers comprehensive protection solutions to individuals and businesses in all areas of general insurance serving more than a million Malaysian customers, with over 800 employees in 22 offices, as well as over 4,000 agents nationwide, brokers and key bank partners. The major joint venture partner, AXA Group is a global leader

in insurance offering products that include property-casualty insurance, life and savings and asset management.

The Profit Before Tax (“PBT”) of AAGI for the financial year was RM181.2 million, higher compared to previous year’s RM114.8 million. This increase was mainly due to higher underwriting results and higher investment income from gain on sale of investment.

AAGI closed 2016 with a gross written premium (“GWP”) of RM1.47 billion, recording a 10.5% growth of RM140 million from RM1.33 billion in 2015. The strong performance was primarily due to the successful execution of strategic initiatives, with positive growth recorded from all regions. The motor insurance segment which accounted for 52.5% of the total business remains the largest contributor recording a growth of 9.5%.

During the year, a concerted effort was made to re-design and re-structure policy processing. As a result, a centralised processing centre located in Melaka which has led to a significant improvement in Turn-Around-Time (“TAT”) and accuracy of policy processing. TAT for Policy Processing improved significantly from 76% in 2015 to 94% and Accuracy Rate increased to 98.4% from 97.7% in 2015.

IConnect a point of sales system which helps automate policy issuance and endorsement end-to-end was rolled out to all branches and selected agents for travel insurance products. In addition, a number of processes were fully automated with excess staff being re-deployed to other areas to support the incremental growth of the business.

AAGI continuously strive to ensure effective and robust risk management by reviewing and assessing all risks facing insurers be it underwriting, reinsurance, investment, geographical, operational and regulatory on a comprehensive basis. Its risk exposures are well within the Company’s tolerance limit of the overall risk appetite framework and are regularly monitored by our risk management department.



MANAGEMENT DISCUSSION AND ANALYSIS



Looking ahead domestic demand stability and low insurance penetration will continue to support the sector despite the lower automotive sales and private consumption. AAGI remain focussed on growing the key business lines while beginning the transformation towards becoming a customer-centric organisation via transformation projects and digital enablers.

AAGI will also continue with strategies to be implemented in 2017 with the aim of achieving sustainable growth through enhanced technical and data excellence as well as efficiency. The SmartClaims project, designed to provide enhanced and efficient claims solutions is expected to be launched early 2017 and the company is also preparing for the liberalisation of the motor and fire insurance sectors in 2017 as well.

The general insurance sector is expected to be challenging in 2017 as the phased liberalisation of motor and fire tariffs being set in motion. The lower automotive sales and private consumption in 2016, underpinned by the slowdown in the economy, will continue to be taxing for the industry. AAGI will remain focused on growing its key business lines whilst driving its transformation journey into becoming a customer centric organisation.

**AFFIN Moneybrokers Sdn Bhd (“AMB”)**

AMB is an intermediary or arranger of deals between authorised financial institutions in foreign exchange and domestic money market. It has been in operation for more than 25 years and is currently the top two money broking companies in Malaysia.

AMB facilitates deals between authorised financial institutions in foreign exchange and the domestic money market. AMB provides professional and quality service to its clients focusing on their immediate and long term needs by being informative and innovative incorporating the latest available technology.

The net brokerage income of AMB for financial year 2016 totalled RM10.7 million as compared to RM12.2 million in 2015, a drop of

RM1.5 million or 12.3%. The lower performance was attributed to a number of factors which included Bank Negara Malaysia’s imposition of several guidelines to calm market volatility and speculation in the ringgit, resulting in drastically lower market volumes, depressed commodity and oil prices and domestic political concerns. Profit before tax was RM1.6 million compared to RM2.3 million in 2015. Only the Fixed Income desk managed to surpass budgeted income by 7.3%.

Among the issues which pose challenges to the company are e-broking, which will have a negative impact on conventional voice broking, consolidation or mergers of money brokers and possible consolidation of the financial industry which may reduce market players thereby siphoning liquidity in the wholesale market. However, the entry of foreign banks and issuance of new Islamic banking licences will add greater depth to the financial industry especially the expected growth of Islamic banking products and services which will have a tremendous positive effect in the domestic market. In addition, the greater dealing requirements of insurance companies and the probable entry of large corporate bodies like EPF and Petronas will also be beneficial to the market.

Currently, AMB is engaged with partners to launch an Electronic Trading Platform to compete in this area. Efforts are also underway to identify and establish a formal alliance with a reputable international partner in anticipation of a greater presence of foreign money broking companies. We will also continue with efforts to increase market share in terms of brokerage fee, provide professional service that meet clients’ needs while observing the code of ethics of the industry, leverage on innovative technology to increase efficiency of business operations and maximise shareholder’s wealth.

Looking ahead, the possible consolidation or merger of money broking companies to the total brokerage income potential is expected to increase and globalisation of financial markets, i.e. borderless trading, will see the entry of large international foreign money broking companies competing in the domestic inter-bank market. Their wide network and superior technology and technical expertise will adversely impact local money broking companies.

## STATEMENT ON SUSTAINABILITY

AS A RESPONSIBLE BUSINESS GROUP, **AFFIN HOLDINGS BERHAD GROUP RESPONDS TO COMMERCIAL AND SUSTAINABILITY CHALLENGES IN A WAY THAT BUILDS MUTUALLY SATISFYING RELATIONSHIP THROUGH OUR PRODUCTS AND SERVICES.** ASSESSING THE NEEDS OF OUR STAKEHOLDERS AND IDENTIFYING MATERIAL ISSUES ALLOW US TO OPERATIONALIZE CHANGES IN A MORE EFFECTIVE MANNER.

Our fundamentals must be right with products and services that offer value and enrich the lives of our customers and the community as a whole. With still much to do in embedding sustainability across the business, we are committed to continue with efforts and initiatives that will help us achieve the desired outcome.

This statement on sustainability explains our aims with regard to balancing economic, environmental and social issues as they relate to the activities of the Group and our continued efforts in achieving them.

This statement applies throughout the Group and governs our approach to all our sustainability activities. The subsidiaries' sustainability efforts will as much as possible be aligned to the Company's sustainability strategies.



## STATEMENT ON SUSTAINABILITY

### ENGAGING STAKEHOLDERS

Building on our close relationship with our stakeholders through the years, we have institutionalised various channels to reach out to different parties. Ours is an ongoing commitment to reinforce relationships while working in tandem with stakeholders to seek out the best possible avenues in addressing not only current issues affecting our products and services but also being mindful of the future as well.

Stakeholder Group	Type of engagements	Remarks
<b>Employees</b>	Employee surveys, performance assessment and feedback, intranet, team meetings, town halls and engagement with employees	<ul style="list-style-type: none"> <li>Talent and succession planning</li> <li>Mutual separation scheme</li> </ul>
<b>Customers</b>	Customer surveys and focus groups	Customer service and complaints management and ATM downtime
<b>Investors</b>	Briefings to analysts and fund managers, road shows and investor engagement sessions	<ul style="list-style-type: none"> <li>Announcement of quarterly financial results</li> <li>Annual Report 2015</li> <li>Meeting with existing shareholders and potential investors on an ad-hoc basis</li> </ul>
<b>Regulatory bodies</b>	Meetings	Meetings on capital strength, strategic plans and Group reorganisation
<b>Media</b>	Briefings and meetings	Transparency and accessibility
<b>NGOs</b>	Forums and meetings	Community development and nation-building
<b>Suppliers</b>	Supplier assessment and meetings	Timely payment and engagement meetings with suppliers

### SUSTAINABILITY MISSION STATEMENT

The Group will work together with the Government in developing the nation and in promoting economic growth. The Company believes that increases in business activities within the country would have a favourable impact towards the country's economic stability as well as the Group's well-being.

We will conduct our business in a socially responsible and ethical manner. We respect the law, support human rights and protect the environment. The Group will conduct its business with a view towards long term environmental sustainability and preserving the eco-system and will balance the demand for innovation with the responsibility to do no harm to the environment. The potential environmental impact will be considered when making business decisions and when managing our resources.

As people are assets to any organisation, the Group strives to provide a conducive working environment for its employees and projects an image of a caring employer. The Group will recognise and reward outstanding performance as well as provide training and personnel development to attract and retain the most talented and committed employees.

## STATEMENT ON SUSTAINABILITY

## CORE AREAS FOR SUSTAINABILITY

- **Workplace**

The Group regards its employees as a key stakeholder. An area of concentration is the well-being of the employees and their families. We help our employees to achieve their full potential by engaging with them openly, honestly and with respect. We are committed to providing a workplace that protects employee safety and promotes their health and well-being. We promote well-being of our staff through attractive remuneration and fringe benefits and provision of training and development and opportunities for career advancement.

- **Marketplace**

The Group's success is built upon the trust placed in 'doing the right thing' through values embedded in a culture of integrity, ethical behavior, honesty and zero tolerance of fraud for the achievement of continuous corporate governance excellence. The promotion of the strong ethical business culture by the Group will also help to promote healthy marketplace. For good investor relation practices, the Group actively engages with its shareholders and investors through the media, Annual General Meeting/Extraordinary General Meeting, meetings with analysts/investors, corporate briefings and road shows. We will continue to practice active communications with the investors and public through various communication channels such as events, advertisements, media releases, public relations and our corporate website.

- **Community**

The society is where the Group draws its customer base from. The Group believes that every organisation should return to the community what it has been able to draw from it. The Group aspires not only to paint an image of a caring organisation but to truly be a caring organisation. Broadly, this encompasses our efforts in socio-economic development, healthcare, education and community activities.

It must be noted, given that the Company's major shareholder is Lembaga Tabung Angkatan Tentera, its sustainability initiatives are much in line with the efforts of helping to improve the well-being of retired and serving armed forces personnel and their families. There is no expectation of returns from these activities as such expectation would destroy the very basis the activities are premised on.

The objective of AFFIN Holdings is to promote and assist in the education and welfare of the members and children of the serving and retired Armed Forces personnel who are in need.

- **Environment**

We involve our employees in our efforts to improve our performance in the protection of environment and society and to encourage them to meet high sustainability standards.

As a responsible Group, we are committed to manage the impact of our operations on the environment by enabling our staff and business to become more environmentally friendly.



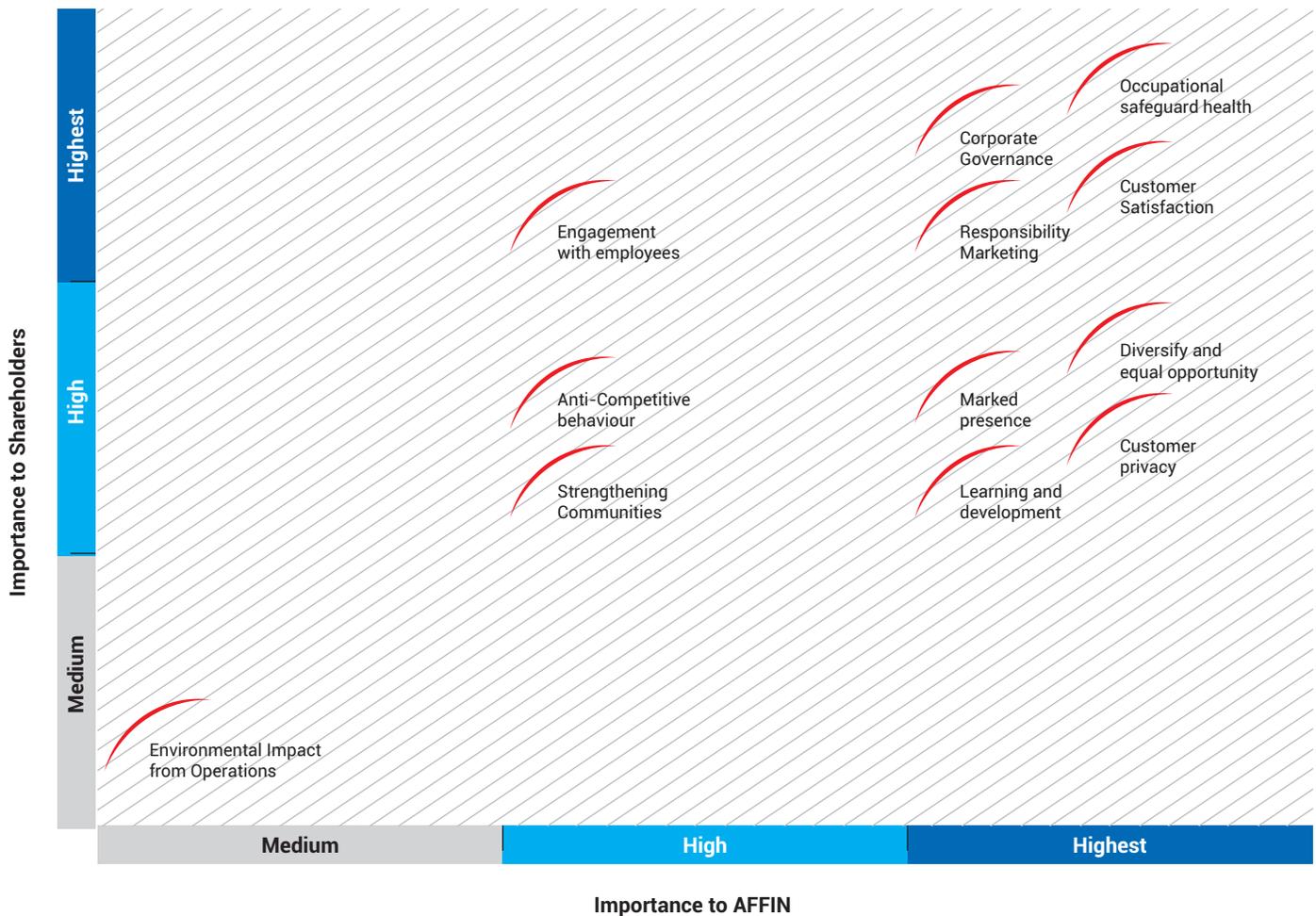
STATEMENT ON SUSTAINABILITY

**MATERIAL SUSTAINABILITY ISSUES**

The sustainability report serves to gauge the level of progress of our initiatives on a yearly basis in the areas where we operate. Our day to day business operation does have a bearing on our stakeholders who include employees, customers, shareholders, regulatory bodies and the media amongst others. We are therefore duty bound to provide a clear and accurate assessment of our undertakings to our stakeholders that extend beyond just numbers to include the manner in which we conduct our business as an organisation.

**UNDERSTANDING MATERIAL ISSUES**

We understand the importance of key operational, financial and reputational issues that have a bearing on our day to day business and how we engage with our customers and the community at large.



We are always mindful of the constant need to engage our stakeholders on material issues that impact the business. How we prioritise these issues may differ from those of our stakeholders and it is essential that we value and understand their needs and perceptions in order to arrive at an optimal balance that mutually benefits the business, communities and stakeholders alike. We will continue to focus and improve on this important aspect of the business with a more in-depth approach in engaging the various parties within the realm of our business.



## STATEMENT ON SUSTAINABILITY

### FIT AND PROPER POLICY FOR KEY RESPONSIBLE PERSONS

Formalising a Fit and Proper Policy for Key Responsible Persons in line with guidelines set out by Bank Negara Malaysia (“BNM”) to ensure key positions in the Group are led by personnel who fulfil the following criteria:-

- Probity, personal integrity and reputation – possesses the personal quality such as honesty, integrity, diligence, independence of mind and fairness;
- Competence and capability – have the relevant knowledge, skills, experience, ability and commitment to carry out the person’s role; and
- Financial integrity – able to manage his financial affairs and prudently.

This Policy specifies the following:-

- The definition of key responsible persons;
- The conditions to be observed in the assessment and appointment of Key Responsible Persons;
- The responsibilities of the Board, Nomination and Remuneration Committee and the Financial Institutions in establishing and applying fit and proper policies and procedures; and
- The minimum factors that need to be considered in assessing whether the fit and proper criteria by Key Responsible Persons have been met.

### CODE OF ETHICS

Adopting the Code of Ethics under BNM’s guidelines on the Code of Conduct for Directors, Officers and Employees in the Banking Industry (“BNM/GP7”) as part of Rules and Regulations by the banking subsidiaries to guide its employees based on the following key principles:-

- Avoid conflict of interest, misuse of position and prevent misuse of information.
- Ensure integrity and completeness of records.
- Ensure confidentiality of communication and transactions with customers.
- Fair and equitable treatment of customers.

### ANTI-FRAUD POLICY

Establishing the Anti-Fraud Policy which spells out the roles and responsibilities of each employee in the Group in preventing, detecting and reporting any defalcations, misappropriations and irregularities as well as disciplinary actions on employees involved in fraudulent acts.

The Anti-Fraud Policy seeks to:-

- Ensure the Group’s business is conducted in accordance with the law.
- Nurture an environment of honesty and integrity.
- Promote awareness of the Group’s stand on improper, illegal and dishonest acts and the consequences of such acts.
- Create staff awareness of their roles, rights and responsibilities in relation to improper, illegal and dishonest acts.



## STATEMENT ON SUSTAINABILITY

### ANTI-MONEY LAUNDERING POLICY

To corroborate with the Government's and BNM's initiatives in preventing the use of the banking system for illicit and money laundering activities as well as the financing of terrorist activities, the Group has set up an extensive infrastructure and processes to support such efforts. A key component of this infrastructure is the Group's Anti-Money Laundering Policy which sets out the following:-

- Expectations of employees in implementing the anti- money laundering policy.
- Accountability of employees in the detection and prevention of money laundering.
- Education and training in preventing and detecting money laundering.
- Extensive procedures covering customer identification, account opening, record keeping and recognition and reporting of suspicious transactions.

Some of the key policies and procedures that enable us to manage sustainability effectively are as follows:-

No	Category	Policy and System
1.	Economic	Anti-fraud policy
		Risk Management Policy
		Anti-money laundering policy
2.	Environment	Sustainability Policy
3.	Social	Code of Ethics
		Human Resource Policy
		Staff Welfare Policy & Procedures
		Sexual Harassment Policy & Procedures
		Employees guidelines and Handbook

### RISK CULTURE

The inculcation of a risk awareness culture is a key aspect of an effective enterprise-wide risk management framework. The key factors of the Group's risk culture are as follows:-

- Strong corporate governance
- Organisational structure with clearly defined roles and responsibilities
- Effective communication and training
- Commitment to compliance with laws, regulations and internal controls
- Integrity in fiduciary responsibilities
- Clear policies, procedures and guidelines

An important aspect of the AFFINITY programme is the Risk and Compliance Management Pillar which is intended to embed deep appreciation and understanding of ethics, risk and compliance into day to day business activities and processes. AHB is collaborating with Asian Banking School to conduct a customised in-house training programme entitled "Ethics, Risk and Compliance Culture Awareness".

### MANAGING REGULATORY CHANGE

As we operate in an ever-changing environment, managing regulatory change is inevitable. We aim to continue embedding regulatory best practices in our operations. To do this, we have operationalised Group-wide risk and regulatory professionals who will not only address issues but work together to prevent issues in order to ensure long-term stability and growth of the markets we operate in and achieve our own growth aspirations.

## BUSINESS DRIVEN SUSTAINABILITY ACTIVITIES IN 2016

### REACHING OUT TO COMMUNITY THROUGH SPECIFIC PRODUCTS

Given that our major shareholder is Lembaga Tabung Angkatan Tentera (LTAT), the Group has a tradition of contributing to retired and serving Armed Forces personnel and families. In 2016, a total of RM2.0 million was channelled to Yayasan LTAT, with RM1.0 million each contributed by AHB and Affin Hwang Capital. Yayasan LTAT is a foundation established to raise funds for scholarships and provide education assistance to the children of retired and serving Malaysian Armed Forces personnel.

In 2016, AHB contributed two hemodialysis machines worth about RM92,000.00 to Hospital Angkatan Tentera, Kem Terendak, Melaka and Hospital Angkatan Tentera Tuanku Mizan, Wangsa Maju, Kuala Lumpur. The contribution is part of its tradition of caring for the welfare of retired and serving Armed Forces personnel and their families.

AFFIN ISLAMIC's AFFIN Barakah Charity Account-i offers its account holders an easy and convenient opportunity to donate their monthly earned profit/dividend 'hibah' to charity. To date RM101,988.34 has been donated to various charity bodies through AFFIN Barakah Charity Account-i including wheelchairs worth RM18,500 being donated to the Kuala Lumpur Hospital ("HKL") in 2016. Other than HKL, funds raised from AFFIN Barakah Charity Account-i were previously donated to Persatuan Pesakit Parah Miskin Malaysia, Selangor & Federal Territory Association for Mentally Handicapped, Rumah Kanak-Kanak Taiping, Yayasan Kanser Malaysia and Pemulihan Dalam Komuniti ("PDK") Kasih Autisma.



## STATEMENT ON SUSTAINABILITY



AFFIN ISLAMIC also collaborated with AFFINBANK on several corporate sustainability initiatives to engage the communities at large. These included a 'Majlis Berbuka Puasa Bersama Anak-Anak Yatim, jointly sponsoring Utusan Malaysia's Tutor Pull-out Programme where specially prepared Tutor Pull-outs were distributed to primary and secondary school students.

Affin Hwang Capital empowers underprivileged communities and support their means of livelihood by engaging them as vendors for activities such as festive hampers to clients, catering for events, and other related entrepreneurial activities. During Ramadhan, Affin Hwang Capital handed out zakat to 17 eligible beneficiaries at our zakat giving ceremony. The zakat beneficiaries included schools, old folk's homes, orphanages and other benevolent bodies. During the year, Affin Hwang Capital also teamed up with Yayasan Salam Malaysia and brought underprivileged children on a shopping outing in preparation for Raya celebration.



AXA AFFIN Life Insurance continued its strategic partnership with the National Cancer Society of Malaysia by introducing cancer related products incorporating CSR elements. 110 Cancer Care products were launched and sold online while 110 CI Care were sold by distributors. For each of the two products sold, single usage of the Chemotherapy Day Care Unit per patient at NCSM's cancer treatment Centre was sponsored by the company.

### GROWING THE BUSINESS THROUGH PEOPLE AND PERSONAL DEVELOPMENT

We constantly review current and future business requirements and its impact on resourcing, training and talent needs. More than RM14.5 million was spent by AFFINBANK, Affin Hwang Capital, AXA AFFIN Life Insurance, AXA AFFIN General Insurance and AFFIN Moneybrokers during the financial year on training and development to increase the knowledge and skills of employees in performing specific jobs as well as continued professional development training for licensing, compliance, technical, soft skills, leadership as well as teambuilding in striving towards achieving professional excellence in the long term.



STATEMENT ON SUSTAINABILITY



The staff development plan entails training and identification of needs through the performance management process or needs management. Training and development programmes like AFFINBANK's Leadership Development, Young Talent and Upward Mobility programmes, education sponsorships, talent retention and acquisition as well as succession planning are conducted by various subsidiaries as part of the long-term progression initiatives for staff in the Group. 2016 also saw the successful implementation of the Management Trainee Programme, a talent recruitment process that harnesses the true potential of candidates by putting emphasis on the "people" and accelerated through dedicated training and support. It is a long-term commitment, which proactively identifies individuals who will enrich our teams with their diversity, experiences and unique perspectives.

AFFIN Hwang Asset Management in December 2016 launched "Beyond The Classroom Wall" Financial Literacy Workshop, a programme designed to instil awareness surrounding financial literacy among young adults age 11–17 years old and designed to encourage learning through role-playing activities.

**CREATING A CONDUCTIVE AND SAFE WORKING ENVIRONMENT WITH CAREER ADVANCEMENT OPPORTUNITIES**

Various policies and procedures are in place in AFFINBANK, Affin Hwang Capital, AXA AFFIN Life Insurance, AXA AFFIN General Insurance and AFFIN Moneybrokers to ensure the well-being of employees namely talent management acquisition policy and procedures, managing compensation and benefits including insurance coverage, Performance Management System, term and conditions of employment and employee relations as well as the Occupational Safety and Health Act. Policies on health and safety, sexual harassment and workplace violence have also been introduced for the betterment of staff.

## STATEMENT ON SUSTAINABILITY

### ONLINE SURVEY AND 'LIVE CHAT' LAUNCHED TO ENHANCE THE CUSTOMER EXPERIENCE

Enhancing the customer experience is an ongoing priority and AXA AFFIN General Insurance conducts the CXT satisfaction and Net Promoter Score surveys quarterly and annually respectively. While results have been consistent, there is active engagement with customers to further improve the overall experience.

AXA AFFIN Life Insurance evaluates customer satisfaction through a survey called 'Customer Scope', conducted twice a year. The online survey, successfully launched in 2016 revolves around 'I am New Customer' which applies to new customers who bought a policy in the past 6 months and 'I have General Request' targeted at existing customers who interacted with AXA AFFIN Life Insurance in the past 6 months. Feedback received will provide important information in addressing and solving issues that our customers face.

Other transformation initiatives launched to improve the overall customer experience, included the 'Learn My Protection' portal, a community portal dedicated to health protection, preventive measures and promoting life skills and the setting up of a live web chat on the AXA AFFIN Life Insurance website offering easy information access on various products.

### TOWARDS A SUSTAINABLE WORKING ENVIRONMENT

AFFINBANK and AFFIN ISLAMIC also jointly sponsored the 'My Coral: MSU Eco-Marine Youth Expedition 2016' involving coral reef plantation, turtle sanctuaries, beach cleaning and free medical check-ups for the local community to increase awareness on nature preservation and emphasise the importance of basic health checks.

Various eco-friendly measures have been initiated and encouraged by subsidiaries as part of sustainability efforts in the workplace. Affin Hwang Capital management and staff actively participated in "green" policies efforts such as to reduce paper use by going digital and adopting e-statements for both staff and customers. The subsidiary also underwent an office renovation and relocation exercise incorporating energy saving efficient features which included LED instead of fluorescent lighting and segregated split unit air conditioning zones compared to centralized air conditioning allowing a more cost effective use of air conditioning especially after office hours.

AXA AFFIN Life Insurance launched several internal environment friendly programs involving the collection of recycled papers and materials to reduce paper printing while AXA AFFIN General Insurance partnered with WWF Malaysia to support their conversation activities.



STATEMENT ON SUSTAINABILITY



### ZAKAT INITIATIVES

In 2016, AFFIN ISLAMIC contributed a total of RM3.1 million in zakat to different causes and sectors of the underserved population. AFFIN ISLAMIC contributed a total of RM1.1 million to deserving individuals and charitable organisations.

The Bank contributed a total of RM1 million to 10 state zakat centres (Johor, Perak, Selangor, Perlis, Kedah, Melaka, Kelantan, Terengganu, Kuala Lumpur and Pulau Pinang). A total of RM207,740 was channelled towards knowledge causes (Fisabillillah), inclusive of Muallaf activities. On the educational aid, AFFIN ISLAMIC contributed RM450,000 to support deserving students pursuing tertiary education at local universities of higher learning such as Universiti Teknologi MARA (UiTM), Management & Science University (MSU), Universiti Putra Malaysia (UPM) and Universiti Kebangsaan Malaysia (UKM).

In addition, AFFIN ISLAMIC contributed RM350,000 to Tabung Zakat Angkatan Tentera Malaysia, which manages funds to be allocated to deserving members of the armed forces.

## BOARD OF DIRECTORS



**Abd Malik bin A Rahman**  
(Independent  
Non-Executive Director)

**Gen Dato' Seri DiRaja Tan  
Sri (Dr.) Mohd Zahidi bin  
Haji Zainuddin (R)**  
Chairman  
(Non-Independent  
Non-Executive Director)

**Dato' Mohd Hata bin  
Robani**  
(Independent  
Non-Executive Director)

**Raja Tan Sri Dato' Seri  
Aman bin Raja Haji Ahmad**  
(Non-Independent  
Non-Executive Director)

BOARD OF DIRECTORS



**Dr. Rosnah binti Omar**  
(Independent  
Non-Executive Director)

**Tan Sri Mohd Ghazali bin  
Mohd Yusoff**  
(Independent  
Non-Executive Director)

**Ignatius Chan Tze Ching**  
(Non-Independent  
Non-Executive Director)

**Joseph Yuk Wing Pang**  
(Non-Independent  
Non-Executive Director)

None of the Directors has:-

- any family relationship with any Directors and/or major shareholders of the Company.
- any personal interest in any business arrangement involving the Company.
- been charged of any offences, public sanction or penalty by the relevant regulatory bodies.

## DIRECTORS' PROFILE

**General Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R)**, a Malaysian male aged 68, was appointed as a Non-Independent Non-Executive Director and Chairman of the Board on 17 October 2005. He is also a member of Nomination and Remuneration Committee.

Gen Tan Sri Mohd Zahidi served the Malaysian Armed Forces for 39 years, holding many key appointments at field and ministerial level. He was the Chief of Defence Forces with the rank of General from 1 January 1999 till his retirement on 30 April 2005.

Gen Tan Sri Mohd Zahidi holds a Master of Science Degree (Defence and Strategic Studies) from the Quaid-I-Azam University, Islamabad, Pakistan and had attended the Senior Executive Programme in Harvard University, United States of America, Command and General Staff College Philippines, Joint Services Staff College Australia and National Defence College Pakistan.

Upon retirement, Gen Tan Sri Mohd Zahidi moves from Defence Forces to Corporate Sector. In corporate world, Gen Tan Sri Mohd Zahidi holds several directorships such as the Chairman of Genting Plantations Berhad, Director of Genting Malaysia Berhad, Director of Cahya Mata Sarawak Berhad, Director of Bintulu Port Holdings Berhad, Director of SOGO (K.L.) Department Store Sdn Bhd as well as Director of DRB-HICOM Defence Technologies Sdn Bhd.

Gen Tan Sri Mohd Zahidi was made a Member of Dewan Negara Perak by DYMM Paduka Seri Sultan Perak on 25 November 2006 and is a Trustee of Yayasan Sultan Azlan Shah. On 23 April 2013, Gen Tan Sri Mohd Zahidi was appointed as Orang Kaya Bendahara Seri Maharaja Perak Darul Ridzuan by DYMM Paduka Seri Sultan Perak and with the consent of Dewan Negara Perak Darul Ridzuan. On 19 April 2014, he was bestowed with the Perak's highest award for commoners, the 'Darjah Kebesaran Seri Paduka Sultan Azlan Shah Perak Yang Amat Dimulia' (S.P.S.A) which carries the title "Dato' Seri DiRaja."

In June 2015, Asia Metropolitan University (AMU) appointed Gen Tan Sri Mohd Zahidi as the Chancellor of the University. In October 2016, National Defence University of Malaysia, also known as Universiti Pertahanan Nasional Malaysia (UPNM) awarded an honorary doctorate in Management of Defense and Strategic Studies to Gen Tan Sri Mohd Zahidi for his devotion, determination, and his intellectualism.



**GENERAL DATO' SERI DIRAJA TAN SRI (DR.) MOHD ZAHIDI  
BIN HAJI ZAINUDDIN (R)**

*Chairman*

*Non-Independent Non-Executive Director*

## DIRECTORS' PROFILE

**Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad**, a Malaysian male aged 71, was appointed as a Non-Independent Non-Executive Director of AFFIN Holdings Berhad on 25 April 1991. He was re-designated as an Independent Non-Executive Director on 15 January 2008. On 1 May 2016, Raja Tan Sri Dato' Seri Aman was re-designated as a Non-Independent Non-Executive Director. He was the Chairman of the Board Audit Committee until 30 April 2016 and thereafter become a member of the Board Audit Committee. He is also a member of Nomination and Remuneration Committee.

Raja Tan Sri Dato' Seri Aman was the Chief Executive Officer of AFFIN Bank Berhad, a wholly owned subsidiary of AFFIN Holdings Berhad until May 2003. Presently, Raja Tan Sri Dato' Seri Aman sits on the board of AFFIN Hwang Investment Bank Berhad, a subsidiary of AFFIN Holdings Berhad. He is also presently a director of Ahmad Zaki Resources Berhad and Tomei Consolidated Berhad.

Raja Tan Sri Dato' Seri Aman is a member of the Malaysian Institute of Accountants, a Certified Public Accountant and a Fellow of the Institute of Chartered Accountant of England and Wales. He had held various positions in Maybank Group from 1974 to 1985 prior to joining AFFIN Bank Berhad in 1985 as an Executive Director/CEO. He left AFFIN Bank Berhad in 1992 to join Perbadanan Usahawan Nasional Berhad as the Chief Executive Officer for one year and was reappointed as Chief Executive Officer of AFFIN Bank Berhad in 1995.



**RAJA TAN SRI DATO' SERI  
AMAN BIN RAJA HAJI AHMAD**

*Non-Independent Non-Executive Director*

**DIRECTORS' PROFILE**

**Encik Abd Malik bin A Rahman**, a Malaysian male aged 68, was appointed as an Independent Non-Executive Director of AFFIN Holdings Berhad on 16 February 2011. He is Chairman of Board Audit Committee effective 1 May 2016 and a member of Nomination and Remuneration Committee.

Encik Abd Malik is currently an Independent Non-Executive Director of Boustead Heavy Industries Corporation Berhad, CYL Corporation Berhad, Lee Swee Kiat Group Berhad and Innity Corporation Berhad as well as Director of several private limited companies including Boustead Penang Shipyard Sdn. Bhd. He is also a Director of the subsidiaries of AFFIN Holdings Berhad namely AFFIN Bank Berhad, AFFIN Hwang Investment Bank Berhad and AFFIN Hwang Asset Management Berhad.

He is a Chartered Accountant member of the Malaysian Institute of Accountants, Fellow of the Association of Chartered Certified Accountants (UK), a member of the Malaysian Institute of Certified Public Accountants, member of Certified Financial Planners (USA), member of Chartered Management Institute (UK) and a member of the Malaysian Institute of Management.

Encik Abd Malik has held various senior management positions in Peat Marwick Mitchell (KPMG), Esso Group of Companies, Colgate Palmolive (M) Sdn Bhd, Amway (Malaysia) Sdn Bhd, Fima Metal Box Berhad and Guinness Anchor Berhad. He was the General Manager, Corporate Services of Kelang Multi Terminal Sdn Bhd (Westports) from 1994 until 2003.



**ABD MALIK BIN A RAHMAN**

*Independent Non-Executive Director*

## DIRECTORS' PROFILE

**Mr. Ignatius Chan Tze Ching**, a Chinese national aged 60 was appointed as a Non-Independent Non-Executive Director of AFFIN Holdings Berhad (AHB) on 6 August 2013. He is a member of Group Board Risk Management Committee.

Mr. Chan started his career in banking industry with Citibank, Hong Kong as a Management Associate in 1980. He was posted to Japan from 1986 to 1994. In 1994, he returned to Hong Kong to become Country Treasurer and Head of Sales and Trading. In 1997, he became the Head of Citibank's Corporate banking business for Hong Kong. In 1999, he became Citigroup Country Officer for Hong Kong. In 2003, Mr. Chan was posted to Taiwan as Citigroup Country Officer. In 2004, he assumed the additional role of Chief Operating Officer for Greater China. In 2005, he returned from Taiwan to Hong Kong as Citigroup Country Officer for Hong Kong and Head of Corporate and Investment Banking business for Greater China, a position he held until his retirement from Citibank in 2007.

Thereafter, Mr. Chan worked briefly as Deputy Chief Executive for Bank of China (Hong Kong) in 2008. Mr. Chan is currently holding the position of Senior Advisor at The Bank of East Asia, Limited and CVC Capital partners.

Mr. Chan is also an Independent Non-Executive Director of two (2) companies namely Hong Kong Exchanges and Clearing Limited and Mongolian Mining Corporation (MMC). He is the Chairman of the Audit Committee of MMC. He is also a Non-Executive Director of Rizal Commercial Banking Corporation, a company listed on the Philippines Stock Exchange, and an Honorary Advisory Vice President, Hong Kong Institute of Bankers.

Mr. Chan is presently Chairman of Hong Kong Polytechnic University Council, Chairman of Prasac Microfinance Institution Limited (Cambodia), member of The Hong Kong Community Chest Board (Chairman of Investment Sub-committee), member of The Financial Reporting Council (FRC), member of Hong Kong Red Cross Council (Chairman of Audit Committee), member of Executive Committee of Investor Education Centre, Securities and Futures Commission, Board Adviser of Hong Kong New Territories General Chamber of Commerce, member of Hong Kong Tourism Board, member of Standing Commission on Civil Service Salaries and Conditions of Service (SCCS) and member of Standing Committee on Judicial Salaries and Conditions of Service.

Among the past positions that Mr. Chan had held were Vice President and Fellow, Hong Kong Institute of Bankers, member of Banking Advisory Committee of the Hong Kong Monetary Authority, member of HKSAR Small and Medium Size Enterprises Committee, Council member of Hong Kong Treasury Markets Association, Council member of Employer's Federation of Hong Kong, Board member of Hong Kong Export Credit Insurance Corporation, Honorary Chairman of Hong Kong Chinese Bankers Club, Chairman of HKSAR Advisory Committee on Human Resources Development in the Financial Services Sector, member of HKSAR Advisory Committee on Board Market Development, Chairman of Financial & Treasury Services Committee, Hong Kong General Chamber of Commerce, Chairman of HKSAR Travel Industry Compensation Fund Management Board, member of Greater Pearl River Delta Business Council, Independent Non-Executive Director of Larry Jewelry International Company Limited, and member, Hong Kong Open University Sponsorship and Development Fund Committee.

Mr. Chan obtained his Bachelor of Business Administration degree from University of Hawaii in 1977. He obtained his MBA degree from the same university in 1979 and his CPA from the American Institute of Certified Public Accountants in the same year.



**IGNATIUS CHAN TZE CHING**

*Non-Independent Non-Executive Director*

**DIRECTORS' PROFILE**

**Dr. Rosnah binti Omar**, a Malaysian female aged 63, was appointed as an Independent Non-Executive Director of AFFIN Holdings Berhad on 5 February 2014. She is also the Chairman of Group Board Risk Management Committee of AFFIN Holdings Berhad.

Dr. Rosnah has more than 30 years of Banking and Finance experience since 1976, having worked for Bank Bumiputra Malaysia Berhad (Kuala Lumpur, London and New York), Prudential Bache (London), Bankers Trust International (London) Security Pacific Hoare Govett (London) and NM Rothschild (Singapore). Her working exposure covered commercial and investment banking in Malaysia, London, New York and Singapore and asset management in Malaysia. She became Board Member of all the Bank Bumiputra Malaysia Berhad financial subsidiaries in Merchant Banking, Securities Company, Futures entity and offshore operations in Labuan. Dr. Rosnah was also a Managing Director and Board Director in NM Rothschild in Singapore. She represented Rothschild in Bumiputra Merchant Bank, KN Kenanga Asset Management and Investment Management in Malaysia.

In 2000, Dr. Rosnah ventured in the risk management advisory business as Executive Director of PK Tech. Sdn Bhd responsible for the Information Technology risk management strategy for the company. Subsequently, Dr. Rosnah became Chief Executive Officer at Malaysia Building Society Berhad, a subsidiary of the Employees Provident Fund and a listed company on the KLSE from 2001-2003.

Dr. Rosnah was appointed the Director-General of the Labuan Offshore Financial Services Authority by the Malaysian Government effective July 2003 - June 2005. She was on the Board of the Islamic International Financial Market (IIFM) based in Bahrain and attended the first program in International Centre for Leadership in Finance (ICLIF) conducted by the ICLIF Leadership and Governance Centre in Malaysia.

Dr. Rosnah became Chairman and Managing Director of Rothschild Malaysia Sdn. Bhd. in 2006. Dr. Rosnah left Rothschild in 2008 after having re-established Rothschild's investment Banking operations in Malaysia to pursue her interest in Islamic Finance and Risk Management advisory. Dr. Rosnah was adviser on Islamic Finance for the Commonwealth Business Council in London from April 2009-December 2010 and on Banking Risk in Malaysia with Algorithmic (Singapore) from June 2009-June 2010. She has completed the Financial Institutions Directors' Education (FIDE) program and the Advanced Risk Management conducted by ICLIF. She has completed her PhD in Islamic Banking and Finance at the International Islamic University Malaysia in the International Institute of Islamic Banking and Finance in 2016.



**DR. ROSNAH BINTI OMAR**

*Independent Non-Executive Director*

## DIRECTORS' PROFILE

**Mr. Joseph Yuk Wing Pang**, a Hong Kong-Chinese citizen male aged 68, was appointed as a Non-Independent Non-Executive Director of AFFIN Holdings Berhad on 29 April 2015.

Mr. Joseph Pang is currently a Senior Advisor at The Bank of East Asia, Limited (BEA). He is an outstanding banker with over forty years of experience in the financial industry. Mr. Joseph Pang joined BEA after graduating from The Chinese University of Hong Kong in 1973. He was promoted to General Manager in 1992 and further promoted to Deputy Chief Executive and appointed as Executive Director in 1995. As an Executive Director, he assisted the Chief Executive in the overall operation and management of BEA. In 2009, he assumed the position of Senior Advisor.

Mr. Joseph Pang is a director of several BEA Group companies, and he is currently the Chairman of East Asia Securities Company Limited.

Mr. Joseph Pang holds a Bachelor Degree in Social Science from The Chinese University of Hong Kong and an MBA from the same University. He is an Associate of The Chartered Institute of Bankers and a Fellow of The Hong Kong Institute of Bankers.

Mr. Joseph Pang is dedicated to community service and has held various public roles, especially in the Education Sector. He was conferred the Doctor of Social Sciences Honoris Causa by Lingnan University in 2002 and made an Honorary Fellow by The Chinese University of Hong Kong in 2004.

In recognition of his services to the community, he was appointed as a Justice of the Peace in 2000 and awarded the Bronze Bauhinia Star in 2013 by the Hong Kong SAR Government.



**JOSEPH YUK WING PANG**

*Non-Independent Non-Executive Director*

## DIRECTORS' PROFILE

**Tan Sri Mohd Ghazali bin Mohd Yusoff**, a Malaysian male aged 70, was appointed as an Independent Non-Executive Director of AFFIN Holdings Berhad on 20 January 2017. He is the Chairman of the Nomination and Remuneration Committee and a member of Group Board Risk Management Committee effective 26 January 2017.

Tan Sri Ghazali is currently an Independent Non-Executive Director of the subsidiaries of AFFIN Holdings Berhad namely AFFIN Bank Berhad and AXA AFFIN Life Insurance Berhad.

Tan Sri Ghazali holds a degree of the Utter Bar from Middle Temple, Inns-of-Court, London. He joined the Malaysian Judicial and Legal Service in 1974. Senior positions held include serving as Deputy Public Prosecutor, State Legal Adviser, Registrar of Companies, Chief Registrar of the Supreme Court and Solicitor General prior to his elevation to the Bench. He was later elevated as Judge of the High Court and subsequently as Judge of the Court of Appeal and the Federal Court. He retired from the Judiciary in January 2012.



**TAN SRI MOHD GHAZALI  
BIN MOHD YUSOFF**

*Independent Non-Executive Director*

## DIRECTORS' PROFILE

**Dato' Mohd Hata bin Robani**, a Malaysian male aged 65, was appointed as an Independent Non-Executive Director of AFFIN Holdings Berhad on 7 February 2017. He is a member of Nomination and Remuneration Committee and also a member of Board Audit Committee.

Dato' Hata served Bank Negara Malaysia from 1975 to 1994. Senior positions held include serving as Senior Assistant Manager, Director of IT Department and Director of the Investment Department. In 1994, Dato' Hata joined Amanah Capital Group as General Manager of Financial Services Division. He was appointed as the Group Chief Operating Officer in 1997. In 1998, Dato' Hata joined BSNC Commercial Bank as Executive Director. Dato' Hata joined MEPS in 2000 as Managing Director and upon retiring from MEPS in 2009, Dato' Hata presently provides consulting services in e-payment, banking solutions and switching systems in Malaysia and Indonesia.

Dato' Hata holds a Degree in Economics from University of Malaya and attended Programme for Management Development in University of Harvard.



**DATO' MOHD HATA BIN ROBANI**  
*Independent Non-Executive Director*

## SENIOR MANAGEMENT OF AFFIN HOLDINGS BERHAD GROUP



**KAMARUL ARIFFIN BIN MOHD JAMIL**

Group Chief Executive Officer  
**AFFIN Holdings Berhad**

Managing Director/Chief Executive Officer  
**AFFIN Bank Berhad**



**DATUK MAIMOONAH BINTI  
MOHAMED HUSSAIN**

Group Managing Director  
**AFFIN Hwang Investment  
Bank Berhad**



**NAZLEE KHALIFAH**

Chief Executive Officer  
**AFFIN Islamic Bank Berhad**



**LOKE KAH MENG**

Chief Executive Officer  
**AXA AFFIN Life Insurance Berhad**



**EMMANUEL NIVET**

Chief Executive Officer  
**AXA AFFIN General  
Insurance Berhad**



**TENG CHEE WAI**

Managing Director  
**AFFIN Hwang Asset Management Berhad**

SENIOR MANAGEMENT OF AFFIN HOLDINGS BERHAD GROUP



**CHANDRA NAIR**  
Chief Executive Officer  
AFFIN Moneybrokers Sdn Bhd



**AKMAL BIN HASSAN**  
Managing Director  
AIIMAN Asset Management Sdn Bhd  
(formerly known as Asian Islamic  
Investment Management Sdn Bhd)



**LEE YOKE KIOW**  
Executive Director  
AFFIN Holdings Berhad



**KHATIMAH BINTI MAHADI**  
Group Chief Internal Auditor  
AFFIN Holdings Berhad Group



**WONG KOK LEONG**  
Group Chief Risk Officer  
AFFIN Holdings Berhad Group



**NIMMA SAFIRA BINTI DATO' KHALID**  
Company Secretary  
AFFIN Holdings Berhad

## PROFILE OF SENIOR MANAGEMENT OF AFFIN HOLDINGS BERHAD GROUP

### KAMARUL ARIFFIN BIN MOHD JAMIL

**Encik Kamarul Ariffin bin Mohd Jamil** a Malaysian male aged 48, was appointed as Group Chief Executive Officer of AFFIN Holdings Berhad on 1 April 2015.

Encik Kamarul joined AFFIN Bank Berhad in 2003 as Head, Corporate Strategy Division. In year 2005, Encik Kamarul was appointed as Head, Islamic Banking Division. With the establishment of AFFIN Islamic Bank, Encik Kamarul was appointed as its Chief Executive Officer in 2006 until 1 April 2015 when he was appointed as the Managing Director/Chief Executive Officer of AFFIN Bank Berhad. Encik Kamarul currently holds dual position as the Group CEO of AFFIN Holdings Berhad and Managing Director/Chief Executive Officer of AFFIN Bank Berhad.

Prior to AFFIN Bank Berhad, Encik Kamarul had held various positions at Pengurusan Danaharta Nasional Berhad, Trenergy Malaysia Berhad and Shell Malaysia Trading Sdn Bhd in various capacities including business development and strategic planning.

Encik Kamarul graduated from the Cambridge University in 1992 with a Bachelor of Arts in Economics.

### DATUK MAIMOONAH BINTI MOHAMED HUSSAIN

**Datuk Maimoonah binti Mohamed Hussain**, a Malaysian female aged 58, was appointed as Group Managing Director at AFFIN Hwang Investment Bank Berhad in 2014. Prior to that, Datuk Maimoonah was the Managing Director at AFFIN Investment Bank Berhad (now known as AFFIN Investment Berhad) since 2007 and before that was the Director, Debt & Capital Markets at AFFIN Bank Berhad.

Prior to joining AFFIN Banking Group, Datuk Maimoonah was the Head of Syndications at Standard Chartered Bank where she was responsible for debt syndications business for Malaysia, Singapore, Thailand and the Philippines. She was also seconded to Standard Chartered Bank Malaysia Berhad for three years to develop the local as well as cross border debt business. She was prior thereto attached to Morgan Grenfell (Asia) Ltd where she was involved in syndicated debt financing and project finance advisory across South East Asian markets.

