

ANNUAL REPORT 2017



ALIGNING  
STRENGTHS TOWARDS A GREATER  
AFFIN

## OUR VISION

A premier partner for  
Financial Growth and  
Innovative Services.

## OUR MISSION

To provide innovative financial solutions and services to target customers in order to generate profits and create value for our shareholders and other stakeholders.

In doing so, we provide opportunities for employees to contribute and excel; and be competitive in providing our solutions and services to our valued customers.

We shall conduct our business with integrity and professionalism in compliance with good corporate governance, principles and practices.



## COVER RATIONALE

In 2017, we continue to make good progress towards realising a greater AFFIN. The AFFINBANK Group has spearheaded a corporate restructuring to simplify the shareholding structure for greater efficiency, adaptability and productivity. AFFINBANK now helms the Group as the bank holding company, and we are committed to enhance synergy towards a future of greater growth and sustainability. This is reflected in the neat alignment of core strategies, depicted as building blocks, on the front cover.

# 42<sup>nd</sup>

## Annual General Meeting

Taming Sari Grand Ballroom,  
The Royale Chulan Kuala Lumpur,  
5 Jalan Conlay, 50450 Kuala Lumpur

Tuesday, 15 May 2018 at 10.00 a.m.

## TABLE OF CONTENTS

### ORGANIZATION

|    |                             |
|----|-----------------------------|
| 2  | Corporate Information       |
| 3  | Corporate Structure         |
| 4  | Board of Directors          |
| 6  | Profile of Directors        |
| 15 | Group Management            |
| 16 | Profile of Group Management |
| 20 | Management Team             |
| 22 | Profile of Management Team  |

### EXECUTIVE SUMMARY

|    |                                   |
|----|-----------------------------------|
| 29 | Management Discussion & Analysis  |
| 45 | Sustainability Statement          |
| 60 | Five-Year Group Financial Summary |

### CORPORATE GOVERNANCE

|    |                                                 |
|----|-------------------------------------------------|
| 61 | Corporate Governance Overview Statement         |
| 76 | Statement on Risk Management & Internal Control |
| 81 | Risk Management                                 |
| 91 | Board Audit Committee Report                    |

### FINANCIAL STATEMENTS

|    |                      |
|----|----------------------|
| 97 | Financial Statements |
|----|----------------------|

### OTHER INFORMATION

|     |                                  |
|-----|----------------------------------|
| 297 | Additional Disclosure            |
| 303 | Particular of Properties         |
| 312 | Shareholding Statistics          |
| 314 | Notice of Annual General Meeting |
|     | Proxy Form                       |

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### CHAIRMAN

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

### DIRECTORS

**En. Mohd Suffian Bin Haji Haron**  
Non-Independent Non-Executive Director

**Tan Sri Mohd Ghazali Bin Mohd Yusoff**  
Independent Non-Executive Director

**En. Abd Malik Bin A Rahman**  
Independent Non-Executive Director

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

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

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

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

## COMPANY SECRETARY

**Nimma Safira Binti Dato' Khalid**  
LS0009015  
Tel : 603-2055 9019  
Email : nimma@affinbank.com.my

## REGISTERED OFFICE

17th Floor, Menara AFFIN  
80, Jalan Raja Chulan  
50200 Kuala Lumpur  
Malaysia  
Tel : 603-2055 9000  
Fax : 603-2026 1415

## HEAD OFFICE

Menara AFFIN  
80, Jalan Raja Chulan  
50200 Kuala Lumpur  
Malaysia  
Tel : 603-2055 9000  
Fax : 603-2026 1415

## SHARE 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  
Malaysia  
Tel : 603-2783 9299  
Fax : 603-2783 9222  
Email : is.enquiry@my.tricorglobal.com

### Tricor Customer Service Centre

Unit G-3, Ground Floor  
Vertical Podium, Avenue 3  
Bangsar South  
No 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Malaysia

## AUDITORS

**PricewaterhouseCoopers PLT**  
LLP0014401-LCA & AF 1146  
Level 10, 1 Sentral  
Jalan Rakyat  
Kuala Lumpur Sentral  
50470 Kuala Lumpur  
Malaysia

## WEBSITE

www.affinbank.com.my

## INVESTOR RELATIONS

Investor Relations Department  
Tel : 603-2055 9005  
Email : ir@affinbank.com.my

## AGM HELPDESK

Tel : 603-2783 9299  
(Tricor Investor & Issuing House Services  
Sdn Bhd)

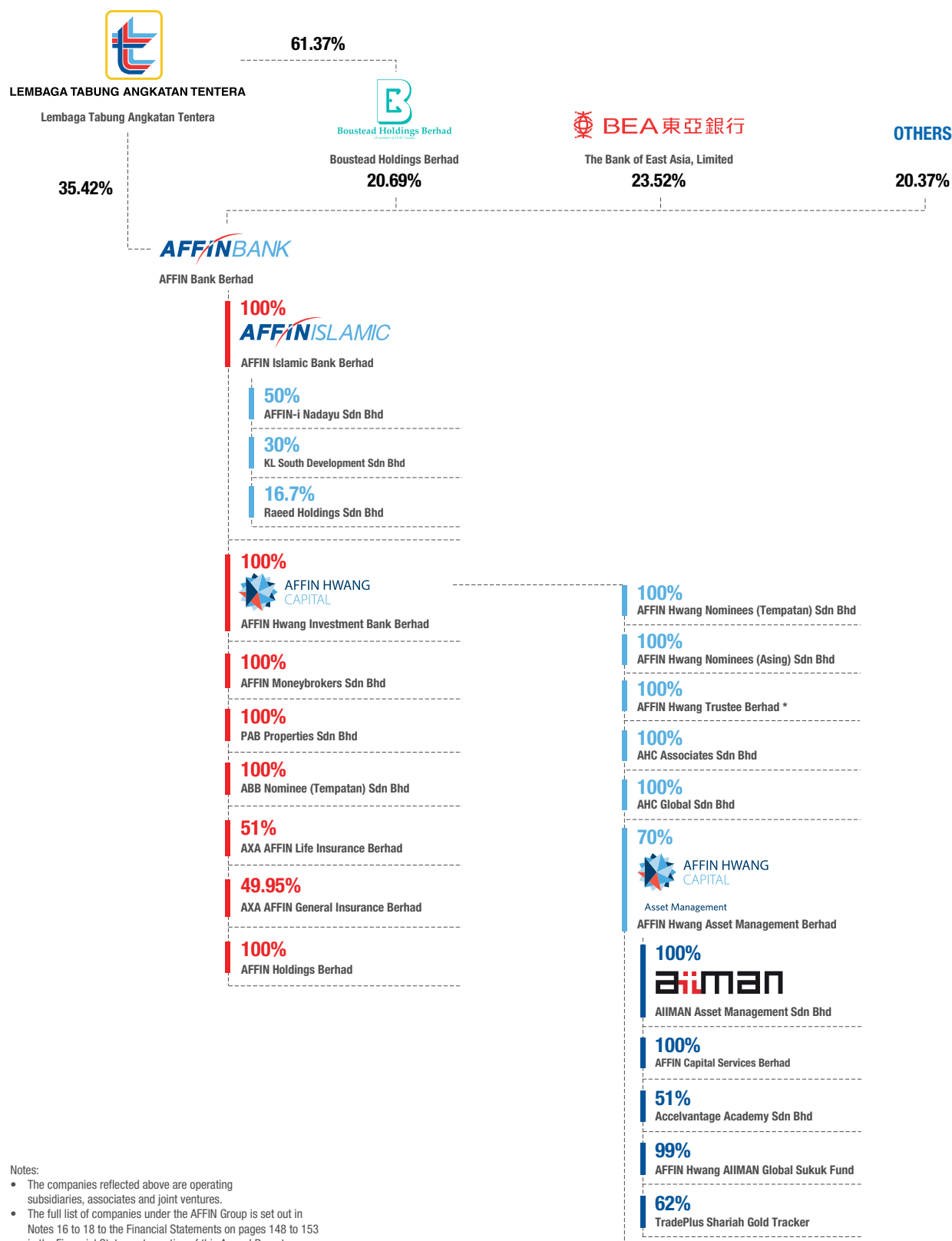
## STOCK EXCHANGE

Bursa Malaysia Securities Berhad  
Stock Code : 5185  
Stock Name : AFFIN  
Listed on Main Market of Bursa Malaysia  
Securities Berhad on 2 February 2018



# CORPORATE STRUCTURE

as at 22 March 2018



## Notes:

- The companies reflected above are operating subsidiaries, associates and joint ventures.
- The full list of companies under the AFFIN Group is set out in Notes 16 to 18 to the Financial Statements on pages 148 to 153 in the Financial Statements section of this Annual Report.

- \* Held by the following companies with direct shareholdings of 20% each
- AFFIN Hwang Investment Bank Berhad
  - AFFIN Hwang Nominees (Tempatan) Sdn Bhd
  - AFFIN Hwang Nominees (Asing) Sdn Bhd
  - AHC Associates Sdn Bhd
  - AHC Global Sdn Bhd

## BOARD OF DIRECTORS



YBHG. DATO' MOHD HATA BIN  
ROBANI

MR. TANG PENG WAH

Y.A.BHG. GENERAL DATO' SERI  
DIRAJA TAN SRI (DR.) MOHD ZAHIDI  
BIN HAJI ZAINUDDIN (RETIRED)

YBHG. TAN SRI MOHD GHAZALI BIN  
MOHD YUSOFF

## BOARD OF DIRECTORS



ENCIK ABD MALIK BIN A RAHMAN

ENCIK MOHD SUFFIAN BIN  
HAJI HARONYBHG. DATO' ABDUL AZIZ BIN  
ABU BAKAR

MR. IGNATIUS CHAN TZE CHING

## PROFILE OF DIRECTORS



### Y.A.BHG. GENERAL DATO' SERI DIRAJA TAN SRI (DR.) MOHD ZAHIDI BIN HAJI ZAINUDDIN (RETIRED)

Chairman/Non-Independent Non-Executive Director

|                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality/Age/<br/>Gender</b>                                      | Malaysian/69 years old/Male                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Date of Appointment</b>                                              | 22 June 2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Academic/<br/>Professional<br/>Qualification(s)</b>                  | <ul style="list-style-type: none"> <li>• Master of Science Degree (Defence and Strategic Studies) Quaid-I-Azam University, Islamabad, Pakistan</li> <li>• Senior Executive Programme, University of Harvard, USA</li> <li>• Command and General Staff College, Philippines</li> <li>• Joint Services Staff College, Australia</li> <li>• National Defence College, Pakistan</li> <li>• Honorary Doctorate in Management of Defence and Strategic Studies from Universiti Pertahanan Nasional Malaysia</li> </ul>                                                                               |
| <b>Past Working<br/>Experience</b>                                      | <ul style="list-style-type: none"> <li>• Served the Malaysian Armed Forces for 39 years, holding many key appointments at field and ministerial level</li> <li>• Chief of Defence Forces with the rank of General from 1 January 1999 until retirement on 30 April 2005</li> </ul>                                                                                                                                                                                                                                                                                                             |
| <b>Directorship of Other<br/>Public Companies</b>                       | <ul style="list-style-type: none"> <li>• Chairman of Affin Holdings Berhad</li> <li>• Chairman of Genting Plantations Berhad</li> <li>• Director of Genting Malaysia Berhad</li> <li>• Director of Bintulu Port Holdings Berhad</li> </ul>                                                                                                                                                                                                                                                                                                                                                     |
| <b>Other Appointments</b>                                               | <ul style="list-style-type: none"> <li>• 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"</li> <li>• Orang Kaya Bendahara Seri Maharaja Perak Darul Ridzuan by DYMM Paduka Seri Sultan Perak and with the consent of Dewan Negara Perak Darul Ridzuan</li> <li>• Member of Dewan Negara Perak by DYMM Paduka Seri Sultan Perak</li> <li>• Trustee of Yayasan Sultan Azlan Shah</li> <li>• Chancellor of Asia Metropolitan University (AMU)</li> </ul> |
| <b>Membership of<br/>Board Committees<br/>in AFFINBANK</b>              | Member of Board Nomination and Remuneration Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Attendance for the<br/>financial year ended<br/>31 December 2017</b> | All the 6 scheduled monthly Board Meetings and 3 Special Board Meetings held since his appointment as Chairman                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

\* Gen. Tan Sri Mohd Zahidi is a nominee of Lembaga Tabung Angkatan Tentera (LTAT), a major shareholder of AFFINBANK.



## PROFILE OF DIRECTORS



### ENCIK MOHD SUFFIAN BIN HAJI HARON

Non-Independent Non-Executive Director

|                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality/Age/<br/>Gender</b>                                      | Malaysian/72 years old/Male                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Date of Appointment</b>                                              | 15 August 2009                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Academic/<br/>Professional<br/>Qualification(s)</b>                  | <ul style="list-style-type: none"> <li>• Bachelor of Economics, University of Malaya</li> <li>• Master of Business Administration, University of Oregon, USA</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Past Working<br/>Experience</b>                                      | <ul style="list-style-type: none"> <li>• Managing Director of an Insurance Broking Company</li> <li>• Director of Far East Computers (India)</li> <li>• Director of Affin Discount Berhad</li> <li>• Director of Fraser's Hill Development Corporation</li> <li>• Director of the State Development Corporations of Perak, Pahang and Terengganu</li> <li>• Director of Bank Pembangunan Malaysia Berhad</li> <li>• Director of Kompleks Kewangan Malaysia Berhad</li> <li>• Director of HICOM</li> <li>• Council Member of Majlis Amanah Rakyat (MARA)</li> <li>• Diplomatic and Administrative Officer, attached to the Prime Minister's Department and the Ministry of Public Enterprises</li> <li>• Assistant to the Special Economic Adviser to the Government</li> <li>• Vast experience in general trading, power generation and transmission, aircraft maintenance as well as the oil and gas services sectors</li> </ul> |
| <b>Directorship of Other<br/>Public Companies</b>                       | <ul style="list-style-type: none"> <li>• Chairman of Affin Islamic Bank Berhad</li> <li>• Director of Pharmaniaga Berhad</li> <li>• Director of Lonpac Insurance Bhd</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Membership of<br/>Board Committees<br/>in AFFINBANK</b>              | <ul style="list-style-type: none"> <li>• Member of Board Nomination and Remuneration Committee</li> <li>• Member of Group Board Credit Review and Recovery Committee</li> <li>• Member of Board Oversight Transformation Committee</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Attendance for the<br/>financial year ended<br/>31 December 2017</b> | All the 11 scheduled monthly Board Meetings and 9 Special Board Meetings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

\* Encik Mohd Suffian is a nominee of LTAT, a major shareholder of AFFINBANK.

## PROFILE OF DIRECTORS



## YBHG. TAN SRI MOHD GHAZALI BIN MOHD YUSOFF

Independent Non-Executive Director

|                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality/Age/<br/>Gender</b>                                      | Malaysian/72 years old/Male                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Date of Appointment</b>                                              | 20 June 2014                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Academic/<br/>Professional<br/>Qualification(s)</b>                  | Degree of the Utter Bar from Middle Temple, Inns-of-Court, London                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Past Working<br/>Experience</b>                                      | <ul style="list-style-type: none"> <li>• Joined the Malaysian Judicial and Legal Service in 1974 as a Magistrate</li> <li>• Judge of the Federal Court, Court of Appeal and High Court</li> <li>• Solicitor General</li> <li>• Chief Registrar of the Supreme Court</li> <li>• State Legal Adviser of Pahang</li> <li>• Registrar of Companies</li> <li>• State Legal Adviser of Negeri Sembilan</li> <li>• Deputy Public Prosecutor</li> </ul> |
| <b>Directorship of Other<br/>Public Companies</b>                       | Director of AXA AFFIN Life Insurance Berhad                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Membership of<br/>Board Committees<br/>in AFFINBANK</b>              | <ul style="list-style-type: none"> <li>• Chairman of Group Board Credit Review and Recovery Committee</li> <li>• Member of Group Board Risk Management and Compliance Committee</li> </ul>                                                                                                                                                                                                                                                      |
| <b>Attendance for the<br/>financial year ended<br/>31 December 2017</b> | All the 11 scheduled monthly Board Meetings and 9 Special Board Meetings                                                                                                                                                                                                                                                                                                                                                                        |

## PROFILE OF DIRECTORS



### ENCIK ABD MALIK BIN A RAHMAN

Independent Non-Executive Director

|                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality/Age/<br/>Gender</b>                                      | Malaysian/69 years old/Male                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Date of Appointment</b>                                              | 3 March 2015                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Academic/<br/>Professional<br/>Qualification(s)</b>                  | <ul style="list-style-type: none"> <li>Chartered Accountant Member of the Malaysian Institute of Accountants</li> <li>Fellow of the Association of Chartered Certified Accountants (UK)</li> <li>Member of Malaysian Institute of Certified Public Accountants</li> <li>Member of Certified Financial Planners (USA)</li> <li>Member of Chartered Management Institute (UK)</li> <li>Member of Malaysian Institute of Management</li> </ul> |
| <b>Past Working<br/>Experience</b>                                      | <ul style="list-style-type: none"> <li>Various senior management positions in Peat Marwick Mitchell (currently known as KPMG), Esso Group of Companies, Colgate-Palmolive (M) Sdn Bhd, Amway (Malaysia) Sdn Bhd, Fima Metal Box Berhad and Guinness Anchor Berhad</li> <li>General Manager, Corporate Services of Kelang Multi Terminal Sdn Bhd (currently known as Westports Malaysia Sdn Bhd)</li> </ul>                                  |
| <b>Directorship of Other<br/>Public Companies</b>                       | <ul style="list-style-type: none"> <li>Director of AFFIN Holdings Berhad</li> <li>Director of AFFIN Hwang Investment Bank Berhad</li> <li>Director of AFFIN Hwang Asset Management Berhad</li> <li>Director of Boustead Heavy Industries Corporation Berhad</li> <li>Director of CYL Corporation Berhad</li> <li>Director of Lee Swee Kiat Group Berhad</li> <li>Director of Innity Corporation Berhad</li> </ul>                           |
| <b>Membership of<br/>Board Committees<br/>in AFFINBANK</b>              | <ul style="list-style-type: none"> <li>Chairman of Group Board Audit Committee</li> <li>Chairman of Board Oversight Transformation Committee</li> <li>Member of Board Nomination and Remuneration Committee</li> <li>Member of Group Board Risk Management and Compliance Committee</li> </ul>                                                                                                                                              |
| <b>Attendance for the<br/>financial year ended<br/>31 December 2017</b> | 11 scheduled monthly Board Meetings and 8 Special Board Meetings                                                                                                                                                                                                                                                                                                                                                                            |

## PROFILE OF DIRECTORS



## MR. TANG PENG WAH

Non-Independent Non-Executive Director

|                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality/Age/<br/>Gender</b>                                      | Singaporean/64 years old/Male                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Date of Appointment</b>                                              | 22 May 2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Academic/<br/>Professional<br/>Qualification(s)</b>                  | <ul style="list-style-type: none"> <li>• Associateship and Banking Diploma, the Chartered Institute of Bankers, London</li> <li>• Master of Business Administration, University of Hull, United Kingdom</li> </ul>                                                                                                                                                                                                                                                                                                        |
| <b>Working Experience</b>                                               | <p><b>Present:</b></p> <ul style="list-style-type: none"> <li>• Regional Chief Executive, Southeast Asia, The Bank of East Asia, Limited (BEA)</li> </ul> <p><b>Past:</b></p> <ul style="list-style-type: none"> <li>• Various positions in the operating department in BEA, Singapore</li> <li>• Head of Treasury, BEA, Singapore</li> <li>• General Manager, BEA, New York Branch</li> <li>• President of East Asia Holding Company, Inc.</li> <li>• President and Chief Executive Officer of BEA (USA) N.A.</li> </ul> |
| <b>Directorship of Other<br/>Public Companies</b>                       | NIL                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Membership of<br/>Board Committees<br/>in AFFINBANK</b>              | NIL                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Attendance for the<br/>financial year ended<br/>31 December 2017</b> | 7 scheduled monthly Board Meetings and 3 Special Board Meetings held since his appointment as Director                                                                                                                                                                                                                                                                                                                                                                                                                    |

\* Mr. Tang is a nominee of BEA, a major shareholder of AFFINBANK.



## PROFILE OF DIRECTORS



### YBHG. DATO' ABDUL AZIZ BIN ABU BAKAR

Independent Non-Executive Director

|                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality/Age/<br/>Gender</b>                                      | Malaysian/64 years old/Male                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Date of Appointment</b>                                              | 17 October 2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Academic/<br/>Professional<br/>Qualification(s)</b>                  | <ul style="list-style-type: none"> <li>• Bachelor of Economics (Honours), University of Malaya</li> <li>• Senior Management Development Programme (SMDP), Harvard Business School</li> <li>• Council Member at the Malaysian Employers Federation (MEF)</li> <li>• Member of the Resources Committee of Razak School of Government (RSOG)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Working Experience</b>                                               | <p><b>Present:</b></p> <ul style="list-style-type: none"> <li>• Director of the Institute of Corporate Directors of Malaysia (ICDM)</li> </ul> <p><b>Past:</b></p> <ul style="list-style-type: none"> <li>• Managing Director of INTRIA Berhad (currently known as UEM Builders)</li> <li>• Director of Costain Group PLC (UK)</li> <li>• Director of Rangkaian Segar Sdn Bhd</li> <li>• Director of FCW Holdings Berhad</li> <li>• Chief Human Capital Officer of Telekom Malaysia Berhad (TM)</li> <li>• Executive VP, Human Resources of RHB Bank Berhad</li> <li>• Various management positions including Internal &amp; IT Audit, Marketing Economics, Sales &amp; Distribution, Supply &amp; Planning and Human Resource (HR) in Shell Malaysia for 20 years</li> <li>• Shareholders' representative at Shell Group HQ, London overseeing Shell's business interest in Hong Kong and China</li> <li>• Senior positions across a number of industries including aviation, oil &amp; gas, construction, banking and telecommunication</li> </ul> |
| <b>Award(s)</b>                                                         | National HR Leader Award by the Ministry of Human Resources and Malaysian Institute of HR Management                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Directorship of Other<br/>Public Companies</b>                       | <ul style="list-style-type: none"> <li>• Director of ALKHAIR International Islamic Bank Malaysia Bhd (AKIIB)</li> <li>• Director of Merchant Trade Asia Bhd</li> <li>• Alternate Director of SOCSO</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Membership of<br/>Board Committees<br/>in AFFINBANK</b>              | <ul style="list-style-type: none"> <li>• Chairman of Board Nomination and Remuneration Committee</li> <li>• Member of Group Board Credit Review and Recovery Committee</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Attendance for the<br/>financial year ended<br/>31 December 2017</b> | All the 2 scheduled monthly Board Meetings and 1 Special Board Meeting held since his appointment as Director                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

## PROFILE OF DIRECTORS



## YBHG. DATO' MOHD HATA BIN ROBANI

Independent Non-Executive Director

|                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality/Age/<br/>Gender</b>                                      | Malaysian/65 years old/Male                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Date of Appointment</b>                                              | 17 October 2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Academic/<br/>Professional<br/>Qualification(s)</b>                  | <ul style="list-style-type: none"> <li>• Bachelor of Economics (Business Administration), University of Malaya</li> <li>• Management Development Programme, University of Harvard, USA</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Past Working<br/>Experience</b>                                      | <ul style="list-style-type: none"> <li>• Managing Director, Malaysian Electronic Payment System Sdn Bhd (MEPS)</li> <li>• Executive Director (representing Danamodal Nasional Berhad), BSNC Bank</li> <li>• Senior Assistant Manager of Bank Inspection Department, Bank Negara Malaysia (BNM)</li> <li>• Director of IT Department, BNM</li> <li>• Director of Banking Department, BNM</li> <li>• General Manager of the Financial Services Division, Amanah Capital Partners Group</li> <li>• Group Chief Operating Officer, Amanah Capital Partners Group</li> <li>• Director of Short Deposits Malaysia Berhad</li> <li>• Director of Asia Unit Trust Berhad</li> <li>• Director of Taisho Marine &amp; Fire Insurance (M) Berhad</li> <li>• Director of Seacorp Schroeder Asset Management Berhad</li> </ul> |
| <b>Directorship of Other<br/>Public Companies</b>                       | NIL                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Membership of<br/>Board Committees<br/>in AFFINBANK</b>              | <ul style="list-style-type: none"> <li>• Chairman of Group Board Risk Management and Compliance Committee</li> <li>• Member of Board Nomination and Remuneration Committee</li> <li>• Member of Group Board Audit Committee</li> <li>• Member of Board Oversight Transformation Committee</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Attendance for the<br/>financial year ended<br/>31 December 2017</b> | All the 2 scheduled monthly Board Meetings and 1 Special Board Meeting held since his appointment as Director                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

## PROFILE OF DIRECTORS



### MR. IGNATIUS CHAN TZE CHING

Non-Independent Non-Executive Director

|                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality/Age/<br/>Gender</b>                     | Chinese National/61 years old/Male                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Date of Appointment</b>                             | 1 December 2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Academic/<br/>Professional<br/>Qualification(s)</b> | <ul style="list-style-type: none"> <li>• Bachelor of Business Administration, University of Hawaii, USA</li> <li>• Master of Business Administration, University of Hawaii, USA</li> <li>• Certified Public Accountant, American Institute of Certified Public Accountants</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Working Experience</b>                              | <p><b>Present:</b></p> <ul style="list-style-type: none"> <li>• Senior Advisor at The Bank of East Asia, Limited and CVC Capital Partners</li> </ul> <p><b>Past:</b></p> <ul style="list-style-type: none"> <li>• Management Associate, Citibank, Hong Kong</li> <li>• Country Treasurer and Head of Sales and Trading, Citibank, Hong Kong</li> <li>• Head, Corporate Banking Business, Citibank, Hong Kong</li> <li>• Country Officer, Citibank, Hong Kong</li> <li>• Country Officer, Citibank, Taiwan</li> <li>• Chief Operating Officer, Citibank, Greater China</li> <li>• Head of Corporate and Investment Banking Business, Citibank, Greater China</li> <li>• Deputy Chief Executive, Bank of China (Hong Kong)</li> <li>• Vice President and Fellow, Hong Kong Institute of Bankers</li> <li>• Member of Banking Advisory Committee of the Hong Kong Monetary Authority</li> <li>• Member of HKSAR Small and Medium Size Enterprises Committee</li> <li>• Council member of Hong Kong Treasury Markets Association</li> <li>• Member of Hong Kong Open University Sponsorship and Development Fund Committee</li> <li>• Council member of Employer's Federation of Hong Kong</li> <li>• Director of Hong Kong Export Credit Insurance Corporation</li> <li>• Honorary Chairman of Hong Kong Chinese Bankers Club</li> <li>• Chairman of HKSAR Advisory Committee on Human Resources Development in the Financial Services Sector</li> <li>• Member of HKSAR Advisory Committee on Board Market Development</li> <li>• Chairman of Financial &amp; Treasury Services Committee, Hong Kong General Chamber of Commerce</li> <li>• Chairman of HKSAR Travel Industry Compensation Fund Management Board</li> <li>• Member of Greater Pearl River Delta Business Council (Convener of Services Industry Development &amp; Human Resources Sub-group)</li> <li>• Director of Larry Jewelry International Company Limited</li> </ul> |

## PROFILE OF DIRECTORS

|                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Directorship of Other Public Companies</b>                   | <ul style="list-style-type: none"> <li>• Director of Hong Kong Exchanges and Clearing Limited</li> <li>• Director of Mongolian Mining Corporation (MMC)</li> <li>• Director of Rizal Commercial Banking Corporation</li> <li>• Chairman of Prasac Microfinance Institution Limited (Cambodia) (PRASAC)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Other Appointments</b>                                       | <ul style="list-style-type: none"> <li>• Honorary Advisory Vice President, Hong Kong Institute of Bankers</li> <li>• Chairman of Hong Kong Polytechnic University Council</li> <li>• Member of The Hong Kong Community Chest Board (Chairman of Investment Sub-committee)</li> <li>• Member of Hong Kong Red Cross Council (Chairman of Audit Committee)</li> <li>• Member of Executive Committee of Investor Education Centre, Securities and Futures Commission</li> <li>• Member of Hong Kong Tourism Board</li> <li>• Member of Standing Commission on Civil Service Salaries and Conditions of Service (SCCS)</li> <li>• Member of Standing Committee on Judicial Salaries and Conditions of Service</li> </ul> |
| <b>Membership of Board Committees in AFFINBANK</b>              | <ul style="list-style-type: none"> <li>• Member of Group Board Risk Management and Compliance Committee</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Attendance for the financial year ended 31 December 2017</b> | 1 Special Board Meeting held since his appointment as Director                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

\* *Mr. Chan is a nominee of BEA, a major shareholder of AFFINBANK.*

Save as disclosed, none of the Director has:

- Any family relationship with any Director and/or major shareholders of AFFINBANK
- Any conflict of interest with AFFINBANK
- Any conviction for offences within the past 5 years
- Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2017

## GROUP MANAGEMENT



EN. KAMARUL ARIFFIN  
BIN MOHD JAMIL

Group Chief Executive Officer  
Affin Bank Berhad



EN. NAZLEE BIN KHALIFAH

Chief Executive Officer  
Affin Islamic Bank Berhad



YBHG. DATUK MAIMOONAH BINTI  
MOHAMED HUSSAIN

Group Managing Director  
AFFIN Hwang Investment  
Bank Berhad



MR. EMMANUEL JEAN  
LOUIS NIVET

Chief Executive Officer  
AXA AFFIN General Insurance  
Berhad



MR. ROHIT CHANDRASEKHARAN  
NAMBIAR

Chief Executive Officer  
AXA AFFIN Life Insurance Berhad



MR. CHANDRA NAIR

Chief Executive Officer  
Affin Moneybrokers Sdn Bhd



MR. TENG CHEE WAI

Managing Director & Executive  
Director  
AFFIN Hwang Asset Management  
Berhad



EN. AKMAL BIN HASSAN

Managing Director &  
Executive Director  
AIMAN Asset Management  
Sdn Bhd



## PROFILE OF GROUP MANAGEMENT



### EN. KAMARUL ARIFFIN BIN MOHD JAMIL

Group Chief Executive Officer  
Affin Bank Berhad

|                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality/<br/>Age/Gender</b>                                                      | Malaysian/49 years old/Male                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Date of<br/>Appointment</b>                                                          | 1 April 2015                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Academic/<br/>Professional<br/>Qualification(s)</b>                                  | <ul style="list-style-type: none"> <li>Bachelor of Arts in Economics, Cambridge University, England</li> <li>Chartered Banker, Asian Institute of Chartered Bankers</li> </ul>                                                                                                                                                                                                                                                                                                                   |
| <b>Past Working<br/>Experience</b>                                                      | <ul style="list-style-type: none"> <li>Prior to Affin Bank Berhad, Kamarul held various positions at Pengurusan Danaharta Nasional Berhad, Trenergy Malaysia Berhad and Shell Malaysia Trading Sdn Bhd in business development and strategic planning</li> <li>Joined Affin Bank Berhad in 2003 as Head, Corporate Strategy Division</li> <li>Appointed as Head, Islamic Banking Division in 2005</li> <li>Appointed as Chief Executive Officer for Affin Islamic Bank Berhad in 2006</li> </ul> |
| <b>Other<br/>Appointments</b>                                                           | <ul style="list-style-type: none"> <li>Director of IAP Integrated Sdn Bhd</li> <li>Director of Raeed Holdings Sdn Bhd</li> </ul>                                                                                                                                                                                                                                                                                                                                                                 |
| Note: En. Kamarul Ariffin has no interest in the share of the Bank and its subsidiaries |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |



### EN. NAZLEE BIN KHALIFAH

Chief Executive Officer  
Affin Islamic Bank Berhad

|                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality/<br/>Age/Gender</b>                     | Malaysian/50 years old/Male                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Date of<br/>Appointment</b>                         | 3 June 2015                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Academic/<br/>Professional<br/>Qualification(s)</b> | <ul style="list-style-type: none"> <li>Bachelor of Business Administration Degree, majoring in Accounting &amp; Finance, Simon Fraser University, Canada</li> </ul>                                                                                                                                                                                                                                                                                                |
| <b>Past Working<br/>Experience</b>                     | <ul style="list-style-type: none"> <li>Started his career in Banking industry with Maybank for 17 years in various capacity, focusing on Strategic Management</li> <li>Joined Affin Bank Berhad as Head, Business Strategy &amp; Support, Business Banking Division in February 2009</li> <li>Subsequently, in April 2011, Nazlee was appointed as Chief Corporate Strategist</li> </ul>                                                                           |
| <b>Other<br/>Appointments</b>                          | <ul style="list-style-type: none"> <li>Director of Islamic Banking and Finance Institute Malaysia (IBFIM)</li> <li>Alternate Director to Kamarul Ariffin Bin Mohd Jamil for IAP Integrated Sdn Bhd and Raeed Holdings Sdn Bhd</li> <li>Honorary Treasurer for The Association of Islamic Banking Institutions Malaysia (AIBIM)</li> <li>Appointed to the Charter Governing Panel of Chartered Institute of Islamic Finance Professionals (CIIF) in 2016</li> </ul> |

## PROFILE OF GROUP MANAGEMENT



### YBHG. DATUK MAIMOONAH BINTI MOHAMED HUSSAIN

Group Managing Director  
Affin Hwang Investment Bank Berhad

|                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality/<br/>Age/Gender</b>                     | Singaporean/59 years old/Female                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Date of<br/>Appointment</b>                         | 3 November 2014                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Academic/<br/>Professional<br/>Qualification(s)</b> | <ul style="list-style-type: none"> <li>Bachelor of Accountancy, University of Singapore</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Past Working<br/>Experience</b>                     | <ul style="list-style-type: none"> <li>Managing Director at Affin Investment Bank Berhad (now known as Affin Hwang Investment Bank Berhad) since 2007</li> <li>Director, Debt &amp; Capital Markets at Affin Bank Berhad</li> <li>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</li> <li>Attached to Morgan Grenfell (Asia) Ltd where she was involved in syndicated debt financing, structured debt financing and project finance advisory across South East Asian markets</li> </ul> |
| <b>Other<br/>Appointments</b>                          | <ul style="list-style-type: none"> <li>Director of Affin Hwang Asset Management Berhad</li> <li>Director of Affin Hwang Trustee Berhad (formerly known as ABB Trustee Berhad),</li> <li>Director of AIIMAN Asset Management Sdn Bhd,</li> <li>Director of AHC Associates Sdn Bhd (formerly known as Sole Delta Sdn Bhd)</li> <li>Director of AHC Global Sdn Bhd (formerly known as Classic Uptrend Sdn Bhd)</li> </ul>                                                                                                                                                                                                                                                                                                                               |



### MR. EMMANUEL JEAN LOUIS NIVET

Chief Executive Officer  
AXA AFFIN General Insurance Berhad

|                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality/<br/>Age/Gender</b>                     | French/59 years old/Male                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Date of<br/>Appointment</b>                         | 14 September 2012                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Academic/<br/>Professional<br/>Qualification(s)</b> | <ul style="list-style-type: none"> <li>Master of Economics, Normandie Business School</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Past Working<br/>Experience</b>                     | <ul style="list-style-type: none"> <li>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</li> <li>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</li> <li>His leadership and underwriting expertise has brought the Company from Number 8 in 2012 to number 4 in 2016 in the market place, delivering successfully in both Growth and Profit</li> </ul> |
| <b>Other<br/>Appointments</b>                          | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

## PROFILE OF GROUP MANAGEMENT



### MR. ROHIT CHANDRASEKHARAN NAMBIAR

Chief Executive Officer  
AXA AFFIN Life Insurance Berhad

|                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality/<br/>Age/Gender</b>                     | Indian/38 years old/Male                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Date of<br/>Appointment</b>                         | 15 December 2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Academic/<br/>Professional<br/>Qualification(s)</b> | <ul style="list-style-type: none"> <li>Post Graduate Programme in Entrepreneurship and Management</li> <li>Associate from the Insurance Institute of India</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Past Working<br/>Experience</b>                     | <ul style="list-style-type: none"> <li>Analyst with the Business Intelligence and Analytics team in India. He has experience working across various departments and roles within India, Singapore, Malaysia, Hong Kong and board member experience in Vietnam with Bao Minh Insurance (of which AXA is a minority shareholder)</li> <li>Led AXA Asia's successful customer experience transformation programme covering 17 entities. He also won the AXA Group Chairman's Award for 2015</li> <li>Chief Transformation &amp; Operations Officer at AXA Affin General Insurance from January 2016 and was in charge of Transformation, Operations, IT and Big Data</li> </ul> |
| <b>Other<br/>Appointments</b>                          | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |



### MR. CHANDRA NAIR

Chief Executive Officer  
Affin Moneybrokers Sdn Bhd

|                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality/<br/>Age/Gender</b>                     | Malaysian/64 years old/Male                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Date of<br/>Appointment</b>                         | 1 June 2004                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Academic/<br/>Professional<br/>Qualification(s)</b> | <ul style="list-style-type: none"> <li>Master in Business Administration (MBA), RMIT University Melbourne, Australia</li> </ul>                                                                                                                                                                                                                                                                                                                                                          |
| <b>Past Working<br/>Experience</b>                     | <ul style="list-style-type: none"> <li>Senior Manager /Head of Money Market Section in 1995</li> <li>Assistant General Manager in year 2000 to monitor and supervise the domestic money market activities</li> <li>In year 2003 he was appointed as General Manager/Head of Treasury</li> <li>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</li> </ul> |
| <b>Other<br/>Appointments</b>                          | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

## PROFILE OF GROUP MANAGEMENT



### MR. TENG CHEE WAI

Managing Director & Executive Director  
Affin Hwang Asset Management Berhad

|                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality/<br/>Age/Gender</b>                     | Malaysian/51 years old/Male                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Date of<br/>Appointment</b>                         | 22 September 2014                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Academic/<br/>Professional<br/>Qualification(s)</b> | <ul style="list-style-type: none"> <li>Bachelor of Science, National University of Singapore</li> <li>Post-Graduate Diploma in Actuarial Studies, City University, London</li> </ul>                                                                                                                                                                                                                                                                                                  |
| <b>Past Working<br/>Experience</b>                     | <ul style="list-style-type: none"> <li>Mr. Teng began his career in the financial industry as an Investment Manager with NTUC Income, Singapore</li> <li>He subsequently assumed the role of General Manager of Investments at Overseas Assurance Corporation and was responsible for the investment function of the Overseas Assurance Corporation Group</li> <li>Prior to his current position, he was the Chief Executive Officer of Hwang Investment Management Berhad</li> </ul> |
| <b>Other<br/>Appointments</b>                          | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |



### EN. AKMAL BIN HASSAN

Managing Director & Executive Director  
ALLMAN Asset Management Sdn Bhd

|                                                        |                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nationality/<br/>Age/Gender</b>                     | Malaysian/45 years old/Male                                                                                                                                                                                                                                                                                                           |
| <b>Date of<br/>Appointment</b>                         | 18 November 2010                                                                                                                                                                                                                                                                                                                      |
| <b>Academic/<br/>Professional<br/>Qualification(s)</b> | <ul style="list-style-type: none"> <li>Degree in Business Administration, Oklahoma State University, USA</li> <li>Master of Business Administration, University of the Sunshine Coast, Queensland, Australia</li> </ul>                                                                                                               |
| <b>Past Working<br/>Experience</b>                     | <ul style="list-style-type: none"> <li>Prior to his current appointment, Akmal was the Chief Investment Officer at a subsidiary of a local Islamic Bank</li> <li>He has more than 20 years' experience in the investment management industry primarily in portfolio management, investment research and marketing strategy</li> </ul> |
| <b>Other<br/>Appointments</b>                          | -                                                                                                                                                                                                                                                                                                                                     |

None of the Management has:

- Any family relationship with any Director and/or major shareholders of AFFINBANK
- Any conflict of interest with AFFINBANK
- Any conviction for offences within the past 5 years
- Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2017



## MANAGEMENT TEAM



PN. KHATIMAH  
BINTI MAHADI

MR. LIM KEE  
YEONG

YBHG. DATUK  
MAIMOONAH  
BINTI  
MOHAMED  
HUSSAIN

EN. ZULKANAIN  
BIN KASSIM

EN. KAMARUL  
ARIFFIN BIN  
MOHD JAMIL

PN.  
NORHAZLIZAWATI  
BINTI MOHD  
RAZALI

MR. TAN KOK  
TOON

MS. LEE YOKE  
KIOW

## MANAGEMENT TEAM



EN. FERDAUS  
TOH  
ABDULLAH

EN. IDRIS BIN  
ABD HAMID

PN. NOR  
ROZITA BINTI  
NORDIN

PN. NIMMA  
SAFIRA BINTI  
DATO' KHALID

EN. NAZLEE  
BIN KHALIFAH

EN.  
MOHAMMED  
NIZAR FAISAL

MR. WONG  
KOK LEONG

EN. ABU  
BAKAR BIN  
ABDUL  
RAHMAN

MR.  
RAMANATHAN  
RAJOO



## PROFILE OF MANAGEMENT TEAM

### Nationality

Malaysian

### Age

48



### EN. ZULKANAIN BIN KASSIM

Chief Operating Officer  
Male

En. Zulkanain Bin Kassim joined Affin Bank Berhad on 1 October 2016 as Chief Operating Officer. He is responsible for planning, organizing and controlling of all operational activities of the Bank, which includes IT Services, Banking Operations, and Loan Administration and Documentation. Prior to AFFINBANK, Zulkanain held the position as Group Managing Director of MEPS.

Zulkanain holds a Bachelor of Science (Hons) degree in Computer Science, Universiti Teknologi Malaysia, and recipient of the coveted Leadership Award – Individual by CEPI Asia in modernising Malaysia's payment infrastructure as well recipient of Transformation Corporate Leader Brand ICON Leadership Award 2015 by Asia Pacific Brands Foundation.

Zulkanain brings with him more than 26 years of experience in financial services industry, primarily in Information Technology, Banking Operations, Customer Solutions, and Payments from both focal and foreign banks.

### Nationality

Malaysian

### Age

55



### MR. RAMANATHAN RAJOO

Chief Financial Officer  
Male

Mr. Ramanathan Rajoo began his career in 1988 as an audit trainee with Coopers & Lybrand and rose to the position of Audit Senior before joining AFFINBANK in 1991 as an Executive in Finance Division. Rama was appointed as Chief Financial Officer of Affin Bank Group in 2014.

With an extensive experience of over 30 years ranging from auditing, financial accounting, financial management, capital management, regulatory reporting and recovery, Rama serves as a strategic Business Partner to the Chief Executive Officer and Senior Management to achieve the overall objective of the Bank. He currently chairs various committees within the Bank and participates as key member in some of the other committees.

He is a Fellow member of the CPA Australia and a member of the Malaysian Institute of Accountants. He holds a certified Credit Professional qualification from the Asian Institute of Chartered Bankers. He also holds a degree in Accounting from Universiti Kebangsaan Malaysia and a Master in Business Administration from Universiti Putra Malaysia.

## PROFILE OF MANAGEMENT TEAM

### Nationality

Malaysian

### Age

63



## EN. IDRIS BIN ABD HAMID

Director, Consumer Banking  
Male

En. Idris Bin Abd Hamid is the Director, Consumer Banking, a position he has held since May 2009.

Idris began his career with Malayan Finance Corporation (MFC) in 1978 and later pursued his career at Arab-Malaysian Finance Bhd for 10 years holding various positions and his last post was Head, Retail Banking.

Later in 1994, he joined AFFIN Finance Bhd as General Manager and subsequently as the Chief Executive Officer. He was the Deputy Chief Executive Officer of Affin-ACF Finance Berhad from 2000 to 2005.

Idris has over 30 years of experience in the banking industry covering both Corporate and Consumer banking business.

Idris graduated with a Master in Business Administration from the University of Northern Colorado in 1984 and a Bachelor of Science (Finance) degree from University of Southern Illinois in 1982.

### Nationality

Malaysian

### Age

56



## MR. TAN KOK TOON

Director, Group Treasury  
Male

Mr. Tan Kok Toon joined Affin Bank Berhad as Head of Treasury in October 2004 and is responsible for managing all aspects of Treasury. He is currently the Honorary Secretary of Financial Market Association Malaysia (Association Cambiste Internationale) and Chair to the Seminar and Education Committee.

Prior to AFFINBANK, Tan was with a leading bank in Malaysia. Tan has 30 years of banking experience, particularly in Treasury Operations. He has served as Treasury Manager with the New York Branch, and was the Treasury Business Advisor to turn around a business project in the Philippines.

Tan graduated from University of Malaya in 1987 with a Bachelor of Science (Hons) in Mathematics.

## PROFILE OF MANAGEMENT TEAM

**Nationality**

Malaysian

**Age**

47



### EN. MOHAMMED NIZAR FAISAL

Director, Corporate & Public Sector Business  
Male

En. Mohammed Nizar Faisal joined Affin Bank Berhad on 1 October 2016 as Director, Corporate & Public Sector Business. He is responsible for developing and implementing strategies to drive the growth of Corporate & Public Sector Business for Affin Bank Group, which include among others, to drive revenue and growth, deepen business relationship with all stakeholders involved, to implement strategies aligned to new products, clients and markets, to bring best practice tools to enhance the existing model, to ensure good corporate governance and practices and lastly to build a sustainable and cohesive wholesale proposition within Affin Bank Berhad.

Nizar holds a Bachelor of Arts (Hons) in Marketing from Middlesex University, United Kingdom. Nizar brings with him more than 19 years of experience in the financial services industry, primarily in Wholesale Banking and Public Sector Banking. The last 17 years of his career have been mainly in foreign banks in Malaysia under Client Coverage for both Public Sector and Large Local Corporate names operating in Malaysia. As part of the wholesale proposition, Nizar has been involved in various dealings related to Credit Policy, Corporate Banking, Debt Capital Markets, Capital Markets and Advisory, Project and ECA Financing, Islamic Banking and Business Banking.

**Nationality**

Malaysian

**Age**

48



### MR. LIM KEE YEONG

Director, SME & Commercial Business  
Male

Mr. Lim Kee Yeong joined Affin Bank Berhad on 1 September 2016 and is responsible for developing and implementing strategies to drive the growth of SME and Commercial Business for the Bank.

Lim brings with him more than 23 years of experience in banking and finance, primarily in Commercial & SME business at both local and foreign banks. Prior to joining AFFINBANK, he was the Vice-President of SME & Commercial Banking and a member of the Board of Directors of a Singapore-based Financial Holdings company, focusing on investments and financial services in the ASEAN region.

Lim also served as Senior Vice-President of SME Business at a local bank, where he was instrumental in the impressive growth of the Bank's SME Business, resulting in several local and regional awards.

Lim holds a Master of Business Administration and Bachelor of Business Administration, both from Wichita State University, Kansas, USA.

## PROFILE OF MANAGEMENT TEAM

**Nationality**

Malaysian

**Age**

56

**MR. WONG KOK LEONG**

Group Chief Risk Officer

Male

Mr. Wong Kok Leong 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 the 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. 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 and the Financial Services Institute of Australasia (FINSIA).

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

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

**Nationality**

Malaysian

**Age**

51

**PN. NORHAZLIZAWATI BINTI MOHD RAZALI**

Group Chief Credit Officer

Female

Puan Norhazlizawati Binti Mohd Razali joined Affin Bank Berhad as Group Chief Credit Officer, on 1 August 2015.

Norhazlizawati has more than 24 years of banking experience, primarily in credit risk management and business lending. She has been a member of senior management for many years, holding key positions in business, risk management and credit risk disciplines. Her areas of strength include Credit and Risk Management, Commercial, SME and Retail Lending, Relationship Management and Project Management.

Norhazlizawati holds a Bachelor of Arts (Hons) in Business Studies majoring in Accounting and Statistics from Leeds Metropolitan University, United Kingdom. She also holds a Certified Credit Professional (Business) qualification from the Asian Institute of Chartered Bankers.

## PROFILE OF MANAGEMENT TEAM

**Nationality**

Malaysian

**Age**

58



### PN. NOR ROZITA BINTI NORDIN

Chief Human Resource Officer  
Female

Pn. Nor Rozita Binti Nordin has more than 35 years' experience in Human Resource Development and Customer Relations Strategy, in both local conglomerates and multi-national corporations. She has acquired invaluable experience in diverse industries, comprising banking and finance, oil and gas, manufacturing, automotive retail, and global shared services, among others.

She has taken on strategic and operational roles, both locally and abroad. Rozita has been invited to speak at various forums, seminars and conferences, on people management and HR matters, both locally and abroad.

Rozita graduated from Southern Illinois University with a Master of Science in 1984, and a Bachelor of Science in Education and a Bachelor of Arts in Linguistics, both in 1982.

**Nationality**

Malaysian

**Age**

58



### MS. LEE YOKE KIOW

Chief Corporate Services Officer  
Female

Ms. Lee Yoke Kiow joined AFFIN Bank Berhad on 1 April 2018 as Chief Corporate Services Officer upon the completion of the AFFIN Group Reorganization. She is also the Executive Director of AFFIN Holdings Berhad.

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 36 years of experience in auditing, accounting, banking and finance.

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 in June 2015, she was the Head, Finance and Treasury of AFFIN-ACF Finance Berhad and also the Financial Controller of AFFIN-ACF Holdings Berhad from 2000 to 2005.



## PROFILE OF MANAGEMENT TEAM

**Nationality**

Malaysian

**Age**

60

**PN. KHATIMAH BINTI MAHADI**Group Chief Internal Auditor  
Female

Pn. Khatimah Binti Mahadi joined Affin Bank Berhad as Chief Internal Auditor in November 2004 and subsequently appointed as Group Chief Internal Auditor in April 2007. Prior to Affin Bank Group, she served Citibank Malaysia as Country Internal Audit Head & Compliance Director.

She has over 35 years of banking experiences particularly in the areas of Auditing, Compliance, Investigations, Project Management and Quality Assurance. She is a trainer in Compliance & Control areas. She is also a panel member of the Disciplinary Committee, Asian Institute of Chartered Bankers.

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

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

**Nationality**

Malaysian

**Age**

57

**EN. ABU BAKAR BIN  
ABDUL RAHMAN**Chief Compliance Officer  
Male

Encik Abu Bakar Bin Abdul Rahman joined Affin Bank Berhad on 3 September 2012 as Head of Banking Group with the Group Internal Audit responsible for strategizing, planning and executing audit activities for Affin Bank Berhad, Affin Islamic Bank Berhad and subsidiaries of Affin Bank Group.

He has over 35 years of experience in local and foreign financial institutions primarily in Internal Audit, Compliance, Risk Management and held various management roles in the areas.

In January 2017, he took a new role as the Bank's Chief Compliance Officer and has overall responsibility for coordinating the identification and management of compliance risk and ensuring compliance monitoring and testing are carried out consistently across the Bank.

Abu Bakar graduated from Universiti Kebangsaan Malaysia in 2000 with Bachelor in Business Administration and holds a certification in Islamic estate planning.

## PROFILE OF MANAGEMENT TEAM

### Nationality

Malaysian

### Age

48



### PN. NIMMA SAFIRA BINTI DATO' KHALID

Chief Legal Officer and Company Secretary

Female

Puan Nimma Safira Binti Dato' Khalid joined Affin Bank Berhad in January 2001 as Manager, Legal & Secretarial Division. She then assumed the role of Executive Assistant to the President/CEO for the period 2003 to 2005. She became the Company Secretary at Affin Bank Berhad in 2005 and later at AFFIN Holdings Berhad in 2011. Nimma was designated the Chief Legal Officer and Company Secretary of Affin Bank Berhad and Affin Islamic Bank Berhad (AFFIN Bank Group) on 1 January 2012.

Nimma graduated with Bachelor of Laws (Hons) in 1992 and Bachelor of Laws (Shariah) (Hons) in 1993; both from the International Islamic University, Malaysia. In 2017, Nimma attained her Professional Postgraduate Diploma in Governance, Risk and Compliance from the International Compliance Association (ICA), UK.

Nimma holds Certificate of Mediation by The Accord Group, Australia. She 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 Management has:

- Any family relationship with any Director and/or major shareholders of AFFINBANK except for Encik Mohammed Nizar Faisal who has a family relationship with a Director of AFFINBANK
- Any conflict of interest with AFFINBANK
- Any conviction for offences within the past 5 years
- Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2017

## MANAGEMENT DISCUSSION & ANALYSIS

As the dynamics of the economy and industry continue to evolve, it is important that we put in place the right strategies focused on efficiency, productivity and adaptability to thrive and differentiate ourselves. Our new corporate structure will enhance the Group synergy and drive us into the next phase of growth.



Event to commemorate the transfer of listing status from AFFIN Holdings Berhad to AFFIN Bank Berhad

### REORGANIZATION OF THE GROUP

In 2017, AFFIN Holdings Berhad (AHB) and AFFIN Bank Berhad (AFFINBANK) undertook a corporate exercise which entailed the transfer of AHB's entire equity interests in its subsidiaries, joint venture and associate to AFFINBANK and subsequently the transfer of the listing status from AHB to AFFINBANK.

The Reorganization was completed on 16 October 2017 and AFFINBANK became the new bank holding company to AFFIN Islamic Bank Berhad (AFFIN ISLAMIC), AFFIN Hwang Investment Bank Berhad, AFFIN Moneybrokers Sdn Bhd and AXA AFFIN Life Insurance Berhad (AXA AFFIN Life Insurance) while AXA AFFIN General Insurance Berhad (AXA AFFIN General Insurance) is an associate company to AFFINBANK.

AHB's listing status on the Main Market of Bursa Securities had been transferred to AFFINBANK as part of the group reorganization exercise, whereby AFFINBANK assumed its listing status via an exchange of AHB's shares with the shares in AFFINBANK on a one-to-one basis.

The transfer of listing status was completed on 2 February 2018, where AFFINBANK was admitted to the Official List of Bursa Malaysia Securities Berhad (Bursa Securities) in place of AHB. Concurrently, AHB and AHB's shares were withdrawn from the Official List of Bursa Securities.

Moving forward, AFFINBANK will spearhead the Group's future growth.

#### NET INCOME

**+17.8%**

2017 : RM1,560.5 MILLION

2016 : RM1,324.4 MILLION

#### NET LOANS, ADVANCES & OTHER FINANCING

**+7.0%**

2017 : RM45.7 BILLION

2016 : RM42.7 BILLION

#### DEPOSITS FROM CUSTOMERS

**+6.9%**

2017 : RM50.9 BILLION

2016 : RM47.6 BILLION

## MANAGEMENT DISCUSSION & ANALYSIS

### MARKET RISKS & OPPORTUNITIES REVIEW

For 2017 as a whole, Malaysia's gross domestic product (GDP) grew at a stronger rate of 5.9% as compared with 4.2% in 2016 reflected mainly in stronger exports and healthy domestic demand for the year. Growth in private consumption reached 7.0% yoy in 4Q17 (7.2% in 3Q17), supported by stable labour market conditions and healthy wage growth. However, when measured against the previous quarter, private consumption contracted by 2.2% qoq in 4Q17 (7.1% in 3Q17), which was also reflected in the services sector during the quarter, signalling some moderation in private consumption.

This translated into lacklustre domestic demand, easing loan growth, greater pressure on earnings and concerns over asset quality from the possible rise in impaired loans. However, in late 2017 going into 2018, the appreciation of Malaysian Ringgit against the US Dollar and the increase in export of manufactured goods are positive signs moving forward.

With the emergence of financial technology (Fintech), banking operations and traditional products as well as service offering in the market are evolving rapidly. Competition coming from non-financial institutions continue to emerge and influence customers' behavior.

As an era of digitalization takes shape, there is also the need to be vigilant against threats of non-financial risks such as cyber risk and technology risk. Banking institutions need to continuously improve systems and methodologies in minimizing security compromises such as security breaches, hacking and malware attacks. Additionally, sufficient processes and contingency plans must be in place to ensure that all parties involved are knowledgeable and to minimize impact of disruption to business in the event of system failure arising from such threats.

### OUR MITIGATING MEASURES

Risk Management is embedded across all business lines throughout the Group. The Bank operates within its predefined risk appetite, covering diverse customer segments, industries and products, which are in line with the Group's strategic objectives. In addition, risk management initiatives are intended to align with the strategic objectives under the AFFINITY Programme (AFFINITY).

In view of these emerging risks and current market challenges, the AFFIN Group embarked on a broad-based Risk Management Review initiative to design a risk management enhancement roadmap to support the future sustainability of the Group.

Understanding that mindpower and ethical conduct are key assets in this challenging time, the Group also took measure to empower staff to develop risk return based decision making skills and to align ethical core behavior through its collaboration with Asian Banking School (ABS) on Ethics, Risk and Compliance Culture Awareness programme. We are proud to be the first bank to partner with ABS on this customised training initiative.

We have also been proactive in the operationalization of Malaysian Financial Reporting Standards 9 (MFRS 9) compliance within the Group. In 2017, we began the implementation of MFRS 9 system, the development of MFRS 9 Stage Transfer Policy and the introduction of significant increase in credit risk (SICR) process to manage accounts with early warning signal. This was accompanied with the revision of all relevant credit policies.

The Bank's Risk Management Unit also fortified an improved funding structure to enhance the Bank's asset liability management in this competitive scenario. A bank-wide funding plan for 2017 was implemented and this supported the development of Budget 2018 by providing input on deposits, assets and capital growth premised on impending Basel III requirements for Net Stable Funding Ratio (NSFR) implementation by 2019. At the same time, we strengthened risk management framework and practices to ensure awareness and compliance of technical know-how for the implementation of Operational Risk Management Scenario Analysis.

All these initiatives were accompanied by comprehensive training on Operational Risk Management, Shariah Non-Compliance (SNC) Risk Management, Business Continuity Management and MFRS 9 implementation to ensure improved awareness and appreciation for Operational Risk Management, SNC Risk Management and Business Continuity Management throughout the Group.

AFFINBANK is now the bank holding company of AFFIN ISLAMIC, AFFIN Hwang Investment Bank Berhad, AFFIN Moneybrokers Sdn Bhd and AXA AFFIN Life Insurance Berhad whereas AXA AFFIN General Insurance Berhad is an associate company of AFFINBANK.



AFFINBANK and AFFIN ISLAMIC are now in the second phase of its AFFINITY initiatives to improve earnings and operating efficiencies.

## MANAGEMENT DISCUSSION & ANALYSIS

### 2017 GROUP OPERATIONAL REVIEW

AFFINBANK and AFFIN ISLAMIC have been focusing on the AFFINITY initiatives to improve earnings and operating efficiencies. The focus is on building digital banking capabilities with enhanced analytics for better customer engagement, expanding targeted growth segments, enhancing productivity through automation and emphasizing customer experience.

As part of our organizational renewal and rejuvenation strategy, the Bank had during the year carried out a voluntary separation scheme whereby a total of 327 staff were released. The total cost incurred was approximately RM46.5 million.

The Management had been and will continue to identify and recruit new talents to fill some of the critical areas. This building of workforce capacity is regarded as a crucial and necessary investment to ensure sustainability and competitiveness of the Group.

Profit before zakat and taxation decreased by 8.1% to RM554.1 million from RM602.8 million in 2016 due to higher overhead expenses and higher impairment allowance on loan/financing. On a positive note, net income rose 17.8% to RM1,560.5 million from RM1,324.4 million in 2016. The Bank continues to rebalance its book via booking in loans/financing with higher yields and at the same time exiting those with thin margin. In addition, the Bank will continue to grow its non-interest income through its investment banking, asset management and stockbroking business.

Earnings per share (EPS) for 2017 was 24.0 sen as compared to 27.5 sen the year before.

| Item                             | 2017 vs 2016                           | Growth (%) |
|----------------------------------|----------------------------------------|------------|
| Profit before Zakat and Taxation | RM554.1 million vs RM602.8 million     | ▼ 8.1%     |
| Net Income                       | RM1,560.5 million vs RM1,324.4 million | ▲ 17.8%    |
| Other Operating Income           | RM370.9 million vs RM219.5 million     | ▲ 69.0%    |
| Net Loans, Advances & Financing  | RM45.7 billion vs RM42.7 billion       | ▲ 7.0%     |
| Customer Deposits                | RM50.9 billion vs RM47.6 billion       | ▲ 6.9%     |

Gross financing and customer deposits registered a growth of 7.0% and 6.9% respectively, with Consumer Banking being the major contributor.

On the capital management front, the Group has established a RM6.0 billion Subordinated Medium Term Notes (MTNs) and/or Senior MTNs programme. The Group has also established a RM3.0 billion Additional Tier 1 Capital Securities programme. As at to-date the Bank has issued RM2.0 billion Subordinated MTNs.

As part of our strategies, AFFINITY was introduced in 2016 to improve processes and customer experience. As a result, a total of 32 new projects/initiatives were identified and as at 31 December 2017, 16 projects have been completed. Significant progress has since been made namely in terms of loan stock, net interest margin, capital, fee & interest income, turnaround time and customer experience initiatives.

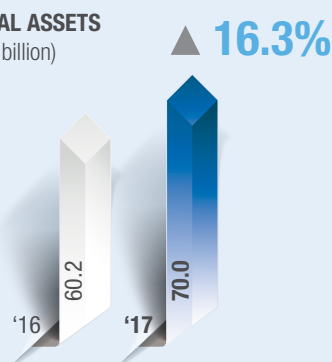
Separately, the Group's Priority Islamic Policy (PIP) has now grown to encompass 34.0% of the Group's total portfolio. PIP is the Group's strategic move to align with Bank Negara Malaysia's (BNM) 10-year Financial Sector Strategic Blueprint on the direction of financial through institutions to enhance its Islamic financing portfolio to 40.0% by the year 2020.

As part of the Group's digital strategy, we have been pro-actively building digital solutions to meet our aspiration of becoming a highly digital and innovative Bank with customer centricity at heart. In December 2017, we entered into a Memorandum of Understanding with Fullrich Malaysia Sdn Bhd, a local financial technology solutions provider to launch its e-wallet called TaPay. TaPay is a mobile application that allows users to store loyalty cards within it, thereby reducing the need of carrying cash, credit cards, membership/rewards programme cards and receipts. This adds on to the Group's plans of enhancing customer experience and building infrastructure capability through developing a comprehensive digital banking platform.

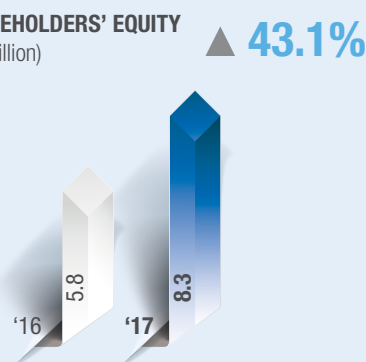
The Management has also enhanced Investor Relations through the following activities:

- Quarterly analysts' briefings
- Participated in three equity Non Deal Roadshow (KL, Singapore and Hong Kong)
- Monthly one-on-one meetings with fund managers/analysts
- Re-designed the Group's Investor Relations website
- Expanded the role of the Investor Relations Department
- Corporate member of Malaysia Investor Relations Association (MIRA)

#### TOTAL ASSETS (RM billion)



#### SHAREHOLDERS' EQUITY (RM billion)





## MANAGEMENT DISCUSSION & ANALYSIS



*AFFINBANK Group and Moody's Analytics won The Asian Banker's Liquidity Risk Technology Implementation of the Year award*

### AWARDS & RECOGNITIONS

In 2017, the Bank has received many international and domestic awards, including the prestigious Asian Banker's Liquidity Risk Technology Implementation of the Year, JomPAY National Biller Acquisition (Mid-sized Acquirers) Award and runner up for Best Cash Management Poll (Small) 2017.

Our subsidiaries have also received industry recognition. Affin Hwang Capital (AHC) was awarded the prestigious Best Securities House in Malaysia by Asiamoney, Euromoney's Best Asset Management House in Malaysia, Champion in the Best Overall Equities by Bursa Malaysia, Most Improved Brokerage in the Asiamoney's Brokers Poll 2017, The Edge's Best IPO and was recognised at the 11th Annual Alpha Southeast Asia Deal & Solution Awards 2017 for Bonds-Most innovative Wakalah deal in Southeast Asia 2017 and Equity-Best Mid-Cap Equity Deal in Southeast Asia 2017. At the IFR Asia Awards, AHC won the Islamic Issue of the Year 2017 Regional Awards. AHC was also awarded by Employer Branding Institute as one of the Top 50 Employers in the Malaysia Best Employer Brand Award 2017.

AXA AFFIN General Insurance made a mark as an employer of choice winning three awards at the Asia Recruitment Awards 2017: Gold – Best Recruitment Evaluation Technique, Silver – Best Diversity and Inclusion Strategy, Bronze – Best Use of Digital Media; the Asia's Best Employer Brand for 2017 at Asia's Best Employer Brand Awards – 8th Edition; and being named HR Asia's Best Companies to Work for in Asia 2017 Award by HR Asia.

AXA AFFIN General Insurance was also recognised as International General Insurer of the Year – Malaysia and won New Insurance Product of the Year – Malaysia at the Insurance Asia Awards 2017; and was named Claims Fraud Management Team of the Year 2017 at Claims Award Asia-Pacific.

### MOVING FORWARD

In view of evolving customer behaviour and increasing customer expectations, we have to constantly reinvent ourselves and become more agile. The reorganization of the Group is unleashing new opportunities for us to harness Group-wide synergy in meeting these expectations. By leveraging on the offerings



*AXA AFFIN General Insurance being named HR Asia's Best Companies to Work in Asia 2017 Award by HR Asia*

of our Commercial Banking, Islamic Banking, Investment banking, Stockbroking, Asset Management and Insurance businesses and catalysing cross-sell possibilities, we further build our capabilities as a one stop banking solutions provider.

At the same time, the Group will focus on enhancing brand visibility, meeting compliance requirements and improving asset quality. In addition, efforts will be made to accelerate and deepen strategic engagements with the industry on the adoption of BNM's Value-Based Intermediation through Corporate Value-intent (CVI) approach; and to improve fee-based income generation for a more sustainable and competitive profitability level.

2018 will thus be a momentous period for the Group as we continue our growth trajectory with AFFINITY, completion of the Group's reorganization and the launch our Digital Solutions.

## MANAGEMENT DISCUSSION & ANALYSIS

Consumer Banking managed to achieve a healthy loan and deposit growth in 2017. Loan grew 10.8% anchored by Mortgage Business which continues to be the main driver. In line with gradual shift towards Islamic products, 92.2% of the mortgage applications in 2017 was Islamic as compared to 81.6% in 2016. Our deposits grew 11.3% as a result of the realignment of branch focus to deposits. We also saw the return of our successful OMG deposits campaign, which we named “OMG Bigger than Ever”.

### CONSUMER BANKING

On the digital front, affinonline.com users increased by 31.3% whilst financial transactions have increased by 51.7%. We have forged an exclusive partnership with Berjaya Group - B Infinite Loyalty Card to create an e-commerce platform to enable online payment services that facilitate online merchants or online store in Malaysia to process online transactions securely using AFFINBANK debit and credit cards. Notwithstanding the increase of online transactions, we continue to intensify our efforts to promote more e-payments which are in line with Bank Negara Malaysia (BNM) aspiration. We are also not letting our guard down in terms of cyber security. It is paramount that customers feel secured and have peace of mind when they transact through us. As such, we are implementing Fraud Management System to prevent online banking fraud and Anti-Phishing Services for protection against brand and social media abuse. To serve our customers better, we have also revamped our Contact Centre to be more customer-centric whereby we have moved from 5-day operations to 7-day operations beginning November 4, 2017.



Grand Winners of 'OMG Bigger than Ever' campaign



## MANAGEMENT DISCUSSION & ANALYSIS

### Mortgage Business

Property prices have been trending upwards since 2010 and they are outpacing the rise of income levels, making affordability an issue to many in major towns and cities. The cooling measures to address the high level of consumer debts and higher cost of living have affected the property market with sales volume continued to decline. Despite such challenges, the Bank's Mortgage Business chalked an impressive growth by focusing on the right segments and revamping its processes which include enhancing its approval process with straight through processing that resulted in faster turnaround time. As a result, loan base grew 21.9% and loan stock increased 28.0% compared to 2016. We are expecting another tough year in 2018 where housing affordability is still the key issue. Our focus remains on targeting the right segment – affordable residential property with prices ranging from RM300,000 to RM700,000 and continuously seek ways to improve our processes.

### Hire Purchase

The Total Industry Volume (TIV) for the new car market in 2017 was 576,635 which is 0.6% lower when compared to 2016 TIV of 580,085. This is the second year in a row that the TIV is below 600,000 despite aggressive promotional campaigns by dealers and introduction of new models. Higher cost of living which impacted the consumer wallet continued to prevail in 2017. Despite this, the Bank's Hire

Purchase managed a modest growth of 3.7% and remained vigilant on asset quality in the light of the MFRS9 implementation in 2018. Moving forward, asset preservation remains a priority and we continue to cross sell relevant products to improve customer share of wallet and stickiness.

### Amanah Saham Nasional Berhad (ASNB)

ASNB had another good year, achieving an impressive 65.0% growth. Our success in growing Amanah Saham Berhad loans has spurred us to intensify our engagement with PNB to get a bigger quota to sell. ASNB is an area which we want to grow in a big way because it is secured lending with decent yield. We plan to offer Islamic Financing for ASNB unit trusts and this will open up another big segment for us to market.

### Cards Business

Cards Business achieved double digit growth of 22.3% compared to 8.7% in 2016. The growth is fueled by aggressive cards acquisition by branches and Cards Sales teams that saw a 229.3% spike in applications whilst the number of approved cards grew 212.6%. The growth was also supported with the introduction of various promotional campaigns and AFFIN Rewards. AFFIN Rewards is a loyalty programme that rewards our customers with points which they can exchange for electrical appliance, household items and shopping vouchers. We have also launched AFFIN

Islamic Credit Card-i in December 2017 which is an alternative of product offering to our customers and at the same time allow us to tap on a growing market segment.

Cards Business was involved in a massive migration exercise to CHIP and PIN 2016 which involved 45,853 number of cards and we had successfully completed it within the deadline set by BNM. In June 2017, we launched the AFFINBANK and AFFIN ISLAMIC Visa Debit card, a multifunctional card which combines the features and benefits of an ATM and a debit card where customers can enjoy the convenience of using a single card for cash withdrawals and cashless transactions at all retailers that accept Visa, both locally and abroad. In conjunction with the launch, we collaborated with Jakel Trading to offer exclusive promotions to cardholders.

In keeping with the evolving consumer demands and market trend, Cards Business is exploring new boundaries such as QR codes for payment, launching credit cards for business purposes as well as pushing for more market share of frequent travelers to Asian countries such as China, Taiwan, Hong Kong and Japan with UnionPay this year.

### Wealth Management

In 2017, we laid down the foundation for personalized banking offerings which helped to grow our Asset under Management (AUM) from RM142.4 million to RM244.4 million. We are continuously enhancing our financial planning advisory competence as we increased the number of product and service offerings to our valued customers. We are looking towards offering more quality products in 2018 such as gold investment and trustee services with the aspiration of being a one-stop financial centre for our customers.



AFFINBANK and AFFIN ISLAMIC launched its very own Visa Debit Card, a multifunctional card which combines the features and benefits of ATM and a debit card

## MANAGEMENT DISCUSSION &amp; ANALYSIS

In 2017, Corporate and Public Sector Business' profit contributed to about 44.0% of the overall commercial banking segment profit. Total income grew by 14.8% compared to prior year.



AFFIN ISLAMIC provides Senior Financing Credit Facilities of up to RM339.0 million for Large Scale Solar Photovoltaic Plant of 50MWac to TNB Sepang Solar Sdn Bhd

#### CORPORATE & PUBLIC SECTOR BUSINESS (CPSB)

CPSB Division focuses on building strong customer relationships and offers wholesale banking solutions including lending, trade finance, cash management, deposits and a platform for a national network presence to support our clients domestically.

We continually seek to commit excellence and take pride in being the trusted advisor to our Corporate Clients. We believe that through quality engagement with our clients and having the ability to market and cross-sell a wide range of products and services within the Group, we could better serve our clients.

The birth of CPSB was formulated on a focused client coverage model. Since then, the Division had undergone few key transformations which are in line with AFFINITY. Specific to CPSB, the AFFINITY focuses on improving the coverage model, risk-based pricing, cross-sell opportunities, new product development, talent grooming, cultivation of risk cultures and virtues and enhancing digital banking capabilities and credit management tools.

CPSB continued to be the key contributor to AFFINBANK's and AFFIN ISLAMIC's income generation with profit contribution of about 44.0% of the commercial banking segment. The total income in 2017 grew by 14.8% underpinned by a significant increase of 64.6% in our fee based income. Our current portfolio performance begins to reflect the better risk based pricing and reduction in exposure towards sector concentration and high risk industries.

#### LOANS AND FINANCING

CPSB's total loans and financing accounted for 41.9% of the commercial banking segment. As at end-2017, the total loans and financing contracted slightly by 2.3% as compared to a year ago as a result of conscious portfolio realignment to seek out more resilient sustainable relationships.

In line with conservative approach on credit and discipline on impairments, CPSB's impairment ratio stood at 2.9% as at end-2017 (2016: 1.9%). We, however, expect that the impairment trend will reduce moving forward. With current enhancement made on credit tools and constant upskilling of our Relationship Managers and Credit Analysts, we foresee even better credit control process being put in place.

#### TRADE BUSINESS

In 2017, CPSB managed to build a relatively large network of branches (107 nationwide) to support and facilitate payments and collections. With our new own Digital Stamp Franking Machine, we are currently able to perform same day delivery of our trade processing for Bank Guarantee applications. Moving forward, we are continuously developing more relevant supply chain solutions and driving more automation in processes so that we are able to offer better quality and more efficient services to our customers.



#### 1st place

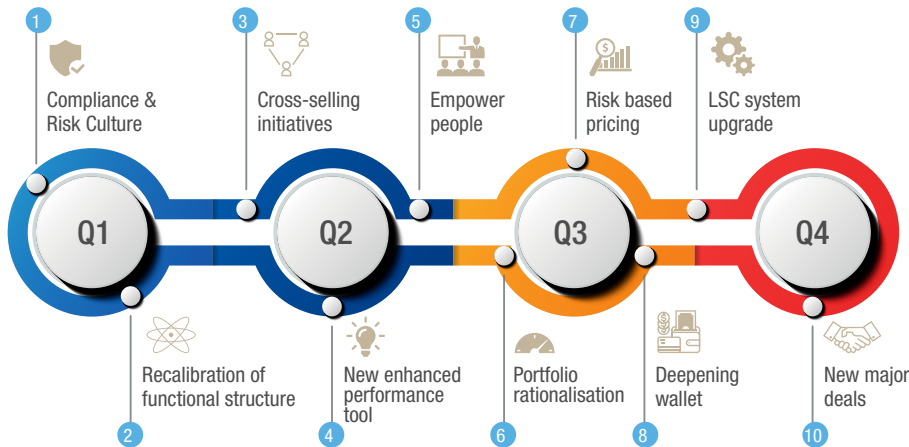
for **JomPAY National Biller Acquisition** under Mid-Sized Acquirers category for 2016. Malaysia E-Payment Excellence Award 2017 by MyClear.

#### 1st runner-up

for **Best Local Cash Management** as voted by small-sized Corporates for 2016 in Malaysia, an Award by Asiamoney, a division of Euromoney Trading Limited.

## MANAGEMENT DISCUSSION & ANALYSIS

### 2017 KEY INITIATIVES



A branch manager receiving a certificate from the Director of CPSB during a Corporate Banking Internet (CIB) Open Day organized to raise awareness on CIB

### CASH MANAGEMENT

CPSB's deposits position grew tremendously by 11.6% due to continuous marketing efforts from the Division. In addition, the new product introduced in 2017, Inter Bank Funds Transfer (IBFT), has also contributed to the growth. IBFT allows our corporate customers to initiate an instant transfer and crediting to the beneficiaries on real-time basis. We take pride in being one of the two banks in Malaysia that have the capability to offer this product to our clients. For our Corporate Internet Banking services, the application processing time takes around five business days to complete.

In 2018, we target to further grow our deposits by 16.5% from 2017 position in order to prepare the Group in meeting the Bank Negara Malaysia's Liquidity requirements. A new Cash Management platform is currently being upgraded to the full-suite of Cash Management solutions covering Payables, Receivables and Liquidity Management. It will also be able to offer OnlineTrade Finance submission together with Treasury services such as the booking of contract rates online.

### MOVING FORWARD

With the successful completion of the group reorganization exercise in February 2018, where AFFINBANK assumed the listing status in place of AHB, we expect CPSB to move one step closer in becoming a Wholesale Bank. The Group's reorganization allows us to operate as a Group, sharing common goals and harnessing the full synergies. We will continue to expand our businesses and become a key strategic partner to our clients, offer new products and services, cross-sell within the Group and grow a sustainable risk based return portfolio.

### MAJOR DEALS



**KV ASIA CAPITAL**  
Syndicated Term Facilities of up to RM125.0 million  
Joint Lender  
January 2018



**DANUM SINAR SDN BHD**  
Financing Facilities of up to RM290.0 million  
Sole Financier  
November 2017



**SUMBER WANG (L) LTD**  
**SUMBER RIBU SDN BHD**  
Syndicated Facilities of up to USD550.0 million  
Mandated Lead Arranger, Participating Bank  
November 2017



**STRAITSCAPE SDN BHD**  
Financing Facilities of up to RM189.0 million  
Sole Financier  
November 2017



**AIRASIA X BERHAD**  
Trade Facilities of up to RM100.0 million  
Financier  
August 2017



**PLB GREEN SOLAR SDN BHD**  
Financing Facilities of up to RM91.0 million  
Large Scale Solar Photovoltaic Plant of 20MWac  
Solar Financier  
November 2017



**TNB SEPANG SOLAR SDN BHD**  
Senior Financing Credit Facilities RM339.0 million  
Large Scale Solar Photovoltaic Plant of 50MWac  
Sole Financier and Administrative Agent  
July 2017

**EFINITE STRUCTURE SDN BHD**  
(Subsidiary of Johor Corporation)  
Syndicated Term Facilities of up to RM325.0 million  
Principal Adviser, Lead Arranger, Lead Manager, Facility Agent  
July 2017



**AFFIN BANK BERHAD**  
MTN Programme of RM6.0 billion for the issuance of Senior MTN and/or Subordinated MTN  
Joint Principal Adviser/Joint Lead Arranger & Joint Lead Manager/Joint Bookrunner  
February 2017



**SYMPHONY LIFE BERHAD**  
Financing Facilities of up to RM105.0 million  
Coordinator  
January 2017



## MANAGEMENT DISCUSSION & ANALYSIS

**SME & Commercial Business commenced its first operational day formally in January 2017 after an internal reorganization of the Bank's Business Banking. The year 2017 was indeed a period of transition into the new business model with resources, manpower and efforts invested to strengthen its foundation. For the year under review, initiatives were executed primarily to stabilise the existing base; build new footprints and expand coverage; revise propositions and enhance speed-to-market; and to introduce new or enhance existing solutions.**

### SME & COMMERCIAL BUSINESS (SMECB)

In 2017, Small and Medium Enterprises (SMEs) in Malaysia continued to expand in tandem with the strong performance of the economy. In the Bank's effort towards supporting Malaysian SMEs, strengthening the foundation was the key in 2017. Emphasis was put into firming up the infrastructure, people and process.

From a coverage perspective, the year started with 16 business centres and increased to 21 nationwide. The business centres opened in 2017 were Bandar Bukit Tinggi, Batu Pahat, Central, Kinrara and Kajang. We have also added five Alternate Channels sales offices nationwide for the purpose of serving specific segments/products.

On business segment and diversifying our portfolio, we aligned our focus per the national growth and share of economy. Manufacturing, wholesale & retail trade and healthcare were among them in 2017.



*AFFINBANK was the official bank for the Langkawi International Maritime and Aerospace Exhibition (LIMA) 2017*

## MANAGEMENT DISCUSSION & ANALYSIS

One of the segments that is of keen interest to the Bank is “start-up”. The Bank sees extended opportunities within this category and has set-up a dedicated team to serve this segment. This team has started to set-up kiosks in Companies Commission of Malaysia offices to facilitate the opening of new Current Accounts, providing them with an avenue for its first business current account and online banking access. More products will be added and propositions will be enhanced over time.

To further increase our visibility in the SME segment, we have participated in multiple national level financial functions and roadshows as well as sponsorship for two major SME events. The sponsored events were SME100 Awards organized by SME Magazine and Platinum Business Award 2017 by SME Association of Malaysia.

Along with our AFFINITY and continuous business building activities, various short and long term initiatives were completed or initiated during the year. These initiatives have resulted in the following positive changes:-

1. Notable increase in sales productivity by more than 50.0% with rollout of multiple campaigns and enhancements of proposition;
2. Re-introduction of several existing core products;
3. Doubling of bancassurance production against 2016;
4. Over 100 new talents joined the Bank to support expansion;
5. Skillset development with new credit and product trainings all year long;
6. Enhancement of overall governance approach and asset quality indicators; and
7. Centralization, elimination and automation of several core processes to improve overall front and back-office efficiency.



*AFFINBANK Group participated in the third series of Karnival Kewangan 2017, organized by Bank Negara Malaysia, held at CityONE Exhibition Centre in Kuching, Sarawak*

In summary, these initiatives have resulted in a healthy loan and deposit growth of over 6.4% and 13.4%, respectively, as well as NIM improvement for the division and a good foundation for its 2018 business plan.

Efforts will continue in 2018 and beyond to build a sustainable segmental franchise for the Bank. We foresee that regulation and compliance will get more challenging and complex. To address this ever-changing regulatory environment, a robust framework of “3 lines of defense” to support the business growth without compromising the need to stay in compliance will be adopted.

The division will stand guided by the following in execution of our 2018 plan:-

1. Maintain a balanced growth approach to asset and liability;
2. Continue to expand footprint, coverage and visibility;

3. Enhance risk-based/informed pricing approach;
4. Strengthen overall compliance & credit culture; and
5. Deploy practical digital and automated solutions.

Barring unforeseen circumstances, we see a generally positive year in 2018 in terms of business and economic momentum. Necessary resources will be made available to build a strong SME franchise riding on the fact that SMEs are in fact the backbone of the Malaysian economy, serving as crucial drivers towards employment and economic growth.

## MANAGEMENT DISCUSSION & ANALYSIS

The Treasury Division will continue to complement the Bank's role to consistently deliver reliable and quality financial services and solutions not only to meet but exceed our customer's requirements and expectations. This is also in line with Pillar One of AFFINITY where we aspire to create greater customer experience while servicing our clients.



### TREASURY

The ever-changing demands of compliance environment made Treasury Division's roles in managing the Bank's Foreign Exchange (FX) and liquidity risk management more challenging while we serve the needs of our customers in products and advisory services.

The intense competition in both Treasury FX and money market products had resulted in the erosion of margin which posed as one of the major challenges in FY 2017. Few major events that happened in FY 2017, namely Federal Reserve Bank raising interest rates, continued development in BREXIT, geopolitical tension, added much volatility to the financial markets. The strong growth stories of emerging markets has seen the regional currencies gaining strong footing with MYR appreciating by almost 10.0% against the greenback.

The enhancement of foreign exchange administrative rules introduced in December 2016 had a spill over effect on our FX profitability in early part of 2017. However, with proper planning and by adopting the right

strategies via enhanced advisory services provided to our clients, we were able to put our business model back on track. Despite the challenging and highly competitive operating environment, we were able to contain our funding cost and at the same time improved our asset yields.

It was with the abovementioned strategies that we were able to continue delivering approximately 25.0% of the Bank's profit.

We expect greater uncertainty and volatility in FY 2018 due to Federal Reserve Bank's intention to continue raising rates and to reduce their balance sheet while the strong growth stories of emerging economies may see more central banks in this region raising their benchmark rates. Likewise, the ever changing regulatory landscape is yet another ongoing major challenge to our businesses.

In view of the above mentioned backdrop, Treasury Division will have to take a careful view base on available data and information to position ourselves in seizing any upcoming potential opportunities.



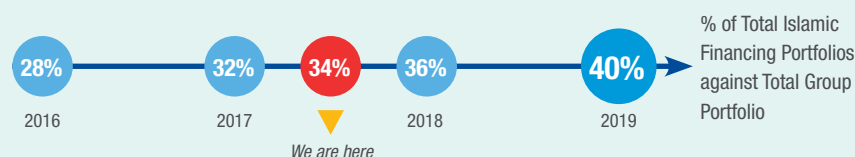
## MANAGEMENT DISCUSSION & ANALYSIS

### AFFIN ISLAMIC

As of 31 December 2017, the Bank's Priority Islamic Policy (PIP) surpassed targets to hit 34.0%. AFFIN ISLAMIC deposit portfolio continued to grow by 35.2% despite intense competition for deposits during the year. This was a result of various collaborations with our parent company, AFFINBANK. As part of the group restructuring, AFFIN ISLAMIC also aligned processes to meet heightened compliance and liquidity requirements and kept the spotlight on increasing asset quality while building greater brand visibility.

### KEY ACHIEVEMENTS IN 2017

| Item                             | 2017 vs 2016                       | Growth (%) |
|----------------------------------|------------------------------------|------------|
| Profit before Zakat and Taxation | RM121.0 million vs RM146.3 million | ▼ 17.3%    |
| Total Income                     | RM339.1 million vs RM275.4 million | ▲ 23.1%    |
| Non Financing Income             | RM53.8 million vs RM46.3 million   | ▲ 16.2%    |
| Gross Financing                  | RM15.5 billion vs RM12.0 billion   | ▲ 29.2%    |
| Customer Deposits                | RM14.2 billion vs RM10.5 billion   | ▲ 35.2%    |



Amidst an increasingly competitive marketplace and tighter margins, AFFIN ISLAMIC continued focusing on AFFINITY initiatives to improve earnings and operating efficiencies by offering more innovative products and services in order to enhance customer experience.

The implementation of the PIP ensured that AFFIN ISLAMIC garnered group-wide support to further tap into the faster growing segment of banking industry. As at 31 December 2017, the Bank has exceeded the target in 2017 by 2.0% to 34.0% with the Group's total gross/financing standing at RM46.1 billion.

In June 2017, the AFFIN ISLAMIC Visa Debit Card was also launched to replace the existing MyDebit card. This leverages on the latest payment technology with the provision of easy and secured access to customer's deposit accounts for the purpose of withdrawing cash at ATMs or carrying out transactions at participating retail and services outlets via VISA or MEPS network. The Bank also introduced its first point-based loyalty programme, AFFIN Rewards in which customers earned three points for

every RM10 purchased with their AFFINBANK or AFFIN ISLAMIC Debit Card. Through the points collected, customers could redeem various attractive items online from the Bank's website.

More recently, in the first quarter of 2017, the "SHOP, DINE & WIN" Campaign encouraged AFFIN ISLAMIC Debit Card members to perform retail transactions of any amount within the programme period to qualify for a prize worth more than RM73,000 and 3 million AFFIN Rewards points.

These campaigns directly and indirectly focused on attracting low cost deposits current and saving accounts (CASA) to further strengthen the Bank's liquidity and funding profile. On the back of 29.0% financing and 34.9% deposit growth respectively, AFFIN ISLAMIC ended the year with total assets of RM20.0 billion, an expansion by RM4.7 billion from RM15.3 billion the previous financial year.

Though total income grew by 23.1% to record RM339.1 million compared to RM275.4 million in 2016, AFFIN ISLAMIC registered a 17.3% drop in profit before zakat and taxation (PBZT) to RM121.0 million in 2017.



As an Islamic Bank, AFFIN ISLAMIC also steadfastly initiated community engagement activities by participation in social finance through zakat/waqf and sadaqah.

AFFIN ISLAMIC's priorities in 2018 will continue to be in line with the group's AFFINITY initiatives that promote profitable growth and operating efficiencies. The Bank is aiming to enhance its Islamic financing portfolio to 40.0% by the year 2020 as per BNM's 10-year Financial Sector Blueprint.

Our target segment remains on SME & Commercial and Corporate & Public Sector. The Bank will continue to develop innovative product suites and strategic solutions in order to build stronger client relationship with these segments. While for Consumer business, our strategic initiatives will be towards enhancing customer experience, building infrastructure capability through digital banking platform and the development of digital banking capabilities with enhanced analytics for better customer engagement.

### AFFIN HWANG CAPITAL (AHC)

AHC provides capital markets advisory and execution services in investment banking, institutional and retail securities, and asset management to mid- to large-cap corporations, Government Linked Companies (GLCs) and wealth creators. It is made up of two core entities, Affin Hwang Investment Bank Berhad (investment banking and securities) and Affin Hwang Asset Management Berhad (asset management).

## MANAGEMENT DISCUSSION &amp; ANALYSIS



In 2014, AHC brought together two leading and long-established Malaysian firms – Affin Investment Bank and HwangDBS Investment Bank, and set out to become the leading independent bank-backed investment bank in Malaysia. The merger had provided the scale and platform to transform AHC's business and harness the synergies within the group.

AHC has three principal business areas: Investment Banking, Securities and Asset Management.

It is now amongst the largest brokerages and asset managers in Malaysia, and its Investment Banking advisory business is gaining significant market recognition.

#### KEY ACHIEVEMENTS IN 2017

In 2017, AHC was awarded the prestigious Best Securities House in Malaysia by Asiamoney. It accorded international recognition for AHC's overall achievements in the Capital Markets space, and highlighted smart origination bankers, market beating coverage, reliable research and the ability to execute in difficult markets as some of its key strengths.



AFFIN Hwang Capital was awarded the prestigious Best Securities House in Malaysia by Asiamoney

#### 2017 Market rankings:

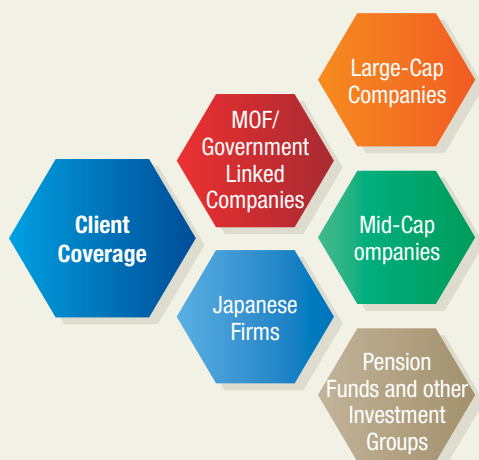
- No. 1 domestic broker, both in terms of value (11.9%) and volume (17.9%) traded on Bursa Malaysia
- No. 2 domestic unit trust industry ranking 2017, with RM32.664 billion in Assets Under Management (AUM)
- No. 3 ranked for Investment Banking Capabilities, per Euromoney's Private Banking and Wealth Management Survey 2018

- 3rd consecutive year being awarded the Best Asset Management, Malaysia by Euromoney Private Banking and Wealth Management Survey 2018

In 2017, the domestic economic environment was largely driven by a strong export growth coupled with sustained domestic demand, which augured well for the AHC's businesses. AHC capitalised on stronger than expected equity and capital market performance in 2017 where the benchmark FTSE Bursa Malaysia KLCI closed the year at 1,796.81 from 1,641.73 a year earlier.



## MANAGEMENT DISCUSSION & ANALYSIS



### Investment Banking Products and Services

|                                                                                                      |
|------------------------------------------------------------------------------------------------------|
| Equity Funding including IPOs, placement exercises and rights issues                                 |
| Debt Funding (Debt Capital Markets)                                                                  |
| Corporate Finance Advisory                                                                           |
| Mergers and Acquisitions                                                                             |
| Corporate and Financial Restructuring                                                                |
| Project Advisory & Valuation                                                                         |
| Bridging Loans and other Structured Financing                                                        |
| Derivatives and Structured Products                                                                  |
| Other ancillary products and services including banking and securities related products and services |

AHC recorded a higher net income of RM566.45 million for the current financial year ended 31 December 2017 (FY 2017) compared to RM418.81 million in the previous financial year (FY 2016). This was achieved across all income lines with significant improvements in fee, brokerage and investment income.

Pre-tax profit increased 40.3% to RM183.84 million in FY 2017 compared to RM131.01 million achieved in FY 2016. Correspondingly, profit attributable to equity holders increased from RM85.71 million FY 2016 to RM122.87 million in FY 2017. Earnings per share increased to 15.75 sen against 10.99 sen the previous year, and return on equity was higher at 8.7% against 6.8% previously.

AHC remained well capitalised with shareholder's funds of RM1.60 billion (2016: RM1.48 billion). Total Capital Ratio remained healthy at 35.4% with Tier 1 Capital ratio of 35.1% as at 31 December 2017.

### Investment Banking Division

The Investment Banking business provides corporate advisory services in mergers and acquisitions as well as structuring and

executing, advising, equity offerings, debt issuances, project finance, and derivatives transactions. equity offerings, debt issuances and derivatives transactions.

It is committed to deliver creative ideas and solutions, and its client segment focused to deliver personalised advice and customised execution across products.

In 2017, the World Bank Group recognised AHC's role in the World's first socially responsible investment (SRI) green sukuk for Tadau Energy's RM250 million sukuk issuance. This pioneering effort received two regional awards from IFR Asia for the Islamic Issue of the Year 2017 and also the Malaysia Capital Markets Deal of the Year 2017.

The Initial Public Offering (IPO) for Serba Dinamik Holdings Berhad received the Best IPO in The Edge's Best Deals of the Year 2017 as well as the Best Mid-Cap Equity Deal in Southeast Asia 2017 from Alpha Southeast Asia. Alpha Southeast Asia also awarded AHC the Most Innovative Wakalah Deal in Southeast Asia 2017 for its role in BEWG (M)'s RM400 million Sukuk Wakalah.

AHC also advised the Malaysia's first Shariah-compliant Commodity Exchange Traded Fund and Malaysia's first Government Guaranteed Islamic Commercial Papers.

AHC is continuously building its Investment Banking capabilities, especially toward the provision of more high value service offerings to its clients. During the year, it introduced the Merger and Acquisition desk and offered the Project Advisory and Valuation services.

### Securities Division

Post-merger, AHC's institutional business has further solidified itself as the preferred institutional broker by winning the coveted Bursa's Best Institutional Equities Participating Organization for FY 2015 and 1st runner up in FY2016. In FY 2017, the bank extended its financial services offering in the form of new foreign market coverage, Securities Borrowing and Lending and Islamic broking.

In the Retail segment, the Bank embarks on digital transformation. The transformation covers the whole value chain from operational efficiencies to heightening of customer experience and service level.

For the year 2017, the bank further increased its market share from 11.4% in FY 2016 to 11.8% in FY 2017.

### Asset Management

The growth in Assets under Administration (AUA) and revenue has remained a pivotal focus for the Asset Management division throughout FY 2017. Endeavours that were embarked upon includes the launching of new and innovative funds, consolidation and re-packaging of existing funds, emphasis to grow the Private Retirement Funds as well as exploration of new opportunities and markets abroad.

As at 31 December 2017, total AUA stood at RM47.4 billion, an increase of 30.6% from 31 December 2016's AUA of RM36.3 billion. The strong increase is mainly attributable to the higher net inflows and the strength of financial markets. It recorded a profit before zakat and taxation of RM85.9 million for FY 2017, as compared to RM70.0 million in the previous FY 2016.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

The increase of profit before tax is mainly contributed by the rise in AUA of the Company and the overall better performance of the investment portfolios. The higher management fee and performance fee earned helped offset the marginally higher personnel cost and marketing cost spent during the year under review.

Among the many accolades that solidified its leading position include the Best Institutional House, Malaysia by the Asia Asset Management 2018 Best of the Best Awards. The Asset Management division continues to be upbeat in its performance and is projected to grow steadily. It will continue to build resilience across its business, and drive efficiency savings in its business operations, with collaborative efforts to better serve its enlarged clientele.

Going into 2018, while there remain downside risks to the global and domestic economic outlook, the local bourse performance will likely withstand the uncertainties, supported by healthy macro fundamentals, sound domestic banking system, credit and liquidity conditions. This in turn will lead to higher investment activities and share trading transactions for the Group.

Positive macro prospects in the advanced economies will also support the global financial markets. Nevertheless, heightening volatility of our investment environment due to global geopolitical risks may pose some challenges, both to the industry and to the Bank, in 2018. Going forward, AHC remains positive on the industry outlook, and will continue to build resilience across its business, and drive efficiency savings in its business operations, with collaborative efforts to better serve its enlarged clientele base.

The key industry wide factors that pose as challenges include:

- Decreasing brokerage rates and growing competition,
- Business disruption posed by Fintech and digital revolution which will continue to reshape capital markets' operating models and service delivery paradigms over the next several years,
- Complexities associated with increasing burden of meeting regulatory requirements,
- Liquidity position of the local bourse,

- External factors, including shocks of global markets, which has a direct impact on the local bourse, and
- Shifting of investor interest and participation into other more sophisticated instruments on Bursa Malaysia.

AHC shall continue with its efforts to build upon its present market leading positions in the securities and asset management businesses, and focus on collaborative efforts to harness synergies across the Group.

AHC remains cautiously optimistic on the outlook for 2018. It will continue to build resilience across its businesses, and drive efficiency savings in its business operations, with collaborative efforts to better serve its enlarged clientele. It is cognisant that its businesses are very dependent on the sentiment and performance of the markets.

#### AXA AFFIN LIFE INSURANCE BERHAD (AXA AFFIN Life Insurance)

In 2017, AXA AFFIN Life Insurance key objective was selective growth via a multi-distribution, multi-partnership strategy to expand reach of customers amidst the changing insurance landscape.

#### 2017 Performance Review

The life insurance industry growth, as measured by weighted annualised new business premiums, expanded at a rate of 2.0% for 2017 as the industry transitioned from high 16.0% growth for 2016 which was fueled by products with shorter premium term. Proportion of investment-linked sales had increased significantly in 2017. The phased implementation of BNM LIFE Framework impact was felt, particularly impact of revision in sales illustration for participating products.

AXA AFFIN Life Insurance, strives for continuous improvement of products and solutions to targeted customer segments, enabled by people and technology. In helping customers of the bank manage risk and achieve their financial goals, AFFIN Maximiser, a high protection single premium plan with flexible investment options that also facilitates legacy planning was introduced. This had contributed to almost doubling of protection and health gross premiums, increase in new business margin and a solid 27.0% growth in gross premium for 2017.

For the year, AXA AFFIN Life Insurance achieved 93.0% growth in health and protection gross premium, 27.0% growth in gross premium and a 3 points improvement in new business margin. Management expenses was efficiently managed with only 4% growth.

Encouraging macro indicators such as healthy GDP growth and increasing household median monthly income set the scene for a dynamic year in the life insurance industry. Penetration is still low: 55.0% including takaful, 35.0% excluding double counting per Bank Negara Malaysia as compared to the country target of 75.0% by 2020. There are also sizeable protection gaps per a study by Universiti Kebangsaan Malaysia. 56.0% are covered for Life insurance but only 22.0% are covered for Medical and Critical illness respectively.

AXA AFFIN Life Insurance aims to reposition the business towards health and protection with a focus on building multi-channel proposition targeting different customer segments, including partnership proposition for emerging customers as a leading digital insurer.



AXA AFFIN General Insurance launched AXA FlexiDrive, the 1st telematics motor insurance in Malaysia that rewards safe drivers with safe driving discounts, enhanced road safety and vehicle security

## MANAGEMENT DISCUSSION & ANALYSIS

### AXA AFFIN GENERAL INSURANCE BERHAD (AXA AFFIN General Insurance)

2017 has seen a new dimension for the general insurance sector with the implementation of phased liberalisation of motor and fire insurance. The de-tariffication of these segments paved the way for a more dynamic and competitive market for the insurance sector, offering consumers with better options in terms of product offerings and pricing.

The de-tariffication of motor and fire insurance has, to a certain degree, created uncertainty in these two market segments and this trend is expected to continue for one to two years before it stabilizes with full implementation of the phased liberalisation. Notwithstanding the general impact of phased liberalisation, the insurance sector in general remained stable in 2017 despite the local and global economic challenges, underpinned by the industry's solid capitalisation. Domestic demand stability and low insurance penetration will continue to support the sector despite the lower automotive sales and private consumption.

#### KEY 2017 ACHIEVEMENTS

- Winner of three awards at the Asia Recruitment Awards 2017:  
Gold – Best Recruitment Evaluation Technique  
Silver – Best Diversity and Inclusion Strategy  
Bronze – Best Use of Digital Media
- New Insurance Product of the Year – Malaysia, Insurance Asia Awards 2017 (AXA SmartCancer Cash)
- International General Insurer of the Year – Malaysia, Insurance Asia Awards
- Claims Fraud Management Team of the Year 2017, Claims Award Asia-Pacific
- Asia's Best Employer Brand for 2017, Asia's Best Employer Brand Awards - 8th Edition
- HR Asia's Best Companies to Work for in Asia 2017 Award, HR Asia

AXA AFFIN General Insurance closed FY2017 with a gross written premium (GWP) of RM1.41 billion, registering profit before tax of RM144.3 million. In light of the de-tariff environment, the Company maintained

selective and sustainable growth strategy with the key objective of enhancing customer-centricity, technical and data excellence as well as attaining operational efficiency.

The Company's transformation journey embarking on process automation, deployment of robotics and system enhancement continued to progress as planned. Key milestone of the journey includes introducing the first telematics insurance product in the Malaysian market and successful roll out of SmartClaims (Phase 1).

The achievements in 2017 are a reflection of the dedication, support and commitment from the team, agents, distributors and business partners and, most importantly, trust placed by the Company's valued customers.

The Management and Board are confident that these, coupled with execution of strong action plans and prudent risk management, will enable the Company to continue achieving long term profitability and sustainability.

### AFFIN MONEYBROKERS

AFFIN Moneybrokers Sdn Bhd is an intermediary or arranger of deals between authorized financial institutions in foreign exchange and domestic money market. It has been in operation for more than 25 years and currently ranks as the second top money broking company in Malaysia. It has had a challenging time during the last couple of years especially with the global financial crisis and recession. Yet, the Company was still able to remain profitable unlike some of its competitors.

The Company's net brokerage income for year 2017 was RM10.9 million which is higher by 1.5% as compared to year 2016. From the overall brokerage income of RM10.9 million, the Foreign Exchange desk contributed RM1.3 million or 13.7% higher than 2016. The Forward/Deposits desk contributed RM5.7 million or 9.7% higher than 2016. Derivatives and Islamic desk contributed RM2.9 million which was lower by 26.8% and RM1.0 million or 20.6% higher than previous year respectively. The net profit for the financial year was RM0.2 million, a decrease of RM0.9 million or 81.8% in comparison with year 2016 of RM1.1 million.

The strength of the company lies with its staff, with most of them having over 15 years of experience in the industry. The Company is highly regarded in the industry since it is a part of a public listed group and has been in operation over 25 years. Over the last five years, the Company maintained its position as one of the top two money broking companies in the industry. With tough competition within the industry, the management of human capital is vital to enhance business opportunities.

With the inevitable rising operational cost and reduction in brokerage free structure, opportunities to remain competitive are crucial. These include innovative marketing and promotion activities, introduction of new services to the market, investment in latest technologies to be effective and efficient and formation of strategic alliances with foreign partners. However, some changes in the government regulations have been seen as a threat to the industry. There is possibility of international money broking companies entering to compete in the domestic market.

The Company has been engaging with partners to launch an Electronic Trading Platform to compete in this area. The need to be linked with a foreign partner is particularly crucial for the Company to remain competitive and achieved its objectives. The planned objectives of the Company are to capture a larger market share which will result in the Company being the market leader in the industry and maximise shareholder's wealth.

Looking ahead, the possible consolidation of merger of money-broking companies and the globalisation of financial markets, i.e. borderless trading will see 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 in the industry.



# SUSTAINABILITY STATEMENT

## SUSTAINABILITY MISSION STATEMENT

The AFFINBANK Group has internalised our commitment to holistically balance Economic, Environmental and Social (EES) issues in our day to day operations through the following sustainability mission statement:

**“We will work together with the Government in developing the nation and in promoting economic growth, mindful that business activities within the country will 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 by respecting the law, supporting human rights and protecting the environment. Our business will be conducted with a view towards long-term environmental sustainability and preserving the eco-system and will balance the demand for innovation with the responsibility to not harm the environment. Potential environmental impact will be considered when making business decisions and when managing our resources. As people are assets to our organization, we will strive to provide a conducive working environment for our employees and grow as a caring employer. We will recognise and reward outstanding performance as well as provide training and personnel development to attract and retain the most talented and committed employees.”**



*Pupils of SK Beliong enjoying themselves at the Karnival Kewangan 2017 at CityOne Exhibition Centre, Kuching*

We are mindful that we still have much to do in embedding sustainability across the business, and are committed to continue with efforts and initiatives that will help align our mission statement with products and services that offer value and enrich the lives of our customers and the community as a whole. 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 Group’s sustainability strategies.

As of 31 December 2017, the Group has not established a sustainability framework as yet. In our journey forward, corporate governance principles and practices are set to be defined as a framework of rules and procedures for the way business is governed and controlled in all our business units and subsidiaries. This governance framework will then be used as a platform to better integrate material sustainability issues into our business strategies, daily operations and relationship with stakeholders.

This Sustainability Statement covers the sustainability practices of AFFIN Bank Group. The reporting period is from 1 January 2017 to 31 December 2017, unless otherwise stated. This Report has been prepared with reference to the Sustainability Reporting Guide and Toolkits, issued by Bursa Malaysia Securities Berhad.

### Roles & responsibilities of governing bodies

The Board is providing formal oversight of our corporate sustainability strategy and in ensuring sustainability considerations are integrated into our strategic decisions. The Board is ultimately accountable for the oversight of management of sustainability



*AXA Hearts in Action Run 2017 is an annual charity run organized with the aim of educating the community on health awareness and all proceeds were donated to selected NGOs*

matters, and responsible for setting and embedding sustainability related strategies into our business operations.

Roles & responsibilities of the relevant governing bodies within the Group to ensure accountability, oversight and review of sustainability performance & disclosures are as follows:-

- a) **Board** - Accountable for reviewing, adopting and monitoring the implementation of the Group’s overall sustainability strategies, by taking into account the economic, environmental and social impacts (“sustainability matters”) arising from the business operation and strategic decisions.
- b) **Group Chief Executive Officer** - Responsible for the overall implementation and management of the Group’s sustainability performance. This includes the process of identifying, implementing and monitoring key activities related to managing the sustainability matters across the Group’s day-to-day operations.



## SUSTAINABILITY STATEMENT

The Group's corporate governance principles and practices define a framework of rules and procedures for the way business is governed and controlled in all AFFIN Bank business units. Each business unit adopts the relevant governing documents on sustainability. The governance framework is used as a platform to integrate material sustainability issues into its business strategies daily operations and relationship with stakeholders.

AFFIN Bank's corporate values and ethical standards represent an important foundation for articulating and implementing the governance framework. The Bank works continuously to improve its governance regime. Information on the Bank's principles and practices for corporate governance can be found in the Statement on Corporate Governance of this Annual Report.

The Bank's commitment to integrity and transparency is clearly stated in its 'Code of Conduct'. The Code of Conduct is owned and approved by the Board and signed by all employees in the Group.

The fundamental purpose of our current sustainability reporting is, we believe, to communicate non-financial information, as well as financial information to all parties that may be affected by our actions. This is why, we choose to voluntarily report on our corporate responsibility and familiarize our stakeholders of our progress in sustainable business behaviour. This will in turn allow us to improve our internal processes. We also feel that the report reaches different stakeholders than those we normally attract with corporate publications such as financial reporting. We welcome feedback on our reporting and sustainability efforts.

### CURRENT SCOPE OF SUSTAINABILITY REPORTING

Following Bursa's Sustainability boundary guidelines, our financial and human resource data is reported for the entire Group. Occupational Health and Safety information and environment figures are collected and managed in dedicated management systems.

The material aspects reflect the Group's strategic priorities and concerns raised at subsidiary management level with some input from stakeholders such as investors, employees and regulatory authorities.

The scope of the sustainability reporting has not changed from the previous year's reporting. All sustainability disclosures include all operations and extend to their value chain. Any exclusions or omissions by entities, if applicable, are supported with strong basis and justifications.

### UNDERSTANDING OUR MATERIAL SUSTAINABILITY ISSUES

This sustainability statement 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 organization.

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.

### MATERIALITY ASSESSMENT

Materiality assessment has become a strategic business tool to identify, review and prioritise our current material EES risks and opportunities as well as the emerging risks that affect the business and the operations.