Currently, she also serves as a director on the Board of AFFIN Hwang Asset Management Berhad, AFFINBANK Trustee Berhad, AIIMAN Asset Management Sdn Bhd (formerly known as Asian Islamic Investment Management Sdn. Bhd.), AHC Associates Sdn Bhd (formerly known as Sole Delta Sdn Bhd) as well as AHC Global Sdn Bhd (formerly known as Classic Uptrend Sdn Bhd).

Datuk Maimoonah graduated from University of Singapore with a Bachelor of Accountancy.

### NAZLEE BIN KHALIFAH

**Encik Nazlee bin Khalifah**, a Malaysian male aged 49, was appointed as Chief Executive Officer of AFFIN Islamic Bank Berhad in June 2015.

Encik Nazlee started his career in banking industry with Maybank for 17 years in various capacity especially in strategic management. En. Nazlee joined AFFIN Bank Berhad as Head, Business Strategy & Support, Business Banking Division in February 2009. Subsequently, in April 2011, Encik Nazlee was appointed as Chief Corporate Strategist.

Encik Nazlee graduated from the Simon Fraser University, Canada with a Bachelor of Business Administration degree, majoring in Accounting & Finance.

Presently En. Nazlee is the Alternate Director to Encik Kamarul Ariffin bin Mohd Jamil for IAP Integrated Sdn Bhd and Raeed Holdings Sdn Bhd and the Honorary Treasurer for The Association of Islamic Banking Institutions Malaysia. He was appointed to the Charter Governing Panel of Chartered Institute of Islamic Finance in 2016.

PROFILE OF SENIOR MANAGEMENT OF  
AFFIN HOLDINGS BERHAD GROUP

## LOKE KAH MENG

**Mr. Loke Kah Meng**, a Malaysian male aged 55, joined in August 2009 as the Chief Executive Officer of AXA AFFIN Life Insurance Berhad. He has 30 years' experience in the insurance industry as an actuary.

Prior to AXA AFFIN Life Insurance Berhad, Mr Loke had held various positions at Great Eastern Life Assurance, Manulife Insurance and American International Assurance such as Executive Vice President & Chief Marketing Officer, Appointed Actuary and Director of Operations and in various capacities including finance, investment and business development.

Mr. Loke graduated from the London School of Economics and Political Science with a Bachelor Degree in Actuarial Science, the University of Exeter with a Masters in Finance and Investment, and is a Fellow of the Society of Actuaries.

## EMMANUEL JEAN LOUIS NIVET

**Mr. Emmanuel Jean Louis Nivet**, a French male aged 58, was appointed as Chief Executive Officer of AXA AFFIN General Insurance Berhad on 14 September 2012.

Mr. Emmanuel graduated from "Normandie Business School" and started his career in the Insurance Industry in 1983, in France.

After 8 years in "Groupe Victoire", Mr. Emmanuel joined AXA Group where he was appointed Chief Underwriting Officer in 2001, supervising all international entities of AXA Corporate Solutions.

Prior to joining the Company in 2012, he was the Chief Executive Officer of AXA Corporate Solutions, UK Branch for 5 years. He is currently the Chief Executive Officer and Executive Director of the Company.

His leadership and underwriting expertise has brought the Company from number 8 in 2012 to number 4 in 2016 on the market place, delivering successfully in both growth and profit.

## TENG CHEE WAI

**Mr. Teng Chee Wai**, a Malaysian male aged 50, is the Managing Director of Affin Hwang Asset Management Bhd. Prior his current position, he was the Chief Executive Officer of Hwang Investment Management Berhad. During his 17-year tenure, Mr. Teng is responsible for building Affin Hwang Asset Management Bhd into a top five Malaysian investment management house, with an excess of RM36 billion in Assets Under Administration.

In his capacity as Managing Director, Mr. Teng is responsible for the overall management and strategic direction of the business, as well as having oversight over the investment team.

Prior to his role at Hwang Investment Management Berhad, Mr. Teng was the General Manager of Investments at Overseas Assurance Corporation and was responsible for the investment function of the Overseas Assurance Corporation Group. Mr. Teng began his career in the financial industry as an Investment Manager with NTUC Income, Singapore.

Mr. Teng graduated with a Bachelor of Science from the National University of Singapore, and holds a Post-Graduate Diploma in Actuarial Studies from City University in London.

PROFILE OF SENIOR MANAGEMENT OF  
AFFIN HOLDINGS BERHAD GROUP

## CHANDRA NAIR

**Mr. Chandra Nair**, a Malaysian male aged 63 was appointed as Chief Executive Officer of AFFIN Moneybrokers Sdn Bhd in June 2004.

Mr. Chandra joined AFFIN Moneybrokers Sdn Bhd in 1988. Prior to that, he was a Senior Manager/Head of Money Market Section in 1995 and was subsequently promoted as Assistant General Manager in year 2000 to monitor and supervise the domestic money market activities. In year 2003 he was appointed as General Manager/Head of Treasury. In September 2003, he was appointed as the acting CEO, managing the overall company operations and functions. Mr. Chandra has more than 3 decades of experience in the industry.

Mr. Chandra holds Master in Business Administration (MBA), from RMIT University Melbourne, Malaysia.

## AKMAL HASSAN

**Encik Akmal bin Hassan**, a Malaysian male aged 44, was appointed as Managing Director & Executive Director, AIIMAN Asset Management Sdn. Bhd. (AIIMAN) (formerly known as Asian Islamic Investment Management Sdn. Bhd.) on 18 November 2010.

Encik Akmal joined AIIMAN in 2008 as Director of Investment and is one of the three pioneering senior members in the establishment of AIIMAN. Under his leadership, AIIMAN has grown its asset under administration and the business has since turned profitable.

Prior to AIIMAN, Encik Akmal was the Chief Investment Officer at a subsidiary of a local Islamic Bank. He has more than 15 years of experience in the investment management industry primarily in portfolio management, investment research and marketing strategy.

Encik Akmal graduated from Oklahoma State University, USA in 1996 with a degree in Business Administration, majoring in Finance (BSc). He completed his Master in Business Administration (MBA) at the University of the Sunshine Coast, Queensland, Australia in 2006.

## LEE YOKE KIOW

**Ms. Lee Yoke Kiow**, a Malaysian female aged 57, joined AFFIN Holdings Berhad as Head of Finance in June 2005 and was appointed as Executive Director in July 2013. Ms. Lee is an accountant by profession and a member of Malaysian Institute of Certified Public Accountants (MICPA) and Malaysia Institute of Accountants (MIA). She has more than 35 years of experience in auditing, accounting, banking and finance industries.

Her career with AFFIN Group began in 1991 when she was first appointed as Manager, Finance and Treasury by AFFIN Finance Berhad. Prior to joining AFFIN Holdings Berhad, she was the Head, Finance and Treasury of AFFIN-ACF Finance Berhad and also the Financial Controller of AFFIN-ACF Holdings Berhad for years 2000 to 2005.

PROFILE OF SENIOR MANAGEMENT OF  
AFFIN HOLDINGS BERHAD GROUP

## KHATIMAH BINTI MAHADI

**Puan Khatimah binti Mahadi**, a Malaysian female aged 59, was appointed as Group Chief Internal Auditor in April 2007. Prior to AFFIN Banking Group, she served Citibank Malaysia as Country Internal Audit Head & Compliance Director.

She joined AFFIN Bank Berhad as Chief Internal Auditor in 2004. She has over 30 years of Banking experiences particularly in the areas of Auditing, Compliance, Investigations, Project Management and Quality Assurance. She is also a trainer in Compliance & Control areas.

She attained her leadership trainings at Harvard University, Boston & Disney Institute, LA. An Associate Fellow of Institute of Bankers Malaysia.

Puan Khatimah holds a Diploma in Accountancy from UiTM in 1978 and was one of the first 45 Chartered Bankers in Malaysia.

## WONG KOK LEONG

**Mr. Wong Kok Leong**, a Malaysian male aged 55, joined AFFIN Group in 2000 as Head, Risk Management at AFFIN Investment Bank. Prior to his appointment as Group Chief Risk Officer on 1 August 2015, he held dual positions of Group Chief Credit Officer and Head, Group Market Risk.

His previous career stints include a law firm, regulatory body and stock exchange. Mr. Wong holds a Master of Law from Cambridge University, UK, Bachelor of Laws from Buckingham University, UK and Bachelor of Economics (Accounting) from Monash University, Australia. He is a Fellow of CPA Australia as well as the Financial Services Institute of Australasia (FINSIA).

Mr. Wong also holds professional certifications in risk management, project management, financial planning, training, coaching and mentoring.

Mr. Wong sits on the Examination Committee, Asian Institute of Chartered Bankers.

## NIMMA SAFIRA BINTI DATO' KHALID

**Puan Nimma Safira binti Dato' Khalid**, a Malaysian female aged 48, was appointed as the Company Secretary of AFFIN Holdings Berhad on 1 August 2011.

Puan Nimma is the Chief Legal Officer & Company Secretary of AFFIN Bank Berhad and AFFIN Islamic Bank Berhad (AFFIN Bank Group). Puan Nimma joined AFFIN Bank in 2001 as Manager, Legal & Secretarial. She was subsequently assigned to the President/CEO's office as the Executive Assistant from 2003 to 2005.

Puan Nimma started her career of 20 years as an Advocate & Solicitor of the High Court of Malaya in 1994. She then moved in-house as Legal Officer/Company Secretary of a commercial bank from 1995 to 2000. Puan Nimma graduated with Bachelor of Laws in 1992 and Bachelor of Laws (Shariah) in 1993; both from the International Islamic University, Malaysia.

Puan Nimma is an Affiliate member of The Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and a member of the Asian Institute of Chartered Bankers ("AICB").

None of the Senior Management has:-

- any family relationship with any Directors and/or major shareholders of the Company/Group.
- any personal interest in any business arrangement involving the Company/Group.
- been charged of any offences, public sanction or penalty by the relevant regulatory bodies.

## CORPORATE GOVERNANCE STATEMENT

THE MCCG SETS OUT THE BROAD PRINCIPLES AND SPECIFIC RECOMMENDATIONS ON STRUCTURES AND PROCESSES WHICH THE COMPANY SHOULD ADOPT **IN MAKING GOOD CORPORATE GOVERNANCE AN INTEGRAL PART OF ITS BUSINESS DEALINGS AND CULTURE AND FOCUSES ON STRENGTHENING BOARD STRUCTURE AND COMPOSITION RECOGNISING THE ROLE OF DIRECTORS AS ACTIVE AND RESPONSIBLE FIDUCIARIES.** THE BOARD IS COMMITTED TO ENSURING THAT THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE ARE PRACTICED THROUGHOUT THE GROUP.

The Board of AFFIN Holdings Berhad fully subscribes and supports the Malaysian Code on Corporate Governance 2012 (MCCG) and the relevant provisions in the Bursa Malaysia Securities Berhad (BMSB) Main Market Listing Requirements.

### **CORPORATE GOVERNANCE WITHIN AFFIN HOLDINGS BERHAD**

The Board recognises that corporate governance is a continuous process that requires periodic reassessment and refinement.

### **THE BOARD OF DIRECTORS**

The Board has the responsibility for leading and controlling the Group including those pertaining to corporate governance, strategic direction and overseeing the investments and operations of the Group. The Board also has its own code of conduct which is stated in the Board Policy Manual.

### **COMPOSITION OF THE BOARD**

The Board currently has eight (8) members comprising one (1) Non-Independent Non-Executive Chairman, three (3) Non-Independent Non-Executive Directors and four (4) Independent Non-Executive Directors.

## CORPORATE GOVERNANCE STATEMENT

### (a) Board Members

The directors who have held office since the date of the last report and as at the date of this report are:-

Name of Directors	Executive/Non-Executive Director	Independent/Non-Independent Director
Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) (Chairman)	Non-Executive	Non-Independent
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad (Redesignated as Non-Independent Non-Executive Director on 1.5.2016)	Non-Executive	Non-Independent
Abd Malik bin A Rahman	Non-Executive	Independent
Ignatius Chan Tze Ching	Non-Executive	Non-Independent
Dr. Rosnah binti Omar	Non-Executive	Independent
Joseph Yuk Wing Pang	Non-Executive	Non-Independent
Peter Yuen Wai Hung (Alternate Director to Joseph Yuk Wing Pang)	Non-Executive	Non-Independent
Tan Sri Mohd Ghazali bin Mohd Yusoff (Appointed on 20.1.2017)	Non-Executive	Independent
Dato' Mohd Hata bin Robani (Appointed on 7.2.2017)	Non-Executive	Independent
Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff (Resigned w.e.f. 23.12.2016)	Non-Executive	Independent
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin (Ceased as Director w.e.f. 29.10.2016)	Non-Executive	Non-Independent
Dato' Mustafa bin Mohamad Ali (Ceased as Director w.e.f. 27.10.2016)	Non-Executive	Independent
Lee Chor Kee (Alternate Director to Ignatius Chan Tze Ching) (Ceased as Director w.e.f. 6.8.2016)	Non-Executive	Non-Independent

A brief description of the background of each director is presented in pages 34 to 41 of this Annual Report.

As directors should devote sufficient time to carry out their responsibilities, the Board will obtain this commitment from its members at the time of their appointment. The appointed director should notify the Chairman before accepting any new Directorship. The notification will include an indication of time that will be spent on the new appointment.

### (b) Board Balance, Duties and Responsibilities

The membership of the Board complies with the provision of MCGG in that at least one-third of the Board must be independent. The current Board consists of four (4) Independent Directors and four (4) Non-Independent Directors.

The Directors have a wide range of business, financial and technical skills and experience. Together the members of the Board bring a mix of skills and experience required for the success of the Group. The diversity in the composition of the Board ensures the good use of the differences in the wide range of skills, industry experience, background, gender and other attributes of the Directors.

The Board together with the Group Chief Executive Officer (Group CEO) had developed the descriptions for their respective functions in the Board Policy manual. Among the responsibilities of the Group CEO are developing and recommending to the Board a long-term strategy and vision for the Group that leads to the creation of shareholder value, recommending to the Board, the Group operational plans and budgets that support the Group's long term strategy and fostering a corporate culture that promotes adherence to laws and regulations of the country. There is a regular review of the division of responsibilities of the Board and management to ensure that the needs of the company are consistently met and reflect the dynamic nature of the relationship for the company to adapt to changing circumstances.

The Board has established clear functions reserved for the Board and those delegated to the management in the Board Policy Manual. The formal schedule of matters reserved for collective decision of the Board include matters relating to conduct of Board, directors' remuneration, operational, financial and other matters. The Board deliberates the annual budget and business plan and approves the performance targets and the goals of the business to be met by the Company, subsidiaries and associated company. The positions of Chairman and Group CEO are held by different individuals, and the Chairman is a Non-Executive member of the Board. There is a division of responsibility between the Chairman who is leading the Board in the oversight of management and the Group CEO, who is responsible for managing the overall business and day to day operations of the Company to ensure that there is a balance of power and authority, promotion of accountability and facilitation of division of responsibilities between them.

## CORPORATE GOVERNANCE STATEMENT

The Board's authority conferred on management is delegated through the Group CEO. The authority and accountability of the Group CEO in so far as the Board is concerned, limited by the authority limit pertaining to the powers and authorities that the Board confers on the Group CEO and the management.

There are clear duties and responsibilities for the Directors, Independent Directors and Chairman as stated in the Board Policy Manual.

The current Chairman is not the previous Chief Executive Officer of the Company. The key duties and responsibilities of the Chairman are to provide leadership to the Board, chairing the meetings of the Board and shareholders, ensuring that the Board fully discharge of its responsibilities and acting as liaison person between the Board and the management. He is the informal link between the Board and management and between the Board, Group CEO and the Executive Director. The Chairman is kept informed by the Group CEO/Executive Director on all important matters, and to provide counsel and advice to the Chairman where necessary.

The present Board has four (4) Independent Directors to ensure balance and authority of the Board as the Chairman of the Board is not an Independent Director. The presence of the Independent Non-Executive Directors of the necessary calibre and experience to carry sufficient weight in Board decisions provides a balance in the Board. Although all the Directors have equal responsibility for the Group's operations, the role of the Independent Non-Executive Directors is particularly important in providing an independent view, advice and judgement to take into account the interest of the Group, shareholders, employees and communities in which the Group conducts business.

The Board of AHB had on 11 August 2016 adopted a Group Policy on the maximum tenure of service for Independent Directors of nine (9) years to be in line with the Policy Document on Corporate Governance issued by BNM on 3 August 2016.

The Board undertakes an assessment of its Independent Directors at the point of appointment of the Director, prior to the application to BNM for the re-appointment of Independent Directors or at least on an annual basis based on the criteria stated in Policy Document on 'Fit and Proper Criteria' issued by BNM and Main Market Listing Requirements of Bursa Malaysia which require that an Independent Director is independent of management and free from any business or other relationship, which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Group. When assessing independence, the Board focuses beyond the Independent Director's background, economic and family relationships and considers whether the Independent Director can continue to bring independent and objective judgment to Board deliberations.

On an annual basis, the Board considers the list of Independent Directors in AHB and its subsidiaries who have served in that capacity for a cumulative term of more than nine (9) years in line with the Group Policy on the maximum tenure of service for Independent Directors of nine years.

The Board has established clear roles and responsibilities in discharging its fiduciary and leadership functions. The Board has assumed, amongst others the following duties and responsibilities during the financial year:-

- a) Reviewing and adopting a strategic plan for the Group;
- b) Overseeing the conduct of the Company's business;
- c) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;
- d) Succession planning;
- e) Overseeing the development and implementation of a corporate disclosure policy and procedures; and
- f) Reviewing the adequacy and the integrity of the management information and internal control system of the Company.

The role of the Board is to review and approve management's proposal on the strategic plan of the Company and the Group. The Board brings objectivity and breadth of judgment to the strategic planning process as they are not involved in day-to-day management of the business. Every year, the CEOs of the subsidiaries and associate are invited to make presentations of their budget and strategic business plan to satisfy the Board that the management of subsidiaries has taken into account all the appropriate considerations in preparing their budget and strategic plans. The Board is also responsible for monitoring the implementation of the strategic plans by the subsidiaries. The CEOs of the subsidiaries and associate are also invited to make presentations to the Board on the achievement of their approved budget and the strategic plan initiatives on a quarterly or half yearly basis.

## CORPORATE GOVERNANCE STATEMENT

The Board has also ensured that all candidates appointed to senior management positions are of sufficient calibre and satisfied that there are programmes in place to provide for the orderly succession of senior management. The Board is also supported by a suitably qualified and competent company secretary who also plays an important role in supporting the Board by ensuring adherence to Board policies and procedures. The Company Secretary is licensed under Section 139B of the Companies Act, 1965.

The Board recognises its role in establishing ethical values that support a culture of integrity, fairness, trust, forthrightness and pursuit of excellence. To this, the Board has formalised its code of conduct in the Board Policy Manual and has made them available in the corporate website of the Company. The Board had ensured compliance to the code of conduct during the year by committing itself and its members to ethical, business like and lawful conduct, including proper use of authority and decorum when acting as Directors. The Directors also have avoided conflict of interest with respect to their fiduciary responsibilities and conduct themselves in the interest of the Group. The Board has also established its Board Charter which includes the roles and responsibilities of the Chairman, Independent Directors and the Group CEO and made them available on the website.

The whistle blowing policy was approved by the Board on 13 August 2012. The policy is intended to encourage employees to raise serious and genuine concern(s) about any malpractice or wrongdoing by their colleagues with the Whistle Blowing Committee of the Company, without fear of victimisation, harassment, discrimination or intimidation rather than overlooking the concern(s) or blowing the whistle outside the Company. The policy aims to reassure employees that concerns(s) raised by employees will be handled with high confidentiality and employees will be protected from reprisals or victimisation if they had made a disclosure in good faith. In line with the company's commitment to the highest standards of ethical and fair business conduct and ensuring high standard of governance and accountability, the Board has ensured compliance to the whistle blowing policy during the year.

The Company's strategies to promote sustainability were approved by the Board on 19 November 2012. The Company's commitments with respect to sustainability are in the core areas of workplace, marketplace, community and environment. The Company's involvement in the community takes many forms which include providing financial aid or in-kind to the poor and needy members of the society, sponsorship of special community events or projects, contribution of funds to community organisations or causes and activities with community and staff participation.

Encik Abd Malik bin A Rahman is the Senior Independent Non-Executive Director, to whom concerns from the other Directors, public or investors shall be conveyed.

Encik Abd Malik bin A Rahman is also the Chairman of the Board Audit Committee, a member of the Malaysian Institute of Accountants ("MIA") and meets the requirements of Paragraph 15.09(1)(c) of the BMSB Main Market Listing Requirements.

### BOARD MEETINGS

The Chairman is responsible for ensuring that the Board meets on a regular basis throughout the year. The Board meets at least four (4) times a year, with additional meetings convened when necessary. It has a formal time schedule that is determined in advance. The notice of the meetings is circulated to Board members at least fourteen (14) days before the meeting and the agenda and Board papers are circulated at least seven (7) days before each meeting. Key matters discussed at Board meetings include financial performance, budget and strategic business plans, significant operational matters, capital management plans and potential acquisitions.

The Board has formalised its responsibilities and the terms of reference of its committees in the Board Policy Manual and has made them available in the corporate website of the Company.

The Board has a formal schedule of matters (including strategic and policy issues, financial decisions and the annual business plan) reserved to it. The Board and its committees are supplied with all necessary information to enable them to effectively discharge their responsibilities.

The quorum for the Board meetings is a minimum of three (3) attendees or 50% of total board members, whichever is higher as set out in the Board Policy Manual and the Policy Document on Corporate Governance issued by BNM. The Board records all its deliberations, in terms of the issues discussed and the conclusions in discharging its duties and responsibilities. All conclusions of the Board are duly recorded in the Board minutes.

## CORPORATE GOVERNANCE STATEMENT

During the financial year ended 31 December 2016, four (4) Board meetings and seven (7) Special Board meetings were held. The details of attendance of each Director at the Board meetings held during their tenure of service in financial year 2016 are as follows:-

Name of Directors	Attendance at Meetings
Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) (Chairman)	11/11
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad (Redesignated as Non-Independent Non-Executive Director on 1.5.2016)	10/11
Abd Malik bin A Rahman	11/11
Ignatius Chan Tze Ching	9/11
Dr. Rosnah binti Omar	10/11
Joseph Yuk Wing Pang	7/11
Peter Yuen Wai Hung (Alternate Director to Joseph Yuk Wing Pang)	3/11
Tan Sri Mohd Ghazali bin Mohd Yusoff (Appointed on 20.1.2017)	-
Dato' Mohd Hata bin Robani (Appointed on 7.2.2017)	-
Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff (Resigned w.e.f. 23.12.2016)	10/11
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin (Ceased as Director w.e.f. 29.10.2016)	3/3
Dato' Mustafa bin Mohamad Ali (Ceased as Director w.e.f. 27.10.2016)	8/8
Lee Chor Kee (Alternate Director to Ignatius Chan Tze Ching) (Ceased as Director w.e.f. 6.8.2016)	1/11

## SUPPLY OF INFORMATION

All Directors are entitled to information pertaining to the Group to enable them to effectively discharge their duties as Directors. Occasions may arise when the Board has to seek legal, financial, governance or expert advice in the course of their duties. There are established procedures in place for any Director to obtain independent professional advice at the cost of the Group. The Directors also have unrestricted access to the information pertaining to the Group including the Group's auditors and consultants. All Directors, particularly the Chairman, have unrestricted access to the advice and services of the Company Secretary for the purposes of the Board's affairs and the business. The Board also regularly consults the Company Secretary who is qualified and competent on procedural and regulatory requirements. The Company Secretary is responsible for ensuring compliance with the relevant regulations affecting the Group, including but not limited to the Financial Services Act 2013, Islamic Financial Services Act 2013, the Companies Act 1965, Capital Markets and services Act 2007, the Main Market Listing Requirements of BMSB and the laws and regulations imposed by the Securities Commission.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

### (a) Appointment

The Nomination and Remuneration Committee is in compliance with the best practice set out in MCCG on the appointment of members to the Board and all the appointment of Directors are subject to the approval of BNM. For new appointment of Directors, the Board will set out expectations on time commitment for the new Director and the protocols for accepting new Directorships.

### (b) Re-election

The Company's Articles of Association provides for all Directors to be subjected to re-election by rotation at each Annual General Meeting. The Articles of Association further provides for all Directors to submit themselves for re-election at least once in three (3) years in compliance with the BMSB Main Market Listing Requirements. The re-appointment of Directors are also subject to the approval of Bank Negara Malaysia.

## CORPORATE GOVERNANCE STATEMENT

### DIRECTORS' TRAINING

An integral element in the process of appointing new directors requires new directors to undergo an orientation program in respect of the businesses of the Group together with meeting the management teams within the Group, including reiterating the expectations of the Board with regard to individual members' contributions to the Board and the Group. Every year, the Nomination Committee will propose available training programmes conducted by the regulators and training organisations for directors and further ensures that its members have access to appropriate continuing education programmes and all Board members undergo the necessary training from time to time and are kept abreast with current regulatory issues and changing commercial risks. It is imperative that Directors devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes and life-long learning. This will enable Directors to sustain their active participation in board deliberations.

During the year, all the directors have attended various courses and seminars relevant to their duties and responsibilities to further enhance their skill and knowledge in compliance with para 15.08 of the listing requirements of Bursa Malaysia.

Pursuant to the requirements of Bursa Malaysia, all the directors of AHB had attended the Mandatory Accreditation Programme ("MAP") by Bursa Malaysia, except for the two (2) directors appointed in 2017. The Directors are required to complete the MAP within 4 months of his/her appointment.

No	Training Program	Conducted by	Attended by	Date
1.	Economic & Market Outlook 2016	The Bank of East Asia, Limited	• Ignatius Chan Tze Ching	4 January 2016
2.	Pension Deficit in China	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	8 January 2016
3.	The Renminbi Depreciation and its sector impact	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	15 January 2016
4.	Asian Financial Forum	The Government of the HKSAR and Hong Kong Trade Development Council	• Ignatius Chan Tze Ching	18-19 January 2016
5.	The New & Revised Auditor Reporting Standards: Implications to Financial Institution	FIDE Forum/MIA/MICPA	• Dato' Mustafa bin Mohamad Ali • Abd Malik bin A Rahman	20 January 2016
6.	Imbalanced recovery of China's housing market	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	29 January 2016
7.	Substantial Surge in Shenzhen Housing Prices in 2015	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	5 February 2016
8.	How Japan is Winning the Mainland Tourists from Hong Kong	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	12 February 2016
9.	Economic Seminar: Investing in Emerging Markets and The Next Evolution in Asset Allocation	Lumen Advisors and Manifold Partners	• Ignatius Chan Tze Ching	16 February 2016
10.	Special Invitation to Industry Briefing on Directors Register Implementation	FIDE Forum	• Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	17 February 2016
11.	China's Outbound Mergers and Acquisitions in 2015	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	19 February 2016

## CORPORATE GOVERNANCE STATEMENT

No	Training Program	Conducted by	Attended by	Date
12.	Economic Seminar: Economic Outlook on Realities, Risks and Perceptions	CaixaBank	• Ignatius Chan Tze Ching	24 February 2016
13.	The Economics Challenges of Association of Southeast Asian Nations	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	26 February 2016
14.	FIDE Forum Economic and Financial Services Sector: Trends and Challenges Moving Forward for the Banking Industry	FIDE Forum	• Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	3 March 2016
15.	China's Services Sector	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	4 March 2016
16.	Module A (Banks): Financial Institutions Directors Education (FIDE) Programme	The ICLIF Leadership and Governance Centre in Malaysia	• Ignatius Chan Tze Ching	8-11 March 2016
17.	China's Economy Policy in 2016	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	11 March 2016
18.	SEACEN Conference on Central Bank Cooperation and Mandates in Honor of Former Governor of Bank of Thailand Dr. Puey Ungphakorn	The SEACEN Centre Kuala Lumpur	• Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	14 March 2016
19.	Global Emerging Markets Programme 2016 - Risk and Vulnerability of Global Markets: Reinforcing Resilience in Emerging Markets	Securities Commission Malaysia	• Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	15 March 2016
20.	1st Distinguished Board Leadership Series – "Cyber-Risk Oversight"	FIDE Forum	• Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad • Abd Malik bin A Rahman	16 March 2016
21.	Business Opportunities from Video Viewing on Smartphone in China	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	18 March 2016
22.	Independent Directors Programme: "The Essence of Independence"	Bursa Malaysia Berhad/ICLIF	• Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) • Tan Sri Dato' Seri Lodin bin Wok Kamaruddin • Dato' Mustafa bin Mohamad Ali • Dr. Rosnah binti Omar	28 March 2016
23.	BNM - FIDE Forum Dialogue with Governor of Bank Negara Malaysia - "Economic & Financial Services Sector - Trends & Challenges Moving Ahead"	Bank Negara Malaysian/FIDE Forum	• Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	29 March 2016

CORPORATE GOVERNANCE STATEMENT

No	Training Program	Conducted by	Attended by	Date
24.	Doing business is getting tougher in China	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	1 April 2016
25.	Director's Guide to Fraud & Corruption Risks	FIDE Forum	• Abd Malik bin A Rahman	5 April 2016
26.	Managing Business Sustainability in Turbulent Times	TOMEI Director's Training	• Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	6 April 2016
27.	Socio-political Attitudes of Hong Kong's Young People	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	8 April 2016
28.	China's Overseas Returnees and Their Start-ups	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	15 April 2016
29.	FIDE Forum 2 <sup>nd</sup> Distinguished Board Leadership Series – "Avoiding Financial Myopia"	FIDE Forum	• Tan Sri Dato' Seri Lodin bin Wok Kamaruddin • Abd Malik bin A Rahman • Dr. Rosnah binti Omar	19 April 2016
30.	Shariah Governance, Audit, Risk Management & Reporting	RedMoney Group	• Dr. Rosnah binti Omar	20 April 2016
31.	Panama Papers and the Role of Hong Kong	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	22 April 2016
32.	China's Family Business Succession	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	29 April 2016
33.	Political Connection and the Underperforming China's Stock Market	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	6 May 2016
34.	CG Breakfast Series with Directors "The Strategy, the Leadership, the Stakeholders and the Board"	Bursa Malaysia Berhad/Malaysian Directors Academy	• Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	6 May 2016
35.	Risk Management Workshop on Cyber Security and Fraud	AFFIN Holdings Berhad	• Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) • Tan Sri Dato' Seri Lodin bin Wok Kamaruddin • Dato' Mustafa bin Mohamad Ali • Abd Malik bin A Rahman • Dr. Rosnah binti Omar	9 May 2016
36.	Global Islamic Finance Forum 5.0	Association of Islamic Banking Institution Malaysia	• Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	11 May 2016
37.	Review of Impact of Minimum Wage on Hong Kong	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	13 May 2016

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No	Training Program	Conducted by	Attended by	Date
38.	"Clean, Lean and Green" Asian Infrastructure Investment Bank (AIIB)	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	20 May 2016
39.	RMC FIC Conference 2016	KPMG Hong Kong	• Ignatius Chan Tze Ching	24 May 2016
40.	Blockchain: Revolution of the Financial Industry	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	27 May 2016
41.	Capital Market Directors Programme (CMDP) Module 1: Directors as Gatekeepers of Market Participants	Securities Commission Malaysia /Affin Hwang Capital Berhad	• Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	30 May 2016
42.	Capital Market Directors Programme (CMDP) Module 2: Business Challenges and Regulatory Expectations - What Directors Need to Know (Equities & Future Broking)	Securities Commission Malaysia /Affin Hwang Capital Berhad	• Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	30 May 2016
43.	Session with Directors: Implementation of FIDE Forum's Directors Register	FIDE Forum	• Abd Malik bin A Rahman • Dr. Rosnah binti Omar	1 June 2016
44.	Briefing Session B for Directors: Implementation of FIDE Forum's Directors Register	FIDE Forum	• Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	2 June 2016
45.	2014/15 Hong Kong Household Expenditure Survey	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	3 June 2016
46.	Hong Kong as a Regional Green Finance Hub	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	10 June 2016
47.	KPMG Independent Non-Executive Directors Forum	KPMG Hong Kong	• Ignatius Chan Tze Ching	13 June 2016
48.	LME Metal Seminar Asia 2016	Hong Kong Exchanges and Clearing Limited	• Ignatius Chan Tze Ching	14 June 2016
49.	Cooperation between China and the Central and Eastern Europe under the Belt and Road Initiative	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	17 June 2016
50.	China's cross-border e-commerce businesses	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	24 June 2016
51.	The 7th Forum for Senior Administration	The Hong Kong Polytechnic University	• Ignatius Chan Tze Ching	29 June 2016
52.	China Corporate Debt at Risk	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	8 July 2016

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No	Training Program	Conducted by	Attended by	Date
53.	Earnings Mobility in Hong Kong	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	15 July 2016
54.	35 <sup>th</sup> Management Conference (Plantation Division) of Genting Plantations Berhad: "Integrating Innovation, Sustainability and Productivity for Value-Creation"	Genting Plantations Berhad	• Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R)	20 - 23 July 2016
55.	Power Talk: What Will Distinguish the Great Boards of Tomorrow	Lembaga Tabung Angkatan Tentera (LTAT)	• Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	25 July 2016
56.	Board and Directors Evaluation in the 21 <sup>st</sup> Century	FIDE Forum	• Dr. Rosnah binti Omar	25 July 2016
57.	Power Talk: What Will Distinguish the Great Board of Tomorrow	LTAT	• Dr. Rosnah binti Omar	25 July 2016
58.	Diminishing investment returns in US and Western Europe in next 20 years	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	29 July 2016
59.	12th World Islamic Economic Forum	World Islamic Economic Foundation (Jakarta, Indonesia)	• Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	2 August 2016
60.	Fin-Tech: Business Opportunity or Disruptor?	Mr. Markus Gnirck and Mr. Veiverne of FIDE Forum	• Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	4 August 2016
61.	Financial Technology (FinTech): Business Opportunity or Disruptor	FIDE Forum/Bank Negara Malaysia	• Abd Malik bin A Rahman	4 August 2016
62.	Economic Outlook of Mainland China and Hong Kong	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	5 August 2016
63.	Advocacy Sessions on Management Discussion & Analysis ("MD&A") For Chief Executive Officers ("CEO") and Chief Financial Officers ("CFO") of Listed Companies	Bursa Malaysia Berhad	• Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	8 August 2016
64.	AFFIN Hwang Capital Conference Series 2016 - Navigating Through Shifting Sands	AFFIN Hwang Capital Berhad	• Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	11 August 2016
65.	The Red-hot Land Market in China	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	12 August 2016
66.	Program: Internal Capital Adequacy Assessment Process (ICAAP) - Banks	The ICLIF Leadership and Governance Centre	• Dr. Rosnah binti Omar	15 - 16 August 2016
67.	China's Rural Economic Transformation by Internet Integration	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	19 August 2016

## CORPORATE GOVERNANCE STATEMENT

No	Training Program	Conducted by	Attended by	Date
68.	Capital Market Directors Programme (CMDP) Module 4: Current and Emerging Regulatory Issues in the Capital Market	Securities Commission Malaysia/Affin Hwang Capital Berhad	• Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	24 August 2016
69.	FinTech's Impact on Financial Institutions	Securities Commission Malaysia/FIDE Forum	• Abd Malik bin A Rahman	26 August 2016
70.	Regional Economic Divergence in China	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	2 September 2016
71.	Directors' Strategic Retreat 2016	Cahaya Mata Sarawak	• Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R)	5 September 2016
72.	Growing Discontent and Concerns of China's Middle Class	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	9 September 2016
73.	The cleanup of zombie companies in China	The Bank of East Asia, Limited	• Joseph Yuk Wing Pang	23 September 2016
74.	Half Day Talk on: • Malaysia Financial Reporting Standard (MFRS) 9 – Financial Instruments; • Key Audit Matters; • Internal Capital Adequacy Assessment Process (ICAAP); and • Shariah Non-Compliance Risk and Its Impact to Islamic Banks	AFFIN Holdings Berhad	• Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) • Tan Sri Dato' Seri Lodin bin Wok Kamaruddin • Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad • Dato' Mustafa bin Mohamad Ali • Abd Malik bin A Rahman • Dr. Rosnah binti Omar	26 September 2016
75.	Corporate Governance Statement Workshop: "The Interplay between CG, Non-Financial Information (NFI) and Investment Decisions"	Bursa Malaysia Berhad	• Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R)	28 September 2016
76.	The Macroeconomic Impact of Donald Trump as the US President	Economic Research Department, BEA	• Joseph Pang Yuk Wing	30 September 2016
77.	Lecture Series by DYMM Sultan Perak, Sultan Nazrin Shah: "Bahasa Melayu dalam Kesultanan Melayu"	Dewan Negara Perak	• Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R)	5 October 2016
78.	Kuala Lumpur SOGO Conference 2016: "Between Us, Our Journey into the Future"	SOGO (KL) Store Sdn Bhd	• Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R)	5 October 2016
79.	3 <sup>rd</sup> World Conference on Islamic Thought and Civilization – Future World	Universiti Sultan Azlan Shah, Perak	• Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R)	18 October 2016

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No	Training Program	Conducted by	Attended by	Date
80.	The Risky growth of wealth management products in China	Economic Research Department, BEA	• Joseph Pang Yuk Wing	4 November 2016
81.	Tax/Budget 2017	Deloitte	• Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R)	6 November 2016
82.	Sultan Azlan Shah Law Lecture – The Supreme Court: Guardian of the Constitution by the Right Honorable the Baroness Hale of Richmond	University Malaya, Kuala Lumpur	• Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R)	9 November 2016
83.	Talk on: Amendments to Listing Requirements of Bursa Malaysia, Companies Act 2016, Proposed Code of Corporate Governance 2016 and BNM Policy Document on Corporate Governance	AFFIN Holdings Berhad	• Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) • Tan Sri Dato' Seri Lodin bin Wok Kamaruddin • Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad • Dato' Mustafa bin Mohamad Ali • Abd Malik bin A Rahman • Dr. Rosnah binti Omar	10 November 2016
84.	Asian Bankers Association and Vietcombank	The 32 <sup>nd</sup> ABA General Meeting and Conference in Hanoi	• Ignatius Chan Tze Ching	10 & 11 November 2016
85.	Lecture Series by DYMM Sultan Perak, Sultan Nazrin Shah, Education is the First Line for the Defence and Security of the Nation	National Defence University of Malaysia (UPNM)	• Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R)	17 November 2016
86.	Corporate Governance Breakfast Series- Thought Leadership Session for Director "The Cybersecurity Threat and How Boards Should mitigate Risk"	Bursa Malaysia Berhad	• Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R)	18 November 2016
87.	The New Malaysian Companies Act 2016 by Messrs. Rahmat Lim & Partners	Cahaya Mata Sarawak Berhad	• Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R)	30 November 2016
88.	Anti-Money Laundering Act and Counter Financing of Terrorism	Affin Hwang Investment Bank Berhad	• Abd Malik bin A Rahman	30 November 2016
89.	Anti-Money Laundering and Counter Financing of Terrorism	Affin Hwang Investment Bank Berhad	• Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	30 November 2016
90.	Metro Finance Radio and the Hong Kong Economic Journal	Hong Kong Economic Summit 2017	• Ignatius Chan Tze Ching	1 December 2017
91.	The Shenzhen-Hong Kong Stock Connect	Economic Research Department, BEA	• Joseph Pang Yuk Wing	2 December 2016

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No	Training Program	Conducted by	Attended by	Date
92.	The Hong Kong Polytechnic University	Management Workshop	• Ignatius Chan Tze Ching	6 December 2016
93.	KPMG Hong Kong and The Hong Kong Polytechnic	Risk Consulting	• Ignatius Chan Tze Ching	9 December 2016
94.	Skills Gaps in China's Labour Market	Economic Research Department, BEA	• Joseph Pang Yuk Wing	9 December 2016
95.	Economic Outlook of Mainland China & Hong Kong Stock Connect	Economic Research Department, BEA	• Joseph Pang Yuk Wing	16 December 2016
96.	China's Office Property Market Overview	Economic Research Department, BEA	• Joseph Pang Yuk Wing	30 December 2016

## DIRECTORS' REMUNERATION

The objective of the Company's policy on directors' remuneration is to attract and retain directors of the calibre needed to lead the Group successfully.

The Board has established a formal and transparent remuneration policies and procedures to attract and retain directors. The determination of the remuneration for Non-Executive Directors is a matter for the Board as a whole. The remuneration packages had taken into account of pay and employment conditions within the industry. The level of remuneration paid to Non-Executive Directors reflects the experience and level of responsibilities undertaken by the particular Non-Executive Director concerned. Non-Executive Directors are paid a basic fee as ordinary remuneration and paid a sum based on their responsibilities in the Committees. The fee is a fixed sum and not by a commission on or percentage of profits or turnover as stated in the Main Market Listing Requirements of BMSB. In determining the level of remuneration for Non-Executive Directors, the Board normally will conduct a survey of the remuneration levels in the industry either by external consultants or the management. This survey will be tabled and presentation be made to the Nomination and Remuneration Committee and Board for deliberation.

The considerations that the Board normally takes into account in determining the remuneration package of Directors include:-

- membership of a director in committee(s);
- whether the director is a member or chairman of committee(s);
- affordability;
- industry's practices/benchmarks; and
- reasonableness.

Fees payable to directors are recommended by the Nomination and Remuneration Committee to the Board for approval by the shareholders at the Annual General Meeting. The Company reimburses reasonable expenses incurred by the directors in the course of performing their duties as directors.

The details of the remuneration for the financial year ended 31 December 2016 of the Non-Executive Directors are as follows:-

Non-Executive Directors (Including Alternate Directors)	Received from AHB	Received on Group Basis
	RM	
Fees	1,395,464	2,770,964
Allowances	473,000	935,200
Benefit in kind	38,797	38,797
Other Emoluments	255,000	255,000
<b>Total</b>	<b>2,162,261</b>	<b>3,999,961</b>

## CORPORATE GOVERNANCE STATEMENT

The numbers of directors whose total remuneration during the year fall within the following remuneration bands are:-

Non-Executive Directors (Including Alternate Directors)	Received from AHB	Received on Group Basis
	No. of Directors	
RM 1 to RM 50,000	2	2
RM 50,001 to RM 100,000	1	-
RM 150,001 to RM 200,000	1	1
RM 200,001 to RM 250,000	4	2
RM 300,001 to RM 350,000	1	1
RM 350,001 to RM 400,000	2	1
RM 500,001 to RM 550,000	-	1
RM 550,001 to RM 600,000	-	1
RM 800,001 to RM 850,000	-	2

### THE BOARD COMMITTEES

The current Board Committees to assist the Board in the execution of its responsibilities are as follows:-

- Board Audit Committee
- Nomination and Remuneration Committee
- Group Board Risk Management Committee

#### (a) Board Audit Committee

The present terms of reference of the Board Audit Committee are in compliance with the requirements of the BMSB Main Market Listing Requirements and the best practices contained in MCCG.

The Board recognises that an effective Board Audit Committee is vital to ensure the Company's financial statement is a reliable source of financial information. The Board Audit Committee ensures that the Company's financial statements comply with applicable financial reporting standards as this is integral to the reliability of financial statements.

The Board has established an internal audit function which reports directly to the Board Audit Committee. The Group Chief Internal Auditor has the relevant qualifications and be responsible for providing assurance to the Board that the internal controls are operating effectively. The Group Internal Audit is carrying out their functions according to the standards set by recognised professional bodies and conduct regular reviews and appraisals of the effectiveness of the governance, risk management and internal control processes within the Company. Periodic testing of the effectiveness and efficiency of the internal control procedures and processes is conducted to ensure that the system is viable and robust.

The internal audit function of the Group is performed in-house. The Chief Group Internal Auditor reports to the Board Audit Committee of AHB and the respective subsidiaries. As for AXA-AFFIN Life Insurance Berhad and AXA-AFFIN General Insurance Berhad, the Head of Internal Audit reports to the Audit Committee of the respective Company.

**CORPORATE GOVERNANCE STATEMENT****(b) Nomination and Remuneration Committee (“NRC”)**

On 11 August 2016, the Nomination Committee (“NC”) and Remuneration Committee (“RC”) was combined to form a single committee as allowed by the Policy Document on Corporate Governance issued by BNM on 3 August 2016. The members of the NRC are as follows:-

Tan Sri Mohd Ghazali bin Mohd Yusoff (Appointed as Chairman on 26.1.2017)	Independent Non-Executive Director
Gen. Dato’ Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R)	Non-Independent Non-Executive Director
Raja Tan Sri Dato’ Seri Aman bin Raja Haji Ahmad	Non-Independent Non-Executive Director
Abd Malik bin A Rahman	Independent Non-Executive Director
Dato’ Mohd Hata bin Robani (Appointed as member on 7.2.2017)	Independent Non-Executive Director
Tan Sri Dato’ Seri Alauddin bin Dato’ Mohd Sheriff (Resigned w.e.f 23.12.2016)	Independent Non-Executive Director
Tan Sri Dato’ Seri Lodin bin Wok Kamaruddin (Ceased as Director w.e.f 29.10.2016)	Non-Independent Non-Executive Director
Dato’ Mustafa bin Mohamad Ali (Ceased as Director w.e.f 27.10.2016)	Independent Non-Executive Director

The members of the NRC shall be appointed by the Board of Directors of AHB. The Composition of the NRC must comply with the requirement of the Policy Document on Corporate Governance dated 3 August 2016 as follows:-

1. Have at least three (3) directors;
2. Have a majority of Independent directors;
3. Be chaired by an Independent director;
4. Comprise directors who have skills, knowledge and experience relevant to the responsibilities of the Board Committees; and
5. Must not have any Executive Director in the membership.

The Committee should be chaired by an Independent Director. If its membership for any reason falls below three (3) members, the Board of Directors shall, within three (3) months of that event, appoint such a number of new members as may be required to fulfil the minimum requirement.

The appointment of a NRC member automatically terminates when the member ceases to be a Director.

The duties of the NRC shall include:-

- To recommend candidates for all directorships to be filled by shareholders or the Board;
- To recommend candidates to fill the seats on Board Committees;
- To recruit and retain the best available directors;
- To assess the contribution of each individual director;
- To review annually the Board structure, size, composition and the balance between Executive Directors, Non-Executive Directors and Independent Directors to ensure that the Board has the appropriate mix of skills and experience including core competencies which Directors should bring to the Board and other qualities to function effectively and efficiently;
- To take the necessary steps to ensure that women candidates are sought as part of the Company’s recruitment exercise to meet its gender diversity policy;

## CORPORATE GOVERNANCE STATEMENT

- To establish and implement processes for assessing the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each Director;
- To review regularly the status of Independent Directors and ensure that they meet the criteria of Independent Directors as defined in the guidelines issued by BNM and in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- To assess and recommend to the Board, the re-appointment of Directors and CEO upon the expiry of the respective terms of appointment as approved by BNM;
- To recommend Directors who are retiring at Annual General Meetings for re-election and termination of Board membership for appropriate reasons;
- To conduct assessments on the fitness and propriety of Directors, the CEO, the Company Secretary and Senior Officers and making decisions on their appointments;
- To review regularly the list of key responsible persons (which include the Directors, CEO and Senior Officers) of the Company to ensure that the list is comprehensive and has included all key positions within the Company;
- To establish and to review regularly the internal policies on fit and proper procedures and assessment processes relating to key responsible persons and the Company Secretary;
- To assess on an annual basis, that the Directors, CEO and Senior Officers are not disqualified under section 59 of the Financial Services Act 2013 and that the Directors, CEO and Senior Officers continue to comply with the fit and proper criteria as approved by the Board;
- To assess on an annual basis, that the Company Secretary is not disqualified under Section 238 of the Companies Act 1965 and that he/she continues to comply with the fit and proper criteria as approved by the Board;
- To recommend to the Board the removal of a Director or CEO if he/she is disqualified under section 59 of the Financial Services Act 2013, no longer comply with fit and proper criteria as approved by the Board or is inefficient, errant and negligent in discharging his/her responsibilities;
- To recommend to the Board the removal of the Company Secretary if he/she is disqualified under section 238 of the Companies Act 1965 or he/she is no longer comply with fit and proper criteria as approved by the Board;
- To ensure existence of an appropriate framework and succession plan for the CEO and Senior Officers of the Company;
- To ensure that all Board appointees undergo the necessary training programmes prescribed by the applicable statutory and regulatory bodies;
- To provide adequate training and orientation of new directors with respect to the business, structure and management of the Group as well as the expectations of the Board with regards to their contribution to the Board and Group;
- Review the performance of senior management of the Company;
- Determine the level and make-up of the directors and senior management's remuneration so as to ensure that the Company attracts and retains the directors and senior management of the appropriate calibre, experience and quality needed to run the Group successfully. The level and make-up of the remuneration should be structured so as to link rewards with corporate and individual performance and commensurate with responsibilities;
- Develop policies, practices and recommend proposals appropriate to facilitate the recruitment and retention of directors and senior management of the Company;
- To carry out such other responsibilities as may be specified by BNM from time to time; and
- Consider other matters as referred to the Committee by the Board.