For financial year 2017, the Group has adopted a materiality assessment approach guided by Sustainability Reporting Guide and Toolkits issued by Bursa Malaysia Securities Berhad. In identifying relevant sustainability matters, we have considered the operating environment and emerging risks associated with the financial services industry.

Examples of internal and external sources are sustainability disclosures by peer organizations, industry-specific publications, feedback from regulators in addressing specific regulatory issues, regular discussions with internal employees & senior management team, Group risk registers and internal policies & procedures. This is a group-wide effort involving inputs from all business and support units and takes into account feedback from the other stakeholders. The identified sustainability matters are further categorised into the following themes:

#### Theme 1: Sustainable Financial Services

We are committed towards integrating sustainability practices in delivering our products and services, as well as in making strategic or investment decisions

#### Theme 2: Socially Responsible Employer

We are committed towards making our Company a talent factory that supports talent development and acts in the best interests of our employees by maintaining an inclusive workplace

#### Theme 3: Sustainable Community Development

We are committed towards minimising the environmental impact of our business activities and engaging positively with the society at large

## SUSTAINABILITY STATEMENT

From the list of identified matters, we conducted a materiality assessment to identify matters that have significant impact on our business and relationships with our stakeholders through engagement with the various stakeholders. Our material sustainability matters are summarised in the table below:

| Material sustainability matters                             | Why is it material                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | How do we manage?                          |
|-------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| Ethics, Governance and Compliance                           | <ul style="list-style-type: none"> <li>A strong corporate culture, known for ethics, values, fairness and transparency. Simple and understandable products and communications (product disclosure, including fees and charges) and appropriate hardship/ collections policies.</li> <li>Appropriate governance frameworks in place (processes and policies, including those relating to risk management, executive remuneration and accountability) to ensure the Group is managed in the long-term interests of stakeholders.</li> <li>Compliance with international sanctions, anti-money laundering and terrorism financing requirements</li> <li>Financial system stability and regulation of the banking sector, including government policy relating to access to markets and bank licenses.</li> </ul>                                                                                                                                                                                                                                       | Theme 1: Sustainable Financial Services    |
| Data Security, IT Infrastructure and Digital Transformation | <ul style="list-style-type: none"> <li>Policies and processes in place to prevent fraud and protect customer data and privacy, including customer access to personal data.</li> <li>Keeping pace with digital innovation to ensure that we are offering our customers competitive and convenient products and services in a rapidly changing market</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Theme 1: Sustainable Financial Services    |
| Financial Inclusion and Responsible Lending                 | <ul style="list-style-type: none"> <li>Social and environmental impacts (including those relating to climate change) that may result from our business lending, particularly our lending to large business customers (lending to sensitive sectors such as mining, military). Includes our due diligence processes in relation to our customers' human rights obligations.</li> <li>Promoting and enabling access to safe and affordable products and services, particularly for lower-income and vulnerable consumers.</li> <li>Investment with cross-sector partners in the building of financial skills, confidence and wellbeing for vulnerable groups in the communities in which we operate.</li> <li>Managing the business risks and opportunities associated with climate change. Includes the role we play in supporting our customers to transition to a low carbon economy.</li> <li>Process established to gauge the level of customer satisfaction and providing prompt responses in addressing issues raised by customers.</li> </ul> | Theme 1: Sustainable Financial Services    |
| Conducive and Inclusive Workplace                           | <ul style="list-style-type: none"> <li>Attracting and retaining an engaged, diverse and inclusive workforce to help us serve our customers better and drive strong business performance across the markets in which we operate</li> <li>Fair and equitable wages, freedom of association, safe working conditions (including effective policies to maintain physical and mental health and wellbeing), fair hours, no discrimination, regular work and whistleblowing policies.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Theme 2: Socially responsible employer     |
| Environmentally and Socially Responsible                    | <ul style="list-style-type: none"> <li>Supporting the communities in which we operate through workplace giving and volunteering, and providing support to recover from natural disasters.</li> <li>Efforts undertaken to create awareness and minimise environmental impacts.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Theme 3: Sustainable Community Development |
| Responsible Sourcing and Procurement Policy                 | <ul style="list-style-type: none"> <li>Environmental and social impacts of our procurement practices (identifying and managing the risks and opportunities associated with our supply chain).</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Theme 1: Sustainable Financial Services    |

## SUSTAINABILITY STATEMENT

In Table below, each material sustainability matter is mapped against the relevant part of the Group's business value chain that are impacted the most:

| Our Stakeholders                                            | Directors and Employees | Regulators | Customers | Suppliers/ vendors/ contractors | Shareholders/ investors | Local Community | How do we respond?                         |
|-------------------------------------------------------------|-------------------------|------------|-----------|---------------------------------|-------------------------|-----------------|--------------------------------------------|
| <b>Sustainability Matters</b>                               |                         |            |           |                                 |                         |                 |                                            |
| Ethics, Governance and Compliance                           | ✓                       | ✓          | ✓         |                                 | ✓                       |                 | Theme 1: Sustainable Financial Services    |
| Data Security, IT Infrastructure and Digital Transformation | ✓                       |            | ✓         | ✓                               | ✓                       |                 | Theme 1: Sustainable Financial Services    |
| Financial Inclusion and Responsible Lending                 | ✓                       | ✓          | ✓         |                                 | ✓                       | ✓               | Theme 1: Sustainable Financial Services    |
| Conducive and Inclusive Workplace                           | ✓                       | ✓          |           |                                 | ✓                       |                 | Theme 2: Socially responsible employer     |
| Environmentally and Socially Responsible                    | ✓                       | ✓          | ✓         |                                 |                         | ✓               | Theme 3: Sustainable Community Development |
| Responsible Sourcing and Procurement Policy                 | ✓                       |            |           | ✓                               | ✓                       |                 | Theme 1: Sustainable Financial Services    |

### ENGAGING STAKEHOLDERS

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.

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                                                                                                                                                                                            |
|-------------------|--------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Employees         | 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/voluntary separation schemes</li> </ul>                                                                      |
| Customers         | Customer surveys and focus groups                                                                                        | Customer service and complaints management and ATM downtime                                                                                                                                        |
| Investors         | 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 Reports</li> <li>Regular meetings with existing shareholders and potential investors</li> </ul> |
| Regulatory bodies | Meetings                                                                                                                 | Meetings on capital strength, strategic plans and Group reorganization                                                                                                                             |
| Media             | Briefings and meetings                                                                                                   | Transparency and accessibility                                                                                                                                                                     |
| NGOs              | Forums and meetings                                                                                                      | Community development and nation-building                                                                                                                                                          |
| Suppliers         | Supplier assessment and meetings                                                                                         | Timely payment and engagement meetings with suppliers                                                                                                                                              |

## BUSINESS DRIVEN SUSTAINABILITY INITIATIVES FOR 2017

For the purpose of this statement, and in continuity with our Corporate Social Responsibility practices; the Group's CORE AREAS FOR SUSTAINABILITY has been divided into the following themes:

- 1) Sustainable Financial Services
- 2) Socially Responsible Employer
- 3) Sustainable Community Development



Annual Buka Puasa session with children from four selected orphanages around Klang Valley



### SUSTAINABLE FINANCIAL SERVICES

The topics covered under this section touches upon:

- Ethics, Governance and Compliance
- Data Security, IT Infrastructure and Digital Transformation
- Financial Inclusion and Responsible Lending
- Responsible Sourcing and Procurement Policy

The promotion of the strong ethical business culture by the Group promotes a healthy marketplace. As a financial services group, our success must be 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.

We firmly believe in adhering to best practices in all our dealings with our customers, vendors and other stakeholders to ensure long term sustainability for the business. Various ethical and business policies and procedures have been put in place to provide the framework to effectively manage and conduct our business in a responsible and transparent manner.

### WHISTLE BLOWING POLICY

The Group has enhanced the policy and processes to provide an avenue for all Bank employees and members of the public to report any serious concern or improper conduct committed by the employees, without fear of victimization, harassment, discrimination or intimidation. The Group will protect the confidentiality of all concerns raised in good faith by the Whistle-blower by treating all disclosures in a confidential and sensitive manner.

### CORPORATE DISCLOSURE POLICY AND PROCEDURES

The corporate disclosure policy provides accurate, clear, timely and complete disclosure of material information pertaining to the 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.



## SUSTAINABILITY STATEMENT

The objectives of this policy are:-

- To raise awareness and provide guidance to the Board, management, officers and employees on the Group'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 inspire trust and confidence.

### 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.

### 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          |
|    |             | Counter Terrorism Financing           |
| 2  | Environment | Sustainability Policy                 |
| 3  | Social      | Code of Ethics                        |
|    |             | Human Resource Policy                 |
|    |             | Staff Welfare Policy & Procedures     |
|    |             | Sexual Harassment Policy & Procedures |
|    |             | Employees guidelines and Handbook     |

## SUSTAINABILITY STATEMENT

### RISK CULTURE

The inculcation of a risk awareness culture is a key aspect of an effective enterprise-wide risk management framework. The Group risk culture is premised on the following key factors:

- Strong corporate governance
- Organizational 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

Recognising the importance of a healthy risk culture in an organization, the Group introduced the Risk & Compliance Management Pillar as a key part of the AFFINITY programme. This is intended to embed deep appreciation and understanding of Ethics, Risk and Compliance into day-to-day business activities and processes. To ensure effectiveness, Group has collaborated with Asian Banking School to conduct a customised in-house training program 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.

### PROACTIVE INVESTOR RELATIONS

For proactive 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.

### CUSTOMER EXPERIENCE ENHANCEMENT

As part of AFFINITY Programme, AFFINBANK has put in place a Customer Experience (CX) Department in August 2017. The department is responsible to drive Customer Focus mindset, end-to-end customer journey oversight and implementation of the AFFIN's Customer Experience Models and Frameworks across the Bank

Some of the initiatives that were rolled out in 2017 included a CX Dialogue Session, an initiative to raise Customer Focus awareness amongst all Head of Departments and staff. The Bank also launched its CX Attributes to create a Customer Focus culture amongst AFFINBANKers and to ensure consistent customer experience across all AFFINBANK.



*In conjunction with the International Women's Day, female leaders in AFFIN Hwang Capital (AHC) share their insights on what it takes to be lady bosses in the Bank*

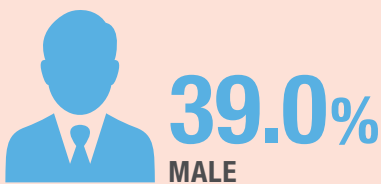
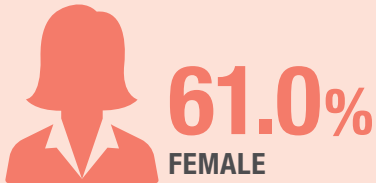
Enhancing the customer experience is an ongoing priority and AXA AFFIN General Insurance Berhad (AXA AFFIN General Insurance) conducts the CXT satisfaction and Net Promoter Score surveys quarterly and annually respectively. While results have been consistent, there is active engagement with customers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

### INDUSTRY EMPOWERMENT EVENTS

Making a positive impact on the marketplace, the Group believes in sharing knowledge and expertise. On 20 May 2017, Affin Hwang Asset Management (Affin Hwang AM) has successfully hosted its annual investment forum for the year titled ‘Navigating through a Changing World’. Running for its third consecutive year, the Forum was well received with more than 650 participants eager to gain insights into the investment landscape against increasingly fluid developments in the markets. Affin Hwang AM also designed Beyond the Classroom, a series of edutainment workshop organized to instil awareness surrounding Financial Literacy among children to young adults. Affin Hwang Investment Bank (Affin Hwang IB) marked International Women's Day by celebrating the contributions of women, the bank through the organization of Women Circle – an event where female leaders in the bank shared their insights on what it takes to be the lady bosses of the Bank.

## SUSTAINABILITY STATEMENT

## HEADCOUNT BY GENDER



## SOCIALLY RESPONSIBLE EMPLOYER

The topics covered under this section touches upon:

- Talent development
- Fair employment practices

The Group regards its workforce as key assets and stakeholders and continues to advance workplace transformation. In 2017, the Bank catalyzed various key areas of capacity building, and provided opportunities for all levels of staff to grow their careers with the Bank, whilst ensuring a supportive workplace that prioritized staff welfare and offered rewarding career experiences.

Various policies and procedures are in place in AFFINBANK 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.



*AFFINBANK Group spreads Deepavali cheer to the underprivileged and children at Persatuan Kebajikan Sweet Care Selangor & Kuala Lumpur (PKSC)*

We constantly review current and future business requirements and its impact on resourcing, training and talent needs. More than RM9.3 million was spent by AFFINBANK 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.

## PROFICIENCY &amp; CAPACITY BUILDING

Learning and development initiatives have been implemented at AFFINBANK and AFFIN ISLAMIC to enhance capabilities range from enhancing knowledge on compliance, ethics & risks, accelerating accreditation & certification and building technical & professional abilities to soft skills and leadership competencies. For the year, 355 training sessions were conducted, which involved 470 training days and 12,759 participations.



## Compliance ethics &amp; risks

AFFINBANK and AFFIN ISLAMIC intensified compliance training programs and related initiatives in collaboration with Compliance and business divisions, to instill and strengthen knowledge to ensure adherence to regulatory requirements. More than 40.0% of the Group's training programmes were related to this area in 2017.

## Accreditation &amp; certification

The Bank collaborates with Asian Institute of Chartered Bankers (AICB) and other professional bodies towards professionalizing our workforce in the respective areas of banking. Staff are enrolled for suitable certification programs which are aligned with the banking and industry competency framework and requirement.

## Technical &amp; professional skills

Need based programs towards building the right proficiency in serving customers and demand for competent workforce in the Bank was also increased during the year. About 50.0% of the Group's overall learning & development programs involved enhancement of these skills in 2017.



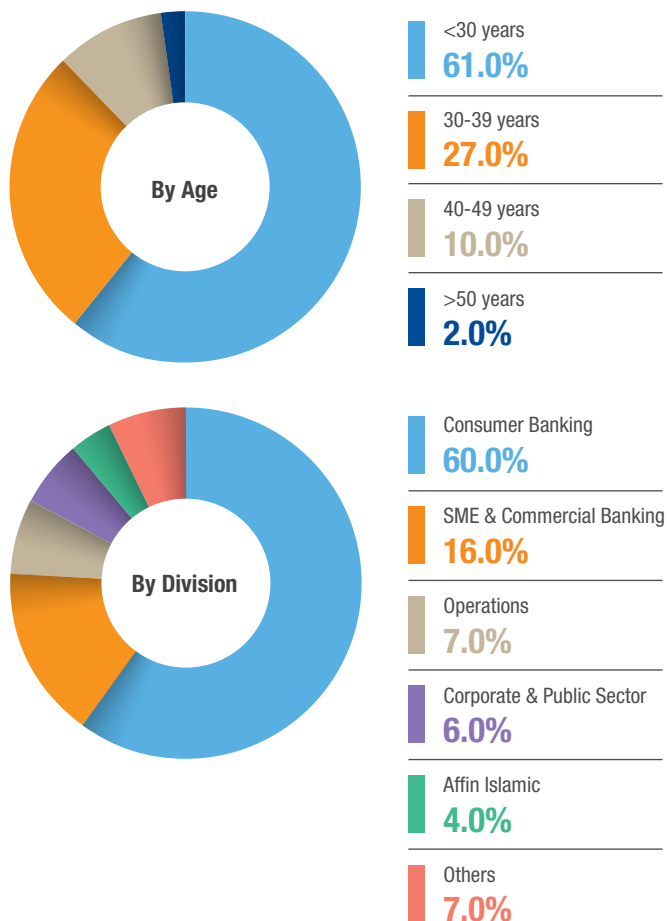
## SUSTAINABILITY STATEMENT

### ORGANIZATIONAL RENEWAL AND REJUVENATION

As part of its renewal and rejuvenation process, the management had been and will continue to identify and recruit new talents to fill some of the critical areas. This building of workforce capacity is regarded as a crucial and necessary investment to ensure sustainability and competitiveness of the Group.

The majority of new hires to date are for the Business Divisions, with 60.0% hired for Consumer Banking and 16.0% for SME & Commercial. Corporate & Public Sector Banking (CPSB) and AFFIN ISLAMIC accounted for 6.0% and 4.0% of new hires each. IT also saw a significant growth in workforce to support the business and the Bank's aspiration towards digital banking. The increase in headcount for 2017 was also attributed to recruitment of staff in the control functions, both at first and second lines of defense.

#### Strategic Recruitment of New Hires



#### Strategic Recruitment

Towards elevating the quality of our workforce skillsets, a strategic balance was set in hiring those with tertiary education, experience and increasing intake of younger demographics. With the infusion of younger talent into the Bank, its demographics is now more balanced with 50.0% of the workforce below 40 and another 50.0% above 40 years of age. More than 94.0% of new hires have tertiary qualifications, of which 5.0% have Masters/Professional Qualifications, 60.0% with Degree and 29.0% with Diplomas. New hires without tertiary qualifications bring with

them years of relevant experience and necessary licenses/certifications which add value to quality of Affin's workforce. 89.0% of new joiners are experienced hires, of which 41.0% are from Banks/Financial Institutions, and 48.0% are from non-banking organizations.

#### Young Talent Program

Comprehensive experiential development programs helped nurture talents towards career development opportunities within the Group. A holistic curriculum has been designed to ensure quality, competitiveness and retention of the young talents in the organization. Extra-curricular activities have been included in their programs which include participation in CSR initiatives, sales and marketing campaigns and carnivals, cross-functional projects and assignments. Affin's Young Talent Programs are based on a combination of experiential, mentoring and classroom training interventions.

Affin supports the nation's aspiration to enhance employability of fresh graduates through several graduate trainee programs, which include:

- Affin Management Trainee Program
- Affin Financial Sector Talent Enrichment Program (FSTEP)
- Affin Customer Service & Department Executives (CSDE) Trainee Program
- Affin Small and Medium Enterprise (SME) Trainee Program

Each of these graduate trainee programs have specific selection criteria, customized training curriculum, and career path plans. Affin is committed to ensuring trainees are guided, coached and ready for a career in banking. In 2017 all graduate trainees have been absorbed in employment with the Bank and well on their way to a fulfilling banking career with Affin.

#### High-Potential Talent Pool

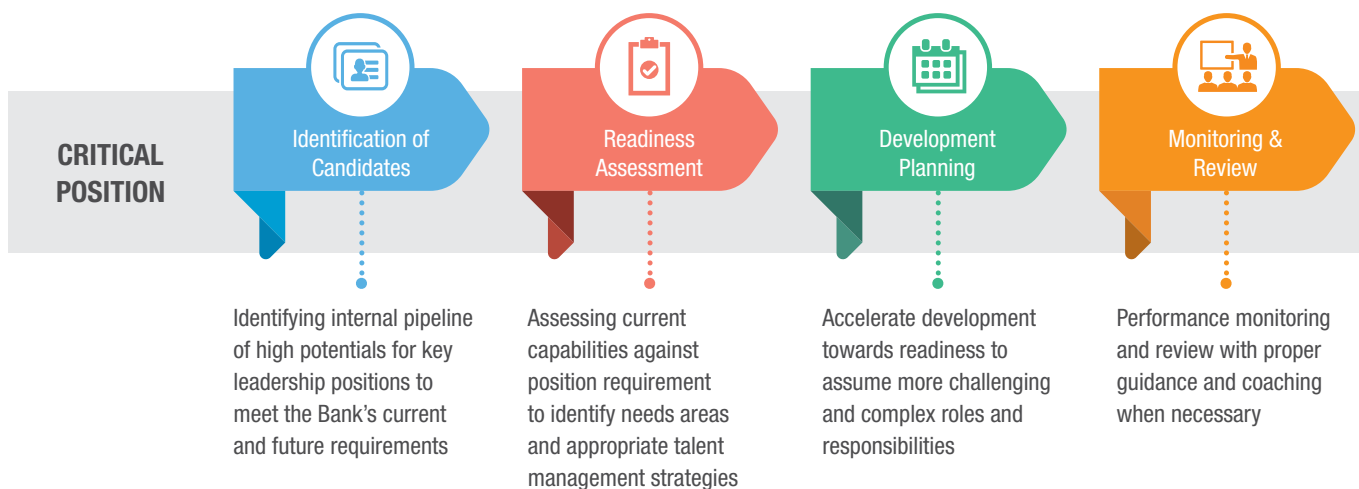
Specific initiatives and customized development plans have also been put in place to support growth of high-potential staff within the Group. This was done by identifying an internal pipeline of high potentials for key leadership positions to meet the Group's current and future requirements. Capabilities of selected talents will be assessed to identify need areas and appropriate talent management strategies together with performance monitoring and review with proper guidance and coaching when necessary. This will help accelerate development towards selected candidate's readiness to assume more challenging and complex roles and responsibilities.



Community Projects as part of the Bank's Young Talent Program curriculum to instill compassion and community leadership skills



## SUSTAINABILITY STATEMENT



### SUCCESSION PLANNING

Succession Planning is the identification and readiness assessment of capable staff to progress into key and critical positions in the Bank. A succession planning program which identifies the competency requirements of critical positions, assesses potential candidates and develops required competencies through planned learning and development initiatives, has been rolled out in the Bank.

The Bank's succession planning is steered by the 3 key guiding principles: Compliance to the regulatory requirement, Proactive Planning of identifying critical positions that would put the Group at risk if left vacant, and People Development culture that supports knowledge and employee development for its high potentials.

#### Voluntary Separation Scheme (VSS)

In July 2017 the Bank had offered VSS to eligible staff, which comprised confirmed staff in permanent employment in the Bank. There is no redundancy in the Bank, as such, there was no compulsion for staff to apply.

The VSS was proposed to give an opportunity for staff who have been with the Bank for a very long time to do pursue different interests, for staff who have reached 50 years of age and have access to their savings to take a career break, for staff who are tired of working in a competitive banking environment to seek a less stressful work environment, and for staff who suffer ailments such as hypertension, diabetes among others, to manage their health issues at home.

A total of 524 applications for VSS was received prior to closing date, of which 332 (63.0%) were approved by the VSS Committee. The VSS provided the Bank to rejuvenate the workforce with the appropriate qualifications, skills and experience to drive Affin forward.

### INCULCATING A PERFORMANCE-DRIVEN CULTURE

In assessing competencies and monitoring performance, the Group has fortified a more structured performance management system that also assures fair and equitable reward management.

The Bank's Performance Management System is currently stable and robust, in line with industry best practices, having undergone several enhancements over the years to ensure relevance and impact on the Bank's Performance.

The Bank has introduced among others risk-based KPIs, negative KPIs for non-compliance, disciplinary issues including misconduct and gross negligence. Input from the control functions of Audit, Risk and Compliance are incorporated in performance assessments as well as in formulation of Key Performance Indicators.

The Bank continues to benchmark its rewards and remuneration policies and practices to ensure competitiveness and fair compensation for its employees.

The Bank participates in annual salary surveys with renowned compensation practitioners and annually reviews its total Remuneration and Benefits against market.

Adjustments to salary bands and enhancements to benefits are regularly made. 2017 saw the adjustment of 53.0% of middle and senior management staff to ensure their salaries are competitive and at-par with their peers in the industry.

Top talents in the Bank are recognized and rewarded through promotions. On an annual basis, the Bank promotes an average of 8.0% of employees who are identified as key contributors to the Bank. In 2017 the Bank promoted 407 employees, a record 10.0% of total headcount. A number of employees filled vacancies which are of greater job scope and responsibilities, while others had their existing job scope expanded and assumed increased accountabilities.

### EMPLOYEE WELFARE

An area of constant 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 as well as inculcate a spirit of volunteerism.

Health talks, blood donation drives, festive celebrations, sports carnivals and staff recreational activities are featured in the Group's staff calendar during the year. These events help encourage the management to interact and engage with staff on a casual setting, besides promoting staff-to-staff bonding as well. We also promote well-being of our staff through attractive remuneration and benefits.

## SUSTAINABILITY STATEMENT



*AFFINBANK's staff in Penang, together with colleagues from HQ, organized a community outreach programme on 10 November 2017 for those affected by the floods in Penang, as part of the Bank's corporate social responsibility initiative*

Employee benefits are important factors to attract and retaining talent in the Bank. The Bank regularly reviews and enhances its benefits for employees to remain competitive in the industry. Interest rates/cost of financing for staff loans, medical benefits, insurance coverage continue to be among the most competitive in the industry.

In 2017, the Bank had introduced new benefits and enhanced several benefits for staff, including those for children of staff.

| FOR AFFINBANKERS' FINANCIAL WELL-BEING                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | FOR AFFINBANKERS' GENERAL WELL-BEING                                                                                                                                                                                                                                                                                                                                                                                                                | FOR AFFINBANKERS IN THEIR TIME OF NEED                                                                                                                                                                                                                                                                                             | FOR CHILDREN OF STAFF:                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>New Staff Loans <ul style="list-style-type: none"> <li>Personal Loans</li> </ul> </li> <li>Enhanced Loans <ul style="list-style-type: none"> <li>Staff Housing Financing-i</li> <li>Staff Vehicle Financing-i</li> <li>Staff Sundry Financing-i</li> </ul> </li> <li>New Credit Card Benefits <ul style="list-style-type: none"> <li>Increase in credit limits for all categories of staff</li> <li>Waiver of annual fees for supplementary cards</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>Young Mothers Room for nursing mothers.</li> <li>Extended hours at the Fitness Centre</li> <li>New equipment and renovated facilities at the Fitness Centre</li> <li>Refurbished staff holiday apartments</li> <li>Quarterly basic medical check-ups for staff at Menara Affin.</li> <li>Increase in health talks from quarterly to bi-monthly for staff general awareness on health and wellness</li> </ul> | <ul style="list-style-type: none"> <li>Increase in Financial Assistance for Staff for Flood and Fire relief</li> <li>Increase in Donation for Bereavement <ul style="list-style-type: none"> <li>For staff's beneficiaries upon death of staff</li> <li>For staff upon death of spouse, children or parents</li> </ul> </li> </ul> | <p><b>New Benefit</b></p> <ul style="list-style-type: none"> <li>Education Loans</li> </ul> <p><b>Enhanced Benefits</b></p> <ul style="list-style-type: none"> <li>Increase in value of scholarship and number of recipients</li> <li>Increase in value of Education Excellence Award</li> <li>Increase in value of 'Back to School Subsidy' for eligible staff with school-going children</li> <li>Medical coverage for children of staff extended to 23 years of age</li> </ul> |

### PROMOTING GENDER DIVERSITY AT AFFIN BANK GROUP

Women account for more than 60.0% of its total workforce. Women leaders are well represented in the Bank with 50.0% of middle management and 32.0% of senior management are women. Key roles at the Bank are assumed equally by men and women. Meritocracy is key.

The Bank encourages women in its workforce through many avenues. Equal opportunities are given for promotion and upgrading, for training and development and for childcare responsibilities. Apart from the increased 3-month paid maternity leave, the Bank has established a Young Mothers Room at Menara Affin specifically for nursing mothers.

## SUSTAINABILITY STATEMENT



### SUSTAINABLE COMMUNITY DEVELOPMENT

The topics covered under this section touches upon:

- Community development
- Environmental sustainability

The society is where the Group draws its customer base from. The Group believes that every organization should return to the community what it has been able to draw from it. Given that the Group's major shareholder is Lembaga Tabung Angkatan Tentera (LTAT), 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 the objective 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.

The Group has a tradition of contributing to retired and serving Armed Forces personnel and families. In 2017, AFFINBANK continued its yearly contribution of RM3 million cash to Yayasan Warisan Perajurit, a foundation established with LTAT to raise funds to provide scholarships and education assistance to the children of retired Malaysian Armed Forces and those currently in service.

In conjunction with the Hari Raya festive celebration, AFFINBANK contributed RM100,000 worth of gift packages to the Welfare Fund of the Malaysian Armed Forces. The contribution was to show the Bank's appreciation and honour for the sacrifices and services of the Malaysian Armed Forces.

### RUNNING FOR A CAUSE

Supporting running events is another way the group has come together to support various causes. In 2017, the Bank once again become the main sponsor of the Malaysia's first military themed obstacle run named, Warriors Challenge 2017. The run was organized by Persatuan Veteran Angkatan Tentera Malaysia as part of the celebration of Hari Pahlawan that was observed on 31 July every year and to inculcate patriotism among the younger generation as well as to commemorate the sacrifices of the armed forces. This year a total of 30 bank's staff as well as about 20 media representatives from various companies were sponsored to join in the fun with almost 1,000 other fitness enthusiasts.

Staff from the Group's subsidiaries also took part in Bursa Malaysia's Bursa Bull Charge which consists of a 5 km run through Kuala Lumpur's Capital Market Trail that passes the headquarters of a number of Malaysia's capital market players. Other runs supported during the year included cash sponsorship for the BHPetrol Orange Run 2017, a 12-km long run organized to raise funds for selected charities. Running in its 12th consecutive year, the entry fees collected from participants of this year's event were donated to three selected charity homes.

Affin Hwang AM together with Chee Siah Le Kee & Partners organized a charity run on 12 November 2017, to raise funds to aid four beneficiaries which are Wings Melaka Centre for Developmental Disabilities, Joy Workshop Melaka, Taiwan Buddhist Tzu Chi Foundation Malaysia and Noah's Ark Natural Animal Shelter. The run was also intended to promote public awareness of learning disabilities in the country. Over 1,000 participants attended the run in Melaka and crossed the finish line despite the rain.

AXA HEARTS IN ACTION RUN 2017 is an annual charity run event organized for brand affinity and engagement with various stakeholders such as intermediaries, customers, staff and general public. The run was also part of AXA Affin General Insurance's corporate responsibility program to educate the community on health awareness and donate the proceeds to several identified NGOs.



AFFINBANK Group contributes RM100,000 as 'Sumbangan Bungkusan Hari Raya Tabung Warisan Angkatan Tentera' annually



AFFINBANK Group once again became the main sponsor for Warriors Challenge 2017, a military-themed obstacle run that was held at Universiti Pertahanan Nasional Malaysia, Sungai Besi, Kuala Lumpur



AFFINBANK Group supported the BHPetrol Orange Run 2017 which was held on 1 October 2017



## SUSTAINABILITY STATEMENT



*Affin Hwang IB staff came together to restore the Raja Musa Forest Reserve, Selangor by planting seedlings in conjunction with Earth Day*

### PROVIDING EDUCATIONAL RESOURCES AND SUPPORT

The Bank participated in the Karnival Kewangan 2017, organized by Bank Negara Malaysia held at Suria Sabah Mall, Sabah in August 2017 and at CityOne Exhibition Centre, Kuching in August 2017. These events reached out to students from rural communities with financial awareness and understanding in building a brighter future. During the 3-day event, the Bank arranged for 60 primary school students and 13 teachers from SK Beliong; and 100 students from SK Astana to attend the event in Kuching; and brought 100 students from SJK Lok Yuk Menggatal to attend the event at Sabah. Some of these students had to travel by boat and bus and endure a 2-hour journey but they were excited to participated in the financial awareness programme, activities and talks.

The Bank also partnered with Multimedia University (MMU) for the Sekolah@MMU Programme titled “Program Sekolah @ Perdana Darul Aman” that was held in Kuala Terengganu from 2 to 4 November 2017. Sekolah@MMU was aimed at exposing secondary school students to Information Technology & Multimedia, as well as entrepreneurship knowledge. This programme also supports the government’s agenda which includes upskilling future generations in areas of identified skills such as Digital Technology, Entrepreneurship and Digital Innovation. A total of 400 Form Four and Form Five students from five boarding schools in Kuala Terengganu attended the three-day workshop during which they were exposed to IT programmes such as Adobe Photoshop, Website Development and many more.

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 as alternative learning material besides the usual reference books in schools.

AFFINBANK sponsored the publication of the book called “Wirid Terpilih Untuk Dhuyufurrahman”, as part of a charity programme called “Sahabat Korporat Tabung Haji 1435H” organized by Lembaga Tabung Haji. These books were distributed to pilgrims during their stay at the holy land.

### COMMUNITY CARE PRODUCTS & SERVICES

AXA AFFIN Life Insurance continued its strategic partnership with the National Cancer Society of Malaysia (NCSM) 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 AXA AFFIN Life Insurance.

### FESTIVE CONTRIBUTIONS

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 14 eligible beneficiaries at our zakat giving ceremony. The zakat beneficiaries included schools, associations, orphanages and other benevolent bodies. During the year, Affin Hwang Capital also collaborated with the creative young talents from the National Autism Society of Malaysia (NASOM) for Raya. The autistic kids produced beautiful artworks that became part of the money packets, and distributed to all. Additionally, monetary donations were made to NASOM in support of their charitable cause.

In conjunction with Chinese New Year festive season, AFFINBANK visited the Old Folks Home at Jalan Ampang on 8 February 2017. During the visit, “Ang Pow”, festive gifts and dry food were distributed to the residents of the home. In conjunction with the Festival of Light, AFFINBANK management and staff took their time to spread Deepavali cheers to the underprivileged and children of Persatuan Kebajikan Sweet Care Selangor & Kuala Lumpur (PKSC). At the visit, 105 underprivileged and children were entertained by clowns and treated to a scrumptious lunch, pop corn, cotton candy and ice cream.



*Chinese New Year visit to Ampang Old Folks Home*



## SUSTAINABILITY STATEMENT

### CARING FOR THE DISADVANTAGED

Some 100 staff of the Group volunteered at the Pertubuhan Tindakan Wanita Islam (Pertiwi) Soup Kitchen over three separate nights in August. The staff organized themselves in an assembly line to pass out the food and drinks at food stations set up by Pertiwi to the homeless and needy at the Medan Tuanku area in Kuala Lumpur. Members of Senior Management joined the volunteers in making sardine sandwiches, while others served ice-cream, nasi bungkus, drinks and buns.

Affin Hwang IB ran a Feed the Homeless programme on 18 August 2017, in conjunction with the Hari Kebangsaan Celebration. The bank sponsored and distributed 300 packed food to the homeless. The food was sourced from Suri Salam, an NGO that provides livelihood to single mothers. Twenty of Affin Hwang IB volunteers who were passionate about animals also visited PAWS Animal Welfare Society to help out in cleaning cages, washing animals' bowls and bathing the animals. It was a fun and fulfilling experience for all as they got to make a difference in the lives of these friendly, furry creatures.

AFFINBANK continued to sponsor and supported BHPetrol in the running of the TV programme called "Di Celah-Celah Kehidupan" by providing a convenient platform in the opening of an operating/savings account for the recipients of the DCKK programme. DCKK is a community lifestyle TV programme organized by BHPetrol in collaboration with RTM and features selected Malaysians who are in need of help and assistance. Besides donations being conveniently contributed to the account, each of the 20 recipients received RM1,000 each from the Bank.

At that time when Penang was hit by flood following heavy downpour in the month of November AFFINBANK's staff in Penang, together with colleagues from its Headquarters organized a community outreach programme for those who were affected. The aid, in the form of daily essentials, cleaning items and dry food items like biscuits, instant noodles and more were distributed to 150 families from Tasek Gelugor, Penang.



*AFFIN ISLAMIC gives zakat contribution to provide school essentials for underprivileged children*

### ZAKAT INITIATIVES

In 2017, AFFIN ISLAMIC contributed more than RM3.0 million in zakat to different causes and sectors of the underserved population. AFFIN ISLAMIC contributed a total of RM1.0 million to deserving individuals and charitable organizations. The Bank contributed a total of RM1.4 million to all 14 states zakat centres. A total of RM838,095 was channelled towards knowledge causes (Fisabilillah), inclusive of Muallaf activities and educational aid. AFFIN ISLAMIC contributed zakat to support deserving students pursuing tertiary education at local universities of higher learning such as Universiti Teknologi MARA (UiTM), Management & Science University (MSU) and Universiti Pertahanan Nasional Malaysia (UPNM). In addition, AFFIN ISLAMIC contributed RM500,000 to Tabung Zakat Angkatan Tentera Malaysia, which manages funds to be allocated to deserving members of the armed forces.



*Some 100 staff of AFFINBANK Group volunteered at the Pertubuhan Tindakan Wanita Islam (PERTIWI) Soup Kitchen*

## SUSTAINABILITY STATEMENT



*Affin Hwang AM team sailed over to Pulau Tioman and participated in the Project AWARE's Programme where they dived to the bottom of the ocean to remove marine debris*



### MANAGING ENVIRONMENTAL IMPACTS AND INCREASING ENERGY EFFICIENCY

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. The Bank distributed about 400 of free plants to staff and customers at a few selected branches around Klang Valley as part of its initiatives to commemorate Earth Day on 22 April 2017.

This was preceded by Affin Hwang IB's celebration of Earth Month when the staff came together to restore the Raja Musa Forest Reserve by planting seedlings in conjunction with Earth Day. On 18 August 2017, the Affin Hwang AM team sailed over to Pulau Tioman and participated in Project AWARE's program, Dive Against Debris to remove marine debris from the ocean. A team of 21 volunteer divers were sent to the bottom of the ocean with mesh bags to remove marine debris while some also cleaned up the beach after the dive. A total of 30kgs of waste and debris were collected and removed from the beach and ocean floor.

There has also been a Group wide effort to reduce our environmental footprint. To date efforts have been made in reducing the use paper by pushing customers to e-statementing, enabling recycling campaigns as well as promoting eco-friendly efforts among staff in 2017.



*Senior Management of AFFINBANK Group handing free potted plants to staff*

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. On top of that, several recycling campaigns were conducted to promote proper waste disposal such as separating the waste according to materials, campaigns to reduce water wastage for the toilets, as well as other green campaigns to increase staff awareness in protecting the environment. AXA AFFIN Life Insurance launched several internal environment friendly programs involving the collection of recycled papers and materials to reduce paper printing and reducing the use of plastic bottles and cups, while AXA AFFIN General Insurance partnered with WWF Malaysia to support their conversation activities.

Finally for every initiative reported to provide quantifiable results about effectiveness of the initiative preferably with comparisons to 2016 or from 2014 to 2017 so trends and improvements can be assessed.

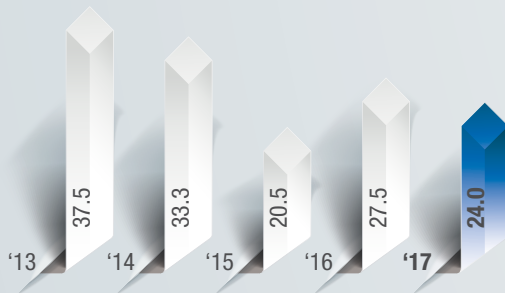
### MOVING FORWARD

Moving forward, in setting future sustainability focus areas for the Group, we plan to embark on internal exercises with subsidiary representatives and identify our key baseline strategy including readiness to report, data management and work towards identifying a more structured governance process. We will align the Group's vision, purpose and strategy, with the multiple areas that our value chain can impact. We hope that this will allow us to set a clearer path in becoming a Group that has sustainability at its core operations benefiting all stakeholders in the long run.

## FIVE-YEAR GROUP FINANCIAL SUMMARY

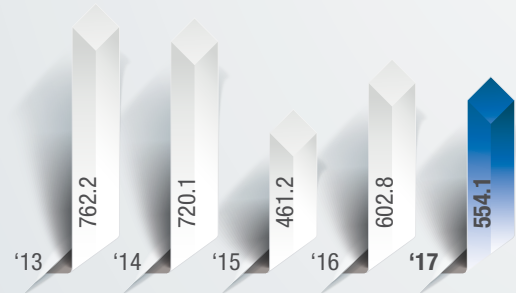
### EARNINGS PER SHARE (EPS)

(Sen)



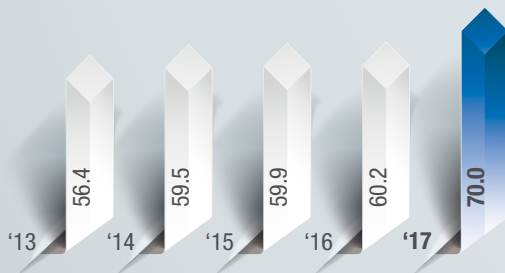
### PROFIT BEFORE ZAKAT AND TAXATION

(RM'million)



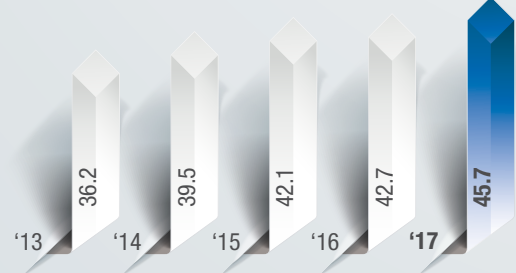
### TOTAL ASSETS

(RM'billion)



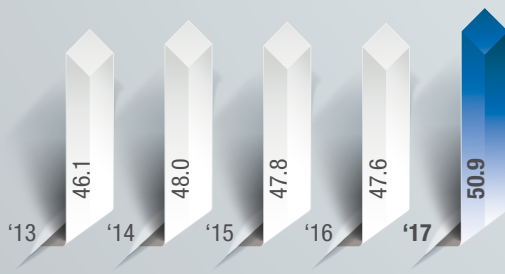
### NET LOANS, ADVANCES & FINANCING

(RM'billion)



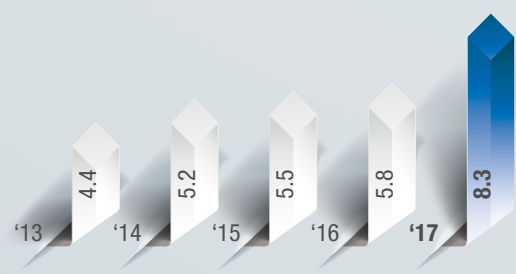
### DEPOSITS FROM CUSTOMERS

(RM'billion)



### SHAREHOLDERS' EQUITY

(RM'billion)





# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Affin Bank Berhad (“Bank” or the “Company”) is fully committed to integrity and fair dealing in all the Bank’s activities, and always strive to uphold the highest standards of corporate governance, which promotes the long-term interests of shareholders, strengthens the Board and management accountability and helps build public trust in the Bank. The Bank adopts corporate governance practices that conform to the Bank Negara Malaysia (“BNM”) Policy Document on Corporate Governance (“BNM CG”); Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“MMLR”) and Malaysian Code on Corporate Governance (“MCCG”).

## CORPORATE GOVERNANCE FRAMEWORK

The Bank has established a set of Corporate Governance Framework to set out broad principles, minimum standards and requirements for sound corporate governance and practices to be adopted by the Bank in ensuring its businesses are managed in a sound and prudent manner with due regard to the interests of all its shareholders and stakeholders as well as ensuring the long term viability of the Bank.

The Bank’s corporate governance arrangements represent a fundamental component of the regulator’s supervisory assessments and a key factor in determining the process and structure used to direct and manage the business and affairs of the Bank towards enhancing its business and corporate accountability with the ultimate objective of realising long-term shareholders’ value, whilst taking into account the interests of other stakeholders.

Following the completion of the Re-organization of Affin Group of companies on 2 February 2018, the Bank has become the Bank holding company listed on the Main Market of Bursa Malaysia Securities Berhad. As an apex entity, the Bank has the overall responsibility for ensuring the establishment and operation of a clear governance structure appropriate to the nature, size and complexity of the Bank and its subsidiaries.

This Corporate Governance Overview Statement sets out the principal features of the Bank and its subsidiaries (collectively referred to as “Group”) corporate governance approach, summary of corporate governance practices during the financial year as well as key focus areas and future priorities in relation to corporate governance. The Corporate Governance Overview Statement is made pursuant to paragraph 15.25(1) of MMLR and guidance was drawn from Practice Note 9 of the MMLR and the Corporate Governance Guide (3rd edition) issued by Bursa Malaysia Berhad.

This Corporate Governance Overview Statement is supported with a Corporate Governance Report, based on a prescribed format as outlined in paragraph 15.25(2) of the MMLR so as to provide the detailed application of the Bank’s corporate governance practices during the financial year 2017 against the BNM CG and MCCG. The Corporate Governance Report is available on the Bank’s website at [www.affinbank.com.my](http://www.affinbank.com.my) as well as via an announcement on the website of Bursa Securities.

A summary of corporate governance practices are described as follows:

## PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

### I. BOARD RESPONSIBILITIES

#### 1. Clear roles and responsibilities

The Board, led by the Chairman, establishes the vision and strategic objectives of the Bank and is entrusted with the responsibility in leading and directing the Bank towards achieving its strategic goals and realising long-term shareholders’ values. The Board and Management hold an annual strategic meeting to set the Bank’s strategies as well as to review the strategic direction of the Bank.

The Board is primarily responsible for overseeing the implementation of strategies and plans by the Management, overseeing the conduct of the Bank’s businesses, monitoring the implementation of appropriate systems to manage principal risks, reviewing the adequacy and integrity of the Bank’s system of internal controls, and ensuring effective communications with stakeholders.

In order to promote a culture of integrity and transparency throughout the Bank, all Directors are required to maintain the highest standards of transparency, integrity and honesty. This standard serves as the basis for the principles that govern Directors’ conduct and their relationship with the Bank’s shareholders and stakeholders.

The Board has established a Board Charter which is available on the Bank’s website at [www.affinbank.com.my](http://www.affinbank.com.my). The Board Charter sets out the demarcation of the mandate, roles and responsibilities, and procedures of the Board and Board Committees (both individually and collectively), in setting the direction, management and control of the Bank in accordance with the principles of good corporate governance set out in the policy documents and guidelines issued by BNM and relevant regulatory authorities. The Board Charter also charts the issues and decisions reserved for the Board.

The Board Charter will be reviewed by the Board from time to time in tandem with the Bank’s Corporate Governance Framework as well as changes to the MMLR, BNM CG, MCCG and Companies Act 2016 to ensure its relevance and effectiveness in the light of the ever changing environment in which the Bank operates.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board in discharging the duties, has an obligation to exercise unfettered judgement, in good faith with due care and skills so as to ensure compliance with regulatory requirements and in the best interest of the Bank.

The key responsibilities of the Board are as follows:-

- (i) Approving the Bank's risk appetite, annual business plan and other initiatives which would have material impact on the Bank's risk profile.
- (ii) Overseeing the selection, performance, remuneration and succession plans of the Chief Executive Officer, control function heads and other members of the Senior Management, such that the Board is satisfied with the collective competence of Senior Management to effectively lead the operations of the Bank.
- (iii) Overseeing the implementation of the Bank's governance framework and internal control framework, and periodically ascertaining whether they remain appropriate in the light of material changes to the size, nature and complexity of the Bank's operations.
- (iv) Promoting, together with Senior Management, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behaviour.
- (v) Promoting sustainability through appropriate economic, environmental and social considerations in the Bank's business strategies.
- (vi) Overseeing and approving the recovery and resolution as well as business continuity plans of the Bank to restore its financial strength and maintain or preserve critical operations and critical services when it comes under stress.
- (vii) Promoting timely and effective communication between the Bank and BNM on matters affecting, or that may affect, the safety and soundness of the Bank.
- (viii) Undertaking various functions and responsibilities as specified in the policy documents and directives issued by BNM and other relevant laws from time to time.

### 2. Separation of Positions of the Chairman and Chief Executive Officer

The roles of Chief Executive Officer (CEO) and Chairman are strictly separated and distinct. The respective roles of the Chairman and the CEO are clearly defined, so as to promote accountability and facilitate division of responsibilities between them and to further ensure a balance of power and authority.

The Chairman, in leading the Board, is responsible for the effective overall functioning of the Board. The key role of the Non-Executive Chairman includes the following:-

- (i) The smooth functioning of the Board, the governance structure and inculcating positive culture in the Board.
- (ii) Guidelines and procedures are in place to govern the Board's operation and conduct.
- (iii) All relevant issues are on agenda for Board meetings and all Directors are able to participate fully in the Board's activities.
- (iv) Board debates strategic and critical issues.
- (v) Provides avenues for all Directors to participate openly in the discussion.
- (vi) Provides leadership to the Board and responsible for the developmental needs of the Board.

On the other hand, the key role of CEO includes the following:

- (i) Develop the strategic direction of the Bank.
- (ii) Ensure that the Bank's strategies and corporate policies are effectively implemented.
- (iii) Ensure that Board's decisions are implemented and Board's directions are responded to.
- (iv) Provide directions in the implementation of short and long-term business plans.
- (v) Provide strong leadership that effectively communicates sound and viable vision, management philosophy and business strategy to the employees.
- (vi) Keep the Board fully informed of all important aspects of the Bank's operations and ensuring sufficient information is distributed to Board members.
- (vii) Ensure the day-to-day business affairs of the Bank are effectively managed.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### 3. Supported by Competent Company Secretary

The Board is supported by a suitably qualified and competent Company Secretary in discharging her functions. The Company Secretary plays an advisory role to the Board and is qualified under Section 235(2) of the Companies Act 2016, experienced and competent in performing her duties.

The Board has direct access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that all governance matters and Board procedures are followed and that applicable laws and regulations are complied with.

The Company Secretary attends Board and Board Committee meetings and is responsible for supporting the effective functioning of the Board. In discharging this role, the Company Secretary provides counsel to the Board on governance matters and facilitates the communication of key decisions and policies between the Board, Board Committees and Management. The Board is also regularly updated and kept informed of the latest developments in the legislation and regulatory framework affecting the Group and is advised on the proposed contents and timing of material announcements to be made to regulatory authorities.

### 4. Code of Ethics/Conduct

The Bank has put in place a Code of Ethics and Code of Conduct. The Code of Ethics is to ensure that staff is to consistently adhere to a high standard of professionalism and ethics in the conduct of business and professional activities to serve the legitimate interest of the Bank's customers and clients with the highest standards of professional and ethical behavior.

The Code of Conduct is to ensure that staff is fully committed to uphold, maintain and demonstrate a high level of integrity and professionalism at all times so as not to bring the Bank into dispute. The Bank prescribes certain values and principles which staff is expected to uphold and abide. The Code of Conduct specifies the minimum standards of conduct expected of staff of the Bank.

All Directors and employees of the Bank are expected to exercise caution and due care to safeguard confidential and price-sensitive information of the Bank and its business associates from being misused including for personal benefits, at all times. In managing the exposure of such misuse of price-sensitive information for trading of shares or other securities, the Directors and Senior Management are reminded periodically of the prohibition of insider trading and the dealings in securities during closed periods in accordance with the relevant provisions of the MMLR.

### 5. Whistle Blowing

The Whistleblowing Policy is developed to promote whistleblowing in a positive manner that provides an avenue to escalate concerns on improper conduct and to handle such concerns appropriately, in line with the fundamental objectives of Whistleblower Protection Act 2010. This includes the following:

- (i) Safeguard the Bank's reputation by minimising unfavorable surprise events.
- (ii) Encourage Whistleblower to divulge pertinent and unknown information on improper activity occurring within the Bank and subsequently to curtail the possible detrimental impact.
- (iii) Exhibit better corporate governance on managing whistleblowing issue, which is to be managed in a transparent manner by creating awareness on the protection, confidentiality and enforceability.

The Whistleblowing Policy is available on the Bank's website at [www.affinbank.com.my](http://www.affinbank.com.my).

## II. BOARD COMPOSITION

### 1. Board Composition and Balance

The composition of the Board reflects a good measure of objectivity and impartiality in order to ensure that the interest of the minority shareholders is not compromised. The influence of the nominees for the major shareholders of the Bank is balanced by the presence of the Independent Directors on the Board whose collective views carry significant weight in the Board's deliberation and decision-making process.

The Board comprises eight (8) Directors, four (4) of whom are Non-Independent Non-Executive Directors and the remaining four (4) are Independent Non-Executive Directors. The current Board composition of which half comprise Independent Directors exceeds the MMLR. In addition, a potential candidate has been identified for appointment as an additional Independent Director, pending the approval from BNM. Subsequent to this, the Board is expected to comprise majority of Independent Directors.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The size and composition of the Board are reviewed from time to time in order to ensure that the Board comprises strong and dynamic individuals with relevant skills and competencies necessary to drive the Bank towards achieving sustainability and viability. The existing size and composition of the Board is able to promote effective deliberation, encourages the active participation of all Directors and allows the work to be discharged without giving rise to an over-extension of Directors that are required to serve on multiple Board Committees. The broad range of experience, skills and knowledge of the Directors effectively facilitate the discharge of the Board's stewardship.

### Board Independence

To ensure the independence of the Board as well as to encourage fresh views and ideas at the Board level, the Board had set the maximum tenure of an Independent Director which shall not exceed nine (9) years of service as Independent Director in the Affin Bank Group.

The Independent Director shall, upon reaching the maximum tenure and subject to the approval of BNM for his re-appointment as Director, remain as a Director but shall be re-designated as Non-Independent Non-Executive Director.

Represented on the Board are four (4) Independent Non-Executive Directors who bring their independent advice, views and judgement to bear on the decision-making process of the Bank to ensure that a balanced, robust and unbiased deliberation process is in place to safeguard the interests of other stakeholders.

### Board Diversity

The Bank promotes diversity in Board as it recognises values the unique contribution from Directors with diversified individual background, skills, experiences and perspectives.

In promoting diversity, gender and opportunities, the Board in its appointments and composition pays due recognition and weightage to the skills, experience and business acumen of the Directors. The Board reviews the appropriate mix of skills, experience, age, gender, cultural background and knowledge required of its members, in the context of the needs of the Bank's businesses and strategies. The Board acknowledges the recommendation of the MCCG pertaining to the establishment of boardroom gender diversity policy.

The Board currently has no female Director. However, the Board/Board Nomination and Remuneration Committee (BNRC) is actively searching for suitable female candidate(s) for appointment as Director.

### Appointments and Removals

#### New Appointment of Directors

All appointments of Directors are subject to the approval of BNM which will be for a specific term of appointment.

The BNRC is responsible for assessing the candidate(s)' qualifications and experiences and whether he/she fulfills the minimum requirements as set out in the BNM CG, BNM Fit & Proper Criteria and any other relevant laws. The BNRC thereafter submits its recommendation to the Board for decision on submission of application to BNM for the proposed new appointment as Director.

In identifying candidates for appointment of Directors, the BNRC has the right to utilize independent sources at the cost of the Company to identify suitably qualified candidates.

Besides the above, BNRC may also consider utilising the following sources:

- Director's registry (e.g. Institute of Corporate Directors Malaysia and NAM Institute for the Empowerment of Women);
- Industry and professional associations; or
- Independent search firm

The Bank shall not make an application to BNM to appoint a Director unless the Board is wholly satisfied, based on its objective assessment, that the candidate meets the minimum requirements of the BNM CG and MMLR, understands the expectation of the roles and is able to meaningfully contribute to the Board.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### Re-Appointment of Directors

The proposed re-appointment of a Director, upon expiry of his/her current term of appointment as approved by BNM, is subject to the approval of BNM.

The BNRC is responsible for assessing the performance of Directors whose current term of appointment as approved by BNM are due to expire, and submitting its recommendation to the Board for decision on the submission of application to BNM for the proposed re-appointment of the Directors concerned.

### Removal of Directors

The BNRC will conduct an annual review to assess the Fit & Proper Criteria, performance and effectiveness of each Director. Corrective measures will be taken by BNRC if the Director is no longer Fit & Proper or non-performing as and when BNRC becomes aware of such circumstances.

## **2. Board Evaluation**

The Board conducts annual Board evaluation to objectively assess the performance and effectiveness of each Director and the Board as a whole, as well as its Board Committees.

BNRC reviews the criteria to be used in the evaluation process and the results will assist the BNRC to assess the required mix of skills and experience and other qualities, including core competencies which Directors should bring to the Board.

The purpose of the Board Evaluation is to assess the processes by which the Board fulfils its responsibilities. Regardless of whether all or some of these responsibilities have been delegated to Board committees, the responsibilities would form part of the Board Evaluation as the Board is ultimately accountable.

### **Assessing Individual Director's Contributions**

The evaluation of individual Directors assists the Directors in maximising their contribution to the governance of the Bank through focused discussion, effective planning and achievement of professional performance and development objectives.

In considering a Director's contributions to the Board, the Directors and the BNRC consider the following key elements:

- Integrity, Commitment and Ethic
- Governance
- Strategic Perspective
- Business Acumen
- Judgment and Decision Making
- Teamwork
- Communication
- Leadership

### **Board Committee Assessment**

In line with the assessment of Board effectiveness, an assessment of the Board Committees as a function of the Board is also carried out to evaluate the effectiveness of the Committees in meeting the objectives for which they are established. Committee members will assess their roles in assisting the Board to fulfill its responsibilities as delegated to the Committee by its terms of reference.

## **3. Delegation by the Board**

The Board delegates certain functions to several committees, namely the Group Board Audit Committee, the Board Nomination and Remuneration Committee, Group Board Credit Review and Recovery Committee and Group Board Risk Management and Compliance Committee to support and assist in discharging its fiduciary duties and responsibilities. The Board also established the Board Oversight Transformation Committee to oversee the progress of the AFFINITY Programme for the Group. The respective Committees report to the Board on matters considered and their recommendations thereon. The ultimate responsibility for the final decision on all matters, however, lies with the Board.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

These Board Committees operate under the approved terms of reference or guidelines set by the Board which are in accordance with the BNM CG and consistent with the MMLR and the recommendations of the MCCG.

The deliberations and decisions at the Board Committees meetings are escalated to the Board via minutes which are tabled at the Board meeting and reports from the respective Chairman of the committees.

### (a) Group Board Credit Review and Recovery Committee (“GBCRRC”)

GBCRRC was established to assist the functions of the Board in respect of its inherent authority over approval on financing application/ proposals which are considered by the Group Management Credit Committee (“GMCC”).

The GBCRRC operates in accordance with the powers and authorities delegated under the terms of reference. Generally, the GBCRRC provides assistance to the Board as follows:

- (i) To critically review loans and other credit facilities upon recommendation by the Group Credit Management Division;
- (ii) To provide an independent oversight of credits by ensuring that there are adequate lending policies, procedures and operating strategies are adhered to;
- (iii) Generally to ensure that the GMCC has discharged its responsibilities in a proper manner; and
- (iv) To monitor the progress of recovery efforts.

The GBCRRC is scheduled to meet on a fortnightly basis.

### (b) Board Nomination and Remuneration Committee (“BNRC”)

BNRC is chaired by an Independent Non-Executive Director, with the objective of providing a formal and transparent procedure in respect of the following:

- (i) The selection and appointment of all new Directors and Chief Executive Officer as well as assessment of effectiveness of individual Directors, Board as a whole, Board Committees and performance of Chief Executive Officer and key Senior Management officers; and
- (ii) Develop remuneration policy for Directors, Chief Executive Officer and key Senior Management officers and ensuring that compensation is competitive and consistent with the Bank’s culture, objectives and strategies.

The BNRC carries out its roles and responsibilities as stipulated in the terms of reference. The BNRC is not delegated with decision-making powers but reports its recommendations to the Board for decision.

The main activities of the BNRC in 2017 included the following:

- Assessment of fitness and propriety of Directors for re-appointment.
- Assessment of fitness and propriety of new candidates for proposed appointment as new Directors.
- Review mechanism and evaluation form for annual assessment of effectiveness of the Board as a whole and annual assessment of effectiveness of each individual Director and Board Committees.
- Review mechanism for annual fit and proper assessment of Senior Management.
- Review the remuneration of Directors and Senior Management.
- Recommendation to the Board on promotion and appointment of key responsible persons.

The BNRC meets as and when required, and at least once a year.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### (c) Board Oversight Transformation Committee (“BOTC”)

BOTC is established in view of the Transformation Blueprint and Implementation Masterplan – AFFINITY Program.

Its main purpose is to oversee the transformation plan (AFFINITY Program), secure the consistency of strategic decision and ensure that the transformation plan is implemented effectively in a timely manner.

The delegation of authority to the BOTC is intended to be sufficiently broad so that the issues which remain with the Board or which would be referred by Management Committee to the Board would generally be as follows:-

- (i) High level strategic, budgetary and stewardship policy issues or matters of significant risk to the Group;
- (ii) Any matter involving alteration(s) to the mandate, terms of reference, membership or structure of the BOTC;
- (iii) Matters which the BOTC considers to be of major strategic significance with long term impact on the Group;
- (iv) Matters which, in the opinion of the Chairman of BOTC, have seen a strong division of opinion within the BOTC; and
- (v) Issues in which there is lack of clarity as to the responsibility and authority of the BOTC.

The BOTC meets on a bi-monthly basis.

### (d) Management Committees

The Bank has established the following Management Committees to assist in overseeing the daily operation of the Bank:-

- (i) Management Committee
- (ii) Group Management Credit Committee
- (iii) Credit Resolution Committee
- (iv) Group Operational Risk Management Committee
- (v) Group Asset Liability Management Committee
- (vi) Planning and Technology Steering Committee

## 4. Supply of Information to Board

The Board has full and timely access to information on Board matters via materials distributed in advance at least 5 business days from the date of meetings to enable the Directors to obtain further explanation, where necessary, in order to be properly briefed prior to the meetings. All Board members are required to devote sufficient time to prepare for and attend Board meetings.

The Bank ensures that attendance at a board meeting, by way other than physical presence, remains the exception rather than the norm, and is subject to appropriate safeguards to preserve the confidentiality of deliberations. Circular Resolution is not a perfect substitute for board meetings since it does not offer the opportunity for board members to actively debate the issues circulated and to raise immediate questions or resolutions, which may lead to inappropriate decisions being made.

## 5. Access to Third Party Experts

In discharging Directors’ duties, each Director is entitled to obtain independent professional advice from third party experts at the cost of the Bank.

Independent professional advice shall include legal, accounting or other professional financial advice. Independent professional advice shall exclude any advice concerning the personal interests of the Directors (such as with respect to their contracts or disputes with the Bank), unless these are matters affecting the Board as a whole and have the unanimous agreement of the Board.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### 6. Time Commitment

A Director shall notify the Chairman of the Board of his acceptance of any new directorship in public listed companies. In any event the maximum number of appointments in public listed companies shall be limited to five (5) pursuant to the MMLR.

The notification shall include an assurance of his continued time commitment to serve the existing Board and that his other appointments shall not be in conflict or compete with the existing appointment with the Bank.

The Board is satisfied that each Director has committed sufficient time to the Bank as evident from the Directors' record of attendance at Board meetings held in the financial year ended 31 December 2017. The details of Board and Board Committee meetings attended are as set out in Corporate Governance Report.

### 7. Continuing Education and Development

The BNRC oversees the training needs of the Directors. The BNRC ensures that the Directors spend sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes and life-long learning in order to keep the Directors abreast with the dynamic and complex business environment as well as new statutory and regulatory requirements.

All new Directors are required to attend the Mandatory Accreditation Programme organized by Bursa Malaysia within four (4) months from the date of appointment and Financial Institutions Directors' Education Programme (FIDE) organized by BNM within one (1) year from the date of appointment.

Besides, Directors Orientation Programme is organized to familiarise themselves with the Bank's organization structure, business and the financial industry. The relevant Heads of Departments/Divisions will brief the new members of the Board on the functions and areas of responsibility of their respective department/divisions.

This serves to provide them with a platform in establishing effective channel of communication and interaction with Senior Management as well as to ensure that the Directors understand:-

- (i) their roles and responsibilities;
- (ii) the nature of the Bank's business;
- (iii) overview of risks on the Bank's business and the risk management strategy; and
- (iv) legal requirements and compliance controls.

The Board will via BNRC, on a continuing basis, evaluate and determine the training needs of each Director, particularly on relevant new laws and regulations, and essential practices for effective corporate governance and risk management to enable the Directors to sustain their active participation in board deliberations and effectively discharge their duties.

During the financial year ended 31 December 2017, the Directors have attended the following courses/training programmes:

| GEN. DATO' SERI DIRAJA TAN SRI (DR.) MOHD ZAHIDI BIN HAJI ZAINUDDIN |                                                                                                                                             |                   |
|---------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Trainer/Organizer                                                   | Course Title                                                                                                                                | Date              |
| MINDA/ICLIF                                                         | Breakfast Talk on CG Watch 2016 Entitled "Ecosystems Matter"                                                                                | 7 March 2017      |
| Aram Global Sdn Bhd                                                 | The New Companies Act 2017 "Raising the Bar For Directors"                                                                                  | 29 March 2017     |
| Aram Global Sdn Bhd                                                 | Latest Updates on Directors' Remuneration in Compliance with the Companies Act and the Upcoming Amendments to the Listing Requirements 2017 | 6 June 2017       |
| Aram Global Sdn Bhd                                                 | A Seminar on Implementing A Risk Management & Internal Control Framework Based on The Malaysian Code Of Corporate Governance 2017           | 26 July 2017      |
| Affin Holdings Berhad                                               | International Forum on Asia Pacific Retailers Convention & Exhibition 2017 (APRCE)                                                          | 25 August 2017    |
| Affin Holdings Berhad                                               | Code of Corporate Governance and the Companies Act 2016                                                                                     | 14 September 2017 |
| PricewaterhouseCoopers                                              | Building a Cyber Resilient Organization & Strategic Impact of MFRS 9                                                                        | 28 November 2017  |
| Affin Bank Berhad                                                   | Risk Governance Framework for Islamic Banks                                                                                                 | 12 December 2017  |

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

| ENCIK MOHD SUFFIAN HAJI HARON      |                                                                                                   |                    |
|------------------------------------|---------------------------------------------------------------------------------------------------|--------------------|
| Trainer/Organizer                  | Course Title                                                                                      | Date               |
| MINDA/ICLIF                        | Breakfast Talk on CG Watch 2016 Entitled “Ecosystems Matter”                                      | 7 March 2017       |
| Bursa Malaysia                     | Sustainability Engagement Series for Directors / Chief Executive Officers                         | 13 March, 2017     |
| Bank Negara Malaysia               | Compliance Conference 2017                                                                        | 28 May 2017        |
| Bank Negara Malaysia               | FIDE forum on Fintec: Opportunities for the Financial Services Industry in Malaysia               | 12 July 2017       |
| Securities Commission              | Boards in the Digital Economy                                                                     | 17 July 2017       |
| FIDE                               | Cryptocurrency and Blockchain Technology                                                          | 10 August 2017     |
| Affin Holdings Berhad              | Code of Corporate Governance & The Companies Act 2016                                             | 14 September 2017  |
| Kuala Lumpur Islamic Finance Forum | 14th Kuala Lumpur Islamic Finance Forum 2017 “Real Finance For Real Economy”                      | 3 – 5 October 2017 |
| Affin Hwang Capital                | Conference Series 2017: “Opportunities Amidst Geopolitical Shift”                                 | 5 October 2017     |
| Bursa Malaysia/MINDA               | CG Breakfast Series with Directors: “Integrating an Innovation Mindset with Effective Governance” | 7 October 2017     |
| PricewaterhouseCoopers             | Building a Cyber Resilient Organization and Strategic Impact of MFRS 9                            | 28 November 2017   |
| Affin Bank Berhad                  | AMLATFPUAA: Risk, Challenges & Vulnerabilities towards Regulatory Compliance                      | 29 November 2017   |
| Affin Bank Berhad                  | Risk Governance Framework for Islamic Banks                                                       | 12 December 2017   |

| TAN SRI MOHD GHAZALI BIN MOHD YUSOFF |                                                                                    |                   |
|--------------------------------------|------------------------------------------------------------------------------------|-------------------|
| Trainer/Organizer                    | Course Title                                                                       | Date              |
| MINDA/ICLIF                          | Breakfast Talk on CG Watch 2016 Entitled “Ecosystems Matter”                       | 7 March 2017      |
| ICLIF                                | Mandatory Accreditation Programme (MAP)                                            | 6 – 7 April 2017  |
| Bank Negara Malaysia                 | BNM Value - Compliance Conference 2017                                             | 18 May 2017       |
| Affin Holdings Berhad                | Code of Corporate Governance & The Companies Act 2016                              | 14 September 2017 |
| Affin Hwang Capital                  | Conference Series 2017: “Opportunities Amidst Geopolitical Shift”                  | 5 October 2017    |
| FIDE                                 | 2nd Securities Commission – FIDE Forum Dialogue – Leveraging Technology For Growth | 14 November 2017  |
| PricewaterhouseCoopers               | Building a Cyber Resilient Organization & Strategic Impact of MFRS 9               | 28 November 2017  |
| FIDE                                 | 2nd Securities Commission – Leveraging Technology for Growth                       | 29 November 2017  |
| Affin Bank Berhad                    | Risk Governance Framework for Islamic Banks                                        | 12 December 2017  |

| ENCIK ABD MALIK BIN A RAHMAN |                                                                                                                         |                   |
|------------------------------|-------------------------------------------------------------------------------------------------------------------------|-------------------|
| Trainer/Organizer            | Course Title                                                                                                            | Date              |
| Bursa Malaysia               | Forum for Directors/CEO's: The Velocity of Global Change & Sustainability – The New Business Model                      | 10 January 2017   |
| Aram Global Sdn Bhd          | The New Companies Act 2016 “Raising the Bar For Directors”                                                              | 29 March 2017     |
| Bursatra Sdn Bhd             | What Directors Need To Know on Reporting & Disclosure Obligations to Prevent Public Reprimand & Fines by the Regulators | 20 April 2017     |
| FIDE                         | Efficient Inefficiency: Making Boards Effective in a Changing World                                                     | 4 May 2017        |
| Bank Negara Malaysia         | Compliance Conference 2017                                                                                              | 18 May 2017       |
| Affin Hwang Capital          | Companies Act 2016: Key Changes and Implications to Board                                                               | 17 July 2017      |
| Affin Hwang Capital          | AMLATFPUAA 2001: Risk, Challenges & Vulnerabilities Towards Risk Based Approach & Partners                              | 6 September 2017  |
| Affin Holdings Bhd           | Code of Corporate Governance 2016 & Companies Act 2016                                                                  | 14 September 2017 |
| Affin Hwang Capital          | Conference Series 2017 – Opportunities Amidst Geopolitical Shifts                                                       | 5 October 2017    |
| Bursa Malaysia               | CG Breakfast Series for Directors: Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World                    | 13 October 2017   |



**CORPORATE GOVERNANCE OVERVIEW STATEMENT**

| <b>MR. TANG PENG WAH</b>      |                                               |                     |
|-------------------------------|-----------------------------------------------|---------------------|
| <b>Trainer/Organizer</b>      | <b>Course Title</b>                           | <b>Date</b>         |
| BEA-Risk Management Dept      | Enterprise Risk Management                    | 17 February 2017    |
| Thomson Reuters               | BEA IT Securities Awareness                   | 8 April 2017        |
| Thomson Reuters               | Preventing Financial Crime (Global)           | 8 April 2017        |
| BEA-Risk Management Dept      | KPMG Powerpoint Presentation for IFRS 9       | 19 April 2017       |
| Thomson Reuters               | Market Conduct (Global)                       | 29 May 2017         |
| Thomson Reuters               | Personal Data Protection Act (Singapore)      | 15 July 2017        |
| Thomson Reuters               | Anti Bribery and Anti Corruption (AP)         | 15 July 2017        |
| Thomson Reuters               | Information Security and Cyber Risk Awareness | 15 July 2017        |
| Thomson Reuters               | Fraud Prevention (Global 2016)                | 16 July 2017        |
| Thomson Reuters               | FATCA Essentials FY 16-17                     | 19 July 2017        |
| Angelia Sam and Lini Widjaja  | Oversight/Errors in Credit Proposal to avoid  | 25 July 2017        |
| ICLIF                         | Current Issues in Corporate Governance        | 14 – 15 August 2017 |
| Bank of America Merrill Lynch | Financial Institution Forum Singapore 2017    | 17 August 2017      |
| Yong Soon Kiat Alvin          | “Manage Self” Post-Workshop Sharing           | 25 August 2017      |

| <b>DATO' ABDUL AZIZ BIN ABU BAKAR</b> |                                                                      |                  |
|---------------------------------------|----------------------------------------------------------------------|------------------|
| <b>Trainer/Organizer</b>              | <b>Course Title</b>                                                  | <b>Date</b>      |
| PricewaterhouseCoopers                | Building a Cyber Resilient Organization & Strategic Impact of MFRS 9 | 28 November 2017 |
| FIDE Forum                            | 2nd Securities Commission – Leveraging Technology for Growth         | 29 November 2017 |
| Affin Bank Berhad                     | Risk Governance Framework for Islamic Banks                          | 12 December 2017 |

| <b>DATO' MOHD HATA BIN ROBANI</b>                  |                                                                                                                                              |                   |
|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| <b>Trainer/Organizer</b>                           | <b>Course Title</b>                                                                                                                          | <b>Date</b>       |
| Malaysian Institute of Corporate Governance (MICG) | Drafting the Statement On Corporate Governance on Risk and Internal Control – Critical Success Factors & Pitfalls to Avoid                   | 14 March 2017     |
| Aram Global Sdn Bhd                                | The New Companies Act 2016 “Raising the Bar For Directors”                                                                                   | 29 March 2017     |
| Bursatra                                           | Highlights of the Companies Act 2016 – Changes and Implications                                                                              | 28 March 2017     |
| ICLIF                                              | Mandatory Accreditation Programme (MAP)                                                                                                      | 6 – 7 April 2017  |
| MICG                                               | Assessment of the Board, Board Committees and Individual Directors – Taking Stock of Performance                                             | 11 April 2017     |
| Bursatra Sdn Bhd                                   | Changing Expectations of Board Committees – What a Director Must Know                                                                        | 12 April 2017     |
| Aram Global Sdn Bhd                                | National Seminar on Malaysian Code on Corporate Governance (New) – “An Overview”                                                             | 19 April 2017     |
| FIDE                                               | Efficient Inefficiency: Making Boards Effective in a Changing World                                                                          | 4 May 2017        |
| Aram Global Sdn Bhd                                | Latest Updates on Directors’ Remuneration in Compliance with the Companies Act and the Upcoming Amendments to the Listing Requirements 2017. | 6 June 2017       |
| Securities Industry Development Corporation (SIDC) | Board in the Digital Economy                                                                                                                 | 17 July 2017      |
| Bursatra Sdn Bhd                                   | Raising the Bar in Board Performance & Effectiveness                                                                                         | 18 September 2017 |
| Affin Bank Berhad                                  | Half Day Session on AML/CFT                                                                                                                  | 29 November 2017  |
| Affin Bank Berhad                                  | Risk Governance Framework for Islamic Banks                                                                                                  | 12 December 2017  |

| <b>MR. IGNATIUS CHAN TZE CHING</b>                                  |                                                                                                     |                    |
|---------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|--------------------|
| <b>Trainer/Organizer</b>                                            | <b>Course Title</b>                                                                                 | <b>Date</b>        |
| The Bank of East Asia, Limited                                      | Economic & Market Outlook 2017                                                                      | 9 January 2017     |
| The Government of the HKSAR and Hong Kong Trade Development Council | Asian Financial Forum                                                                               | 16-17 January 2017 |
| PricewaterhouseCoopers Limited                                      | Non-Executive Director Programme: Global Development of Climate Risk Disclosure by Ms Paula DiPerna | 21 March 2017      |

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

|                                                                                                                       |                                                                                                                                                   |                  |
|-----------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Erste Group Bank AG in Vienna                                                                                         | Financial Institutions Day 2017 "Excellence"                                                                                                      | 4 May 2017       |
| The Hong Kong Polytechnic University                                                                                  | Open Forum on the University's 2018/19 to 2023/24 Strategic Plan                                                                                  | 6 June 2017      |
| Hong Kong Exchanges and Clearing Limited                                                                              | HKEX 4th Annual RMB Fixed Income & Currency Conference 2017                                                                                       | 6 June 2017      |
| PricewaterhouseCoopers China Holding Limited                                                                          | Non-Executive Director Programme: Are Independent Non-Executive Directors in Hong Kong Performing Their Roles Effectively?                        | 12 June 2017     |
| The Hong Kong Polytechnic University                                                                                  | 2nd Open Forum on the University's 2018/19 to 2023/24 Strategic Plan                                                                              | 28 July 2017     |
| JA Asia Pacific, J.P. Morgan and Asia Society Hong Kong Centre                                                        | One Step Ahead Series Luncheon Forum: Advancing Opportunity for Hong Kong's Youth: Pathways to Economic Growth and Inclusion                      | 6 September 2017 |
| Hong Kong Trade Development Council and Chinese People's Political Consultative Conference Shanghai Committee (CPPCC) | High Level Roundtable Meeting with the Chinese People's Political Consultative Conference (CPPCC) Shanghai Committee on Belt and Road Cooperation | 6 September 2017 |
| PricewaterhouseCoopers                                                                                                | Building a Cyber Resilient Organization & Strategic Impact of MFRS 9                                                                              | 28 November 2017 |
| Asia Pacific Institute for Strategy                                                                                   | Innovation and Leadership in Finance                                                                                                              | 28 November 2017 |
| KPMG Hong Kong                                                                                                        | The KPMG Independent Non-Executive Directors Forum                                                                                                | 5 December 2017  |
| Hong Kong Economic Journal and Metro Finance Radio                                                                    | Hong Kong Economic Summit                                                                                                                         | 8 December 2017  |

The Directors are also updated and apprised on a continuing basis by the Company Secretary on new and revised requirements to the Companies Act 2016, the MMLR and the MCCG ("Continuing Updates").

## III. REMUNERATION

## 1. Board Remuneration

The BNRC recommends specific remuneration packages for Directors, and is structured such that it is competitive and consistent with the Bank's culture, objectives and strategies as well as ensuring that it commensurates with the level of responsibilities undertaken and contributions made by the Directors to the effective functioning of the Board and drive the Bank's long-term objectives.

The remuneration package for the Directors of the Bank comprise the following in accordance with the Remuneration Policy:

|                                    |                                                                                                        |
|------------------------------------|--------------------------------------------------------------------------------------------------------|
| <b>Directors' Fees</b>             | The Directors are entitled to annual Directors' fees.                                                  |
| <b>Board Committees Allowances</b> | Directors who sit on Board Committees are entitled to receive Board Committee allowances.              |
| <b>Meeting Allowances</b>          | Directors are also entitled to Meeting allowances when they attend any Board/Board Committee meetings. |

The Directors' fees and benefit-in-kind payable to Directors are subject to shareholders' approval at the Annual General Meeting.

In determining the level of remuneration for Directors, the Board may commission a survey of the remuneration levels of Directors, to be carried out either by external consultants or senior management. The survey should cover the remuneration levels of Directors of an organization in a similar industry, size and location. This report shall be tabled to the BNRC and the Board for deliberation.

During deliberations pertaining to the individual Directors' remuneration, the interested parties should excuse themselves from both the deliberations and voting.

The Board reviews the Remuneration Policy of Directors and Senior Management annually to ensure it continues to support the strategies and long-term vision of the Bank and yet at the same time, is able to attract talent, nurture and retain high caliber Directors, whilst taking into account the interest of other stakeholders, including shareholders and employees.

The details of the Directors' remuneration are set out in Note 37 to the Financial Statements in this Annual Report.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### 2. Senior Management Appointments and Removals

Senior Management is responsible and accountable for the sound and prudent day-to-day management of the Bank, in accordance with the direction of the Board. They are appointed to key positions of the Bank to provide strategic leadership which influences the financial position and future direction of the Bank.

Persons in these key positions must have the necessary qualities, competencies and experience that will allow them to perform their duties and carry out the responsibilities required of their position in the most effective manner.

The Bank shall submit to the Board for the new appointment, re-appointment and removal of CEO and Senior Management.

Senior Management appointments and removal are governed by the standards in BNM CG which stipulates that member of Senior Management must fulfill the minimum requirements at the time of appointment and on a continuing basis.

### 3. Senior Management Remuneration

The Bank's Remuneration Policy considers the role of each staff. The objective of the Remuneration Policy is to ensure that the remuneration system in the Bank:-

- Rewards individuals for the achievement of the Bank's objectives and motivates high levels of performance;
- Rewards exceptional performance by individual through the Performance Management System;
- Allows the Bank to compete effectively in the labour market and to recruit and retain high calibre staff; and
- Achieves fairness and equity in remuneration and reward.

The Bank's remuneration policy is developed based on the following guiding principles:-

- (i) Support for Strategic Objectives: Remuneration and reward frameworks and decisions shall be developed in a manner that is consistent with, supports and reinforces the achievement of the Bank's vision and strategy.
- (ii) Transparency: The process of remuneration management shall be transparent, conducted in good faith and in accordance with appropriate levels of confidentiality.
- (iii) Internal Equity: The Bank shall remunerate all staff fairly in terms of their roles within the organization.
- (iv) Market-Related Remuneration: The Bank shall measure its remuneration practices against both the local and national market through the use of remuneration surveys and through benchmarking with other similar institutions.
- (v) Flexibility: Remuneration and reward offerings shall be sufficiently flexible to meet both the needs of individuals and those of the institution whilst complying with relevant tax and other legislation.
- (vi) Performance-Driven Remuneration: The Bank shall entrench a culture of performance driven remuneration through the implementation of the Performance Management System.
- (vii) Affordability and Sustainability: The Bank shall ensure that remuneration is affordable on a sustainable basis.

The Remuneration Policy and practices will evolve over time, reflecting Bank's priorities but will always adhere to the BNM CG and at the same time promoting sound and effective risk management.

The Bank ensures that overall remuneration system for the Bank (as per the BNM CG) shall:-

- (i) be subject to Board's active oversight to ensure that the system operates as intended;
- (ii) be in line with the business and risk strategies, corporate values and long-term interests of the Bank;
- (iii) promote prudent risk-taking behavior and encourage individuals to act in the interests of the Bank as a whole, taking into account the interests of its customers; and be designed and implemented with input from the control functions and the Group Board Risk Management and Compliance Committee to ensure that risk exposures and risk outcomes are adequately considered.

The remuneration of Senior Management and Other Material Risk Taker (OMRT) must be approved by the Board and the Bank will maintain and regularly review the list of officers who fall within the definition of Senior Management and OMRT.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Bank's remuneration comprised of fixed pay and variable pay rewards as follows:-

- (i) Fixed pay consists of base salary and fixed allowances that are pegged to the market value of the job.
- (ii) Variable pay rewards employees based on the performance of the Division, Department & Bank, and the employee's individual performance.

The Bank implemented the Deferred Discretionary Performance Bonus for the MD/CEO, members of the Management Committee and Senior Management. The objective of the deferred bonus is to align short-term compensation payment with the time-based risk, and to encourage employees to deliver sustainable long-term performance.

The Deferred Discretionary Performance Bonus will be subject to claw back. Any unvested element under the deferred plan can be forfeited / adjusted or the delivered variable remuneration payout be recovered in certain circumstances.

### PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

#### 1. Group Board Audit Committee ("GBAC")

The Board recognises the value of an effective GBAC in ensuring the integrity in financial reporting and effective internal control framework.

The roles and responsibilities of the GBAC are set out under the GBAC report on pages 91 to 96 of this Annual Report.

The GBAC comprises solely of Independent Non-Executive Directors as stipulated on page 91 of this Annual Report. The Chairman of the GBAC is not the Chairman of the Board.

The GBAC possesses a wide range of necessary skills to discharge their duties effectively. The members are financially literate and are able to understand matters under the purview of the GBAC including the financial reporting standards. The members had attended relevant professional trainings during the year and will continue to keep themselves abreast of the relevant developments in accounting and auditing standards, practices and rules.

#### 2. Group Board Risk Management Committee ("GBRMC")

The GBRMC is responsible for overseeing the risk management and compliance function of the Group. The GBRMC ensures that the Management has in place risk and compliance management policies, processes, procedures and framework to adequately protect the Group against risks.

The details are set out under the Statement of Internal Control and Risk Management on pages 76 to 80 of this Annual Report.

#### 3. Independence of External Auditors

The Bank's External Auditors play an essential role to the shareholders by enhancing the reliability of the Group's financial statements and giving assurance of that reliability to users of these financial statements. The GBAC manages the relationship with the External Auditors on behalf of the Board. The GBAC reviews and considers the re-appointment, remuneration and terms of engagement of the External Auditor annually.

The GBAC meets with the External Auditors at least twice a year to discuss their audit plans, significant issues if any, new accounting standards, emerging risk and audit findings in relation to the Group's financial statements. The private sessions between the GBAC and the External Auditor were held without the presence of the CEO and the Management to discuss the audit findings and any other observations they may have had during the audit process. In addition, the External Auditors are invited to attend the AGM of the Bank and be available to answer shareholders' queries on the conduct of the statutory audit and the preparation and content of their audit report.

The External Auditors have confirmed their independence and that there were no circumstances and relationship that create threats to their independence and that the ethical requirements have been complied with. The GBAC has also reviewed the nature and extent of non-audit services rendered by the External Auditors and ascertained that there is no conflict of interest.

The amount of non-audit services fees paid to the external auditors, their associates and any other third parties during the financial year 2017 is RM643,000.

#### 4. Risk Management and Internal Control Framework

The Bank recognises the importance of maintaining a sound system of internal controls and risk management practices. The Board affirms its overall responsibility for the effectiveness of the Bank's internal controls and risk management framework.

The Bank's Statement on Risk Management and Internal Control which provides an overview of the state of internal controls of the Bank is set out on pages 76 to 80 of this Annual Report.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### 5. Internal Audit Function

The Bank's internal audit provides independent and objective assurance of the adequacy and effectiveness of the internal controls framework. The Internal Audit Department reports to the GBAC. Details of the Internal Audit function, together with the state of the Group's internal controls, are set out in the Group Board Audit Committee Report on pages 91 to 96 and Statement on Risk Management and Internal Control as set out on pages 76 to 80 of this Annual Report.

## PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS

### 1. Effective Communication With Shareholders

The Board and Management recognised the importance of maintaining good relationship with both the shareholders and the stakeholders and will take the responsibility to always improve the communication with the shareholders and the stakeholders.

The Bank continuously ensure that timely, complete, transparent and accurate disclosures are made to the shareholders and stakeholders in accordance with the requirements of BNM CG and MMLR.

Annual General Meeting is an important platform for the shareholders to interact and communicate directly with the Board and Management. Shareholders are furnished with the Bank's Annual Report which include amongst others, Directors' Report, Financial Statements and operational performance of the Bank.

The notice of the Annual General Meeting together with the Annual Report are sent to the shareholders 28 days ahead before the Annual General Meeting so as to give sufficient time for the shareholders to consider the resolutions that will be discussed and voted at the Annual General Meeting. During the Annual General Meeting, shareholders are given the opportunity to raise questions or seek clarifications on the agenda items as well as other matters concerning the Bank.

All resolutions deliberated during the General Meetings will be put to vote by way of poll and the voting results will be released to Bursa Securities on the same day.

### 2. Focus Areas on Corporate Governance

2017 brought forth key regulatory changes within the domestic corporate governance realm. The Board, against a challenging business backdrop, focused its attention on the foundational aspects of its roles as they relate to the creation of long-term value for stakeholders.

Against the aforementioned setting, during the year under review, the Board directed its focus on the core duties of the Board which is grounded on the creation of long-term value for stakeholders.

Corporate governance areas which gained heightened attention from the Board during the financial year ended 31 December 2017 are as follows:-

#### Board Composition

The Board is satisfied that the current composition of Directors provides the appropriate balance and size in the Board necessary to promote all shareholders' interests and to govern the Bank effectively. It also fairly represents the ownership structure of the Bank, with appropriate representations of minority interests through the Independent Non-Executive Directors. The Independent Directors fulfills a pivotal role in providing unbiased and independent views, advice and judgement, taking into account the interest not only of the Bank but also shareholders, employees, customers and communities in which the Bank conducts business.

The profile of each Director is set out on pages 4 to 14 of this Annual Report.

The Board believes that having objectivity in the boardroom extends beyond quantitative measures such as number of Independent Directors. In order to harness the collective wisdom and benefit from the greater participation of Independent Directors, the Board has set a policy to limit the tenure of Independent Directors to nine (9) years. Private sessions were held between Independent Directors, Management and key gatekeepers of the Group such as external and internal auditors. These sessions provided Independent Directors with the opportunity to candidly share concerns about the Group and exchange views on potential improvements in governance. The Independent Directors who are of high caliber and wide experience ensure that there is robust discussions during the Board or Board committee meetings. They exercise strong independent judgement and do not shy away from asking hard and uncomfortable questions during deliberations and willing to challenge Management if answers provided are not satisfactory.

Furthermore, the Directors are subject to rotation every 3 years and key Senior Management do not sit on the Board or Board Committees.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### Code of Conduct

The Bank's Code of Conduct ("Code") has been adopted by the Board to support the Group's objectives, vision and values which reflects the Group's vision and core values of integrity, respects, trust and openness. The basic principles have been carried out by having appropriate regard to the interests of the Bank's customers, shareholders, business partners and the broader community in which the Group operates.

The Bank encourages its employees to provide feedback with any concerns regarding misconduct and/or wrong doing by the employees. Any non-compliance and failure to report non-compliance to the Code may lead to disciplinary action.

### Sustainability Report

The Bank has a sustainability report and internalized its commitment to holistically balance economic, environmental and social issues in its day to day operations. The sustainability report of the Bank is as set out on pages 46 to 59 of this Annual Report.

### Review of Board Charter, Board Committees' Terms of Reference, Policies and Procedures

During the year under review, the Board undertook a review and updated its Board Charter alongside the Terms of Reference for each of the Board Committees, Policies and Procedures. Changes were made to reflect the revised regulatory expectations as well as the expectations of stakeholders for Directors to exercise greater vigilance and scepticism in understanding and shaping the direction of the Group. These authoritative documents serve to guide the governance and conduct of the Board and Board Committees.

## CORPORATE GOVERNANCE PRIORITIES

Moving forward, the Bank will continue working towards achieving high quality outcomes in the realm of corporate governance. The Board has identified the following forward-looking action items that will help to achieve its corporate governance objectives:

### Board Diversity

The Board will escalate its efforts to establish a diverse Board which bears a variety in the dimensions of skills, experience, age, cultural background and gender. In the near future, the Board will undertake to formalise policies on gender diversity, along with specific targets and measures to meet the target.

In line with the national target of having 30% women on the boards of listed issuers, the Board will seek to maintain a register of potential directors which include high-calibre female candidates.

### Integrated Reporting

The Company has yet to adopt an integrated reporting. The Board acknowledges that integrated reporting goes beyond a mere combination of the reports in the Annual Report into a single document.

Nevertheless, there are coordination efforts among cross-functional departments in preparing the various statements and reports in the Annual Report. The Board may consider adopting integrated reporting in future.

### Disclosure of Directors and Senior Management's Remuneration

The Board wishes to give assurance that the remuneration of Directors and Senior Management commensurate with their individual performance, taking into consideration of the Bank's performance as it is benchmarked against the market. The remuneration packages of Senior Management are based on experience, expertise, skills and industry benchmark. Total remuneration of its employees are also set out in the Audited Financial Statements for financial year ended 31 December 2017 which allow shareholders to assess whether the remuneration of Directors and Senior Management commensurate with their performance taking into consideration, the Bank's performance.

The Board may consider disclosing the aggregate of the top 5 Senior Management's remuneration component including salary, bonus, benefits in-kinds and other emoluments.

# STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The Statement on Risk Management and Internal Control is made pursuant to Bursa Malaysia Securities Berhad Listing Requirements which require the Board of Directors (“the Board”) to disclose in its Company Annual Report a statement on key features of the risk management and internal control system of the Group during the year under review.

## 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 Group's Corporate Governance Framework is consistent and complies with the following requirements and guidelines:
  - Malaysian Code of Corporate Governance 2017 (MCCG 2017)
  - Bank Negara Malaysia (BNM)'s Corporate Governance Policy (BNM CG Policy 2016)
- c. 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.
- d. 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.
- e. 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.
- f. The Board extended the responsibilities of the Group Board Audit Committee (“GBAC”) and Group Board Risk Management and Compliance Committee (“GBRMC”) to include the role of oversight on internal controls, compliance and risk management strategies, policies and other risk related matters.
- g. GBAC and GBRMC comprised majority Independent Non-Executive Directors.
- h. 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.
- i. The Board received assurance from Chief Executive Officers of the subsidiaries that the Group's risk management, compliance and system of internal controls is operating adequately and effectively in all material aspects based on the risk management, compliance 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. GROUP BOARD AUDIT COMMITTEE (“GBAC”) AND GROUP INTERNAL AUDIT (“GIA”)

- a. Group Internal Audit carries out regular reviews of the business processes and activities to assess the effectiveness of internal control and highlight significant risks impacting the Group. The GBAC of the respective subsidiary conduct annual reviews on the adequacy of the scope of work and resources of Group Internal Audit Division.
- b. The GBAC of the respective subsidiary 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 GBAC for reviews and deliberation and subsequently escalated to the Board.

## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

- d. The GBAC of the respective subsidiary, 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.
- 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 GBAC.
- h. All related party transactions and audit and non-audit related fees proposed by external auditors or Chief Financial Officer (“CFO”) are reviewed by GBAC.

### 4. RISK MANAGEMENT FRAMEWORK

The risk management approach of the Group is underpinned by a sound and robust Group Risk Management Framework (“GRMF”), which is continuously enhanced to remain relevant and resilient in ensuring effective management of risk. The GRMF is supported by the following elements:

- a. Governance
  - A robust risk governance structure is in place to proactively manage risk within the Group through the establishment of risk appetite and risk management policy as well as the implementation of risk management policy and risk compliance.
  - GRMF is governed by a strong oversight function comprising of the Board, Board and Management Committees.
  - The governance of risk is further supported by the Three Line of Defense Model which outlines the functional segregation and key responsibilities of the independent oversight functions and business units.
- b. Risk Appetite & Strategic Goals
  - The Group’s risk appetite defines the amount and types of risk that the Group is able and willing to accept in pursuit of its business objectives.
  - It sets out the level of risk tolerance and limits to govern, manage and control the Group’s risk taking activities.
  - The strategic objectives, business plans, desired risk profile and capital plans are aligned to the risk appetite.
  - The processes for assessing, setting, controlling, monitoring and reporting risk appetite are outlined in the Risk Appetite Framework.
- c. Risk Limits and Controls
  - Risk Limits and Controls are mitigation measures.
  - Establishment of risk control parameters by risk type is based on the approved risk appetite and set in accordance with regulatory limits, internal prudential thresholds and management action triggers.
- d. Risk Management Process
  - The management of risk is facilitated by Risk Management Process which sets out the methodology for management of inherent risks across the Group.



## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

### e. Risk Culture & Awareness

- The effective implementation of the framework is further grounded on a robust and healthy risk culture and awareness program.
- The inculcation of risk culture and awareness is driven with a strong tone from the top.
- The Risk & Compliance Management Pillar of the AFFINITY Transformation Program is intended to embed deep appreciation and understanding of ethics, risk and compliance into day-to-day business activities and processes.

## 5. COMPLIANCE FRAMEWORK

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 Division reports independently to the Board.

### a. 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.

### b. Compliance Culture

- The compliance culture is driven with a strong tone from the top, complemented by the tone from the middle, to embed the expected values and principles of conduct that shape the behavior and attitude of employees at all level of business and activities across the Group.

### c. Training

- Scheduled trainings are regularly conducted to create compliance awareness amongst the staff.

### d. 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.

### e. Compliance Plan

- The respective Compliance Division has drawn-up the plan which was tabled and approved by the Board.

### f. Anti-Money Laundering/Counter Financing Terrorism (AML/CFT)

- The Group AMLA office function, a unit within Compliance Division maintains Group AML/CFT policies and procedures, duly approved by the Board.

## 6. SHARIAH GOVERNANCE FRAMEWORK

- The 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.
- 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.
- 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.

## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

- **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.
- **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 product to Shariah products and services are reported to the Shariah Committee and GBAC of the respective subsidiary.

### 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”), GBAC, Shariah Committee (on Islamic Banking only) and Board.

### 8. WHISTLE BLOWING POLICY

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

### 9. 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 organization 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. Code of Ethics
  - The Group’s Code of Ethics and Conduct sets out sound guiding principles and standards of good practice to be observed by all.
  - The Group has adopted and institutionalised Bank Negara Malaysia’s Code of Ethics for banking institutions in all its entities. It is the minimum code of conduct that is expected from all employees encompassing all aspects of its daily business operations.
- d. Human Resources has in place various initiatives and training programs to address the human capital requirement, including knowledge management.
- e. A performance-based appraisal system to evaluate and compensate/reward its employees accordingly is in place. Staff performance assessment is done annually.

## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

- f. Consequence Management (CM)
  - The Group has in place and adopts CM process in dealing with business or support units (or staff) whom failed to maintain its standard of internal control and compliance, to a level acceptable by the Board, GBAC and Management.
  - Current Policy and Process also links consequence of misconduct and disciplinary action vis-a-vis staff annual performance rating and compensation.
- g. The recruitment process including screening process is in place.
- h. 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 organization's needs for its employees who are spread across geography to be competent in key areas.
- i. The Group also has a Succession Planning Framework that encompasses all important areas for the Management and Board to ensure continuity of business.

### 10. 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.

### 11. CONCLUSION

- a. As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.
- b. The Board, through the GBAC, GBRMC 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 Group's asset.

# RISK MANAGEMENT

## INTRODUCTION

Risk management is a core discipline which supports the Group's aim to achieve an appropriate balance between risk and return by optimizing the risk reward trade off. Risk Management is embedded across all business lines throughout the Group. The Group operates within its predefined risk appetite, covering diverse customer segments, industries and products, which are in line with the Group's strategic objectives. Mitigations are set to reduce the likelihood and impact of risk occurrence, and the Bank avoids entering into risks it is unable to administer, book, monitor, value or assess.

During the year under review, the risk management policies, systems and processes were reviewed and enhanced to reflect changes in markets, products and regulatory requirements to manage risks to ensure that the Group's risk profile remains prudent and within the risk appetite of the Group.

With sound risk management practices in place, the Group is able to make informed decisions on the types of risks it is willing to undertake, in line with its business goals and strategic plans.

## GROUP RISK MANAGEMENT FRAMEWORK ("GRMF")

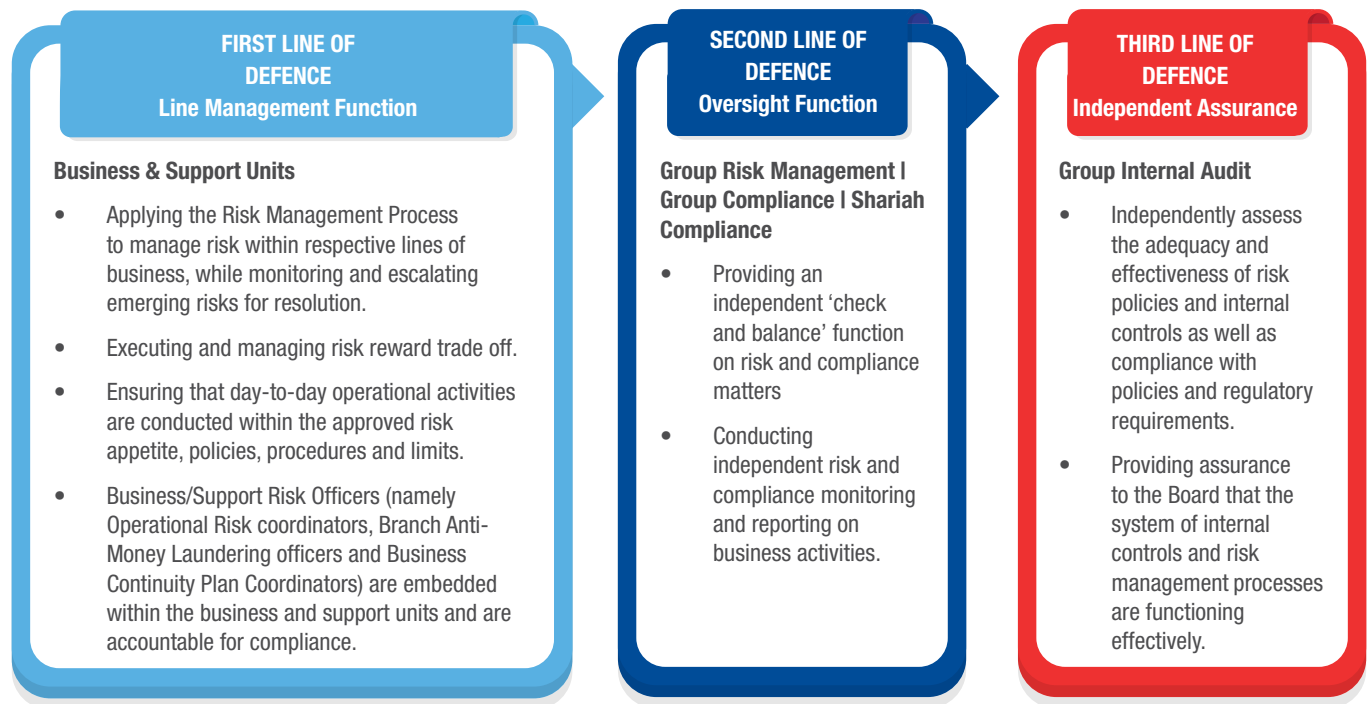
An effective risk management system is vital for the Group to create value to its shareholders, customers, counterparties, employees, investors and the community it serves at large. The GRMF is an integrated enterprise-wide risk management framework encompassing governance, risk compliance and internal controls which support business and strategic activities across the Group. As risks evolve over time, the Group continues to enhance its integrated risk management approach and processes towards the effective management of enterprise-wide risks.



The governance of risk is further supported by Three Lines of Defence Model which outlines the functional segregation and key responsibilities of the independent oversight functions, as well as the business and support units.



## RISK MANAGEMENT



The effective implementation of the GRMF is grounded on a robust risk culture across the Group's business and support units.

### 1. GOVERNANCE

The GRMF is governed by a strong oversight function comprising the Board of Directors, Board and Management Committees as well as all Business and Support units to proactively manage risks in the interests of all stakeholders. The following table summarises the risk governance structure of the Group:

|                                                                                                                                                                                                                                                                 |                                               |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| <b>Set Overall Tone:</b>                                                                                                                                                                                                                                        | AUDIT COMMITTEE (including subsidiary levels) |
| <b>Establish Risk Appetite and Risk Management Policy</b>                                                                                                                                                                                                       |                                               |
| <ul style="list-style-type: none"> <li>Board of Directors (including subsidiary levels)</li> <li>Group Board Risk Management and Compliance Committee</li> <li>Board Risk Management Committee at subsidiary levels</li> </ul>                                  |                                               |
| <b>Ensure Implementation of Risk Management Policy and Compliance</b>                                                                                                                                                                                           |                                               |
| <b>Board Committees at subsidiary levels:</b>                                                                                                                                                                                                                   |                                               |
| <ul style="list-style-type: none"> <li>Board Credit Review &amp; Recovery Committee</li> <li>Shariah Committee</li> </ul>                                                                                                                                       |                                               |
| <b>Management Committees at subsidiary levels:</b>                                                                                                                                                                                                              |                                               |
| <ul style="list-style-type: none"> <li>Management Committee</li> <li>Group Management Credit Committee</li> <li>Group Asset Liability Management Committee</li> <li>Group Operational Risk Management Committee</li> <li>Group Early Alert Committee</li> </ul> |                                               |
| <b>Independent Risk Control Function at subsidiary levels:</b>                                                                                                                                                                                                  |                                               |
| <ul style="list-style-type: none"> <li>Risk Management</li> <li>Compliance</li> <li>Shariah Review</li> </ul>                                                                                                                                                   |                                               |
| <b>Compliance with Risk Management Policy</b>                                                                                                                                                                                                                   |                                               |
| <ul style="list-style-type: none"> <li>All Business and Support units</li> </ul>                                                                                                                                                                                |                                               |

## RISK MANAGEMENT

### 2. RISK APPETITE & STRATEGIC GOALS

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 Group's risk appetite 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 taking activities.

The risk appetite 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.

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 process for assessing, setting, controlling, monitoring and reporting risk appetite are outlined in the Risk Appetite Framework.

### 3. RISK LIMITS & CONTROLS

Risk Limits and Controls are mitigation measures. Internal controls are established for material risks parameters through the Risk Management Process. Establishment of risk control parameters by risk type is based on the approved risk appetite, and set in accordance with regulatory limits, internal prudential thresholds and management action triggers.