## CORPORATE GOVERNANCE STATEMENT

In carrying out its duties and responsibilities, the NRC is additionally guided by the Board Policy Manual.

The NRC has developed and maintained the criteria for core competencies to be assessed in the recruitment and annual assessment of the directors in the Board Policy Manual namely integrity, commitment, ethics, governance, strategic perspective, business acumen, judgment, decision making, teamwork, communication and leadership. Directors are assessed based on their contributions as a member of the Board and their respective membership in Board Committees.

The Board delegates the screening and evaluation process for potential new directors and for re-appointment of existing directors to the NRC. The Chairman of the Board actively participates in the selection of Directors. The screening process of potential candidates is in accordance with BNM's guidelines and the Company's Fit and Proper Policies and Procedures for Key Responsible Persons. The Policy sets out a formal and transparent process for the appointment, re-appointment and annual assessment of the Directors and Key Senior Management Personnel. Potential candidates recommended by the Nomination Committee for Board membership will be assessed by the Board before approval and will be subject to final approval by BNM.

In selecting potential new directors and directors to be nominated for re-election, the NRC consider the skills and industry knowledge that the candidate will bring to the Board, including specific qualifications, knowledge, abilities, skills, experience and expertise of the candidate. In selecting a new director to replace another director who resigns or for any reason ceases to be a member of the Board, the NRC will consider the candidate nominated by the Chairman, other directors, the Group CEO or the major shareholders.

On 13 August 2012, the Board approved the proposed policy on Boardroom diversity. The Board, through the Nomination Committee will take steps to ensure that women candidates are sought as part of its recruitment exercise. Selection of women candidates to join the Board will be, in part, dependent on the pool of women candidates with the necessary skills, knowledge and experience. The ultimate decision will be based on merit and contributions the candidate brings to the Board.

The Board has every intention of meeting the 30% women participation target as recommended by Corporate Governance Blueprint 2011 issued by the Securities Commission and will take the necessary measures to meet the target. The NRC is responsible to implement this policy and monitoring the progress towards the achievement of the target of 30% women participation in the Board.

The Committee had reviewed the size and composition of the Board and its committees and is of the opinion that the current Board and its committees possess the appropriate mix of skills and competencies required to effectively lead the Group.

The NC, before the formation of the combined NRC on 11 August 2016 held three (3) meetings during the financial year. All the members of the NC attended the meetings, except for YBhg Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff who attended two (2) meetings. During the meetings, the Committee:-

- noted on BNM's approval dates for the appointment and re-appointment of directors and Group CEO of AHB and their respective due date for re-appointment;
- recommended to the Board for approval of the proposed re-appointment of directors of AHB and nomination of directors to be appointed at subsidiaries and associated company;
- noted available training programs for directors in year 2016;
- noted on 30% women representation requirement on the Board of Directors of listed companies;
- noted on Bank Negara Malaysia's concept paper on corporate governance;
- recommended for the Board's approval of the group policy on the maximum tenure of service of independent directors;
- deliberated on the issues and concerns raised by BNM in its letter dated 18 March 2016; and
- recommended for Board's approval of the proposed reconstitution of Board of Directors of AHB Group.

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The RC, before the formation of the combined NRC on 11 August 2016 held one (1) meeting during the financial year. All the members of the RC attended the meeting, except for YBhg Tan Sri Dato' Seri Lodin bin Wok Kamaruddin who was unable to attend the meeting. During the meeting, the Committee:-

- noted the key findings and recommendations of Director's Remuneration Report 2015 jointly done by FIDE Forum and PricewaterhouseCoopers;
- reviewed and recommended for the Board's approval of the director's remunerations for AHB and its subsidiaries for the financial year ended 31 December 2015; and
- considered and recommended for Board's approval of the proposed payment of bonus and annual salary increment to the staff of AHB.

The combined NRC held three (3) meetings during the financial year since its formation on 11 August 2016. All the members of the NRC attended the meetings. During the meetings, the Committee:-

- recommended to the Board for approval of the proposed terms of reference for the NRC;
- noted BNM's approval dates for the re-appointment of directors and their respective expiry dates;
- conducted Directors' appraisal for year 2016. The directors were appraised based on their core competencies, namely integrity, commitment, ethics, governance, strategic perspective, business acumen, judgement, decision making, teamwork, communication and leadership;
- conducted fit and proper assessment on the directors and senior management of the Company;
- conducted the assessments of Independent Directors for year 2016;
- conducted the assessments of Board Audit Committee, Group Board Risk Management Committee and Board Nomination and Remuneration Committee for year 2016;
- conducted an assessment of Board effectiveness for year 2016 as required by the Green Book under the Government Linked Companies ("GLCs") Transformation Programme;
- noted the list of Independent Directors of AHB and its subsidiaries who have served as Independent Directors for a cumulative term of more than nine years and the number of new Independent Directors that need to be appointed to meet BNM's requirements;
- noted the present composition and changes needed to the composition of AC, NRC and Group Board Risk Management Committee at AHB;
- noted the list of trainings available for directors and list of trainings attended by the directors in year 2016; and
- reviewed and recommended the directors' remunerations of AHB and its subsidiaries for the financial year ending 31 December 2016; and
- Recommended for Board's approval of the proposed appointment of two new candidates as independent directors of AHB.

### (c) Group Board Risk Management Committee ("GBRMC")

The members of the GBRMC are as follows:-

Dr. Rosnah binti Omar (Chairman)	Independent Non-Executive Director
Ignatius Chan Tze Ching	Non-Independent Non-Executive Director
Tan Sri Mohd Ghazali bin Mohd Yusoff (Appointed as member on 26.1.2017)	Independent Non-Executive Director
Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff (Ceased as member w.e.f. 23.12.2016)	Independent Non-Executive Director

## CORPORATE GOVERNANCE STATEMENT

The Committee has the following Terms of Reference:-

### Composition and scope of the GBRMC

The GBRMC shall consist of not less than three (3) members comprising only Non-Executive Directors, of which the majority of members shall be Independent Directors. The GBRMC should be chaired by an Independent Director.

The Chairmen of the Board Risk Management Committees of AFFIN Bank Berhad, AFFIN Islamic Bank Berhad and AFFIN Hwang Investment Bank Berhad shall be invitees at GBRMC meetings. The Group Chief Executive Officer and CEOs representing the Banks above will also be invited to attend the GBRMC accordingly. The Group Chief Risk Officer ("GCRO") shall be in attendance at the GBRMC meetings, with the Company Secretary acting as the Secretariat.

GBRMC represents a Board committee to assess and examine the adequacy of group risk management framework including the policies, procedures and processes for the Group. GBRMC is established to ensure that the Group wide enterprise risk management framework, policies and guidelines adequately protect AFFIN Banking Group comprising AFFIN Bank Berhad, AFFIN Islamic Bank Berhad, AFFIN Hwang Investment Bank Berhad (Banking Group) any other financial institutions to be included against all identified risks. The enterprise risk management include credit, market, liquidity, interest rate and operational which incorporate legal, regulatory, reputational, human resource and anti-money laundering and counter financing of terrorism (AML/CFT) risks.

### Quorum of GBRMC Meeting

Two (2) members present shall constitute a quorum.

### Frequency of GBRMC Meetings

The GBRMC shall meet at least once every quarter basis to execute its responsibilities and tasks.

### Detailed Scope of Responsibilities of GBRMC

- Set the overall approach of the Banking Group's enterprise wide risk strategy for approval by the Board of AHB. The risk management framework and guidelines must enable the identification, measurement, managing, monitoring and reporting of all relevant and material risks on a group wide basis.
- The GBRMC shall ensure that the group risk management policies adequately protect the Banking Group against all risks identified in the scope above with group wide risk management framework detailing the policies, procedures and processes to address the Group's strategic business and operational risks.
- Review the risk appetite for the Group that are consistent with the Banking Group's risk appetite, strategic/business focus and prevailing business environment and ensure that the reviews on the risk appetite are effectively communicated throughout the Banking Group. The GBRMC is to certify that this is well integrated throughout and embedded into the business strategy, operations and culture of the Banking Group.
- Review and appraise risks inherent in all products and activities and evaluate reports on risks under stress scenarios and the capability of the Bank's capital to sustain such risks. Any new risks to the Banking Group are subject to adequate risk management policy and controls before being introduced or undertaken.
- Review the capital management of the Group in accordance with the mandatory regulatory supervision on the reserves, loans and capital ratios by the Regulatory Authorities. Evaluate and make recommendation to the AHB's Board on all new subsidiaries and mergers and acquisition proposals to ensure soundness of investment by the Group.
- Discuss and consult with the Banking Group Board Risk Management Committee ("BRMC") and the CEO's of the Banking Group on matters to administer and improve the enterprise wide risk management policy within the Group. The consultation includes operational matters and compliance adherence on the risk management's governance and internal controls including on new regulatory framework from the Regulatory Authorities.

## CORPORATE GOVERNANCE STATEMENT

- Oversees the implementation of group wide risk management framework by reviewing the related reports submitted by the Chief Risk Officers on the adherence of the policies and procedures as approved by the Board of AHB. The reports include the respective monitoring and reporting of the BRMC in managing identified risk that may affect the financial stability and non-financial impact to the Banking Group. Reviews of critical risk matters should be made available immediately to GBRMC for information, considerations and actions to mitigate the identified risk.
- Submit a regular report on the overall adherence of regulatory compliances and implementation of the enterprise wide risk management policy for the Board of AHB's information and consideration. To submit and recommend to the Board where appropriate the measures to be undertaken on the Group Risk Management Policy and Guidelines on matters that will impact the performance of the business activities and the risk management controls of the Group. Minutes of the GBRMC shall be submitted to the Board for endorsement and notification.
- Address any matters that may affect the enterprise wide risk management controls and reporting to the Board and prepare the Risk Management Statement in the Annual Report for the Board's consideration and approval.

The Committee had four (4) meetings in 2016. All the members of the Committee attended the meetings. During the meetings, the Committee noted and deliberated on amongst others the following:-

1. Review of oversight and strategic ERM in AHB Group of Companies.
2. Enhancement of Group ERM Framework, Policies and Guidelines.
3. Review ICAAP project vis-à-vis ICAAP readiness with capital management for AHB and Risk Appetite Framework for the AHB as the FHC.
4. Oversees the adherence of the Group Governance, Risk and Compliance with the regulatory supervisors of AHB as the FHC.
5. Review on Non-Financial performance in the Group ERM Framework.
6. Recommend the training of high-level impact of ERM for the Board, Management and GCRO team members in administering the prudent ERM.
7. Review the resources and compensation plan to enhance ERM adherence and compliance in the financial subsidiaries.

## SHAREHOLDERS

### (a) Dialogue between the Company and Investors

The Group values dialogue with investors. The aims of the investor relations program are primarily to provide consistent and accurate information to shareholders and fund managers on the Group and to provide prompt feedback to senior management on investors' concerns and market perceptions thus, ensuring effectiveness of the information dissemination.

Various announcements, including quarterly financial results were made during the year to provide shareholders with information on the Group's performance and operations. The Group also holds meetings, briefings and road shows with investors and fund managers from time to time to update them on the latest developments and corporate exercises undertaken by the Group.

On 19 November 2012, the Board approved the corporate disclosure policy and procedures of the Company which are practical and comply with the Main Market Listing requirements of BMSB. It outlines the Company's approach towards the determination and dissemination of material information especially price-sensitive information, the circumstances under which the confidentiality of the information will be maintained and restrictions on insider trading. It also sets out the internal procedural guidelines to facilitate implementation and consistent disclosure practices across the Company.

Only the authorised spoke persons, i.e. the Chairman, any other directors or officers of the Company or subsidiaries as authorised by the Board of Directors from time to time are authorised to disclose material information to shareholders, stakeholders, analysts, media, regulators and the investing public. Only the Group CEO and the Executive Director of the Company, the Chief Executive Officer/Managing Director of subsidiaries and senior management of AHB and subsidiaries are authorised to participate in briefing sessions with financial analysts, media and investing public on behalf of the Company and make comments on analyst reports.

## CORPORATE GOVERNANCE STATEMENT

Direct engagement of the management in the Group and effective communication with shareholders provides a better appreciation of the Company's objectives, quality of its management and challenges, while also making the Company aware of the expectations and concerns of the shareholders. This will assist shareholders in evaluating the Company and facilitate the considered use of their votes.

### (b) Annual General Meeting

The Annual General Meeting is the principal forum for dialogue with the shareholders. At each Annual General Meeting, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session. All the Directors are available to respond to shareholders' questions during the meeting.

For re-election of directors, full information is provided with the notice of the meeting regarding directors who are retiring and whether they are willing to serve if re-elected.

Each item of special business included in the notice of the meeting is accompanied by a full explanation of the effects of a proposed resolution to facilitate understanding and evaluation of the issues involved. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman declares the number of proxy votes received both for and against each separate resolution.

The Board takes note of the recommendation by MCCG on the adoption of electronic voting and encourage poll voting to facilitate greater shareholder participation and inform shareholders of their right to demand a poll vote at the commencement of general meeting.

The Company will make an announcement of the detailed results showing the number of votes cast for and against each resolution. The Company will also ensure that any vote of shareholders taken at the general meeting on the resolution approving related party transactions is taken on a poll.

## ACCOUNTABILITY AND AUDIT

### (a) Financial Reporting

In presenting the annual financial statements and quarterly announcements to shareholders, the directors aim to present a balanced and understandable assessment of the Group's position and prospects. This also applies to other price-sensitive public reports and reports to regulators. In preparing the financial statements, the directors consider that the Group had used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates.

### (b) Internal Control

The directors acknowledge their responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management, to safeguard shareholders' investments and the Group's assets. The Board believes that the internal control systems and procedures provide reasonable but not absolute assurance that assets are safeguarded, transactions are authorised and recorded properly and that material errors and irregularities are either detected or minimised to prevent recurrence. The Board has appointed the Board Audit Committee to review the effectiveness of control procedures and report to the Board on all findings for deliberations.

Some of the key elements of the Group's internal control systems are described below:-

- Clearly defined delegation of responsibilities to the Board Committees and the Management of the Group, including authorisation levels for all business units. Each business unit has clear accountabilities for ensuring that appropriate risk management and control procedures are in place. These delegated responsibilities are subject to review throughout the year;
- Audits are undertaken at regular intervals to monitor compliance with policies and procedures; and
- Monitoring of results against the annual business plan, with major variances examined and management action taken.

There is an established framework to manage risks emanating from the operations of the Group. The Board has determined the Company's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' investments and the Company's assets. Details of the main features of the Company's risk management framework and the state of internal controls are further elaborated under the Statement on Risk Management and Internal Control provided separately in the annual report.

## CORPORATE GOVERNANCE STATEMENT

### (c) Relationship with the auditors

Through the Board Audit Committee, the Group has established transparent and appropriate relationships with the Group's auditors, both external and internal. As the independence of external auditors can be impaired by the provision of non-audit services to the Company, the Board Audit Committee review and monitor the suitability and independence of external auditors. To ensure independence, the Company obtains written assurance from the external auditors confirming that they have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

Other than the written assurance, there are also independence assessment carried out by the Company on an annual basis to assess the suitability and independence of External Auditors in compliance with the policy document on "External Auditors" issued by BNM. Based on the assessment for the year, the Board is of the view that the present External Auditors are suitable and independent to carry out their duties as the External Auditors, although they have acted as the External Auditors for the Company for 27 years on the following basis :-

- a) Both the engagement partner and concurring partner have more than 20 years of experience in providing audit and advisory services to a wide range of financial services listed and non-listed clients;
- b) PwC's personnel possesses relevant, sound knowledge and expertise to audit and provide value added feedback to the company;
- c) PwC does not compromise its integrity and independence in term of major issues and matters that it has observed, which they will accordingly report to the Board Audit Committee;
- d) The man hours spent on AFFIN Group is at an acceptable level compared to the other financial institutions under the purview of PwC; and
- e) PwC has met the criteria and expectations as stipulated in the Policy Document on External Auditors issued by BNM.

A report of the Audit Committee is provided in pages 75 to 80 in this Annual Report.

### Directors' Responsibilities in Respect of the Audited Financial Statements

The directors are required by the Companies Act, 1965 to prepare financial statements for each year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of their results and cash flows for the financial year then ended.

In preparing these financial statements, the directors have:-

- adopted suitable accounting policies and applying them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965. The directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 February 2017.

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

**Abd Malik bin A Rahman**  
Independent Director

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (“SORMIC”)

## 1. CORPORATE GOVERNANCE & BOARD’S OVERSIGHT

- a. The Board recognises and exercises overall responsibilities in promoting good corporate governance and ensuring sound system of internal controls and risk management practices are maintained throughout the Group.
- b. The Board is of the view that the system of internal controls instituted by the Group’s operating units for the year under review and up to the date of annual report is sound and sufficient to safeguard shareholders’ investment, customers’ interests and the Group’s assets.
- c. Notwithstanding this, there are on-going reviews to ensure the effectiveness, adequacy and integrity of the system. The control procedures are designed to manage rather than to eliminate completely all risks of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material errors, losses, fraud or the occurrence of unforeseeable circumstances.
- d. The Board meets regularly to discuss matters related to system of internal controls which cover inter alia financial, operational, compliance controls and risk management procedures.
- e. The Board extended the responsibilities of the Board Audit Committee (“BAC”) and Board Risk Management Committee (“BRMC”) to include the role of oversight on internal controls and risk management strategies, policies and other risk related matters.
- f. BAC and BRMC comprised Independent Non-Executive Directors.
- g. Regular reports received from the Group’s management on financial performance, key operating statistics, legal and regulatory compliance, breach of law or regulations, unauthorized activities and fraud are reviewed by the Board.
- h. The Board received assurance from Chief Executive Officers of the subsidiaries that the Group’s risk management and system of internal controls is operating adequately and effectively in all material aspects based on the risk management and internal control system.

## 2. BUSINESS AND CAPITAL PLAN INCLUDING BUDGET

- a. The significant operating entities’ annual business plan and financial budget is tabled and approved at their respective Boards.
- b. A structured framework and processes with regards to capital expenditure and revenue is in place.
- c. The internal capital targets are being set on a yearly basis.
- d. The variances between the actual and targeted results are presented to the Board on a periodic basis to allow for timely responses and corrective actions to be taken to mitigate risks.

## 3. BOARD AUDIT COMMITTEE (“BAC”) AND GROUP INTERNAL AUDIT (“GIA”)

- a. Group Internal Audit carry out regular reviews of the business processes and activities to assess the effectiveness of internal control and highlight significant risks impacting the Group. The Board Audit Committees of the respective subsidiary conduct annual reviews on the adequacy of the scope of work and resources of Group Internal Audit Division.
- b. The BAC of the respective subsidiaries regularly review and hold discussions with management on the action taken on internal control issues identified by Group Internal Audit, external auditors and regulatory authorities.
- c. All significant and material findings by GIA, external auditors and regulators are reported to BAC for reviews and deliberation and subsequently escalated to the BOD.
- d. The BAC of the respective subsidiaries, through GIA, follow up and monitor the status of actions on recommendations made by Group Internal Audit, the external auditors and regulatory authorities. In addition, it can direct investigations in respect of any specific instances or events, which are deemed to have violated internal policies pertaining to confidentiality or financial impropriety which have material impact on the Group.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (“SORMIC”)

- e. Shariah related findings are escalated to the Shariah Committee.
- f. GIA continuously conduct awareness programs/training on controls and compliance including controls certification programs to further strengthen staff knowledge (inter & intra department) in creating a robust control and compliance environment.
- g. The management of business and support departments that are rated “Needs Improvement” and “Unsatisfactory” by GIA are counseled by BAC.
- h. All related party transactions and audit and non-audit related fees proposed by external auditors or Chief Financial Officer (“CFO”) are reviewed by BAC.

### 4. RISK MANAGEMENT FRAMEWORK

#### a. Group Board Risk Management Committee (“GBRMC”)

- GBRMC has been established and their responsibilities, amongst others, include overseeing the effective implementation of the Enterprise-Wide Risk Management framework.

#### b. Risk Assessment

- Risk Assessment is in place to provide the process for the identification of the Group's material risks, from the perspective of impact on the Group's financial standing and reputation.
- Consistent and well-accepted methodologies of risk measurement introduced to assess Liquidity, Capital Position, Asset and Liability Management and other relevant metrics.

#### c. Risk Governance Structure

- The Risk Governance Structure is aligned across all the business units and subsidiaries of the Group. These are aligned through the streamlining of the Risk Frameworks, Policies and Organisational Structures in order to embed and enhance risk management and risk culture.

#### d. Risk Governance Policies and Procedures

- Risk Management policies and procedures are reviewed and updated regularly to ensure relevance to the current business needs and current/applicable regulatory requirements.

#### e. Whistle Blowing Policy

- This policy provides avenue for employees to report actual and suspected malpractice, misconduct and violations of the Group policies in a safe and confidential manner.

#### f. Operational Risk Management

- Process facilitated by Group Risk.
- Risk Control Self-Assessment (“RCSA”) has been implemented to enable management to identify and assess the risks under their areas of supervision and control on a continual basis.
- This serves as a trigger point to determine Key Risk Indicators (“KRIs”) to adopt and monitor operational risk exposures.

- g. Concerns and breaches if any, will be escalated to the Group CEO and Group Board Risk Management Committee (“GBRMC”). The same will then be escalated to the BOD.

- h. The operational risk are being reviewed and monitored by Group Risk Management. Discrepancies if any, are escalated to Group Operational Risk Management Committee (“GORMC”), BRMC, Board Audit Committee (“BAC”) and Shariah Committee (“SC”) on Shariah related matters. Relevant trainings relating to Operational Risk such as Anti-Money Laundering Act (“AMLA”), Whistle Blowing Policy, Business Continuity Plan etc are being provided by Group Risk Management Division (“GRMD”).

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (“SORMIC”)

### 5. COMPLIANCE FRAMEWORK

- a. The respective significant operating entities have put in place a Compliance Framework. The compliance main function is to facilitate advice, monitor and educate the business and support units/entities to act in accordance with laws, regulations and guidelines. In line with good governance, Compliance Department reports independently to the Board.
- **Compliance Framework: Policies and Procedures**
    - Policies and Procedures are reviewed on a periodic basis or as and when required to reflect current practices and the applicable legal/ regulatory requirements.
  - **Training**
    - Scheduled trainings are regularly conducted to create compliance awareness amongst the staff.
  - **Compliance Matrix**
    - Compliance Matrix has been established. It is a document that encompasses relevant laws, regulations and guidelines that apply to the business and support units/entities.
  - **Compliance Plan**
    - The respective Compliance Department has drawn-up the plan which was tabled and approved by the Board.
  - **Anti-Money Laundering/Counter Financing Terrorism (“AML/CFT”)**
    - The Group AMLA office function, a unit within Group Risk Management Division maintains Group AML/CFT policies and procedures, duly approved by Board Risk Management Committee (“BRMC”).

### 6. SHARIAH GOVERNANCE FRAMEWORK

- a. The Shariah Committee (“Shariah Committee”) of the respective subsidiaries are responsible for overseeing all Shariah matters of the Group. The Shariah Committee, amongst others, ensures that the Shariah rulings relating to Islamic banking and capital market products and services comply with the fundamental Shariah percepts and resolutions by the relevant Shariah authorities.
- b. Shariah Committee acts as an adviser on Shariah matters to all business and support units within the subsidiaries in carrying out their Islamic financial activities.
- c. The Shariah Governance Framework (“SGF”) is the enterprise-wide Shariah management plan consisting of Shariah governance mechanisms to be undertaken by relevant sections across the Group. The implementation of the SGF is inline with BNM’s requirements effected through the following functions at the subsidiaries:-
- **Shariah Research**
    - The Shariah Research Unit comprises qualified Shariah officers who conduct the pre-product approval process, research, vetting of issues for submission and undertake administrative duties relating to the Shariah Committee.
  - **Shariah Review**
    - The Shariah Compliance Review comprising qualified Shariah officers, is responsible for conducting the Shariah compliance review function.
    - The Shariah Compliance Review has established the Policy and Procedures Manual which sets out the Shariah compliance review function, encompassing regular assessment on Shariah compliance in the activities and operations of the subsidiaries, including examining and evaluating the level of compliance to the Shariah, remedial rectification measures to resolve non-compliances and control mechanisms to avoid recurrences.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (“SORMIC”)

- **Shariah Risk Management**

- Shariah Non-Compliance (“SNC”) risk is identified as one of the material risks under its Islamic banking business. In this regard, AFFIN Bank Group has established a dedicated Shariah Risk Management team to facilitate a systematic and consistent approach in managing SNC.

- **Shariah Audit**

- Group Internal Audit Division provides independent assurance on the efficiency and effectiveness of the internal control systems and related policies and procedures implemented by management governing Islamic products and services. Findings related to Shariah products and services are reported to the Shariah Committee of the respective subsidiaries and BAC.

### 7. ESCALATION PROCESS

- a. The channels of communication and procedures have been established for reporting immediately to the Board and appropriate levels of management any significant control failings or weaknesses that are identified together with details of corrective action being undertaken.
- b. Corrective Action Tracking on resolution of issues/findings highlighted by external audit, Group Internal Audit and regulators, if any, have also been escalated to Management Committee Meeting (“MCM”), BAC and BOD.

### 8. HUMAN RESOURCES

- a. The Group acknowledges that people development is critical in ensuring that employees have the right competencies for the tasks they are entrusted with, and are able to exercise sound judgment when fulfilling those responsibilities.
- b. HR Policies and Procedures (“HRPP”)
  - HRPP is in place and provide clarity for the organisation in all aspects of human resource management in the Group.
  - Periodically, the HRPP is reviewed to ensure policies and procedures remain relevant and appropriate controls are in place to manage operational risks. Changes, if any, are communicated to all employees via intranet.
- c. Human Resources has in place various initiatives and training programs to address the human capital requirement, including knowledge management.
- d. A performance-based appraisal system to evaluate and compensate/reward its employees accordingly is in place. Staff performance assessment is done annually.
- e. The recruitment process including screening process is in place.
- f. The e-learning facilities at subsidiaries provides staff the freedom of time and space to learn and update their knowledge at their convenience while meeting the organisation’s needs for its employees who are spread across geography to be competent in key areas.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (“SORMIC”)

### 9. POLICIES/PROCEDURES INCLUDING EMPOWERMENT AND APPROVING AUTHORITY POLICIES

- a. Policies and Procedures covering all functions have been developed throughout the Group and approvals have been obtained from the relevant committees and Board. The policies and procedures are updated timely to incorporate changes to systems, work environment and guidelines issued by regulators.
- b. Empowerment and Approving Authority Policies

There is a clearly defined framework and empowerment approved by the main operating subsidiaries' respective Board for acquisitions and disposals of property, plant and equipment, awarding tenders, applications for capital expenditure, writing off operational and credit items, approving general expenses including donations, etc.

### 10. CONCLUSION

- a. The Statement on Risk Management and Internal Control is being reviewed by the external auditors in line with Recommended Practice Guide (“RPG”) 5 (Revised) by Malaysia Institute of Internal Auditors (“MIA”) and para 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing requirements.
- b. The Board, through the BAC, BRMC and Shariah Committee reviewed the effectiveness of the Risk Management and Internal Control Framework and are operating adequately and effectively in all material aspects during the financial year under review based on the Risk Management and Internal Control system adopted by the Group.
- c. Taking into consideration the assurance from the management and input from the relevant assurance providers, it is viewed that Group's Risk management and Internal Control system are operating adequately and effectively to safeguard shareholder's investment and the company's asset.

# AUDIT COMMITTEE REPORT

The Board of AFFIN Holdings Berhad is pleased to present the Report on Board Audit Committee (BAC) for the Financial Year ended 31 December 2016.

## BOARD AUDIT COMMITTEE

The BAC comprises of the following Directors:-

1. YM Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad  
*Chairman/Independent Non-Executive Director*  
*(Re-designated as Non-Independent Non-Executive Director and ceased to be the Chairman effective 1 May 2016)*
2. Dato' Mustafa bin Mohamad Ali  
*Member/Independent Non-Executive Director*  
*(Retired effective 27 October 2016)*
3. En. Abd Malik bin A Rahman  
*Member/Independent Non-Executive Director*  
*(Appointed as Chairman effective 1 May 2016)*

## TERMS OF REFERENCE

### 1. OBJECTIVE

Board Audit Committee (BAC) is established as a Committee of the Board of Directors.

The primary objectives of BAC are to:-

- a. Establish the framework for and oversee the audit function of AFFIN Holdings Berhad;
- b. Provide assistance to the Board in fulfilling its statutory and fiduciary responsibilities in ensuring that good Corporate Governance, system of internal controls, codes of conduct and compliance with regulatory and statutory requirements are maintained by the AFFIN Group;
- c. Implement and support the function of the Board by reinforcing the independence and objectivity of the Group Internal Audit Division (GIA); and
- d. Ensure that Internal and External Audit functions are properly conducted and audit recommendations are implemented effectively.

### 2. COMPOSITION AND APPOINTMENT

- a. BAC shall have at least three (3) members of whom all must be Non-Executive Directors with a majority of them being Independent Directors. The Chairman of the Committee shall be an Independent, Non-Executive Director. No Alternate Director shall be appointed to the BAC.
- b. At least one (1) member of the Committee must meet the criteria set by the Bursa Malaysia Securities Bhd's Main Market Listing Requirements.
- c. BAC members and the Chairman shall be appointed by the Board of Directors based on the recommendations of the Nomination Committee.
- d. The Board shall review the Terms of Reference and performance of the BAC and each of its members at least once every three (3) years to determine whether the BAC has carried out its duties in accordance with its Terms of Reference.
- e. If a member of the Committee resigns or for any reason ceases to be member in the BAC resulting in non-compliance with the requirements, then the Board shall, within three (3) months of the events, appoint such number of new members as may be required.
- f. The BAC shall have no executive powers.

## AUDIT COMMITTEE REPORT

### 3. SECRETARY TO THE AUDIT COMMITTEE

The Company Secretary shall be the Secretary to the Board Audit Committee.

### 4. QUORUM

The quorum for a meeting of the Committee shall be two thirds (2/3) of the Committee with the majority present being Independent, Non-Executive Directors. If the Chairman is unable to attend any meeting, any other Independent, Non-Executive member present shall act as Chairman. All resolutions of the Committee shall be adopted by a simple majority vote, each member having one (1) vote. In case of equality of votes, the Chairman shall have a second or casting vote.

### 5. ATTENDANCE OF MEETINGS

- a. The notice of meeting should be served to the BAC members at least seven (7) days before the meeting. The agendas and BAC papers are to be circulated at least five (5) days before each meeting.
- b. The Group Chief Internal Auditor is invited to attend all meetings of the Board Audit Committee.
- c. The Committee may invite other Board members, members of Management, External Auditors or any employees as applicable to participate in the BAC meetings as necessary to carry out the Committee's responsibilities.
- d. All the original Minutes of BAC meetings are in the custody of the Company Secretary and shall be signed by the Chairman of the meeting at which the proceedings are held or by the Chairman of the next succeeding meeting. The signed minutes shall be conclusive evidence without any further proof of the facts thereon stated. Minutes of each meeting shall be distributed to the BAC members and all other members of the Board.

### 6. FREQUENCY OF MEETINGS

- a. The BAC shall meet at least four (4) times in a financial year with the objective of reviewing the internal audit reports and AFFIN Group's financial reporting. The BAC complements this through regular meetings with the Senior Management and both the Internal and External Auditors to review the AFFIN Group's overall state of governance and internal controls. To ensure that critical issues are highlighted to all Board members in a timely manner, where possible, the BAC meetings are convened before the Board meetings. The BAC, through its Chairman, shall report to the Board after each meeting where issues can be further deliberated, if necessary.
- b. Besides the minimum of four (4) BAC meetings in a year, additional meetings shall be scheduled whenever deemed necessary by the BAC's Chairman or the majority of the Committee members.

### 7. AUTHORITY

The BAC is authorised by the Board to :-

- a. Investigate any activity or matter within its Terms of Reference;
- b. Be able to obtain external legal or other independent professional advice or other necessary resources to perform its duties;
- c. Have full and unrestricted access to any information pertaining to the Group;
- d. Maintain direct communication channels with the External Auditors, Internal Auditors and all employees of the Group;
- e. Be able to convene meetings with the External and Internal Auditors; excluding the attendance of the members of management Committee at least twice a year; and
- f. Report to the Regulatory Bodies on matters duly reported by it to the Board which have not been satisfactorily resolved resulting in a breach of any regulatory requirements.

## AUDIT COMMITTEE REPORT

### 8. FUNCTIONS AND DUTIES

The functions and duties of BAC shall include, but not limited to the following:-

- a. To review the Quarterly Financial Results and Year-End Financial Statement prior to the approval by the Board focusing on the followings:-
  - Changes in or implementation of major accounting policy;
  - Significant and unusual events or any going concern assumption;
  - Significant adjustments arising from the audit; and
  - Compliance with accounting standards, disclosure requirements and other legal requirements.
- b. To act upon any request from the Board to investigate and report on any issues of concern as regard to the Management of the Group.
- c. To obtain external professional advice and to invite outsiders with relevant experience to attend meetings, subject to the approval of the relevant regulatory body, where necessary.
- d. To recommend to the Board the appointment of External Auditors and their audit fee.
- e. To review with the External Auditors the scope of the audit plan, system of internal controls, the audit reports (including Management letter and Management response), the assistance given by the Management and any findings or action to be taken.
- f. To meet with the External Auditors without the presence of members management at least once a year.
- g. To review the proposals for non-audit services rendered by the External Auditors or 3rd parties. If the External Auditors are engaged, the BAC is responsible for ensuring that such engagement does not compromise the independence of the External Auditors in their roles as Statutory Auditors of the Group.
- h. To review the adequacy and effectiveness of the Group's control environment.
- i. To consider the major findings of internal investigations and Management response.
- j. To review the findings of any examinations by regulatory authorities and the Management response.
- k. To review existing policies and practices within the Group in order to regulate and streamline the same to ensure uniformity.
- l. To ensure that the accounts are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies, bad and doubtful debts.
- m. To review any related party transactions that may arise within the AFFIN Group.
- n. To review the adequacy of the scope, functions, competency and resources of the Group Internal Audit Division and the necessary authority to carry its work. The review may cover the planned audit work, internal audit programmes, the results of completed work and Management implementation of agreed actions as recommended by Group Chief Internal Auditor (GCIA). Where appropriate, the Committee may direct the Management to rectify and improve the system of internal controls and procedures based on the Group Internal Auditors' recommendations and suggestions for improvements.

**AUDIT COMMITTEE REPORT****BOARD AUDIT COMMITTEE MEETINGS HELD IN THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

During the Financial Year Ended 31 December 2016, a total of seven (7) BAC meetings were held. The BAC members and details of the attendance of each member at the meetings are as follows:-

NAME OF COMMITTEE MEMBER	ATTENDANCE
YM Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad <i>Chairman/Independent Non-Executive Director</i>	7/7
Dato' Mustafa bin Mohamad Ali (retired effective 27 October 2016) <i>Member/Independent Non-Executive Director</i>	5/5
En. Abd Malik bin A Rahman <i>Member/Independent Non-Executive Director</i>	7/7

The AHB's BAC is in compliance with the principles and best practices set out in the Malaysian Code on Corporate Governance and they had met the criteria set by the Bursa Malaysia Securities Berhad (BMSB) Main Market Listing Requirements, Chapter 15 Part C, D and E on Board Audit Committee. The BAC members comprised individuals with a diversity of skills, knowledge and caliber in providing independent, objectivity and effective oversight.

The BAC meetings' agendas, relevant BAC papers and audit reports were distributed to the BAC members five (5) days prior to the date of the meetings. Executive Director of AFFIN Holdings Berhad and Group Chief Internal Auditor were invited to attend all seven (7) BAC meetings during the financial year. This had allowed the BAC members to have full consideration of the issues.

The Company's External Auditors attended three (3) BAC meetings during the period. There were discussions between the BAC and the External Auditors with regard to significant audit issues, changes in the implementation of major accounting policies, compliance with accounting standards and other legal requirements including regulatory requirement and business issues highlighted by them for both Holdings company and its significant operating entities' level for Financial Year Ended 31 December 2016. The BAC had also reviewed the External Auditors' Audit Plan for the Financial Year Ending 31 December 2016.

The BAC had two (2) private meetings with the External Auditors without the presence of Management and Internal Auditors in year 2016. In addition, the External Auditors were invited to attend the annual general meeting to respond to shareholders' question on audit related issues. The BAC also had direct and unrestricted access to the Internal Auditors and had ad-hoc discussions with the Internal Auditor without the presence of Management.

As the Board is ultimately responsible for the financial reporting and overall management of the Holding Company and oversight of its significant operating entities', the Chairman of the Board Audit Committee had consistently briefed the Board of Directors on issues discussed at the BAC meetings and the minutes of the BAC meetings are tabled to the Board for information and action by the Board where appropriate.

BAC members had attended trainings in the Financial Year Ended 2016 for continuous improvements.

## AUDIT COMMITTEE REPORT

### SUMMARY OF ACTIVITIES OF THE BOARD AUDIT COMMITTEE

The Board Audit Committee has carried out the following activities in discharging its duties and responsibilities for the Financial Year Ended 31 December 2016:-

#### 1. EXTERNAL AUDIT

- a. Reviewed the 2015 Audit Plan to ensure the scope of work adequately covered the activities of the Holding Company and its significant operating entities’;
- b. Reviewed the significant audit, accounting, taxation and other matters arising from their audit of the financial year and resolution of such issues highlighted in their report to the Committee for the Company and its significant operating entities’; and
- c. Reviewed and evaluated the External Audit performance, objectivity and independence during the year before recommending to the Board for their reappointment.

#### 2. NON-AUDIT SERVICES

Reviewed the non-audit services rendered by the External Auditors or 3rd parties.

#### 3. GROUP INTERNAL AUDIT

- a. Reviewed and approved the Group Internal Audit Annual Plan (proposed by Group Chief Internal Auditor) and Training Budget for Year 2016 in ensuring that adequate scope and comprehensive coverage on the audit activities and critical risk areas are adequately identified and covered;
- b. Reviewed and evaluated the adequacy of resources and the competencies of staff within the Group Internal Audit Division (GIAD) to execute the plan as well as the audit programmes used in the execution of Internal Auditors’ job to ensure satisfactory performance of GIAD;
- c. Reviewed the internal control issues identified by GIAD, External and Regulatory Auditors as well as Management response to audit recommendations and implementation of agreed action plans with particular attention on the following:-
  - Control environment (integrity, ethical values and competency of the personnel);
  - Control activities (policies and procedures);
  - Risk assessment (identified and assessed relevant risks and its preventive measure); and
  - Monitor the status of corrective actions taken by Management to rectify any deficiencies identified by Internal Audit as well as ensuring that all issues are adequately resolved on a timely basis;
- d. Reviewed the status report of Group Internal Audit activities for the Financial Year Ended 31 December 2016 to ensure all the planned activities were satisfactorily carried out;
- e. Reviewed the summary of audit findings by significant operating entities’ Internal Auditors to ensure their significant audit findings especially on the investigations, fraud and non-compliances with regulatory and statutory requirements were promptly resolved;
- f. Reviewed quarterly status update on issues highlighted in the External Auditors’ Audit Reports compiled by the Group Internal Auditors based on submissions by the significant operating entities’ Internal Auditors to ensure that significant issues were addressed and resolved on a timely basis; and
- g. Reviewed the Board Audit Committee Terms of Reference and Group Internal Audit Manual.

## AUDIT COMMITTEE REPORT

### 4. FINANCIAL RESULTS

- a. Reviewed with the Senior Management the quarterly and half yearly unaudited financial results before recommending to the Board for their approval.
- b. Reviewed with the Senior Management and External Auditors the annual audited financial statements of the Company and the significant operating entities' before recommending to the Board for their approval and release of the Group's results to Bursa Malaysia focusing on the matters set out in the following Requirements, Acts and Standards:-
  - BMSB Main Market Listing Requirements;
  - Provisions of the Companies Act;
  - Financial Services Act and Islamic Financial Services Act;
  - Applicable approved accounting standards in Malaysia; and
  - Other relevant legal and regulatory requirements.

### 5. RELATED PARTY TRANSACTIONS

Reviewed related party transactions and recurrent related party transactions for compliance with the Main Market Listing Requirements of Bursa Malaysia and the appropriateness of such transactions entered into by the Company and its significant operating entities' to avoid potential or actual conflict of interest to ensure the decisions are based on the best interest of the company and its shareholders.

### 6. OTHERS

Reviewed the Statement on Internal Control and Audit Committee Report for inclusion in the Year 2016 Annual Report before recommending to the Board for approval.

## GROUP INTERNAL AUDIT FUNCTION

- a. Group Internal Audit is guided by its Group Internal Audit Charter. Its primary role is to assist the Group Board Audit Committee to discharge its duties and responsibilities by independently reviewing and reporting on the adequacy and integrity of the Group's risk management, internal control and governance processes;
- b. Group Internal Audit adopt a risk-based approach towards the planning and conduct of audits, which is consistent with the Group's framework in designing, implementing and monitoring its internal control system;
- c. The group internal auditors closely monitored the implementation of the audit recommendations in order to obtain assurance that all major risk and control concerns have been duly addressed. Audit reports were presented to the management and Group Board Audit Committee;
- d. Group Internal Audit worked closely with the external auditors to ensure that significant issues are duly addressed and resolved on a timely basis; and
- e. The total Group Internal Audit cost for year 2016 was RM4.4 million.

# GROUP ENTERPRISE-WIDE RISK MANAGEMENT STATEMENT

## CORPORATE DISCLOSURE POLICY

The corporate disclosure policy on the risk management statement is to provide accurate, clear and timely disclosure of material information pertaining to AFFIN Holdings Berhad (“AHB”) Group’s performance and operations to shareholders, stakeholders, analysts, the investing public or other persons in conformity with applicable legal and regulatory requirements as well as ensuring equal access to such information to avoid individual or selective disclosure.

The objectives of this policy are:-

- To raise awareness and provide guidance to the Board, management, officers and employees on the Company’s disclosure requirements and practices;
- To provide guidelines and policies in disseminating corporate information and in dealing with shareholders, stakeholders, analysts, media, regulators and investing public;
- To ensure compliance with all applicable legal and regulatory requirements on disclosure of material information; and
- To build good investor relations with the investing public that inspires trust and confidence.

## RISK CULTURE

The inculcation of a risk awareness culture is a key aspect of an effective enterprise-wide risk management (“ERM”) framework. The key factors of the Group’s risk culture are as follows:-

- Strong corporate governance.
- Organisational structure with clearly defined roles and responsibilities.
- Effective communication and training.
- Commitment to compliance with laws, regulations and internal controls.
- Integrity in fiduciary responsibilities.
- Clear policies, procedures and guidelines.

An important aspect of the ERM programme is the Governance, Risk and Compliance Management which is intended to embed deep appreciation and understanding of governance, risk and compliance into day to day business activities and processes. AFFIN Bank Berhad (“ABB”) is collaborating with Asian Banking School to conduct a customised in-house training programme entitled “Ethics, Risk and Compliance Culture Awareness”.

## GROUP RISK MANAGEMENT APPROACH

Identifying and monitoring of emerging risks are integral to the Group’s risk management approach. The emerging risks are identified through a top-down and bottom-up approach involving members of the Group Board Risk Management Committee (“GBRMC”), Board Risk Management Committees (“BRMCs”) of the financial subsidiaries, Senior Management, independent risk management and control units and business units. This is followed by comprehensive risk assessments to qualify the risk exposures and the mitigation impact of the risk management with policies and guidelines on business activities and business strategies. The assessments serve to identify the appropriate risk mitigating initiatives to manage the emerging risks. In addition, stress testing, both internal and regulatory programmes are used to assess the effect of changes in economic conditions on the Group’s operations.

## GROUP ENTERPRISE-WIDE RISK MANAGEMENT STATEMENT

### AHB BOARD RESPONSIBILITY

The Board of Directors of AHB ("Board") has overall responsibility in establishing a sound Terms of Reference ("TOR") and Group ERM Framework and risk management structure as well as reviewing its adequacy and effectiveness. The Group ERM framework is designed to manage the Group's risks within its risk appetite and capital management to achieve the business goals and objectives.

The Board has established a risk governance structure to ensure effective oversight of risks and strategic risk management in the Group. The Board acknowledged that the Group has effective on-going process to identify, qualify, quantify, manage and report on significant risks faced by the Group in its pursuit of financial and non-financial performance. The Board, through the GBRMC meetings at AHB and engagement meeting with BRMCs of the financial subsidiaries maintains overall responsibility for oversight risk and strategic risk management within the Group of Companies.

### GROUP BOARD RISK MANAGEMENT COMMITTEE ("GBRMC")

The GBRMC is instrumental in setting the overall tone of the Group's risk and provides oversight and strategic assessment on the implementation of Group ERM framework, strategies, policies, and processes of implementation and reporting of ERM to the AHB Board. The GBRMC meetings are held on a quarterly basis to discharge its oversight role and strategic ERM with AHB as the apex entity. The core key risks subject are considered by the GBRMC at entity level with the enhancement of the ERM implementation processes based on the Terms of Reference ("TOR") vis-à-vis the Financial Holding Company ("FHC") responsibilities which include the recommendation of Group Enterprise-wide Risk Management Framework, Internal Capital Adequacy Assessment Process ("ICAAP"), Risk Appetite Framework and Liquidity Coverage Ratio to the AHB Board.

The detailed scope of responsibilities of GBRMC are as follows:-

- (i) Set the overall approach of the Group's Enterprise-wide Risk Management ("ERM") strategy for the financial subsidiaries for approval by the Board of AHB. The ERM framework and guidelines must enable the identification, measurement, managing, monitoring and reporting of all relevant and material risks on a group wide basis.
- (ii) The GBRMC shall ensure that the Group ERM policies adequately protect the Banking Group against all risks identified in the scope above with Group ERM framework detailing the policies, procedures, and implementation and reporting processes to address the Group's strategic business goals and operational risks. Review the risk appetite for the Group that are consistent with the Banking Group's risk appetite, strategic and business focus, prevailing business environment and ensuring that the reviews on the risk appetite are effectively communicated throughout the Banking Group. The GBRMC is to certify that this is well integrated throughout and embedded into the business strategy, operations and risk culture of the Banking Group.
- (iii) Review and appraise risks inherent in all products and activities and evaluate reports on risks under stress scenarios and the capability of the Bank's capital to sustain such risks. Any new risks to the Banking Group are subject to adequate risk management policy and controls before being introduced or undertaken.
- (iv) Review the capital management of the Group in accordance with the mandatory regulatory supervision on the reserves, loans and capital ratios by the Regulatory Authorities. Evaluate and make recommendation to the AHB's Board on all new subsidiaries and mergers and acquisition proposals to ensure soundness of investment by the Group.
- (v) Discuss and consult with the Banking Group Board Risk Management Committees ("BRMCs"), Chief Executive Officers ("CEO's") of the Banking Group and the Group Chief Officer ("GCRO") on matters to administer and improve the Group ERM Framework and policy within the Group. The consultation includes operational matters and compliance adherence on the risk management's governance and internal controls including on new regulatory framework from the Regulatory Authorities.
- (vi) Oversees the adherence and implementation of Group ERM framework by reviewing the related reports submitted by the GCRO on the adherence of the policies and procedures as approved by the Board of AHB. The reports include the respective monitoring and reporting of the BRMCs in managing identified risk that may affects the financial stability and non-financial impact to the Banking Group. Reviews of critical risk matters should be made available immediately to GBRMC for information, considerations and actions to mitigate the identified risk.