### 4. RISK MANAGEMENT PROCESS

The management of risk across the Group is facilitated by the Risk Management Process as depicted in the diagram below:



## RISK MANAGEMENT

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

- a. Credit Risk
- b. Market Risk
- c. Liquidity Risk
- d. Operational Risk
- e. Strategic Risk
- f. Reputational Risk
- g. Shariah Non-Compliance Risk
- h. Business Continuity Risk
- i. IT Risk & Cyber Risk
- j. Anti-Money Laundering/ Counter Terrorism Financing (AML/CFT)

### a. Credit Risk

|                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Introduction</b>               | <ul style="list-style-type: none"> <li>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.</li> <li>Credit risk emanates mainly from loans, financing and advances, loan/financing commitments arising from such lending activities, as well as through financial transaction with counterparties including interbank money market activities as well as derivative instruments used for hedging and debt securities.</li> </ul>                                               |
| <b>Credit Risk Management</b>     | <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul> |
| <b>Risk Controls</b>              | <ul style="list-style-type: none"> <li>Internal control parameters, risk triggers and related lending/financing guidelines are employed to control and mitigate credit risk, including large exposures and concentration of credit risk.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Monitoring &amp; Reporting</b> | <ul style="list-style-type: none"> <li>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 warning process is adopted to pro-actively identify, report and manage warning signs of potential credit deterioration.</li> <li>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.</li> </ul>                                                                                                                                                                                       |

## RISK MANAGEMENT

### b. Market Risk

|                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Introduction</b>              | <ul style="list-style-type: none"> <li>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/profit rate and foreign exchange rate risks.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Market Risk Management</b>    | <ul style="list-style-type: none"> <li>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: - <ul style="list-style-type: none"> <li>i. Asset Liability Management System (ALMS)</li> <li>ii. Value-at-Risk (VaR)</li> <li>iii. Earnings-at-Risk (EaR) or Net Interest Income/Net Profit Margin simulation</li> <li>iv. Economic Value of Equity (EVE), also known as Economic Value-at-Risk (EVaR)</li> <li>v. Thresholds on the level of exposure by currency and in aggregate for both overnight and intra-day positions.</li> </ul> </li> <li>Periodic stress tests are performed to supplement the quantification of market risk.</li> </ul> |
| <b>Risk Controls</b>             | <ul style="list-style-type: none"> <li>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.</li> <li>Thresholds are set for EaR and EVaR as management triggers.</li> <li>Back testing of market risk computation systems is conducted to gauge the accuracy of the risk measurement systems.</li> </ul>                                                                                                                                                                                                  |
| <b>Monitoring &amp; Controls</b> | <ul style="list-style-type: none"> <li>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.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

### c. Liquidity Risk

|                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Introduction</b>               | <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>                                                                                                                                                                                                                                             |
| <b>Liquidity Risk Management</b>  | <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul> |
| <b>Risk Controls</b>              | <ul style="list-style-type: none"> <li>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.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Monitoring &amp; Reporting</b> | <ul style="list-style-type: none"> <li>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 strategy.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                  |

## RISK MANAGEMENT

### d. Operational Risk

|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Introduction</b>                | <ul style="list-style-type: none"> <li>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.</li> <li>However, the definition does not include strategic business, reputational and systemic risks.</li> </ul>                                                                                                                                                                                                                                                                                                                       |
| <b>Operational Risk Management</b> | <ul style="list-style-type: none"> <li>The Group Operational Risk Management Framework governs the management of operational risk across the Group.</li> <li>Operational risks are managed daily through established systems and processes to comply with policies, guidelines and control procedures.</li> <li>The following tools are employed: -               <ol style="list-style-type: none"> <li>Risk Control Self-Assessment (RCSA);</li> <li>Key Control Standards (KCS);</li> <li>Key Risk Indicator (KRI); and</li> <li>Loss Event Database (LED)</li> </ol> </li> <li>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.</li> </ul> |
| <b>Risk Controls</b>               | <ul style="list-style-type: none"> <li>All Business/Support Units must operate within the Operational Risk Management Policy and Framework Manuals, and the relevant Business Procedural Manuals.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Monitoring &amp; Reporting</b>  | <ul style="list-style-type: none"> <li>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.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

### e. Strategic Risk

|                                   |                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Introduction</b>               | <ul style="list-style-type: none"> <li>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).</li> </ul> |
| <b>Strategic Risk Management</b>  | <ul style="list-style-type: none"> <li>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.</li> </ul>                                                                                                                                                               |
| <b>Risk Controls</b>              | <ul style="list-style-type: none"> <li>Strategic risk is controlled and mitigated through an integrated approach where risk appetite, business objectives, budget and credit plans are aligned.</li> </ul>                                                                                                                                                                                             |
| <b>Monitoring &amp; Reporting</b> | <ul style="list-style-type: none"> <li>To track the effective execution of strategic initiatives, performance reports against business targets are closely monitored at management and Board levels.</li> </ul>                                                                                                                                                                                        |



## RISK MANAGEMENT

### f. Reputational Risk

|                                     |                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Introduction</b>                 | <ul style="list-style-type: none"> <li>Reputational Risk is the potential of damage resulting in loss of earnings or adverse impact on market capitalization 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.</li> </ul>                                                                                                      |
| <b>Reputational Risk Management</b> | <ul style="list-style-type: none"> <li>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 analyze trends to assess and manage impact to the Group's reputation.</li> </ul> |
| <b>Risk Controls</b>                | <ul style="list-style-type: none"> <li>Policies and processes are emplaced for the proactive mitigation of risks related to the Group's reputation.</li> </ul>                                                                                                                                                                                                                                                          |
| <b>Monitoring &amp; Reporting</b>   | <ul style="list-style-type: none"> <li>Risk management tools are used to identify and monitor key risk factors associated with reputational risk, including operational risk, liquidity, and AML/CFT tools, as well as online and social media.</li> </ul>                                                                                                                                                              |

### g. Shariah Non-Compliance (SNC) Risk

|                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Introduction</b>               | <ul style="list-style-type: none"> <li>Shariah Non-Compliance (SNC) is the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the Bank may suffer arising from the failure to comply with the rulings of the Shariah Advisory Council (SAC) of BNM, standards on Shariah matters issued by BNM or decisions or advice of the Shariah Committee that are consistent with the rulings of the SAC.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Shariah Risk Management</b>    | <ul style="list-style-type: none"> <li>Shariah Risk Management (SRM) is established in line with the requirement of BNM's Shariah Governance Framework for Islamic Financial Institutions.</li> <li>SRM, which is part of the integrated risk management control function, assists the Business Unit/Functional Lines to systematically identify, measure, monitor and control SNC risks by providing risk assessment tools and methodologies.</li> <li>The scope of SRM covers overall business activities and operations, from Islamic product origination to maturity. In addition, SRM also has an oversight role in other risks inherent to AFFIN Islamic Bank including credit, operational and market risks.</li> <li>The Bank's Shariah Risk Management Framework outlines the governance and oversight structure for managing SNC risk and sound approaches to SNC risk identification, assessment, monitoring and reporting.</li> </ul>                                                                  |
| <b>Risk Controls</b>              | <ul style="list-style-type: none"> <li><u>Product Programs and approval process</u><br/>All Islamic products, processes, and strategies must be reviewed and approved by the Shariah Committee. A post-implementation review will be submitted 6 months after product launch to ensure compliance with all the requirements and if there is any emerging issue identified for rectification.</li> <li><u>Risk and Control Self-Assessment</u><br/>Each Business Unit and Functional Line is responsible to identify and assess potential SNC risk through performing the Shariah Risk Control and Self-Assessment annually or as and when significant events occur, whether internal or external incidents.</li> <li><u>Shariah Review</u><br/>The Shariah Review team will conduct an independent review to ensure that all contract documentation, including all terms and conditions that govern the relationship between the bank and the customer, fully comply with Shariah rules and principles.</li> </ul> |
| <b>Monitoring &amp; Reporting</b> | <ul style="list-style-type: none"> <li>Internal control deficiencies and SNC events are reported in a timely manner to the Management, Shariah Committee and the Board</li> <li>SRM periodically consolidates SNC Key Risk Indicators reports to alert Management of changes that may have risk concerns.</li> <li>SRM also provides input to the Bank's capital management by conducting quarterly stress testing on SNC risk.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

## RISK MANAGEMENT

### h. Business Continuity Risk

|                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Introduction</b>                        | <ul style="list-style-type: none"> <li>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.</li> <li>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: - <ul style="list-style-type: none"> <li>Unanticipated technology and infrastructure outages</li> <li>Cyber attack</li> <li>Fire incidents</li> <li>Security breaches</li> <li>Data breaches</li> <li>Adverse condition of environment (natural disaster)</li> <li>Supply chain disruption</li> <li>Health and safety issues</li> <li>Act of terrorism</li> <li>New law and regulations</li> </ul> </li> </ul> |
| <b>Business Continuity Risk Management</b> | <ul style="list-style-type: none"> <li>The Business Continuity Management Policy governs the management of service continuity issues across the Group, in line with BNM Guidelines on Business Continuity Management (BCM).</li> <li>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.</li> <li>Annual Risk Assessment and Business Impact Analysis are undertaken by business and support units, for onward development of respective Business Continuity Plans.</li> </ul>                                                                                                                                                                                                                    |
| <b>Risk Control &amp; Mitigation</b>       | <ul style="list-style-type: none"> <li>Risk control is established through adherence to established BCM guidelines and standards.</li> <li>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.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Monitoring &amp; Reporting</b>          | <ul style="list-style-type: none"> <li>Policies and processes are in place to support the monitoring and reporting of service continuity risks.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

### i. IT Risk & Cyber Risk

|                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Introduction</b>               | <ul style="list-style-type: none"> <li>IT Risk and Cyber Risk are inter-connected. IT Risk is the Risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an organization. Cyber risk refers to losses, disruption or damage to the bank's reputation due to failure of its information technology systems.</li> <li>IT risks include hardware and software failure, human error, spam, viruses and malicious attacks, as well as natural disasters such as fires, cyclones or floods.</li> </ul> |
| <b>IT Risk Management</b>         | <ul style="list-style-type: none"> <li>The IT Risk Management Framework covers an end-to-end process of managing IT Risk within the Bank, including governance, Risk Management Approach, Risk Management Process, Risk Management Tools and Exception Process.</li> <li>The Risk Management Process is in line with the Operational Risk Management Framework, which includes risk identification, risk analysis, risk mitigation as well as risk monitoring and reporting.</li> </ul>                                                        |
| <b>Risk Control</b>               | <ul style="list-style-type: none"> <li>Policies and processes are in place for the proactive management of IT risk throughout the Group.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Monitoring &amp; Reporting</b> | <ul style="list-style-type: none"> <li>Monitoring of IT Risk Appetite Statement is conducted regularly to ensure that it is within the Group's tolerance limits.</li> <li>The risk management tools provide a consistent approach for providing IT risk information to senior management. An escalation process is in place for the reporting of key IT risk issues and significant losses.</li> </ul>                                                                                                                                         |

**RISK MANAGEMENT****j. Anti-Money Laundering/ Counter Terrorism Financing (AML/CFT)**

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Introduction</b>                      | <ul style="list-style-type: none"> <li>The AML/CFT Program addresses the money laundering &amp; 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.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>AML/<br/>CFT Risk<br/>Management</b>  | <ul style="list-style-type: none"> <li>The AML/CFT Policy governs the management of AML/CFT Group wide. 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.</li> <li>Risk Control Self-Assessment (RCSA) and monitoring reports are used to identify and assess AML/CFT risk issues and exposure.</li> <li>Designated Business Unit Compliance Officers (BUCOs) are appointed at business units and branches to manage and execute AML/CFT policy and regulatory requirements as first line of defense.</li> </ul> |
| <b>Risk Control<br/>&amp; Mitigation</b> | <ul style="list-style-type: none"> <li>All business and support units, including branches must operate within the AML/CFT Policy and Framework manuals, and the relevant business / branch procedural manuals.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Monitoring &amp;<br/>Reporting</b>    | <ul style="list-style-type: none"> <li>The Bank has taken initiatives by introducing the new AML system to automate the on boarding screening and uses "Behavioral Monitoring" mechanism to detect any abnormal transactions performed.</li> <li>This AML system shall generate alerts for Transaction Monitoring on Bank wide transactions which lead to further checking and reporting to the regulators.</li> </ul>                                                                                                                                                                                                                                                                                                         |

**5. RISK CULTURE & AWARENESS**

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
- Organizational 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

Recognising the importance of a healthy risk culture in an organization, the Group introduced the Risk & Compliance Management Pillar as a key part of the AFFINITY programme. This is intended to embed deep appreciation and understanding of Ethics, Risk and Compliance into day-to-day business activities and processes. To ensure effectiveness, Group has collaborated with Asian Banking School to conduct a customised in-house training program entitled "Ethics, Risk and Compliance Culture Awareness".

## RISK MANAGEMENT

### RISK MANAGEMENT INITIATIVES

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

- Winner of the Liquidity Risk Technology Implementation of the Year for 2017 in The Asian Banker Risk Management Awards 2017 against peers in Asia Pacific region for the implementation of Asset Liability Management System (“ALMS”)
- Collaboration with Asian Banking School on Ethics, Risk and Compliance Culture Awareness program
- Embarked on a broad-based Risk Management Review initiative
- Implementation of bank-wide funding plan/structure for 2017 to improve AFFINBANK’s funding structure and cost efficiency
- Strengthening of Risk Management frameworks and practices, including the following:
  - Formulation of new Risk Appetite Framework
  - Formalisation of 5 key pillars guiding the setting of risk appetite
  - Development of new Operational Risk Management Scenario Analysis Policy
  - Enhancement of Shariah Risk Management Framework and RCSA methodology
  - Enhancement of BCM Policy as well as Risk Assessment and Business Impact Analysis methodologies
  - Development of new Pandemic and Tsunami Preparedness & Response Plans
- Comprehensive trainings on Operational Risk Management, Shariah Non-Compliance (“SNC”) Risk Management, Business Continuity Management and implementation of MFRS 9.

## BOARD AUDIT COMMITTEE REPORT

The Board of Affin Bank is pleased to present the Report on Board Audit Committee (BAC) for the Financial Year ended 31 December 2017.

### BOARD AUDIT COMMITTEE (BAC)

The BAC comprises of the following Members:

1. **En. Abd Malik Bin A Rahman**  
Chairman/Independent Non-Executive Director  
(Appointed as Chairman on 26 January 2018)
2. **YBhg. Tan Sri Mohd Ghazali Bin Mohd Yusoff**  
Member/Independent Non-Executive Director  
(Chairman until 25 January 2018 and remained as member until 2 April 2018)
3. **YH Associate Prof Dr Said Bouheraoua**  
Member/Independent Non-Executive Director of AFFIN Islamic Bank Berhad
4. **Dato' Mohd Hata Bin Robani**  
Independent Non-Executive Director  
(Appointed as member on 2 April 2018)
5. **YBhg. Tan Sri Dato' Sri Abdul Aziz Bin Abdul Rahman**  
Member/Non-Independent Non-Executive Director of AFFIN Islamic Bank Berhad  
(Ceased to be a member upon completion of his tenure of directorship w.e.f. 1 November 2017)
6. **YBhg. Tan Sri Dato' Seri Mohamed Jawhar Hassan**  
Member/Non-Independent Non-Executive Director  
(Ceased to be a member upon completion of his tenure of directorship w.e.f. 1 July 2017)

### TERMS OF REFERENCE

#### 1. OBJECTIVE

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

The primary objectives of Board Audit Committee are to:

- a. Establish the framework for and oversee the audit function of Affin Bank Group;
- 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 Bank 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 be a qualified accountant.
- c. BAC members and the Chairman shall be appointed by the Board of Directors based on the recommendations of the Board Nomination and Remuneration Committee.
- d. The Board shall review the Terms of Reference and performance of the BAC and each of its members annually or as and when required to ensure the BAC carries out its duties.
- 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.



## BOARD AUDIT COMMITTEE REPORT

### 3. 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.

### 4. 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.

### 5. FREQUENCY OF MEETINGS

- a. The BAC shall meet at least six (6) times in a financial year with the objective of reviewing the internal audit reports and Affin Bank 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 Bank 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 six (6) 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.

### 6. 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.

## BOARD AUDIT COMMITTEE REPORT

### 7. 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 twice 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 Bank 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.

## BOARD AUDIT COMMITTEE REPORT

### BOARD AUDIT COMMITTEE MEETINGS HELD IN THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

During the Financial Year Ended 31 December 2017, a total of twelve (12) 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 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| En. Abd Malik Bin A Rahman<br>Chairman/Independent Non-Executive Director<br>(Appointed on 26 January 2018)                                                                                                                     | -          |
| YBhg Tan Sri Mohd Ghazali bin Mohd Yusoff<br>Chairman/Independent Non-Executive Director<br>(Chairman until 25 January 2018 and remained as member until 2 April 2018)                                                          | 12/12      |
| Associate Prof Dr Said Bouheraoua<br>Member/Independent Non-Executive Director                                                                                                                                                  | 12/12      |
| Dato' Mohd Hata Bin Robani<br>Independent Non-Executive Director<br>(Appointed as member on 2 April 2018)                                                                                                                       | -          |
| YBhg Tan Sri Dato' Sri Abdul Aziz bin Abdul Rahman<br>Member/Non-Independent Non-Executive Director of AFFIN Islamic Bank Berhad<br>(Ceased to be a member upon completion of his tenure of directorship w.e.f 1 November 2017) | 11/11      |
| YBhg Tan Sri Dato' Seri Mohamed Jawhar Hassan<br>Member/Non-Independence Non-Executive Director<br>(Ceased to be a member upon completion of his tenure of directorship w.e.f 1 July 2017)                                      | 5/5        |

The BAC is in compliance with the principles and best practices set out in the Malaysian Code on Corporate Governance. 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.

The Company's External Auditors attended two (2) 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 Financial Year Ended 31 December 2017. The BAC had also reviewed the External Auditors' Audit Plan for the Financial Year Ending 31 December 2017.

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 Auditors without the presence of Management.

As the Board is ultimately responsible for the financial reporting and overall management of the Affin Bank Group, 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 2017 for continuous improvements.

### SUMMARY OF ACTIVITIES OF THE BOARD AUDIT COMMITTEE

The BAC has carried out the following activities in discharging its duties and responsibilities for the Financial Year Ended 31 December 2017:

#### 1. EXTERNAL AUDIT

- Reviewed the 2017 Audit Plan to ensure the scope of work adequately covered the activities of Affin Bank Group.
- Reviewed the significant audit, accounting, taxation and other matters raised by the external auditors; and
- Reviewed and evaluated the External Audit performance, objectivity and independence during the year before recommending to the Board for their reappointment.

## BOARD AUDIT COMMITTEE REPORT

### 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 2017 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 (GIA) to execute the plan as well as the audit programmes used in the execution of Group Internal Auditors' job to ensure satisfactory performance of GIA;
- c. Reviewed the internal control issues identified by GIA, 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 2017 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.

### 4. FINANCIAL RESULTS

- a. Reviewed with the senior Management the quarterly and interim 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 before recommending to the Board for their approval. The review is focusing on the matters set out in the following Requirements, Acts and Standards:
  - 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 and the appropriateness of such transactions to avoid potential or actual conflict of interest. This is also to ensure that decisions are based on the best interest of the company and its shareholders.

### 6. OTHERS

Reviewed the Statement on Internal Control and Board Audit Committee Report for inclusion in the Year 2017 Annual Report before recommending to the Board for approval.

## BOARD AUDIT COMMITTEE REPORT

### GROUP INTERNAL AUDIT FUNCTION

#### Independence

- a) The GIA function is established by the Board to undertake independent review and assessment on the adequacy, efficiency and effectiveness of risk management, control and governance processes implemented by the Management. Group Internal Audit reports functionally to the Board Audit Committee (BAC) and administratively to the GCEO. It is independent from the activities or operations of other operating units in the Group.
- b) The GIA function is guided by its Audit Charter (as approved by the BAC) which defines the mission & objective, responsibility, accountability, authority, independence & objectivity and professionalism & ethical standards of the GIA function of the Group.

#### Profile and qualification

- a) Group Internal Audit is headed by Puan Khatimah Mahadi who is a qualified Chartered Banker. She has served more than 35 years as Chief Internal Auditor in various local and foreign financial institutions throughout her entire career. She is assisted by 48 qualified auditors from various disciplines mainly operations, credit, information technology, risk management, Islamic banking, fraud and investigation, treasury, finance/accounting, investment banking, stockbroking and asset management.
- b) In order to perform its functions effectively, the auditors are continuously sent for training to equip themselves with the requisite product knowledge and skills especially in the areas of Islamic Banking, Treasury, Credit, Investment Banking, Information Technology, Asset Management and etc.

#### Responsibility

- a) Its primary role/responsibility is to assist the BAC 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; in order to provide reasonable assurance that such frameworks and systems continue to operate efficiently and effectively and in line with the relevant regulatory requirements.
- 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; as approved by the BAC. The scope of coverage encompasses all key units and operations of the Group. The Group Internal Audit's processes and activities are governed by the regulatory guidelines as well as the Group's Code of Ethics and IIA's mandatory guidance, which includes the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (Standards).
- c) The Group Internal Audit 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 BAC;
- 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's cost for year 2017 is approximately RM8.03 million, comprising mainly salaries, travelling, accommodation expenses and subsistence allowances for audit assignments.



|            |                                            |
|------------|--------------------------------------------|
| <b>98</b>  | Directors' Report                          |
| <b>105</b> | Statements of Financial Position           |
| <b>106</b> | Income Statements                          |
| <b>107</b> | Statements of Comprehensive Income         |
| <b>108</b> | Statements of Changes in Equity            |
| <b>110</b> | Statements of Cash Flows                   |
| <b>113</b> | Summary of Significant Accounting Policies |
| <b>134</b> | Notes to the Financial Statements          |
| <b>249</b> | Statement by Directors                     |
| <b>249</b> | Statutory Declaration                      |
| <b>250</b> | Independent Auditors' Report               |
| <b>255</b> | Basel II Pillar 3 Disclosures              |

# FINANCIAL STATEMENTS

# DIRECTORS' REPORT

for the financial year ended 31 December 2017

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

## PRINCIPAL ACTIVITIES

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

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

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

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

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

## FINANCIAL RESULTS

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

## DIVIDENDS

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

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

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

In respect of the financial year ended 31 December 2017:

|                                                                             |        |
|-----------------------------------------------------------------------------|--------|
| Single-tier interim dividend of 2.34 sen per share paid on 27 December 2017 | 45,500 |
|-----------------------------------------------------------------------------|--------|

## RESERVES AND PROVISIONS

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

## DIRECTORS' REPORT

for the financial year ended 31 December 2017

### BAD AND DOUBTFUL DEBTS AND FINANCING

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

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

### CURRENT ASSETS

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

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

### VALUATION METHODS

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

### CONTINGENT AND OTHER LIABILITIES

At the date of this report there does not exist:

- (a) any charge on the assets of the Group or the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Group or the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business or activities of the Group.

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

### CHANGE OF CIRCUMSTANCES

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

### ITEMS OF AN UNUSUAL NATURE

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

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

### SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

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

**DIRECTORS' REPORT**

for the financial year ended 31 December 2017

**DIRECTORS**

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

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

*Chairman / Non-Independent Non-Executive Director*

*(Appointed w.e.f. 22.6.2017)*

En. Mohd Suffian bin Haji Haron

*Non-Independent Non-Executive Director*

Tan Sri Mohd Ghazali bin Mohd Yusoff

*Independent Non-Executive Director*

En. Abd Malik bin A Rahman

*Independent Non-Executive Director*

Mr Tang Peng Wah

*Non-Independent Non-Executive Director*

*(Appointed w.e.f. 22.5.2017)*

Dato' Mohd Hata bin Robani

*Independent Non-Executive Director*

*(Appointed w.e.f. 17.10.2017)*

Dato' Abdul Aziz bin Abu Bakar

*Independent Non-Executive Director*

*(Appointed w.e.f. 17.10.2017)*

Mr Ignatius Chan Tze Ching

*Non-Independent Non-Executive Director*

*(Appointed w.e.f. 1.12.2017)*

Mr Aubrey Li Kwok-Sing

*Non-Independent Non-Executive Director*

*(Completed his tenure of directorship w.e.f. 17.3.2017)*

Jen Tan Sri Dato' Seri Ismail bin Haji Omar (Bersara)

*Chairman / Non-Independent Non-Executive Director*

*(Completed his tenure of directorship w.e.f. 1.4.2017)*

Tan Sri Dato' Seri Mohamed Jawhar

*Non-Independent Non-Executive Director*

*(Completed his tenure of directorship w.e.f. 1.7.2017)*

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

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

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

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

**DIRECTORS' REPORT**

for the financial year ended 31 December 2017

**RESPONSIBILITY STATEMENT BY BOARD OF DIRECTORS**

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

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

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

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

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

**DIRECTORS' INTERESTS**

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

| Number of ordinary shares                                                    |                   |        |        |                     |
|------------------------------------------------------------------------------|-------------------|--------|--------|---------------------|
|                                                                              | As at<br>1.1.2017 | Bought | Sold   | As at<br>31.12.2017 |
| <b>AFFIN Holdings Berhad</b>                                                 |                   |        |        |                     |
| Gen Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (Retired) | 40,000            | -      | -      | 40,000              |
| Abd Malik Bin A Rahman                                                       | 10,000            | 3,000  | -      | 13,000              |
| <b>Boustead Heavy Industries Corporation Berhad</b>                          |                   |        |        |                     |
| Abd Malik Bin A Rahman                                                       | 3,000             | -      | -      | 3,000               |
| Abd Malik Bin A Rahman                                                       | 1,000 *           | -      | -      | 1,000               |
| Number of ordinary shares                                                    |                   |        |        |                     |
|                                                                              | As at<br>1.1.2017 | Bought | Sold   | As at<br>31.12.2017 |
| <b>Boustead Holdings Berhad</b>                                              |                   |        |        |                     |
| Abd Malik Bin A Rahman                                                       | 6,580             | -      | -      | 6,580               |
| Abd Malik Bin A Rahman                                                       | 13,580 *          | -      | -      | 13,580              |
| <b>Boustead Plantations Berhad</b>                                           |                   |        |        |                     |
| Gen Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (Retired) | 50,000            | -      | -      | 50,000              |
| Abd Malik Bin A Rahman                                                       | 2,000             | -      | -      | 2,000               |
| Abd Malik Bin A Rahman                                                       | 2,000 *           | -      | -      | 2,000               |
| <b>ABB Trustee Berhad</b>                                                    |                   |        |        |                     |
| Jen Tan Sri Dato' Seri Ismail bin Haji Omar (Bersara)                        | 20,000            | -      | 20,000 | -                   |

\* Indirect shares

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



**DIRECTORS' REPORT**

for the financial year ended 31 December 2017

**DIRECTORS' BENEFITS**

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

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

**OTHER STATUTORY INFORMATION****Statutory information regarding the Group and the Bank**

## (a) As at the end of the financial year

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

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

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

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

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

## (c) As at the date of this report

- (i) there are no charges on the assets of the Group and of the Bank which have arisen since the end of the financial year which secures the liabilities of any other person;
- (ii) there are no contingent liabilities in the Group and in the Bank which have arisen since the end of the financial year; and
- (iii) the Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements misleading.

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

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

## (f) In the opinion of the Directors:

- (i) the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.

**DIRECTORS' REPORT**

for the financial year ended 31 December 2017

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

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

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

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

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

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

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

**BUSINESS OUTLOOK FOR 2018**

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

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

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

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

**RATING BY EXTERNAL AGENCIES**

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

|                         |                                         |
|-------------------------|-----------------------------------------|
| Name of rating agency   | : RATING AGENCY MALAYSIA BERHAD ('RAM') |
| Date of rating          | : 2 June 2017                           |
| Rating classifications: |                                         |
| - Long term             | : AA <sub>3</sub>                       |
| - Short term            | : P1                                    |

RAM has reaffirmed the Bank's long-term and short-term financial institution ratings, at AA<sub>3</sub> and P1, respectively, with a stable outlook.

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

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

**DIRECTORS' REPORT**

for the financial year ended 31 December 2017

**ZAKAT**

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

**HOLDING COMPANY AND ULTIMATE HOLDING CORPORATE BODY**

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

**SUBSIDIARIES**

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

**DIRECTORS' REMUNERATION**

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

**AUDITORS' REMUNERATION**

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

**AUDITORS**

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

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

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

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

**Abd Malik bin A Rahman**  
Director

# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2017

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

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

# INCOME STATEMENTS

for the financial year ended 31 December 2017

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

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



# STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2017

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

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

# STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2017

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

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

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

## STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2017

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

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

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

**STATEMENTS OF CASH FLOWS**

for the financial year ended 31 December 2017

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

## STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2017

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



**STATEMENTS OF CASH FLOWS**

for the financial year ended 31 December 2017

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

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

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2017

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

## (A) BASIS OF PREPARATION

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

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

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

### Standards, amendments to published standards and interpretations that are effective

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

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

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

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

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

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

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

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

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

for the financial year ended 31 December 2017

**(A) BASIS OF PREPARATION**

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

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

**Classification and measurements**

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

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

- For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.
- When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

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

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

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

**Impairment of financial assets**

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

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

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

- Stage 1 – from initial recognition of a financial assets to the date on which the credit risk of the asset has increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months (12-month ECL).
- Stage 2 – following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset (Lifetime ECL).
- Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised (Lifetime ECL).

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

for the financial year ended 31 December 2017

**(A) BASIS OF PREPARATION**

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

**Impairment of financial assets (continued)**

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

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

**Disclosures**

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

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

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

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

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

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

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

Key provisions of the new standard are as follows:

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

for the financial year ended 31 December 2017

**(A) BASIS OF PREPARATION****Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (continued)****Disclosures (continued)**

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

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

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

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

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

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

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

IC Interpretation 23 will be applied retrospectively.

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

**Guidelines and Regulatory requirement that are effective**

- **Significant changes in regulatory requirements**

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

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

- **Companies Act, 2016**

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

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

- removal of the authorised share capital;
- shares of the Group and the Bank will cease to have par or nominal value; and
- the Group and the Bank's share premium account will become part of the Group and the Bank's share capital.



**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

for the financial year ended 31 December 2017

**(A) BASIS OF PREPARATION****Guidelines and Regulatory requirement that are effective (continued)**

- Companies Act, 2016 (continued)**

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

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

**(B) CONSOLIDATION**

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

**(i) Subsidiaries**

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on the acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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

Acquisition related costs are expensed as incurred.

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

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

for the financial year ended 31 December 2017

**(B) CONSOLIDATION****(i) Subsidiaries (continued)**

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

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

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

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

**(iii) Disposal of subsidiaries**

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

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

**(iv) Joint arrangements**

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

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

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

for the financial year ended 31 December 2017

**(B) CONSOLIDATION****(iv) Joint arrangements (continued)**

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

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

**(v) Associates**

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

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

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

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

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

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

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

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

for the financial year ended 31 December 2017

**(D) INTANGIBLE ASSETS****Goodwill**

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

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

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

**Identifiable intangible assets arising from business combination**

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

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

|                       |           |
|-----------------------|-----------|
| Brand                 | - 3 years |
| Customer relationship | - 7 years |

**Computer software**

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

- (i) it is technically feasible to complete the software product so that it will be available for use;
- (ii) management intends to complete the software product and use or sell it;
- (iii) there is an ability to use or sell the software product;
- (iv) it can be demonstrated how the software product will generate probable future economic benefits;
- (v) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- (vi) the expenditure attributable to the software product during its development can be reliably measured.

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

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

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2017

### (E) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

The effective interest/profit method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest and financing income or expense over the relevant period. The effective interest/profit rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest/profit rate, the Group and the Bank take into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

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

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

### (G) RECOGNITION OF FEES AND OTHER INCOME

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

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

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

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

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



**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

for the financial year ended 31 December 2017

**(G) RECOGNITION OF FEES AND OTHER INCOME**

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

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

**(H) FINANCIAL ASSETS****Classification**

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

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

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

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

**(ii) Loans/financing and receivables**

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

**(iii) Financial investments available-for-sale**

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

**(iv) Financial investments held-to-maturity**

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

**Recognition and initial measurement**

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

for the financial year ended 31 December 2017

**(H) FINANCIAL ASSETS****Subsequent measurement – gains and losses**

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

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

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

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

**De-recognition**

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

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

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

**Reclassification of financial assets**

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

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

**(I) IMPAIRMENT OF FINANCIAL ASSETS****Assets carried at amortised cost**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

for the financial year ended 31 December 2017

**(I) IMPAIRMENT OF FINANCIAL ASSETS****Assets carried at amortised cost (continued)**

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

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

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

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

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

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

**(i) Individual impairment allowance**

Loans, advances and financing that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. Loans/financing that are individually assessed for impairment and for which no impairment loss is required (over-collateralised loans/financing) are collectively assessed as a separate segment.

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

for the financial year ended 31 December 2017

**(I) IMPAIRMENT OF FINANCIAL ASSETS****(ii) Collective impairment allowance**

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

Future cash flows in a group of loans/financing that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans/financing in the Bank and historical loss experience for loans/financing with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

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

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

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

**Assets classified as available-for-sale**

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

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

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

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

**(J) FINANCIAL LIABILITIES**

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

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2017

### (J) FINANCIAL LIABILITIES

#### Financial liabilities at fair value through profit or loss

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

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

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

#### Other liabilities measured at amortised cost

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

#### De-recognition

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

### (K) OFFSETTING FINANCIAL INSTRUMENTS

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

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

### (L) PROPERTY AND EQUIPMENT AND DEPRECIATION

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

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

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



**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

for the financial year ended 31 December 2017

**(L) PROPERTY AND EQUIPMENT AND DEPRECIATION**

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

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

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

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

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

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

**(M) LEASES****Accounting by lessee****Finance leases**

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

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

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

**Operating leases**

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

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

**(N) FOREIGN CURRENCY TRANSLATIONS****Functional and presentation currency**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

for the financial year ended 31 December 2017

**(N) FOREIGN CURRENCY TRANSLATIONS****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 income statement. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flows or net investment hedge or are attributable to items that form part of the net investment in a foreign operation.

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

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

**(O) DERIVATIVE FINANCIAL INSTRUMENTS**

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

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

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

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

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

**(P) CURRENT AND DEFERRED INCOME TAXES****Current tax**

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

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

for the financial year ended 31 December 2017

**(P) CURRENT AND DEFERRED INCOME TAXES****Deferred tax**

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

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

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

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

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

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

**(Q) ZAKAT**

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

**(R) CASH AND CASH EQUIVALENTS**

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

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

**(S) FORECLOSED PROPERTIES**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

for the financial year ended 31 December 2017

**(T) CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

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

**(U) BILLS AND ACCEPTANCES PAYABLE**

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

**(V) PROVISIONS**

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

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

Where the Group and the Bank expect a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

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

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

**(W) EMPLOYEE BENEFITS****Short-term employee benefits**

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

**Defined contribution plan**

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

for the financial year ended 31 December 2017

**(W) EMPLOYEE BENEFITS****Termination benefits**

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without any possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

**(X) FINANCIAL GUARANTEE CONTRACTS**

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

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

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

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

**(Y) SALE AND REPURCHASE AGREEMENTS**

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

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

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

**(Z) RESTRICTED INVESTMENT ACCOUNTS ('RIA')**

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

**(AA) SHARE CAPITAL****Classification**

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

**Share issue costs**

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



**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

for the financial year ended 31 December 2017

**(AA) SHARE CAPITAL****Dividend distribution**

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

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

**Earnings per share****Basic earnings per share**

Basic earnings per share is calculated by dividing:

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

**Diluted earnings per share**

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

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

**(AB) BORROWINGS**

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

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

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

**(AC) SEGMENT REPORTING**

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

**(AD) TRUST ACTIVITIES**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

for the financial year ended 31 December 2017

**(AE) TRADE RECEIVABLES**

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

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

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

**(AF) GOLD COMMODITY**

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

## 1 GENERAL INFORMATION

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

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

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

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

## 2 CASH AND SHORT-TERM FUNDS

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

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

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

|                | The Group      |                | The Bank       |                |
|----------------|----------------|----------------|----------------|----------------|
|                | 2017<br>RM'000 | 2016<br>RM'000 | 2017<br>RM'000 | 2016<br>RM'000 |
| Licensed banks | 464,446        | 152,234        | 495,133        | 406,075        |

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

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

**5 DERIVATIVE FINANCIAL ASSETS**

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

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

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

## 6 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**7 FINANCIAL INVESTMENTS HELD-TO-MATURITY**

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

**Movement in allowance for impairment losses**

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



**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**8 LOANS, ADVANCES AND FINANCING****(i) By type**

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

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

**(ii) By maturity structure**

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**8 LOANS, ADVANCES AND FINANCING****(iii) By type of customer**

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

**(iv) By interest/profit rate sensitivity**

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**8 LOANS, ADVANCES AND FINANCING****(v) By economic sectors**

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

**(vi) By economic purpose**

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**8 LOANS, ADVANCES AND FINANCING****(vii) By geographical distribution**

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

**(viii) Movements of impaired loans**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**8 LOANS, ADVANCES AND FINANCING****(ix) Movements in allowance for impairment on loans, advances and financing**

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

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

**(x) Impaired loans by economic sectors**

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**8 LOANS, ADVANCES AND FINANCING****(xi) Impaired loans by economic purpose**

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

**(xii) Impaired loans by geographical distribution**

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



**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**9 TRADE RECEIVABLES**

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**10 OTHER ASSETS**

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

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

**11 AMOUNT DUE FROM SUBSIDIARIES**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**12 AMOUNT DUE FROM JOINT VENTURES**

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

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

**13 AMOUNT DUE FROM ASSOCIATE**

|                       | The Group<br>2017<br>RM'000 | 2016<br>RM'000 |
|-----------------------|-----------------------------|----------------|
| Advances to associate | 500                         | 500            |

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

**14 DEFERRED TAX ASSETS/(LIABILITIES)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**14 DEFERRED TAX ASSETS/(LIABILITIES)**

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**14 DEFERRED TAX ASSETS/(LIABILITIES)**

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

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

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

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

|            | <b>The Group</b>       |                        | <b>The Bank</b>        |                        |
|------------|------------------------|------------------------|------------------------|------------------------|
|            | <b>2017<br/>RM'000</b> | <b>2016<br/>RM'000</b> | <b>2017<br/>RM'000</b> | <b>2016<br/>RM'000</b> |
| Tax losses | 90,884                 | 98,867                 | -                      | -                      |

**15 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA**

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

**16 INVESTMENT IN SUBSIDIARIES**

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**16 INVESTMENT IN SUBSIDIARIES**

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

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

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



**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**16 INVESTMENT IN SUBSIDIARIES**

- \* The Bank has disposed the entire share capital of Affin Hwang Trustee Berhad (formerly know as ABB Trustee Berhad)('AHTB') comprising 100,000 ordinary shares of RM10 each (of which RM5 is uncalled) for a total consideration of approximately RM630,000. The entire share capital of AHTB is acquired by five shareholders in equal proportion, namely AFFIN Hwang Investment Bank Berhad, AFFIN Hwang Nominees (Tempatan) Sdn Bhd, AFFIN Hwang Nominees (Asing) Sdn Bhd, AHC Global Sdn Bhd and AHC Associates Sdn Bhd, each holding 20% equity interest in AHTB. The disposal was completed on 25 January 2017.
- ^ Subsidiaries acquired during the financial year pursuant to the Group Reorganisation stated in Note 54.
- ^^ Direct subsidiaries of AFFIN Hwang Asset Management Berhad
- \*\* These Funds are subsidiaries consolidated in the Group as the Group controls the funds in accordance with 'MFRS 10 "Consolidated Financial Statements"

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**17 INVESTMENT IN JOINT VENTURES**

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

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

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

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

\* Shareholding held directly by the Bank.

# Shareholding held directly by AFFIN Islamic Bank Berhad.

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**17 INVESTMENT IN JOINT VENTURES**

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

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

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

**Allowance for impairment of investment in joint ventures**

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

AXA AFFIN Life Insurance Berhad

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

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

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

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

**18 INVESTMENT IN ASSOCIATES**

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**18 INVESTMENT IN ASSOCIATES**

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

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

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

\* Shareholding held directly by the Bank.

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

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

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

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

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

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

**19 PROPERTY AND EQUIPMENT**

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

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

### 19 PROPERTY AND EQUIPMENT

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



**19 PROPERTY AND EQUIPMENT**

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

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

### 19 PROPERTY AND EQUIPMENT

| The Bank<br>2016                                          | Freehold<br>land<br>RM'000 | <--Leasehold land--><br>50 years<br>or more<br>RM'000 | Buildings<br>on<br>freehold<br>land<br>RM'000 | Buildings<br>on<br>leasehold<br>land<br>RM'000 | Renovation<br>RM'000 | Office<br>equipment<br>and<br>furniture<br>RM'000 | Computer<br>equipment<br>RM'000 | Motor<br>vehicles<br>RM'000 | Capital<br>work in<br>progress<br>RM'000 | Total<br>RM'000 |
|-----------------------------------------------------------|----------------------------|-------------------------------------------------------|-----------------------------------------------|------------------------------------------------|----------------------|---------------------------------------------------|---------------------------------|-----------------------------|------------------------------------------|-----------------|
| <b>Cost</b>                                               |                            |                                                       |                                               |                                                |                      |                                                   |                                 |                             |                                          |                 |
| At beginning of the financial year                        | 276,397                    | 9,932                                                 | 5,900                                         | 25,069                                         | 80,074               | 108,474                                           | 57,126                          | 72,564                      | 15,161                                   | 653,846         |
| Additions                                                 | -                          | -                                                     | -                                             | -                                              | -                    | 3,977                                             | 1,652                           | 6,901                       | 14,129                                   | 26,991          |
| Disposals                                                 | -                          | -                                                     | -                                             | -                                              | -                    | -                                                 | (16)                            | (867)                       | -                                        | (883)           |
| Write-off                                                 | -                          | -                                                     | -                                             | -                                              | -                    | (362)                                             | (584)                           | (130)                       | -                                        | (1,076)         |
| Reclassification                                          | -                          | -                                                     | -                                             | -                                              | -                    | 22                                                | (28)                            | 1,136                       | (18,927)                                 | (17,797)        |
| At end of the financial year                              | 276,397                    | 9,932                                                 | 5,900                                         | 25,069                                         | 80,074               | 112,111                                           | 58,150                          | 80,471                      | 10,363                                   | 661,081         |
| <b>Accumulated depreciation and<br/>impairment losses</b> |                            |                                                       |                                               |                                                |                      |                                                   |                                 |                             |                                          |                 |
| At beginning of the financial year                        | -                          | 1,843                                                 | 2,078                                         | 11,980                                         | 25,335               | 99,847                                            | 43,655                          | 66,868                      | -                                        | 253,933         |
| Charge for the financial year                             | -                          | 90                                                    | 128                                           | 412                                            | 1,608                | 4,562                                             | 3,234                           | 3,415                       | -                                        | 13,888          |
| Disposal                                                  | -                          | -                                                     | -                                             | -                                              | -                    | -                                                 | (16)                            | (543)                       | -                                        | (559)           |
| Write-off                                                 | -                          | -                                                     | -                                             | -                                              | -                    | (355)                                             | (536)                           | (130)                       | -                                        | (1,021)         |
| Reclassification                                          | -                          | -                                                     | -                                             | -                                              | -                    | 1                                                 | (7)                             | 329                         | -                                        | 323             |
| At end of the financial year                              | -                          | 1,933                                                 | 2,206                                         | 12,392                                         | 26,943               | 104,055                                           | 46,330                          | 70,482                      | -                                        | 266,364         |
| Net book value at end of the financial year               | 276,397                    | 7,999                                                 | 3,694                                         | 12,677                                         | 53,131               | 8,056                                             | 11,820                          | 9,989                       | 10,363                                   | 394,717         |

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**20 INTANGIBLE ASSETS**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**20 INTANGIBLE ASSETS**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**20 INTANGIBLE ASSETS****Goodwill**

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

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

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

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

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

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

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

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

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

|                      | <b>Investment<br/>banking<br/>%</b> | <b>Stock-<br/>broking<br/>%</b> |
|----------------------|-------------------------------------|---------------------------------|
| Discount rate        | <b>11.55</b>                        | <b>11.64</b>                    |
| Terminal growth rate | <b>4.78</b>                         | <b>3.65</b>                     |
| Cash flows           | <b>96.38</b>                        | <b>81.40</b>                    |

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**21 DEPOSITS FROM CUSTOMERS**

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

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

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



**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**22 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

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

**23 DERIVATIVE FINANCIAL LIABILITIES**

|                               | The Group<br>2017                         |                       | The Group<br>2016                         |                       |
|-------------------------------|-------------------------------------------|-----------------------|-------------------------------------------|-----------------------|
|                               | Contract/<br>notional<br>amount<br>RM'000 | Liabilities<br>RM'000 | Contract/<br>notional<br>amount<br>RM'000 | Liabilities<br>RM'000 |
| <b>At fair value</b>          |                                           |                       |                                           |                       |
| Foreign exchange derivatives: |                                           |                       |                                           |                       |
| Currency forwards             | 3,362,909                                 | 106,537               | 411,616                                   | 15,223                |
| Cross currency swaps          | 2,544,896                                 | 133,756               | 2,952,673                                 | 371,016               |
| Currency swaps                | 529,884                                   | 5,147                 | -                                         | -                     |
| Interest rate derivatives:    |                                           |                       |                                           |                       |
| Interest rate swaps           | 2,416,148                                 | 18,236                | 1,596,773                                 | 16,533                |
|                               | 8,853,837                                 | 263,676               | 4,961,062                                 | 402,772               |
|                               |                                           |                       |                                           |                       |
|                               | The Bank<br>2017                          |                       | The Bank<br>2016                          |                       |
|                               | Contract/<br>notional<br>amount<br>RM'000 | Liabilities<br>RM'000 | Contract/<br>notional<br>amount<br>RM'000 | Liabilities<br>RM'000 |
| <b>At fair value</b>          |                                           |                       |                                           |                       |
| Foreign exchange derivatives: |                                           |                       |                                           |                       |
| Currency forwards             | 1,256,430                                 | 58,249                | 404,467                                   | 14,510                |
| Cross currency swaps          | 2,865,264                                 | 135,924               | 3,858,921                                 | 378,240               |
| Interest rate derivatives:    |                                           |                       |                                           |                       |
| Interest rate swaps           | 1,226,148                                 | 16,704                | 1,596,773                                 | 16,533                |
|                               | 5,347,842                                 | 210,877               | 5,860,161                                 | 409,283               |

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**24 TRADE PAYABLES**

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

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

**25 OTHER LIABILITIES**

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

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

**26 AMOUNT DUE TO SUBSIDIARIES**

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**27 SUBORDINATED TERM LOAN AND MEDIUM TERM NOTES**

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

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

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

- (a) The Bank had on 7 February 2017 and 20 September 2017 issued 2 tranches of Tier-2 Subordinated MTNs of RM1.0 billion each out of its approved BASEL III Compliant MTN programme of up to RM6.0 billion in nominal value. The Subordinated MTNs were issued for a tenure of 10 years from the issue date on a 10-year non-callable 5 basis, at a coupon rate of 5.45% and 5.03% respectively. The MTNs were issued for the purpose of general banking business and working capital requirements of the Bank.
- (b) The subordinated loan were issued on 16 January 2012 and carries interest rate at cost of fund ('COF') plus 1.00% per annum for a tenure of 10 years with the Bank's holding company. The loan was fully repaid on 16 January 2017.
- (c) The subordinated loan were issued on 30 December 2015 and carries interest rate at cost of fund ('COF') plus 1.00% per annum for a tenure of 10 years with the Bank's holding company. The loan was fully repaid on 4 August 2017.
- (d) The subordinated loan were issued on 26 May 2016 and carries interest rate at cost of fund ('COF') plus 1.00% per annum for a tenure of 10 years with the Bank's holding company. The loan was fully repaid on 17 October 2017.
- (e) The subordinated loan were issued on 16 December 2016 and carries interest rate at cost of fund ('COF') plus 0.725% per annum for a tenure of 10 years with the Bank's holding company. The loan was fully repaid on 17 October 2017.

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

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

### 28 SHARE CAPITAL

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

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

### 29 RESERVES

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

- (a) As at 31 December 2017, the Bank has a tax exempt account balance of RM10.9 million (2016: RM10.9 million) under Section 12 of the Income Tax (Amendment) Act 1999, subject to agreement by the Inland Revenue Board.
- (b) AFS revaluation reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as financial investment available-for-sale. The gains or losses are transferred in the income statement upon disposal or when the securities become impaired.
- (c) The requirement to maintain a statutory reserve funds has been removed pursuant to BNM's Capital Fund Policy with effect from 3 May 2017. Consequently, the statutory reserve amount has been transferred to retained earnings.
- (d) The Group and the Bank are required to maintain in aggregate collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans, advances and financing, net of individual impairment allowances.

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**30 INTEREST INCOME**

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

**31 INTEREST EXPENSE**

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**32 INCOME FROM ISLAMIC BANKING BUSINESS**

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

**33 OTHER OPERATING INCOME**

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



**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**34 NET GAINS ON FINANCIAL INSTRUMENTS**

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

**35 OTHER INCOME**

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**36 OTHER OPERATING EXPENSES**

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

## (a) Personnel costs

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

## (b) Establishment costs

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**36 OTHER OPERATING EXPENSES**

## (c) Marketing expenses

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

## (d) Administration and general expenses

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

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

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

### 36 OTHER OPERATING EXPENSES

The expenditure includes the following statutory disclosure:

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

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

### 37 CEO AND DIRECTORS' REMUNERATION

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

#### Managing Director/Chief Executive Officer

Kamarul Ariffin Bin Mohd Jamil

#### Non-Executive Directors

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

En. Mohd Suffian Bin Haji Haron

Tan Sri Mohd Ghazali Bin Mohd Yusoff

En. Abd Malik Bin A Rahman

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

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**37 CEO AND DIRECTORS' REMUNERATION**

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**37 CEO AND DIRECTORS' REMUNERATION**

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

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

\* Includes allowances and EPF



**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**37 CEO AND DIRECTORS' REMUNERATION**

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

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

\* Includes allowances and EPF

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**37 CEO AND DIRECTORS' REMUNERATION**

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

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

\* Includes allowances and EPF

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**37 CEO AND DIRECTORS' REMUNERATION**

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

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

\* Includes allowances and EPF

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**39 ALLOWANCES FOR IMPAIRMENT LOSSES ON SECURITIES**

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

**40 ALLOWANCES FOR IMPAIRMENT LOSSES ON OTHERS**

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

**41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES**

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

| Related parties                                                             | Relationship                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Lembaga Tabung Angkatan Tentera ('LTAT')                                    | Ultimate holding corporate body, which is Government-Linked Investment Company ('GLIC') of the Government of Malaysia                                                                                                                                                                                                             |
| AFFIN Holdings Berhad ('AHB')                                               | Holding company                                                                                                                                                                                                                                                                                                                   |
| Subsidiaries and associates of LTAT                                         | Subsidiary and associate companies of the ultimate holding corporate body                                                                                                                                                                                                                                                         |
| Subsidiaries of AFFIN Bank Berhad as disclosed in Note 16                   | Subsidiaries                                                                                                                                                                                                                                                                                                                      |
| Joint ventures as disclosed in Note 17                                      | Joint ventures                                                                                                                                                                                                                                                                                                                    |
| Associates as disclosed in Note 18                                          | Associates                                                                                                                                                                                                                                                                                                                        |
| Key management personnel                                                    | The key management personnel of the Group and the Bank consist of: <ul style="list-style-type: none"> <li>- Directors</li> <li>- Managing Director/Chief Executive Officer</li> <li>- Members of Senior Management team and the company secretary</li> </ul>                                                                      |
| Related parties of key management personnel (deemed as related to the Bank) | <ul style="list-style-type: none"> <li>- Close family members and dependents of key management personnel</li> <li>- Entities that are controlled, jointly controlled or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members</li> </ul> |

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

**41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES**

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

**(a) Related parties transactions and balances**

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES****(a) Related parties transactions and balances (continued)**

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

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



**41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES**

**(a) Related parties transactions and balances (continued)**

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES****(a) Related parties transactions and balances (continued)**

| The Bank                                                            | Ultimate holding corporate body |                | Holding company                                                |                | Subsidiaries             |                |
|---------------------------------------------------------------------|---------------------------------|----------------|----------------------------------------------------------------|----------------|--------------------------|----------------|
|                                                                     | 2017<br>RM'000                  | 2016<br>RM'000 | 2017<br>RM'000                                                 | 2016<br>RM'000 | 2017<br>RM'000           | 2016<br>RM'000 |
| <b>Amount due from</b>                                              |                                 |                |                                                                |                |                          |                |
| Restricted investment accounts ('RIA')                              | -                               | -              | -                                                              | -              | 2,749,072                | 2,110,079      |
| Deposits and placements with banks and other financial institutions | -                               | -              | -                                                              | -              | 69,258                   | 285,026        |
| Intercompany balances                                               | -                               | -              | 9                                                              | 9              | -                        | 196,839        |
| Security deposits                                                   | -                               | -              | -                                                              | -              | -                        | -              |
|                                                                     | -                               | -              | 9                                                              | 9              | 2,818,330                | 2,591,944      |
| <b>Amount due to</b>                                                |                                 |                |                                                                |                |                          |                |
| Demand and savings deposits                                         | 133,933                         | 102,996        | 1,356                                                          | 997            | 274                      | 609            |
| Fixed deposits                                                      | -                               | -              | 73,233                                                         | 27,968         | 429                      | 416            |
| Money market deposits                                               | 104,233                         | 114,597        | 250                                                            | 4,136          | -                        | -              |
| Intercompany balances                                               | -                               | -              | -                                                              | -              | 448,146                  | 41,395         |
| Subordinated term loan                                              | -                               | -              | -                                                              | 1,304,592      | -                        | -              |
|                                                                     | 238,166                         | 217,593        | 74,839                                                         | 1,337,693      | 448,849                  | 42,420         |
| Commitments and contingencies                                       | -                               | -              | -                                                              | -              | -                        | -              |
| The Bank                                                            | Other related companies         |                | Companies in which certain Directors have substantial interest |                | Key management personnel |                |
|                                                                     | 2017<br>RM'000                  | 2016<br>RM'000 | 2017<br>RM'000                                                 | 2016<br>RM'000 | 2017<br>RM'000           | 2016<br>RM'000 |
| <b>Amount due from</b>                                              |                                 |                |                                                                |                |                          |                |
| Corporate bonds/sukuk                                               | 1,012,177                       | 1,009,192      | -                                                              | -              | -                        | -              |
| Loans, advances and financing                                       | 998,210                         | 1,051,172      | -                                                              | -              | 2,923                    | 5,045          |
| Deposits and placements with banks and other financial institutions | 66                              | 58,310         | -                                                              | -              | -                        | -              |
| Security deposits                                                   | 3,206                           | 3,206          | -                                                              | -              | -                        | 29             |
|                                                                     | 2,013,659                       | 2,121,880      | -                                                              | -              | 2,923                    | 5,074          |
| <b>Amount due to</b>                                                |                                 |                |                                                                |                |                          |                |
| Demand and savings deposits                                         | 430,191                         | 578,717        | 539                                                            | 482            | 4,890                    | 6,039          |
| Fixed deposits                                                      | 267,555                         | 284,090        | 20,185                                                         | 19,149         | 6,063                    | 5,595          |
| Negotiable instruments of deposit                                   | 450,186                         | 419,882        | -                                                              | -              | -                        | -              |
| Deposits and placements of banks and other financial institutions   | 43,783                          | 65,078         | -                                                              | -              | -                        | -              |
| Money market deposits                                               | 230,399                         | 193,241        | -                                                              | -              | -                        | -              |
|                                                                     | 1,422,114                       | 1,541,008      | 20,724                                                         | 19,631         | 10,953                   | 11,634         |
| Commitments and contingencies                                       | 1,743,742                       | 1,541,228      | 1,000                                                          | 7              | -                        | -              |

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES****(b) Key management personnel compensation**

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

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

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

**42 TAXATION**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**43 EARNINGS PER SHARE**

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

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

**44 DIVIDENDS**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**45 COMMITMENTS AND CONTINGENCIES**

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

The commitments and contingencies consist of:

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

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

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

**46 FINANCIAL RISK MANAGEMENT**

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

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

### 46 FINANCIAL RISK MANAGEMENT

#### (i) Credit risk

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

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

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

#### Credit risk measurement

##### *Loans, advances and financing*

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

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

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

Stress Testing supplements the overall assessment of credit risk.

##### *Over-the-Counter ('OTC') Derivatives*

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

#### Risk limit control and mitigation policies

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

##### *Lending/Financing limits*

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

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



**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**46 FINANCIAL RISK MANAGEMENT****(i) Credit risk (continued)****Risk limit control and mitigation policies (continued)***Collateral*

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

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

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

*Credit related commitments*

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

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

**Credit risk monitoring**

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

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

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

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

**Maximum exposure to credit risk**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**46 FINANCIAL RISK MANAGEMENT****(i) Credit risk (continued)****Maximum exposure to credit risk (continued)**

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

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

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

\* cash in hand

\*\* investment in shares and unit trusts

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

@ prepayment

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

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

**46 FINANCIAL RISK MANAGEMENT**

**(i) Credit risk (continued)**

**Credit risk concentrations**

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

### 46 FINANCIAL RISK MANAGEMENT

#### (i) Credit risk (continued)

##### Credit risk concentrations (continued)

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

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

**46 FINANCIAL RISK MANAGEMENT**

**(i) Credit risk (continued)**

**Credit risk concentrations (continued)**

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

<sup>^</sup> Others include amount due from subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

### 46 FINANCIAL RISK MANAGEMENT

#### (i) Credit risk (continued)

##### Credit risk concentrations (continued)

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

^ Others include amount due from subsidiaries.



**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**46 FINANCIAL RISK MANAGEMENT****(i) Credit risk (continued)****Collaterals**

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

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

**Total loans, advances and financing - credit quality**

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

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

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

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

Distribution of loans, advances and financing by credit quality

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

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

### 46 FINANCIAL RISK MANAGEMENT

#### (i) Credit risk (continued)

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

##### (a) Loans/financing neither past due nor impaired

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

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

##### Quality classification definitions

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

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

##### (b) Loans/financing past due but not impaired

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

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

##### (c) Loans/financing impaired

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**46 FINANCIAL RISK MANAGEMENT****(i) Credit risk (continued)****Collateral and other credit enhancements obtained**

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

|                                       | <b>The Group</b> |               | <b>The Bank</b> |               |
|---------------------------------------|------------------|---------------|-----------------|---------------|
|                                       | <b>2017</b>      | <b>2016</b>   | <b>2017</b>     | <b>2016</b>   |
|                                       | <b>RM'000</b>    | <b>RM'000</b> | <b>RM'000</b>   | <b>RM'000</b> |
| Nature of assets                      |                  |               |                 |               |
| Industrial and residential properties | <b>19,912</b>    | 7,970         | <b>17,271</b>   | 5,329         |

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

### 46 FINANCIAL RISK MANAGEMENT

#### (i) Credit risk (continued)

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

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

**46 FINANCIAL RISK MANAGEMENT**

**(i) Credit risk (continued)**

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

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

\* Net of allowance for impairment.

Collateral is not generally obtained directly from the issuers of debt securities. Certain debt securities may be collateralised by specifically identified assets that would be obtainable in the event of default.  
Deposits and short-term funds, corporate bonds/sukuk, treasury bills and derivatives which are past due but not impaired is not significant.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

### 46 FINANCIAL RISK MANAGEMENT

#### (i) Credit risk (continued)

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

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

**46 FINANCIAL RISK MANAGEMENT**

**(i) Credit risk (continued)**

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

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

\* Net of allowance for impairment.

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

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



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

### 46 FINANCIAL RISK MANAGEMENT

#### (i) Credit risk (continued)

##### Other financial assets - credit quality

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

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

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

#### (ii) Market risk

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

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

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

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

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

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

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

##### Risk Management Policies and Procedures

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

- Managing Unauthorised Trading & Market Manipulation,
- Code of Conduct for Malaysia Wholesale Financial Markets, and
- Principles for a Fair and Effective Financial Market for Malaysian Financial Market.

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**46 FINANCIAL RISK MANAGEMENT****(ii) Market risk (continued)****Value-at-Risk ('VaR')**

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

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

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

**Other risk measures**

- Mark-to-market

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

- Stress testing

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

**Interest/profit rate sensitivity**

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

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

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

|                            | <b>The Group</b>                                    |                                                     | <b>The Bank</b>                                     |                                                     |
|----------------------------|-----------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
|                            | <b>2017<br/>+100<br/>basis point<br/>RM million</b> | <b>2017<br/>-100<br/>basis point<br/>RM million</b> | <b>2017<br/>+100<br/>basis point<br/>RM million</b> | <b>2017<br/>-100<br/>basis point<br/>RM million</b> |
| Impact on profit after tax | (58.9)                                              | 58.9                                                | (26.9)                                              | 26.9                                                |
| Impact on equity           | (125.1)                                             | 147.0                                               | (220.6)                                             | 234.7                                               |

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**46 FINANCIAL RISK MANAGEMENT****(ii) Market risk (continued)****Foreign exchange risk sensitivity analysis**

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

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

**Foreign exchange risk**

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

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

**46 FINANCIAL RISK MANAGEMENT**

**(ii) Market risk (continued)**

**Foreign exchange risk (continued)**

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

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

### 46 FINANCIAL RISK MANAGEMENT

#### (ii) Market risk (continued)

##### Foreign exchange risk (continued)

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

**46 FINANCIAL RISK MANAGEMENT**

**(ii) Market risk (continued)**

**Foreign exchange risk (continued)**

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

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

### 46 FINANCIAL RISK MANAGEMENT

#### (ii) Market risk (continued)

##### Foreign exchange risk (continued)

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



**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**46 FINANCIAL RISK MANAGEMENT****(ii) Market risk (continued)****Interest/profit rate risk**

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

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

- (1) Next 12 months' Earnings - Interest/profit rate risk from the earnings perspective is the impact based on changes to the net interest/profit income ('NII') over the next 12 months. This risk is measured through sensitivity analysis including the application of an instantaneous 100 basis point parallel shock in interest/profit rates across the yield curve.
- (2) Economic Value - Measuring the change in the economic value of equity ('EVE') is an assessment of the long term impact to the Group and the Bank's capital. This is assessed through the application of relevant duration factors to capture the net economic value impact over the long term or total life of all balance sheet assets and liabilities to adverse changes in interest/profit rates.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

### 46 FINANCIAL RISK MANAGEMENT

#### (ii) Market risk (continued)

##### Interest/profit rate risk (continued)

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

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

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

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

**46 FINANCIAL RISK MANAGEMENT**

**(ii) Market risk (continued)**

**Interest/profit rate risk (continued)**

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

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

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

### 46 FINANCIAL RISK MANAGEMENT

#### (ii) Market risk (continued)

##### Interest/profit rate risk (continued)

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

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

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

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

**46 FINANCIAL RISK MANAGEMENT**

**(ii) Market risk (continued)**

**Interest/profit rate risk (continued)**

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

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

### 46 FINANCIAL RISK MANAGEMENT

#### (ii) Market risk (continued)

##### Interest/profit rate risk (continued)

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

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

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

**46 FINANCIAL RISK MANAGEMENT**

**(ii) Market risk (continued)**

**Interest/profit rate risk (continued)**

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



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

### 46 FINANCIAL RISK MANAGEMENT

#### (ii) Market risk (continued)

##### Interest/profit rate risk (continued)

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

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

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

**46 FINANCIAL RISK MANAGEMENT**

**(ii) Market risk (continued)**

**Interest/profit rate risk (continued)**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
for the financial year ended 31 December 2017**46 FINANCIAL RISK MANAGEMENT****(iii) Liquidity risk**

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

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

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**46 FINANCIAL RISK MANAGEMENT****(iii) Liquidity risk (continued)****Liquidity risk disclosure table which is based on contractual undiscounted cash flow**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**46 FINANCIAL RISK MANAGEMENT****(iii) Liquidity risk (continued)****Liquidity risk disclosure table which is based on contractual undiscounted cash flow (continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**46 FINANCIAL RISK MANAGEMENT****(iii) Liquidity risk (continued)****Derivative financial liabilities**

Derivative financial liabilities based on contractual undiscounted cash flow:

| <b>The Group<br/>2017</b>                 | <b>Up to 1<br/>month<br/>RM'000</b> | <b>&gt;1-3<br/>months<br/>RM'000</b> | <b>&gt;3-12<br/>months<br/>RM'000</b> | <b>&gt;1-5<br/>years<br/>RM'000</b> | <b>Over 5<br/>years<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|-------------------------------------------|-------------------------------------|--------------------------------------|---------------------------------------|-------------------------------------|------------------------------------|-------------------------|
| <b>Derivatives settled on net basis</b>   |                                     |                                      |                                       |                                     |                                    |                         |
| Interest rate derivatives                 | (236)                               | (1,645)                              | (3,479)                               | (6,948)                             | (1,393)                            | (13,701)                |
| <b>Derivatives settled on gross basis</b> |                                     |                                      |                                       |                                     |                                    |                         |
| Foreign exchange derivatives:             |                                     |                                      |                                       |                                     |                                    |                         |
| Outflow                                   | (3,098,864)                         | (2,345,793)                          | (1,576,490)                           | (265,812)                           | -                                  | (7,286,959)             |
| Inflow                                    | 3,082,036                           | 2,332,287                            | 1,486,613                             | 228,958                             | -                                  | 7,129,894               |
|                                           | (16,828)                            | (13,506)                             | (89,877)                              | (36,854)                            | -                                  | (157,065)               |
| <b>The Bank<br/>2017</b>                  | <b>Up to 1<br/>month<br/>RM'000</b> | <b>&gt;1-3<br/>months<br/>RM'000</b> | <b>&gt;3-12<br/>months<br/>RM'000</b> | <b>&gt;1-5<br/>years<br/>RM'000</b> | <b>Over 5<br/>years<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
| <b>Derivatives settled on net basis</b>   |                                     |                                      |                                       |                                     |                                    |                         |
| Interest rate derivatives                 | (260)                               | (1,103)                              | (3,226)                               | (7,057)                             | (1,393)                            | (13,039)                |
| <b>Derivatives settled on gross basis</b> |                                     |                                      |                                       |                                     |                                    |                         |
| Foreign exchange derivatives:             |                                     |                                      |                                       |                                     |                                    |                         |
| Outflow                                   | (1,652,143)                         | (1,233,050)                          | (1,223,218)                           | (125,134)                           | -                                  | (4,233,545)             |
| Inflow                                    | 1,652,712                           | 1,235,301                            | 1,147,539                             | 100,851                             | -                                  | 4,136,403               |
|                                           | 569                                 | 2,251                                | (75,679)                              | (24,283)                            | -                                  | (97,142)                |

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**46 FINANCIAL RISK MANAGEMENT****(iii) Liquidity risk (continued)****Derivative financial liabilities (continued)**

Derivative financial liabilities based on contractual undiscounted cash flow:

| The Group<br>2016                  | Up to 1<br>month<br>RM'000 | >1-3<br>months<br>RM'000  | >3-12<br>months<br>RM'000 | >1-5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 | Total<br>RM'000 |
|------------------------------------|----------------------------|---------------------------|---------------------------|-------------------------|---------------------------|-----------------|
| Derivatives settled on net basis   |                            |                           |                           |                         |                           |                 |
| Interest rate derivatives          | (424)                      | (1,194)                   | (3,930)                   | (8,461)                 | (2,685)                   | (16,694)        |
| Derivatives settled on gross basis |                            |                           |                           |                         |                           |                 |
| Foreign exchange derivatives:      |                            |                           |                           |                         |                           |                 |
| Outflow                            | (1,969,654)                | (280,116)                 | (1,935,333)               | (274,066)               | -                         | (4,459,169)     |
| Inflow                             | 1,969,768                  | 280,403                   | 1,937,099                 | 201,077                 | -                         | 4,388,347       |
|                                    | 114                        | 287                       | 1,766                     | (72,989)                | -                         | (70,822)        |
| The Bank<br>2016                   | Up to 1<br>month<br>RM'000 | > 1-3<br>months<br>RM'000 | >3-12<br>months<br>RM'000 | >1-5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 | Total<br>RM'000 |
| Derivatives settled on net basis   |                            |                           |                           |                         |                           |                 |
| Interest rate derivatives          | (424)                      | (1,194)                   | (3,930)                   | (8,461)                 | (2,685)                   | (16,694)        |
| Derivatives settled on gross basis |                            |                           |                           |                         |                           |                 |
| Foreign exchange derivatives:      |                            |                           |                           |                         |                           |                 |
| Outflow                            | (1,859,028)                | (280,116)                 | (1,935,333)               | (274,066)               | -                         | (4,348,543)     |
| Inflow                             | 1,859,129                  | 280,403                   | 1,937,099                 | 201,077                 | -                         | 4,277,708       |
|                                    | 101                        | 287                       | 1,766                     | (72,989)                | -                         | (70,835)        |



**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**46 FINANCIAL RISK MANAGEMENT****(iii) Liquidity risk (continued)****Liquidity risk for assets and liabilities based on remaining contractual maturities**

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**46 FINANCIAL RISK MANAGEMENT****(iii) Liquidity risk (continued)****Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**46 FINANCIAL RISK MANAGEMENT****(iii) Liquidity risk (continued)****Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)**

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

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

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

### 46 FINANCIAL RISK MANAGEMENT

#### (iii) Liquidity risk (continued)

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**46 FINANCIAL RISK MANAGEMENT****(iii) Liquidity risk (continued)****Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**46 FINANCIAL RISK MANAGEMENT****(iii) Liquidity risk (continued)****Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**46 FINANCIAL RISK MANAGEMENT****(iii) Liquidity risk (continued)****Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)**

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

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



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

### 46 FINANCIAL RISK MANAGEMENT

#### (iii) Liquidity risk (continued)

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

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

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

#### (iv) Operational risk management

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

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

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**46 FINANCIAL RISK MANAGEMENT****(iv) Operational risk management (continued)**

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

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

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

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

**(v) Shariah Non-Compliance Risk**

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

The Shariah Governance Framework for Islamic Financial Institutions (BNM/RH/GL\_012\_3) issued by BNM and the Bank's Shariah Risk Management Framework are the main reference for the Shariah governance and Shariah risk management process within Affin Islamic Bank Berhad.

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

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

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

1. SNC Event Reporting to BNM to collect, evaluate, monitor and report Shariah loss data;
2. Shariah Risk and Control Self-Assessment ('RCSA')/Risk Profiling to assist business/functional unit to identify and assess risks and controls. RCSA will be performed annually or as and when there is occurrence of significant events either internal or external;
3. Key Risk Indicator ('KRI') to predict and highlight any potential high risk area. These indicators will be reviewed on a periodic basis (monthly or quarterly) to alert Management to changes that may have risk concerns; and
4. Key Control Standard ('KCS') to validate the effectiveness of control measures.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

### 46 FINANCIAL RISK MANAGEMENT

#### (vi) Business Continuity Risk

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

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

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

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

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

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

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

#### (vii) Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**46 FINANCIAL RISK MANAGEMENT****(vii) Fair value of financial instruments (continued)**

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

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

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

| <b>The Group<br/>2017</b>                  | <b>Level 1<br/>RM'000</b> | <b>Level 2<br/>RM'000</b> | <b>Level 3<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--------------------------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| <b>Assets</b>                              |                           |                           |                           |                         |
| Financial assets at FVTPL                  |                           |                           |                           |                         |
| - Money market instruments                 | -                         | 40,702                    | -                         | 40,702                  |
| - Shares and unit trusts                   | 45,675                    | -                         | -                         | 45,675                  |
| - Corporate bonds/Sukuk                    | -                         | 18,803                    | -                         | 18,803                  |
| Derivative financial assets                | -                         | 173,125                   | -                         | 173,125                 |
| Financial investments available-for-sale * |                           |                           |                           |                         |
| - Money market instruments                 | -                         | 4,405,992                 | -                         | 4,405,992               |
| - Shares, unit trusts and REITs            | 233,637                   | 61                        | 249,823                   | 483,521                 |
| - Corporate bonds/Sukuk                    | -                         | 9,707,816                 | 30,030                    | 9,737,846               |
| <b>Total</b>                               | <b>279,312</b>            | <b>14,346,499</b>         | <b>279,853</b>            | <b>14,905,664</b>       |
| <b>Liabilities</b>                         |                           |                           |                           |                         |
| Derivative financial liabilities           | -                         | 263,676                   | -                         | 263,676                 |
| <b>Total</b>                               | <b>-</b>                  | <b>263,676</b>            | <b>-</b>                  | <b>263,676</b>          |
| <b>The Group<br/>2016</b>                  | <b>Level 1<br/>RM'000</b> | <b>Level 2<br/>RM'000</b> | <b>Level 3<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
| <b>Assets</b>                              |                           |                           |                           |                         |
| Derivative financial assets                | -                         | 167,304                   | -                         | 167,304                 |
| Financial investments available-for-sale * |                           |                           |                           |                         |
| - Money market instruments                 | -                         | 5,054,067                 | -                         | 5,054,067               |
| - Shares and unit trusts                   | -                         | -                         | 216,592                   | 216,592                 |
| - Corporate bonds/Sukuk                    | -                         | 4,979,293                 | 30,045                    | 5,009,338               |
| <b>Total</b>                               | <b>-</b>                  | <b>10,200,664</b>         | <b>246,637</b>            | <b>10,447,301</b>       |
| <b>Liabilities</b>                         |                           |                           |                           |                         |
| Derivative financial liabilities           | -                         | 402,772                   | -                         | 402,772                 |
| <b>Total</b>                               | <b>-</b>                  | <b>402,772</b>            | <b>-</b>                  | <b>402,772</b>          |

\* Net of allowance for impairment.

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**46 FINANCIAL RISK MANAGEMENT****(vii) Fair value of financial instruments (continued)**

| <b>The Bank<br/>2017</b>                   | <b>Level 1<br/>RM'000</b> | <b>Level 2<br/>RM'000</b> | <b>Level 3<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--------------------------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| <b>Assets</b>                              |                           |                           |                           |                         |
| Financial assets at FVTPL                  | -                         | 10,129                    | -                         | 10,129                  |
| Derivative financial assets                | -                         | 120,819                   | -                         | 120,819                 |
| Financial investments available-for-sale * |                           |                           |                           |                         |
| - Money market instruments                 | -                         | 3,648,088                 | -                         | 3,648,088               |
| - Shares                                   | -                         | -                         | 229,212                   | 229,212                 |
| - Corporate bonds/Sukuk                    | -                         | 4,580,488                 | 30,030                    | 4,610,518               |
| <b>Total</b>                               | <b>-</b>                  | <b>8,359,524</b>          | <b>259,242</b>            | <b>8,618,766</b>        |
| <b>Liabilities</b>                         |                           |                           |                           |                         |
| Derivative financial liabilities           | -                         | 210,877                   | -                         | 210,877                 |
| <b>Total</b>                               | <b>-</b>                  | <b>210,877</b>            | <b>-</b>                  | <b>210,877</b>          |
| <b>The Bank<br/>2016</b>                   | <b>Level 1<br/>RM'000</b> | <b>Level 2<br/>RM'000</b> | <b>Level 3<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
| <b>Assets</b>                              |                           |                           |                           |                         |
| Derivative financial assets                | -                         | 166,240                   | -                         | 166,240                 |
| Financial investments available-for-sale * |                           |                           |                           |                         |
| - Money market instruments                 | -                         | 4,117,301                 | -                         | 4,117,301               |
| - Shares                                   | -                         | -                         | 216,592                   | 216,592                 |
| - Corporate bonds/Sukuk                    | -                         | 4,082,651                 | 30,045                    | 4,112,691               |
| <b>Total</b>                               | <b>-</b>                  | <b>8,366,192</b>          | <b>246,637</b>            | <b>8,612,829</b>        |
| <b>Liabilities</b>                         |                           |                           |                           |                         |
| Derivative financial liabilities           | -                         | 409,283                   | -                         | 409,283                 |
| <b>Total</b>                               | <b>-</b>                  | <b>409,283</b>            | <b>-</b>                  | <b>409,283</b>          |

\* Net of allowance for impairment.

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**46 FINANCIAL RISK MANAGEMENT****(vii) Fair value of financial instruments (continued)****Effect of changes in significant unobservable assumptions to reasonably possible alternatives**

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

### 46 FINANCIAL RISK MANAGEMENT

#### (vii) Fair value of financial instruments (continued)

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

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

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

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

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

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

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



**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**46 FINANCIAL RISK MANAGEMENT****(vii) Fair value of financial instruments (continued)**

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

**Financial investments held-to-maturity**

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

**Loans, advances and financing**

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

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

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

**Other assets and liabilities**

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

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

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

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

**Recourse obligation on loans sold to Cagamas Berhad**

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

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

**Subordinated term note**

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

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

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

### 47 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

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

#### Related amount not offset

##### Derivative financial assets and liabilities

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

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

##### Obligation on securities sold under repurchase agreements

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**47 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**47 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

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

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

**48 LEASE COMMITMENTS**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**49 CAPITAL MANAGEMENT**

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

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

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

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

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

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

**50 CAPITAL ADEQUACY**

The capital adequacy ratios are as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**50 CAPITAL ADEQUACY**

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

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

# The Group comprises the banking and non-banking subsidiaries.

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

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

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

|                                                | <b>Economic Entity</b> |             | <b>The Bank</b> |             |
|------------------------------------------------|------------------------|-------------|-----------------|-------------|
|                                                | <b>2017</b>            | <b>2016</b> | <b>2017</b>     | <b>2016</b> |
| (Before and after deducting proposed dividend) |                        |             |                 |             |
| CET1 capital ratio                             | 15.086%                | 12.421%     | 15.087%         | 12.424%     |
| Tier 1 capital ratio                           | 15.086%                | 12.421%     | 15.087%         | 12.424%     |
| Total capital ratio                            | 16.251%                | 13.598%     | 16.251%         | 13.598%     |

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**50 CAPITAL ADEQUACY**

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

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

**51 LITIGATION AGAINST THE BANK**

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

- 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.

The Bank had on 25 January 1996 given Suria Barisan (M) Sdn Bhd ('Suria') a credit facility of RM21.6 million ('Facility') against security of unquoted shares belonging to Naval Dockyard Sdn Bhd and guaranteed by the Plaintiff and Puan Norashikin Binti Abdul Latiff ('Guarantor').

Suria, the Plaintiff and the Guarantor ('All') defaulted in the Facility which led to the Bank filing a debt recovery action against All of them in 1999. Judgement was obtained against All on 8 July 2004.

The Plaintiff was made bankrupt on 17 January 2013. The bankruptcy was set aside in September 2015 on the grounds that he was solvent due to a third party, Chenet Finance Ltd ('Chenet') being ordered by a Singapore Court to pay damages to the Director General of Insolvency Malaysia ('DGI') as receiver of Plaintiff's Estate. The Bank has appealed and hearing of appeal is fixed on 2 April 2018 at the Federal Court.

The Plaintiff's claim ('Claim') is premised on alleged wrongful acts by the Bank as follows:

- failure to sell 7.2 million shares in Naval Dockyard Sdn Bhd ('NDSB shares') which was pledged by Suria to the Bank as security for the Facility on a timely basis. On this claim, 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;
- the Bank had corresponded with the opponent of Plaintiff in Singapore to prevent the Plaintiff from claiming his assets in Singapore. Plaintiff has alleged conspiracy between the Bank and the opponent of the Plaintiff in Singapore. On this claim, Plaintiff claims losses under (ii) above;
- the Bank had allegedly 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.



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

### 51 LITIGATION AGAINST THE BANK

The Bank has a good defence ('Defence') on the merits with regard to each of the alleged wrongful act as follows:

- the sale of NDSB Shares was subject to the approval from the relevant authorities as per the terms of the Facility Agreement and the price has to be based on the offer from the approved prospective buyer;
- the release of the Guarantor is the prerogative of the Bank pursuant to the terms of the Guarantee Agreement;
- the Plaintiff's bankruptcy is based on a judgement of Court;
- the Bank's legal firm had 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; and
- the claim for cost is unreasonable as the Bank was not in any way involved in the Singapore proceedings.

The above Claim against the Bank by the Plaintiff is a result of the Debt Recovery Action against the Plaintiff which was commenced in the ordinary course of business.

The Board of Directors of the Bank are of the view that save for the orders, cost and other relief sought by the Plaintiff, which will materialize only if the Court rules in the Plaintiff's favour, the Writ and Statement of Claim is not expected to result in any immediate losses, material, financial and operational impact on the Bank for the current financial year ended 31 December 2017.

### 52 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group and the Bank make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. To enhance the information content of the estimates, certain variables that are anticipated to have material impact to the Group's and the Bank's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

#### Allowance for impairment losses on loans, advances and financing

The accounting estimates and judgments related to the impairment of loans and provision for off-balance sheet positions are critical accounting estimate because the underlying assumptions used for both the individually and collectively assessed impairment can change from period to period and may significantly affect the Group and the Bank's results of operations.

In assessing assets for impairment, management judgment is required. The determination of the impairment allowance required for loans which are deemed to be individually significant often requires the use of considerable management judgment concerning such matters as local economic conditions, the financial performance of the counterparty and the value of any collateral held, for which there may not be a readily accessible market. The actual amount of the future cash flows and their timing may differ from the estimates used by management and consequently may cause actual losses to differ from the reported allowances.

The impairment allowance for portfolios of smaller-balance homogenous loans/financing, such as those to individuals and small business customers of the private and retail business, and for those loans/financing which are individually significant but for which no objective evidence of impairment exists, is determined on a collective basis. The collective impairment allowance is calculated on a portfolio basis using statistical models which incorporate numerous estimates and judgments, and therefore is subject to estimation uncertainty. The Group and the Bank perform a regular review of the models and underlying data and assumptions as far as possible to reflect the current economic circumstances. The probability of default, loss given defaults, and loss identification period, amongst other thing, are all taken into account during this review.

#### Estimated impairment of goodwill

The Group performs an impairment review on an annual basis to ensure that the carrying value of the goodwill does not exceed its recoverable amounts from cash generating units to which the goodwill is allocated. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercise judgment in estimating the future cash flows, growth rate and discount rate.

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**53 CREDIT EXPOSURES ARISING FROM TRANSACTIONS WITH CONNECTED PARTIES**

The following credit exposures are based on Bank Negara Malaysia's revised Guidelines on Credit Transaction and Exposures with Connected Parties, which are effective 1 January 2008.

|       |                                                                                                               | The Bank  |           |
|-------|---------------------------------------------------------------------------------------------------------------|-----------|-----------|
|       |                                                                                                               | 2017      | 2016      |
| (i)   | The aggregate value of outstanding credit exposures with connected parties (RM'000)                           | 3,271,199 | 2,990,808 |
| (ii)  | The percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures | 6%        | 6%        |
| (iii) | The percentage of outstanding credit exposures with connected parties which is impaired or in default         | Nil       | Nil       |

**54 SIGNIFICANT AND SUBSEQUENT EVENT****Proposals in relation to the Reorganisation of AFFIN Holdings Berhad Group of Companies ('Group Reorganisation')**

On 16 February 2017, AFFIN Hwang Investment Bank Berhad ('AHIB') had on behalf of the Board of Directors of AFFIN Holdings Berhad (the 'Company' or 'AHB') announced that AHB and AFFIN Bank Berhad ('ABB') proposed to undertake the following proposals:

- (i) Proposed transfer by AHB of the following identified companies to ABB:
    - AFFIN Hwang Investment Bank Berhad, a wholly-owned subsidiary of AHB ('AHIB');
    - AFFIN Moneybrokers Sdn Bhd, a wholly-owned subsidiary of AHB ('AMB');
    - AXA AFFIN Life Insurance Berhad, a 51.00% - owned joint venture company of AHB ('AALI'); and
    - AXA AFFIN General Insurance Berhad, a 37.07% - owned associate of AHB ('AAGI')

(AHIB, AMB, AALI and AAGI shall collectively be referred to as the 'Identified Companies' and item (i) above shall now be referred to as 'the Reorganisation');
  - (ii) Proposed distribution of the entire shareholdings in ABB held by AHB to the entitled shareholders of AHB whose names appear in AHB's Record of Depositors on an entitlement date to be determined and announced by the Board at a later date ('Entitlement Date') ('Entitled Shareholders'), after completion of the Reorganisation, on the Entitlement Date by way of a distribution-in-specie via a reduction of the following:
    - the entire consolidated capital of AHB (which includes the entire issued and paid-up share capital of AHB and the entire share premium account of AHB; and
    - the retained profits of AHB

(item (ii) above shall be referred to as 'the Distribution');
  - (iii) Proposed subscription by ABB of 2 new ordinary shares in AHB ('AHB Shares') which will be undertaken simultaneously with the Proposed Distribution ('the Subscription');
  - (iv) Proposed amendments to the Memorandum and Articles ('M&A') of AHB and ABB to facilitate the Proposed Transfer of Listing Status ('the Amendments'); and
  - (v) Proposed transfer of the listing status from AHB to ABB on the Main Market of Bursa Malaysia Securities Berhad ('Bursa Securities') ('the Transfer of Listing Status')
- (the above shall collectively be referred to as the 'Proposals').

**(1) Transfer consideration for the Identified Companies and mode of satisfaction**

The transfer of consideration for each of the identified Companies shall be based on their respective carrying value recorded by AHB in its management accounts as at the Cut-Off-Date ('Transfer Consideration'). Carrying value comprised AHB's cost of investment in the said Identified Companies and its share of post-acquisition profits recorded by the respective Identified Companies.

The mode of satisfaction for the Transfer Consideration had been agreed to be as follows:

- for AHIB, AMB, and AALI - issuance of 254,178,931 new ordinary shares in ABB ('ABB Shares'); and
- for AAGI - to be fully satisfied in cash to be paid by ABB to AHB

AHB and ABB had decided to fix the number of new ABB Shares that the ABB would issue to AHB to satisfy part of the Transfer Consideration to facilitate the exchange ratio for the Distribution. As at 16 February 2017, ABB had 1,688,769,616 ABB Shares in issue whilst AHB had 1,942,948,547 AHB Shares in issue. ABB would issue 254,178,931 new ABB Shares for the Transfer Consideration of AHIB, AMB and AALI. This would result in both AHB and ABB having the same resultant number of shares in issue, being 1,942,948,547 shares.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

### 54 SIGNIFICANT AND SUBSEQUENT EVENTS

#### Proposals in relation to the Reorganisation of AFFIN Holdings Berhad Group of Companies ('Group Reorganisation')(continued)

##### (1) Transfer consideration for the Identified Companies and mode of satisfaction (continued)

With the equal amount number of shares in issue, AHB would be able to undertake a distribution-in-specie of 1 ABB Share for each existing AHB Share held pursuant to the Distribution, minimising the incidence of odd lots for its shareholders when undertaking the Distribution.

##### (2) Inter-conditional of the Proposal

The Reorganisation is not conditional upon any of the other Proposals.

The Distribution, the Subscription, the Amendments and the Transfer of Listing Status are inter-conditional upon each other and are also conditional upon the Reorganisation.

Save as disclosed above, the Proposals are not conditional upon any other proposal undertaken or to be undertaken by AHB or ABB.

##### (3) Status of Corporate Proposals

###### (a) The Reorganisation

On 2 October 2017, AHB had entered into a share sale agreement ('SSA') with ABB in relation to the Reorganisation. The Cut-off-Date for the Transfer Consideration for the Identified Companies was fixed at 30 September 2017 as all the conditions precedent to the SSA had been fulfilled by both parties on 2 October 2017.

On 16 October 2017, the Transfer Consideration for the Identified Companies had been finalised to be RM2.505 billion and satisfied by ABB, partly in cash and partly in shares as follows:

| Identified Companies       | Number of shares<br>transferred from AHB to ABB | Transfer Consideration<br>(RM'000) | Mode of satisfaction      |
|----------------------------|-------------------------------------------------|------------------------------------|---------------------------|
| AHIB                       | 780,000,000                                     | 1,966,460                          | 233,886,035 shares in ABB |
| AMB                        | 1,000,000                                       | 22,278                             | 2,649,692 New ABB Shares  |
| AALI                       | 368,000,100                                     | 148,340                            | 17,643,204 New ABB Shares |
| AAGI                       | 119,047,619                                     | 367,945                            | Cash                      |
| <b>Total Consideration</b> |                                                 | <b>2,505,023</b>                   |                           |

The Reorganisation is deemed completed on 16 October 2017.

###### (b) The Distribution

On 5 January 2018, AHIB had on behalf of the Board of Directors of AHB announced that the Entitlement Date of the Distribution was fixed at 5.00 p.m. on 22 January 2018. The said Distribution which entailed the distribution of the entire shareholding in ABB held by AHB to the Entitled Shareholders on the basis of 1 ABB share for each.

The Distribution was implemented by way of distribution-in-specie via a reduction of the entire consolidated capital of AHB and the retained earnings of AHB.

###### (c) The Subscription

The Subscription was implemented concurrently with the Distribution. The said Subscription which entailed ABB subscribing to 2 new ordinary shares of AHB for RM2.00 had been completed on 30 January 2018.

Consequently, AHB had become a subsidiary of ABB upon the completion of the Distribution and the Subscription on 30 January 2018.

###### (d) The Transfer of Listing Status

Upon completion of the Distribution and the Subscription, the Transfer of Listing Status from AHB to ABB was completed on 2 February 2018, where:

- ABB had been admitted to the Official List of Bursa Securities in place of AHB, with the listing and quotation for the entire enlarged issue share capital of ABB on the Main Market of Bursa Securities; and
- AHB and AHB shares had been withdrawn from the Official List of Bursa Securities.

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**54 SIGNIFICANT AND SUBSEQUENT EVENTS****Proposals in relation to the Reorganisation of AFFIN Holdings Berhad Group of Companies ('Group Reorganisation')(continued)**

The Group has adopted predecessor accounting and only incorporate the acquired entity's results and statements of financial position prospectively from the date on which the business combination between entities under common control occurred. Accordingly, the corresponding amounts for previous year are also not restated.

(1) Transfer of AHIB and AMB are as follows:

|                                                                     | <b>AHIB<br/>RM'000</b> | <b>AMB<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---------------------------------------------------------------------|------------------------|-----------------------|-------------------------|
| <b>ASSETS</b>                                                       |                        |                       |                         |
| Cash and short-term funds                                           | 606,328                | 3,605                 | 609,933                 |
| Reverse repurchase agreements with financial institutions           | 47,527                 | -                     | 47,527                  |
| Deposits and placements with banks and other financial institutions | 10,142                 | 5,040                 | 15,182                  |
| Financial assets at fair value through profit or loss               | 194,074                | -                     | 194,074                 |
| Derivative financial assets                                         | 86,075                 | -                     | 86,075                  |
| Financial investments available-for-sale                            | 4,932,124              | 81                    | 4,932,205               |
| Financial investments held-to-maturity                              | 31,917                 | -                     | 31,917                  |
| Loans, advances and financing                                       | 1,218,034              | -                     | 1,218,034               |
| Trade receivables                                                   | 548,946                | 1,927                 | 550,873                 |
| Other assets                                                        | 79,654                 | 458                   | 80,112                  |
| Tax recoverable                                                     | 17,731                 | 406                   | 18,137                  |
| Deferred tax assets                                                 | 4,157                  | -                     | 4,157                   |
| Statutory deposits with Bank Negara Malaysia                        | 182,000                | -                     | 182,000                 |
| Property and equipment                                              | 33,679                 | 525                   | 34,204                  |
| Intangible assets                                                   |                        |                       |                         |
| - Goodwill                                                          | 678,501                | 11,120                | 689,621                 |
| - Brand name and customers relationship                             | 41,924                 | -                     | 41,924                  |
| - Computer software and others                                      | 7,065                  | 154                   | 7,219                   |
| <b>TOTAL ASSETS</b>                                                 | <b>8,719,878</b>       | <b>23,316</b>         | <b>8,743,194</b>        |
| <b>LIABILITIES</b>                                                  |                        |                       |                         |
| Deposits from customers                                             | 4,793,290              | -                     | 4,793,290               |
| Deposits and placements of banks and other financial institutions   | 671,106                | -                     | 671,106                 |
| Obligation on securities sold under repurchase agreements           | 96,898                 | -                     | 96,898                  |
| Derivative financial liabilities                                    | 93,517                 | -                     | 93,517                  |
| Trade payables                                                      | 762,707                | 74                    | 762,781                 |
| Other liabilities                                                   | 244,829                | 899                   | 245,728                 |
| Provision for taxation                                              | 2,300                  | -                     | 2,300                   |
| Deferred tax liabilities                                            | 12,151                 | 65                    | 12,216                  |
| <b>TOTAL LIABILITIES</b>                                            | <b>6,676,798</b>       | <b>1,038</b>          | <b>6,677,836</b>        |
| Net assets transferred to the Group                                 | 2,043,080              | 22,278                | 2,065,358               |
| Less: Non-controlling interest                                      | (61,155)               | -                     | (61,155)                |
| Effect of predecessor accounting                                    | (15,465)               | -                     | (15,465)                |
| <b>Total purchase consideration</b>                                 | <b>1,966,460</b>       | <b>22,278</b>         | <b>1,988,738</b>        |
| Less: New issuance of shares                                        | (1,966,460)            | (22,278)              | (1,988,738)             |
| Add: Cash and cash equivalent of the net assets transferred         | 606,328                | 3,605                 | 609,933                 |
| <b>Net cash inflow from Group Reorganisation</b>                    | <b>606,328</b>         | <b>3,605</b>          | <b>609,933</b>          |

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**54 SIGNIFICANT AND SUBSEQUENT EVENTS****Proposals in relation to the Reorganisation of AFFIN Holdings Berhad Group of Companies ('Group Reorganisation')(continued)**

(2) Transfer of AALI (Investment in Joint Venture) and AAGI (Investment in Associate) are as follows:

|                                                         | <b>AALI<br/>RM'000</b> | <b>AAGI<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---------------------------------------------------------|------------------------|------------------------|-------------------------|
| Share of net assets at the date of Group Reorganisation | 148,340                | 367,945                | 516,285                 |
| Less: Purchase consideration                            |                        |                        |                         |
| (1) New issuance of shares                              | (148,340)              | -                      | (148,340)               |
| (2) Cash consideration                                  | -                      | (367,945)              | (367,945)               |
| <b>Premium/discount arising from the transfer</b>       | <b>-</b>               | <b>-</b>               | <b>-</b>                |
| <b>Net cash outflow arising from the transfer</b>       | <b>-</b>               | <b>(367,945)</b>       | <b>(367,945)</b>        |

**55 SEGMENT ANALYSIS**

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

Following the change in composition of the Group arising from the internal reorganisation as disclosed in Note 54, the Group is required to disclosed segmental reporting in accordance to MFRS8 'Operating Segment'.

Comparative segment information has been presented accordingly in conformity with the changes to the reportable business segment.

The Group's operations are principally conducted in Malaysia and accordingly, no analysis in respect of geographical segments has been presented. The Group comprises the following main segments:

Commercial Banking

The Commercial Banking segment focuses on business of banking in all aspects which includes Islamic Banking operations. Its activities are generally structured into three key areas, Corporate and Public Sector ('CPS'), Small Medium Enterprise ('SME') and Consumer Banking.

CPS and SME provides a full range of financial products and services to cater mainly the business and funding needs of corporate customers, ranging from large corporate and the public sector to small and medium enterprises. The products and services offered include long-term loans, project and equipment financing and short-term credit such as overdrafts and trade financing and other fee-based services.

Consumer Banking comprises the full range of products and services offered to individuals, including savings and fixed deposits, remittance services, current accounts, consumer loans such as vehicle loans (i.e. hire purchase), housing loans, overdrafts and personal loans, credit cards, unit trusts and bancassurance products.

Investment Banking

The Investment Banking segment focuses on business of a merchant bank, stock-broking, fund and asset management.

This segment focuses on business needs of mainly large corporate customers and financial institutions. The products and services offered to customers include advisory services and structuring of private debt securities, corporate finance and advisory services for corporate listings, mergers and acquisitions, capital raising through issues of equity and debt instruments, corporate and debts restructuring exercises.

It also provides structured lending solutions mainly in support of corporate finance and capital market activities as well as access to variety of funds and capital market investment products to corporate, institutional and individual investors for competitive returns and other investment benefits including portfolio diversification and liquidity enhancement.

The stock-broking business comprises institutional and retail stock-broking business for securities listed on local and foreign stock exchanges, investment management and research services.

The fund and asset management arm provides the establishment, management and distribution of unit trust funds and private retirement as well as provision of fund management services to private clients.

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**55 SEGMENT ANALYSIS**Insurance

The insurance segment includes the business of underwriting all classes of general and life insurance businesses in Malaysia.

Others

Other business segments in the Group include operation of investment holding companies, money-broking and other related financial services whose results are not material to the Group and therefore do not render separate disclosure in the financial statements and have been reported in aggregate.

| <b>2017</b>                                                                                     | <b>Commercial<br/>Banking<br/>RM'000</b> | <b>Investment<br/>Banking<br/>RM'000</b> | <b>Insurance<br/>RM'000</b> | <b>Others<br/>RM'000</b> | <b>Elimination<br/>RM'000</b> | <b>Group<br/>RM'000</b> |
|-------------------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------|-----------------------------|--------------------------|-------------------------------|-------------------------|
| <b>Revenue</b>                                                                                  |                                          |                                          |                             |                          |                               |                         |
| External revenue                                                                                | 1,388,594                                | 169,510                                  | -                           | 2,351                    | -                             | 1,560,455               |
| Intersegment revenue                                                                            | 6,636                                    | (4,355)                                  | -                           | 241                      | (2,522)                       | -                       |
| Segment revenue                                                                                 | 1,395,230                                | 165,155                                  | -                           | 2,592                    | (2,522)                       | 1,560,455               |
| Operating expenses of which:                                                                    | (809,943)                                | (123,344)                                | -                           | (3,524)                  | 2,522                         | (934,289)               |
| Depreciation of property and equipment                                                          | (15,329)                                 | (2,285)                                  | -                           | (63)                     | -                             | (17,677)                |
| Amortisation of intangible assets                                                               | (11,012)                                 | (3,686)                                  | -                           | (16)                     | -                             | (14,714)                |
| Allowances for impairment losses on loans, advances, financing and trade receivables/securities | (83,718)                                 | (1,448)                                  | -                           | -                        | -                             | (85,166)                |
| Segment results                                                                                 | 501,569                                  | 40,363                                   | -                           | (932)                    | -                             | 541,000                 |
| Share of joint venture's results (net of tax)                                                   | -                                        | -                                        | (4,070)                     | -                        | -                             | (4,070)                 |
| Share of associate's results (net of tax)                                                       | -                                        | -                                        | 17,140                      | -                        | -                             | 17,140                  |
| Profit before taxation and zakat                                                                | 501,569                                  | 40,363                                   | 13,070                      | (932)                    | -                             | 554,070                 |
| Zakat                                                                                           | (3,000)                                  | (371)                                    | -                           | -                        | -                             | (3,371)                 |
| Profit before taxation                                                                          | 498,569                                  | 39,992                                   | 13,070                      | (932)                    | -                             | 550,699                 |
| Taxation                                                                                        |                                          |                                          |                             |                          |                               | (126,261)               |
| Net profit for the financial year                                                               |                                          |                                          |                             |                          |                               | 424,438                 |
| <b>Segment assets</b>                                                                           | <b>61,000,856</b>                        | <b>8,267,007</b>                         | <b>-</b>                    | <b>14,056</b>            | <b>-</b>                      | <b>69,281,919</b>       |
| Investment in joint ventures                                                                    | -                                        | -                                        | 160,594                     | -                        | -                             | 160,594                 |
| Investment in associates                                                                        | 750                                      | -                                        | 565,528                     | -                        | -                             | 566,278                 |
| Total segment assets                                                                            |                                          |                                          |                             |                          |                               | 70,008,791              |
| <b>Segment liabilities</b>                                                                      |                                          |                                          |                             |                          |                               |                         |
| Total segment liabilities                                                                       | 56,369,634                               | 5,308,014                                | -                           | 2,349                    | -                             | 61,679,997              |
| <b>Other information</b>                                                                        |                                          |                                          |                             |                          |                               |                         |
| Capital expenditure                                                                             | 62,876                                   | 2,635                                    | -                           | -                        | -                             | 65,511                  |

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**55 SEGMENT ANALYSIS**

| 2016                                                                                            | Commercial<br>Banking<br>RM'000 | Investment<br>Banking<br>RM'000 | Insurance<br>RM'000 | Others<br>RM'000 | Elimination<br>RM'000 | Group<br>RM'000 |
|-------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|---------------------|------------------|-----------------------|-----------------|
| Revenue                                                                                         |                                 |                                 |                     |                  |                       |                 |
| External revenue                                                                                | 1,324,430                       | -                               | -                   | -                | -                     | 1,324,430       |
| Intersegment revenue                                                                            | -                               | -                               | -                   | -                | -                     | -               |
| Segment revenue                                                                                 | 1,324,430                       | -                               | -                   | -                | -                     | 1,324,430       |
| Operating expenses of which:                                                                    | (694,116)                       | -                               | -                   | -                | -                     | (694,116)       |
| Depreciation of property and equipment                                                          | (14,724)                        | -                               | -                   | -                | -                     | (14,724)        |
| Amortisation of intangible assets                                                               | (9,681)                         | -                               | -                   | -                | -                     | (9,681)         |
| Allowances for impairment losses on loans, advances, financing and trade receivables/securities | (27,556)                        | -                               | -                   | -                | -                     | (27,556)        |
| Segment results                                                                                 | 602,758                         | -                               | -                   | -                | -                     | 602,758         |
| Share of joint venture's results (net of tax)                                                   | -                               | -                               | -                   | -                | -                     | -               |
| Share of associate's results (net of tax)                                                       | -                               | -                               | -                   | -                | -                     | -               |
| Profit before taxation and zakat                                                                | 602,758                         | -                               | -                   | -                | -                     | 602,758         |
| Zakat                                                                                           | (2,887)                         | -                               | -                   | -                | -                     | (2,887)         |
| Profit before taxation                                                                          | 599,871                         | -                               | -                   | -                | -                     | 599,871         |
| Taxation                                                                                        |                                 |                                 |                     |                  |                       | (126,261)       |
| Net profit for the financial year                                                               |                                 |                                 |                     |                  |                       | 473,610         |
| Segment assets                                                                                  | 60,186,439                      | -                               | -                   | -                | -                     | 60,186,439      |
| Investment in joint ventures                                                                    | -                               | -                               | -                   | -                | -                     | -               |
| Investment in associates                                                                        | 750                             | -                               | -                   | -                | -                     | 750             |
| Total segment assets                                                                            |                                 |                                 |                     |                  |                       | 60,187,189      |
| Segment liabilities                                                                             |                                 |                                 |                     |                  |                       |                 |
| Total segment liabilities                                                                       | 54,383,483                      | -                               | -                   | -                | -                     | 54,383,483      |
| Other information                                                                               |                                 |                                 |                     |                  |                       |                 |
| Capital expenditure                                                                             | 30,224                          | -                               | -                   | -                | -                     | 30,224          |



**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 31 December 2017

**56 CHANGES IN COMPARATIVE INFORMATION**

The following comparative information have been reclassified based on the revised presentation in income statements to reflect the nature of the relevant transactions. The Group and the Bank's prior year results are not affected by these reclassification.

|                                     | <b>The Group</b>                             |                                    |                                   |
|-------------------------------------|----------------------------------------------|------------------------------------|-----------------------------------|
|                                     | <b>As previously<br/>reported<br/>RM'000</b> | <b>Reclassification<br/>RM'000</b> | <b>As<br/>restated<br/>RM'000</b> |
| <b>Income Statements</b>            |                                              |                                    |                                   |
| Fee and commission income           | -                                            | 114,584                            | 114,584                           |
| Fee and commission expenses         | -                                            | (8,210)                            | (8,210)                           |
| Net gains on financial instruments  | -                                            | 43,517                             | 43,517                            |
| Other operating income/Other income | 219,542                                      | (149,891)                          | 69,651                            |

|                                     | <b>The Bank</b>                              |                                    |                                   |
|-------------------------------------|----------------------------------------------|------------------------------------|-----------------------------------|
|                                     | <b>As previously<br/>reported<br/>RM'000</b> | <b>Reclassification<br/>RM'000</b> | <b>As<br/>restated<br/>RM'000</b> |
| <b>Income Statements</b>            |                                              |                                    |                                   |
| Fee and commission income           | -                                            | 114,584                            | 114,584                           |
| Fee and commission expenses         | -                                            | (8,210)                            | (8,210)                           |
| Net gains on financial instruments  | -                                            | 43,517                             | 43,517                            |
| Other operating income/Other income | 219,323                                      | (149,891)                          | 69,432                            |

**57 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 29 March 2018.

## STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

We, GEN DATO' SERI DIRAJA TAN SRI (DR.) MOHD ZAHIDI BIN HAJI ZAINUDDIN (RETIRED) and ABD MALIK BIN A RAHMAN, two of the Directors of AFFIN BANK BERHAD, state that, in the opinion of the Directors, the accompanying financial statements set out on pages 105 to 248 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2017 and of the results and cash flows of the Group and the Bank for the financial year ended on the date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

In accordance with a resolution of the Board of Directors dated 29 March 2018.

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

**Chairman**

**ABD MALIK BIN A RAHMAN**

**Director**

## STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act, 2016

I, RAMANATHAN RAJOO, the officer of AFFIN BANK BERHAD primarily responsible for the financial management of the Group and the Bank, do solemnly and sincerely declare that, in my opinion, the accompanying financial statements set out on pages 105 to 248, are correct and I make this solemn declaration conscientiously believing the same to be true, by virtue of the provisions of the Statutory Declarations Act, 1960.

**RAMANATHAN RAJOO**

Subscribed and solemnly declared by the above named RAMANATHAN RAJOO at Kuala Lumpur in Malaysia on 29 March 2018, before me.

Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

to the Members of AFFIN Bank Berhad (Incorporated in Malaysia)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

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

### What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 105 to 248.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

### Independence and other ethical responsibilities

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

### Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of Group and the Bank. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Bank, the accounting processes and controls, and the industry in which the Group and the Bank operate.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Bank for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Key audit matters

##### ***Impairment assessment of goodwill – RM823,051,000***

(Refer to Summary of Significant Group Accounting Policy Notes D and Note 20 to the financial statement)

Goodwill amounting to RM823,051,000 arose from previous acquisitions and is allocated to Commercial Banking, Investment Banking, Stock-broking, Asset Management and Money-broking cash generating units ("CGUs").

The Bank determines the recoverable amount of the CGUs based on the value-in-use calculations.

#### How our audit addressed the key audit matter

We satisfied ourselves with the procedures performed below on the management's assumptions used in the impairment model.

We have compared cash flow projections to the budgets, which were approved by the respective subsidiaries' Board of Directors. We also held discussions with management to understand the basis for the assumptions used. We have compared the budgets against the actual results from prior years to assess the reliability of budgeting.

## INDEPENDENT AUDITORS' REPORT

to the Members of AFFIN Bank Berhad (Incorporated in Malaysia)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Key audit matters

##### ***Impairment assessment of goodwill – RM823,051,000 (continued)***

We focused on this area due to the slowing down in loan growth and capital market activities of the Group. Given the materiality of the goodwill and sensitivity of the recoverable amount of Investment Banking and Stock-broking CGUs, impairment of goodwill could have significant impact on the financial statements. We also focused on this area due to the significant judgements made by the Directors over underlying assumptions in the impairment tests.

Based on the impairment assessment prepared by management, the Investment Banking and Stock-broking CGUs were sensitive to changes in the discount rates and terminal growth rates as disclosed in Note 20 Intangible Assets.

##### ***Impairment of loans, advances and financing assets RM238,515,000 (collective allowance) RM93,885,000 (individual allowance)***

(Refer to accounting policy Notes I (i), I (ii) and Notes 8 to the financial statement)

Impairment of loans, advances and financing are assessed on collective basis for portfolios of loans, advances and financing of a similar credit characteristics and on an individual basis for significant loans, advances and financing.

We focused on this area due to the significance of impairment allowance on loans, advances and financing assets balance. The Directors also exercised significant judgement on the following areas:

##### Timing of impairment recognition

The assessment of objective evidence of impairment based on mandatory, judgemental triggers and indicators of increase in credit risk upon rescheduling and restructuring of loans, advances and financing

##### Individual assessment

Estimates on the amount and timing of futures cash flows based on realisation of collateral or borrowers' business cash flows

##### Collective assessment

Estimates based on the statistical models and assumptions on the probability of default ("PD") and loss given default ("LGD")

#### How our audit addressed the key audit matter

We tested the assumptions used by management, in relation to the discounts rates, compounded annual and terminal growth rates for all CGUs. The discount rates used were based on the pre-tax weighted average cost of capital plus an appropriate risk premium, at the date of assessment of all the CGUs. We have assessed the reasonableness of the discount rates by independently re-calculating the pre-tax weighted average cost of capital based on data of comparable entities obtained from independent sources for each CGUs. The terminal growth rates were based on the forecasted Gross Domestic Product ("GDP") growth rate of Malaysia. We have compared the terminal growth rates used by management with the forecasted GDP growth rates independently obtained and assessed the reasonableness of the adjustments made to reflect the specific risk of the CGUs.

We have assessed the sensitivity of the impairment assessment for each of the CGU by varying the following:

- underlying assumptions applied on the budgeted cash flows in relation to compounded annual growth rates;
- discounts rates; and terminal growth rates.

We tested the design and operating effectiveness of the controls over impairment of loans, advances and financing. These controls covered:

##### Individual assessment

- Identification of impaired loans based on mandatory and judgement triggers
- Identification of Early Alert and Watchlist borrowers with potential indicators of objective evidence of impairment
- Approval and classification of rescheduled and restructured loans, advances and financing in loans system
- Classification of non-performing loans, advances and financing in loans system
- Collateral valuation including assessment of panel valuers
- Information Technology ("IT") general control for loans system

##### Collective assessment

- Computation of months-in-arrears in the loans system
- Loans segmentation
- Loans data interface from loans system to impairment systems
- IT general control for loans and impairment system

Based on the tests of control performed, we did not identify any material exceptions.

Our details testing over the loans, advances and financing were as below:

##### Timing of impairment recognition

We performed individual credit assessment on a sample of loans, advances and financing on those identified as Early Alert, Watchlist and Restructured and Rescheduled which not been identified by management as having objective evidence of impairment and formed our own judgement on whether all objective evidence of impairment had been appropriately identified by the management under Early Alert, Watchlist, Rescheduled and Restructured. We found no material exceptions in these tests.

**INDEPENDENT AUDITORS' REPORT**

to the Members of AFFIN Bank Berhad (Incorporated in Malaysia)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****Key audit matters**

***Impairment of loans, advances and financing assets  
RM238,515,000 (collective allowance)  
RM93,885,000 (individual allowance) (continued)***

**How our audit addressed the key audit matter**

We also increased our sample of individual credit assessment on loans, advances and financing with exposure in oil and gas, shipping, bullet repayment and US dollars exposures and certain performing exposures above certain threshold, which had not been identified by management as potentially impaired and formed our own judgement as to whether that was appropriate.

We found no material exceptions in these tests.

*Individual assessment*

Where individual impairment had been identified for loans, advances and financing, we assessed the reasonableness of the underlying assumptions of the cash flows forecasts prepared by management. For cash flows forecasts based on realisation of collateral, we agreed the collateral valuation to the current valuation report prepared by independent valuers. If current valuation report is not available, we compared the value used by management against the independent third party publicly available report on property market based on similar property type, location and size. For cash flow forecasts based on borrower's business cash flows, we assessed the reasonableness of the underlying key assumptions used by management and performed sensitivity analysis.

*Collective assessment*

Where impairment was calculated on a collective basis, our testing, on a sample basis, included the following:

- We re-performed the bucketing of loans into delinquency buckets (loans impairment migration) and re-computed the PD
- We agreed the loans recoveries data for LGD to supporting evidence
- We re-performed the calculation of collective impairment and agreed the results to the impairment system. We also checked the accuracy of posting of impairment allowance to the general ledger

Based on our work done, we noted certain differences in the quantum of individual assessment and collective impairment required. The differences were not material in the context of the overall financial statements.