## GROUP ENTERPRISE-WIDE RISK MANAGEMENT STATEMENT

- (vii) Submit a regular report on the overall adherence of regulatory compliances and implementation of the Group ERM policy for the Board of AHB's information and consideration. To submit and recommend to the Board where appropriate the measures to be undertaken on the Group ERM Framework, Policies and Guidelines on assessment of risk matters that will impact the financial performance of the business activities and the risk management controls of the Group. Minutes of the GBRMC shall be submitted to the Board for endorsement and notification.
- (viii) Address any matters that may affect the Group ERM controls and reporting to the Board and prepare the Disclosure on the Risk Management Statement in the Annual Report for the Board's consideration and approval.

Among the key considerations in GBRMC include:-

- a) Review of oversight and strategic ERM in AHB Group of Companies.
- b) Enhancement of Group ERM Framework, Policies and Guidelines.
- c) Review ICAAP project vis-à-vis ICAAP readiness with capital management for AHB and Risk Appetite Framework for the AHB as the FHC.
- d) Oversees the adherence of the Group Governance, Risk and Compliance with the regulatory supervisors of AHB as the FHC.
- e) Review on Non-Financial Performance in the Group ERM Framework.
- f) Recommend the training of high-level impact of ERM for the Board, Management and GCRO team members in administering the prudent ERM.
- g) Review the resources and compensation plan to enhance ERM adherence and compliance in the financial subsidiaries.

### BOARD RISK MANAGEMENT COMMITTEES ("BRMCS")

The BRMCS at entity-level are responsible for overall risk oversight in the financial subsidiaries. The responsibilities includes inter-alia reviewing of risk appetite and approving risk management policies and limits, reviewing risk exposures and portfolio composition and ensuring that infrastructure, resources and systems are put in place for effective risk management. The BRMCS are also responsible for overseeing management's operational activities in managing credit, market, liquidity, operational, legal, reputational, emerging, insurance and other related risks as well as the adequacy and effectiveness of the risk management process including the ICAAP of their entities.

### ENGAGEMENT SESSION BETWEEN GBRMC AND BRMCS ON TOR WITH ERM

To advocate prudent alignment of responsibilities the GBRMC-BRMCS, engagement meetings were introduced in 2014 in respond to the effective implementation of the TOR by AHB as the FHC. The GBRMC held two (2) half yearly engagement sessions with members of BRMCS of the subsidiaries to clarify and reaffirm the roles of the FHC and GBRMC vis-à-vis the operating entities. Key subjects discussed during the engagement sessions include review of TOR and its implementation in financial subsidiaries and BRMCS enhancements to the ERM policies and processes in the Group. Roles and responsibilities were clearly defined to avoid duplication of implementation and reporting process to the respective Boards in AHB Group of Companies.

Commencing from 2017, the engagement sessions will be conducted on a quarterly basis. Considering the strict adherence of Governance, Risk and Compliance review with regulatory regime the task in implementing the ERM is further initiated with the restructuring of the business strategy and business re-engineering AFFINITY Project undertaken by ABB Group. Synchronization of the financial and non-financial risks will be considered to address the economic environment and business strategy that affect the adjustment in ERM in the Group.

## GROUP ENTERPRISE-WIDE RISK MANAGEMENT STATEMENT

### GBRMC SECRETARIAT COMMITTEE (“GSC”)

The GSC was set up in May 2016 to assist in the adherence and implementation of TOR on behalf of GBRMC throughout the Group. The composition of the members were identified from the most experienced and Senior Management members of the financial subsidiaries. The GSC comprises representatives from AHB, Group Risk Management, Legal and Secretarial and Senior Management of financial subsidiaries. The Chairman of GBRMC chairs the meeting in identifying the oversight and strategic ERM on behalf of the GBRMC in the AHB Group.

In essence, the GSC will be guided by the Chairman of GBRMC to identify, qualify, quantify, manage and report the oversight and strategic ERM to GBRMC and the GBRMC-BRMCs engagement meetings. The management and reporting of the independent findings and reporting facilitate and guide the implementation process in mapping the adherence of the TOR without duplicating the focus of roles and responsibilities of ERM in the Group. The implementation process by GSC was performed during the year to review and assess compliance with the TOR.

Currently, the GSC is also involved in assisting the GBRMC to assess and prepare the review of all the strategic ERM projects to re-assess the Group Risk Management Framework and FHC's capital management with the ICAAP review with risk appetite strategy and sensitivity risk scenarios. In addition, the risk and compliance of the AFFINITY Project to enhance the business model is also being monitored on behalf of GSC.

### SHARIAH COMMITTEE

The Chairman of the Shariah Committee is a member of the Board of AFFIN Islamic Bank Berhad (“AiBB”). The Shariah Committee comprised of Shariah Scholars qualified to conduct Shariah due diligence and assessment of business development initiatives of Islamic Finance in AiBB. The key responsibilities of the Shariah Committee are to oversee and advise the AiBB Board on all Shariah matters pertaining to the Islamic Finance operations and to deliberate as well as endorse Shariah compliant process with the Shariah Governance Framework. The Shariah Committee is supported by the Shariah compliance department and Shariah research functions. The Shariah Committee ensures business operations and activities comply with relevant regulatory frameworks with Shariah governance and principles. The assessment and review on Shariah risk management is assisted by the Group Risk Management Department with certification on Shariah adherence and governance supervised by the Shariah Committee.

### BOARD LOAN REVIEW AND RECOVERY COMMITTEE AND BOARD CREDIT REVIEW COMMITTEE IN AFFIN GROUP OF FINANCIAL SUBSIDIARIES

The Board Loan Review and Recovery Committee and Board Credit Review Committee at the subsidiary levels are responsible for providing critical review of loans/financing and other credit facilities with higher risk implications, and where appropriate, exercise the power to veto applications that have been approved by Group Management Loan Committee (“GMLC”).

### MANAGEMENT COMMITTEES IN AFFIN GROUP OF FINANCIAL SUBSIDIARIES

The Management Committees at the subsidiary levels assist the respective Financial Subsidiaries Board in implementing the policies approved by the Board and in managing risks inherent in the business and operations of the Group. These committees are responsible for:-

- developing and implementing risk and control procedures;
- identifying, evaluating and monitoring risks faced by the subsidiaries; and
- ensuring appropriate actions are taken to address identified risks.

### BUSINESS UNITS

The business units, being the first line of defense are responsible for identifying, mitigating and managing risk within their lines of business. These units ensure that their day-to-day business activities are carried out within the established risk policies, procedures and limits.

## GROUP ENTERPRISE-WIDE RISK MANAGEMENT STATEMENT

### THE RISK MANAGEMENT DEPARTMENT IN FINANCIAL SUBSIDIARIES

The management at financial subsidiaries has overall responsibility for implementing the policies and procedures on risks and controls, and their roles include the following:-

- a) Identifying, evaluating and managing risks in the pursuit of business objectives and strategies;
- b) Formulating relevant policies and procedures to manage these risks;
- c) Designing, implementing and monitoring the effective implementation of risk management framework;
- d) Implementing policies approved by Board; and
- e) Timely reporting of all relevant matters to the Board.

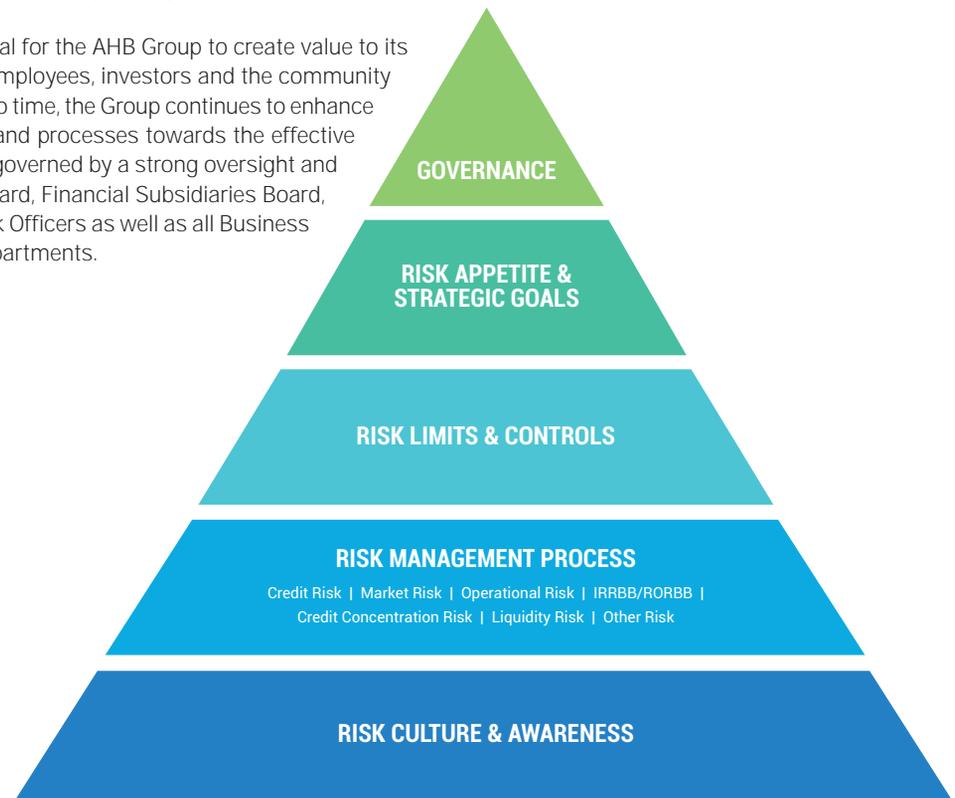
### GROUP RISK MANAGEMENT FRAMEWORK (“GRMF”)

The GRMF is an integrated Group ERM framework encompassing governance, risk, compliance and internal controls supporting business and strategic activities across the Group. The GRMF process involves the identification, assessment, control, monitoring and reporting of risks and mitigation of these risks in business and strategic goals. Risks identified through this process are monitored, managed and reported accordingly by the respective risk sections. The subsidiaries also monitor their risks levels regularly to track adherence to risk appetite, policies, standards, procedures and processes.

The governance of risk is further supported by Three Lines of Defense Model which outlines the Risk Management Approach of the Group. The effective implementation of the GRMF is grounded on a robust risk culture across the Group’s business and support units.

### GROUP RISK MANAGEMENT FRAMEWORK (GRMF)

An effective risk management system is vital for the AHB Group to create value to its shareholders, customers, counterparties, employees, investors and the community it serves at large. As risks evolve from time to time, the Group continues to enhance its integrated risk management approach and processes towards the effective management of Group ERM. The GRMF is governed by a strong oversight and strategic ERM function comprising AHB Board, Financial Subsidiaries Board, Management Committees, Group Chief Risk Officers as well as all Business and Support units in Risk Management Departments.



## GROUP ENTERPRISE-WIDE RISK MANAGEMENT STATEMENT

### INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (“ICAAP”)

ICAAP is currently being conducted and reported to Board of banking subsidiaries on a quarterly basis. ICAAP is reviewed on an annual basis for AALI and on a need basis for AAGI. During the financial year, AHB reviewed and assessed the consolidated ICAAP for AHB as the FHC. The consolidated process will enhance the risk appetite strategy and stress testing framework with material risk assessment process on capital management. The revised ICAAP will enhanced further the capital ratios of the AHB Group of Financial Subsidiaries

### RISK APPETITE FRAMEWORK AND 5 STRATEGIC GOALS

It is established based on strategic directions set by the Board, combining a top-down view of the bank’s capacity to take risk with a bottom-up view of the business risk profile associated with each business unit’s short to medium term plans, while taking into consideration capital and liquidity. An integral component is the Risk Appetite Framework which governs the setting of risk appetite and is developed to be consistent with the Group’s risk control framework and capability, while reflecting the Board’s vision for future business.

The Risk Appetite Statement for each subsidiary is set during the risk appetite setting process, which is undertaken at least annually in line with the ICAAP. The risk appetite demonstrates the risk bearing capacity the Group and its subsidiaries are prepared to undertake and sustain whilst pursuing business objectives and strategic goals, which takes into consideration the potential adverse scenarios impacting the execution of its business plans.

The strategic objectives, business plans, desired risk profile and capital plans are aligned to the risk appetite. The Group’s risk appetite policy defines the amount and types of risk that the Group is able and willing to accept in pursuit of its business objectives. It also sets out the level of risk tolerance and limits to govern manage and control the Group’s risk appetite activities.

### AFFINITY PROGRAMME

During the financial year, ABB Group commenced a group-wide strategic transformation programme known as AFFINITY, to propel the organisation to a new level of performance by remodeling its businesses to enable it to compete more effectively in the ever changing regulatory and challenging operating environment. As part of the oversight and strategic ERM identified by GBRMC the implementation and compliance included Pillar 8 on risk and compliance of the AFFINITY assessment by Risk Management Department. The GSC oversees the review and report the ERM on the project to cultivate the business model that will be risk-based and provide the risk-reward mechanism on the Project Goals.

GROUP ENTERPRISE-WIDE RISK MANAGEMENT STATEMENT

GOVERNANCE, RISK AND COMPLIANCE

There is a well-established risk governance structure to proactively manage risks in the interests of all stakeholders. The following table summarises the governance, risk and compliance structure of the Group:-

SET OVERALL TONE ESTABLISH RISK APPETITE AND RISK MANAGEMENT POLICY		AUDIT COMMITTEE (including subsidiary levels)
	<ul style="list-style-type: none"> <li>• Board of Directors (including subsidiary levels)</li> </ul>	
	<ul style="list-style-type: none"> <li>• Group Board Risk Management Committee</li> </ul>	
	<ul style="list-style-type: none"> <li>• Board Risk Management Committee at subsidiary levels</li> </ul>	
ENSURE IMPLEMENTATION OF RISK MANAGEMENT POLICY AND COMPLIANCE		
	<b>Board Committees at subsidiary levels:</b>	
	<ul style="list-style-type: none"> <li>• Board Loan Review &amp; Recovery Committee</li> </ul>	
	<ul style="list-style-type: none"> <li>• Board Credit Review Committee</li> </ul>	
	<ul style="list-style-type: none"> <li>• Investment Committee</li> </ul>	
	<ul style="list-style-type: none"> <li>• Shariah Committee</li> </ul>	
	<b>Management Committees at subsidiary levels:</b>	
	<ul style="list-style-type: none"> <li>• Management Committee</li> </ul>	
	<ul style="list-style-type: none"> <li>• Group Management Loan Committee</li> </ul>	
	<ul style="list-style-type: none"> <li>• Underwriting Committee</li> </ul>	
	<ul style="list-style-type: none"> <li>• Group Asset Liability Management Committee/Asset &amp; Liability Committee</li> </ul>	
	<ul style="list-style-type: none"> <li>• Compliance &amp; Risk Oversight Committee</li> </ul>	
	<ul style="list-style-type: none"> <li>• Group Operational Risk Management Committee</li> </ul>	
	<ul style="list-style-type: none"> <li>• Whistle Blowing Committee</li> </ul>	
	<ul style="list-style-type: none"> <li>• Group Early Alert Committee</li> </ul>	
	<ul style="list-style-type: none"> <li>• Local Risk Committee (AXA AFFIN Life)</li> </ul>	
	<ul style="list-style-type: none"> <li>• Local Management Audit &amp; Compliance Committee (AXA AFFIN Life)</li> </ul>	
	<ul style="list-style-type: none"> <li>• Local Management Investment Committee (AXA AFFIN Life)</li> </ul>	
	<ul style="list-style-type: none"> <li>• Local Product Management Committee (AXA AFFIN Life)</li> </ul>	
	<ul style="list-style-type: none"> <li>• Local Underwriting Committee (AXA AFFIN Life)</li> </ul>	
	<b>Independent Risk Control Function at subsidiary levels:</b>	
	<ul style="list-style-type: none"> <li>• Risk Management</li> </ul>	
	<ul style="list-style-type: none"> <li>• Compliance</li> </ul>	
	<ul style="list-style-type: none"> <li>• Shariah Review</li> </ul>	
COMPLIANCE WITH RISK MANAGEMENT POLICY		
	<ul style="list-style-type: none"> <li>• All Business and Support units</li> </ul>	

## GROUP ENTERPRISE-WIDE RISK MANAGEMENT STATEMENT

### RISK MANAGEMENT PROCESS

The main types of risks faced by the Group include the following:-

- Credit Risk
- Market Risk
- Liquidity Risk
- Operational Risk
- Strategic Risk
- Reputational Risk
- Shariah Non-Compliance Risk
- Business Continuity Risk
- Life & Savings Insurance Risk

#### 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 and advances, loan 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.

#### Credit Risk Management

The management of credit risk 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. It is subject to review at least annually to ensure the guidelines and criteria reflect portfolio strategy and market environment.

Assessment and quantification of credit risk are supported by the use of internal rating models, scorecards and decision support tools. Stress Testing supplements the overall assessment of credit risk.

#### Control of Credit Risk

Internal control parameters, risk triggers and related lending guidelines are employed to control and mitigate credit risk, including large exposures and concentration of credit risk.

#### Monitoring and Reporting

Corporate credits and large individual accounts are reviewed at least once a year. Retail credits are actively monitored and managed on a portfolio basis. An Early Alert Process is adopted to pro-actively identify, report and manage warning signs of potential credit deterioration. Active portfolio monitoring as well as exceptions reporting is in place to manage the overall risk profile and mitigate adverse trends or specific areas of risk concerns.

#### Market Risk

Market risk is the risk of losses in on and off-balance sheet positions arising from movements in market prices. The Group's exposure to market risk is derived largely from interest/profit rate and foreign exchange rate risks.

#### Market Risk Management

The Group Market Risk Management Framework is supported by a set of approved market risk management policies, guidelines and procedures. It is aided by the following tools/measures:-

- a) Asset Liability Management System ("ALMS").
- b) Value-at-Risk ("VaR").
- c) Earnings-at-Risk ("EaR") or Net Interest Income/Net Profit Margin simulation.
- d) Economic Value of Equity ("EVE"), also known as Economic Value-at-Risk ("EVaR").
- e) Thresholds on the level of exposure by currency and in aggregate for both overnight and intra-day positions.

Periodic stress tests are performed to supplement the quantification of market risk.

## GROUP ENTERPRISE-WIDE RISK MANAGEMENT STATEMENT

### Control of Market Risk

Market risk arising from the trading book is primarily controlled through the imposition of Stop-loss, Net Open Position ("NOP") and Value-at-Risk ("VaR") risk control parameters. Risk control parameters are established based on risk appetite, market liquidity and business strategies as well as macroeconomic conditions.

Thresholds are set for EaR and EVaR as management triggers.

Back testing of market risk computation systems is conducted to gauge the accuracy of the risk measurement systems.

### Monitoring and Control

The risk control parameters are reviewed at least annually. Market risks reports are produced daily, monthly, quarterly and annually to the respective stakeholders and committees.

For AXA AFFIN Life, regular reviews are conducted on the asset liability mismatch as well as the investment strategies to manage and monitor any net interest rate risk or asset liability mismatch risk.

### 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 recognize changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

### Liquidity Risk Management

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

Liquidity stress tests are conducted periodically and on ad-hoc basis to gauge the Group's resilience in the event of a liquidity disruption. The Contingency Funding Plan provides a systematic approach in handling liquidity disruption.

For AXA AFFIN Life, liquidity risk is measured by assessing the risk that the company is unable to meet next 12 months obligations under extreme scenario (1/200 year event).

### Control of Liquidity Risk

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

### Reports and Monitoring

Liquidity risk reports are produced daily, monthly, quarterly and annually for the respective stakeholders and committees. The liquidity risk indicators are reviewed at least annually to reflect changes in market conditions as well as the Group's business directions.

### Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate internal processes, people and systems or external events. The definition includes legal risk, which is the risk of loss resulting from failure to comply with laws as well as prudent ethical standards and contractual obligations. It also includes the exposure to litigation from all aspects of the Bank's activities. However, the definition does not include strategic business, reputational and systemic risks.

## GROUP ENTERPRISE-WIDE RISK MANAGEMENT STATEMENT

### Operational Risk Management

The Group Operational Risk Management Framework governs the management of operational risk across the Group. Operational risks are managed daily through established systems and processes to comply with policies, guidelines and control procedures. The following tools are employed:-

- a) Risk Control Self Assessment ("RCSA");
- b) Key Control Standards ("KCS");
- c) Key Risk Indicator ("KRI"); and
- d) Loss Event Database ("LED").

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.

### Control of Operational Risk

All Business/Support Units must operate within the Operational Risk Management Policy and Framework Manuals, and the relevant Business Procedural Manuals.

### Monitoring and Reporting

The risk management tools i.e. LED, KCS, KRI and RCSA provide a consistent approach for providing operational risk information to Senior Management. An escalation process is in place for the reporting of key operational risk issues and significant losses.

### Strategic Risk

Strategic risk is the risk of loss arising from strategic initiatives (including merger and acquisition, new business initiatives and expansions, strategic investments, partnerships) or risk arising from changes in the Group's businesses (including the risk that the Group may not be able to fulfil its business plan and business strategy).

### Strategic Risk Management

Strategic risk is identified and assessed through periodic reviews whereby business strategies are refined where necessary to adapt to the evolving environment the Group operates in.

### Control of Strategic Risk

Strategic risk is controlled and mitigated through an integrated approach where risk appetite, business objectives, budget and credit plans are aligned.

### Monitoring & Reporting

To track the effective execution of strategic initiatives, performance reports against business targets are closely monitored at management and Board levels.

### Reputational Risk

Reputational Risk is the potential of damage resulting in loss of earnings or adverse impact on market capitalisation of the Group as a result of existing or potential stakeholders taking a negative view of the Group and/or its subsidiaries on its actions.

### Reputational Risk Management

The management of reputational risk is a Group wide responsibility undertaken by each business and support unit. The Group's reputation is cultivated through the activities that promote the Group image and brand. Processes are in place to identify emerging issues, anticipate threats and analyse trends to assess and manage impact to the Group's reputation.

### Control of Reputational Risk

Policies and processes are in place for the proactive mitigation of risks related to the Group's reputation.

## GROUP ENTERPRISE-WIDE RISK MANAGEMENT STATEMENT

### Monitoring and Reporting

Risk management tools are used to identify and monitor key risk factors associated with reputational risk, including operational risk, liquidity, AML/CFT tools, online and social media.

### Shariah Non-Compliance Risk

Shariah non-compliance is the risk of failure to comply with the Shariah rules and principles as determined by the Shariah Committee ("SC") and/or any other relevant bodies, such as BNM Shariah Advisory Council.

### Shariah Risk Management

Shariah Risk Management ("SRM") is established in line with the requirement of BNM's Shariah Governance Framework. It is part of the 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. In addition, SRM also has an oversight role in respect of other risks pertaining to AFFIN Islamic Bank including credit risk, operational risk and market risk.

The Shariah Governance Framework for Islamic Financial Institutions issued by BNM is the main reference for the Shariah governance process and oversight within AFFIN Islamic Bank. SC has been established to deliberate on Shariah issues and provide resolution as well as guidance. Each business and support unit is responsible to identify and assess potential Shariah Non-Compliance Risk using the RCSA process.

### Control of Shariah Risk

All Islamic products, services and strategies related matters must be approved by the SC. Shariah Resolutions/Circulars are issued on a regular basis. Half yearly RCSA checklist is performed to gauge the level of Shariah compliance. Training on Shariah Compliance is regularly conducted.

### Monitoring and Reporting

Shariah non-compliance report is regularly submitted for deliberation, decision and remedial action.

### Business Continuity Risk

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

Low resilience to the following threats may lead to this risk, which results in irreconcilable losses to the Group, given the high magnitude of impact:-

- Unanticipated technology and infrastructure outages.
- Cyber attack.
- Fire incidents.
- Security breaches.
- Data breaches.
- Adverse condition of environment (natural disaster).
- Supply chain disruption.
- Health and safety issues.
- Act of terrorism.
- New law and regulations.

### Business Continuity Risk Management

The Business Continuity Management Framework governs the management of service continuity issues across the Group, in line with BNM Guidelines on Business Continuity Management ("BCM").

The Crisis Management Team ("CMT") has been established to enable the BCM process to be activated whenever the need to immediately respond to a major incident/crisis arises.

Annual Risk Assessment and Business Impact Analysis are undertaken by business and support units.

## GROUP ENTERPRISE-WIDE RISK MANAGEMENT STATEMENT

### Control and Mitigation of Business Continuity Risk

Risk control is established through adherence to established BCM guidelines and standards.

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 services.

### Monitoring & Reporting

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

### Anti-Money Laundering/ Counter Terrorism Financing (“AML/CFT”)

The AML/CFT Program addresses the money laundering & terrorist financing risks through internal policies, procedures and controls to detect money laundering and financing of terrorism as well as to manage and mitigate the risk of it occurring.

### AML/CFT Risk Management

The AML/CFT Policy governs the management of AML/CFT risk across the Group. AML/CFT Awareness programs are conducted regularly to inculcate and reinforce AML/CFT compliance awareness culture amongst the staff. AML/CFT risks are managed daily through established processes to comply with policies, guidelines and control procedures.

RCSA and monitoring reports are used to identify and assess AML/CFT risk issues and exposure.

Designated Compliance Officers and Branch Compliance Officers are appointed at business units and branches to manage and execute AML/CFT policy and regulatory requirements.

### Control of ALL/CFT Risk

All business and support units, including branches must operate within the AML/CFT Policy and Framework manuals, and the relevant business/branch procedural manuals.

### Monitoring & Reporting

The AML/CFT risk monitoring tools facilitate the tracking and reporting of AML/CFT compliance.

### Life & Savings Insurance Risk

Insurance risk relates to uncertainty regarding the level and timing of claims (i.e. claims experience) and expenses. The main risks relate to mortality, morbidity, expenses and lapses.

Insurance risk also includes the risk of products being priced inappropriately or mis-sold to customers, and the risk of the company not being adequately insured.

### Life & Savings Insurance Risk Management

The Risk Management Function manages the insurance risks through strict underwriting guidelines:-

- a) New risks are carefully assessed before an insurance policy is underwritten and issued.
- b) The underwriting strategy dictates that risks underwritten are well diversified in terms of the type of risk and level of insured benefits.
- c) Stress testing is performed semi-annually by the appointed Actuary to assess solvency of the Life fund under various scenarios.

## GROUP ENTERPRISE-WIDE RISK MANAGEMENT STATEMENT

### Control of Life & Savings Insurance Risk

Risk control is established through adherence to established underwriting guidelines and limits.

Appropriate reinsurance covers are in place to manage mortality and morbidity risk.

Only reinsurers that meet minimum credit rating are considered when deciding on which reinsurers to reinsure the company's risk.

### Monitoring & Reporting

Policies and processes are in place to support the monitoring and reporting of insurance risk.

## NON-FINANCIAL RISK MANAGEMENT

As part of the risk oversight and strategic ERM function, the GBRMC and BRMCs at the subsidiaries provide guidance on non-financial risk management in the Group as follows:-

- Governance, risk and compliance with the regulatory requirements;
- Resource planning and compensation for the ERM adherence and mitigation of risk as assessed;
- IT competent resources and migration control on technology risk implementation;
- High-level training for the members of the Board and Management to keep them abreast with the current changes and developments in the industry; and
- Risk—reward mechanism for non-financial enhancement of the strategic Group ERM.

The Group continues to strengthen the risk management function through continued improvement in risk management practices and implementation. The notable risk management achievements during the financial year include:-

- Implementation of new risk systems covering asset and liability management as well as large exposures reporting;
- Initiated the Ethics, Risk and Compliance Culture Awareness' training programme;
- Enhanced liquidity risk management framework;
- Enhanced stress testing capabilities;
- Comprehensive organization-wide training and awareness briefings on operational risk, AML and Counter Financing of Terrorism ("CFT"); and
- Enhancement of Group Risk Management Framework and establishment of a new Group ICAAP and Risk Appetite Framework for adoption in 2017.

## WHISTLE BLOWING POLICY AND PROCEDURES

The whistle blowing policy is intended to encourage employees to raise serious and genuine concern(s) about any malpractice or wrongdoing by their colleagues with the Group Whistle Blowing Committees, without fear of victimization, harassment, discrimination or intimidation.

The policy aims to assure the employees that the concern(s) raised by employees will be handled with high confidentiality. Employees will be protected from reprisals or victimisation if they make the disclosure in good faith.

## FIVE-YEAR GROUP FINANCIAL SUMMARY

	2016	2015	2014	2013	2012
<b>Operating Results   For The Financial Year Ended 31 December (RM Million)</b>					
Revenue	1,936	1,802	1,820	1,526	1,522
Profit before taxation	738	514	801	854	827
Net profit attributable to equity holders of the company	564	369	593	650	629
<b>Key Statements Of Financial Position Data   As At 31 December (RM Million)</b>					
Loans, advances and financing	43,747	43,345	40,492	36,909	34,163
Total assets	68,886	67,414	66,678	59,952	55,834
Deposits from customers	51,506	50,549	50,604	47,354	42,945
Total liabilities	60,155	59,087	58,706	53,575	49,790
Commitments and contingencies	26,952	27,996	27,300	22,223	19,097
Paid-up capital	1,943	1,943	1,943	1,495	1,495
Shareholders' equity	8,682	8,282	7,932	6,377	6,045
<b>Financial Ratios (%)</b>					
<b>Profitability Ratios</b>					
Net return on average shareholders' funds	6.65	4.55	8.28	10.47	10.81
Net return on average assets	0.83	0.55	0.94	1.12	1.15
Net return on average risk-weighted assets	1.22	0.82	1.39	1.66	1.72
Cost to income ratio	59.04	60.23	54.82	46.97	46.01
<b>Asset Quality Ratios</b>					
Gross impaired loans ratio	1.67	1.90	1.82	1.98	2.28
Net impaired loans ratio	1.08	1.02	0.84	0.92	1.13
Loan loss coverage *	94.34	98.09	100.70	74.38	71.03
<b>Share Information – Per Share (Sen)</b>					
Earnings - Basic and fully diluted	29.03	19.01	34.52	43.49	42.08
Gross Dividend	5.00	7.99	15.00	15.00	15.00
Net assets	447	426	408	427	404
Share price - high	241	300	426	451	375
Share price - low	237	210	274	328	287
Share price as at 31 December	239	234	290	415	344
Market capitalisation (RM' Million)	4,644	4,547	5,635	6,202	5,141
<b>Valuation On Share</b>					
Gross dividend yield (%)	2.09	3.41	5.17	3.61	4.36
Dividend payout ratio (%):-					
- based on Company's profit after tax	86.76	67.17	51.50	56.58	46.28
Price to earnings multiple (times)	8.23	12.31	8.40	9.54	8.17
<b>Segment Information   Profit Before Taxation By Activities (RM Million)</b>					
Commercial banking	600	457	715	754	697
Investment banking	101	59	88	84	90
Insurance (net of tax)	49	8	30	29	35
Others	(12)	(10)	(32)	(13)	5
	738	514	801	854	827

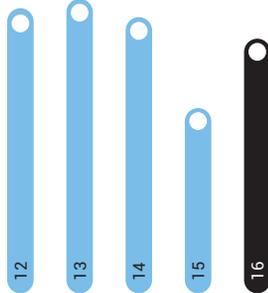
\* Include regulatory reserve in line with BNM's Guideline on Classification and Impairment Provisions for Loans/Financing. Banking institutions are required to maintain, in aggregate, collective impairment provisions and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment provisions by 31 December 2015.

## CHARTS OF FIVE-YEAR GROUP FINANCIAL SUMMARY

↑ **43.6%**

827  
854  
801  
514  
**738**

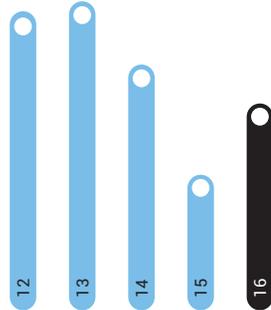
**Profit Before Taxation**  
(RM million)



↑ **52.7%**

42.08  
43.49  
34.52  
19.01  
**29.03**

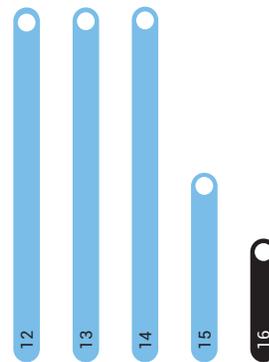
**Earning Per Share**  
(Sen)



↓ **37.4%**

15.00  
15.00  
15.00  
7.99  
**5.00**

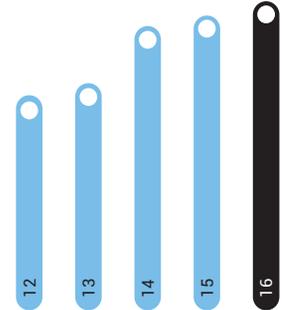
**Gross Dividend Per Share**  
(Sen)



↑ **4.8%**

6,045  
6,377  
7,932  
8,282  
**8,682**

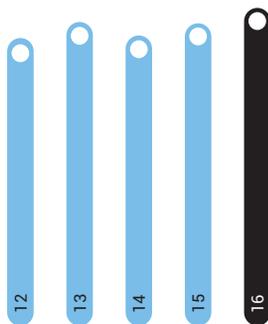
**Shareholders' Equity**  
(RM million)



↑ **4.9%**

404  
427  
408  
426  
**447**

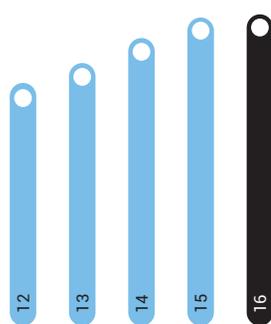
**Net Assets Per Share**  
(Sen)



↑ **0.6%**

34,725  
37,460  
41,057  
43,879  
**44,153**

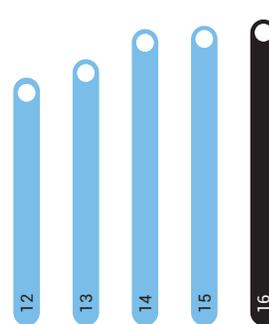
**Gross Loans, Advances And Financing**  
(RM million)



↑ **2.2%**

55,834  
59,952  
66,678  
67,414  
**68,886**

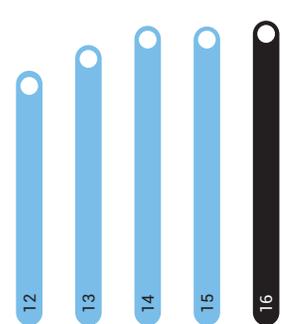
**Total Assets**  
(RM million)



↑ **1.9%**

42,945  
47,354  
50,604  
50,549  
**51,506**

**Deposits From Customers**  
(RM million)



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## DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2016.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are commercial banking and hire purchase business, Islamic banking business, investment banking and stock-broking, money-broking, fund and asset management.

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.

### FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit before taxation and zakat	741,824	176,631
Zakat	(4,111)	-
Profit before taxation	737,713	176,631
Taxation	(157,903)	(1,781)
Net profit for the financial year	579,810	174,850

### DIVIDENDS

The single-tier dividends on ordinary shares paid by the Company since 31 December 2015 were as follows:

	RM'000
In respect of the financial year ended 31 December 2015: Final dividend of 5.0 sen per share paid on 8 June 2016.	97,147
In respect of the financial year ended 31 December 2016: Interim dividend of 3.0 sen per share paid on 29 December 2016.	58,288

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the current financial year ended 31 December 2016 of 2.0 sen per ordinary share of RM1.00 each, amounting to a net dividend payable of RM38,858,971 (based on 1,942,948,547 ordinary shares of RM1.00 each in issue as at 31 December 2016) will be proposed for the shareholders' approval.

The financial statements for the current financial year ended 31 December 2016 do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in the statements of changes in equity as an appropriation of retained profits in the next financial year ending 31 December 2017.

### RESERVES AND PROVISIONS

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

## DIRECTORS' REPORT

### DIRECTORS

The directors who have held office since the date of the last report and at the date of this report are:

General Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) (Chairman)  
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad  
Abd Malik bin A Rahman  
Ignatius Chan Tze Ching  
Dr. Rosnah binti Omar  
Joseph Yuk Wing Pang  
Peter Yuen Wai Hung (Alternate Director to Joseph Yuk Wing Pang)  
Tan Sri Mohd Ghazali bin Mohd Yusoff (Appointed on 20.1.2017)  
Dato' Mohd Hata bin Robani (Appointed on 7.2.2017)  
Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff (Resigned w.e.f. 23.12.2016)  
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin (Ceased as Director w.e.f 29.10.2016)  
Dato' Mustafa bin Mohamad Ali (Ceased as Director w.e.f. 27.10.2016)  
Lee Chor Kee (Alternate Director to Ignatius Chan Tze Ching)(Ceased as Director w.e.f. 6.8.2016)

In accordance with Article 104 of the Company's Articles of Association, Mr. Ignatius Chan Tze Ching and Dr. Rosnah binti Omar retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Article 110 of the Company's Articles of Association, Tan Sri Mohd Ghazali bin Mohd Yusoff and Dato' Mohd Hata bin Robani retire and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

### DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than directors' remuneration as disclosed in Note 35 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

DIRECTORS' REPORT

**DIRECTORS' INTERESTS**

According to the register of directors' shareholdings, the interest of directors in office at the end of the financial year in shares in the Company and its related companies are as follows:

The Company	Number of ordinary shares of RM1 each			
	At 1.1.2016	Bought	Sold	At 31.12.2016
General Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R)	40,000	-	-	40,000
Abd Malik bin A Rahman	-	10,000	-	10,000
<b>Related Companies</b>				
<u>Boustead Heavy Industries Corporation Berhad</u>				
Abd Malik bin A Rahman	3,000	-	-	3,000
Abd Malik bin A Rahman *	1,000	-	-	1,000

Related Companies	Number of ordinary shares of 50 sen each			
	At 1.1.2016	Bought	Sold	At 31.12.2016
<u>Boustead Holdings Berhad</u>				
Abd Malik bin A Rahman	-	6,580	-	6,580
Abd Malik bin A Rahman *	1,000	12,580	-	13,580
<u>Boustead Plantations Berhad</u>				
Abd Malik bin A Rahman	2,000	-	-	2,000
Abd Malik bin A Rahman *	2,000	-	-	2,000

\* 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 Company or its related companies during the financial year.

## DIRECTORS' REPORT

### STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps:

- (a) 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 doubtful debts and financing and satisfied themselves that all known bad debts had been written-off and that adequate allowances had been made for doubtful debts and financing; and
- (b) to ensure that any current assets, other than debts and financing, which were unlikely to realise in the ordinary course of business, their value as shown in the accounting records of the Group and the Company, have been written-down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

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

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

- (a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

No contingent or other liability 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 Company to meet their obligations when they fall due.

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 which would render any amount stated in the financial statements misleading.

In the opinion of the directors:

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) 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 substantially affect the results of the operations of the Group or the Company for the financial year in which this report is made.

## DIRECTORS' REPORT

### SUBSEQUENT EVENTS

There were no material events subsequent to the reporting date that require disclosure or adjustments to the financial statements, other than those disclosed in Note 48 of the financial statements.

### ULTIMATE HOLDING CORPORATE BODY

The directors regard Lembaga Tabung Angkatan Tentera, a corporate body established under the Tabung Angkatan Tentera Act, 1973, as the ultimate holding corporate body of the Company.

### AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 21 March 2017.

**GENERAL DATO' SERI DIRAJA TAN SRI (DR.) MOHD ZAHIDI BIN HAJI ZAINUDDIN (R)**  
CHAIRMAN

**ABD MALIK BIN A RAHMAN**  
DIRECTOR

Kuala Lumpur  
21 March 2017

## STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group		Company	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
Cash and short-term funds	2	4,836,222	4,441,700	32,176	45,393
Deposits and placements with banks and other financial institutions	3	172,871	497,161	-	-
Trade receivables	4	529,728	551,579	-	-
Financial assets held-for-trading	5	270,354	122,016	-	-
Financial investments available-for-sale	6	14,108,523	13,085,556	-	-
Financial investments held-to-maturity	7	407,087	459,368	-	-
Derivative financial assets	8	289,271	293,864	-	-
Loans, advances and financing	9	43,747,427	43,345,290	-	-
Other assets	10	216,012	237,726	299	305
Statutory deposits with Bank Negara Malaysia	11	1,659,740	1,782,450	-	-
Amount due from subsidiaries	12	-	-	1,304,592	1,004,446
Amount due from associate	13	45,096	58,560	45,096	58,560
Investment in subsidiaries	14	-	-	5,461,063	5,461,063
Investment in joint ventures	15	153,768	129,396	187,680	159,630
Investment in associates	16	339,887	269,774	35,242	15,623
Taxation recoverable		46,838	75,994	2,515	2,459
Deferred tax assets	25	19,723	16,339	-	-
Property and equipment	17	437,301	434,639	87	128
Intangible assets	18	1,606,497	1,612,462	2	3
<b>TOTAL ASSETS</b>		<b>68,886,345</b>	<b>67,413,874</b>	<b>7,068,752</b>	<b>6,747,610</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	19	51,505,642	50,548,747	-	-
Deposits and placements of banks and other financial institutions	20	3,894,037	3,385,439	-	-
Obligation on securities sold under repurchase agreements		1,145,618	1,740,946	-	-
Bills and acceptances payable		37,726	77,114	-	-
Trade payables	21	724,554	642,483	-	-
Derivative financial liabilities	22	552,942	555,867	-	-
Recourse obligation on loans sold to Cagamas Berhad	23	-	134,585	-	-
Other liabilities	24	656,242	652,293	4,258	3,098
Provision for taxation		2,440	11,799	-	-
Deferred tax liabilities	25	29,542	31,505	7	27
Amount due to subsidiaries	26	-	-	400,254	400,253
Borrowings	27	1,606,597	1,306,011	1,606,597	1,306,011
<b>TOTAL LIABILITIES</b>		<b>60,155,340</b>	<b>59,086,789</b>	<b>2,011,116</b>	<b>1,709,389</b>
<b>EQUITY</b>					
Share capital	28	1,942,949	1,942,949	1,942,949	1,942,949
Share premium		2,185,712	2,185,712	2,185,712	2,185,712
Reserves	29	4,553,833	4,153,778	928,975	909,560
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		<b>8,682,494</b>	<b>8,282,439</b>	<b>5,057,636</b>	<b>5,038,221</b>
Non-controlling interest		48,511	44,646	-	-
<b>TOTAL EQUITY</b>		<b>8,731,005</b>	<b>8,327,085</b>	<b>5,057,636</b>	<b>5,038,221</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>68,886,345</b>	<b>67,413,874</b>	<b>7,068,752</b>	<b>6,747,610</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	42(d)	<b>26,952,318</b>	<b>27,995,755</b>	<b>-</b>	<b>-</b>

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

**INCOME STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group		Company	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Interest income	30	2,553,111	2,534,695	53,801	38,043
Interest expense	31	(1,582,569)	(1,586,868)	-	-
Net interest income		970,542	947,827	53,801	38,043
Islamic banking income	32	272,806	238,921	-	-
Other operating income	33	1,243,348 692,526	1,186,748 615,744	53,801 190,781	38,043 138,094
Net income		1,935,874	1,802,492	244,582	176,137
Operating expenses	34	(1,142,921)	(1,085,718)	(11,310)	(9,898)
Operating profit before allowances for impairment losses on loans, advances and financing		792,953	716,774	233,272	166,239
Allowances for impairment losses on loans, advances, financing and trade receivables	36	(18,420)	(188,378)	-	-
(Allowances for)/write-back of impairment losses on securities	37	(24,930)	23,758	-	-
Operating profit		749,603	552,154	233,272	166,239
Finance costs	38	(56,641)	(40,947)	(56,641)	(40,947)
Share of results of a joint venture		(4,275)	(18,908)	-	-
Share of results of an associate		53,137	26,963	-	-
Profit before taxation and zakat		741,824	519,262	176,631	125,292
Zakat		(4,111)	(4,853)	-	-
Profit before taxation		737,713	514,409	176,631	125,292
Taxation	39	(157,903)	(132,236)	(1,781)	(1,585)
Net profit for the financial year		579,810	382,173	174,850	123,707
Net profit for the financial year attributable to:					
- Equity holders of the Company		564,005	369,269	174,850	123,707
- Non-controlling interest		15,805	12,904	-	-
		579,810	382,173	174,850	123,707
Earnings per share attributable to equity holders of the Company (sen)					
- Basic	40	29.03	19.01		

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

**STATEMENTS OF COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group		Company	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Profit after taxation		579,810	382,173	174,850	123,707
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
- Impairment losses on financial investments available-for-sale transferred to profit or loss		15,176	-	-	-
- Net fair value change in financial investments available-for-sale		7,123	61,757	-	-
- Net gain transferred to profit or loss on disposal of financial investments available-for-sale		(30,076)	(10,230)	-	-
- Deferred tax on revaluation of financial investments available-for-sale	25	2,118	(12,672)	-	-
- Share of other comprehensive (loss)/income of an associate		(3,393)	1,354	-	-
- Share of other comprehensive income/(loss) of a joint venture		597	(654)	-	-
Other comprehensive income for the financial year, net of tax		(8,455)	39,555	-	-
Total comprehensive income for the financial year		571,355	421,728	174,850	123,707
Total comprehensive income for the financial year attributable to:					
- Equity holders of the Company		555,490	408,911	174,850	123,707
- Non-controlling interest		15,865	12,817	-	-
		571,355	421,728	174,850	123,707

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

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

		← Attributable to Equity Holders of the Company →								
Note	Share capital	Share premium	Statutory reserves	AFS revaluation reserves	Regulatory reserves	Retained profits	Total Shareholders' equity	Non-controlling interest	Total equity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
	At 1 January 2016	1,942,949	2,185,712	1,626,175	64,833	284,141	2,178,629	8,282,439	44,646	8,327,085
	Comprehensive income:									
	- Net profit for the financial year	-	-	-	-	-	564,005	564,005	15,805	579,810
	Other comprehensive income (net of tax) of which:									
	- Financial investments available-for-sale	-	-	-	(5,719)	-	-	(5,719)	60	(5,659)
	- Share of other comprehensive loss of an associate	-	-	-	(3,393)	-	-	(3,393)	-	(3,393)
	- Share of other comprehensive income of a joint venture	-	-	-	597	-	-	597	-	597
	<b>Total comprehensive income for the financial year</b>	-	-	-	(8,515)	-	564,005	555,490	15,865	571,355
	Transfer to statutory reserves	-	-	180,556	-	-	(180,556)	-	-	-
	Transfer to regulatory reserves	-	-	-	-	5,730	(5,730)	-	-	-
	Dividends paid for the financial year	-	-	-	-	-	(155,435)	(155,435)	(12,000)	(167,435)
	At 31 December 2016	1,942,949	2,185,712	1,806,731	56,318	289,871	2,400,913	8,682,494	48,511	8,731,005
	At 1 January 2015	1,942,949	2,185,712	1,502,616	25,191	187,922	2,087,232	7,931,622	40,829	7,972,451
	Comprehensive income:									
	- Net profit for the financial year	-	-	-	-	-	369,269	369,269	12,904	382,173
	Other comprehensive income (net of tax) of which:									
	- Financial investments available-for-sale	-	-	-	38,942	-	-	38,942	(87)	38,855
	- Share of other comprehensive income of an associate	-	-	-	1,354	-	-	1,354	-	1,354
	- Share of other comprehensive loss of a joint venture	-	-	-	(654)	-	-	(654)	-	(654)
	<b>Total comprehensive income for the financial year</b>	-	-	-	39,642	-	369,269	408,911	12,817	421,728
	Transfer to statutory reserves	-	-	123,559	-	-	(123,559)	-	-	-
	Transfer to regulatory reserves	-	-	-	-	96,219	(96,219)	-	-	-
	Dividends paid for the financial year	-	-	-	-	-	(58,094)	(58,094)	(9,000)	(67,094)
	At 31 December 2015	1,942,949	2,185,712	1,626,175	64,833	284,141	2,178,629	8,282,439	44,646	8,327,085