**Information other than the financial statements and auditors' report thereon**

The Directors of the Bank are responsible for the other information. The other information comprises:

- Management Discussion and Analysis,
- Corporate Governance Overview Statement,
- Statement on Risk Management and Internal Control,
- Board Audit Committee Report,
- Risk Management,
- Five-Year Group Financial Summary,
- Directors' Report
- Basel II Pillar 3 Disclosures

but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

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

## INDEPENDENT AUDITORS' REPORT

to the Members of AFFIN Bank Berhad (Incorporated in Malaysia)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Information other than the financial statements and auditors' report thereon (continued)

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

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

#### Responsibilities of the Directors for the financial statements

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

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

#### Auditors' responsibilities for the audit of the financial statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or Bank to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

**INDEPENDENT AUDITORS' REPORT**

to the Members of AFFIN Bank Berhad (Incorporated in Malaysia)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****Auditors' responsibilities for the audit of the financial statements (continued)**

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Bank for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**OTHER MATTERS**

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

**PRICEWATERHOUSECOOPERS PLT**  
**LLP0014401-LCA & AF 1146**  
**Chartered Accountants**

**NG YEE LING**  
**03032/01/2019 J**  
**Chartered Accountant**

Kuala Lumpur, Malaysia  
29 March 2018



|     |                                                                                     |     |                                                                     |
|-----|-------------------------------------------------------------------------------------|-----|---------------------------------------------------------------------|
| 256 | <b>1. Introduction</b>                                                              | 269 | <b>7. Liquidity Risk</b>                                            |
| 256 | 1.1 Background                                                                      | 269 | 7.1 Liquidity Risk Management Objectives and Policies               |
| 256 | 1.2 Scope of Application                                                            | 269 | 7.2 Liquidity Risk Measurement, Control and Monitoring              |
| 256 | <b>2. Risk Governance Structure</b>                                                 | 270 | <b>8. Operational Risk</b>                                          |
| 256 | 2.1 Overview                                                                        | 270 | 8.1 Operational Risk Management Objectives and Policies             |
| 257 | 2.2 Board Committees                                                                | 270 | 8.2 Application of Basic Indicator Approach for Operational Risk    |
| 258 | 2.3 Management Committees                                                           | 270 | 8.3 Operational Risk Measurement, Control and Monitoring            |
| 258 | 2.4 Group Risk Management Function                                                  | 270 | 8.4 Certification                                                   |
| 259 | 2.5 Internal Audit and Internal Control Activities                                  | 271 | <b>9. Shariah Non-Compliance Risk</b>                               |
| 259 | <b>3. Capital Management</b>                                                        | 271 | 9.1 Shariah Non-Compliance Risk Objectives and Policies             |
| 259 | 3.1 Internal Capital Adequacy Assessment Process ('ICAAP')                          | 271 | 9.2 Shariah Non-Compliance Risk Measurement, Control and Monitoring |
| 259 | 3.2 Capital Structure                                                               | 271 | <b>10. Business Continuity Risk</b>                                 |
| 261 | 3.3 Capital Adequacy                                                                | 271 | 10.1 Business Continuity Risk Management Objectives and Policies    |
| 261 | <b>4. Risk Management Objectives and Policies</b>                                   | 271 | 10.2 Business Continuity Risk Measurement, Control and Monitoring   |
| 261 | <b>5. Credit Risk</b>                                                               | 272 | <b>Appendices</b>                                                   |
| 261 | 5.1 Credit Risk Management Objectives and Policies                                  |     |                                                                     |
| 262 | 5.2 Application of Standardised Approach for Credit Risk                            |     |                                                                     |
| 262 | 5.3 Credit Risk Measurement                                                         |     |                                                                     |
| 262 | 5.4 Risk Limit Control and Mitigation Policies                                      |     |                                                                     |
| 263 | 5.5 Credit Risk Monitoring                                                          |     |                                                                     |
| 263 | 5.6 Impairment Provisioning                                                         |     |                                                                     |
| 268 | <b>6. Market Risk</b>                                                               |     |                                                                     |
| 268 | 6.1 Market Risk Management Objectives and Policies                                  |     |                                                                     |
| 268 | 6.2 Application of Standardised Approach for Market Risk Capital Charge Computation |     |                                                                     |
| 268 | 6.3 Market Risk Measurement, Control and Monitoring                                 |     |                                                                     |
| 269 | 6.4 Value-at-Risk ('VaR')                                                           |     |                                                                     |
| 269 | 6.5 Foreign Exchange Risk                                                           |     |                                                                     |

# BASEL II PILLAR 3 DISCLOSURES

**BASEL II PILLAR 3 DISCLOSURES**

as at 31 December 2017

**1 INTRODUCTION****1.1 Background**

The Capital Adequacy Framework (Basel II – Risk-Weighted Assets) issued by Bank Negara Malaysia ('BNM'), which is the equivalent of the Basel II issued by the Basel Committee of Banking Supervision and the Islamic Financial Services Board is structured around three fundamental pillars:

- Pillar 1 defines the minimum capital requirement to ensure that financial institutions hold sufficient capital to cover their exposure to credit, market and operational risks.
- Pillar 2 requires financial institutions to have a process for assessing their overall capital adequacy in relation to their risk profile and a strategy for maintaining their capital levels.
- Pillar 3 requires financial institutions to establish and implement an appropriate disclosure policy that promotes transparency regarding their risk management practices and capital adequacy positions.

Pillar 3 disclosure is required under the BNM Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3).

Affin Bank Berhad ('the Bank') and its subsidiaries ('the Group') adopt the following approaches under Pillar 1 requirements:

- Standardised Approach for Credit Risk
- Basic Indicator Approach for Operational Risk
- Standardised Approach for Market Risk

**1.2 Scope of Application**

This document contains the disclosure requirements under Pillar 3 for the Group and the Bank for the year ended 31 December 2017. The disclosures are made in line with the Pillar 3 disclosure requirements under the Basel II framework as laid out by BNM.

The disclosures should be read in conjunction with the Group and the Bank's 2017 Annual Report for the year ended 31 December 2017.

The capital requirements of the Group and the Bank are generally based on the principles of consolidation adopted in the preparation of its financial statements.

**2 RISK GOVERNANCE STRUCTURE****2.1 Overview**

The Board of Directors of the Bank is ultimately responsible for the overall performance of the Bank. The Board's responsibilities are congruent with the framework of BNM Guidelines. The Board also exercises great care to ensure that high ethical standards are upheld, and that the interests of stakeholders are not compromised. These include responsibility for determining the Bank's general policies and strategies for the short, medium and long term, approving business plans, including targets and budgets, and approving major strategic decisions.

The Board has overall responsibility for maintaining the proper management and protection of the Bank's interests by ensuring effective implementation of the risk management policy and process, as well as adherence to a sound system of internal control. The Board also recognises that risks cannot be eliminated completely. As such, the inherent system of internal control is designed to provide a reasonable though not absolute assurance against the risk of material errors, fraud or losses occurring. The system of internal controls encompasses controls relating to financial, operational, risk management and compliance with applicable laws, regulations, policies and guidelines.

The terms of reference of the Board Committees as disclosed in the Annual Report provide an outline of respective roles and functions. In carrying out its functions, the Board has delegated specific responsibilities to other Board Committees, which operate under approved terms of reference, to assist the Board in discharging their duties. The Chairmen of the various Committees report on the outcome of their Committee meetings to the Board and any further deliberation is made at Board level, if required. These reports and deliberations are incorporated into the minutes of the Board meetings. The Board meets on a monthly basis.

**BASEL II PILLAR 3 DISCLOSURES**

as at 31 December 2017

**2 RISK GOVERNANCE STRUCTURE****2.2 Board Committees**Board Nomination and Remuneration Committee ('BNRC')

The BNRC is responsible for providing a formal and transparent procedure for the appointment of Directors, Managing Director/Chief Executive Officer and Senior Management. The BNRC develops the remuneration policy for Directors, Managing Director/Chief Executive Officer, Senior Management and other material risk takers, whereby, it assesses the effectiveness of individual Director, the Board as a whole and the performance of the Managing Director/Chief Executive Officer as well as Senior Management.

The Committee obtains advice from experts in compensation and benefits, both internally and externally.

Group Board Risk Management Committee ('GBRMC')

The GBRMC is responsible for overseeing management activities in managing credit, market, liquidity, operational, legal, reputational and other material risks as well as ensuring that the risk management process is in place and functioning effectively.

It is responsible for setting the overall tone of the Group and the Bank's strategy and ensuring effective communication and integration of risk appetite within the business strategy, operations and culture.

The Committee also assists the Board in oversight responsibilities on internal controls, and risk management strategies, policies, processes, frameworks and other risk related matters. It has the responsibility of reviewing and/or approving risk management policies, guidelines and reports.

Board Credit Review and Recovery Committee ('BCRRC')

The BCRRC is responsible for providing critical review of loans/financing and other credit facilities with high risk implications and vetoing loan/financing applications that have been approved by the Group Management Credit Committee as appropriate.

Board Audit Committee ('BAC')

The BAC is responsible for providing oversight and reviewing the adequacy and integrity of the internal control systems as well as oversees the work of the internal and external auditors.

Reliance is placed on the results of independent audits performed primarily by internal auditors, the outcome of statutory audits on financial statements conducted by external auditors and on representations by Management based on their control self-assessment of all areas of their responsibility.

Minutes of BAC meetings, which provide a summary of the proceedings, are circulated to Board members for notation and discussion. The Bank has an established Group Internal Audit Division (GIA) which reports functionally to the BAC and administratively to the Managing Director/Chief Executive Officer.

Board Oversight Transformation Committee ('BOTC')

The BOTC is responsible for overseeing the transformation plan (AFFINITY Program) in the Bank, secure the consistency of strategic decision and ensure that the transformation plan is implemented effectively in a timely manner.

Shariah Committee

The Shariah Committee is formed as legislated under the Islamic Financial Services Act 2013 and as per the Shariah Governance Framework for Islamic Financial Institutions.

The roles and responsibilities of the Shariah Committee include advising the Board on Shariah matters to ensure that the business operations of the Bank comply with Shariah principles at all times. SC is also responsible for endorsing and validating relevant documentations of the Bank's products to ensure that the products comply with Shariah principles, and advising the Bank on matters to be referred to the Shariah Advisory Council.

**BASEL II PILLAR 3 DISCLOSURES**

as at 31 December 2017

**2 RISK GOVERNANCE STRUCTURE****2.3 Management Committees**Management Committee ('MCM')

The MCM comprises the senior management team chaired by Managing Director/Chief Executive Officer (MD/CEO). MCM is responsible for assisting the Board in managing the day-to-day operations, formulating tactical plans and business strategies while monitoring the banking entities' overall performance, and ensuring all business activities conducted are in accordance with the Bank's corporate objectives, strategies, policies as well as Annual Business Plan and Budget.

The MCM is supported by the following sub-committees:

- Governance, Risk and Compliance
- Branch Performance
- IT, Operations, Digital and Customer Experience

Group Management Credit Committee ('GMCC')

The GMCC is established within senior management to approve complex and large loans/financing and workout/ recovery proposals beyond the delegated authority of the individual approvers.

Group Asset and Liability Management Committee ('GALCO')

The GALCO comprising the senior management team chaired by the MD/CEO, manages the Bank's asset and liability position by identifying, managing and controlling balance sheet risks and capital management in the execution of the business strategy, while implementing asset liability strategy and policy for the balance sheet of the respective subsidiary.

Liquidity Management Committee ('LMC')

The LMC is a sub-committee of the GALCO. The role of LMC is to augment the functions of GALCO by directing its focus specifically to liquidity issues.

Group Operational Risk Management Committee ('GORMC')

The GORMC is a senior management committee chaired by the Group Chief Risk Officer, established to oversee the management of operational risks issues and control lapses while supporting GBRMC in its review and monitoring of operational risk. It is also responsible for reviewing and ensuring that the operational risk programme, process and framework are implemented in accordance with regulatory requirement and manage loss incidents to an acceptable level.

Group Early Alert Committee ('GEAC')

The GEAC is a senior management committee, established to monitor credit quality through monthly reviews of the Early Alert and Watchlist Accounts as well as to review the actions taken to address the emerging risks and issues in these accounts.

**2.4 Group Risk Management Function**

Group Risk Management ('GRM'), headed by the Group Chief Risk Officer ('GCRO') is segregated from the lines of business, with direct reporting line to GBRMC to ensure independence of risk management function.

The independence of risk function is critical towards controlling and managing the risk taking activities of the Group and the Bank to achieve an optimum return in line with the subsidiaries' risk appetite, with consideration to variations required due to differences in each subsidiary's business model.

Committees namely BCRRC, SC, MCM, GMCC, GALCO, LMC, GORMC and GEAC assist GBRMC in managing credit, market, liquidity, operational and other material risks in the Group and the Bank. The responsibilities of these Committees include risk identification, risk assessment and measurement, risk control and mitigation and risk monitoring and reporting.

**BASEL II PILLAR 3 DISCLOSURES**

as at 31 December 2017

**2 RISK GOVERNANCE STRUCTURE****2.5 Internal Audit and Internal Control Activities**

In accordance with BNM's guidelines on Corporate Governance for Licensed Institutions, GIA conducts continuous reviews on auditable areas within the Bank. The reviews by GIA are focused on areas of significant risks and effectiveness of internal control in accordance with the audit plan approved by the BAC.

Based on GIA's review, identification and assessment of risk, testing and evaluation of controls, GIA will provide an opinion on the effectiveness of internal controls maintained by each entity. The risks highlighted on the respective auditable areas as well as recommendation made by the GIA are addressed at BAC and Management meetings on bi-monthly basis. The BAC also conducts annual reviews on the adequacy of internal audit function, scope of work, resources and budget of GIA.

**3 CAPITAL MANAGEMENT****3.1 Internal Capital Adequacy Assessment Process ('ICAAP')**

In line with the BNM guidelines on Risk-Weighted Capital Adequacy Framework - Internal Capital Adequacy Assessment Process (Pillar 2), the Bank has put in place the ICAAP Framework to assess the capital adequacy to ensure that the level of capital maintained by the Bank is adequate at all times, taking into consideration the Bank's risk profile and business strategies.

The Bank's capital management approach is focused on maintaining an appropriate level of capital to meet its business needs and regulatory requirements as capital adequacy and risk management are closely aligned. The Bank operates within an agreed risk appetite whilst optimising the use of shareholders' funds to deliver sustainable returns.

**3.2 Capital structure**

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

The Group and the Bank are currently adopting the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the BNM Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier 1 Capital Ratio ('CET 1') and Tier 1 Capital Ratio are 5.750% (2016: 5.125%) and 7.250% (2016: 6.625%) respectively for year 2017. The minimum regulatory capital adequacy requirement is 9.250% (2016: 8.625%) for total capital ratio.

The following table sets forth further details on the capital resources and capital adequacy ratios for the Group and the Bank as at 31 December 2017.

**BASEL II PILLAR 3 DISCLOSURES**

as at 31 December 2017

**3 CAPITAL MANAGEMENT****3.2 Capital structure (continued)**

|                                                  | <b>The Group</b>  |                   | <b>The Bank</b>   |                   |
|--------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                  | <b>2017</b>       | <b>2016</b>       | <b>2017</b>       | <b>2016</b>       |
|                                                  | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     |
| Paid-up share capital                            | 4,684,752         | 1,688,770         | 4,684,752         | 1,688,770         |
| Share premium                                    | -                 | 858,904           | -                 | 858,904           |
| Statutory reserves                               | -                 | 1,721,637         | -                 | 1,416,621         |
| Retained profits                                 | 2,670,888         | 1,178,962         | 1,987,315         | 913,359           |
| Unrealised gains and losses on AFS               | 97,596            | 98,985            | 121,638           | 122,753           |
| Translation reserve                              | 151               | -                 | -                 | -                 |
|                                                  | <b>7,453,387</b>  | <b>5,547,258</b>  | <b>6,793,705</b>  | <b>5,000,407</b>  |
| Less:                                            |                   |                   |                   |                   |
| Goodwill                                         | (903,962)         | (164,089)         | (171,980)         | (167,982)         |
| 55% of cumulative unrealised gains of AFS        | (53,678)          | (54,442)          | (66,901)          | (67,514)          |
| Investment in associate/subsidiaries             | (581,498)         | (450)             | (3,020,467)       | (345,134)         |
| <b>CET1 capital</b>                              | <b>5,914,249</b>  | <b>5,328,277</b>  | <b>3,534,357</b>  | <b>4,419,777</b>  |
| Non-controlling interest                         | 9,213             | -                 | -                 | -                 |
| <b>Tier I capital</b>                            | <b>5,923,462</b>  | <b>5,328,277</b>  | <b>3,534,357</b>  | <b>4,419,777</b>  |
| Subordinated term loan                           | 2,000,000         | 1,180,000         | 2,000,000         | 1,180,000         |
| Collective impairment                            | 129,725           | 137,903           | 94,643            | 109,362           |
| Regulatory adjustments                           | 436,217           | 280,204           | 314,759           | 207,026           |
| Less:                                            |                   |                   |                   |                   |
| Investment in associate/subsidiaries             | (145,374)         | (300)             | (755,117)         | (230,090)         |
| <b>Tier II capital</b>                           | <b>2,420,568</b>  | <b>1,597,807</b>  | <b>1,654,285</b>  | <b>1,266,298</b>  |
| <b>Total capital</b>                             | <b>8,344,030</b>  | <b>6,926,084</b>  | <b>5,188,642</b>  | <b>5,686,075</b>  |
| CET1 capital ratio                               | 12.213%           | 12.201%           | 10.124%           | 12.595%           |
| Tier 1 capital ratio                             | 12.232%           | 12.201%           | 10.124%           | 12.595%           |
| Total capital ratio                              | 17.231%           | 15.860%           | 14.862%           | 16.204%           |
| CET1 capital ratio (net of proposed dividends)   | 12.213%           | 12.026%           | 10.124%           | 12.378%           |
| Tier 1 capital ratio (net of proposed dividends) | 12.232%           | 12.026%           | 10.124%           | 12.378%           |
| Total capital ratio (net of proposed dividends)  | 17.231%           | 15.685%           | 14.862%           | 15.986%           |
| Risk-weighted assets for:                        |                   |                   |                   |                   |
| Credit risk                                      | 45,275,347        | 40,928,681        | 32,752,159        | 32,838,523        |
| Market risk                                      | 604,034           | 333,445           | 242,490           | 296,191           |
| Operational risk                                 | 2,544,825         | 2,408,896         | 1,916,984         | 1,956,481         |
| <b>Total risk-weighted assets</b>                | <b>48,424,206</b> | <b>43,671,022</b> | <b>34,911,633</b> | <b>35,091,195</b> |

**BASEL II PILLAR 3 DISCLOSURES**

as at 31 December 2017

**3 CAPITAL MANAGEMENT****3.3 Capital adequacy**

The Group and the Bank have in place an internal limit for its CET 1 capital ratio, Tier I capital ratio and Total capital ratio, which is guided by the need to maintain a prudent relationship between available capital and the risks of its underlying businesses. The capital management process is monitored by senior management through periodic reviews.

Refer to Appendix I.

**4 RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group and the Bank are principally engaged in all aspects of banking and related financial services. The principal activities of the Bank's subsidiaries are Islamic banking business, investment banking, stockbroking activities, dealing in options and futures, property management services, nominee and trustee services.

The Group and the Bank's business activities involve the analysis, measurement, acceptance, and management of risks which operates within well defined risk acceptance criteria covering customer segments, industries and products. The Group and the Bank do not enter into risk it cannot administer, book, monitor or value, or deal with persons of questionable integrity.

The risk management policies are established to identify, assess, measure, control and mitigate all key risks as well as manage and monitor the risk positions.

The risk management policies and systems are reviewed regularly to reflect changes in markets, products and best practice in risk management processes. The Group and the Bank's aim is to achieve an appropriate balance between risk and return as well as minimise any potential adverse effects.

**5 CREDIT RISK****5.1 Credit risk management objectives and policies**

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

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

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



**BASEL II PILLAR 3 DISCLOSURES**

as at 31 December 2017

**5 CREDIT RISK****5.2 Application of Standardised Approach for credit risk**

The Group and the Bank use the following External Credit Assessment Institutions ('ECAIs') to determine the risk weights for the rated credit exposures:-

- RAM Rating Services Berhad
- Malaysian Rating Corporation Berhad
- Standard & Poor's Rating Services
- Moody's Investors Service
- Fitch Ratings

The external ratings of the ECAIs are used to determine the risk weights of the following types of exposure: sovereigns, banks, public sector entities and corporates.

The mapping of the rating categories of different ECAIs to the risk weights is in accordance with BNM guidelines. In cases where there is no issuer or issue rating, the exposures are treated as unrated and accorded a risk weight appropriate for unrated exposure in the respective category.

Refer to Appendix II and Appendices III (i) to III (ii).

**5.3 Credit risk measurement**Loans, advances and financing

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

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

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

Stress Testing supplements the overall assessment of credit risk.

Over-the-Counter ('OTC') Derivatives

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

**5.4 Risk limit control and mitigation policies**

The Bank employs various policies and practices to control and mitigate credit risk.

Lending/financing limits

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

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

**BASEL II PILLAR 3 DISCLOSURES**  
as at 31 December 2017**5 CREDIT RISK****5.4 Risk limit control and mitigation policies (continued)**Collateral

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

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

Credit related commitments

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

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

Refer to Appendix IV (a) to (b).

**5.5 Credit risk monitoring**

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

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

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

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

**5.6 Impairment provisioning**Individual impairment provisioning

All significant loans, advances and financing exposures, with or without past due status, are subject to individual assessment for impairment when an evidence of impairment surfaces, or at the very least once annually during the Annual Review process.

If impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate/rate of return (i.e. the effective interest rate/rate of return computed at initial recognition). The level of impairment allowance on loans, advances and financing is to be reviewed at least quarterly, and more frequently when individual circumstances require. The review covers the collateral held (including reconfirmation of its enforceability) and an assessment of actual and expected receipts.

All significant loans, advances and financing which are deemed not impaired after individual assessment and all loans, advances and financing which are deemed impaired but do not result in impairment allowance after individual assessment are included in the collective impairment assessment.

Significant loans that are deemed not impaired after individual assessment are included in a group of loans with similar characteristics and collectively assessed for impairment.

**BASEL II PILLAR 3 DISCLOSURES**

as at 31 December 2017

**5 CREDIT RISK****5.6 Impairment provisioning (continued)**Collective impairment provisioning

All loans, advances and financing are grouped in respective business segments according to similar credit risk characteristics and is generally based on industry, asset or collateral type, credit grade and past due status.

Collective assessment for impairment allowance is conducted in accordance with the impairment methodologies approved by the Board for all loans, advances and financing not covered under the individual impairment assessment.

Impairment allowance will be determined for each segment based on its respective loss probabilities (history) and other information relevant to estimation of the future cash flows.

The Bank is required to maintain, in aggregate, collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/financing (excluding loans/financing with explicit guarantee from Government of Malaysia), net of individual impairment.

Total loans, advances and financing - credit quality

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

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

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

- i) the principal or interest/profit or both is past due more than 90 days or 3 months from the first day of default
- ii) where the account is in arrears for less than 90 days or 3 months, there is evidence of impairment to indicate that the borrower/customer is “unlikely to repay” its credit obligations
- iii) the loan/financing is classified as rescheduled and restructured in Central Credit Reference Information System (CCRIS).

Analysed by economic sectors

|                                                   | <b>The Group</b> |               | <b>The Bank</b>  |               |
|---------------------------------------------------|------------------|---------------|------------------|---------------|
|                                                   | <b>2017</b>      | <b>2016</b>   | <b>2017</b>      | <b>2016</b>   |
|                                                   | <b>RM'000</b>    | <b>RM'000</b> | <b>RM'000</b>    | <b>RM'000</b> |
| Past due loans                                    |                  |               |                  |               |
| Primary agriculture                               | <b>82,850</b>    | 11,794        | <b>10,433</b>    | 10,640        |
| Mining and quarrying                              | <b>1,836</b>     | 1,286         | <b>1,691</b>     | 1,154         |
| Manufacturing                                     | <b>24,864</b>    | 40,385        | <b>22,732</b>    | 38,086        |
| Electricity, gas and water supply                 | <b>1,053</b>     | 974           | <b>530</b>       | 438           |
| Construction                                      | <b>106,898</b>   | 106,594       | <b>56,937</b>    | 85,530        |
| Real estate                                       | <b>449,073</b>   | 119,137       | <b>417,258</b>   | 98,494        |
| Wholesale & retail trade and restaurants & hotels | <b>106,507</b>   | 193,688       | <b>93,294</b>    | 182,830       |
| Transport, storage and communication              | <b>320,089</b>   | 95,456        | <b>313,821</b>   | 92,444        |
| Finance, insurance and business services          | <b>128,361</b>   | 70,082        | <b>88,679</b>    | 64,277        |
| Education, health and others                      | <b>262,787</b>   | 22,641        | <b>259,376</b>   | 14,081        |
| Household                                         | <b>2,029,897</b> | 1,874,176     | <b>1,260,313</b> | 1,302,114     |
|                                                   | <b>3,514,215</b> | 2,536,213     | <b>2,525,064</b> | 1,890,088     |

**BASEL II PILLAR 3 DISCLOSURES**

as at 31 December 2017

**5 CREDIT RISK****5.6 Impairment provisioning (continued)**Analysed by economic sectors (continued)

|                                                   | The Group      |                | The Bank       |                |
|---------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                   | 2017<br>RM'000 | 2016<br>RM'000 | 2017<br>RM'000 | 2016<br>RM'000 |
| Individual impairment                             |                |                |                |                |
| Primary agriculture                               | 611            | 197            | 611            | 197            |
| Mining and quarrying                              | 67             | -              | 67             | -              |
| Manufacturing                                     | 11,071         | 8,698          | 11,066         | 8,684          |
| Construction                                      | 16,215         | 26,001         | 6,804          | 25,867         |
| Real estate                                       | 13,941         | 18,998         | 924            | 1,585          |
| Wholesale & retail trade and restaurants & hotels | 6,737          | 16,737         | 5,403          | 16,737         |
| Transport, storage and communication              | 18,259         | -              | 18,259         | -              |
| Finance, insurance and business services          | 15,600         | 65,241         | 15,600         | 65,241         |
| Household                                         | 11,384         | 13,627         | 11,102         | 13,186         |
|                                                   | 93,885         | 149,499        | 69,836         | 131,497        |

|                                                   | The Group      |                | The Bank       |                |
|---------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                   | 2017<br>RM'000 | 2016<br>RM'000 | 2017<br>RM'000 | 2016<br>RM'000 |
| Individual impairment charged                     |                |                |                |                |
| Primary agriculture                               | 708            | 1              | 708            | 1              |
| Mining and quarrying                              | 3,576          | -              | 3,576          | -              |
| Manufacturing                                     | 11,025         | 2,584          | 11,025         | 2,272          |
| Electricity and water supply                      | -              | 942            | -              | 942            |
| Construction                                      | 24,002         | 26,361         | 13,221         | 26,226         |
| Real estate                                       | 10,762         | 19,396         | 10,198         | 2,280          |
| Wholesale & retail trade and restaurants & hotels | 6,332          | 11,890         | 4,998          | 11,421         |
| Transport, storage and communication              | 18,259         | 58             | 18,259         | 58             |
| Finance, insurance and business services          | 14,942         | 6,741          | 14,942         | 6,741          |
| Education, health and others                      | 227            | -              | 227            | -              |
| Household                                         | 21,057         | 13,376         | 17,330         | 12,069         |
|                                                   | 110,890        | 81,349         | 94,484         | 62,010         |

|                                                   | The Group      |                | The Bank       |                |
|---------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                   | 2017<br>RM'000 | 2016<br>RM'000 | 2017<br>RM'000 | 2016<br>RM'000 |
| Individual impairment written-off                 |                |                |                |                |
| Manufacturing                                     | 14,538         | -              | 7,038          | -              |
| Construction                                      | 26,617         | 37,007         | 26,617         | 37,007         |
| Wholesale & retail trade and restaurants & hotels | 21,983         | 3,331          | 11,307         | 1,787          |
| Transport, storage and communication              | -              | 668            | -              | 668            |
| Finance, insurance and business services          | 62,993         | 88,978         | 62,993         | 88,978         |
| Household                                         | 4,678          | 2,605          | 4,678          | -              |
|                                                   | 130,809        | 132,589        | 112,633        | 128,440        |

**BASEL II PILLAR 3 DISCLOSURES**

as at 31 December 2017

**5 CREDIT RISK****5.6 Impairment provisioning (continued)**Analysed by economic sectors (continued)

|                                                   | The Group      |                | The Bank       |                |
|---------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                   | 2017<br>RM'000 | 2016<br>RM'000 | 2017<br>RM'000 | 2016<br>RM'000 |
| Collective impairment                             |                |                |                |                |
| Primary agriculture                               | 2,541          | 2,389          | 1,864          | 1,908          |
| Mining and quarrying                              | 1,069          | 1,234          | 979            | 1,179          |
| Manufacturing                                     | 6,700          | 8,592          | 5,762          | 8,017          |
| Electricity, gas and water supply                 | 630            | 635            | 195            | 325            |
| Construction                                      | 22,124         | 21,289         | 18,547         | 18,681         |
| Real estate                                       | 19,629         | 22,381         | 17,201         | 19,988         |
| Wholesale & retail trade and restaurants & hotels | 16,292         | 17,696         | 14,130         | 16,167         |
| Transport, storage and communication              | 7,341          | 8,842          | 6,103          | 7,665          |
| Finance, insurance and business services          | 9,714          | 8,105          | 7,127          | 6,869          |
| Education, health and others                      | 5,569          | 7,132          | 4,084          | 4,247          |
| Household                                         | 146,906        | 136,336        | 102,516        | 104,591        |
|                                                   | 238,515        | 234,631        | 178,508        | 189,637        |

Analysed by geographical area

|                     | The Group      |                | The Bank       |                |
|---------------------|----------------|----------------|----------------|----------------|
|                     | 2017<br>RM'000 | 2016<br>RM'000 | 2017<br>RM'000 | 2016<br>RM'000 |
| Past due loans      |                |                |                |                |
| Perlis              | 4,240          | 4,573          | 2,977          | 2,965          |
| Kedah               | 129,218        | 118,870        | 64,296         | 70,337         |
| Pulau Pinang        | 389,084        | 117,259        | 358,682        | 95,865         |
| Perak               | 130,178        | 126,871        | 65,719         | 67,975         |
| Selangor            | 777,495        | 724,498        | 472,758        | 523,592        |
| Wilayah Persekutuan | 587,368        | 449,176        | 394,076        | 356,151        |
| Negeri Sembilan     | 126,667        | 111,709        | 58,961         | 73,443         |
| Melaka              | 105,042        | 94,182         | 76,767         | 75,000         |
| Johor               | 669,700        | 242,796        | 592,916        | 191,625        |
| Pahang              | 85,324         | 61,984         | 57,088         | 42,208         |
| Terengganu          | 62,522         | 66,538         | 5,084          | 3,882          |
| Kelantan            | 33,070         | 29,392         | 8,467          | 6,719          |
| Sarawak             | 196,430        | 151,651        | 155,511        | 149,113        |
| Sabah               | 216,366        | 236,484        | 210,262        | 231,080        |
| Outside Malaysia    | 1,511          | 230            | 1,500          | 133            |
|                     | 3,514,215      | 2,536,213      | 2,525,064      | 1,890,088      |

**BASEL II PILLAR 3 DISCLOSURES**

as at 31 December 2017

**5 CREDIT RISK****5.6 Impairment provisioning (continued)**Analysed by geographical area (continued)

|                       | The Group      |                | The Bank       |                |
|-----------------------|----------------|----------------|----------------|----------------|
|                       | 2017<br>RM'000 | 2016<br>RM'000 | 2017<br>RM'000 | 2016<br>RM'000 |
| Individual impairment |                |                |                |                |
| Perlis                | 75             | -              | 75             | -              |
| Kedah                 | 11,124         | 949            | 3,141          | 927            |
| Pulau Pinang          | 6,420          | 14,020         | 6,420          | 14,020         |
| Perak                 | 8              | 1,436          | 8              | 1,436          |
| Selangor              | 13,478         | 76,241         | 10,620         | 75,786         |
| Wilayah Persekutuan   | 24,071         | 24,082         | 11,393         | 24,082         |
| Negeri Sembilan       | 14,671         | 2,174          | 14,671         | 2,174          |
| Melaka                | 3              | 140            | -              | 140            |
| Johor                 | 4,030          | 4,650          | 4,030          | 4,650          |
| Pahang                | 90             | 72             | 90             | 72             |
| Terengganu            | 18,441         | -              | 18,259         | -              |
| Kelantan              | -              | 3              | -              | 3              |
| Sarawak               | 345            | 229            | -              | -              |
| Sabah                 | 1,129          | 8,207          | 1,129          | 8,207          |
| Outside Malaysia      | -              | 17,296         | -              | -              |
|                       | <b>93,885</b>  | <b>149,499</b> | <b>69,836</b>  | <b>131,497</b> |

|                       | The Group      |                | The Bank       |                |
|-----------------------|----------------|----------------|----------------|----------------|
|                       | 2017<br>RM'000 | 2016<br>RM'000 | 2017<br>RM'000 | 2016<br>RM'000 |
| Collective impairment |                |                |                |                |
| Perlis                | 827            | 861            | 369            | 475            |
| Kedah                 | 12,262         | 10,167         | 7,919          | 7,371          |
| Pulau Pinang          | 10,333         | 11,069         | 8,480          | 9,703          |
| Perak                 | 12,650         | 12,576         | 7,508          | 8,565          |
| Selangor              | 70,050         | 73,047         | 51,211         | 58,803         |
| Wilayah Persekutuan   | 43,452         | 46,569         | 35,239         | 38,648         |
| Negeri Sembilan       | 10,042         | 8,892          | 6,712          | 6,991          |
| Melaka                | 6,888          | 6,503          | 5,619          | 5,720          |
| Johor                 | 24,261         | 20,785         | 19,188         | 18,325         |
| Pahang                | 5,133          | 5,043          | 3,609          | 3,553          |
| Terengganu            | 5,547          | 5,577          | 729            | 1,486          |
| Kelantan              | 4,124          | 3,373          | 1,327          | 839            |
| Sarawak               | 11,418         | 9,973          | 10,105         | 9,531          |
| Sabah                 | 20,958         | 18,932         | 20,224         | 18,630         |
| Labuan                | 407            | 1,188          | 244            | 994            |
| Outside Malaysia      | 163            | 76             | 25             | 3              |
|                       | <b>238,515</b> | <b>234,631</b> | <b>178,508</b> | <b>189,637</b> |

**BASEL II PILLAR 3 DISCLOSURES**

as at 31 December 2017

**6 MARKET RISK****6.1 Market risk management objectives and policies**

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

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

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

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

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

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

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

Risk Management Policies and Procedures

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

- a) Managing Unauthorised Trading & Market Manipulation,
- b) Code of Conduct for Malaysia Wholesale Financial Markets, and
- c) Principles for a Fair and Effective Financial Market for Malaysian Financial Market.

**6.2 Application of Standardised Approach for market risk Capital Charge Computation**

The Group and the Bank adopt the Standardised Approach for the purpose of calculating the capital requirement for market risk.

Refer to Appendix I.

**6.3 Market risk measurement, control and monitoring**

The Group and the Bank's market risks are measured primarily using mark-to-market revaluation and Value-at-Risk (VaR) methodologies. Market risk parameters are the tolerance level of risk acceptance set by the Group and the Bank to confine losses arising from adverse rate or price movements. Market risk management parameters are established based on its risk appetite, market liquidity and business strategies as well as macroeconomic conditions. These parameters are reviewed at least on an annual basis.

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

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

In addition, periodic stress tests are conducted to quantify market risk arising from probability of abnormal market movements.

The GALCO and GBRMC are regularly kept informed of the Group and the Bank's risk profile and positions.



**BASEL II PILLAR 3 DISCLOSURES**  
as at 31 December 2017**6 MARKET RISK****6.4 Value-at-Risk ('VaR')**

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

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

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

Other risk measures include the following:

- (i) Mark-to-market valuation tracks the current market value of the outstanding financial instruments.
- (ii) Stress tests are conducted to attempt to quantify market risk arising from abnormal market movements. Stress tests measure the changes in values arising from extreme movements in interest rates and foreign exchange rates based on past experiences and simulated stress scenarios.

**6.5 Foreign Exchange Risk**

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

**7 LIQUIDITY RISK****7.1 Liquidity risk management objectives and policies**

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

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

**7.2 Liquidity risk measurement, control and monitoring**

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

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

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

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

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

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

**BASEL II PILLAR 3 DISCLOSURES**

as at 31 December 2017

**8 OPERATIONAL RISK****8.1 Operational risk management objectives and policies**

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

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

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

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

**8.2 Application of Basic Indicator Approach for operational risk**

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

**8.3 Operational risk measurement, control and monitoring**

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

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

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

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

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

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

Operational Risk Coordinators ('ORC') are appointed at business and support units as champions of ORM activities within respective units. The ORC is responsible for the reporting of ORM activities and to liaise with Group Operational Risk Management on all operational defects and results.

**8.4 Certification**

As an internal requirement, all Operational Risk Coordinators must satisfy an Internal Operational Risk (including business continuity management) Certification Program. These coordinators will first go through an on-line self learning exercise before attempting on-line assessments to measure their skills and knowledge level. This will enable Group Risk Management to prescribe appropriate training and development activities for the coordinators.

**BASEL II PILLAR 3 DISCLOSURES**  
as at 31 December 2017**9 SHARIAH NON-COMPLIANCE RISK****9.1 Shariah non-compliance risk objectives and policies**

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

The Shariah Governance Framework for Islamic Financial Institutions (BNM/RH/GL\_012\_3) issued by BNM and the Bank's Shariah Risk Management Framework are the main reference for the Shariah governance and Shariah risk management process within Affin Islamic Bank Berhad.

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

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

**9.2 Shariah non-compliance risk measurement, control and monitoring**

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

1. SNC Event Reporting to BNM to collect, evaluate, monitor and report Shariah loss data;
2. Shariah Risk and Control Self-Assessment ('RCSA') / Risk Profiling to assist business/functional unit to identify and assess risks and controls. RCSA will be performed annually or as and when there is occurrence of significant events either internal or external;
3. Key Risk Indicator ('KRI') to predict and highlight any potential high risk area. These indicators will be reviewed on a periodic basis (monthly or quarterly) to alert Management to changes that may have risk concerns; and
4. Key Control Standard ('KCS') to validate the effectiveness of control measures.

**10 BUSINESS CONTINUITY RISK****10.1 Business continuity risk management objectives and policies**

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

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

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

The BCM function oversees the management of the overall business continuity risk.

**10.2 Business continuity risk measurement, control and monitoring**

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

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

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

## BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2017

The Group and the Bank have adopted Basel II - Risk Weighted Assets computation under the BNM's Risk-Weighted Capital Adequacy Framework with effect from 1 January 2008. The Group and the Bank have adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operation risk computation.

The following information concerning the Group and the Bank's risk exposures are disclosed as accompanying information to the annual report, and does not form part of the audited accounts.

### Disclosure on Capital Adequacy under the Standardised Approach (RM'000)

Group  
2017

|   | Exposure Class                                                               | Gross Exposures/<br>EAD before<br>CRM | Net Exposures/<br>EAD after CRM | Risk Weighted Assets | Total Risk Weighted Assets after Effects of PSIA | Minimum Capital Requirements at 8% |
|---|------------------------------------------------------------------------------|---------------------------------------|---------------------------------|----------------------|--------------------------------------------------|------------------------------------|
| 1 | <b>CREDIT RISK</b>                                                           |                                       |                                 |                      |                                                  |                                    |
|   | On Balance Sheet Exposures                                                   |                                       |                                 |                      |                                                  |                                    |
|   | Corporates                                                                   | 28,576,002                            | 27,630,803                      | 21,935,287           | 21,935,287                                       | 1,754,823                          |
|   | Regulatory Retail                                                            | 14,543,952                            | 13,895,123                      | 10,459,134           | 10,459,134                                       | 836,731                            |
|   | Other Assets                                                                 | 3,583,287                             | 3,952,097                       | 1,305,763            | 1,305,763                                        | 104,461                            |
|   | Sovereigns/Central Banks                                                     | 8,956,404                             | 8,956,404                       | 4,089                | 4,089                                            | 327                                |
|   | Public Sector Entities                                                       | -                                     | -                               | -                    | -                                                | -                                  |
|   | Banks, Development Financial Institutions & MDBs                             | 2,859,992                             | 2,985,564                       | 891,718              | 891,718                                          | 71,337                             |
|   | Insurance Companies, Securities Firms & Fund Managers                        | 311,854                               | 318,319                         | 287,973              | 287,973                                          | 23,038                             |
|   | Residential Mortgages                                                        | 7,418,233                             | 7,388,027                       | 3,189,091            | 3,189,091                                        | 255,128                            |
|   | Higher Risk Assets                                                           | 156,983                               | 153,368                         | 221,719              | 221,719                                          | 17,737                             |
|   | Specialised Financing/Investment                                             | -                                     | -                               | -                    | -                                                | -                                  |
|   | Equity Exposure                                                              | 19,902                                | 19,902                          | 19,902               | 19,902                                           | 1,592                              |
|   | Securitisation Exposure                                                      | -                                     | -                               | -                    | -                                                | -                                  |
|   | Defaulted Exposures                                                          | 1,786,865                             | 1,814,959                       | 2,510,697            | 2,510,697                                        | 200,856                            |
|   | <b>Total for On-Balance Sheet Exposures</b>                                  | <b>68,213,474</b>                     | <b>67,114,566</b>               | <b>40,825,373</b>    | <b>40,825,373</b>                                | <b>3,266,030</b>                   |
|   | Off Balance Sheet Exposures                                                  |                                       |                                 |                      |                                                  |                                    |
|   | Off Balance Sheet Exposures other than OTC derivatives or credit derivatives | 5,499,135                             | 5,186,859                       | 4,354,651            | 4,354,651                                        | 348,373                            |
|   | Defaulted Exposures                                                          | 69,412                                | 64,247                          | 95,323               | 95,323                                           | 7,626                              |
|   | <b>Total for Off-Balance Sheet Exposures</b>                                 | <b>5,568,547</b>                      | <b>5,251,106</b>                | <b>4,449,974</b>     | <b>4,449,974</b>                                 | <b>355,999</b>                     |
|   | <b>Total for On and Off-Balance Sheet Exposures</b>                          | <b>73,782,021</b>                     | <b>72,365,672</b>               | <b>45,275,347</b>    | <b>45,275,347</b>                                | <b>3,622,029</b>                   |
| 2 | <b>MARKET RISK</b>                                                           |                                       |                                 |                      |                                                  |                                    |
|   | Interest Rate Risk                                                           |                                       |                                 |                      |                                                  |                                    |
|   | Equity Position Risk                                                         |                                       | (83,781)                        | 307,912              | -                                                | 24,633                             |
|   | Foreign Currency Risk                                                        |                                       | 47,544                          | 125,607              | -                                                | 10,049                             |
|   |                                                                              | 14,710,576                            | 131,152                         | 170,515              | -                                                | 13,641                             |
|   |                                                                              | 4,073,979                             |                                 |                      |                                                  |                                    |
| 3 | <b>OPERATIONAL RISK</b>                                                      |                                       |                                 |                      |                                                  |                                    |
|   | Operational Risk                                                             |                                       |                                 |                      |                                                  |                                    |
|   |                                                                              |                                       |                                 | 2,544,825            |                                                  | 203,586                            |
|   | <b>Total RWA and Capital Requirements</b>                                    |                                       |                                 | <b>48,424,206</b>    | <b>45,275,347</b>                                | <b>3,873,938</b>                   |

PSIA "Profit Sharing Investment Account"  
OTC "Over The Counter"

## BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2017

Appendix I

### Disclosure on Capital Adequacy under the Standardised Approach (RM'000) (continued)

Group  
2016

|   | Exposure Class                                                               | Gross Exposures/<br>EAD before CRM | Net Exposures/<br>EAD after CRM | Risk Weighted Assets | Total Risk Weighted Assets after Effects of PSA | Minimum Capital Requirements at 8% |
|---|------------------------------------------------------------------------------|------------------------------------|---------------------------------|----------------------|-------------------------------------------------|------------------------------------|
| 1 | <b>CREDIT RISK</b>                                                           |                                    |                                 |                      |                                                 |                                    |
|   | <u>On Balance Sheet Exposures</u>                                            |                                    |                                 |                      |                                                 |                                    |
|   | Corporates                                                                   | 24,934,627                         | 23,929,044                      | 19,800,446           | 19,798,580                                      | 1,584,036                          |
|   | Regulatory Retail                                                            | 13,510,768                         | 13,281,519                      | 9,987,739            | 9,987,739                                       | 799,019                            |
|   | Other Assets                                                                 | 2,852,930                          | 2,852,930                       | 794,052              | 794,052                                         | 63,525                             |
|   | Sovereigns/Central Banks                                                     | 7,299,495                          | 7,299,495                       | -                    | -                                               | -                                  |
|   | Public Sector Entities                                                       | -                                  | -                               | -                    | -                                               | -                                  |
|   | Banks, Development Financial Institutions & MDBs                             | 3,896,577                          | 3,896,577                       | 1,125,160            | 1,123,205                                       | 90,013                             |
|   | Insurance Companies, Securities Firms & Fund Managers                        | 311,931                            | 311,931                         | 288,154              | 288,154                                         | 23,052                             |
|   | Residential Mortgages                                                        | 5,852,510                          | 5,820,744                       | 2,496,394            | 2,496,394                                       | 199,712                            |
|   | Higher Risk Assets                                                           | 211,986                            | 211,529                         | 308,243              | 308,243                                         | 24,659                             |
|   | Specialised Financing/Investment                                             | -                                  | -                               | -                    | -                                               | -                                  |
|   | Equity Exposure                                                              | 19,902                             | 19,902                          | 19,902               | 19,902                                          | 1,592                              |
|   | Securitisation Exposure                                                      | -                                  | -                               | -                    | -                                               | -                                  |
|   | Defaulted Exposures                                                          | 1,657,538                          | 1,623,862                       | 2,332,583            | 2,332,583                                       | 186,607                            |
|   | Total for On-Balance Sheet Exposures                                         | 60,548,264                         | 59,247,533                      | 37,152,673           | 37,148,852                                      | 2,972,215                          |
|   | <u>Off Balance Sheet Exposures</u>                                           |                                    |                                 |                      |                                                 |                                    |
|   | Off Balance Sheet Exposures other than OTC derivatives or credit derivatives | 4,313,006                          | 4,155,553                       | 3,715,467            | 3,719,288                                       | 297,237                            |
|   | Defaulted Exposures                                                          | 46,818                             | 40,533                          | 60,541               | 60,541                                          | 4,843                              |
|   | Total for Off-Balance Sheet Exposures                                        | 4,359,824                          | 4,196,086                       | 3,776,008            | 3,779,829                                       | 302,080                            |
|   | Total for On and Off-Balance Sheet Exposures                                 | 64,908,088                         | 63,443,619                      | 40,928,681           | 40,928,681                                      | 3,274,295                          |
| 2 | <b>MARKET RISK</b>                                                           |                                    |                                 |                      |                                                 |                                    |
|   | Interest Rate Risk                                                           | Long Position                      | Short Position                  |                      |                                                 |                                    |
|   | Foreign Currency Risk                                                        | 11,406,492                         | 11,690,327                      | 225,625              | -                                               | 18,050                             |
|   |                                                                              | 42,862                             | 70,574                          | 107,820              | -                                               | 8,626                              |
| 3 | <b>OPERATIONAL RISK</b>                                                      |                                    |                                 |                      |                                                 |                                    |
|   | Operational Risk                                                             |                                    |                                 | 2,408,896            |                                                 | 192,712                            |
|   | Total RWA and Capital Requirements                                           |                                    |                                 | 43,671,022           | 40,928,681                                      | 3,493,683                          |

PSIA "Profit Sharing Investment Account"  
OTC "Over The Counter"

## BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2017

### Disclosure on Capital Adequacy under the Standardised Approach (RM'000)

Bank  
2017

|   | Exposure Class                                                               | Gross Exposures/<br>EAD before CRM | Net Exposures/<br>EAD after CRM | Risk Weighted Assets | Total Risk Weighted Assets after Effects of PSIA | Minimum Capital Requirements at 8% |
|---|------------------------------------------------------------------------------|------------------------------------|---------------------------------|----------------------|--------------------------------------------------|------------------------------------|
| 1 | <b>CREDIT RISK</b>                                                           |                                    |                                 |                      |                                                  |                                    |
|   | On Balance Sheet Exposures                                                   |                                    |                                 |                      |                                                  |                                    |
|   | Corporates                                                                   | 20,741,917                         | 19,916,489                      | 16,464,505           | 16,464,505                                       | 1,317,160                          |
|   | Regulatory Retail                                                            | 9,948,274                          | 9,672,371                       | 7,292,978            | 7,292,978                                        | 583,438                            |
|   | Other Assets                                                                 | 3,053,336                          | 3,053,336                       | 920,921              | 920,921                                          | 73,674                             |
|   | Sovereigns/Central Banks                                                     | 3,545,364                          | 3,545,364                       | -                    | -                                                | -                                  |
|   | Public Sector Entities                                                       | -                                  | -                               | -                    | -                                                | -                                  |
|   | Banks, Development Financial Institutions & MDBs                             | 3,117,230                          | 3,117,230                       | 942,235              | 942,235                                          | 75,379                             |
|   | Insurance Companies, Securities Firms & Fund Managers                        | 311,806                            | 311,806                         | 287,925              | 287,925                                          | 23,034                             |
|   | Residential Mortgages                                                        | 3,132,744                          | 3,114,477                       | 1,185,722            | 1,185,722                                        | 94,858                             |
|   | Higher Risk Assets                                                           | 7,670                              | 7,670                           | 11,505               | 11,505                                           | 920                                |
|   | Specialised Financing/Investment                                             | -                                  | -                               | -                    | -                                                | -                                  |
|   | Equity Exposure                                                              | 19,902                             | 19,902                          | 19,902               | 19,902                                           | 1,592                              |
|   | Securitisation Exposure                                                      | -                                  | -                               | -                    | -                                                | -                                  |
|   | Defaulted Exposures                                                          | 1,629,272                          | 1,591,527                       | 2,293,516            | 2,293,516                                        | 183,482                            |
|   | <b>Total for On-Balance Sheet Exposures</b>                                  | <b>45,507,515</b>                  | <b>44,350,172</b>               | <b>29,419,209</b>    | <b>29,419,209</b>                                | <b>2,353,537</b>                   |
|   | Off Balance Sheet Exposures                                                  |                                    |                                 |                      |                                                  |                                    |
|   | Off Balance Sheet Exposures other than OTC derivatives or credit derivatives | 3,785,108                          | 3,619,260                       | 3,241,237            | 3,241,237                                        | 259,299                            |
|   | Defaulted Exposures                                                          | 66,664                             | 61,499                          | 91,713               | 91,713                                           | 7,337                              |
|   | <b>Total for Off-Balance Sheet Exposures</b>                                 | <b>3,851,772</b>                   | <b>3,680,759</b>                | <b>3,332,950</b>     | <b>3,332,950</b>                                 | <b>266,636</b>                     |
|   | <b>Total for On and Off-Balance Sheet Exposures</b>                          | <b>49,359,287</b>                  | <b>48,030,931</b>               | <b>32,752,159</b>    | <b>32,752,159</b>                                | <b>2,620,173</b>                   |
| 2 | <b>MARKET RISK</b>                                                           |                                    |                                 |                      |                                                  |                                    |
|   | Interest Rate Risk                                                           |                                    |                                 |                      |                                                  |                                    |
|   | Foreign Currency Risk                                                        |                                    | (80,768)                        | 212,167              | -                                                | 16,973                             |
|   |                                                                              | 9,869,557                          | (1,534)                         | 30,323               | -                                                | 2,426                              |
|   |                                                                              | 28,789                             |                                 |                      |                                                  |                                    |
| 3 | <b>OPERATIONAL RISK</b>                                                      |                                    |                                 |                      |                                                  |                                    |
|   | Operational Risk                                                             |                                    |                                 | 1,916,984            |                                                  | 153,359                            |
|   | <b>Total RWA and Capital Requirements</b>                                    |                                    |                                 | <b>34,911,633</b>    | <b>32,752,159</b>                                | <b>2,792,931</b>                   |

PSIA "Profit Sharing Investment Account"  
OTC "Over The Counter"

## BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2017

Appendix I

### Disclosure on Capital Adequacy under the Standardised Approach (RM'000) (continued)

Bank  
2016

|   | Exposure Class                                        | Gross Exposures/<br>EAD before CRM | Net Exposures/<br>EAD after CRM | Risk Weighted Assets | Total Risk Weighted Assets after Effects of PSA | Minimum Capital Requirements at 8% |
|---|-------------------------------------------------------|------------------------------------|---------------------------------|----------------------|-------------------------------------------------|------------------------------------|
| 1 | <b>CREDIT RISK</b>                                    |                                    |                                 |                      |                                                 |                                    |
|   | <u>On Balance Sheet Exposures</u>                     |                                    |                                 |                      |                                                 |                                    |
|   | Corporates                                            | 20,517,217                         | 19,596,671                      | 16,372,760           | 16,370,194                                      | 1,309,822                          |
|   | Regulatory Retail                                     | 10,069,033                         | 9,856,100                       | 7,418,580            | 7,418,580                                       | 593,486                            |
|   | Other Assets                                          | 2,572,816                          | 2,572,816                       | 751,552              | 751,552                                         | 60,124                             |
|   | Sovereigns/Central Banks                              | 5,334,682                          | 5,334,682                       | -                    | -                                               | -                                  |
|   | Public Sector Entities                                | -                                  | -                               | -                    | -                                               | -                                  |
|   | Banks, Development Financial Institutions & MDBs      | 3,866,995                          | 3,866,995                       | 1,121,237            | 1,121,237                                       | 89,699                             |
|   | Insurance Companies, Securities Firms & Fund Managers | 311,866                            | 311,866                         | 288,089              | 288,089                                         | 23,047                             |
|   | Residential Mortgages                                 | 3,111,099                          | 3,089,793                       | 1,216,333            | 1,216,333                                       | 97,307                             |
|   | Higher Risk Assets                                    | 188,984                            | 188,984                         | 283,476              | 283,476                                         | 22,678                             |
|   | Specialised Financing/Investment                      | -                                  | -                               | -                    | -                                               | -                                  |
|   | Equity Exposure                                       | 19,902                             | 19,902                          | 19,902               | 19,902                                          | 1,592                              |
|   | Securitisation Exposure                               | -                                  | -                               | -                    | -                                               | -                                  |
|   | Defaulted Exposures                                   | 1,509,618                          | 1,479,144                       | 2,142,746            | 2,142,746                                       | 171,420                            |
|   | Total for On-Balance Sheet Exposures                  | 47,502,212                         | 46,316,953                      | 29,614,675           | 29,612,109                                      | 2,369,175                          |
|   | <u>Off Balance Sheet Exposures</u>                    |                                    |                                 |                      |                                                 |                                    |
|   | Off Balance Sheet Exposures                           | 3,629,653                          | 3,472,360                       | 3,185,431            | 3,187,997                                       | 254,834                            |
|   | Defaulted Exposures                                   | 31,882                             | 25,764                          | 38,417               | 38,417                                          | 3,073                              |
|   | Total for Off-Balance Sheet Exposures                 | 3,661,535                          | 3,498,124                       | 3,223,848            | 3,226,414                                       | 257,907                            |
|   | Total for On and Off-Balance Sheet Exposures          | 51,163,747                         | 49,815,077                      | 32,838,523           | 32,838,523                                      | 2,627,082                          |
| 2 | <b>MARKET RISK</b>                                    |                                    |                                 |                      |                                                 |                                    |
|   | Interest Rate Risk                                    |                                    |                                 |                      |                                                 |                                    |
|   | Foreign Currency Risk                                 |                                    |                                 |                      |                                                 |                                    |
|   | Long Position                                         | 10,354,955                         | (291,543)                       | 225,617              | -                                               | 18,049                             |
|   | Short Position                                        | 5,617                              | (64,958)                        | 70,574               | -                                               | 5,646                              |
| 3 | <b>OPERATIONAL RISK</b>                               |                                    |                                 |                      |                                                 |                                    |
|   | Operational Risk                                      |                                    |                                 |                      |                                                 |                                    |
|   |                                                       |                                    |                                 | 1,956,481            |                                                 | 156,518                            |
|   | Total RWA and Capital Requirements                    |                                    |                                 | 35,091,195           | 32,838,523                                      | 2,807,295                          |

PSIA "Profit Sharing Investment Account"  
OTC "Over The Counter"



**BASEL II PILLAR 3 DISCLOSURES**

as at 31 December 2017

Appendix I

**Disclosure on Capital Adequacy under the Standardised Approach (continued)**

Market risk is defined as changes in the market value of a trading or investment position arising from movements in market factors such as interest/profit rate, foreign exchange rates and implied volatility rates. The Group and the Bank's Capital-at-Risk ('CaR') is defined as the amount of the Group and the Bank's capital that is exposed to the risk of unexpected losses arising particularly from movements in interest/profit and foreign exchange rates. A CaR reference threshold is set as a management trigger to ensure that the Group and the Bank's capital adequacy are not impinged upon in the event of adverse market movements. The Group and the Bank currently adopt BNM's Standardised Approach for the computation of market risk capital charges. The market risk capital charge addresses among others, capital requirement for market risk which includes the interest/profit rate risk in the Group and the Bank's Trading Book as well as foreign exchange risk in the Trading and Banking Books.