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

**COMPANY STATEMENT OF CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Share capital	Non- Distributable Share premium	Distributable Retained profits	Total equity
	Note	RM'000	RM'000	RM'000	RM'000
At 1 January 2016		1,942,949	2,185,712	909,560	5,038,221
Total comprehensive income for the financial year:					
- Net profit for the financial year		-	-	174,850	174,850
Dividends paid for the financial year	41	-	-	(155,435)	(155,435)
At 31 December 2016		1,942,949	2,185,712	928,975	5,057,636
At 1 January 2015		1,942,949	2,185,712	843,947	4,972,608
Total comprehensive income for the financial year:					
- Net profit for the financial year		-	-	123,707	123,707
Dividends paid for the financial year	41	-	-	(58,094)	(58,094)
At 31 December 2015		1,942,949	2,185,712	909,560	5,038,221

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	2016	2015
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	737,713	514,409
Adjustments for items not involving the movement of cash and cash equivalents:		
Interest income from:		
- financial assets held-for-trading	(13,793)	(11,735)
- financial investments available-for-sale	(432,505)	(408,336)
- financial investments held-to-maturity	(20,248)	(26,180)
Dividend income from:		
- financial assets held-for-trading	(614)	(1,780)
- financial investments available-for-sale	(18,190)	(16,487)
Gain on disposal/redemption:		
- financial assets held-for-trading	(26,480)	(28,237)
- financial investments available-for-sale	(56,344)	(23,990)
- derivatives	-	(20)
Unrealised (gain)/loss on revaluation:		
- financial assets held-for-trading	(5,217)	37
- derivatives	(292)	13,882
- foreign exchange	(34,069)	(74,143)
Allowances for/(write-back of) impairment losses on securities	24,930	(23,758)
Depreciation of property and equipment	23,329	21,216
Foreclosed properties – impairment made	59	-
Property and equipment written-off	1,114	182
Intangible assets written-off	17	6
Net gain on disposal of property and equipment	(106)	(431)
Gain on disposal of foreclosed properties	(153)	(684)
Amortisation of intangible assets	25,561	21,448
Bad debts written-off	2,840	3,603
Share of results of a joint venture	4,275	18,908
Share of results of an associate	(53,137)	(26,963)
Net allowances for impairment losses on loans, advances and financing:		
- collective impairment	43,732	17,646
- individual impairment	22,833	251,401
Allowances for impairment losses – other debtors	373	243
Zakat	4,111	4,853
<b>OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL</b>	<b>229,739</b>	<b>225,090</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	2016	2015
	RM'000	RM'000
INCREASE/(DECREASE) IN OPERATING ACTIVITIES		
<i>(Increase)/decrease in operating assets:</i>		
Deposits and placements with banks and other financial institutions	324,290	(113,469)
Financial assets held-for-trading	(102,848)	100,699
Loans, advances and financing	(471,542)	(3,125,924)
Statutory deposits with Bank Negara Malaysia	122,710	49,100
Trade receivables	21,851	(122,343)
Other assets	63,341	1,136
<i>Increase/(decrease) in operating liabilities:</i>		
Deposits from customers	956,895	(55,258)
Deposits and placements of banks and other financial institutions	508,598	(1,982,364)
Obligation on securities sold under repurchase agreements	(595,328)	1,740,946
Bills and acceptances payable	(39,388)	(17,194)
Trade payables	82,071	60,317
Recourse obligation on loans sold to Cagamas Berhad	(134,585)	(4,562)
Other liabilities	(1,553)	309,344
Cash generated from/(used in) operating activities	964,251	(2,934,482)
Tax and zakat paid	(150,334)	(220,641)
Tax refund	5,459	1,364
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>819,376</b>	<b>(3,153,759)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net purchase of financial investments available-for-sale	(996,543)	(392,252)
Net disposal of financial investments held-to-maturity	48,744	216,964
Proceeds from disposal of property and equipment	440	581
Proceeds from disposal of foreclosed properties	588	4,877
Purchase of property and equipment	(42,283)	(303,996)
Purchase of intangible assets	(4,769)	(6,932)
Subscription of shares in a joint venture	(28,050)	(12,750)
Purchase of shares in an associate	(19,619)	-
Interest received from:		
- financial investments available-for-sale	432,505	408,336
- financial investments held-to-maturity	20,248	26,180
Dividend received from:		
- financial investments available-for-sale	18,190	16,487
- financial assets held-for-trading	614	1,780
Repayment of subordinated loan and other receivables by associate	13,464	8,696
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(556,471)</b>	<b>(32,029)</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	2016	2015
	RM'000	RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in borrowings	300,586	333,553
Dividends paid to shareholders of the Company	(155,435)	(58,094)
Dividends paid to non-controlling interest	(12,000)	(9,000)
NET CASH GENERATED FROM FINANCING ACTIVITIES	133,151	266,459
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	396,056	(2,919,329)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	4,393,076	7,312,405
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	4,789,132	4,393,076
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Cash and short-term funds (Note 2)	4,836,222	4,441,700
Adjustment for money held in trust on behalf of remisiers (Note 24)	(47,090)	(48,624)
Cash and cash equivalents	4,789,132	4,393,076

**COMPANY STATEMENT OF CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	2016	2015
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	176,631	125,292
Adjustments for items not involving the movement of cash and cash equivalents:		
Gross dividends from subsidiaries	(190,781)	(67,688)
Depreciation of property and equipment	84	189
Gain on winding-up of a subsidiary	-	(70,391)
Amortisation of intangible assets	1	1
OPERATING LOSS BEFORE CHANGES IN WORKING CAPITAL	(14,065)	(12,597)
INCREASE/(DECREASE) IN OPERATING ACTIVITIES		
<i>Decrease/(increase) in operating assets:</i>		
Deposits and placements with banks and other financial institutions	-	85,087
Other assets	(1,851)	89
<i>(Decrease)/increase in operating liabilities:</i>		
Other liabilities	1,161	132
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(14,755)	72,711
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received from subsidiaries	190,781	67,688
Net cash movement in amount due from/to subsidiaries	(300,146)	(400,137)
Purchase of property and equipment	(43)	(34)
Repayment of subordinated loan and other receivables by associate	13,464	8,696
Subscription of shares in a joint venture	(28,050)	(12,750)
Purchase of shares in an associate	(19,619)	-
NET CASH USED IN INVESTING ACTIVITIES	(143,613)	(336,537)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in borrowings	300,586	333,553
Dividends paid to shareholders of the Company	(155,435)	(58,094)
NET CASH GENERATED FROM FINANCING ACTIVITIES	145,151	275,459
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(13,217)	11,633
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	45,393	33,760
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	32,176	45,393
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Cash and short-term funds (Note 2)	32,176	45,393

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

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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.

### 1 BASIS OF PREPARATION

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

The financial statements incorporate those activities relating to Islamic banking business which has been undertaken by the Group. Islamic banking refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

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

The preparation of the 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 judgement in the process of applying the Group and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 31 of the Summary of Significant Group Accounting Policies.

#### a) Standards, amendments to published standards and interpretations that are effective to the Group and the Company

The Group and the Company have applied the following amendments for the first time for the financial year beginning on 1 January 2016:

- Amendments to MFRS 11 'Joint arrangements' - Accounting for acquisition of interest in joint operations
- Amendments to MFRS 101 'Presentation of financial statements' - Disclosure initiative
- Amendments to MFRS 127 'Equity method in separate financial statements'
- Amendments to MFRS 10,12 & 128 'Investment entities – Applying the consolidation exception'
- Annual Improvements to MFRSs 2012-2014 Cycle

The adoption of these amendments did not have any impact on the current or any prior year and are not likely to affect future periods.

#### b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company 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 Company, except the following:

- Amendments to MFRS 107 'Statement of cash flows - Disclosure initiative' (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.
- Amendments to MFRS 112 'Income taxes - Recognition of deferred tax assets for unrealised losses' (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary differences on asset carried at fair value.

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

The amendments shall be applied retrospectively.

**SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

**1 BASIS OF PREPARATION (CONTINUED)****b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective (continued)**

- MFRS 9 'Financial instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial instruments: Recognition and measurement'.

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 flows 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 change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment for all financial assets 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.

- 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 licences, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 1 BASIS OF PREPARATION (CONTINUED)

#### b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective (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 reflecting future lease payments for most leases.

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

The Group and the Company 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 Company except for MFRS 9. The financial effect of the adoption of MFRS 9 is still being assessed by the Group and the Company.

### 2 CONSOLIDATION

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

#### (a) 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 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 recognise any non-controlling interest in the acquiree on an acquisition by acquisition basis, either at fair value or at non-controlling interest proportionate share of 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 profit or loss.

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.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 2 CONSOLIDATION (CONTINUED)

#### (a) Subsidiaries (continued)

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 either 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 within 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.

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.

#### (b) 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.

#### (c) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of 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, 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.

#### (d) 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 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.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 2 CONSOLIDATION (CONTINUED)

#### (d) Joint arrangements (continued)

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 interest 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.

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.

#### (e) 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.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 2 CONSOLIDATION (CONTINUED)

#### (f) Investments in subsidiaries, joint ventures and associates in separate financial statements

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

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

### 3 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 ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the business 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 a definite useful life are amortised using the straight-line method over their estimated useful economic life. Intangible assets with 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 whenever 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

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 3 INTANGIBLE ASSETS (CONTINUED)

#### 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 Company 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.

### 4 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 profit or loss 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 profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

### 5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents 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.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 6 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 profit or loss, 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 branches 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.

#### 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 asset is realised or the deferred tax liability is settled.

Deferred tax liability is recognised for all temporary differences associated with investment in subsidiaries, joint ventures and associates 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 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.

### 7 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. Costs 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 derecognised. All other repairs and maintenance are recognised as expense in profit or loss during the financial year in which they are incurred.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 7 PROPERTY AND EQUIPMENT AND DEPRECIATION (CONTINUED)

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 on freehold land	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
Furniture and equipment	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. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully 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 in the profit or loss.

### 8 LEASES

#### Accounting by lessee:

#### (i) *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 profit or loss 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 profit or loss over the lease term on the same basis as the lease expense.

#### (ii) *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 profit or loss 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 profit or loss when incurred.

### 9 FORECLOSED PROPERTIES

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

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 10 BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable, which are financial liabilities, represent the banking subsidiaries' bills and acceptances rediscounted and outstanding in the market (Refer Note 19 of Summary of Significant Group Accounting Policies).

### 11 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 on 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 employees benefits relating to employee service in the current and prior periods.

The Group's contribution to the defined contribution plans are charged to the profit or loss 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.

#### 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.

#### Share-based payments

The settlement method of the Group's stock option incentive scheme for key employees is dependent on an uncertain future event which is outside the control of the Group or its employees. At each reporting date, the Group assesses the probability of the outcome of the uncertain future event in giving rise to a liability in determining whether the stock option incentive scheme is treated as cash-settled or equity-settled. Only a contingent liability exists if the contingency that triggers cash settlement is not probable. The stock option incentive scheme should be treated as equity-settled unless cash settlement becomes probable.

An equity-settled share-based payment plan is where the Group receives services from employees as consideration for equity instruments (stock options) of the Group. The fair value of the stock options granted in exchange for services of the employees are recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the stock options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting date, the Group revises its estimates of the number of stock options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to stock option reserve in equity.

A cash-settled share-based payment plan is initially recognised at the fair value of the liability at reporting date and is recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in liability. The total amount to be expensed over the vesting period is determined by reference to the fair value of the stock options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The Group re-measures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss. The Group revises its estimate of the number of stock options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to liability.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 12 FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the Group 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 or payables of subsidiaries are provided by the Group for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

### 13 PROVISIONS

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

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

Where the Group expects 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.

### 14 ZAKAT

This represents business zakat payable by the Group to comply with the principles of Shariah and as approved by the Shariah Committee. The Group only pays zakat on its Islamic operations and does not pay zakat on behalf of depositors or shareholders.

Zakat provision is calculated based on either 2.5775% of the prior year's net assets of the Islamic operations, 2.5% of the Shariah compliant income net of allocated cost or 2.5% of the net operating profit from management of Islamic funds, whichever applicable to the subsidiaries.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 15 RECOGNITION OF INTEREST AND FINANCING INCOME AND EXPENSES

Interest and financing income and expense for all interest/profit-bearing financial instruments are recognised within "interest income", "interest expense" and "Islamic banking income" respectively in the profit or loss 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 takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Interest 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 reduces the carrying amount to its recoverable amount, being the estimated future cash flows 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.

### 16 RECOGNITION OF FEES AND OTHER INCOME

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled. Corporate advisory fees are recognised as income on completion of each stage of the engagement and issuance of invoice.

Portfolio management fees, commitment fees, guarantee fees and agency fees are recognised as income based on time apportionment.

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.

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 instruments available-for-sale are recognised upon disposal of the assets, as the difference between net disposals proceeds and the carrying amount of the assets.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 17 FINANCIAL ASSETS

#### Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans 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.

#### 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 (Refer to Note 22 of Summary of Significant Group Accounting Policies).

The Group has not elected to designate any financial assets at fair value through profit or loss.

#### Loans and receivables

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

#### 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.

#### 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 management has the positive intention and ability to hold to maturity. If the Group 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.

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.

#### 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 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 and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of financial investments available-for-sale are recognised in other comprehensive income, except for impairment losses (Refer to Note 18 of Summary of Significant Group Accounting Policies) and foreign exchange gains and losses on monetary assets (Refer to Note 23 of Summary of Significant Group Accounting Policies).

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

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 17 FINANCIAL ASSETS (CONTINUED)

#### 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 has transferred substantially all risks and rewards of ownership.

Loans and receivables that are factored out to banks and other financial institutions with recourse to the Group are not de-recognised 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 investment 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 may choose to reclassify a non-derivative financial assets out of the held-for-trading category if the financial assets are no longer held for the purpose of selling in the near term. Financial assets other than loans 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 may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has 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 the fair value as of the date of 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 and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust the effective interest rates prospectively.

### 18 IMPAIRMENT OF FINANCIAL ASSETS

#### Assets carried at amortised cost

The Group assesses 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.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include amongst 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 carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If "loan 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.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 18 IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

#### Assets carried at amortised cost (continued)

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 recognized such as an improvement in the debtor's credit rating, the reversal of the previously recognised impairment loss is recognised in profit or loss.

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 first assesses 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 determines 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.

#### 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) 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 loan/financing is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. If a loan/financing has a variable interest/profit rate, the discount rate for measuring any impairment losses 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 loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

#### 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 borrower's ability to pay all amounts due according to the contractual terms of the loans 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 in the Group and historical loss experience for loans with credit risk characteristics similar to those in the Group. 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 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 their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group 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 is 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 has maintained the collective impairment provisions and regulatory reserves of no less than 1.2% in the books.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 18 IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

#### Assets classified as available-for-sale

The Group 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 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 uses 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 profit or loss. 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 profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

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 profit or loss, the impairment loss is reversed through profit or loss in subsequent periods.

### 19 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'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 are 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.

#### 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 as at fair value through profit or loss upon initial recognition. The Group and the Company 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 profit or loss.

#### 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.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 20 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.

#### 21 SALE AND REPURCHASE AGREEMENTS

Securities purchased under resale agreements are securities which the Group has 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 has 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.

#### 22 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 classified 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 designed as a hedging instrument, and if so, the nature of the item being hedged.

As at reporting date, the Group has 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 profit or loss.

#### 23 FOREIGN CURRENCY TRANSLATION

##### 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 consolidated financial statements are presented in Ringgit Malaysia, which is the Group's and the Company's functional and presentation currency.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 23 FOREIGN CURRENCY TRANSLATION (CONTINUED)

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange 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 profit or loss. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flow 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 profit or loss, and other changes in the carrying amount are recognised in the statement of 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 recognised in profit or 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.

### 24 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 costs directly attributable to the issue of new shares or options are deducted against share premium account.

#### 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 is recognised directly in equity.

#### Earnings per share

##### (i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, 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.

##### (ii) 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.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 25 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 method.

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

### 26 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group does not recognise contingent assets and liabilities other than those arising from business combination, but disclose its existence in the financial statement. A contingent liability is a 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 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. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

### 27 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board of Directors has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments as well as making strategic decisions for the Group.

### 28 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.

### 29 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 contracts	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.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 30 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.

### 31 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group and the Company 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 Company'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 judgements related to the impairment of loans and provision for off-balance sheet positions is a 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's results of operations.

In assessing assets for impairment, management judgement is required. The determination of the impairment allowance required for loans/financing which are deemed to be individually significant often requires the use of considerable management judgement 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 judgements, and therefore is subject to estimation uncertainty. The Group performs 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 things, 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 judgement in estimating the future cash flows, growth rate and discount rate.

The recoverable amounts of the goodwill were determined based on discounted cash flow valuation model. The calculations require the use of estimates as set out in Note 18 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

**1 GENERAL INFORMATION**

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are commercial banking and hire purchase business, Islamic banking business, investment banking and stock-broking, money-broking, fund and asset management. 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.

There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of the Bursa Malaysia Securities.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors dated 21 March 2017.

**2 CASH AND SHORT-TERM FUNDS**

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances with banks and other financial institutions	766,304	1,236,538	71	67
Money at call and deposits placements maturing within one month	4,069,918	3,205,162	32,105	45,326
	4,836,222	4,441,700	32,176	45,393

The cash and short-term funds is inclusive of remisiers' trust monies of RM47,090,000 (2015: RM48,624,000).

**3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**

	Group	
	2016	2015
	RM'000	RM'000
Licensed banks	172,871	462,127
Other financial institutions	-	35,034
	172,871	497,161

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 4 TRADE RECEIVABLES

	Group	
	2016	2015
	RM'000	RM'000
Amount due from stock-broking clients:		
- performing accounts	322,195	290,256
- impaired accounts (a)	1,705	4,460
Amount due from brokers	114,092	141,493
Amount due from Bursa Securities Clearing Sdn Bhd	-	51,033
Management fees receivable on fund management	93,104	68,476
	531,096	555,718
Allowance for impairment (b)		
- collective impairment	-	(16)
- individual impairment	(1,368)	(4,123)
	529,728	551,579
(a) Movements of impaired accounts are as follows:		
Balance at beginning of financial year	4,460	4,420
Classified as impaired during the financial year	1,781	108
Amount recovered during the financial year	(872)	(68)
Amount written-off during the financial year	(3,664)	-
Balance at end of financial year	1,705	4,460
(b) Movements in allowance for impairment on trade receivables:		
<b>Collective impairment</b>		
Balance at beginning of financial year	16	19
Allowance made during the financial year	-	31
Amount written-back during the financial year	(16)	(34)
Balance at end of financial year	-	16
<b>Individual impairment</b>		
Balance at beginning of financial year	4,123	4,083
Allowance made during the financial year	1,781	108
Amount written-back during the financial year	(866)	(68)
Amount written-off during the financial year	(3,670)	-
Balance at end of financial year	1,368	4,123

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

5 FINANCIAL ASSETS HELD-FOR-TRADING

	Group	
	2016	2015
	RM'000	RM'000
<b>At fair value</b>		
Negotiable Instruments of Deposit	200,067	79,807
Quoted securities:		
- Shares in Malaysia	18,763	33,564
- Unit Trusts in Malaysia	4,864	8,645
Unquoted securities:		
- Corporate Bonds and/or Sukuk in Malaysia	31,218	-
- Corporate Bonds and/or Sukuk outside Malaysia	15,442	-
Total financial assets held-for-trading	270,354	122,016

6 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group	
	2016	2015
	RM'000	RM'000
<b>At fair value</b>		
Malaysian Government Securities	318,324	59,892
Malaysian Government Investment Issuance	1,816,434	2,538,871
Cagamas Bonds	66,597	20,102
Sukuk Perumahan Kerajaan	485,574	753,385
Khazanah Bonds	439,219	437,819
Negotiable Instruments of Deposit and Islamic Debt Certificate	1,494,956	1,004,703
	4,621,104	4,814,772
Quoted securities:		
- Shares in Malaysia	32,134	18,896
- Unit Trusts in Malaysia	190,278	240,850
- REITs in Malaysia	50,266	40,219
- REITs outside Malaysia	78,540	39,618
Unquoted securities:		
- Shares in Malaysia	238,749	227,133
- Corporate Bonds and/or Sukuk in Malaysia	8,190,917	7,051,910
- Corporate Bonds and/or Sukuk outside Malaysia	730,129	655,651
Allowance for impairment losses	14,132,117 (23,594)	13,089,049 (3,493)
Total financial investments available-for-sale	14,108,523	13,085,556

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 6 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (CONTINUED)

**Movements in allowance for impairment losses of financial investments available-for-sale**

	Group	
	2016	2015
	RM'000	RM'000
Balance at beginning of financial year	3,493	86,736
Allowance made during the financial year	21,393	-
Amount written-back during the financial year	-	(167)
Amount written-off during the financial year	(1,292)	(83,076)
Balance at end of financial year	23,594	3,493

Included in the Group's financial investments available-for-sale are corporate bonds and/or sukuk amounting to RM1.21 billion (2015: RM1.86 billion) which are pledged as collateral for obligation on the securities sold under repurchase agreements.

## 7 FINANCIAL INVESTMENTS HELD-TO-MATURITY

**At amortised cost**

	Group	
	2016	2015
	RM'000	RM'000
Unquoted securities:		
- Corporate Bonds and/or Sukuk in Malaysia	402,532	459,546
- Redeemable Convertible Secured Loan Stocks in Malaysia	15,042	-
Allowance for impairment losses	417,574	459,546
	(10,487)	(178)
Total financial investments held-to-maturity	407,087	459,368

**Movements in allowance for impairment losses of financial investments held-to-maturity**

Balance at beginning of financial year	178	45,832
Allowance made during the financial year	3,537	-
Amount written-back during the financial year	-	(23,591)
Amount written-off during the financial year	(178)	(22,063)
Amount converted from allowance for impairment losses on loans, advances and financing	6,950	-
Balance at end of financial year	10,487	178

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

8 DERIVATIVE FINANCIAL ASSETS

**At fair value**

Foreign exchange derivatives:

- Currency forwards
- Cross currency swaps
- Currency swaps
- Currency options

Interest rate derivatives:

- Interest rate swaps

Group		Group	
2016		2015	
Contract/ Notional Amount	Assets	Contract/ Notional Amount	Assets
RM'000	RM'000	RM'000	RM'000
1,935,224	168,676	1,887,310	139,810
2,272,949	36,441	3,841,581	90,772
1,228,794	11,928	169,600	45,783
-	53,472	39,130	(12)
1,373,500	18,754	1,660,148	17,511
6,810,467	289,271	7,597,769	293,864

9 LOANS, ADVANCES AND FINANCING

**BY TYPE**

- Overdrafts
- Term loans/financing:
  - Housing loans/financing
  - Syndicated term loans/financing
  - Hire purchase receivables
  - Business term loans/financing
  - Other term loans/financing
- Bills receivables
- Trust receipts
- Claims on customers under acceptance credits
- Staff loans/financing (of which RM Nil to directors)
- Credit/charge cards
- Revolving credit
- Margin financing
- Factoring
- Other receivables

- Gross loans, advances and financing
- Less: Allowance for impairment losses
  - Collective impairment
  - Individual impairment

Total net loans, advances and financing

Group	
2016	2015
RM'000	RM'000
1,919,668	1,960,022
6,964,223	6,172,180
2,482,093	2,079,497
11,920,683	12,000,990
13,440,419	13,416,080
356,509	702,427
30,113	321,091
297,955	298,417
1,082,209	1,016,613
160,732	154,076
91,091	83,769
5,123,539	5,420,534
241,772	157,979
1,560	4,369
40,490	91,377
44,153,056	43,879,421
(237,954)	(238,868)
(167,675)	(295,263)
43,747,427	43,345,290

Included in term loans are housing loans sold to Cagamas Berhad with recourse amounting to RM Nil (2015: RM134,585,000).

Included in business term loans/financing are term financing of RM53.7 million (2015: RM53.7 million) and RM78.0 million (2015: RM63.9 million) granted by AFFIN Islamic Bank Berhad to its joint ventures, namely AFFIN-i Nadayu Sdn Bhd and KL South Development Sdn Bhd respectively.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 9 LOANS, ADVANCES AND FINANCING (CONTINUED)

**BY MATURITY STRUCTURE**

Maturing within one year  
 One year to three years  
 Three years to five years  
 Over five years

**BY TYPE OF CUSTOMER**

Domestic banking institutions  
 Domestic non-banking institutions:  
 - Stock-broking companies  
 - Others  
 Domestic business enterprises:  
 - Small medium enterprises  
 - Others  
 Government and statutory bodies  
 Individuals  
 Foreign individuals  
 Other domestic entities  
 Foreign entities

**BY INTEREST/PROFIT RATE SENSITIVITY**

Fixed rate:  
 - Housing loans/financing  
 - Hire purchase receivables  
 - Other fixed rate loans/financing  
 - Margin financing  
 Variable rate:  
 - BLR plus  
 - Cost plus  
 - Other variable rates

	Group	
	2016	2015
	RM'000	RM'000
	9,204,328	10,067,237
	4,969,834	4,726,084
	7,332,075	6,937,257
	22,646,819	22,148,843
	44,153,056	43,879,421
	3,033	-
	-	221
	834,841	1,575,279
	12,553,872	9,135,776
	10,998,242	14,016,404
	1,467,488	1,137,674
	17,920,443	17,066,575
	957	966
	88,036	109,263
	286,144	837,263
	44,153,056	43,879,421
	406,788	404,928
	11,923,338	12,003,958
	3,546,700	4,143,970
	241,772	157,978
	16,774,292	16,027,827
	11,195,608	11,071,899
	64,558	68,861
	44,153,056	43,879,421

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group	
	2016	2015
	RM'000	RM'000
<b>BY ECONOMIC PURPOSE</b>		
Construction	3,280,772	3,264,042
Purchase of landed property of which:		
- Residential	7,095,192	6,427,607
- Non-residential	6,012,752	5,913,754
Purchase of securities	1,200,510	904,800
Purchase of transport vehicles	12,343,573	12,509,416
Fixed assets other than land and building	325,485	240,609
Personal use	691,257	745,582
Credit card	91,091	83,769
Consumer durable	879	852
Merger and acquisition	97,992	299,085
Working capital	12,452,407	13,000,464
Others	561,146	489,441
	<b>44,153,056</b>	<b>43,879,421</b>
<b>BY SECTOR</b>		
Primary agriculture	896,922	692,126
Mining and quarrying	915,756	789,889
Manufacturing	2,225,082	2,341,341
Electricity, gas and water supply	202,818	244,682
Construction	2,571,019	3,576,344
Real estate	8,027,575	7,114,834
Wholesale and retail trade and restaurants and hotels	2,855,690	2,552,553
Transport, storage and communication	2,233,611	2,279,071
Finance, insurance and business services	2,912,749	4,399,043
Education, health and others	3,137,788	2,650,162
Household	18,052,061	17,185,511
Others	121,985	53,865
	<b>44,153,056</b>	<b>43,879,421</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 9 LOANS, ADVANCES AND FINANCING (CONTINUED)

## BY GEOGRAPHICAL DISTRIBUTION

	Group	
	2016	2015
	RM'000	RM'000
Perlis	195,079	155,914
Kedah	1,434,432	1,362,682
Pulau Pinang	2,386,830	2,156,877
Perak	1,444,400	1,304,444
Selangor	12,825,140	13,424,739
Wilayah Persekutuan	13,516,182	13,750,878
Negeri Sembilan	1,216,853	995,346
Melaka	1,030,549	1,003,701
Johor	4,117,630	3,557,500
Pahang	897,686	845,284
Terengganu	743,413	803,862
Kelantan	216,290	229,607
Sarawak	1,750,219	1,584,176
Sabah	1,626,943	1,622,166
Labuan	664,510	684,220
Outside Malaysia	86,900	398,025
	44,153,056	43,879,421

## IMPAIRED LOANS, ADVANCES AND FINANCING

## Movements of impaired loans, advances and financing

Balance at beginning of financial year	834,222	747,776
Classified as impaired during the financial year	679,669	904,886
Reclassified as non-impaired during the financial year	(383,917)	(394,738)
Amount recovered	(199,772)	(150,230)
Amount written-off	(184,899)	(273,472)
Amount converted to financial investments held-to-maturity	(8,050)	-
Balance at end of financial year	737,253	834,222

## Impaired loans, advances and financing by economic purpose

Construction	39,998	98,031
Purchase of landed property of which:		
- Residential	203,075	180,137
- Non-residential	76,002	46,742
Purchase of securities	158	804
Purchase of transport vehicles	86,062	82,026
Fixed assets other than land and building	878	164
Personal use	28,441	20,539
Credit card	408	389
Consumer durable	17	16
Working capital	295,207	338,087
Others	7,007	67,287
	737,253	834,222

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group	
	2016	2015
	RM'000	RM'000
<b>Impaired loans, advances and financing by sector</b>		
Primary agriculture	14,331	14,388
Mining and quarrying	120	15
Manufacturing	27,934	58,035
Electricity, gas and water supply	207	148
Construction	102,416	81,302
Real estate	71,195	103,532
Wholesale and retail trade and restaurants and hotels	57,706	48,914
Transport, storage and communication	2,106	3,314
Finance, insurance and business services	145,544	234,604
Education, health and others	732	2,602
Household	314,962	287,368
	<b>737,253</b>	<b>834,222</b>
<b>Impaired loans, advances and financing by geographical distribution</b>		
Perlis	5,245	680
Kedah	48,834	19,972
Pulau Pinang	41,022	42,525
Perak	18,490	18,793
Selangor	314,005	484,346
Wilayah Persekutuan	79,564	89,094
Negeri Sembilan	79,423	13,949
Melaka	16,091	7,231
Johor	27,974	25,596
Pahang	9,574	8,262
Terengganu	6,245	5,307
Kelantan	5,337	5,068
Sarawak	7,951	6,918
Sabah	45,914	20,614
Outside Malaysia	31,584	85,867
	<b>737,253</b>	<b>834,222</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 9 LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in allowances for impairment on loans, advances and financing**Collective impairment**

Balance at beginning of financial year	238,868	301,601
Allowance (net of write-back) made during the financial year	43,748	17,649
Amount written-off during the financial year	(44,662)	(80,382)
Balance at end of financial year	237,954	238,868

**Individual impairment**

Balance at beginning of financial year	295,263	263,498
Allowance made during the financial year	81,349	258,654
Amount recovered during the financial year	(59,431)	(7,293)
Amount written-off during the financial year	(132,589)	(193,087)
Amount converted to financial investments held-to-maturity	(6,950)	-
Unwinding discount of allowance	(10,324)	(33,004)
Exchange difference	357	6,495
Balance at end of financial year	167,675	295,263

## 10 OTHER ASSETS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cheque clearing accounts	10,721	6,803	-	-
Foreclosed properties (a)	7,970	4,906	-	-
Other debtors, deposits and prepayments (b)	73,535	110,310	299	305
Amount due from joint ventures (c)	46,725	39,936	-	-
Collaterals pledged for derivative transactions	76,561	75,771	-	-
Amount due from associate	500	-	-	-
	216,012	237,726	299	305

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

10 OTHER ASSETS (CONTINUED)

	Group	
	2016	2015
	RM'000	RM'000
(a) <b>Foreclosed properties</b>		
As at beginning of the financial year	4,906	9,099
Purchased during the financial year	3,558	-
Disposal during the financial year	(435)	(4,193)
	8,029	4,906
Foreclosed properties - impairment made	(59)	-
As at end of the financial year	7,970	4,906

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
(b) <b>Other debtors, deposits and prepayments</b>				
Other debtors, deposits and prepayments	79,669	120,447	299	305
Less: Allowance for bad and doubtful debts	(6,134)	(10,137)	-	-
	73,535	110,310	299	305

Movements in the allowances for bad and doubtful debts are as follows:

	Group	
	2016	2015
	RM'000	RM'000
At beginning of financial year	10,137	9,894
Allowance made during the financial year	898	365
Amount written-back during the financial year	(525)	(122)
Amount written-off during the financial year	(4,376)	-
At end of financial year	6,134	10,137

(c) **Amount due from joint ventures**

The amount due from joint ventures are unsecured, bear average interest rate of 7.72% (2015: 7.85%) per annum and repayable on demand.

11 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 12 AMOUNT DUE FROM SUBSIDIARIES

10-year subordinated term loan ("STL") to a licensed bank subsidiary:

- (a) Term Loan II
- (b) Term Loan III
- (c) Tier II Basel III STL I
- (d) Tier II Basel III STL II
- (e) Tier II Basel III STL III

Company	
2016	2015
RM'000	RM'000
-	301,381
302,733	302,960
400,102	400,105
301,218	-
300,539	-
1,304,592	1,004,446

- (a) The 10-year Subordinated Term Loan II to a licensed bank subsidiary is unsecured and carries interest rates ranging from 4.60% to 4.68% per annum during the financial year. The term loan had been fully prepaid by the subsidiary on 26 May 2016.
- (b) The 10-year Subordinated Term Loan III to a licensed bank subsidiary is unsecured and carries interest rates ranging from 4.35% to 4.67% per annum during the financial year. The term loan has been fully prepaid by the subsidiary on 16 January 2017.
- (c) The 10-year Tier II Basel III Subordinated Term Loan I to a licensed bank subsidiary is unsecured and carries interest rates ranging from 4.60% to 4.80% per annum during the financial year. The term loan has a bullet repayment on 30 December 2025.
- (d) The 10-year Tier II Basel III Subordinated Term Loan II to a licensed bank subsidiary is unsecured and carries interest rates ranging from 4.345% to 4.60% per annum during the financial year. The term loan has a bullet repayment on 26 May 2026.
- (e) The 10-year Tier II Basel III Subordinated Term Loan III to a licensed bank subsidiary is unsecured and carries an interest rate of 4.11% per annum during the financial year. The term loan has a bullet repayment on 16 December 2026.

## 13 AMOUNT DUE FROM ASSOCIATE

10-year subordinated loan

Group and Company	
2016	2015
RM'000	RM'000
45,096	58,560

The 10-year subordinated loan to associate is unsecured and carries a fixed interest rate of 10.00% per annum during the financial year. The subordinated loan has a bullet repayment on 28 April 2020. In 2015, the associate sought approval from Bank Negara Malaysia to prepay the subordinated loan bi-annually over eleven (11) instalments and the first prepayment was made on 21 August 2015.

## 14 INVESTMENT IN SUBSIDIARIES

Unquoted shares at cost

Balance as at beginning of financial year  
Liquidation of AFFIN Investment Berhad

Balance as at end of financial year

Company	
2016	2015
RM'000	RM'000
5,461,063	5,461,063
5,461,063	5,902,034
-	(440,971)
5,461,063	5,461,063

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries, 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	
			2016 %	2015 %
(1) AFFIN Bank Berhad	Provision of commercial banking and hire purchase services	1,688,770	100	100
- AFFIN Islamic Bank Berhad	Islamic banking business	560,000	100	100
- PAB Properties Sdn Bhd	Property management services	8,000	100	100
- ABB Trustee Berhad #	Trustee management services	500	100	100
- ABB Nominee (Tempatan) Sdn Bhd	Share nominee services	40	100	100
- ABB Nominee (Asing) Sdn Bhd	Dormant	@	100	100
- AFFIN Recoveries Berhad	Dormant	125,000	100	100
- AFFIN Factors Sdn Bhd	In members' voluntary winding-up	-	-	100
- PAB Property Development Sdn Bhd		-	-	100
- AFFIN Futures Sdn Bhd		-	-	100
- ABB IT & Services Sdn Bhd		-	-	100
- BSNCB Nominees (Tempatan) Sdn Bhd		-	-	100
- BSNC Nominees (Tempatan) Sdn Bhd		-	-	100
- AFFIN-ACF Nominees (Tempatan) Sdn Bhd		-	-	100
(2) AFFIN Hwang Investment Bank Berhad		Provision of investment banking services	780,000	100
- AFFIN Hwang Asset Management Berhad	Asset management and management of unit trust and private retirement scheme	10,000	70	70
- AFFIN Capital Services Berhad	Investment holding	12,000	70	70
- AIIMAN Asset Management Sdn Bhd (fka Asian Islamic Investment Management Sdn Bhd)	Islamic fund management	10,000	70	70

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries, 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	
			2016 %	2015 %
- AFFIN Hwang AILMAN Global Sukuk Fund*	Islamic fund management	21,706	71	-
- AFFIN Hwang Nominees (Asing) Sdn Bhd	Nominee services	^	100	100
- AFFIN Hwang Nominees (Tempatan) Sdn Bhd	Nominee services	5,000	100	100
- AHC Global Sdn Bhd (fka Classic Uptrend Sdn Bhd)	Trustee services	@	100	-
- AHC Associates Sdn Bhd (fka Sole Delta Sdn Bhd)	Trustee services	@	100	-
- AFFIN Hwang Futures Sdn Bhd	In members' voluntary winding-up	-	-	-
- AFFIN Nominees (Asing) Sdn Bhd	In members' voluntary winding-up	-	-	-
- AFFIN Nominees (Tempatan) Sdn Bhd	In members' voluntary winding-up	-	-	-
(3) AFFIN Moneybrokers Sdn Bhd	Money-broking	1,000	100	100
(4) AFFIN-ACF Holdings Sdn Bhd	Investment holding	338,382	100	100
(5) AFFIN Capital Sdn Bhd	Dissolved on 9 September 2016	-	-	-
(6) AFFIN Investment Berhad	In members' voluntary winding-up	-	-	-

# 80% held by directors of AFFIN Bank Berhad, in trust for AFFIN Bank Berhad

@ Subsidiary with issued and paid up share capital of RM2 each

^ Subsidiary with issued and paid up share capital of RM5 each

\* AFFIN Hwang AILMAN Global Sukuk Fund is a subsidiary, consolidated in the Group as the Group controls the funds in accordance with MFRS 10 "Consolidated Financial Statements"

On 25 January 2017, AFFIN Hwang Investment Bank Berhad and its subsidiaries, namely, AFFIN Hwang Nominees (Tempatan) Sdn Bhd, AFFIN Hwang Nominees (Asing) Sdn Bhd, AHC Global Sdn Bhd (formerly known as Classic Uptrend Sdn Bhd) and AHC Associates Sdn Bhd (formerly known as Sole Delta Sdn Bhd) had completed the acquisition of 100,000 ordinary shares of RM10 each, of which RM5 is fully paid-up, representing 100% equity interest in ABB Trustee Berhad ("ABBT") from AFFIN Bank Berhad and the other four shareholders of ABBT shares, for a total cash consideration of approximately RM630,000.00, based on the audited net asset value of ABBT as at 31 December 2015 subject to further adjustments, if any.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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.

	2016	2015
	RM'000	RM'000
<b>Summarised financial position</b>		
Total assets	521,040	378,207
Total liabilities	(359,335)	(229,387)
Net assets	161,705	148,820
Non-controlling interest ("NCI")	48,511	44,646
<b>Summarised financial results</b>		
Profit before taxation	64,156	58,570
Taxation	(11,471)	(15,556)
Other comprehensive income/(loss)	200	(288)
Total comprehensive income	52,885	42,726
<b>Summarised cash flows</b>		
Net cash generated from operating activities	168,125	29,115
Net cash used in financing activities	(40,000)	(30,000)
Net cash generated from/(used in) investing activities	975	(5,619)
Net increase/(decrease) in cash and cash equivalents	129,100	(6,504)
Profit allocated to NCI of the Group	15,805	12,904
Dividends paid to NCI of the Group	12,000	9,000
<b>Movements in NCI at Group level</b>		
Balance at beginning of the financial year	44,646	40,829
Profit for the financial year	15,805	12,904
Other comprehensive income/(loss) for the financial year	60	(87)
Dividends paid for the financial year	(12,000)	(9,000)
Balance at end of the financial year	48,511	44,646

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 15 INVESTMENT IN JOINT VENTURES

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Unquoted shares at cost	188,330	160,280	187,680	159,630
Group's share of post-acquisition losses	(34,562)	(30,884)	-	-
	153,768	129,396	187,680	159,630

During the year, the Company subscribed to 28,050,000 new ordinary shares of RM1.00 each in AXA AFFIN Life Insurance Berhad.

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

Name	Principal activities	Issued and paid up share capital	Percentage of equity held	
			2016	2015
			RM'000	%
AXA AFFIN Life Insurance Berhad *	Underwriting of life insurance business	368,000	51	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 Company.

# Shareholding held directly by AFFIN Islamic Bank Berhad.

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

	Group	
	2016	2015
	RM'000	RM'000
Revenue	385,589	360,578
Tax expense	(4,021)	1,209
Loss after taxation	(8,382)	(37,076)
Total assets	1,496,405	1,285,876
Total liabilities	1,194,900	1,032,159
Total comprehensive loss	(7,212)	(38,357)
Cash and cash equivalents	69,546	62,648

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 15 INVESTMENT IN JOINT VENTURES (CONTINUED)

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

	Group	
	2016	2015
	RM'000	RM'000
Opening net assets as at beginning of the financial year	253,717	267,074
Loss for the financial year	(8,382)	(37,076)
Other comprehensive income/(loss)	1,170	(1,281)
Proceeds from issuance of shares	55,000	25,000
Closing net assets as at end of the financial year	301,505	253,717
Interest in AALI:		
- In percentage (%)	51%	51%
- In thousand (RM'000)	153,768	129,396

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

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.

**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 2016 and 2015, 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% (2015: 4.20%) is used as discount and earning rates.

As at 31 December 2016, investment in AXA AFFIN Life Insurance Berhad is not sensitive to impairment assessment. As at 31 December 2015, the impairment assessment is most sensitive to discount and earning rates. If discount and earning rates increased to 5.20%, the estimated recoverable amount will be equal to the carrying value.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 16 INVESTMENT IN ASSOCIATES

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Unquoted shares at cost	35,992	15,623	35,242	15,623
Group's share of post-acquisition profits	303,895	254,151	-	-
	339,887	269,774	35,242	15,623

During the year, the Company acquired additional 2,897,962 new ordinary shares of RM1.00 each of AXA AFFIN General Insurance Berhad at RM6.77 per share.

The associates, 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	
			2016	2015
			%	%
AXA AFFIN General Insurance Berhad *	Underwriting of general insurance business	119,048	36.94	34.51
Raeed Holdings Sdn Bhd #	Investment holding company	4,500	16.67	25.00

\* Shareholding held directly by the Company

# Raeed Holdings Sdn Bhd is a consortium formed by six Islamic banking institutions

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

	Group	
	2016	2015
	RM'000	RM'000
Revenue	1,557,575	1,413,363
Profit after taxation	143,828	78,134
Total comprehensive income	134,643	82,058
Total assets	3,193,716	2,825,742
Total liabilities	2,273,111	2,039,779
Capital commitment for property and equipment	12,798	12,312
Reconciliation of the summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:		
Opening net assets as at beginning of the financial year	785,962	703,905
Profit for the financial year	143,828	78,134
Other comprehensive (loss)/income	(9,185)	3,924
Closing net assets as at end of the financial year	920,605	785,963
Interest in associate:		
- In percentage (%)	36.944%	34.509%
- In thousand (RM'000)	340,108	271,228
Discount on acquisition	(971)	(1,454)
	339,137	269,774

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

NOTES TO THE FINANCIAL STATEMENTS

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17 PROPERTY AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land		Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Renovations RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Computers RM'000	Total RM'000
		50 years or more RM'000	Less than 50 years RM'000								
<b>2016</b>											
<b>Cost</b>											
As at beginning of the financial year	278,905	11,822	5,900	26,368	80,982	146,938	85,221	10,905	15,200	120,247	782,488
- Additions	-	-	-	-	-	11,028	5,102	1,289	14,129	10,735	42,283
- Disposals	-	-	-	-	-	(1)	(144)	(1,803)	-	(534)	(2,482)
- Write-off	-	-	-	-	-	(11,969)	(7,738)	-	-	(5,268)	(24,975)
- Reclassification to intangible assets/ others (Note 18)	-	-	-	-	-	24	(23)	-	(18,966)	4,121	(14,844)
As at end of the financial year	278,905	11,822	5,900	26,368	80,982	146,020	82,418	10,391	10,363	129,301	782,470
<b>Accumulated depreciation</b>											
As at beginning of the financial year	-	2,102	2,078	12,824	25,910	123,047	66,938	7,962	-	106,848	347,709
- Charge for the financial year	-	98	128	438	1,626	7,625	4,843	1,245	-	7,326	23,329
- Disposals	-	-	-	-	-	(1)	(134)	(1,479)	-	(534)	(2,148)
- Write-off	-	-	-	-	-	(11,616)	(7,027)	-	-	(5,218)	(23,861)
As at end of the financial year	-	2,200	2,206	13,262	27,536	119,055	64,620	7,728	-	108,422	345,029
<b>Impairment losses</b>											
As at beginning/end of the financial year	140	-	-	-	-	-	-	-	-	-	140
<b>Net book value</b>											
As at end of the financial year	278,765	9,622	3,694	13,106	53,446	26,965	17,798	2,663	10,363	20,879	437,301

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 17 PROPERTY AND EQUIPMENT (CONTINUED)

Group	Leasehold land		Buildings on freehold land	Buildings on leasehold land	Renovations	Furniture and equipment	Motor vehicles	Capital work-in-progress	Computers	Total
	50 years or more	Less than 50 years								
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2015</b>										
<b>Cost</b>										
As at beginning of the financial year	19,236	5,380	26,368	80,982	134,811	85,427	11,484	9,316	114,046	499,392
- Additions	259,831	-	-	-	14,002	2,547	1,099	18,343	8,174	303,996
- Disposals	-	-	-	-	(3)	(1,521)	(1,678)	-	(1,149)	(4,351)
- Write-off	-	-	-	-	(2,311)	(1,373)	-	-	(880)	(4,564)
- Reclassification to other assets	(162)	-	-	-	-	-	-	-	-	(162)
- Reclassification of leasehold land	-	(520)	-	-	-	-	-	-	-	-
- Reclassification to intangible assets/ others (Note 18)	-	-	-	-	439	141	-	(12,459)	56	(11,823)
As at end of the financial year	278,905	5,900	26,368	80,982	146,938	85,221	10,905	15,200	120,247	782,488
<b>Accumulated depreciation</b>										
As at beginning of the financial year	-	1,813	12,385	24,282	117,853	65,016	8,048	-	103,537	335,076
- Charge for the financial year	-	97	439	1,628	7,443	4,704	1,453	-	5,324	21,216
- Disposals	-	-	-	-	(3)	(1,510)	(1,539)	-	(1,149)	(4,201)
- Write-off	-	-	-	-	(2,246)	(1,272)	-	-	(864)	(4,382)
- Reclassification of leasehold land	-	(137)	-	-	-	-	-	-	-	-
As at end of the financial year	-	2,078	12,824	25,910	123,047	66,938	7,962	-	106,848	347,709
<b>Impairment losses</b>										
As at beginning/end of the financial year	140	-	-	-	-	-	-	-	-	140
<b>Net book value</b>										
As at end of the financial year	278,765	9,720	13,544	55,072	23,891	18,283	2,943	15,200	13,399	434,639

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

17 PROPERTY AND EQUIPMENT (CONTINUED)

Company	Renovations	Furniture and equipment	Computer equipment and software	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2016</b>					
<b>Cost</b>					
As at beginning of the financial year	572	588	283	398	1,841
- Additions	-	3	40	-	43
- Write-off	-	-	(21)	-	(21)
As at end of the financial year	572	591	302	398	1,863
<b>Accumulated depreciation</b>					
As at beginning of the financial year	530	532	266	385	1,713
- Charge for the financial year	30	31	10	13	84
- Write-off	-	-	(21)	-	(21)
As at end of the financial year	560	563	255	398	1,776
<b>Net book value</b>					
As at end of the financial year	12	28	47	-	87
<b>2015</b>					
<b>Cost</b>					
As at beginning of the financial year	565	574	274	398	1,811
- Additions	7	16	11	-	34
- Write-off	-	(2)	(2)	-	(4)
As at end of the financial year	572	588	283	398	1,841
<b>Accumulated depreciation</b>					
As at beginning of the financial year	473	490	260	305	1,528
- Charge for the financial year	57	44	8	80	189
- Write-off	-	(2)	(2)	-	(4)
As at end of the financial year	530	532	266	385	1,713
<b>Net book value</b>					
As at end of the financial year	42	56	17	13	128

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 18 INTANGIBLE ASSETS

Goodwill on consolidation (a)  
Intangible assets (b)  
- Computer Software License  
- Brand  
- Customer Relationship

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
	1,517,835	1,517,835	-	-
	37,440	29,654	2	3
	451	2,256	-	-
	50,771	62,717	-	-
	1,606,497	1,612,462	2	3

## (a) Goodwill on consolidation

## Cost

As at beginning/end of the financial year

	Group	
	2016	2015
	RM'000	RM'000
	1,517,835	1,517,835

## Allocation of goodwill to cash-generating units

Goodwill has been allocated to the following cash-generating units ("CGUs").

## Cash-generating units ("CGU")

Commercial banking  
Investment banking  
Asset management  
Stock-broking  
Money-broking

	Group	
	2016	2015
	RM'000	RM'000
	829,478	829,478
	266,884	266,884
	180,931	180,931
	229,422	229,422
	11,120	11,120
	1,517,835	1,517,835

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

18 INTANGIBLE ASSETS (CONTINUED)

Allocation of goodwill to cash-generating units (continued)

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 Growth Rate	
	2016	2015	2016	2015
<b>CGU</b>				
Commercial banking	11.63%	8.91%	4.50%	3.60%
Investment banking	10.45%	10.65%	4.50%	3.00%
Asset management	10.45%	10.65%	4.50%	3.00%
Stock-broking	10.45%	10.65%	4.50%	3.00%
Money-broking	8.55%	7.29%	4.50%	3.60%

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

	Investment banking	Stock-broking
	%	%
Discount rate	11.68	11.38
Terminal growth rate	3.28	3.47
Cash flows	82.11	84.00

	Computer Software License	Brand	Customer Relationship	Total
	RM'000	RM'000	RM'000	RM'000
<b>(b) Intangible assets</b>				
<b>Group 2016</b>				
<b>Cost</b>				
As at beginning of the financial year	172,362	5,415	83,622	261,399
Additions	4,769	-	-	4,769
Write-off	(156)	-	-	(156)
Reclassification from property and equipment (Note 17)	14,844	-	-	14,844
As at end of the financial year	191,819	5,415	83,622	280,856
<b>Accumulated amortisation and impairment losses</b>				
As at beginning of the financial year	142,708	3,159	20,905	166,772
Charge for the financial year	11,810	1,805	11,946	25,561
Write-off	(139)	-	-	(139)
As at end of the financial year	154,379	4,964	32,851	192,194
<b>Net book value</b>				
As at end of the financial year	37,440	451	50,771	88,662

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 18 INTANGIBLE ASSETS (CONTINUED)

## (b) Intangible assets (continued)

Group  
2015

## Cost

As at beginning of the financial year	153,755	5,415	83,622	242,792
Additions	6,932	-	-	6,932
Write-off	(148)	-	-	(148)
Reclassification from property and equipment (Note 17)	11,823	-	-	11,823
As at end of the financial year	172,362	5,415	83,622	261,399

## Accumulated amortisation and impairment losses

As at beginning of the financial year	135,153	1,354	8,959	145,466
Charge for the financial year	7,697	1,805	11,946	21,448
Write-off	(142)	-	-	(142)
As at end of the financial year	142,708	3,159	20,905	166,772

## Net book value

As at end of the financial year	29,654	2,256	62,717	94,627
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Computer Software License	Brand	Customer Relationship	Total
RM'000	RM'000	RM'000	RM'000

## Company

## Cost

	Computer Software License	
	2016	2015
	RM'000	RM'000
As at beginning/end of the financial year	24	24
As at beginning of the financial year	21	20
Charge for the financial year	1	1
As at end of the financial year	22	21
As at end of the financial year	2	3

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

19 DEPOSITS FROM CUSTOMERS

**By type of deposits**

Money market deposits  
Demand deposits  
Savings deposits  
Fixed deposits  
Negotiable Instruments of Deposit ("NID")  
Commodity Murabahah Deposits ("CMD")  
Others

Maturity structure of fixed deposits and NID are as follows:

Due within six months  
Six months to one year  
One year to three years  
Three years to five years

**By type of customers**

Government and statutory bodies  
Business enterprises  
Individuals  
Domestic banking institutions  
Domestic non-banking financial institutions  
Foreign entities  
Others

Group	
2016	2015
RM'000	RM'000
518,016	1,637,103
7,608,593	7,740,255
2,043,157	1,951,353
30,045,975	31,816,220
10,279,492	6,581,758
768,412	630,118
241,997	191,940
51,505,642	50,548,747
33,143,123	31,832,375
6,533,358	5,417,628
477,883	1,142,315
171,103	5,660
40,325,467	38,397,978
7,481,350	8,724,822
13,999,473	15,654,194
12,991,518	12,284,299
7,479,171	6,556,250
8,376,495	5,888,596
504,612	431,589
673,023	1,008,997
51,505,642	50,548,747

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2016	2015
	RM'000	RM'000
Licensed banks	2,638,076	2,333,764
Licensed investment banks	93,725	3,680
Bank Negara Malaysia	63,235	-
Other financial institutions	1,099,001	1,047,995
	<b>3,894,037</b>	<b>3,385,439</b>
Maturity structure of deposits are as follows:		
Due within six months	3,846,498	3,385,439
Six months to one year	47,539	-
	<b>3,894,037</b>	<b>3,385,439</b>

## 21 TRADE PAYABLES

	Group	
	2016	2015
	RM'000	RM'000
Amount due to unit trust funds	264,371	154,948
Amount due to unit holders	40,869	17,213
Amount due to external fund managers	60	70
Amount due to clients	224,740	342,876
Amount due to brokers	165,360	127,376
Amount due to Bursa Securities Clearing Sdn Bhd	29,154	-
	<b>724,554</b>	<b>642,483</b>

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

22 DERIVATIVE FINANCIAL LIABILITIES

At fair value

Foreign exchange derivatives:

- Currency forwards
- Cross currency swaps
- Currency swaps

Interest rate derivatives:

- Interest rate swaps

Group		Group	
2016		2015	
Contract/ Notional Amount	Liabilities	Contract/ Notional Amount	Liabilities
RM'000	RM'000	RM'000	RM'000
1,315,861	17,632	1,880,906	18,299
3,141,252	442,370	2,963,519	446,115
420,367	75,681	1,060,532	73,912
1,806,773	17,259	1,250,991	17,541
6,684,253	552,942	7,155,948	555,867

23 RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

In the normal course of banking operations, the banking subsidiaries sell loans and advances to Cagamas Berhad with recourse to the banking subsidiaries at values equivalent to the unpaid principal balances of loans and advances due from borrowers.

The banking subsidiaries are liable in respect of housing loans and hire purchase portfolio sold directly and indirectly to Cagamas Berhad, under the condition that the banking subsidiaries undertake to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on agreed prudential criteria. Such financing transactions and the obligations to buy back the loans are reflected as a liability in the reporting date.

24 OTHER LIABILITIES

Bank Negara Malaysia and Credit Guarantee

Corporation Funding Programmes

Margin and collateral deposits

Trust accounts for remisers

Defined contribution plan (a)

Accrued employee benefits

Other creditors and accruals

Collaterals pledged for derivative transactions

Amounts payable to commissioned and  
salaried dealer's representatives

Cheque clearing accounts

Provision for zakat

Sundry creditors

Group		Company	
2016	2015	2016	2015
RM'000	RM'000	RM'000	RM'000
38,563	38,536	-	-
149,616	131,678	-	-
47,090	48,624	-	-
15,662	18,401	104	98
85,606	68,747	717	665
137,184	159,721	2,570	2,173
8,761	12,109	-	-
22,174	22,457	-	-
19,272	50,363	-	-
3,447	3,493	-	-
128,867	98,164	867	162
656,242	652,293	4,258	3,098

(a) Defined contribution plan

The Group contributes to the Employees Provident Fund ("EPF"), the national defined contribution plan. Once the contributions have been paid, the Group has no further payment obligations.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 25 DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets	19,723	16,339	-	-
Deferred tax liabilities	(29,542)	(31,505)	(7)	(27)
	(9,819)	(15,166)	(7)	(27)
Deferred tax assets:				
- to be settled more than 12 months	6,529	-	-	-
- to be settled within 12 months	56,371	45,600	-	-
	62,900	45,600	-	-
Deferred tax liabilities:				
- to be settled more than 12 months	(40,308)	(21,472)	(7)	(27)
- to be settled within 12 months	(32,411)	(39,294)	-	-
	(72,719)	(60,766)	(7)	(27)
At beginning of the financial year	(15,166)	(5,925)	(27)	(68)
Credited to income statements (Note 39)	3,229	3,431	20	41
Charged to equity	2,118	(12,672)	-	-
At end of the financial year	(9,819)	(15,166)	(7)	(27)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

25 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The movements in deferred tax assets and liabilities during the financial year are as follows:

Group	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Property and equipment RM'000	Intangible assets RM'000	Provision for other liabilities RM'000	Foreign exchange translation gain RM'000	Unutilised business tax losses and unabsorbed capital allowance RM'000	Total RM'000
<b>2016</b>								
At beginning of the financial year	(20,020)	(15)	(5,739)	(17,936)	36,339	(11,335)	3,540	(15,166)
Credited/(charged) to income statements (Note 39)	-	15	(707)	660	12,167	(1,724)	(7,182)	3,229
Charged to equity	2,118	-	-	-	-	-	-	2,118
At end of the financial year	(17,902)	-	(6,446)	(17,276)	48,506	(13,059)	(3,642)	(9,819)
<b>2015</b>								
At beginning of the financial year	(7,348)	(60)	(5,170)	(23,373)	37,914	(7,888)	-	(5,925)
Credited/(charged) to income statements (Note 39)	-	45	(569)	5,437	(1,575)	(3,447)	3,540	3,431
Charged to equity	(12,672)	-	-	-	-	-	-	(12,672)
At end of the financial year	(20,020)	(15)	(5,739)	(17,936)	36,339	(11,335)	3,540	(15,166)

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 25 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Company	2016			2015		
	Property and equipment	Intangible assets	Total	Property and equipment	Intangible assets	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	(26)	(1)	(27)	(67)	(1)	(68)
Credited to income statements (Note 39)	20	-	20	41	-	41
At end of the financial year	(6)	(1)	(7)	(26)	(1)	(27)

The Group did not recognise the unused tax losses of certain dormant subsidiaries as deferred tax assets as at the reporting date as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Tax losses	98,867	99,005	-	-

## 26 AMOUNT DUE TO SUBSIDIARIES

The amount due to subsidiaries is unsecured, interest-free and is repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

27 BORROWINGS

Unsecured borrowings

- (a) 5-year floating rate term loan ("Term Loan II")
- (b) 5-year floating rate term loan ("Term Loan III")
- (c) 5-year floating rate term loan ("Term Loan IV")
- (d) 5-year floating rate term loan
- (e) 5-year floating rate term loan ("Term Loan V")
- (f) 5-year floating rate term loan ("Term Loan VI")

Group and Company	
2016	2015
RM'000	RM'000
-	301,306
302,662	302,792
301,722	301,814
400,433	400,099
301,241	-
300,539	-
1,606,597	1,306,011

**(a) 5-year floating rate term loan ("Term Loan II")**

The 5-year floating rate term loan is unsecured and carries interest rates ranging from 4.35% to 4.43% per annum during the financial year, repayable in one (1) lump sum five (5) years from the date of first drawdown on 26 May 2011. The loan was fully repaid on 26 May 2016.

**(b) 5-year floating rate term loan ("Term Loan III")**

The 5-year floating rate term loan is unsecured and carries interest rates ranging from 4.10% to 4.42% per annum during the financial year, repayable in one (1) lump sum five (5) years from the date of first drawdown on 16 January 2012. The loan was fully repaid on 16 January 2017.

**(c) 5-year floating rate term loan ("Term Loan IV")**

The 5-year floating rate term loan is unsecured and carries interest rates ranging from 4.10% to 4.42% per annum during the financial year, repayable in one (1) lump sum five (5) years from the date of first drawdown on 12 May 2014.

**(d) 5-year floating rate term loan**

The 5-year floating rate term loan is unsecured and carries interest rates ranging from 4.325% to 4.525% per annum during the financial year, repayable in one (1) lump sum five (5) years from the date of first drawdown on 30 December 2015.

**(e) 5-year floating rate term loan ("Term Loan V")**

The 5-year floating rate term loan is unsecured and carries interest rates ranging from 4.07% to 4.325% per annum during the financial year, repayable in one (1) lump sum five (5) years from the date of first drawdown on 26 May 2016.

**(f) 5-year floating rate term loan ("Term Loan VI")**

The 5-year floating rate term loan is unsecured and carries an interest rate of 4.11% per annum during the financial year, repayable in one (1) lump sum five (5) years from the date of first drawdown on 16 December 2016.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 28 SHARE CAPITAL

## Group and Company

Authorised:

Ordinary shares of RM1.00 each

As at beginning/end of the financial year

Issued and fully paid up:

Ordinary shares of RM1.00 each

As at beginning/end of the financial year

	Number of ordinary shares of RM1.00 each		Amount	
	2016 '000	2015 '000	2016 RM'000	2015 RM'000
As at beginning/end of the financial year	5,000,000	5,000,000	5,000,000	5,000,000
As at beginning/end of the financial year	1,942,949	1,942,949	1,942,949	1,942,949

## 29 RESERVES

Retained profits

AFS revaluation reserves (a)

Statutory reserves (b)

Regulatory reserves (c)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Retained profits	2,400,913	2,178,629	928,975	909,560
AFS revaluation reserves (a)	56,318	64,833	-	-
Statutory reserves (b)	1,806,731	1,626,175	-	-
Regulatory reserves (c)	289,871	284,141	-	-
	4,553,833	4,153,778	928,975	909,560

- (a) AFS revaluation reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as financial investments available-for-sale. The gains or losses are transferred in the income statement upon disposal or when the securities become impaired.
- (b) The statutory reserves of the Group are maintained in compliance with Section 47(2)(f) of the Financial Services Act 2013 and Section 57(2)(f) Islamic Financial Services Act 2013 and are not distributable as cash dividends.
- (c) The banking subsidiaries are required to maintain in aggregate collective impairment allowances and regulatory reserves of no less than 1.2% of the total outstanding loans, advances and financing, net of individual impairment allowances.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

30 INTEREST INCOME

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	1,873,752	1,875,301	-	-
Money at call and deposits with financial institutions	92,366	71,612	1,781	3,821
Financial assets held-for-trading	13,793	11,735	-	-
Financial investments available-for-sale	432,505	408,336	-	-
Financial investments held-to-maturity	20,248	26,180	-	-
Derivatives	115,290	134,836	-	-
Subordinated term loans	5,404	6,033	52,020	34,222
Others	(247)	662	-	-
	2,553,111	2,534,695	53,801	38,043
of which:				
Interest income earned on impaired loans, advances and financing	9,575	16,677	-	-

31 INTEREST EXPENSE

	Group	
	2016	2015
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	78,763	48,459
Deposits from customers	1,356,798	1,377,907
Loans sold to Cagamas Berhad	4,931	5,917
Derivatives	107,802	120,785
Others	34,275	33,800
	1,582,569	1,586,868

32 ISLAMIC BANKING INCOME

	Group	
	2016	2015
	RM'000	RM'000
Income derived from investment of depositors' funds and others	576,870	509,434
Less: Income attributable to depositors	(348,250)	(306,915)
	228,620	202,519
Income derived from investment of shareholders' funds	44,186	36,402
	272,806	238,921
of which:		
Financing income earned on impaired financing, advances and other financing	409	310

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 33 OTHER OPERATING INCOME

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>Fee income</b>				
Gross brokerage	89,937	100,858	-	-
Underwriting fees	4,445	6,423	-	-
Portfolio management fees	184,766	171,357	-	-
Corporate advisory fees	7,460	3,788	-	-
Commission	17,156	15,846	-	-
Service charges and fees	64,589	57,359	-	-
Guarantee fees	25,037	23,950	-	-
Arrangement fees	7,749	3,657	-	-
Agency fees	2,107	2,184	-	-
Initial service charges	84,356	67,893	-	-
Other fee income	8,498	6,960	-	-
	496,100	460,275	-	-
<b>Income from financial instruments</b>				
Gains/(losses) arising on financial assets held-for-trading:				
- net gains on disposal	26,480	28,237	-	-
- unrealised gains/(losses)	5,217	(37)	-	-
- gross dividend income	614	1,780	-	-
Gains/(losses) on derivatives:				
- realised	2,452	4,596	-	-
- unrealised	292	(13,882)	-	-
Gains arising on financial investments available-for-sale:				
- net gains on disposal	56,344	23,990	-	-
- gross dividend income	18,190	16,487	-	-
	109,589	61,171	-	-
<b>Other income</b>				
Foreign exchange gains:				
- realised	41,887	6,997	-	-
- unrealised	34,069	74,143	-	-
Rental income	1,556	1,726	-	-
Gain on winding-up of a subsidiary	-	-	-	70,391
Gains on disposal of property and equipment	106	431	-	-
Gains on disposal of foreclosed properties	153	684	-	-
Gross dividends received from subsidiaries	-	-	190,781	67,688
Other non-operating income	9,066	10,317	-	15
	86,837	94,298	190,781	138,094
Total other operating income	692,526	615,744	190,781	138,094

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

34 OPERATING EXPENSES

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>Personnel costs</b>				
Wages, salaries and bonus	456,079	453,991	2,701	2,571
Defined contribution plan	75,554	74,496	464	443
Other personnel costs	72,007	67,248	546	494
	603,640	595,735	3,711	3,508
<b>Promotion and marketing-related expenses</b>				
Business promotion and advertisement	16,538	12,848	-	-
Entertainment	4,527	4,093	-	-
Travelling and accommodation	7,479	6,886	-	-
Dealer's handling fees	8,108	11,444	-	-
Commission and brokerage expenses	107,449	83,103	-	-
Dealers representative performance incentive	5,434	6,137	-	-
Others	7,484	8,440	-	-
	157,019	132,951	-	-
<b>Establishment-related expenses</b>				
Rental of premises	40,995	43,102	877	877
Equipment rental	2,298	3,207	6	6
Repair and maintenance	42,509	43,728	126	102
Depreciation of property and equipment	23,329	21,216	84	189
Amortisation of intangible assets	25,561	21,448	1	1
IT consultancy fees	65,111	64,245	-	-
Dataline rental	7,732	6,380	-	-
Security services	17,706	16,560	-	-
Electricity, water and sewerage	14,200	13,472	23	23
Insurance and indemnities	26,053	17,468	48	61
Others	4,999	5,001	-	-
	270,493	255,827	1,165	1,259
<b>General and administrative expenses</b>				
Telecommunication expenses	15,090	14,825	34	36
Directors' remuneration	4,000	2,884	2,162	1,501
Auditors' remuneration	2,875	2,715	439	522
Professional fees	14,232	16,512	1,085	720
Property and equipment written-off	1,114	182	-	-
Intangible assets written-off	17	6	-	-
Postage and courier charges	4,046	3,251	2	3
Stationery and consumables	10,908	10,598	16	16
Donations	3,333	2,822	1,127	1,128
Settlement, clearing and bank charges	12,451	9,935	9	6
Stamp duties	823	384	60	1
Operational and litigation write-off expenses	1,876	4,922	-	-
Subscription fees	7,946	6,083	31	19
Transaction levy	7,662	7,722	-	-
Subsidies and allowances	3,167	2,980	-	-
SCORE fees	2,516	2,686	-	-
Others	19,713	12,698	1,469	1,179
	111,769	101,205	6,434	5,131
Total operating expenses	1,142,921	1,085,718	11,310	9,898

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2016

**34 OPERATING EXPENSES (CONTINUED)**

The above expenditure includes the following statutory disclosures:

Directors' remuneration (Note 35)  
Auditors' remuneration:  
(i) Statutory audit fees  
(ii) Over provision in prior year  
(iii) Regulatory related fees  
(iv) Tax fees  
(v) Non-audit fees

Group		Company	
2016	2015	2016	2015
RM'000	RM'000	RM'000	RM'000
4,000	2,884	2,162	1,501
1,844	1,632	209	189
(30)	(42)	-	-
575	551	65	62
197	95	15	11
289	479	150	260

**35 DIRECTORS' REMUNERATION**

The directors of the Company in office during the financial year are as follows:

**Non-executive directors**

General Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R)  
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad  
Abd Malik bin A Rahman  
Ignatius Chan Tze Ching  
Dr. Rosnah binti Omar  
Joseph Yuk Wing Pang  
Peter Yuen Wai Hung (Alternate Director to Joseph Yuk Wing Pang)  
Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff (Resigned w.e.f. 23.12.2016)  
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin (Ceased as Director w.e.f 29.10.2016)  
Dato' Mustafa bin Mohamad Ali (Ceased as Director w.e.f. 27.10.2016)  
Lee Chor Kee (Alternate Director to Ignatius Chan Tze Ching) (Ceased as Director w.e.f. 6.8.2016)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

35 DIRECTORS' REMUNERATION (CONTINUED)

The aggregate amount of emoluments receivables by directors of the Company during the financial year are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Non-executive directors</b>				
<b>Fixed and non-deferred remuneration</b>				
- Directors' fees	2,771	2,396	1,395	1,246
- Other emoluments	1,190	454	728	221
<b>Variable and non-deferred remuneration</b>				
- Estimated money value of benefits-in-kind	39	34	39	34
<b>Total directors' remuneration</b>	<b>4,000</b>	<b>2,884</b>	<b>2,162</b>	<b>1,501</b>
<b>Total directors' remuneration excluding estimated money value of benefits-in-kind</b>	<b>3,961</b>	<b>2,850</b>	<b>2,123</b>	<b>1,467</b>

Other emoluments comprise mainly fixed allowances and meeting allowances paid by the Group and Company during the year.

The number of directors of the Company whose total remuneration (including benefits-in-kind) received from the Group falls into the following remuneration bands:

Remuneration band:	Group	
	2016	2015
RM1 – RM100,000	2	2
RM100,001 – RM200,000	1	3
RM200,001 – RM300,000	2	1
RM300,001 – RM400,000	2	1
RM400,001 – RM500,000	-	1
RM500,001 – RM600,000	2	1
RM600,001 – RM700,000	-	-
RM700,001 – RM800,000	-	1
RM800,001 – RM900,000	2	-

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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

	Group	
	2016	2015
	RM'000	RM'000
Collective impairment:		
- made during the financial year	43,732	17,646
Individual impairment:		
- made during the financial year	83,130	258,762
- written-back during the financial year	(60,297)	(7,361)
Bad debts:		
- recovered	(51,358)	(84,515)
- written-off	2,840	3,603
Other debtors:		
- allowance made during the financial year	898	365
- written-back during the financial year	(525)	(122)
	18,420	188,378

## 37 ALLOWANCES FOR/(WRITE-BACK OF) IMPAIRMENT LOSSES ON SECURITIES

	Group	
	2016	2015
	RM'000	RM'000
Allowance for/(write-back of) impairment losses:		
- Financial investments available-for-sale	21,393	(167)
- Financial investments held-to-maturity	3,537	(23,591)
	24,930	(23,758)

Allowance for impairment loss on financial investments available-for-sale and financial investments held-to-maturity was made by certain subsidiaries to write-down the carrying value of the securities to the recoverable amount.

## 38 FINANCE COSTS

	Group and Company	
	2016	2015
	RM'000	RM'000
Interest expenses		
- Term loans	56,641	40,947

NOTES TO THE FINANCIAL STATEMENTS

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39 TAXATION

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax				
- Current tax	161,850	123,668	1,786	1,761
- Deferred tax (Note 25)	(3,229)	(3,431)	(20)	(41)
	158,621	120,237	1,766	1,720
(Over)/under provision in prior years	(718)	11,999	15	(135)
	157,903	132,236	1,781	1,585

The numeric reconciliation between the applicable statutory income tax rate to the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit before taxation after zakat	737,713	514,409	176,631	125,292
Tax on current year's profit based on statutory tax rate in Malaysia of 24% (2015: 25%)	177,051	128,602	42,391	31,323
Tax effect in respect of:				
Non-allowable expenses	10,474	10,368	5,162	4,961
Non-taxable income	(23,676)	(8,375)	(45,787)	(34,564)
Recognition of temporary differences previously not recognised	1,175	(4,785)	-	-
Effect of different tax rate	(6,403)	(5,650)	-	-
Change in tax rate	-	77	-	-
(Over)/under provision in prior years	(718)	11,999	15	(135)
	157,903	132,236	1,781	1,585

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 40 EARNINGS PER SHARE

The basic earnings per share of the Group has been calculated based on the net profit attributable to the equity holders of the Company of RM564,005,000 (2015: RM369,269,000) divided by the weighted average number of ordinary shares in issue of 1,942,948,547 (2015: 1,942,948,547) during the financial year.

	Group	
	2016	2015
	RM'000	RM'000
Net profit attributable to equity holders of the Company	564,005	369,269
Weighted average number of ordinary shares in issue	1,942,949	1,942,949
Basic earnings per share (sen)	29.03	19.01

## 41 DIVIDENDS

Dividends recognised as distribution to ordinary equity holders of the Company are as follows:

	Group and Company			
	2016		2015	
	Dividend per share	Amount of dividend	Dividend per share	Amount of dividend
	sen	RM'000	sen	RM'000
Single-tier dividend:				
- Interim dividend	3.00	58,288	2.99	58,094
- Final dividend for financial year ended 31.12.2015	5.00	97,147	-	-
	8.00	155,435	2.99	58,094

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the current financial year ended 31 December 2016 of 2.0 sen per ordinary share of RM1.00 each, amounting to a net dividend payable of RM38,858,971 (based on 1,942,948,547 ordinary shares of RM1.00 each in issue as at 31 December 2016) will be proposed for the shareholders' approval.

The financial statements for the current financial year ended 31 December 2016 do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in the statements of changes in equity as an appropriation of retained profits in the next financial year ending 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

42 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

Property and equipment:  
Authorised capital expenditure contracted but not provided for  
Capital expenditure approved by the Board but not contracted for

Group	
2016	2015
RM'000	RM'000
29,661	38,168
10,269	-
39,930	38,168

(b) Lease commitments

The Group has 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 lease commitments are as follows:

Within one year  
One year to five years

Group		Company	
2016	2015	2016	2015
RM'000	RM'000	RM'000	RM'000
34,757	35,496	883	883
26,432	43,436	17	894

(c) Operating commitments

Operating expenditure approved by the directors but not provided for in the financial statements

Group	
2016	2015
RM'000	RM'000
47,518	79,263

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 42 COMMITMENTS AND CONTINGENCIES (CONTINUED)

## (d) Other commitments and contingencies

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

Group	Principal Amount	
	2016 RM'000	2015 RM'000
Direct credit substitutes *	533,615	507,168
Transaction-related contingent items	2,252,924	2,027,954
Short-term self-liquidating trade-related contingencies	496,339	470,476
Obligation under underwriting commitments	19,481	25,500
Foreign exchange related contracts #		
- less than one year	9,668,916	10,585,763
- one year to less than five years	603,046	1,256,815
- five years and above	42,485	-
Interest rate related contracts #		
- less than one year	893,125	652,116
- one year to less than five years	1,457,148	1,662,023
- five years and above	830,000	597,000
Irrevocable commitments to extend credit		
- maturity less than one year	7,842,971	7,687,062
- maturity more than one year	1,515,422	1,717,346
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	566,296	618,204
Unutilised credit card lines	230,550	188,328
	<b>26,952,318</b>	<b>27,995,755</b>

\* Included in direct credit substitutes as above are financial guarantee contracts of RM488.4 million (2015: RM462.0 million) of which fair value at the time of issuance is zero.

# The fair value of these derivatives has been recognised as "derivative financial assets" and "derivative financial liabilities" in the statement of financial position as disclosed in Note 8 and Note 22 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

43 CAPITAL MANAGEMENT

The Group actively manages its capital to counter underlying risks in its business activities and to enable future business growth. The Group's capital management strategy is to continue to maximise shareholders and stakeholders values via efficient capital structure, whilst ensuring compliance with regulatory capital requirements. The allocation of capital resources forms part of the Group's strategic planning review and is subject to the approval of the Board of Directors.

With effect from 1 January 2013, the total capital and capital adequacy ratios of the Group are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) dated 28 November 2012. The Group and the Bank are currently adopting Standardised Approach for Credit Risk and Market Risk, the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier I ("CET I") Capital Ratio and Tier I Capital Ratio are 5.125% (2015: 4.5%) and 6.625% (2015: 6.0%) respectively for year 2016. The minimum regulatory capital adequacy requirement remains at 8.625% (2015: 8.0%) for total capital ratio.

The components of the capital base and capital adequacy ratios of the banking subsidiaries are disclosed in Note 44.

44 CAPITAL ADEQUACY

The Group has adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operational risk computation.

The components of CET I, Tier I and Tier II capital, breakdown of risk-weighted assets and capital adequacy ratios of all banking subsidiaries namely, AFFIN Bank, AFFIN Islamic Bank and AFFIN Hwang Investment Bank are as follows:

2016

a) The components of CET I, Tier I and Tier II Capital:

CET I/Tier I Capital

Share capital  
Share premium  
Statutory reserves  
Retained profits  
Unrealised gains/(losses) on AFS

Less : Regulatory adjustments:

- Goodwill and other intangibles
- Investment in subsidiaries/joint ventures
- 55% of cumulative unrealised gains of AFS
- Deferred tax assets

Total CET I/Tier I Capital (a)

	AFFIN Bank	AFFIN Islamic Bank	AFFIN Hwang Investment Bank
	RM'000	RM'000	RM'000
Share capital	1,688,770	560,000	780,000
Share premium	858,904	-	219,800
Statutory reserves	1,416,621	305,016	251,343
Retained profits	913,359	237,777	274,279
Unrealised gains/(losses) on AFS	122,753	(23,768)	(26,901)
	5,000,407	1,079,025	1,498,521
Less : Regulatory adjustments:			
- Goodwill and other intangibles	(167,982)	-	(316,645)
- Investment in subsidiaries/joint ventures	(345,134)	(840)	(108,692)
- 55% of cumulative unrealised gains of AFS	(67,514)	-	-
- Deferred tax assets	-	(8,056)	(6,291)
Total CET I/Tier I Capital (a)	4,419,777	1,070,129	1,066,893

## NOTES TO THE FINANCIAL STATEMENTS

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## 44 CAPITAL ADEQUACY (CONTINUED)

2016

## a) The components of CET I, Tier I and Tier II Capital:

## Tier II Capital

Subordinated loans  
Collective impairment #  
Regulatory adjustments  
Less : Investment in subsidiaries/joint ventures

Total Tier II Capital (b)

Total CET I/Tier I and Tier II Capital (a) + (b)  
Proposed dividends

Capital base after proposed dividends

## b) The breakdown of risk-weighted assets:

Credit risk  
Market risk  
Operational risk

Total risk-weighted assets

## c) Capital adequacy ratios:

Before deducting proposed dividends:

CET I capital ratio  
Tier I capital ratio  
Total capital ratio

After deducting proposed dividends:

CET I capital ratio  
Tier I capital ratio  
Total capital ratio

	AFFIN Bank	AFFIN Islamic Bank	AFFIN Hwang Investment Bank
	RM'000	RM'000	RM'000
Subordinated loans	1,180,000	-	-
Collective impairment #	109,362	28,541	2,858
Regulatory adjustments	207,026	73,178	9,667
Less : Investment in subsidiaries/joint ventures	(230,090)	(560)	(12,525)
<b>Total Tier II Capital (b)</b>	<b>1,266,298</b>	<b>101,159</b>	<b>-</b>
<b>Total CET I/Tier I and Tier II Capital (a) + (b)</b>	<b>5,686,075</b>	<b>1,171,288</b>	<b>1,066,893</b>
Proposed dividends	(23,474)	-	(10,800)
<b>Capital base after proposed dividends</b>	<b>5,662,601</b>	<b>1,171,288</b>	<b>1,056,093</b>
<b>Credit risk</b>	<b>32,838,523</b>	<b>8,124,441</b>	<b>2,400,616</b>
<b>Market risk</b>	<b>296,191</b>	<b>37,254</b>	<b>196,766</b>
<b>Operational risk</b>	<b>1,956,481</b>	<b>451,894</b>	<b>394,323</b>
<b>Total risk-weighted assets</b>	<b>35,091,195</b>	<b>8,613,589</b>	<b>2,991,705</b>
<u>Before deducting proposed dividends:</u>			
CET I capital ratio	12.595%	12.424%	35.662%
Tier I capital ratio	12.595%	12.424%	35.662%
Total capital ratio	16.204%	13.598%	35.662%
<u>After deducting proposed dividends:</u>			
CET I capital ratio	12.528%	12.424%	35.301%
Tier I capital ratio	12.528%	12.424%	35.301%
Total capital ratio	16.137%	13.598%	35.301%

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

44 CAPITAL ADEQUACY (CONTINUED)

2015

a) The components of CET I, Tier I and Tier II Capital:

**CET I/Tier I Capital**

	AFFIN Bank RM'000	AFFIN Islamic Bank RM'000	AFFIN Hwang Investment Bank RM'000
Share capital	1,688,770	460,000	780,000
Share premium	858,904	-	219,800
Statutory reserves	1,328,792	248,717	214,915
Retained profits	805,289	196,256	274,498
Unrealised gains/(losses) on AFS	101,388	(10,405)	(14,762)
	4,783,143	894,568	1,474,451
Less : Regulatory adjustments:			
- Goodwill and other intangibles	(156,604)	(426)	(320,046)
- Investment in subsidiaries/joint ventures	(195,630)	(260)	(106,200)
- 55% of cumulative unrealised gains of AFS	(55,763)	-	-
- Deferred tax assets	-	(3,598)	(7,770)
Total CET I/Tier I Capital (a)	4,375,146	890,284	1,040,435

**Tier II Capital**

Subordinated loans	820,000	-	-
Collective impairment #	110,058	23,750	9,423
Regulatory adjustments	220,148	58,400	5,594
Less : Investment in subsidiaries/joint ventures	(293,444)	(390)	(15,017)
Total Tier II Capital (b)	856,762	81,760	-
Total CET I/Tier I and Tier II Capital (a) + (b)	5,231,908	972,044	1,040,435
Proposed dividends	(104,366)	-	(3,042)
Capital base after proposed dividends	5,127,542	972,044	1,037,393

## NOTES TO THE FINANCIAL STATEMENTS

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## 44 CAPITAL ADEQUACY (CONTINUED)

	AFFIN Bank	AFFIN Islamic Bank	AFFIN Hwang Investment Bank
2015	RM'000	RM'000	RM'000
<b>b) The breakdown of risk-weighted assets:</b>			
Credit risk	33,498,227	6,336,026	2,589,933
Market risk	323,855	3,650	279,305
Operational risk	1,951,219	403,377	365,105
Total risk-weighted assets	35,773,301	6,743,053	3,234,343
<b>c) Capital adequacy ratios:</b>			
<u>Before deducting proposed dividends:</u>			
CET I capital ratio	12.230%	13.203%	32.168%
Tier I capital ratio	12.230%	13.203%	32.168%
Total capital ratio	14.625%	14.415%	32.168%
<u>After deducting proposed dividends:</u>			
CET I capital ratio	11.938%	13.203%	32.074%
Tier I capital ratio	11.938%	13.203%	32.074%
Total capital ratio	14.333%	14.415%	32.074%

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

## 45 LITIGATION AGAINST THE GROUP

- a) A claim by the Plaintiff against AFFIN Bank Berhad ("ABB") vide Write of Summons and Statement of Claim dated 22 January 2016 ("Writ") for the following:
- RM56,885,317.82 together with interest at 5% per annum from 1999 till full settlement as alleged damages;
  - SGD9,928,473.75 together with interest at 5% per annum from 2013 till full settlement as alleged losses;
  - 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;
  - RM500,000 as cost in respect of legal proceedings in Singapore.

ABB 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 ABB filing a debt recovery action against All of them in 1999. Judgement was obtained against All on 8 July 2004.

NOTES TO THE FINANCIAL STATEMENTS

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**45 LITIGATION AGAINST THE GROUP (CONTINUED)**

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. ABB has appealed and Case Management ("CM") has been fixed on 24 June 2016.

The Plaintiff's claim ("Claim") is premised on alleged wrongful acts by ABB 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, Plaintiff 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;
- ABB had corresponded with the opponent of Plaintiff in Singapore to prevent the Plaintiff from claiming his assets in Singapore. Plaintiff has alleged conspiracy between ABB and the opponent of the Plaintiff in Singapore. On this claim, Plaintiff claims losses under (ii) above;
- ABB had wrongfully made Plaintiff a bankrupt in 2013 which bankruptcy was set aside in 2015. On this claim, Plaintiff claims losses under (iii) above;
- The Plaintiff is also claiming the amount of (iv) above being cost of proceedings incurred by him in Singapore.

ABB 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 ABB pursuant to the terms of the Guarantee Agreement;
- the Plaintiff's bankruptcy is based on a judgement of Court;
- ABB's legal firm has corresponded with the legal firm of the Plaintiff's opponent in Singapore only to inform the status of the Plaintiff proceedings in Malaysia and any alleged conspiracy is denied;
- The claim for cost is unreasonable as ABB was not in any way involved in the Singapore proceedings.

The above Claim against ABB by the Plaintiff is as a result of the Debt Recovery Action against the Plaintiff which was commenced in the ordinary course of business.

The Board of Directors of ABB are of the view that save for the orders, cost and other relief sought by the Plaintiff, which will only materialise 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 ABB for the current financial year ending 31 December 2016.

- b) Other than the above, there are various legal suits against AFFIN Bank Berhad ("ABB") in respect of claims and counter claims of approximately RM71.8 million (31 December 2015: RM68.1 million). Based on legal advice, the Directors of the Bank are of the opinion that no provision for damages need to be made in the financial statements, as the probability of adverse adjudication against ABB is remote.

**NOTES TO THE FINANCIAL STATEMENTS**

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**46 EMPLOYEE SHARE OPTION INCENTIVE SCHEME**

A subsidiary of the Group, AFFIN Hwang Asset Management Berhad ("AHAM"), has established and implemented a stock option incentive scheme for its key employees. AHAM granted 250 options on the date of stock option agreement dated 16 July 2015. The shareholders of AHAM have approved, and AHAM has adopted the scheme which provides for key employees to be vested with options to purchase ordinary shares of the AHAM.

The share option incentive scheme would provide the key employees with an appropriate incentive to encourage them to continue in the employment of the subsidiary and to improve the growth and profitability of AHAM.

The main features of the share option scheme are, inter alia, as follows:

1. Eligible persons are key employees as defined by the stock option agreement.
2. The grant of the option is deemed to be incorporated in the terms of employment of the key employees with the subsidiary and the key employees are not required to make any payment to the subsidiary for the grant of the Options.
3. The share options will vest and become exercisable by the grantees in accordance with the stock option agreement in tranches.
4. The share option scheme shall be in force until 1 June 2024. All remaining vested options which have not been exercised will expire on the expiration date.
5. The share options granted have performance and/or service based vesting conditions. Generally, the share options granted can be classified into four categories which are based on joining; time linked; performance linked and bonus kicker.
6. In the event of an initial public offering is taking place on or before 1 June 2019, the share option incentive scheme will be settled in shares. Otherwise, the subsidiary is required to settle in cash.

Movements in the number of share options awarded are as follows:

Grant date	As at 1 January 2016	Granted	Exercised	Expired	As at 31 December 2016
16 July 2016	250	250	-	-	500
	250	250	-	-	500

The estimated fair value of each stock option granted is between RM22.18 to RM28.36 per option.

The exercise price of the options is RM40.30 per share and the weighted average remaining contractual life is 9 years.

Total share-based payment expenses recognised in profit or loss during the financial year amounted to RM4.672 million (2015: RM Nil).

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**47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES**

The related parties of, and their relationship with the Group and the Company are as follows:

<b>Related parties</b>	<b>Relationship</b>
Subsidiaries of the Company as disclosed in Note 14	Subsidiaries
AXA AFFIN Life Insurance Berhad AFFIN-i Nadayu Sdn Bhd KL South Development Sdn Bhd	} Joint ventures
AXA AFFIN General Insurance Berhad Raeed Holdings Sdn Bhd	} Associates
Lembaga Tabung Angkatan Tentera ("LTAT")	Ultimate holding corporate body, which is Government-Linked Investment Company ("GLIC") of the Government of Malaysia
Subsidiaries and associates of LTAT	Subsidiaries and associated companies of the ultimate holding corporate body
The Bank of East Asia, Limited	Substantial shareholder
Key management personnel	The key management personnel of the Group and Company consists of: - Directors of the Company - Chief Executive Officer/Managing Director of banking subsidiaries - Members of senior management team of banking subsidiaries
Related parties of key management personnel (deemed as related to the Company)	(i) Close family members and dependents of key management personnel  (ii) Entities that are controlled, joint ventures, 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 include the directors of the Company in office during the year and their remuneration for the financial year is disclosed in Note 35.

## NOTES TO THE FINANCIAL STATEMENTS

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## 47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

The Group and the Company do not have any 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) The significant transactions of the Group and Company with the related parties

	Ultimate holding corporate body		Other related parties		Joint ventures / Associates		Substantial shareholder		Key management personnel	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>										
<b>Income</b>										
Interest income:										
- loans, advances and financing	-	-	55,835	56,884	8,498	6,323	-	6,164	210	95
- subordinated loan	-	-	-	-	5,405	6,034	-	-	-	-
Fee income	251	400	2,955	1,902	1,523	1,282	-	-	-	-
Brokerage income	1,084	523	-	-	-	-	-	-	-	-
Commission income	-	-	-	-	8,019	7,710	-	-	-	-
Other income	-	-	-	5,155	2,883	-	-	-	-	-
	1,335	923	63,945	61,669	23,445	21,349	-	6,164	210	95
<b>Expenses</b>										
Interest expenses:										
- deposits from other customers	3,787	4,209	16,797	14,760	6,361	5,748	1	3	334	199
Rental of premises	297	239	23,845	20,590	-	-	-	-	317	116
Insurance premium	-	-	-	-	39,194	39,489	-	-	6	8
Other expenses	-	-	5,269	6,893	725	3,814	68	67	-	-
	4,084	4,448	45,911	42,243	46,280	49,051	69	70	657	323

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) The significant transactions of the Group and Company with the related parties (continued)

Company	Subsidiaries		Other related parties		Joint venture / Associate	
	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Income</b>						
Interest income:						
- money at call and deposits with financial institutions	1,781	3,821	-	-	-	-
- subordinated term loans	46,616	28,189	-	-	5,405	6,034
	48,397	32,010	-	-	5,405	6,034
<b>Expenses</b>						
Professional fees	950	600	-	-	-	-
Rental of premises	-	-	1,028	877	-	-
Other expenses	38	38	454	345	81	79
	988	638	1,482	1,222	81	79

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

## (b) Related parties balances

Group	Ultimate holding corporate body		Other related companies		Joint ventures / Associates		Substantial shareholder		Key management personnel	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Amount due from</b>										
Loans, advances and financing	-	-	1,663,929	1,519,288	131,735	117,631	-	223,122	5,675	2,586
Rental deposits	-	-	6,142	1,676	-	-	-	-	-	-
Purchase of securities	76,653	10,893	-	-	-	-	-	-	-	-
Fees receivable	68	193	-	-	-	-	-	-	-	-
Subordinated loan	-	-	-	-	45,096	58,560	-	-	-	-
Other assets	-	-	111	2	129	29	-	-	-	-
Financial investments available-for-sale	-	-	147,958	70,577	-	-	-	-	-	-
	76,721	11,086	1,818,140	1,591,543	176,960	176,220	-	223,122	5,675	2,586
<b>Amount due to</b>										
Deposits from customers	122,104	43,506	676,448	839,744	-	-	-	100	9,541	7,849
Deposits and placements of banks and other financial institutions	-	-	-	-	150,177	200,036	-	-	-	-
Sales of securities	-	121,792	-	-	-	-	-	-	-	-
Current accounts	107,491	93,496	849,562	456,167	32,335	12,722	115	121	9,582	6,976
Other liabilities	-	-	398	689	47,226	39,937	-	-	-	-
	229,595	258,794	1,526,408	1,296,600	229,738	252,695	115	221	19,123	14,825
<b>Commitments and contingencies</b>										
	-	-	1,439,783	1,817,321	54,017	92,266	161,496	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related parties balances (continued)

Company	Subsidiaries		Other related parties		Joint venture / Associate	
	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Amount due from</b>						
Cash and bank balances with banks and other financial institutions	55	50	-	-	-	-
Money at call and deposits placements maturing within one month	32,104	45,326	-	-	-	-
Subordinated term loans	1,304,592	1,004,446	-	-	45,096	58,560
Other assets	-	-	222	222	-	-
	1,336,751	1,049,822	222	222	45,096	58,560
<b>Amount due to</b>						
Interest-free advances	400,254	400,253	-	-	-	-
Other liabilities	689	9	-	-	-	-
	400,943	400,262	-	-	-	-

(c) Key management personnel compensation

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration:				
- fees	2,771	2,396	1,395	1,246
- other emoluments	1,190	454	728	221
Salaries	18,850	13,451	-	-
Bonuses	12,641	16,631	-	-
Defined contribution plan ("EPF")	5,453	5,273	-	-
Other employee benefits	2,367	1,812	-	-
Benefits-in-kind	503	507	39	34
	43,775	40,524	2,162	1,501

Included in the above are directors' remuneration as disclosed in Note 35.

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2016

**48 SUBSEQUENT EVENTS****Proposed reorganisation of the AFFIN Holdings Berhad Group of Companies**

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") intend to undertake the Proposed Reorganisation of the AHB Group of companies as follows:

(i) Proposed transfer by AHB of the following identified companies to ABB:

- AHIB, a wholly-owned subsidiary of AHB;
- 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 company of AHB ("AAGI"),

(AHIB, AMB, AALI and AAGI shall collectively be referred to as the "Identified Companies" and item (i) above shall be referred to as the "Proposed 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 the completion of the Proposed 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 "Proposed Distribution");

(iii) Proposed subscription by ABB of 2 new ordinary shares in AHB ("AHB Shares") which will be undertaken simultaneously with the Proposed Distribution ("Proposed Subscription");

(iv) Proposed amendments of the Memorandum and Articles of Association ("M&A") of AHB and ABB to facilitate the Proposed Transfer of Listing Status ("Proposed Amendments");

(v) Proposed transfer of the listing status from AHB to ABB on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Proposed Transfer of Listing Status"); and

(vi) Proposed members' voluntary winding-up of AHB in accordance with the Companies Act, 2016 ("Act") ("Proposed Winding-up"),

(the above shall collectively be referred to as the "Proposals").

**(1) Details of the Proposed Reorganisation**

AHB will enter into a conditional share sale agreement ("SSA") with ABB to undertake the Proposed Reorganisation where the entire shareholdings held by AHB in the Identified Companies at a cut-off date to be determined later ("Cut-Off Date") will be transferred from AHB to ABB. The SSA will be entered into between the transacting parties after the approval of Bank Negara Malaysia ("BNM") has been obtained.

The Cut-Off Date shall be the last day of the calendar month immediately prior to the calendar month in which the conditions precedents are fulfilled in accordance with the terms of the SSA.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

**48 SUBSEQUENT EVENTS (CONTINUED)**

**Proposed reorganisation of the AFFIN Holdings Berhad Group of Companies (continued)**

**(2) Transfer consideration and mode of satisfaction**

The transfer 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 Identified Companies and its share of post-acquisition profits recorded by the respective Identified Companies.

The mode of satisfaction for the Transfer Consideration are proposed 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 have decided to fix the number of new ABB Shares that ABB will issue to AHB to satisfy part of the Transfer Consideration to facilitate the exchange ratio for the Proposed Distribution. As at the date of announcement, ABB has 1,688,769,616 ABB Shares in issue whilst AHB has 1,942,948,547 AHB Shares in issue. ABB intends to issue 254,178,931 new ABB Shares for the Transfer Consideration of AHIB, AMB and AALI. This will result in both AHB and ABB having the same resultant number of shares in issue, being 1,942,948,547 shares.

With the equal amount number of shares in issue, AHB will be able to undertake a distribution-in-specie of 1 ABB Share for each existing AHB Share held pursuant to the Proposed Distribution, minimising the incidence of odd lots for its shareholders when undertaking the Proposed Distribution.

**(3) Approvals required**

The Proposals are subject to the following approvals being obtained:

- (a) BNM and the Ministry of Finance, Malaysia (on recommendation of BNM) for the Proposed Reorganisation, Proposed Distribution and Proposed Subscription.
- (b) SC for the following:
  - (i) change in controller of AHIB, AFFIN Hwang Asset Management Berhad ("AHAM") and AIIMAN Asset Management Sdn Bhd ("AIIMAN"), being holders of the Capital Markets and Services License issued by the SC, pursuant to the proposed transfer of AHIB under the Proposed Reorganisation; and
  - (ii) exemption to LTAT and its persons acting in concert under Paragraph 4.13(1)(c) of the Rules from the obligation to make a mandatory take-over offer to acquire all the ABB Shares not held by LTAT and its persons acting in concert upon completion of the Proposed Distribution.
- (c) Bursa Malaysia Securities Berhad ("Bursa Securities") for the following:
  - (i) the withdrawal of AHB's listing status from the Main Market of Bursa Securities, pursuant to the Proposed Transfer of Listing Status; and
  - (ii) admission to the Official List and the listing of and quotation for the entire enlarged issued and paid-up share capital of ABB on the Main Market of Bursa Securities, pursuant to the Proposed Transfer of Listing Status.
- (d) sanction of the High Court of Malaya under Section 116(4) of the Act for the Proposed Distribution;
- (e) shareholders of AHB at an EGM to be convened for the Proposed Distribution, Proposed Subscription, Proposed Amendments and Proposed Transfer of Listing Status;
- (f) shareholder of ABB for the Proposed Reorganisation, proposed issuance of new ABB Shares to settle the transfer consideration for AHIB, AMB and AALI under the Proposed Reorganisation, Proposed Subscription, Proposed Amendments and Proposed Winding-Up;
- (g) approvals of the lenders of AHB Group and the Identified Companies, if required; and
- (h) approval, waiver and/or consent of any other relevant authority or party, if required.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

### 48 SUBSEQUENT EVENTS (CONTINUED)

#### Proposed reorganisation of the AFFIN Holdings Berhad Group of Companies (continued)

##### (4) Inter-conditionality of the Proposals

The Proposed Reorganisation is not conditional upon any of the other Proposals.

The Proposed Distribution, Proposed Subscription, Proposed Amendments and Proposed Transfer of Listing Status are inter-conditional upon each other and are also conditional upon the Proposed Reorganisation.

Save as disclosed above, the Proposals are not conditional upon any other proposal undertaken or to be undertaken by AHB or ABB.

On 20 February 2017, AHB had submitted an application to Bank Negara Malaysia ("BNM") to seek the approval of BNM and/or its recommendations to Ministry of Finance, Malaysia for approval for the Proposed Reorganisation, Proposed Distribution and Proposed Subscription. AHB had on the same day submitted an application to the Securities Commission Malaysia ("SC") to seek the approval of the SC for the change in controller of AHIB, AHAM and AIIAMAN pursuant to the Proposed Reorganisation.

### 49 SEGMENT ANALYSIS

Operating segments are reported in a manner consistent with the internal financial reporting system which reflects the Group's management reporting structure.

Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

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 two key areas, Consumer Banking and Enterprise Banking 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.

Enterprise Banking 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

### 49 SEGMENT ANALYSIS (CONTINUED)

#### 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.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 49 SEGMENT ANALYSIS (CONTINUED)

The segment analysis of the Group by activities in 2016 and 2015 are as follows:

	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2016</b>						
<b>Revenue</b>						
External revenue	1,345,264	575,157	-	15,453	-	1,935,874
Intersegment revenue	(20,834)	(26,086)	-	241,190	(194,270)	-
Segment revenue	1,324,430	549,071	-	256,643	(194,270)	1,935,874
Operating expenses of which:						
Depreciation of property and equipment	(694,116)	(431,256)	-	(21,038)	3,489	(1,142,921)
Amortisation of intangible assets	(14,724)	(8,262)	-	(343)	-	(23,329)
Allowances for impairment losses on loans, advances, financing and trade receivables/securities	(9,681)	(15,816)	-	(64)	-	(25,561)
Segment results	602,758	102,021	-	235,605	(190,781)	749,603
Finance costs	-	-	-	(56,641)	-	(56,641)
Share of results of a joint venture (net of tax)	-	-	(4,275)	-	-	(4,275)
Share of results of an associate (net of tax)	-	-	53,137	-	-	53,137
Profit before taxation and zakat	602,758	102,021	48,862	178,964	(190,781)	741,824
Zakat	(2,887)	(1,224)	-	-	-	(4,111)
Profit before taxation	599,871	100,797	48,862	178,964	(190,781)	737,713
Taxation						(157,903)
Net profit for the financial year						579,810
<b>Segment assets</b>	59,814,151	8,516,047	-	62,492	-	68,392,690
Investment in joint ventures	-	-	153,768	-	-	153,768
Investment in associates	750	-	339,137	-	-	339,887
Total segment assets						68,886,345
<b>Segment liabilities</b>						
Total segment liabilities	52,069,063	6,528,748	-	1,557,529	-	60,155,340
<b>Other information</b>						
Capital expenditure	30,224	16,514	-	314	-	47,052

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

49 SEGMENT ANALYSIS (CONTINUED)

The segment analysis of the Group by activities in 2016 and 2015 are as follows:

	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2015</b>						
<b>Revenue</b>						
External revenue	1,276,961	507,860	-	17,671	-	1,802,492
Intersegment revenue	(22,418)	(9,466)	-	172,008	(140,124)	-
Segment revenue	1,254,543	498,394	-	189,679	(140,124)	1,802,492
Operating expenses of which:						
Depreciation of property and equipment	(628,358)	(438,952)	-	(20,312)	1,904	(1,085,718)
Amortisation of intangible assets	(15,044)	(5,763)	-	(409)	-	(21,216)
(Allowances for)/write-back of impairment losses on loans, advances, financing and trade receivables/securities	(6,200)	(15,214)	-	(34)	-	(21,448)
Segment results	461,235	59,772	-	169,367	(138,220)	552,154
Finance costs	-	-	-	(40,947)	-	(40,947)
Share of results of a joint venture (net of tax)	-	-	(18,908)	-	-	(18,908)
Share of results of an associate (net of tax)	-	-	26,963	-	-	26,963
Profit before taxation and zakat	461,235	59,772	8,055	128,420	(138,220)	519,262
Zakat	(3,779)	(1,074)	-	-	-	(4,853)
Profit before taxation	457,456	58,698	8,055	128,420	(138,220)	514,409
Taxation						(132,236)
Net profit for the financial year						382,173
<b>Segment assets</b>	59,464,747	7,474,557	-	75,400	-	67,014,704
Investment in joint ventures	-	-	129,396	-	-	129,396
Investment in associate	-	-	269,774	-	-	269,774
Total segment assets						67,413,874
<b>Segment liabilities</b>						
Total segment liabilities	52,763,466	5,012,694	-	1,310,629	-	59,086,789
<b>Other information</b>						
Capital expenditure	285,122	25,408	-	398	-	310,928

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

### 50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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.

#### 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 is governed by the Credit Risk Management Framework which is supported by a set of approved credit policies, guidelines and procedures. Approval authorities are delegated to Senior Management and the Group Management Loan Committee of its banking subsidiaries to implement the credit policies and ensure sound credit granting standards. The Board Loan Review and Recovery Committee ("BLRRC") has review/veto power.

At the respective subsidiary level, 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 Board Risk Management Committee ("BRMC") has functional responsibilities for the management of credit risk, to ensure adherence to risk standards and discipline.

Credit guidelines and procedures are incorporated within the Credit Policy. The Credit Authority Framework facilitates the approval of all new, restructured and continuing credit facilities. 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.

#### Credit Risk measurement

##### i) Loans, advances and financing

Credit evaluation is the process of analysing the creditworthiness of the prospective customer against the Group's underwriting criteria and the ability of the Group to make a return commensurate to 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 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 across the Group.

All corporate lending, underwritings and share margin financing applications are evaluated by credit management and approved by the relevant approving authorities based on the Authority Matrix approved by the Board of the respective banking subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**Credit Risk measurement (continued)**

ii) 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 tenor to maturity).

**Risk limit control and mitigation policies**

The Group employs various policies and practices to control and mitigate credit risk.

i) Lending limits

The Group 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 derivatives and loans, advances and financing books is managed as part of the overall lending limits with customers together with potential exposure from market movements.

ii) 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 by the Group are:

- Mortgages 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.

iii) 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 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 Group monitors 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**

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

## Credit Risk (continued)

## Credit Risk monitoring (continued)

An Early Alert Process is adopted to pro-actively identify, report and manage warnings 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.

## a) 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 Company would have to pay if 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 Company 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.

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

	Group		Company	
	2016	2015	2016	2015
	Maximum Credit Exposure		Maximum Credit Exposure	
	RM'000	RM'000	RM'000	RM'000
<b>Credit risk exposures of on-balance sheet assets</b>				
Short-term funds	* 4,623,669	4,237,092	32,175	45,392
Financial assets held-for-trading	** 246,727	79,807	-	-
Financial investments available-for-sale	# 13,542,150	12,522,333	-	-
Other assets	^ 139,658	164,591	240	241
	18,552,204	17,003,823	32,415	45,633
<b>Credit risk exposures of off-balance sheet items</b>				
Financial guarantees	488,415	462,018	-	-
Loan commitments and other credit related commitments	12,969,183	12,780,020	-	-
	13,457,598	13,242,038	-	-
<b>Total maximum credit risk exposure</b>	<b>32,009,802</b>	<b>30,245,861</b>	<b>32,415</b>	<b>45,633</b>

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 trust funds and REITs
- ^ Prepayment

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

**Credit Risk (continued)**

**Credit Risk monitoring (continued)**

Whilst the Group and the Company'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 is 73% (2015: 68%). The financial effects of collateral for the other financial assets are insignificant.

**a) 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 Company, by industry concentration, as at the reporting date:

Group	Short-term funds and placements with banks and other financial institutions	Financial assets held-for-trading	Financial investments available-for-sale	Financial investments held-to-maturity	Loans, advances and financing	Trade receivables, other assets and amount due from associate	Derivative financial assets	On-balance sheet total	Commitments and contingencies
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	88,488	-	894,335	108	647	983,578	184,465
Mining and quarrying	-	-	13,555	-	914,357	-	-	927,912	363,323
Manufacturing	-	-	243,404	8,092	2,200,041	569	8,261	2,460,367	2,189,054
Electricity, gas and water	-	-	1,009,042	-	202,122	1,328	58	1,212,550	21,361
Construction	-	-	694,730	180,886	2,523,308	-	10	3,398,934	2,687,016
Real estate	-	-	265,348	-	7,985,014	1,154	-	8,251,516	1,136,745
General commerce	-	-	173,969	19,902	2,810,508	268	2,975	3,007,622	1,703,423
Transport, storage and communication	-	-	503,601	25,455	2,224,475	730	-	2,754,261	680,795
Finance, insurance and business services	1,008,667	221,523	4,172,177	172,736	2,839,091	215,122	261,217	8,890,533	1,187,903
Government and government agencies	3,765,513	-	5,616,879	-	1,467,488	713	-	10,850,593	1,329,537
Purchase of landed property, securities and vehicles	22,360	-	-	-	-	434,802	-	457,162	-
Education, health and others	-	-	529,975	-	59,880	100	-	589,955	-
Others	-	25,204	230,982	16	19,626,808	59,588	16,103	19,958,701	1,973,976
<b>Total</b>	<b>4,796,540</b>	<b>246,727</b>	<b>13,542,150</b>	<b>407,087</b>	<b>43,747,427</b>	<b>714,482</b>	<b>289,271</b>	<b>63,743,684</b>	<b>13,457,598</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

## Credit Risk (continued)

## Credit Risk monitoring (continued)

## b) Credit risk concentrations

Group	Short-term funds and placements with banks and other financial institutions	Financial assets held-for-trading	Financial investments available-for-sale	Financial investments held-to-maturity	Loans, advances and financing	Trade receivables, other assets and amount due from associate	Derivative financial assets	On-balance sheet total	Commitments and contingencies
2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	62,004	-	689,296	1,269	12	752,581	244,663
Mining and quarrying	-	-	22,869	-	787,894	-	-	810,763	280,336
Manufacturing	-	-	252,222	54,719	2,269,214	628	1,682	2,578,465	2,498,700
Electricity, gas and water	-	-	599,689	-	243,648	1,311	29	844,677	30,579
Construction	-	-	426,161	185,032	3,644,555	1,503	8	4,257,259	3,252,031
Real estate	-	-	239,706	-	6,918,939	2,123	-	7,160,768	1,230,065
General commerce	-	-	60,255	23,439	2,515,440	3,184	170	2,602,488	1,726,005
Transport, storage and communication	-	-	588,225	26,922	2,234,233	990	46	2,850,416	697,765
Finance, insurance and business services	1,730,747	79,807	3,951,257	169,240	4,305,551	195,235	240,511	10,672,348	1,085,336
Government and government agencies	2,981,728	-	6,020,318	-	1,137,674	-	-	10,139,720	812,967
Purchase of landed property, securities and vehicles	21,778	-	-	-	-	481,617	-	503,395	-
Education, health and others	-	-	187,518	-	59,822	32	-	247,372	31,884
Others	-	-	112,109	16	18,539,024	86,838	51,406	18,789,393	1,351,707
<b>Total</b>	<b>4,734,253</b>	<b>79,807</b>	<b>12,522,333</b>	<b>459,368</b>	<b>43,345,290</b>	<b>774,730</b>	<b>293,864</b>	<b>62,209,645</b>	<b>13,242,038</b>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit Risk (continued)

Credit Risk monitoring (continued)

b) Credit risk concentrations (continued)

Company	Short-term funds	Other assets	Amount due from subsidiaries	Amount due from associate	On-balance sheet total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2016</b>					
Finance, insurance and business services	32,175	-	1,304,592	45,096	1,381,863
Others	-	240	-	-	240
	32,175	240	1,304,592	45,096	1,382,103
<b>2015</b>					
Finance, insurance and business services	45,392	-	1,004,446	58,560	1,108,398
Others	-	241	-	-	241
	45,392	241	1,004,446	58,560	1,108,639

c) Collateral

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

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

d) 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:

- the principal or interest/profit or both is past due more than 90 days or 3 months from the first day of default;
- 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; and
- the loan/financing is classified as rescheduled and restructured in Central Credit Reference Information System ("CCRIS").

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

## Credit Risk (continued)

## Credit Risk monitoring (continued)

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

i) Distribution of loans, advances and financing by credit quality

	Group	
	2016	2015
	RM'000	RM'000
Neither past due nor impaired	40,879,383	40,352,238
Past due but not impaired	2,536,420	2,692,961
Impaired	737,253	834,222
Gross loans, advances and financing	44,153,056	43,879,421
Less: Allowance for impairment losses		
- individual impairment	(167,675)	(295,263)
- collective impairment	(237,954)	(238,868)
Net loans, advances and financing	43,747,427	43,345,290
ii) <u>Loans/financing neither past due nor impaired</u>		
Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group's internal credit grading system is as follows:		
Quality classification:		
Satisfactory *	39,228,301	39,764,693
Special mention #	1,651,082	587,545
	40,879,383	40,352,238

## 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 GEAC.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit Risk (continued)

Credit Risk monitoring (continued)

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

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

	Group	
	2016	2015
	RM'000	RM'000
Past due up to 30 days	1,209,081	1,537,402
Past due 31-60 days	953,657	819,181
Past due 61-90 days	373,682	336,378
	2,536,420	2,692,961
iv) <u>Loans/financing impaired</u>		
Analysis of impaired assets:		
Gross impaired loans/financing	737,253	834,222
Individually impaired loans/financing	475,479	568,377
v) <u>Collateral and other credit enhancements obtained</u>		
During the year, the Group has obtained the following assets by taking possession of collateral held as security or calling upon other credit enhancements as follows:		
Nature of assets:		
Industrial and residential properties	7,970	4,906

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 as at reporting date has been classified as Other assets as disclosed in Note 10.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

## Credit Risk (continued)

## Credit Risk monitoring (continued)

## e) Deposits and short-term funds, corporate bonds and/or sukuk, treasury bills and derivatives – credit quality

Corporate bonds and/or 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 mainly uses external credit ratings provided by RAM, MARC, Standard & Poors' or Moody's.

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

Group	Sovereigns		AAA		AA- to AA+		A- to A+		Lower than A-		Unrated		Impaired *		Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>2016</b>																	
Short-term funds	3,765,513	464,630	343,045	4,419	10,276	35,786	-	-	-	-	-	-	-	-	-	-	4,623,669
Deposits and placements with banks and other financial institutions	-	51,289	121,582	-	-	-	-	-	-	-	-	-	-	-	-	-	172,871
Financial assets held-for-trading:																	
- Negotiable Instruments of Deposit	-	-	70,312	129,755	-	-	-	-	-	-	-	-	-	-	-	-	200,067
- Corporate Bonds and Sukuk	-	-	25,204	8,137	5,864	7,455	-	-	-	-	-	-	-	-	-	-	46,660
Financial investments available-for-sale:																	
- Malaysian Government Securities	318,324	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	318,324
- Malaysian Government Investment Issuance	1,816,434	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,816,434
- Sukuk Perumahan Kerajaan	485,574	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	485,574
- Negotiable Instruments of Deposit	-	-	994,688	500,268	-	-	-	-	-	-	-	-	-	-	-	-	1,494,956
- Khazanah Bonds	439,219	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	439,219
- Cagamas Bonds	-	66,597	-	-	-	-	-	-	-	-	-	-	-	-	-	-	66,597
- Corporate Bonds and/or Sukuk	4,439,754	1,944,993	1,758,741	306,754	211,954	258,850	-	-	-	-	-	-	-	-	-	-	8,921,046
Financial investments held-to-maturity:																	
- Corporate Bonds and/or Sukuk	-	-	-	-	-	-	-	-	-	-	392,755	-	-	-	-	-	407,087
Derivative financial assets	-	19,001	20,831	47,878	2,190	199,371	-	-	-	-	-	-	-	-	-	-	289,271
<b>Total</b>	<b>11,264,818</b>	<b>2,546,510</b>	<b>3,334,403</b>	<b>997,211</b>	<b>230,284</b>	<b>894,217</b>	<b>14,332</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,281,775</b>

\* Net of allowance for impairment

Collateral is not generally obtained directly from the issuers of corporate bonds and/or sukuk. Certain corporate bonds and/or sukuk may be collateralised by specifically identified assets that would be obtainable in the event of default.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit Risk (continued)

Credit Risk monitoring (continued)

e) Deposits and short-term funds, corporate bonds and/or sukuk, treasury bills and derivatives – credit quality (continued)

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

Group	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
<b>2015</b>								
Short-term funds	2,981,727	245,385	969,380	24,336	3,301	12,963	-	4,237,092
Deposits and placements with banks and other financial institutions	-	180,933	276,228	-	40,000	-	-	497,161
Financial assets held-for-trading:								
- Negotiable Instruments of Deposit	-	-	-	79,807	-	-	-	79,807
Financial investments available-for-sale:								
- Malaysian Government Securities	59,892	-	-	-	-	-	-	59,892
- Malaysian Government Investment Issuance	2,538,871	-	-	-	-	-	-	2,538,871
- Sukuk Perumahan Kerajaan	753,385	-	-	-	-	-	-	753,385
- Negotiable Instruments of Deposit	-	-	954,663	50,040	-	-	-	1,004,703
- Khazanah Bonds	437,819	-	-	-	-	-	-	437,819
- Cagamas Bonds	-	20,102	-	-	-	-	-	20,102
- Corporate Bonds and/or Sukuk	2,716,635	1,896,265	1,878,520	524,449	67,542	624,150	-	7,707,561
Financial investments held-to-maturity:								
- Corporate Bonds and/or Sukuk	-	-	-	10,330	-	425,599	23,439	459,368
Derivative financial assets	-	36,804	43,229	43,386	1,647	168,798	-	293,864
<b>Total</b>	<b>9,488,329</b>	<b>2,379,489</b>	<b>4,122,020</b>	<b>732,348</b>	<b>112,490</b>	<b>1,231,510</b>	<b>23,439</b>	<b>18,089,625</b>

\* Net of allowance for impairment

Collateral is not generally obtained directly from the issuers of corporate bonds and/or sukuk. Certain corporate bonds and/or sukuk may be collateralised by specifically identified assets that would be obtainable in the event of default.

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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

## Credit Risk (continued)

## Credit Risk monitoring (continued)

## e) Deposits and short-term funds, corporate bonds and/or sukuk, treasury bills and derivatives – credit quality (continued)

The table below presents the short-term funds that are neither past due nor impaired, analysed by rating (continued):

Company	2016	2015
	AAA	AAA
	RM'000	RM'000
Short-term funds	32,175	45,392

There are no deposits and short-term funds which are past due but not impaired or impaired.

## f) Other financial assets – credit quality

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Trade receivables	529,728	551,579	-	-
Other assets	139,658	164,591	240	241
Amount due from subsidiaries	-	-	1,304,592	1,004,446
Amount due from associate	45,096	58,560	45,096	58,560

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

## Market Risk

Market risk is the risk of losses in on and off-balance-sheet positions arising from movements in market prices. The Group's exposure to market risk results largely from interest rate and foreign exchange rate risks.

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

Risk control 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 control parameters.

Interest rate risk is quantified by analysing the mismatches in timing repricing of the rate sensitive assets and rate sensitive liabilities. Earnings-at-Risk ("EaR") or Net Interest Income ("NII") 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 abnormal market movements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market Risk (continued)

a) Value-at-Risk ("VaR")

Value-at-Risk ("VaR") is used to compute the maximum potential loss amount over a specified holding period of a Trading Portfolio. It measures the risk of losses arising from potential adverse movements in interest rates and foreign exchange rates that could affect values of financial instruments.

The Group adopts Historical Pricing Simulation Method ("HPS") to compute potential loss or Value-at-Risk ("VaR") amount. The HPS Method uses the relative change of historical prices to estimate future potential changes in the market value of outstanding positions. The Group currently adopts 250 simulated business days for its HPS VaR computation. After applying these price changes to the outstanding portfolios, 250 simulated market values for the portfolio are generated and the change in the day-to-day market value is taken as simulated Profit & Loss ("P&L") for the portfolio. As VaR calculates the worst expected loss over a given day horizon and confidence level under normal market condition, the 250 values are sorted from the lowest to the highest simulated P&L. The VaR focuses on the tail of the distribution (i.e. the loss figures) at the 99th percentile.

Backtesting of the VaR computation system is conducted regularly to gauge the accuracy of the risk measurement system.

The table below sets out a summary of the Group's VaR profile by financial instrument types and fixed income for the Trading Portfolio:

Group	Portfolio during the financial year			
	Balance	Average for the financial year	Minimum	Maximum
	RM'000	RM'000	RM'000	RM'000
<b>2016</b>				
<b>Instruments:</b>				
FX swap	369	820	162	3,353
FX sport (Metro Desk)	214	402	40	1,285
FX option	2	175	2	1,474
FX related contract	70	93	1	440
Bonds	50	180	3	850
Government securities, Corporate Bonds and/or Sukuk	-	16	-	278
<b>2015</b>				
<b>Instruments:</b>				
FX swap	472	605	253	3,128
FX sport (Metro Desk)	466	330	48	3,240
FX option	77	362	5	932
FX related contract	84	70	-	308
Bonds	66	77	-	591
Government securities, Corporate Bonds and/or Sukuk	1	-	-	17

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

## Market Risk (continued)

Other Risk Measures

## i) Mark-to-Market

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

## ii) Stress testing

Stress tests are conducted to attempt to quantify market risk arising from abnormal market movements. Stress tests measure the changes in value arising from extreme movements in the 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/profit 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.

**Group**

Impact on profit after tax  
Impact on equity

2016		2015	
+100 bps	-100 bps	+100 bps	-100 bps
RM million	RM million	RM million	RM million
← Positive/(negative) impact →			
(63.71)	63.71	(71.04)	71.04
(51.99)	68.74	(387.71)	403.55

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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:

	Group	
	2016	2015
	RM'000	RM'000
<b>+1%</b>		
Euro	2,877	1,512
United States Dollar	41,137	39,285
Great Britain Pound	1,571	2,347
Australian Dollar	100	(21)
New Zealand Dollar	115	17
Japanese Yen	480	184
Others	3,633	4,608
	<b>49,913</b>	<b>47,932</b>
<b>-1%</b>		
Euro	(2,877)	(1,512)
United States Dollar	(41,137)	(39,285)
Great Britain Pound	(1,571)	(2,347)
Australian Dollar	(100)	21
New Zealand Dollar	(115)	(17)
Japanese Yen	(480)	(184)
Others	(3,633)	(4,608)
	<b>(49,913)</b>	<b>(47,932)</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

## Market Risk (continued)

## b) Foreign exchange risk

The Group is 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'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.

Group	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
<b>2016</b>								
<b>Assets</b>								
Cash and short-term funds	395	199,112	1,483	3,996	129	1,055	44,490	250,660
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Financial assets held-for-trading	-	21,570	-	78	-	-	89	21,737
Financial investments available-for-sale	47,490	383,831	-	33,798	15,900	-	315,667	796,686
Derivative financial assets	5,272	136,611	2,260	18	-	3	2,109	146,273
Loans, advances and financing	-	1,215,829	-	-	-	-	-	1,215,829
Trade receivables	-	4,836	-	2,376	-	-	5,963	13,175
Other assets	-	35,253	-	-	-	-	50	35,303
<b>Total financial assets</b>	53,157	1,997,042	3,743	40,266	16,029	1,058	368,368	2,479,663
<b>Liabilities</b>								
Deposits from customers	602,713	418,084	7,178	6,140	-	803	41,382	1,076,300
Deposits and placements of banks and other financial institutions	-	62,111	-	-	-	-	-	62,111
Derivative financial liabilities	4,413	2,856	11,116	393	-	156	1,437	20,371
Trade payables	-	11,404	-	2,506	-	-	7,367	21,277
Other liabilities	16	6,390	-	415	101	-	1,340	8,262
<b>Total financial liabilities</b>	607,142	500,845	18,294	9,454	101	959	51,526	1,188,321
Net on-balance sheet financial position	(553,985)	1,496,197	(14,551)	30,812	15,928	99	316,842	1,291,342
Off-balance sheet commitments	932,581	3,911,172	221,296	(17,473)	(561)	63,026	99,443	5,209,484

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market Risk (continued)

b) Foreign exchange risk (continued)

Group	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
<b>2015</b>								
<b>Assets</b>								
Cash and short-term funds	1,794	872,360	4,186	4,040	293	572	28,824	912,069
Deposits and placements with banks and other financial institutions	-	33,118	-	-	-	-	-	33,118
Financial assets held-for-trading	-	112	-	22	-	-	40	174
Financial investments available-for-sale	46,955	392,556	-	32,631	15,020	-	343,276	830,438
Derivative financial assets	492	113,475	31,537	39	-	93	747	146,383
Loans, advances and financing	-	1,132,447	-	-	-	-	222,725	1,355,172
Trade receivables	-	2,586	-	7,930	-	-	3,074	13,590
Other assets	-	23,077	-	-	-	-	156	23,233
<b>Total financial assets</b>	49,241	2,569,731	35,723	44,662	15,313	665	598,842	3,314,177
<b>Liabilities</b>								
Deposits from customers	526,841	477,647	10,377	7,956	-	603	10,889	1,034,313
Deposits and placements of banks and other financial institutions	-	295,110	-	814	-	-	-	295,924
Derivative financial liabilities	2,117	14,080	117	-	-	-	495	16,809
Trade payables	-	15,853	-	5,178	-	-	3,261	24,292
Other liabilities	16	184	-	1,409	149	-	1,625	3,383
<b>Total financial liabilities</b>	528,974	802,874	10,494	15,357	149	603	16,270	1,374,721
Net on-balance sheet financial position	(479,733)	1,766,857	25,229	29,305	15,164	62	582,572	1,939,456
Off-balance sheet commitments	681,383	3,471,086	287,647	(32,056)	(12,945)	24,473	31,845	4,451,433

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2016

**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****Market Risk (continued)****c) 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 rate risk management is to achieve a stable and sustainable net interest income from the following perspectives:

1. Next 12 months' Earnings - Interest rate risk from the earnings perspective is the impact based on changes to the net interest 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 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's and the Company'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 rates.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market Risk (continued)

c) Interest/profit rate risk (continued)

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

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

Group	Non-trading Book					Non-interest/profit sensitive	Trading book	Total
	Up to 1 month	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2016</b>								
<b>Assets</b>								
Cash and short-term funds	4,238,452	-	-	-	-	597,770	-	4,836,222
Deposits and placements with banks and other financial institutions	44,900	45,114	60,000	20,000	-	2,857	-	172,871
Financial assets held-for-trading	-	-	-	-	-	-	270,354	270,354
Financial investments available-for-sale	871,972	902,999	817,498	3,880,294	6,938,799	696,961	-	14,108,523
Financial investments held-to-maturity	178,144	-	74,185	72,235	59,146	23,377	-	407,087
Derivative financial assets	-	-	-	-	-	-	289,271	289,271
Loans, advances and financing	25,264,036	3,002,091	3,170,452	8,952,624	2,791,969	(3,323)*	-	43,177,849
- non-impaired	-	-	-	-	-	569,578 <sup>^</sup>	-	569,578
- impaired	-	-	-	-	-	-	-	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,659,740	-	1,659,740
Other assets <sup>(1)</sup>	76,563	4	26,947	44,237	-	635,115	-	782,866
<b>Total assets</b>	<b>30,674,067</b>	<b>3,950,208</b>	<b>4,149,082</b>	<b>12,969,390</b>	<b>9,789,914</b>	<b>4,182,075</b>	<b>559,625</b>	<b>66,274,361</b>

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

<sup>^</sup> Net of individual impairment allowance.

<sup>(1)</sup> Other assets include amount due from associate, trade receivables and other assets.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

## Market Risk (continued)

## c) Interest/profit rate risk (continued)

Group	Non-trading Book						Non-interest/profit sensitive RM'000	Trading book RM'000	Total RM'000
	←		→		→				
	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				
<b>2016</b>									
<b>Liabilities</b>									
Deposits from customers	19,806,765	12,772,391	14,741,766	692,512	-	3,492,208	-	51,505,642	
Deposits and placements of banks and other financial institutions	2,309,002	1,299,470	266,625	-	-	18,940	-	3,894,037	
Derivative financial liabilities	-	-	-	-	-	-	552,942	552,942	
Obligation on securities sold under repurchase agreements	972,290	169,637	-	-	-	3,691	-	1,145,618	
Bills and acceptances payable	-	-	-	-	-	37,726	-	37,726	
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	-	-	-	-	
Other liabilities <sup>(2)</sup>	8,762	-	-	-	-	1,372,034	-	1,380,796	
Borrowings	1,595,408	-	-	-	-	11,189	-	1,606,597	
<b>Total liabilities</b>	<b>24,692,227</b>	<b>14,241,498</b>	<b>15,008,391</b>	<b>692,512</b>	<b>-</b>	<b>4,935,788</b>	<b>552,942</b>	<b>60,123,358</b>	
<b>Net interest/profit sensitivity gap</b>	<b>5,981,840</b>	<b>(10,291,290)</b>	<b>(10,859,309)</b>	<b>12,276,878</b>	<b>9,789,914</b>				

<sup>(2)</sup> Other liabilities include trade payables and other liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market Risk (continued)

c) Interest/profit rate risk (continued)

Group	Non-trading Book						Non-interest/profit sensitive	Trading book	Total
	←		→		→				
	Up to 1 month	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years				
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>2015</b>									
<b>Assets</b>									
Cash and short-term funds	3,431,298	-	-	-	-	1,010,402	-	4,441,700	
Deposits and placements with banks and other financial institutions	90,000	119,843	140,000	145,000	-	2,318	-	497,161	
Financial assets held-for-trading	133,170	1,033,273	976,992	4,498,528	5,762,086	681,507	122,016	122,016	
Financial investments available-for-sale	185,032	43,741	98,748	41,430	65,546	24,871	-	13,085,556	
Financial investments held-to-maturity	-	-	-	-	-	-	-	459,368	
Derivative financial assets	-	-	-	-	-	-	293,864	293,864	
Loans, advances and financing	24,556,510	2,380,783	4,164,636	8,936,394	2,773,680	(5,672)*	-	42,806,331	
- non-impaired	-	-	-	-	-	538,959 <sup>^</sup>	-	538,959	
- impaired	-	-	-	-	-	-	-	-	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	1,782,450	
Other assets <sup>(1)</sup>	475,832	6	22,318	57,600	-	287,196	-	842,952	
<b>Total assets</b>	28,871,842	3,577,646	5,402,694	13,678,952	8,601,312	4,322,031	415,880	64,870,357	

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

<sup>^</sup> Net of individual impairment allowance.

<sup>(1)</sup> Other assets include amount due from associate, trade receivables and other assets.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

## Market Risk (continued)

## c) Interest/profit rate risk (continued)

Group	Non-trading Book						Non-interest/profit sensitive	Trading book	Total
	←		→		→				
	Up to 1 month	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years	Total			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>2015</b>									
<b>Liabilities</b>									
Deposits from customers	18,526,398	12,674,638	14,606,765	1,086,840	-	3,654,106	-	50,548,747	
Deposits and placements of banks and other financial institutions	2,227,503	889,130	262,132	-	-	6,674	-	3,385,439	
Derivative financial liabilities	-	-	-	-	-	-	555,867	555,867	
Obligation on securities sold under repurchase agreements	94,590	1,637,230	-	-	-	9,126	-	1,740,946	
Bills and acceptances payable	-	-	-	-	-	77,114	-	77,114	
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	133,779	-	806	-	134,585	
Other liabilities <sup>(2)</sup>	12,109	-	-	-	-	1,282,667	-	1,294,776	
Borrowings	1,295,554	-	-	-	-	10,457	-	1,306,011	
<b>Total liabilities</b>	<b>22,156,154</b>	<b>15,200,998</b>	<b>14,868,897</b>	<b>1,220,619</b>	<b>-</b>	<b>5,040,950</b>	<b>555,867</b>	<b>59,043,485</b>	
<b>Net interest/profit sensitivity gap</b>	<b>6,715,688</b>	<b>(11,623,352)</b>	<b>(9,466,203)</b>	<b>12,458,333</b>	<b>8,601,312</b>				

<sup>(2)</sup> Other liabilities include trade payables and other liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market Risk (continued)

c) Interest/profit rate risk (continued)

Company	Non-trading Book					Non-interest/profit sensitive RM'000	Trading book RM'000	Total RM'000
	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			
<b>2016</b>								
<b>Assets</b>								
Cash and short-term funds	32,089	-	-	-	-	87	-	32,176
Other assets	-	-	-	-	-	299	-	299
Amount due from subsidiaries	1,300,000	-	-	-	-	4,592	-	1,304,592
Amount due from associate	-	-	-	44,207	-	889	-	45,096
<b>Total assets</b>	<b>1,332,089</b>	<b>-</b>	<b>-</b>	<b>44,207</b>	<b>-</b>	<b>5,867</b>	<b>-</b>	<b>1,382,163</b>
<b>Liabilities</b>								
Other liabilities	-	-	-	-	-	4,258	-	4,258
Amount due to subsidiaries	-	-	-	-	-	400,254	-	400,254
Borrowings	1,600,000	-	-	-	-	6,597	-	1,606,597
<b>Total liabilities</b>	<b>1,600,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>411,109</b>	<b>-</b>	<b>2,011,109</b>
<b>Net interest/profit sensitivity gap</b>	<b>(267,911)</b>	<b>-</b>	<b>-</b>	<b>44,207</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

## Market Risk (continued)

## c) Interest/profit rate risk (continued)

Company	Non-trading Book					Non-interest/profit sensitive	Trading book	Total
	Up to 1 month	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2015</b>								
<b>Assets</b>								
Cash and short-term funds	45,265	-	-	-	-	128	-	45,393
Other assets	-	-	-	-	-	305	-	305
Amount due from subsidiaries	1,000,000	-	-	-	-	4,446	-	1,004,446
Amount due from associate	-	-	-	57,469	-	1,091	-	58,560
<b>Total assets</b>	<b>1,045,265</b>	<b>-</b>	<b>-</b>	<b>57,469</b>	<b>-</b>	<b>5,970</b>	<b>-</b>	<b>1,108,704</b>
<b>Liabilities</b>								
Other liabilities	-	-	-	-	-	3,098	-	3,098
Amount due to subsidiaries	-	-	-	-	-	400,253	-	400,253
Borrowings	1,300,000	-	-	-	-	6,011	-	1,306,011
<b>Total liabilities</b>	<b>1,300,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>409,362</b>	<b>-</b>	<b>1,709,362</b>
<b>Net interest/profit sensitivity gap</b>	<b>(254,735)</b>	<b>-</b>	<b>-</b>	<b>57,469</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**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. 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'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.

The Group'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 holds sufficient high-quality liquid assets ("HQLA") to withstand a significant stress scenario over a 30-day horizon.

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

The LCR and NSFR are tracked to assess the short term and long term liquidity risk profile of the Group, in line with BNM's Liquidity Coverage Ratio ("LCR") final standards re-issued on 25th August 2016 as well as BNM's revised Basel III Observation Period reporting for Net Stable Funding Ratio ("NSFR") and Leverage Ratio ("LR") issued on 7th August 2015.

The Group 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'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 actions to be taken in the event of liquidity crisis and emergencies, enabling the Group to respond to an unexpected liquidity disruption in an effective and efficient manner.

The Board Risk Management Committee ("BRMC") is responsible for the Group'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 BRMC is informed regularly on the liquidity position of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

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## 50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

## Liquidity Risk (continued)

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/profit payments.

i) Liquidity risk disclosure table based on contractual undiscounted cash flow:

Group	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2016</b>						
Deposits from customers	22,955,422	13,031,480	15,231,711	775,637	-	51,994,250
Deposits and placements of banks and other financial institutions	2,321,171	1,315,056	271,519	-	-	3,907,746
Obligation on securities sold under repurchase agreements	976,520	170,721	-	-	-	1,147,241
Bills and acceptances payable	37,726	-	-	-	-	37,726
Trade payables	724,554	-	-	-	-	724,554
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	-	-
Other liabilities	538,528	18,650	97,120	1,944	-	656,242
Borrowings	305,370	14,333	33,615	1,480,200	-	1,833,518
<b>Total financial liabilities</b>	<b>27,859,291</b>	<b>14,550,240</b>	<b>15,633,965</b>	<b>2,257,781</b>	<b>-</b>	<b>60,301,277</b>
<b>2015</b>						
Deposits from customers	21,751,209	12,825,588	15,246,838	1,268,565	-	51,092,200
Deposits and placements of banks and other financial institutions	2,232,565	901,469	260,313	-	-	3,394,347
Obligation on securities sold under repurchase agreements	95,424	1,652,019	-	-	-	1,747,443
Bills and acceptances payable	77,114	-	-	-	-	77,114
Trade payables	642,483	-	-	-	-	642,483
Recourse obligation on loans sold to Cagamas Berhad	-	2,560	136,965	-	-	139,525
Other liabilities	504,489	39,894	107,144	766	-	652,293
Borrowings	5,624	11,256	342,870	1,122,615	-	1,482,365
<b>Total financial liabilities</b>	<b>25,308,908</b>	<b>15,432,786</b>	<b>16,094,130</b>	<b>2,391,946</b>	<b>-</b>	<b>59,227,770</b>

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50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity Risk (continued)

i) Liquidity risk disclosure table based on contractual undiscounted cash flow:

Company	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2016</b>						
Other liabilities	2,031	757	1,470	-	-	4,258
Amount due to subsidiaries	400,254	-	-	-	-	400,254
Borrowings	305,370	14,333	33,615	1,480,200	-	1,833,518
<b>Total financial liabilities</b>	<b>707,655</b>	<b>15,090</b>	<b>35,085</b>	<b>1,480,200</b>	<b>-</b>	<b>2,238,030</b>
<b>2015</b>						
Other liabilities	1,079	711	1,308	-	-	3,098
Amount due to subsidiaries	400,253	-	-	-	-	400,253
Borrowings	5,624	11,256	342,870	1,122,615	-	1,482,365
<b>Total financial liabilities</b>	<b>406,956</b>	<b>11,967</b>	<b>344,178</b>	<b>1,122,615</b>	<b>-</b>	<b>1,885,716</b>

ii) Derivatives financial liabilities based on contractual undiscounted cash flow:

Group	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2016</b>						
<u>Derivatives settled on a net basis</u>						
Interest rate derivatives	(424)	(1,213)	(3,717)	(7,839)	(2,685)	(15,878)
<u>Derivatives settled on a gross basis</u>						
Foreign exchange derivatives:						
Outflow	(1,387,379)	132,200	(1,209,103)	(158,053)	-	(2,622,335)
Inflow	1,398,435	(122,879)	1,330,511	90,492	-	2,696,559
	11,056	9,321	121,408	(67,561)	-	74,224
<b>2015</b>						
<u>Derivatives settled on a net basis</u>						
Interest rate derivatives	(200)	(63)	(663)	(364)	948	(342)
<u>Derivatives settled on a gross basis</u>						
Foreign exchange derivatives:						
Outflow	(2,381,304)	(932,410)	(2,321,824)	(1,110,568)	-	(6,746,106)
Inflow	2,375,556	927,048	2,297,442	910,450	-	6,510,496
	(5,748)	(5,362)	(24,382)	(200,118)	-	(235,610)

## NOTES TO THE FINANCIAL STATEMENTS

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## 50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

## Liquidity Risk (continued)

iii) 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 Company. 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 Company by remaining contractual maturities profile are as follows:

Group	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2016</b>							
<b>Assets</b>							
Cash and short-term funds	4,818,762	17,460	-	-	-	-	4,836,222
Deposits and placements with banks and other financial institutions	-	-	-	122,144	50,727	-	172,871
Trade receivables	528,518	1,032	178	-	-	-	529,728
Financial assets held-for-trading	-	-	200,068	35,872	10,788	23,626	270,354
Financial investments available-for-sale	854,047	838,739	801,705	4,015,093	6,921,104	677,835	14,108,523
Financial investments held-to-maturity	19,902	-	8,798	112,478	265,909	-	407,087
Derivative financial assets	42,573	46,796	182,170	10,022	7,710	-	289,271
Loans, advances and financing	4,103,266	2,364,733	1,885,871	11,894,296	23,499,261	-	43,747,427
Other assets	85,702	4,669	49,147	46,969	5,180	24,345	216,012
Statutory deposits with Bank Negara Malaysia	1,659,740	-	-	-	-	-	1,659,740
Amount due from associate	889	-	-	44,207	-	-	45,096
Other non-financial assets <sup>(1)</sup>	-	-	-	-	-	2,604,014	2,604,014
<b>Total assets</b>	<b>12,113,399</b>	<b>3,273,429</b>	<b>3,127,937</b>	<b>16,281,081</b>	<b>30,760,679</b>	<b>3,329,820</b>	<b>68,886,345</b>

<sup>(1)</sup> Other non-financial assets include investment in joint ventures, investment in associates, taxation recoverable, deferred tax assets, property and equipment and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity Risk (continued)

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

Group	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2016</b>							
<b>Liabilities</b>							
Deposits from customers	22,954,480	12,928,966	14,917,585	704,611	-	-	51,505,642
Deposits and placements of banks and other financial institutions	2,318,463	1,307,301	268,273	-	-	-	3,894,037
Obligation on securities sold under repurchase agreements	975,394	170,224	-	-	-	-	1,145,618
Bills and acceptances payable	37,726	-	-	-	-	-	37,726
Trade payables	724,554	-	-	-	-	-	724,554
Derivative financial liabilities	56,177	37,716	286,023	167,708	5,318	-	552,942
Other liabilities	538,132	18,650	97,120	1,944	-	396	656,242
Other non-financial liabilities <sup>(2)</sup>	-	-	-	-	-	31,982	31,982
Borrowings	304,853	1,744	-	1,300,000	-	-	1,606,597
<b>Total liabilities</b>	<b>27,909,779</b>	<b>14,464,601</b>	<b>15,569,001</b>	<b>2,174,263</b>	<b>5,318</b>	<b>32,378</b>	<b>60,155,340</b>
<b>Net liquidity gap</b>	<b>(15,796,380)</b>	<b>(11,191,172)</b>	<b>(12,441,064)</b>	<b>14,106,818</b>	<b>30,755,361</b>	<b>3,297,442</b>	<b>8,731,005</b>
<b>2015</b>							
<b>Assets</b>							
Cash and short-term funds	4,441,700	-	-	-	-	-	4,441,700
Deposits and placements with banks and other financial institutions	-	35,034	-	432,093	30,034	-	497,161
Trade receivables	544,760	6,715	104	-	-	-	551,579
Financial assets held-for-trading	8,645	5,114	74,693	-	-	33,564	122,016
Financial investments available-for-sale	168,107	974,812	963,796	4,653,514	5,780,603	544,724	13,085,556
Financial investments held-to-maturity	23,438	-	71,342	74,191	290,381	16	459,368
Derivative financial assets	24,667	85,319	96,102	85,198	2,578	-	293,864
Loans, advances and financing	3,799,165	1,543,279	2,311,423	11,650,951	24,040,472	-	43,345,290
Other assets	101,396	2,152	30,521	97,066	1,685	4,906	237,726
Statutory deposits with Bank Negara Malaysia	1,782,450	-	-	-	-	-	1,782,450
Amount due from associate	1,092	-	13,262	44,206	-	-	58,560
Other non-financial assets <sup>(1)</sup>	-	-	-	-	-	2,538,604	2,538,604
<b>Total assets</b>	<b>10,895,420</b>	<b>2,652,425</b>	<b>3,561,243</b>	<b>17,037,219</b>	<b>30,145,753</b>	<b>3,121,814</b>	<b>67,413,874</b>

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

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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

## Liquidity Risk (continued)

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

Group	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2015</b>							
<b>Liabilities</b>							
Deposits from customers	21,735,151	12,733,069	14,932,551	1,147,976	-	-	50,548,747
Deposits and placements of banks and other financial institutions	2,230,823	897,088	257,528	-	-	-	3,385,439
Obligation on securities sold under repurchase agreements	95,370	1,645,576	-	-	-	-	1,740,946
Bills and acceptances payable	77,114	-	-	-	-	-	77,114
Trade payables	642,483	-	-	-	-	-	642,483
Derivative financial liabilities	63,796	94,227	157,746	235,368	4,730	-	555,867
Recourse obligation on loans sold to Cagamas Berhad	-	806	-	133,779	-	-	134,585
Other liabilities	503,800	39,894	107,144	766	-	689	652,293
Other non-financial liabilities <sup>(2)</sup>	-	-	-	-	-	43,304	43,304
Borrowings	2,890	3,121	300,000	1,000,000	-	-	1,306,011
<b>Total liabilities</b>	<b>25,351,427</b>	<b>15,413,781</b>	<b>15,754,969</b>	<b>2,517,889</b>	<b>4,730</b>	<b>43,993</b>	<b>59,086,789</b>
<b>Net liquidity gap</b>	<b>(14,456,007)</b>	<b>(12,761,356)</b>	<b>(12,193,726)</b>	<b>14,519,330</b>	<b>30,141,023</b>	<b>3,077,821</b>	<b>8,327,085</b>

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity Risk (continued)

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

Company	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2016</b>							
<b>Assets</b>							
Cash and short-term funds	32,176	-	-	-	-	-	32,176
Other assets	4	-	60	-	235	-	299
Amount due from subsidiaries	302,834	1,758	-	-	1,000,000	-	1,304,592
Amount due from associate	889	-	-	44,207	-	-	45,096
Other non-financial assets <sup>(1)</sup>	-	-	-	-	-	5,686,589	5,686,589
<b>Total assets</b>	<b>335,903</b>	<b>1,758</b>	<b>60</b>	<b>44,207</b>	<b>1,000,235</b>	<b>5,686,589</b>	<b>7,068,752</b>
<b>Liabilities</b>							
Other liabilities	2,031	757	1,470	-	-	-	4,258
Amount due to subsidiaries	-	-	-	-	-	400,254	400,254
Deferred tax liabilities	-	-	-	-	-	7	7
Borrowings	303,095	3,502	-	1,300,000	-	-	1,606,597
<b>Total liabilities</b>	<b>305,126</b>	<b>4,259</b>	<b>1,470</b>	<b>1,300,000</b>	<b>-</b>	<b>400,261</b>	<b>2,011,116</b>
<b>Net liquidity gap</b>	<b>30,777</b>	<b>(2,501)</b>	<b>(1,410)</b>	<b>(1,255,793)</b>	<b>1,000,235</b>	<b>5,286,328</b>	<b>5,057,636</b>

<sup>(1)</sup> Other non-financial assets include investment in subsidiaries, investment in joint venture, investment in associate, taxation recoverable, property and equipment and intangible assets.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

## Liquidity Risk (continued)

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

Company	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2015</b>							
<b>Assets</b>							
Cash and short-term funds	45,393	-	-	-	-	-	45,393
Other assets	-	-	-	-	305	-	305
Amount due from subsidiaries	3,066	1,380	-	-	1,000,000	-	1,004,446
Amount due from associate	1,092	-	13,262	44,206	-	-	58,560
Other non-financial assets <sup>(1)</sup>	-	-	-	-	-	5,638,906	5,638,906
<b>Total assets</b>	<b>49,551</b>	<b>1,380</b>	<b>13,262</b>	<b>44,206</b>	<b>1,000,305</b>	<b>5,638,906</b>	<b>6,747,610</b>
<b>Liabilities</b>							
Other liabilities	1,079	711	1,308	-	-	-	3,098
Amount due to subsidiaries	-	-	-	-	-	400,253	400,253
Deferred tax liabilities	-	-	-	-	-	27	27
Borrowings	2,891	3,120	300,000	1,000,000	-	-	1,306,011
<b>Total liabilities</b>	<b>3,970</b>	<b>3,831</b>	<b>301,308</b>	<b>1,000,000</b>	<b>-</b>	<b>400,280</b>	<b>1,709,389</b>
<b>Net liquidity gap</b>	<b>45,581</b>	<b>(2,451)</b>	<b>(288,046)</b>	<b>(955,794)</b>	<b>1,000,305</b>	<b>5,238,626</b>	<b>5,038,221</b>

<sup>(1)</sup> Other non-financial assets include investment in subsidiaries, investment in joint venture, investment in associate, taxation recoverable, property and equipment and intangible assets.

## Operational Risk Management

Operational risk is defined as the risk of direct and indirect loss resulting from inadequate or failed internal processes, people and systems or events. The definition includes legal risk, and exposure to litigation from all aspects of the Group'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.

BRMC approves all policies/policy changes relating to operational risk. Group Operation Risk Management Committee ("GORMC") supports BRMC 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 GRM operates in independent capacity to manage the risks in activities associated with the operational function of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

### 50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Operational Risk Management (continued)

The Group adopts 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 Group's 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.

To identify and assess operational risk issues and exposure, the following tools are employed:

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

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.

#### Shariah Non-Compliance Risk

Shariah non-compliance is the risk of failure to comply with the Shariah rules and principles as determined by SC and/or any other relevant bodies, such as BNM Shariah Advisory Council.

The Shariah Governance Framework for Islamic Financial Institutions issued by BNM is the main reference for the Shariah governance process and oversight within AFFIN Islamic Bank Berhad.

Shariah Committee ("SC") is established to deliberate on Shariah issues and provide resolution as well as guidance. GORMC together with BRMC and GBRMC assist 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.

Each business and support unit is responsible to identify and assess potential Shariah Non-Compliance Risk using the RCSA process. Half yearly RCSA checklist is performed to gauge the level of Shariah compliance.

All Islamic products, services and strategies related matters must be approved by the SC.

Shariah Resolutions/Circulars are issued and training on Shariah Compliance is conducted by the Shariah Review Team on a regular basis.

Shariah non-compliance reports are regularly submitted for further deliberation, decision and remedial action.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

### 50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### 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").

BRMC 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 BRMC 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 Group to undertake. The outcome of this assessment will translate into a risk 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.

### 51 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 Company 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 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.

NOTES TO THE FINANCIAL STATEMENTS

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51 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

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 exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Group'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 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 (2015: Nil).

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

Group	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<b>2016</b>				
<b>Assets</b>				
Financial assets held-for-trading	23,627	246,727	-	270,354
Financial investments available-for-sale *				
- Corporate Bonds and/or Sukuk	-	8,891,001	30,045	8,921,046
- Equity securities	330,172	81	236,120	566,373
- BNM and government securities	-	4,621,104	-	4,621,104
Derivative financial assets	-	289,271	-	289,271
	353,799	14,048,184	266,165	14,668,148
<b>Liabilities</b>				
Derivative financial liabilities	-	552,942	-	552,942

\* Net of allowance for impairment losses

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 51 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Group	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<b>2015</b>				
<b>Assets</b>				
Financial assets held-for-trading	42,209	79,807	-	122,016
Financial investments available-for-sale *				
- Corporate Bonds and/or Sukuk	-	7,707,561	-	7,707,561
- Equity securities	339,583	86	223,554	563,223
- BNM and government securities	-	4,814,772	-	4,814,772
Derivative financial assets	-	293,864	-	293,864
	381,792	12,896,090	223,554	13,501,436
<b>Liabilities</b>				
Derivative financial liabilities	-	555,867	-	555,867

\* Net of allowance for impairment losses

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

Group	2016	2015
	RM'000	RM'000
As at beginning of the financial year	223,554	147,486
Purchases	30,045	500
Sales	(25)	-
Total gains recognised in other comprehensive income	13,409	75,568
Allowance for impairment losses	(318)	-
Reclassified to investment in associate	(500)	-
As at end of the financial year	266,165	223,554

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Effect of changes in significant unobservable assumptions to reasonably possible alternative

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):

Group	Fair Value Assets		Valuation techniques	Unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
	2016	2015			
	RM'000	RM'000			
Financial investments available-for-sale - Unquoted shares	266,165	223,554	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value

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

The following tables analysis within the fair value hierarchy of the Group's and the Company's assets and liabilities not measured at fair value as at reporting date but for which fair value is disclosed:

Group	Carrying value RM'000	Fair Value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<b>2016</b>					
<b>Financial assets</b>					
Financial investments held-to-maturity	407,087	-	406,143	-	406,143
Loans, advances and financing	43,747,427	-	42,936,834	-	42,936,834
	44,154,514	-	43,342,977	-	43,342,977
<b>Financial liabilities</b>					
Deposits from customers	51,505,642	-	51,520,279	-	51,520,279
<b>2015</b>					
<b>Financial assets</b>					
Financial investments held-to-maturity	459,368	-	459,305	-	459,305
Loans, advances and financing	43,345,290	-	43,060,045	-	43,060,045
	43,804,658	-	43,519,350	-	43,519,350
<b>Financial liabilities</b>					
Deposits from customers	50,548,747	-	50,569,344	-	50,569,344
Recourse obligation on loans sold to Cagamas Berhad	134,585	-	136,065	-	136,065
	50,683,332	-	50,705,409	-	50,705,409

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2016

**51 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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 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 maturities of less than six months, the carrying amount is a reasonable estimate of the 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 with similar credit ratings and maturities.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

**51 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**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.

**Borrowings**

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.

**52 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

In accordance with MFRS 132 "Financial Instruments: Presentation", the Group 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 purchase 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 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 52 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

## Related amount not offset (continued)

## Derivative financial assets and liabilities

Group	Effects of offsetting on the statement of financial position			Related amounts not offset		
	Gross amount	Amount offset	Net amount reported on statement of financial position	Financial instruments	Financial collateral	Net amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2016</b>						
Derivatives financial assets	289,271	-	289,271	(112,866)	-	176,405
Trade receivables						
- Amount due from Bursa						
Securities Clearing Sdn Bhd	582,294	(582,294)	-	-	-	-
	871,565	(582,294)	289,271	(112,866)	-	176,405
Obligation on securities sold under repurchase agreements	1,145,618	-	1,145,618	(1,145,618)	-	-
Derivatives financial liabilities	552,942	-	552,942	(112,866)	(76,385)	363,691
Trade payables						
- Amount due to Bursa						
Securities Clearing Sdn Bhd	611,448	(582,294)	29,154	-	-	29,154
	2,310,008	(582,294)	1,727,714	(1,258,484)	(76,385)	392,845
<b>2015</b>						
Derivatives financial assets	293,864	-	293,864	(154,415)	-	139,449
Trade receivables						
- Amount due from Bursa						
Securities Clearing Sdn Bhd	593,363	(542,330)	51,033	-	-	51,033
	887,227	(542,330)	344,897	(154,415)	-	190,482
Obligation on securities sold under repurchase agreements	1,740,946	-	1,740,946	(1,740,946)	-	-
Derivatives financial liabilities	555,867	-	555,867	(154,415)	(61,841)	339,611
Trade payables						
- Amount due to Bursa						
Securities Clearing Sdn Bhd	542,330	(542,330)	-	-	-	-
	2,839,143	(542,330)	2,296,813	(1,895,361)	(61,841)	339,611

## 53 CLIENTS TRUST ACCOUNTS

As at 31 December 2016, cash held in trust for the clients by the Group amounted to RM431,445,000 (2015: RM463,616,000). These amounts are not recognised in the financial statements as they are held by the Group's fiduciary capacity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

54 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

Realised and unrealised unappropriated profits

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses into realised and unrealised profits or losses as at the end of the reporting period. On 20 December 2010, Bursa Malaysia had also issued a guide to all listed issuers on the disclosure requirement for the realised and unrealised unappropriated profits and losses.

Pursuant to the above directives, the breakdown of retained profits of the Group and Company into realised and unrealised profits as at reporting date is disclosed as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Total retained profits of AFFIN Holdings Berhad and its subsidiaries:</u>				
- Realised	2,204,118	2,018,252	928,982	909,587
- Unrealised				
- deferred tax recognised in the income statement	22,034	18,469	(7)	(27)
- other items of income and expenses	150,434	157,623	-	-
	2,376,586	2,194,344	928,975	909,560
<u>Total share of retained profits in an associate:</u>				
- Realised	299,893	242,070	-	-
- Unrealised	726	5,412	-	-
<u>Total share of accumulated losses in a joint venture:</u>				
- Realised	(7,582)	(32,540)	-	-
- Unrealised	(679)	(1,206)	-	-
	2,668,944	2,408,080	928,975	909,560
Add: Consolidation adjustments	(268,031)	(229,451)	-	-
Total Group retained profits as per consolidated financial statements	2,400,913	2,178,629	928,975	909,560

The breakdown of realised and unrealised retained profits is determined based on the Guidance of Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" issued by the Malaysian Institute of Accountants on 20 December 2010.

The unrealised retained profits of the Group as disclosed above does not include translation gains and losses on monetary items denominated in a currency other than the functional currency and foreign exchange contracts. These translation gains and losses are incurred in the ordinary course of business of the Group and hence deemed as realised.

The above disclosure of realised and unrealised unappropriated profits and losses is strictly for the compliance of the disclosure requirements stipulated in the directive issued by Bursa Malaysia and should not be used for any other purposes.

**STATEMENT BY DIRECTORS**

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, General Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Abd Malik bin A Rahman, two of the directors of AFFIN Holdings Berhad, state that, in the opinion of the directors, the accompanying financial statements set out on pages 102 to 229 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2016 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 21 March 2017.

**GENERAL DATO' SERI DIRAJA TAN SRI (DR.) MOHD ZAHIDI BIN HAJI ZAINUDDIN (R)**  
CHAIRMAN

**ABD MALIK BIN A RAHMAN**  
DIRECTOR

Kuala Lumpur  
21 March 2017

**DECLARATION**

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

I, Lee Yoke Kiow, the officer primarily responsible for the financial management of AFFIN Holdings Berhad, do solemnly and sincerely declare that in my opinion, the financial statements set out on pages 102 to 229 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

**LEE YOKE KIOW**

Subscribed and solemnly declared by the above named Lee Yoke Kiow at Kuala Lumpur in Malaysia on 21 March 2017 before me.

COMMISSIONER FOR OATHS

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AFFIN HOLDINGS BERHAD  
Company No: 23218-W (Incorporated in Malaysia)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Our Opinion

In our opinion, the financial statements of AFFIN Holdings Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, 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, 1965 in Malaysia.

#### What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 102 to 228.

#### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

#### Independence and other ethical responsibilities

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

**INDEPENDENT AUDITORS' REPORT**

TO THE MEMBERS OF AFFIN HOLDINGS BERHAD  
Company No: 23218-W (Incorporated in Malaysia)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)****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 Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p><i>Impairment assessment of goodwill</i> – RM1,517,835,000</p> <p>(Refer to Summary of Significant Group Accounting Policy Notes 3, 4 and 31; and Note 18 to the financial statement)</p> <p>Goodwill amounting to RM1,517,815,000 arose from previous acquisitions and is allocated to Commercial Banking, Investment Banking, Stock-broking, Asset Management and Money-broking cash generating units ("CGUs").</p> <p>The Company determines the recoverable amount of the CGUs based on the value-in-use calculations.</p> <p>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.</p> <p>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 18 Intangible Assets.</p>	<p>We satisfied ourselves with the procedures performed below on the management's assumptions used in the impairment model.</p> <p>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.</p> <p>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 independently obtained 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.</p> <p>We have assessed the sensitivity of the impairment assessment for each of the CGU by varying the following:</p> <ul style="list-style-type: none"> <li>• underlying assumptions applied on the budgeted cash flows in relation to compounded annual growth rates;</li> <li>• discounts rates; and</li> <li>• terminal growth rates.</li> </ul>

**INDEPENDENT AUDITORS' REPORT**

TO THE MEMBERS OF AFFIN HOLDINGS BERHAD  
Company No: 23218-W (Incorporated in Malaysia)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Key audit matters (Continued)**

KEY AUDIT MATTERS (CONT'D)	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER (CONT'D)
<p><i>Impairment of loans, advances and financing assets</i></p> <ul style="list-style-type: none"> <li>- RM237,954,000 (collective allowance)</li> <li>- RM167,675,000 (individual allowance)</li> </ul> <p>(Refer to Summary of Significant Group Accounting Policy Notes 18 and 31; and Notes 9 and 36 to the financial statement)</p> <p>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.</p> <p>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:</p> <p><u>Timing of impairment recognition</u></p> <ul style="list-style-type: none"> <li>• 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.</li> </ul> <p><u>Individual assessment</u></p> <ul style="list-style-type: none"> <li>• Estimates on the amount and timing of futures cash flows based on realisation of property or borrowers' business cash flows.</li> </ul> <p><u>Collective assessment</u></p> <ul style="list-style-type: none"> <li>• Estimates based on the statistical models and assumptions on the probability of default ("PD") and loss given default ("LGD").</li> </ul>	<p>We tested the design and operating effectiveness of the controls over impairment of loans, advances and financing. These controls covered:</p> <p><u>Individual assessment</u></p> <ul style="list-style-type: none"> <li>• Identification of impaired loans based on mandatory and judgement triggers</li> <li>• Identification of Early Alert and Watchlist borrowers with potential indicators of objective evidence of impairment</li> <li>• Approval and classification of rescheduled and restructured loans, advances and financing in loans system</li> <li>• Classification of non-performing loans, advances and financing in loans system</li> <li>• Collateral valuation including assessment of panel valuers</li> <li>• Information Technology ("IT") general control for loans system</li> </ul> <p><u>Collective assessment</u></p> <ul style="list-style-type: none"> <li>• Computation of months-in-arrears in the loans system</li> <li>• Loans segmentation</li> <li>• Loans data interface from loans system to impairment systems</li> <li>• IT general control for loans and impairment system</li> </ul> <p>Based on the tests of control performed, we did not identify any material exceptions.</p> <p>Our details testing over the loans, advances and financing were as below:</p> <p><u>Timing of impairment recognition</u></p> <p>We performed individual credit assessment on a sample of loans, advances and financing 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, high risk borrowers with exposures in Oil and Gas, Oil Palm, and Contract Financing. We found no material exceptions in these tests.</p>

**INDEPENDENT AUDITORS' REPORT**

TO THE MEMBERS OF AFFIN HOLDINGS BERHAD  
Company No: 23218-W (Incorporated in Malaysia)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)****Key audit matters (Continued)**

KEY AUDIT MATTERS (CONT'D)	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER (CONT'D)
<p><i>Impairment of loans, advances and financing assets</i></p> <ul style="list-style-type: none"> <li>- RM237,954,000 (collective allowance)</li> <li>- RM167,675,000 (individual allowance)</li> </ul> <p>(Cont'd)</p>	<p><u>Individual assessment</u></p> <p>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 property, 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.</p> <p><u>Collective assessment</u></p> <p>Where impairment was calculated on a collective basis, our testing, on a sample basis, included the following:</p> <ul style="list-style-type: none"> <li>• We re-performed the bucketing of loans into delinquency buckets (loans impairment migration) and re-computed the PD</li> <li>• We agreed the loans recoveries data for LGD to supporting evidence</li> <li>• 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</li> </ul> <p>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.</p>

**Information other than the financial statements and auditors' report thereon**

The directors of the Company are responsible for the other information. The other information comprises:

- Management Discussion and Analysis,
- Corporate Governance Statement,
- Statement on Risk Management and Internal Control,
- Audit Committee Report,
- Group-Enterprise Wide Risk Management Statement,
- Five-Year Group Financial Summary,
- Directors' Report

but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Group and of the Company, 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 Company 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.

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AFFIN HOLDINGS BERHAD  
Company No: 23218-W (Incorporated in Malaysia)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Responsibilities of the directors for the financial statements

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

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

#### Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional 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 Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (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 Company'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 the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (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.

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.

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AFFIN HOLDINGS BERHAD  
Company No: 23218-W (Incorporated in Malaysia)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Auditors' responsibilities for the audit of the financial statements (Continued)

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

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

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 54 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### OTHER MATTERS

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

**PRICEWATERHOUSECOOPERS**  
(No. AF: 1146)  
Chartered Accountants

**NG YEE LING**  
03032/01/2019 J  
Chartered Accountant

Kuala Lumpur  
21 March 2017

**ADDITIONAL DISCLOSURE**  
PURSUANT TO LISTING REQUIREMENTS

The information set out below is disclosed in accordance with the Main Market Listing Requirements of Bursa Malaysia Sdn Bhd ("BMSB"):-

**1. Utilisation of proceeds from corporate proposal**

Not Applicable.

**2. Material contracts**

There were no material contracts entered into by AFFIN Holdings Berhad 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 2016 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 18 April 2016, the Company obtained Shareholders' Mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

In accordance with Section 3.1.5 of Practice Note No. 12 of the BMSB Main Market Listing Requirements, the details of recurrent related party transactions conducted during the financial year ended 31 December 2016 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 Holdings Berhad ("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 Shareholders</u> LTAT and Boustead	910
	Boustead Travel Services Sdn Bhd ("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	73

## 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 Sdn Bhd ("Boustead Hotels & Resorts")	Hotel facilities and refreshment provided 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	261
	Boustead Information Technology Sdn Bhd ("Boustead Information Technology")	Provision for information technology support services and facility for external storage 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	-
	Tricor Issuing House ("Tricor")	Special registrar services provided to AFFIN	<u>Interested Directors</u> Ignatius Chan Tze Ching, Joseph Yuk Wing Pang and Peter Yuen Wai Hung  <u>Interested Major Shareholder</u> The Bank of East Asia, Limited	56
AFFIN Bank Berhad ("ABB")	Perbadanan Perwira Niaga Malaysia ("Perwira Niaga")	Rental payment by ABB 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	<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	140
	Boustead Travel	Provision of travelling related services to ABB	<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	1,046

**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
ABB (continued)	Boustead Properties Sdn Bhd ("Boustead Properties")	Rental payment by ABB for office premises and car park payable monthly for a lease term renewable every five (5) years (Menara 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	11,804
	Lembaga Tabung Angkatan Tentera ("LTAT")	Rental payment by ABB for office premises and car park payable monthly for a lease term renewable every three (3) years	<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	298
	Boustead Curve Sdn Bhd ("Boustead Curve")	Rental payment by ABB for office premises, car parking and utilities charges for a lease term renewable every three (3) years and payment for other related services (The Curve)	<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	196
	Boustead Hotels & Resorts	Hotel facilities and refreshment provided to ABB	<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	768
	Boustead Hotels & Resorts	Rental payment by ABB for space of ATM machine at The Royale Chulan Kuala Lumpur Hotel	<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	12

## 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
ABB (continued)	Boustead Petroleum Marketing Sdn Bhd ("Boustead Petroleum")	LED advertising charges and related expenses to ABB	<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	76
	Boustead Petroleum	Rental payment by ABB for space of ATM machine at BHP petrol stations	<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	164
	Dr. Rosnah binti Omar	Rental payment by ABB for branch premises payable monthly for a lease term renewable every three (3) years (Ara Damansara)	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R), Tan Sri Dato' Seri Lodin bin Wok Kamaruddin and Dr. Rosnah binti Omar  <u>Interested Major Shareholders</u> LTAT and Boustead	106
	Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R)	Rental payment by ABB for branch premises payable monthly for a lease term renewable every three (3) years (Kulai)	<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	45
AFFIN Islamic Bank Berhad ("AFFIN Islamic")	Boustead Travel	Provision of travelling related services to AFFIN Islamic	<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	53

**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 Islamic (continued)	Boustead Hotels & Resorts	Hotel facilities and refreshment provided to AFFIN Islamic	<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	4
AFFIN Hwang Investment Bank Berhad ("AFFIN Hwang Investment")	Boustead Realty Sdn Bhd ("Boustead Realty")	Rental payment by AFFIN Hwang Investment for office premises, car parking and utilities charges for a lease term renewable every three (3) years and payment for other related services (Menara Boustead)	<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	4,212
	Boustead Travel	Provision of travelling related services to AFFIN Hwang Investment	<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	438
	Boustead Petroleum	Petrol consumption	<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	27
	Boustead Curve	Rental payment by AFFIN Investment for office premises, car parking and utilities charges for a lease term renewable every three (3) years and payment for other related services (The Curve)	<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	371

## 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 (continued)	Irat	Rental payment by AFFIN Investment for office premises, car parking and utilities charges for a renewable lease term every three (3) years and payment for other related services (Chulan Tower)	<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	2,541
	Boustead Hotels & Resorts	Hotel facilities and refreshment provided to AFFIN Investment for staff in-house training and other expenses	<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	79
	Boustead	Rental of conference room meeting by AFFIN Investment	<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	-
	Boustead Weld Quay Sdn Bhd	Accommodation and meeting package	<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	32
AFFIN Hwang Asset Management	LTAT	Management fees payable by LTAT to AFFIN Hwang Asset Management	<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	251

**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 Asset Management (continued)	Boustead Travel	Provision of travelling related services to AFFIN Hwang Asset Management	<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	363
	Nikko Asset Management	Management fees payable by AFFIN Hwang Asset Management to Nikko Asset Management	<u>Interested Director</u> David Jonathan Semaya  <u>Interested Major Shareholder</u> Nikko Asset Management	1,442
	Nikko Asset Management	Advisory fees payable by AFFIN Hwang Asset Management to Nikko Asset Management	<u>Interested Director</u> David Jonathan Semaya  <u>Interested Major Shareholder</u> Nikko Asset Management	807
	Nikko Asset Management	Management fees and sales charge payable by Nikko Asset Management to AFFIN Hwang Asset Management	<u>Interested Director</u> David Jonathan Semaya  <u>Interested Major Shareholder</u> Nikko Asset Management	-
	Nikko Asset Management	Other fees and commission payable by Nikko Asset Management to AFFIN Hwang Asset Management	<u>Interested Director</u> David Jonathan Semaya  <u>Interested Major Shareholder</u> Nikko Asset Management	246
	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	<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	464

## 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 Asset Management (continued)	Boustead Hotels & Resorts	Hotel facilities and refreshment provided to AFFIN Hwang Asset Management	<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	5
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	<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	385
	Boustead Travel	Provision of travelling related services to AFFIN Moneybrokers	<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	173
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	<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	1,929
	AXA Asia Pacific Ltd	Provision of information technology and other support services to AXA AFFIN Life	<u>Interested Director</u> Loke Kah Meng  <u>Interested Major Shareholder</u> AXA Asia Pacific Ltd	10,525

**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
AXA AFFIN Life (continued)	AXA Asia Pacific Ltd	Software development and license fees by AXA Asia Pacific Ltd to AXA AFFIN Life	<u>Interested Director</u> Loke Kah Meng  <u>Interested Major Shareholder</u> AXA Asia Pacific Ltd	2,261
	Boustead Travel	Provision of travelling related services to AXA AFFIN Life	<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	1,039
	Boustead Hotels & Resorts	Hotel facilities and refreshment provided to AXA AFFIN Life	<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	127
<b>Total</b>				<b>43,729</b>

## PARTICULARS OF PROPERTIES

AS AT 31 DECEMBER 2016

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 31/12/2016 (RM)
1	HS(D) 5217 P.T. 90 Section 1 Town of Port Swettenham District of Klang	No. 1, Jln Berangan 42000 Port Klang Selangor Darul Ehsan	4 Storey Shop Office / Branch Premises (Port Klang) CRC	Freehold	L : 3,000 B : 12,768	35	407,469
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	L : 4,659 B : 11,858	25	3,057,953
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 ½ Storey Shop Office / Branch Premises (Kajang) CRC	Freehold	L : 3,510 B : 11,136	21	214,559
4	Plots 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	L : 3,080 B : 8,360	24	965,374
5	HS(D) 11547, 11548 P.T. 15727, 15728 Mukim of Ampang	No. 11 & 11A Jln Mamanda 7/1 Ampang Point 68000 Ampang Selangor Darul Ehsan	5 Storey Shop Office (Occupied Ground & 1st Floor Only) / Branch Premises (Ampang Jaya) CRC	Freehold	L : 3,261 B : 5,658.4	20	958,686
6	HS(D) 52849, 52850, 52988 & 52989 P.T. 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 / Expiry : 01/01/2086	L : 4,950 B : 16,733	21	938,395
7	HS(D) 39216, K1 P.T. 2068 Mukim and District of Petaling	No. 1, Jln TK 1/11A Tmn Kinrara Section 1 Batu 7 ½ Jln Puchong 58200 Selangor Darul Ehsan	3 Storey Shop Office + Basement / Branch Premises (Kinrara) CRC	Leasehold / Expiry : 27/8/2091	L : 3,900 B : 15,600	22	1,333,097
8	HS(D) 9406, Lot 8226 & P.T. 4045 HS(D) 9407, Lot 8227 & P.T. 4046 Mukim of Damansara District of Petaling	No. 7 & 9 Jln SS 15/8A 47500 Petaling Jaya Selangor Darul Ehsan	2 Units 4 Storey Shop Office / Branch Premises (Subang Jaya) CRC	Freehold	L : 3,520 B : 9,944	23	949,315
9	HS(D) 2874 & PTD 4161 Township of Kluang District of Kluang	No. 503 Jln Mersing 86000 Kluang Johor Darul Takzim	3 Storey Shop Office / Branch Premises (Kluang) CRC/HPC	Freehold	L : 6,000 B : 9,944	23	451,627
10	HS(M) 6367, P.T. 7485 Mukim of Chenor District of Maran	Nadi Kota Bandar Pusat Jengka 26400 Jengka Pahang Darul Makmur	Single Storey Bungalow / Branch Premises (Jengka) CRC	Leasehold / Expiry : 21/8/2091	L : 20,056 B : 2,100	26	370,663
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	L : 2,390 B : 6,920	21	494,151

PARTICULARS OF PROPERTIES

AS AT 31 DECEMBER 2016

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 31/12/2016 (RM)
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 / Expiry : 21/1/2901	L : 2,780 B : 10,144	23	2,175,327
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	L : 3,600 B : 10,800	22	669,860
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	L : 3,509 B : 17,160	20	1,370,275
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 AFFIN Bank	16-Storey Building With 4 Storey Basement  Building (Bangunan AFFIN Bank Shah Alam)	Leasehold / Expiry : 11/5/2100	L : 32,561 B : 81,400	17	38,251,419
16	Lot S03 & S04 P.T. 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 / Expiry : 31/1/2085	L : 3,532 B : 9,900	20	715,887
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 / Expiry : 21/1/2050	L : 3,190 B : 8,371	20	760,933
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 Darul Takzim	2 Units 3 Storey Shop Office / Branch Premises (Johor Jaya) CRC	Freehold	L : 4,773 B : 14,319	22	1,453,291
19	PTD 100479 & 100480 Mukim of Plentong District of Johor Bahru	No. 23 & 25 Jalan Permas 10/2 Permas Jaya 81750 Masai Johor Bahru Johor Darul Takzim	2 Units 4 Storey Shop Office / Branch Premises (Permas Jaya) CRC	Freehold	L : 3,840 B : 13,440	23	1,776,351
20	P.T. 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 / Expiry : 21/10/2092	L : 3,681 B : 13,716	20	1,668,074
21	Lot 175 & 176 P.T. 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 Lot 3 Storey Shop Office / Branch Premises (Kuah) CRC	Freehold	L : 3,304 B : 9,912	19	1,232,780

## PARTICULARS OF PROPERTIES

AS AT 31 DECEMBER 2016

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 31/12/2016 (RM)
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 Darul Iman	3 Storey Shop Office / Branch Premises (Kuala Terengganu) CRC	Leasehold / Expiry : 18/12/2048	L : 4,171 B : 8,128	16	1,387,666
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	L : 4,306 B : 17,224	28	1,753,938
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 (TTDI) CRC	Freehold	L : 5,138 B : 11,250	25	3,622,048
25	HS(D) 16728, PTD 9887 & HS(D) 16729, PTD 9888, Mukim of Simpang Kanan District of Batu Pahat	No. 3 & 4 Jalan Merah Taman Bukit Pasir 83000 Batu Pahat Johor Darul Takzim	2 Units 3 Storey Shop House / Branch Premises (Batu Pahat) CRC	Freehold	L : 3,080 B : 16,227	26	741,044
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 Darul Ehsan	2 Units 4 Storey Shop Office / Branch Premises (Klang Utara) CRC	Leasehold / Expiry : 8/5/2093	L : 3,300 B : 13,200	19	2,531,727
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 Darul Takzim	2 Adjacent Lot 3 Storey Shop House / Branch Premises (Tampoi) CRC	Leasehold / Expiry : 13/4/2094	L : 5,468 B : 10,710	19	1,165,558
28	Lot 436 & 437 Geran No. 12256 & 12257 Section 13 District of Kota Bharu  New Title: HS(D) KB. 4/98, No. P.T. 133 & HS(D) KB. 5/98, No. P.T. 134, Section 13 District of Kota Bharu	No. 3788 H & 3788 I Section 13 Jalan Sultan Ibrahim 15050 Kota Bharu Kelantan Darul Naim	2 Units 3 Storey Shop Office / Branch Premises (Kota Bharu) CRC	Leasehold / Expiry : 09/03/2064	L : 3,200 B : 9,152	31	793,766
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 / Expiry : 29/3/2055	L : 3,240 B : 9,720	19	586,742
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 with Basement / Branch Premises (Batu Cantonment) CRC	Leasehold / Expiry : 13/01/2037	L : 3,081 B : 9,243	31	1,317,875
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 Darul Ehsan	Branch Premises (Kelana Jaya) Credit Card & SSL	Leasehold / Expiry : 21/11/2092	L : N/A B No. 301 : 6,916 No. 401 : 6,916 No. 501 : 6,916	16	5,050,919

PARTICULARS OF PROPERTIES

AS AT 31 DECEMBER 2016

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 31/12/2016 (RM)
32	HS(D) 96849 (30438 [New]) Lot/P.T. 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 / Expiry : 19/04/2083	L : 4,480 B : 14,920	18	2,286,005
	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 / Expiry : 19/04/2083	L : 1,920 B : 5,760		
33	HS(D) 23766 P.T. 199, Section 40 Mukim Kuala Lumpur	133, Jalan Bonus off Jalan Masjid India 50100 Kuala Lumpur	1 Unit 4 1/2 Storey Shop Office / Branch Premises (Jalan Bonus) CRC	Freehold	L : 1,539.9 B : 7,699.8	16	3,191,372
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 Darul Naim	1 Unit 2 Storey Shop Office / Branch Premises (Jeli) CRC	Freehold	L : 2,000 B : 4,000	16	272,244
35	HS(D) 103053 Lot No. 770, Section 11 District of Petaling Town of Shah Alam	No. 11 & 12 Kompleks Perdagangan UMNO Persiaran Damai 40000 Shah Alam Selangor Darul Ehsan	1 Unit 4 Storey Shop Office / Branch Premises (BIC, Mortgage & Storage)	Leasehold / Expiry : 12/05/2095	L : 1,650 B : 8,000	16	1,785,714
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 / Expiry : 19/12/2075	L : 4,430 B : 10,031	36	455,117
37	HS(D) 36868, Lot 25724 Mukim of Petaling	SS2 (AIBB/HPC) No. 161, Jalan SS2/24 47300 Petaling Jaya Selangor Darul Ehsan	3 Storey Shop House / Branch Premises (SS2) CRC	Freehold	L : 2,268 B : 8,902	36	809,307
38	Lot 247 & 248 Section 49 Lease of State Land	Lot 247 & 248 Section 49 KTLTD Jalan Tunku Abdul Rahman 93100 Kuching Sarawak	2 Units 4 Storey Shop Office / Branch Premises (Kuching) CRC/HPC	Leasehold / Expiry : 24/07/2044	L : 2,500 B : 9,405	30	834,549
39	HS(D) 194608, P.T. 1106 Pekan Serdang Daerah Petaling Selangor Darul Ehsan	No. 36, Jalan PSK 3 Pusat Perdagangan Seri Kembangan 43300 Seri Kembangan Selangor Darul Ehsan	3 Storey Shop House / Branch Premises (Seri Kembangan) CRC	Freehold	L : 3,563 B : 10,684	16	1,280,119
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 Darul Aman	Office / Commercial Complex KHTP Business Centre (Ground Floor of 5 Storey Office / Commercial Complex)	Freehold	L : 9,064.36 B : 9,064.36	18	1,734,925

## PARTICULARS OF PROPERTIES

AS AT 31 DECEMBER 2016

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 31/12/2016 (RM)
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	16	1,676,809
	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/ 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/ 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/ Menara B/5/259 Lot No. 1594, Seksyen 2 Bandar Tanjong Tokong				L : N/A B : 1,886		
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 Darul Khusus	1 Unit Apartment	Leasehold / Expiry : 06/07/2087	L : N/A B : 792	16	130,350
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	L : N/A B : 911	16	159,802

PARTICULARS OF PROPERTIES

AS AT 31 DECEMBER 2016

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 31/12/2016 (RM)
44	HS(D) 1772 P.T. 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 Darul Iman	1 Unit 2 Bedroom Apartment	Leasehold / Expiry : 27/11/2091	L : N/A B : 892	16	126,590
45	HS(D) 1772 P.T. 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 Darul Iman	1 Unit 3 Bedroom Apartment	Leasehold / Expiry : 27/11/2091	L : N/A B : 1,107	16	156,556
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	L : 4,779.2 B : 13,760	31	1,433,071
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 / Expiry : 05/04/2078	L : 3,840 B : 11,520	33	503,823
48	HS(D) 16521 & 16496 P.T. 8912 / 1367 & P.T. 8912 / 1366 Mukim of Kuala Lumpur District of Petaling	Sea Park No. 20 & 22 Jln 21/12, Sea Park 46730 Petaling Jaya Selangor Darul Ehsan	2 Units 2 Storey Shop Office + Basement / Branch Premises (Sea Park)	Freehold	L : 3,230 B : 9,750	32	1,363,488
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 / Expiry : 31/12/2895	L : 6,720 B : 13,440	32	1,434,689
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	L : 54,266	-	259,831,312
51	Lot 400, PN2117 Mukim of Kawasan Bandar XXXIX District of Melaka Tengah Melaka	No. 596 Jln Melaka Raya 10 Taman Melaka Raya Bandar Hilir 75000 Melaka	2 Storey Shop Office	Leasehold / Expiry: 4/10/2082	L : 1,580 B : 2,790	30	260,500
							<b>358,893,111</b>

**SHAREHOLDING STATISTICS**

AS AT 28 FEBRUARY 2017

**ANALYSIS OF SHAREHOLDINGS AS AT 28 FEBRUARY 2017**

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 100	837	4.81	16,492	0.0
100 to 1,000	2,301	13.23	1,706,461	0.09
1,001 to 10,000	10,938	62.88	42,482,369	2.19
10,001 to 100,000	2,973	17.09	84,183,705	4.33
100,001 to 97,147,426*	342	1.97	136,722,497	7.03
97,147,427** and above	4	0.02	1,677,837,023	86.36
<b>Total</b>	<b>17,395</b>	<b>100.00</b>	<b>1,942,948,547</b>	<b>100.00</b>

\* Less than 5% of issued shares

\*\* 5% and above of issued shares

**LIST OF TOP 30 SHAREHOLDERS AS AT 28 FEBRUARY 2017**

	Name	Shareholdings	%
1	<b>LEMBAGA TABUNG ANGKATAN TENTERA</b>	688,269,241	35.42
2	<b>MAYBANK NOMINEES (ASING) SDN BHD</b> THE BANK OF EAST ASIA LIMITED HONG KONG FOR THE BANK OF EASTASIA LIMITED (INVESTMENT AC)	456,942,493	23.52
3	<b>BOUSTEAD HOLDINGS BERHAD ACCOUNT NON-TRADING</b>	402,012,529	20.69
4	<b>CITIGROUP NOMINEES (TEMPATAN) SDN BHD</b> EMPLOYEES PROVIDENT FUND BOARD	130,612,760	6.72
5	<b>CITIGROUP NOMINEES (ASING) SDN BHD</b> CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	11,322,550	0.58
6	<b>CITIGROUP NOMINEES (TEMPATAN) SDN BHD</b> EXEMPT AN FOR AIA BHD.	9,612,060	0.49
7	<b>CIMB GROUP NOMINEES (TEMPATAN) SDN BHD</b> YAYASAN HASANAH (AUR-VCAM)	4,059,100	0.21
8	<b>CITIGROUP NOMINEES (ASING) SDN BHD</b> CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	3,963,999	0.20
9	<b>PUBLIC NOMINEES (ASING) SDN BHD</b> PLEDGED SECURITIES ACCOUNT FOR MAYLAND PARKVIEW SDN BHD (KLC)	2,800,200	0.14
10	<b>HSBC NOMINEES (ASING) SDN BHD</b> EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (AUSTRALIA)	2,425,800	0.12
11	<b>MAYBANK SECURITIES NOMINEES (ASING) SDN BHD</b> MAYBANK KIM ENG SECURITIES PTE LTD FOR LIM SHIANG LIANG (LIN XIANGLIANG)	1,975,100	0.10
12	<b>CIMB GROUP NOMINEES (TEMPATAN) SDN BHD</b> CIMB BANK BERHAD (EDP 2)	1,938,430	0.10
13	<b>FANG INN</b>	1,840,010	0.09
14	<b>HSBC NOMINEES (ASING) SDN BHD</b> TNTC FOR LSV EMERGING MARKETS EQUITY FUND L.P.	1,801,000	0.09
15	<b>PUBLIC NOMINEES (TEMPATAN) SDN BHD</b> PLEDGED SECURITIES ACCOUNT FOR CHEAM HENG MING (E-KTN/RAU)	1,538,500	0.08

SHAREHOLDING STATISTICS

AS AT 28 FEBRUARY 2017

LIST OF TOP 30 SHAREHOLDERS AS AT 28 FEBRUARY 2017 (CONTINUED)

	Name	Shareholdings	%
16	<b>CITIGROUP NOMINEES (ASING) SDN BHD</b> CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	1,512,020	0.08
17	<b>KENANGA NOMINEES (TEMPATAN) SDN BHD</b> PLEDGED SECURITIES ACCOUNT FOR HII YU HO	1,410,000	0.07
18	<b>KEY DEVELOPMENT SDN.BERHAD</b>	1,308,580	0.07
19	<b>PERTUBUHAN PELADANG KEBANGSAAN</b>	1,250,000	0.06
20	<b>LEE GUAN SEONG</b>	1,221,000	0.06
21	<b>TA NOMINEES (TEMPATAN) SDN BHD</b> PLEDGED SECURITIES ACCOUNT FOR HENG TENG KUANG	1,215,500	0.06
22	<b>CIMSEC NOMINEES (TEMPATAN) SDN BHD</b> CIMB BANK FOR CHE LODIN BIN WOK KAMARUDDIN (PBCL-0G0052)	1,051,328	0.05
23	<b>DB (MALAYSIA) NOMINEE (ASING) SDN BHD</b> SSBT FUND NYLS FOR CITY OF NEW YORK GROUP TRUST	1,044,970	0.05
24	<b>CIMSEC NOMINEES (TEMPATAN) SDN BHD</b> CIMB BANK FOR ARSHAD BIN AYUB (MY1393)	1,000,000	0.05
25	<b>G.T.Y. HOLDINGS SDN. BHD</b>	1,000,000	0.05
26	<b>UOB KAY HIAN NOMINEES (ASING) SDN BHD</b> EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	958,069	0.05
27	<b>ZALARAZ SDN BHD</b>	880,350	0.05
28	<b>GEMAS BAHRU ESTATES SDN. BHD.</b>	853,190	0.04
29	<b>CITIGROUP NOMINEES (ASING) SDN BHD</b> CBNY FOR DFA EMERGING MARKETS SERIES	847,600	0.04
30	<b>AFFIN HWANG NOMINEES (ASING) SDN. BHD.</b> EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (CLIENTS)	841,700	0.04
<b>TOTAL</b>		<b>1,737,508,079</b>	<b>89.43</b>

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 28 FEBRUARY 2017

	Name	Direct Shareholdings	%	Indirect Shareholdings	%
1	LEMBAGA TABUNG ANGKATAN TENTERA (LTAT)	688,269,241	35.42	402,532,529 *	20.72
2	THE BANK OF EAST ASIA LIMITED	456,942,493	23.52	-	
3	BOUSTEAD HOLDINGS BERHAD (BHB)	402,012,529	20.69	520,000 #	0.03
4	EMPLOYEES PROVIDENT FUND	130,612,760	6.72		

\* Deemed interest by virtue of LTAT's interest in BHB

# Deemed interest by virtue of BHB's interest in UAC Berhad

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**AFFIN HOLDINGS BERHAD** (23218-W)  
(INCORPORATED IN MALAYSIA)

I/We, \_\_\_\_\_ NRIC (New) No. / Company No. \_\_\_\_\_  
(Full Name in Block Capitals)

of \_\_\_\_\_

being a member/members of **AFFIN HOLDINGS BERHAD** hereby appoint \_\_\_\_\_

\_\_\_\_\_ NRIC (New)No. \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ and/or \_\_\_\_\_

NRIC(New)No. \_\_\_\_\_ of \_\_\_\_\_

or failing him, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Forty-first (41st) Annual General Meeting of the Company to be held on Monday, 24 April 2017 at 10:00 a.m. at the Taming Sari Grand Ballroom, The Royale Chulan Hotel Kuala Lumpur, 5 Jalan Conlay, 50450 Kuala Lumpur and at any adjournment thereof.

My/our proxy is to vote as indicated below:

	Resolution	For	Against
1.	To receive and adopt the Financial Statements and the Reports of the Directors and Auditors thereon		
2.	To declare a final single-tier dividend of 2 sen per share		
3.	To re-elect Mr. Ignatius Chan Tze Ching as Director		
4.	To re-elect Dr. Rosnah binti Omar as Director		
5.	To re-elect Tan Sri Mohd Ghazali bin Mohd Yusoff as Director		
6.	To re-elect Dato' Mohd Hata bin Robani as Director		
7.	To approve payment of Directors' Fees and other benefits for the financial year ended 31 December 2016		
8.	To approve payment of Directors' Fees and other benefits on the monthly basis for the period from the date of this Annual General Meeting to the date of next Annual General Meeting of the Company		
9.	To re-appoint Auditors and to authorise Directors to fix their remuneration		
10.	To authorise the Directors to allot and issue shares pursuant to Section 75 and 76 of the Companies Act, 2016		
11.	To approve the allotment and issuance of new ordinary shares pursuant to the Dividend Reinvestment Plan		
12.	To approve the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue of Trading Nature		

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017

CDS Account No :	
No. of shares held:	
Proportion of shareholdings represented by proxies	First proxy : _____ % Second proxy : _____ % <u>100%</u>
Contact No.:	

\_\_\_\_\_  
Signature of common seal of shareholder (s)

**NOTES:**

1. A member entitled to attend or vote at the meeting may appoint a proxy or proxies (not more than two) to attend and vote instead of him. A proxy need not be a member.
2. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his 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 attorney and in the case of a corporation, under its common seal or under the hand of the officer duly authorised.
4. Unless voting instructions are indicated in the spaces provided above, the proxy may vote as he thinks fit.
5. The instrument appointing a proxy must be deposited at the registrar's office, 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 not less than forty-eight hours before the time of the Meeting or any adjournment thereof.
6. Only member registered in the Record of Depositors as at 14 April 2017 shall be eligible to attend meeting or appoint a proxy to attend and vote on his/her behalf.

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**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

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