The computation of market risk capital charge covers the following outstanding financial instruments:

- a) Foreign Exchange ('FX')
- b) Interest Rate Swap ('IRS')
- c) Cross Currency Swap ('CCS')
- d) Fixed Income Instruments (i.e. Corporate Bonds / Sukuk and Government Securities)
- e) FX Options

The Bank's Trading Book Policy Statement stipulates the policies and procedures for including or excluding exposures from the Trading Book for the purpose of calculating regulatory market risk capital.

## BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2017

Appendix II

### Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000)

Group  
2017

| Risk Weights                | Exposures after Netting and Credit Risk Mitigation |      |                       |                                                       |            |                   |                       |                    |              |                                    |                | Total Exposure after Netting & Credit Risk Mitigation | Total Risk Weighted Assets |
|-----------------------------|----------------------------------------------------|------|-----------------------|-------------------------------------------------------|------------|-------------------|-----------------------|--------------------|--------------|------------------------------------|----------------|-------------------------------------------------------|----------------------------|
|                             | Sovereigns & Central Banks                         | PSEs | Banks, MDBs and FDIIs | Insurance Companies, Securities Firms & Fund Managers | Corporates | Regulatory Retail | Residential Mortgages | Higher Risk Assets | Other Assets | Specialised Financing / Investment | Securitisation | Equity                                                |                            |
| 0%                          | 8,992,659                                          | -    | 195,548               | -                                                     | 2,471,302  | -                 | -                     | -                  | 2,054,515    | -                                  | -              | -                                                     | -                          |
| 10%                         | -                                                  | -    | -                     | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -                                                     | -                          |
| 20%                         | 80,822                                             | 10   | 1,823,673             | 29,852                                                | 4,176,522  | 468               | -                     | -                  | 739,774      | -                                  | -              | -                                                     | 1,370,224                  |
| 35%                         | -                                                  | -    | -                     | -                                                     | -          | -                 | 6,297,954             | -                  | -            | -                                  | -              | -                                                     | 2,204,284                  |
| 50%                         | -                                                  | -    | 1,274,670             | -                                                     | 162,676    | 4,033             | 954,954               | 7,297              | -            | -                                  | -              | -                                                     | 1,201,816                  |
| 75%                         | -                                                  | -    | -                     | -                                                     | -          | 14,013,356        | 10,356                | -                  | -            | -                                  | -              | -                                                     | 10,517,784                 |
| 90%                         | -                                                  | -    | -                     | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -                                                     | -                          |
| 100%                        | -                                                  | -    | 12,596                | 307,625                                               | 24,773,971 | 179,489           | 809,753               | 2,072              | 1,157,808    | -                                  | -              | 19,902                                                | 27,263,216                 |
| 110%                        | -                                                  | -    | -                     | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -                                                     | -                          |
| 125%                        | -                                                  | -    | -                     | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -                                                     | -                          |
| 135%                        | -                                                  | -    | -                     | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -                                                     | -                          |
| 150%                        | -                                                  | -    | -                     | -                                                     | 1,422,971  | 110,104           | 126,997               | 151,943            | -            | -                                  | -              | -                                                     | 2,718,023                  |
| 270%                        | -                                                  | -    | -                     | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -                                                     | -                          |
| 350%                        | -                                                  | -    | -                     | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -                                                     | -                          |
| 400%                        | -                                                  | -    | -                     | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -                                                     | -                          |
| 625%                        | -                                                  | -    | -                     | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -                                                     | -                          |
| 938%                        | -                                                  | -    | -                     | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -                                                     | -                          |
| 1250%                       | -                                                  | -    | -                     | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -                                                     | -                          |
| Average Risk Weight         |                                                    |      |                       |                                                       |            |                   |                       |                    |              |                                    |                | -                                                     | -                          |
| Deduction from Capital Base | -                                                  | -    | -                     | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -                                                     | -                          |

PSE "Public Sector Entities"  
MDB "Multilateral Development Banks"  
FDI "Financial Development Institutions"

**BASEL II PILLAR 3 DISCLOSURES**

as at 31 December 2017

**Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000) (continued)**Group  
2016

| Risk Weights                | Exposures after Netting and Credit Risk Mitigation |      |                      |                                                       |            |                   |                       |                    |              |                                    |                |        | Total Risk Exposure after Netting & Credit Risk Mitigation | Total Risk Weighted Assets |   |
|-----------------------------|----------------------------------------------------|------|----------------------|-------------------------------------------------------|------------|-------------------|-----------------------|--------------------|--------------|------------------------------------|----------------|--------|------------------------------------------------------------|----------------------------|---|
|                             | Sovereigns & Central Banks                         | PSEs | Banks, MDBs and FDIs | Insurance Companies, Securities Firms & Fund Managers | Corporates | Regulatory Retail | Residential Mortgages | Higher Risk Assets | Other Assets | Specialised Financing / Investment | Securitisation | Equity |                                                            |                            |   |
| 0%                          | 7,339,819                                          | -    | 213,631              | -                                                     | 2,204,247  | -                 | -                     | -                  | 1,913,990    | -                                  | -              | -      | 11,671,687                                                 | -                          |   |
| 10%                         | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                          | -                          |   |
| 20%                         | 51,369                                             | 10   | 2,580,442            | 29,722                                                | 2,342,675  | 805               | -                     | -                  | 181,109      | -                                  | -              | -      | 5,186,132                                                  | 1,037,226                  |   |
| 35%                         | -                                                  | -    | -                    | -                                                     | -          | -                 | 4,694,295             | -                  | -            | -                                  | -              | -      | 4,694,295                                                  | 1,643,003                  |   |
| 50%                         | -                                                  | -    | 1,359,928            | -                                                     | 356,878    | 1,190             | 551,612               | 9,051              | -            | -                                  | -              | -      | 2,278,659                                                  | 1,139,329                  |   |
| 75%                         | -                                                  | -    | -                    | -                                                     | -          | 13,429,685        | 13,865                | -                  | -            | -                                  | -              | -      | 13,443,550                                                 | 10,082,663                 |   |
| 90%                         | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                          | -                          |   |
| 100%                        | -                                                  | -    | 6,686                | 300,429                                               | 22,570,399 | 128,482           | 671,239               | -                  | 757,831      | -                                  | -              | 19,902 | 24,454,968                                                 | 24,454,968                 |   |
| 110%                        | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                          | -                          |   |
| 125%                        | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                          | -                          |   |
| 135%                        | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                          | -                          |   |
| 150%                        | -                                                  | -    | 4,852                | -                                                     | 1,243,109  | 136,994           | 121,425               | 207,948            | -            | -                                  | -              | -      | 1,714,328                                                  | 2,571,492                  |   |
| 270%                        | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                          | -                          |   |
| 350%                        | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                          | -                          |   |
| 400%                        | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                          | -                          |   |
| 625%                        | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                          | -                          |   |
| 938%                        | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                          | -                          |   |
| 1250%                       | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                          | -                          |   |
| Average Risk Weight         |                                                    |      |                      |                                                       |            |                   |                       |                    |              |                                    |                |        |                                                            | -                          | - |
| Deduction from Capital Base | -                                                  |      | -                    |                                                       | -          |                   | -                     | -                  | -            | -                                  |                | -      | -                                                          |                            |   |

PSE "Public Sector Entities"  
MDB "Multilateral Development Banks"  
FDI "Financial Development Institutions"

## BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2017

Appendix II

### Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000) (continued)

Bank  
2017

| Risk Weights                | Exposures after Netting and Credit Risk Mitigation |      |                      |                                                       |            |                   |                       |                    |              |                                    |                |        | Total Exposure after Netting & Credit Risk Mitigation | Total Risk Weighted Assets |   |
|-----------------------------|----------------------------------------------------|------|----------------------|-------------------------------------------------------|------------|-------------------|-----------------------|--------------------|--------------|------------------------------------|----------------|--------|-------------------------------------------------------|----------------------------|---|
|                             | Sovereigns & Central Banks                         | PSEs | Banks, MDBs and FDIs | Insurance Companies, Securities Firms & Fund Managers | Corporates | Regulatory Retail | Residential Mortgages | Higher Risk Assets | Other Assets | Specialised Financing / Investment | Securitisation | Equity |                                                       |                            |   |
| 0%                          | 3,549,934                                          | -    | 175,762              | -                                                     | 1,838,464  | -                 | -                     | -                  | 1,608,481    | -                                  | -              | -      | 7,172,641                                             | -                          |   |
| 10%                         | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                     | -                          |   |
| 20%                         | 12,765                                             | 10   | 2,001,807            | 29,852                                                | 2,051,054  | 468               | -                     | -                  | 654,918      | -                                  | -              | -      | 4,750,874                                             | 950,175                    |   |
| 35%                         | -                                                  | -    | -                    | -                                                     | -          | -                 | 2,854,066             | -                  | -            | -                                  | -              | -      | 2,854,066                                             | 998,923                    |   |
| 50%                         | -                                                  | -    | 1,254,192            | -                                                     | 42,403     | 1,478             | 218,024               | -                  | -            | -                                  | -              | -      | 1,516,097                                             | 758,048                    |   |
| 75%                         | -                                                  | -    | -                    | -                                                     | -          | 9,736,246         | 10,211                | -                  | -            | -                                  | -              | -      | 9,746,457                                             | 7,309,843                  |   |
| 90%                         | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                     | -                          |   |
| 100%                        | -                                                  | -    | 12,596               | 301,112                                               | 19,026,131 | 172,432           | 179,939               | -                  | 789,937      | -                                  | -              | 19,902 | 20,502,049                                            | 20,502,049                 |   |
| 110%                        | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                     | -                          |   |
| 125%                        | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                     | -                          |   |
| 135%                        | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                     | -                          |   |
| 150%                        | -                                                  | -    | -                    | -                                                     | 1,294,951  | 102,455           | 76,890                | 14,451             | -            | -                                  | -              | -      | 1,488,747                                             | 2,233,121                  |   |
| 270%                        | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                     | -                          |   |
| 350%                        | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                     | -                          |   |
| 400%                        | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                     | -                          |   |
| 625%                        | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                     | -                          |   |
| 938%                        | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                     | -                          |   |
| 1250%                       | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                     | -                          |   |
| Average Risk Weight         |                                                    |      |                      |                                                       |            |                   |                       |                    |              |                                    |                |        | -                                                     | -                          | - |
| Deduction from Capital Base | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                     | -                          |   |

PSE "Public Sector Entities"  
MDB "Multilateral Development Banks"  
FDI "Financial Development Institutions"

**BASEL II PILLAR 3 DISCLOSURES**

as at 31 December 2017

**Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000) (continued)**Bank  
2016

| Risk Weights                | Exposures after Netting and Credit Risk Mitigation |      |                      |                                                       |            |                   |                       |                    |              |                                    |                |        | Total Exposure after Netting & Credit Risk Mitigation | Total Risk Weighted Assets |   |
|-----------------------------|----------------------------------------------------|------|----------------------|-------------------------------------------------------|------------|-------------------|-----------------------|--------------------|--------------|------------------------------------|----------------|--------|-------------------------------------------------------|----------------------------|---|
|                             | Sovereigns & Central Banks                         | PSEs | Banks, MDBs and FDIs | Insurance Companies, Securities Firms & Fund Managers | Corporates | Regulatory Retail | Residential Mortgages | Higher Risk Assets | Other Assets | Specialised Financing / Investment | Securitisation | Equity |                                                       |                            |   |
| 0%                          | 5,334,682                                          | -    | 193,890              | -                                                     | 1,723,568  | -                 | -                     | -                  | 1,522,776    | -                                  | -              | -      | 8,774,916                                             | -                          |   |
| 10%                         | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                     | -                          |   |
| 20%                         | 3,953                                              | 10   | 2,556,436            | 29,722                                                | 1,838,120  | 805               | -                     | -                  | 373,111      | -                                  | -              | -      | 4,802,157                                             | 960,431                    |   |
| 35%                         | -                                                  | -    | -                    | -                                                     | -          | -                 | 2,716,549             | -                  | -            | -                                  | -              | -      | 2,716,549                                             | 950,792                    |   |
| 50%                         | -                                                  | -    | 1,359,928            | -                                                     | 197,597    | 1,190             | 220,685               | -                  | -            | -                                  | -              | -      | 1,779,400                                             | 889,700                    |   |
| 75%                         | -                                                  | -    | -                    | -                                                     | -          | 9,963,087         | 13,576                | -                  | -            | -                                  | -              | -      | 9,976,663                                             | 7,482,498                  |   |
| 90%                         | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                     | -                          |   |
| 100%                        | -                                                  | -    | 6,686                | 300,364                                               | 18,830,697 | 123,216           | 228,177               | -                  | 676,929      | -                                  | -              | 19,902 | 20,185,971                                            | 20,185,971                 |   |
| 110%                        | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                     | -                          |   |
| 125%                        | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                     | -                          |   |
| 135%                        | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                     | -                          |   |
| 150%                        | -                                                  | -    | 4,852                | -                                                     | 1,163,476  | 124,815           | 92,227                | 194,051            | -            | -                                  | -              | -      | 1,579,421                                             | 2,369,130                  |   |
| 270%                        | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                     | -                          |   |
| 350%                        | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                     | -                          |   |
| 400%                        | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                     | -                          |   |
| 625%                        | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                     | -                          |   |
| 938%                        | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                     | -                          |   |
| 1250%                       | -                                                  | -    | -                    | -                                                     | -          | -                 | -                     | -                  | -            | -                                  | -              | -      | -                                                     | -                          |   |
| Average Risk Weight         |                                                    |      |                      |                                                       |            |                   |                       |                    |              |                                    |                |        |                                                       | -                          | - |
| Deduction from Capital Base | -                                                  |      | -                    |                                                       | -          |                   | -                     | -                  | -            | -                                  |                | -      | -                                                     |                            |   |

PSE "Public Sector Entities"  
MDB "Multilateral Development Banks"  
FDI "Financial Development Institutions"

## BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2017

Appendix III

### (i) Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000)

Group  
2017

| Exposure Class                                                                                               | Ratings of Corporate by Approved ECAIs |            |          |             |         |         |
|--------------------------------------------------------------------------------------------------------------|----------------------------------------|------------|----------|-------------|---------|---------|
|                                                                                                              | Moody's                                | Aaa to Aa3 | A1 to A3 | Baa1 to Ba3 | B1 to C | Unrated |
|                                                                                                              | S&P                                    | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
|                                                                                                              | Fitch                                  | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
|                                                                                                              | RAM                                    | AAA to AA3 | A to A3  | BBB1 to BB3 | B to D  | Unrated |
|                                                                                                              | MARC                                   | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
|                                                                                                              | Rating & Investment Inc                | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
|                                                                                                              |                                        |            |          |             |         |         |
| <b>On and Off-Balance-Sheet Exposures</b>                                                                    |                                        |            |          |             |         |         |
| <b>Credit Exposures (using Corporate Risk Weights)</b>                                                       |                                        |            |          |             |         |         |
| Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates) |                                        |            |          |             |         |         |
| Insurance Cos, Securities Firms & Fund Managers Corporates                                                   |                                        |            |          |             |         |         |
| <b>Total</b>                                                                                                 |                                        |            |          |             |         |         |

Group  
2016

| Exposure Class                                                                                               | Ratings of Corporate by Approved ECAIs |            |          |             |         |         |
|--------------------------------------------------------------------------------------------------------------|----------------------------------------|------------|----------|-------------|---------|---------|
|                                                                                                              | Moody's                                | Aaa to Aa3 | A1 to A3 | Baa1 to Ba3 | B1 to C | Unrated |
|                                                                                                              | S&P                                    | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
|                                                                                                              | Fitch                                  | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
|                                                                                                              | RAM                                    | AAA to AA3 | A to A3  | BBB1 to BB3 | B to D  | Unrated |
|                                                                                                              | MARC                                   | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
|                                                                                                              | Rating &<br>Investment Inc             | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
|                                                                                                              |                                        |            |          |             |         |         |
| On and Off-Balance-Sheet Exposures                                                                           |                                        |            |          |             |         |         |
| Credit Exposures (using Corporate Risk Weights)                                                              |                                        |            |          |             |         |         |
| Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates) |                                        |            |          |             |         |         |
| Insurance Cos, Securities Firms & Fund Managers Corporates                                                   |                                        |            |          |             |         |         |
| Total                                                                                                        |                                        |            |          |             |         |         |

(i) Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)

Bank  
2017

| Exposure Class                                                                                               | Ratings of Corporate by Approved ECAIs |            |          |             |         |         |
|--------------------------------------------------------------------------------------------------------------|----------------------------------------|------------|----------|-------------|---------|---------|
|                                                                                                              | Moody's                                | Aaa to Aa3 | A1 to A3 | Baa1 to Ba3 | B1 to C | Unrated |
|                                                                                                              | S&P                                    | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
|                                                                                                              | Fitch                                  | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
|                                                                                                              | RAM                                    | AAA to AA3 | A to A3  | BBB1 to BB3 | B to D  | Unrated |
|                                                                                                              | MARC                                   | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
|                                                                                                              | Rating & Investment Inc                | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
|                                                                                                              |                                        |            |          |             |         |         |
| <b>On and Off-Balance-Sheet Exposures</b>                                                                    |                                        |            |          |             |         |         |
| <b>Credit Exposures (using Corporate Risk Weights)</b>                                                       |                                        |            |          |             |         |         |
| Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates) |                                        |            |          |             |         |         |
| Insurance Cos, Securities Firms & Fund Managers Corporates                                                   |                                        |            |          |             |         |         |
| <b>Total</b>                                                                                                 |                                        |            |          |             |         |         |

Bank  
2016

| Exposure Class                                                                                                                                                                                                                         | Ratings of Corporate by Approved ECAls |            |          |             |         |            |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|------------|----------|-------------|---------|------------|
|                                                                                                                                                                                                                                        | Moody's                                | Aaa to Aa3 | A1 to A3 | Baa1 to Ba3 | B1 to C | Unrated    |
|                                                                                                                                                                                                                                        | S&P                                    | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated    |
|                                                                                                                                                                                                                                        | Fitch                                  | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated    |
|                                                                                                                                                                                                                                        | RAM                                    | AAA to AA3 | A to A3  | BBB1 to BB3 | B to D  | Unrated    |
|                                                                                                                                                                                                                                        | MARC                                   | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated    |
|                                                                                                                                                                                                                                        | Rating &<br>Investment Inc             | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated    |
|                                                                                                                                                                                                                                        | On and Off-Balance-Sheet Exposures     |            |          |             |         |            |
| Credit Exposures (using Corporate Risk Weights)<br>Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)<br>Insurance Cos, Securities Firms & Fund Managers Corporates<br>Total |                                        |            |          |             |         |            |
|                                                                                                                                                                                                                                        |                                        | -          | -        | -           | -       | 25         |
|                                                                                                                                                                                                                                        |                                        | -          | -        | -           | -       | 330,086    |
|                                                                                                                                                                                                                                        | 804,331                                | 155,580    |          | -           | -       | 24,055,926 |
|                                                                                                                                                                                                                                        | 804,331                                | 155,580    |          | -           | -       | 24,386,037 |



## BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2017

Appendix III

### (ii) Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)

Group  
2017

| Exposure Class                                                            | Ratings of Sovereigns and Central Banks by Approved ECAIs |            |           |              |           |           |         |
|---------------------------------------------------------------------------|-----------------------------------------------------------|------------|-----------|--------------|-----------|-----------|---------|
|                                                                           | Moody's                                                   | Aaa to Aa3 | A1 to A3  | Baa1 to Baa3 | Ba1 to B3 | Caa1 to C | Unrated |
|                                                                           | S&P                                                       | AAA to AA- | A+ to A-  | BBB+ to BBB- | BB+ to B- | CCC+ to D | Unrated |
|                                                                           | Fitch                                                     | AAA to AA- | A+ to A-  | BBB+ to BBB- | BB+ to B- | CCC+ to D | Unrated |
|                                                                           | Rating & Investment Inc                                   | AAA to AA- | A+ to A-  | BBB+ to BBB- | BB+ to B- | CCC+ to C | Unrated |
| <u>On and Off-Balance-Sheet Exposures</u><br>Sovereigns and Central Banks |                                                           | 2,756,528  | 6,294,245 | -            | -         | -         | 22,707  |
|                                                                           | Total                                                     | 2,756,528  | 6,294,245 | -            | -         | -         | 22,707  |

| Exposure Class | Ratings of Banking Institutions by Approved ECAIs          |             |           |               |           |           |         |           |
|----------------|------------------------------------------------------------|-------------|-----------|---------------|-----------|-----------|---------|-----------|
|                | Moody's                                                    | Aaa to Aa3  | A1 to A3  | Baa1 to Baa3  | Ba1 to B3 | Caa1 to C | Unrated |           |
|                | S&P                                                        | AAA to AA-  | A+ to A-  | BBB+ to BBB-  | BB+ to B- | CCC+ to D | Unrated |           |
|                | Fitch                                                      | AAA to AA-  | A+ to A-  | BBB+ to BBB-  | BB+ to B- | CCC+ to D | Unrated |           |
|                | RAM                                                        | AAA to AA3- | A1 to A3  | BBB1+ to BBB3 | BB1 to B3 | C1+ to D  | Unrated |           |
|                | MARC                                                       | AAA to AA-  | A+ to A-  | BBB+ to BBB-  | BB+ to B- | C+ to D   | Unrated |           |
|                | Rating & Investment Inc                                    | AAA to AA-  | A+ to A-  | BBB+ to BBB-  | BB+ to B- | CCC+ to C | Unrated |           |
|                | On and Off-Balance-Sheet Exposures<br>Banks, MDBs and FDIs |             |           |               |           |           |         |           |
|                |                                                            |             | 1,589,991 | 36,479        | 17,335    | 12,596    | -       | 1,650,047 |
|                |                                                            |             | 1,589,991 | 36,479        | 17,335    | 12,596    | -       | 1,650,047 |

(ii) Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)

Group  
2016

| Exposure Class                     | Ratings of Sovereigns and Central Banks by Approved ECAIs |            |              |              |           |           |         |
|------------------------------------|-----------------------------------------------------------|------------|--------------|--------------|-----------|-----------|---------|
|                                    | Aaa to Aa3                                                | A1 to A3   | Baa1 to Baa3 | Ba1 to B3    | Caa1 to C | Unrated   |         |
|                                    | AAA to AA-                                                | A+ to A-   | BBB+ to BBB- | BB+ to B-    | CCC+ to D | Unrated   |         |
|                                    | AAA to AA-                                                | A+ to A-   | BBB+ to BBB- | BB+ to B-    | CCC+ to D | Unrated   |         |
|                                    | Rating & Investment Inc                                   | AAA to AA- | A+ to A-     | BBB+ to BBB- | BB+ to B- | CCC+ to C | Unrated |
| On and Off-Balance-Sheet Exposures | -                                                         | 7,391,986  | -            | -            | -         | -         |         |
| Sovereigns and Central Banks       | -                                                         | 7,391,986  | -            | -            | -         | -         |         |
| Total                              | -                                                         | 7,391,986  | -            | -            | -         | -         |         |

| Exposure Class                     | Ratings of Banking Institutions by Approved ECAs |          |               |           |           |           |  |
|------------------------------------|--------------------------------------------------|----------|---------------|-----------|-----------|-----------|--|
|                                    | Aaa to Aa3                                       | A1 to A3 | Baa1 to Baa3  | Ba1 to B3 | Caa1 to C | Unrated   |  |
| Moody's                            | AAA to AA-                                       | A+ to A- | BBB+ to BBB-  | BB+ to B- | CCC+ to D | Unrated   |  |
| S&P                                | AAA to AA-                                       | A+ to A- | BBB+ to BBB-  | BB+ to B- | CCC+ to D | Unrated   |  |
| Fitch                              | AAA to AA-                                       | A+ to A- | BBB+ to BBB-  | BB+ to B- | CCC+ to D | Unrated   |  |
| RAM                                | AAA to AA3-                                      | A1 to A3 | BBB1+ to BBB3 | BB1 to B3 | C1+ to D  | Unrated   |  |
| MARC                               | AAA to AA-                                       | A+ to A- | BBB+ to BBB-  | BB+ to B- | C+ to D   | Unrated   |  |
| Rating & Investment Inc            | AAA to AA-                                       | A+ to A- | BBB+ to BBB-  | BB+ to B- | CCC+ to C | Unrated   |  |
| On and Off-Balance-Sheet Exposures | 1,611,619                                        | 628,491  | 2,582         | 6,686     | 4,852     | 1,911,309 |  |
| Banks, MDBs and FDIs               | 1,611,619                                        | 628,491  | 2,582         | 6,686     | 4,852     | 1,911,309 |  |
| Total                              |                                                  |          |               |           |           |           |  |

## BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2017

Appendix III

### (ii) Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)

Bank  
2017

| Exposure Class                                                            | Ratings of Sovereigns and Central Banks by Approved ECAIs |            |           |              |           |           |         |
|---------------------------------------------------------------------------|-----------------------------------------------------------|------------|-----------|--------------|-----------|-----------|---------|
|                                                                           | Moody's                                                   | Aaa to Aa3 | A1 to A3  | Baa1 to Baa3 | Ba1 to B3 | Caa1 to C | Unrated |
|                                                                           | S&P                                                       | AAA to AA- | A+ to A-  | BBB+ to BBB- | BB+ to B- | CCC+ to D | Unrated |
|                                                                           | Fitch                                                     | AAA to AA- | A+ to A-  | BBB+ to BBB- | BB+ to B- | CCC+ to D | Unrated |
|                                                                           | Rating & Investment Inc                                   | AAA to AA- | A+ to A-  | BBB+ to BBB- | BB+ to B- | CCC+ to C | Unrated |
| <u>On and Off-Balance-Sheet Exposures</u><br>Sovereigns and Central Banks |                                                           | -          | 3,562,700 | -            | -         | -         | -       |
|                                                                           | Total                                                     | -          | 3,562,700 | -            | -         | -         | -       |

| Exposure Class | Ratings of Banking Institutions by Approved ECAIs          |             |           |               |           |           |         |           |
|----------------|------------------------------------------------------------|-------------|-----------|---------------|-----------|-----------|---------|-----------|
|                | Moody's                                                    | Aaa to Aa3  | A1 to A3  | Baa1 to Baa3  | Ba1 to B3 | Caa1 to C | Unrated |           |
|                | S&P                                                        | AAA to AA-  | A+ to A-  | BBB+ to BBB-  | BB+ to B- | CCC+ to D | Unrated |           |
|                | Fitch                                                      | AAA to AA-  | A+ to A-  | BBB+ to BBB-  | BB+ to B- | CCC+ to D | Unrated |           |
|                | RAM                                                        | AAA to AA3- | A1 to A3  | BBB1+ to BBB3 | BB1 to B3 | C1+ to D  | Unrated |           |
|                | MARC                                                       | AAA to AA-  | A+ to A-  | BBB+ to BBB-  | BB+ to B- | C+ to D   | Unrated |           |
|                | Rating & Investment Inc                                    | AAA to AA-  | A+ to A-  | BBB+ to BBB-  | BB+ to B- | CCC+ to C | Unrated |           |
|                | On and Off-Balance-Sheet Exposures<br>Banks, MDBs and FDIs |             | 1,577,899 | 36,479        | 17,335    | 12,597    | -       | 1,800,047 |
|                |                                                            | Total       | 1,577,899 | 36,479        | 17,335    | 12,597    | -       | 1,800,047 |

(ii) Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)

Bank  
2016

| Exposure Class                     | Ratings of Sovereigns and Central Banks by Approved ECAIs |           |              |           |           |         |  |
|------------------------------------|-----------------------------------------------------------|-----------|--------------|-----------|-----------|---------|--|
|                                    | Aaa to Aa3                                                | A1 to A3  | Baa1 to Baa3 | Ba1 to B3 | Caa1 to C | Unrated |  |
|                                    | AAA to AA-                                                | A+ to A-  | BBB+ to BBB- | BB+ to B- | CCC+ to D | Unrated |  |
|                                    | AAA to AA-                                                | A+ to A-  | BBB+ to BBB- | BB+ to B- | CCC+ to D | Unrated |  |
|                                    | AAA to AA-                                                | A+ to A-  | BBB+ to BBB- | BB+ to B- | CCC+ to C | Unrated |  |
| Moody's                            |                                                           |           |              |           |           |         |  |
| S&P                                |                                                           |           |              |           |           |         |  |
| Fitch                              |                                                           |           |              |           |           |         |  |
| Rating & Investment Inc            |                                                           |           |              |           |           |         |  |
| On and Off-Balance-Sheet Exposures |                                                           |           |              |           |           |         |  |
| Sovereigns and Central Banks       | -                                                         | 5,339,434 | -            | -         | -         | -       |  |
| Total                              | -                                                         | 5,339,434 | -            | -         | -         | -       |  |

| Exposure Class                     | Ratings of Banking Institutions by Approved ECAs |          |               |           |           |           |  |
|------------------------------------|--------------------------------------------------|----------|---------------|-----------|-----------|-----------|--|
|                                    | Aaa to Aa3                                       | A1 to A3 | Baa1 to Baa3  | Ba1 to B3 | Caa1 to C | Unrated   |  |
| Moody's                            | AAA to AA-                                       | A+ to A- | BBB+ to BBB-  | BB+ to B- | CCC+ to D | Unrated   |  |
| S&P                                | AAA to AA-                                       | A+ to A- | BBB+ to BBB-  | BB+ to B- | CCC+ to D | Unrated   |  |
| Fitch                              | AAA to AA-                                       | A+ to A- | BBB+ to BBB-  | BB+ to B- | CCC+ to D | Unrated   |  |
| RAM                                | AAA to AA3-                                      | A1 to A3 | BBB1+ to BBB3 | BB1 to B3 | C1+ to D  | Unrated   |  |
| MARC                               | AAA to AA-                                       | A+ to A- | BBB+ to BBB-  | BB+ to B- | C+ to D   | Unrated   |  |
| Rating & Investment Inc            | AAA to AA-                                       | A+ to A- | BBB+ to BBB-  | BB+ to B- | CCC+ to C | Unrated   |  |
| On and Off-Balance-Sheet Exposures | 1,599,205                                        | 628,491  | 2,582         | 6,686     | 4,852     | 1,879,976 |  |
| Banks, MDBs and FDIs               | 1,599,205                                        | 628,491  | 2,582         | 6,686     | 4,852     | 1,879,976 |  |
| Total                              |                                                  |          |               |           |           |           |  |

## BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2017

Appendix IV

### a) Disclosures on Credit Risk Mitigation (RM'000)

Group  
2017

| Exposure Class                                                               | Exposures<br>before CRM | Exposures<br>Covered by<br>Guarantees/Credit<br>Derivatives | Exposures<br>Covered by<br>Eligible Financial<br>Collateral | Exposures<br>Covered by<br>Other Eligible<br>Collateral |
|------------------------------------------------------------------------------|-------------------------|-------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------|
| <b>CREDIT RISK</b>                                                           |                         |                                                             |                                                             |                                                         |
| On Balance Sheet Exposures                                                   |                         |                                                             |                                                             |                                                         |
| Sovereigns/Central Banks                                                     | 8,956,404               | -                                                           | -                                                           | -                                                       |
| Banks, Development Financial Institutions & MDBs                             | 2,859,992               | -                                                           | -                                                           | -                                                       |
| Insurance Cos, Securities Firms & Fund Managers                              | 311,854                 | -                                                           | 191                                                         | -                                                       |
| Corporates                                                                   | 28,576,002              | 63,490                                                      | 1,031,309                                                   | -                                                       |
| Regulatory Retail                                                            | 14,543,952              | 388                                                         | 318,459                                                     | -                                                       |
| Residential Mortgages                                                        | 7,418,233               | -                                                           | 31,417                                                      | -                                                       |
| Higher Risk Assets                                                           | 156,983                 | 7,297                                                       | 3,615                                                       | -                                                       |
| Other Assets                                                                 | 3,583,287               | -                                                           | -                                                           | -                                                       |
| Equity Exposure                                                              | 19,902                  | -                                                           | -                                                           | -                                                       |
| Defaulted Exposures                                                          | 1,786,865               | 80                                                          | 42,971                                                      | -                                                       |
| <b>Total for On-Balance Sheet Exposures</b>                                  | <b>68,213,474</b>       | <b>71,255</b>                                               | <b>1,427,962</b>                                            | <b>-</b>                                                |
| <b>Off Balance Sheet Exposures</b>                                           |                         |                                                             |                                                             |                                                         |
| Off Balance Sheet Exposures other than OTC derivatives or credit derivatives | 5,499,135               | -                                                           | 15                                                          | -                                                       |
| Defaulted Exposures                                                          | 69,412                  | -                                                           | -                                                           | -                                                       |
| <b>Total for Off-Balance Sheet Exposures</b>                                 | <b>5,568,547</b>        | <b>-</b>                                                    | <b>15</b>                                                   | <b>-</b>                                                |
| <b>Total for On and Off-Balance Sheet Exposures</b>                          | <b>73,782,021</b>       | <b>71,255</b>                                               | <b>1,427,977</b>                                            | <b>-</b>                                                |

**a) Disclosures on Credit Risk Mitigation (RM'000) (continued)**

Group  
2016

| Exposure Class                                                               | Exposures<br>before CRM | Exposures<br>Covered by<br>Guarantees/Credit<br>Derivatives | Exposures<br>Covered by<br>Eligible Financial<br>Collateral | Exposures<br>Covered by<br>Other Eligible<br>Collateral |
|------------------------------------------------------------------------------|-------------------------|-------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------|
| <b>CREDIT RISK</b>                                                           |                         |                                                             |                                                             |                                                         |
| On Balance Sheet Exposures                                                   |                         |                                                             |                                                             |                                                         |
| Sovereigns/Central Banks                                                     | 7,299,495               | -                                                           | -                                                           | -                                                       |
| Banks, Development Financial Institutions & MDBs                             | 3,886,803               | -                                                           | -                                                           | -                                                       |
| Insurance Cos, Securities Firms & Fund Managers                              | 311,931                 | -                                                           | -                                                           | -                                                       |
| Corporates                                                                   | 24,934,627              | 57,602                                                      | 1,139,980                                                   | -                                                       |
| Regulatory Retail                                                            | 13,510,768              | 710                                                         | 262,061                                                     | -                                                       |
| Residential Mortgages                                                        | 5,852,510               | -                                                           | 31,768                                                      | -                                                       |
| Higher Risk Assets                                                           | 211,986                 | 9,051                                                       | 457                                                         | -                                                       |
| Other Assets                                                                 | 2,852,930               | -                                                           | -                                                           | -                                                       |
| Equity Exposure                                                              | 19,902                  | -                                                           | -                                                           | -                                                       |
| Defaulted Exposures                                                          | 1,657,538               | 95                                                          | 39,962                                                      | -                                                       |
| Total for On-Balance Sheet Exposures                                         | 60,538,490              | 67,458                                                      | 1,474,228                                                   | -                                                       |
| <b>Off Balance Sheet Exposures</b>                                           |                         |                                                             |                                                             |                                                         |
| Off Balance Sheet Exposures other than OTC derivatives or credit derivatives | 4,322,780               | -                                                           | 15                                                          | -                                                       |
| Defaulted Exposures                                                          | 46,818                  | -                                                           | -                                                           | -                                                       |
| Total for Off-Balance Sheet Exposures                                        | 4,369,598               | -                                                           | 15                                                          | -                                                       |
| Total for On and Off-Balance Sheet Exposures                                 | 64,908,088              | 67,458                                                      | 1,474,243                                                   | -                                                       |

## BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2017

Appendix IV

### a) Disclosures on Credit Risk Mitigation (RM'000) (continued)

Bank  
2017

| Exposure Class                                                               | Exposures<br>before CRM | Exposures<br>Covered by<br>Guarantees/Credit<br>Derivatives | Exposures<br>Covered by<br>Eligible Financial<br>Collateral | Exposures<br>Covered by<br>Other Eligible<br>Collateral |
|------------------------------------------------------------------------------|-------------------------|-------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------|
| <b>CREDIT RISK</b>                                                           |                         |                                                             |                                                             |                                                         |
| On Balance Sheet Exposures                                                   |                         |                                                             |                                                             |                                                         |
| Sovereigns/Central Banks                                                     | 3,545,364               | -                                                           | -                                                           | -                                                       |
| Banks, Development Financial Institutions & MDBs                             | 3,117,230               | -                                                           | -                                                           | -                                                       |
| Insurance Cos, Securities Firms & Fund Managers                              | 311,806                 | -                                                           | 191                                                         | -                                                       |
| Corporates                                                                   | 20,741,917              | 1,625                                                       | 967,651                                                     | -                                                       |
| Regulatory Retail                                                            | 9,948,274               | 388                                                         | 298,922                                                     | -                                                       |
| Residential Mortgages                                                        | 3,132,744               | -                                                           | 18,667                                                      | -                                                       |
| Higher Risk Assets                                                           | 7,670                   | -                                                           | -                                                           | -                                                       |
| Other Assets                                                                 | 3,053,336               | -                                                           | -                                                           | -                                                       |
| Equity Exposure                                                              | 19,902                  | -                                                           | -                                                           | -                                                       |
| Defaulted Exposures                                                          | 1,629,272               | 80                                                          | 42,910                                                      | -                                                       |
| <b>Total for On-Balance Sheet Exposures</b>                                  | <b>45,507,515</b>       | <b>2,093</b>                                                | <b>1,328,341</b>                                            | <b>-</b>                                                |
| Off Balance Sheet Exposures                                                  |                         |                                                             |                                                             |                                                         |
| Off Balance Sheet Exposures other than OTC derivatives or credit derivatives | 3,785,108               | -                                                           | 15                                                          | -                                                       |
| Defaulted Exposures                                                          | 66,664                  | -                                                           | -                                                           | -                                                       |
| <b>Total for Off-Balance Sheet Exposures</b>                                 | <b>3,851,772</b>        | <b>-</b>                                                    | <b>15</b>                                                   | <b>-</b>                                                |
| <b>Total for On and Off-Balance Sheet Exposures</b>                          | <b>49,359,287</b>       | <b>2,093</b>                                                | <b>1,328,356</b>                                            | <b>-</b>                                                |



**a) Disclosures on Credit Risk Mitigation (RM'000) (continued)**

Bank  
2016

| Exposure Class                                                               | Exposures<br>before CRM | Exposures<br>Covered by<br>Guarantees/Credit<br>Derivatives | Exposures<br>Covered by<br>Eligible Financial<br>Collateral | Exposures<br>Covered by<br>Other Eligible<br>Collateral |
|------------------------------------------------------------------------------|-------------------------|-------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------|
| <b>CREDIT RISK</b>                                                           |                         |                                                             |                                                             |                                                         |
| On Balance Sheet Exposures                                                   |                         |                                                             |                                                             |                                                         |
| Sovereigns/Central Banks                                                     | 5,334,682               | -                                                           | -                                                           | -                                                       |
| Banks, Development Financial Institutions & MDBs                             | 3,866,995               | -                                                           | -                                                           | -                                                       |
| Insurance Cos, Securities Firms & Fund Managers                              | 311,866                 | -                                                           | -                                                           | -                                                       |
| Corporates                                                                   | 20,517,217              | 3,970                                                       | 1,049,429                                                   | -                                                       |
| Regulatory Retail                                                            | 10,069,033              | 710                                                         | 241,326                                                     | -                                                       |
| Residential Mortgages                                                        | 3,111,099               | -                                                           | 21,308                                                      | -                                                       |
| Higher Risk Assets                                                           | 188,984                 | -                                                           | -                                                           | -                                                       |
| Other Assets                                                                 | 2,572,816               | -                                                           | -                                                           | -                                                       |
| Equity Exposure                                                              | 19,902                  | -                                                           | -                                                           | -                                                       |
| Defaulted Exposures                                                          | 1,509,618               | 95                                                          | 36,592                                                      | -                                                       |
| Total for On-Balance Sheet Exposures                                         | 47,502,212              | 4,775                                                       | 1,348,655                                                   | -                                                       |
| <b>Off Balance Sheet Exposures</b>                                           |                         |                                                             |                                                             |                                                         |
| Off Balance Sheet Exposures other than OTC derivatives or credit derivatives | 3,629,653               | -                                                           | 15                                                          | -                                                       |
| Defaulted Exposures                                                          | 31,882                  | -                                                           | -                                                           | -                                                       |
| Total for Off-Balance Sheet Exposures                                        | 3,661,535               | -                                                           | 15                                                          | -                                                       |
| Total for On and Off-Balance Sheet Exposures                                 | 51,163,747              | 4,775                                                       | 1,348,670                                                   | -                                                       |

## BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2017

Appendix IV

### b) Disclosure on Off-Balance Sheet and Counterparty Credit Risk (RM'000)

Counterparty Credit Risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cashflows. An economic loss could occur if the transactions with the counterparty has a positive economic value for the Bank at the time of default.

In contrast to the exposure to credit risk through a loan, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss, Counterparty Credit Risk creates a bilateral risk of loss where the market value for many types of transactions can be positive or negative to either counterparty.

In respect of off-balance sheet items, the credit risk inherent in each off-balance sheet instrument is translated into an on-balance sheet exposure equivalent (credit equivalent) by multiplying the nominal principal amount with a credit conversion factor ('CCF') as prescribed by the Standardised Approach under the Risk Weighted Capital Adequacy Framework. The resulting amount is then weighted against the risk weight of the counterparty. In addition, counterparty risk weights for over-the-counter ('OTC') derivative transactions will be determined based on the external rating of the counterparty and will not be subject to any specific ceiling.

#### Group 2017

| Description                                                                                                                                                                                                  | Principal Amount  | Positive Fair Value<br>of Derivative<br>Contracts | Credit Equivalent<br>Amount | Risk Weighted<br>Amount |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------------------------------------|-----------------------------|-------------------------|
| Direct Credit Substitutes                                                                                                                                                                                    | 573,469           |                                                   | 573,469                     | 527,606                 |
| Transaction related contingent items                                                                                                                                                                         | 2,091,113         |                                                   | 1,045,556                   | 978,111                 |
| Short Term Self Liquidating trade related contingencies                                                                                                                                                      | 431,400           |                                                   | 86,280                      | 43,360                  |
| Foreign exchange related contracts                                                                                                                                                                           |                   |                                                   |                             |                         |
| One year or less                                                                                                                                                                                             | 12,007,480        | 140,577                                           | 318,668                     | 119,636                 |
| Over one year to five years                                                                                                                                                                                  | 380,815           | 10,260                                            | 35,102                      | 18,760                  |
| Over five years                                                                                                                                                                                              | 42,485            | 2,332                                             | 9,965                       | 1,993                   |
| Interest/Profit rate related contracts                                                                                                                                                                       |                   |                                                   |                             |                         |
| One year or less                                                                                                                                                                                             | 886,000           | 2,715                                             | 1,781                       | 428                     |
| Over one year to five years                                                                                                                                                                                  | 2,216,148         | 4,616                                             | 53,760                      | 14,545                  |
| Over five years                                                                                                                                                                                              | 1,115,000         | 12,625                                            | 73,210                      | 20,171                  |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year                                                                                            | 3,255,925         |                                                   | 1,627,962                   | 1,242,686               |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year                                                                                           | 8,349,806         |                                                   | 1,669,961                   | 1,428,380               |
| Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | 571,760           |                                                   | -                           | -                       |
| Unutilised credit card lines                                                                                                                                                                                 | 364,163           |                                                   | 72,833                      | 54,298                  |
| <b>Total</b>                                                                                                                                                                                                 | <b>32,285,564</b> | <b>173,125</b>                                    | <b>5,568,547</b>            | <b>4,449,974</b>        |

**b) Disclosure on Off-Balance Sheet and Counterparty Credit Risk (RM'000) (continued)**

Group  
2016

| Description                                                                                                                                                                                                  | Principal Amount | Positive Fair Value<br>of Derivative<br>Contracts | Credit Equivalent<br>Amount | Risk Weighted<br>Amount |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|---------------------------------------------------|-----------------------------|-------------------------|
| Direct Credit Substitutes                                                                                                                                                                                    | 423,565          |                                                   | 423,565                     | 372,867                 |
| Transaction related contingent items                                                                                                                                                                         | 2,252,924        |                                                   | 1,126,462                   | 1,071,960               |
| Short Term Self Liquidating trade related contingencies                                                                                                                                                      | 496,339          |                                                   | 99,268                      | 41,342                  |
| Foreign exchange related contracts                                                                                                                                                                           |                  |                                                   |                             |                         |
| One year or less                                                                                                                                                                                             | 6,667,157        | 146,730                                           | 254,057                     | 180,466                 |
| Over one year to five years                                                                                                                                                                                  | 383,035          | 1,532                                             | 27,970                      | 9,928                   |
| Over five years                                                                                                                                                                                              | 42,485           | 1,442                                             | 9,666                       | 1,933                   |
| Interest/Profit rate related contracts                                                                                                                                                                       |                  |                                                   |                             |                         |
| One year or less                                                                                                                                                                                             | 593,125          | 2,185                                             | 859                         | 287                     |
| Over one year to five years                                                                                                                                                                                  | 1,187,148        | 5,727                                             | 21,272                      | 5,532                   |
| Over five years                                                                                                                                                                                              | 830,000          | 9,688                                             | 60,462                      | 15,676                  |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year                                                                                            | 1,514,728        |                                                   | 757,364                     | 727,777                 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year                                                                                           | 7,663,856        |                                                   | 1,532,771                   | 1,313,927               |
| Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | 198,586          |                                                   | -                           | -                       |
| Unutilised credit card lines                                                                                                                                                                                 | 230,550          |                                                   | 46,110                      | 34,313                  |
| Total                                                                                                                                                                                                        | 22,483,498       | 167,304                                           | 4,359,826                   | 3,776,008               |

## BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2017

Appendix IV

### b) Disclosure on Off-Balance Sheet and Counterparty Credit Risk (RM'000) (continued)

Bank  
2017

| Description                                                                                                                                                                                                  | Principal Amount  | Positive Fair Value<br>of Derivative<br>Contracts | Credit Equivalent<br>Amount | Risk Weighted<br>Amount |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------------------------------------|-----------------------------|-------------------------|
| Direct Credit Substitutes                                                                                                                                                                                    | 376,301           |                                                   | 376,301                     | 338,369                 |
| Transaction related contingent items                                                                                                                                                                         | 1,797,759         |                                                   | 898,879                     | 834,003                 |
| Short Term Self Liquidating trade related contingencies                                                                                                                                                      | 151,867           |                                                   | 30,374                      | 28,456                  |
| Foreign exchange related contracts                                                                                                                                                                           |                   |                                                   |                             |                         |
| One year or less                                                                                                                                                                                             | 7,587,059         | 99,240                                            | 220,154                     | 74,011                  |
| Over one year to five years                                                                                                                                                                                  | 97,051            | 321                                               | 8,699                       | 4,377                   |
| Over five years                                                                                                                                                                                              | 42,485            | 2,332                                             | 9,965                       | 1,993                   |
| Interest/Profit rate related contracts                                                                                                                                                                       |                   |                                                   |                             |                         |
| One year or less                                                                                                                                                                                             | 736,000           | 2,715                                             | 1,761                       | 488                     |
| Over one year to five years                                                                                                                                                                                  | 701,148           | 3,586                                             | 18,761                      | 6,225                   |
| Over five years                                                                                                                                                                                              | 1,115,000         | 12,625                                            | 73,210                      | 20,171                  |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year                                                                                            | 1,598,619         |                                                   | 799,309                     | 760,869                 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year                                                                                           | 6,707,971         |                                                   | 1,341,594                   | 1,209,740               |
| Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | 136,844           |                                                   | -                           | -                       |
| Unutilised credit card lines                                                                                                                                                                                 | 363,825           |                                                   | 72,765                      | 54,248                  |
| <b>Total</b>                                                                                                                                                                                                 | <b>21,411,929</b> | <b>120,819</b>                                    | <b>3,851,772</b>            | <b>3,332,950</b>        |

**b) Disclosure on Off-Balance Sheet and Counterparty Credit Risk (RM'000) (continued)**

Bank  
2016

| Description                                                                                                                                                                                                  | Principal Amount | Positive Fair Value<br>of Derivative<br>Contracts | Credit Equivalent<br>Amount | Risk Weighted<br>Amount |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|---------------------------------------------------|-----------------------------|-------------------------|
| Direct Credit Substitutes                                                                                                                                                                                    | 390,178          |                                                   | 390,178                     | 347,390                 |
| Transaction related contingent items                                                                                                                                                                         | 1,970,056        |                                                   | 985,028                     | 926,804                 |
| Short Term Self Liquidating trade related contingencies                                                                                                                                                      | 183,789          |                                                   | 36,758                      | 23,808                  |
| Foreign exchange related contracts                                                                                                                                                                           |                  |                                                   |                             |                         |
| One year or less                                                                                                                                                                                             | 7,636,993        | 145,666                                           | 253,946                     | 180,442                 |
| Over one year to five years                                                                                                                                                                                  | 383,035          | 1,532                                             | 27,970                      | 9,928                   |
| Over five years                                                                                                                                                                                              | 42,485           | 1,442                                             | 9,666                       | 1,933                   |
| Interest/Profit rate related contracts                                                                                                                                                                       |                  |                                                   |                             |                         |
| One year or less                                                                                                                                                                                             | 593,125          | 2,185                                             | 859                         | 287                     |
| Over one year to five years                                                                                                                                                                                  | 1,187,148        | 5,727                                             | 21,272                      | 5,532                   |
| Over five years                                                                                                                                                                                              | 830,000          | 9,688                                             | 60,462                      | 15,676                  |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year                                                                                            | 1,044,742        |                                                   | 522,371                     | 501,319                 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year                                                                                           | 6,534,578        |                                                   | 1,306,916                   | 1,176,416               |
| Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | 159,049          |                                                   | -                           | -                       |
| Unutilised credit card lines                                                                                                                                                                                 | 230,550          |                                                   | 46,110                      | 34,313                  |
| Total                                                                                                                                                                                                        | 21,185,728       | 166,240                                           | 3,661,536                   | 3,223,848               |

**c) Disclosures on Market Risk - Interest/profit Rate Risk/Rate of Return Risk in the Banking Book**

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

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

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

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

Interest/profit rate risk thresholds are established in line with the Group and the Bank's strategy and risk appetite. These thresholds are reviewed regularly to ensure relevance in the context of prevailing market conditions.

**2017**

| Type of Currency (RM million) | Group                                                    |                                         | Bank                                                     |                                         |
|-------------------------------|----------------------------------------------------------|-----------------------------------------|----------------------------------------------------------|-----------------------------------------|
|                               | Impact on Positions<br>(100 basis points) Parallel Shift |                                         | Impact on Positions<br>(100 basis points) Parallel Shift |                                         |
|                               | Increase/(Decline)<br>in Earnings                        | Increase/(Decline)<br>in Economic Value | Increase/(Decline)<br>in Earnings                        | Increase/(Decline)<br>in Economic Value |
| Ringgit Malaysia              | (45.6)                                                   | 676.2                                   | (12.6)                                                   | 368.9                                   |
| US Dollar                     | (4.5)                                                    | 36.1                                    | (3.1)                                                    | 33.3                                    |
| Euro                          | (1.1)                                                    | 9.0                                     | (1.1)                                                    | 9.0                                     |
| Great Britain Pound           | (0.2)                                                    | -                                       | (0.2)                                                    | -                                       |
| Australian Dollar             | (1.8)                                                    | (0.2)                                   | (1.8)                                                    | (0.2)                                   |
| Singapore Dollar              | (0.2)                                                    | 3.4                                     | (0.2)                                                    | 0.1                                     |
| Others (#)                    | (1.3)                                                    | -                                       | (0.8)                                                    | (0.1)                                   |
| <b>Total</b>                  | <b>(54.7)</b>                                            | <b>724.5</b>                            | <b>(19.8)</b>                                            | <b>411.0</b>                            |

# Others comprise of CNH, NZD, HKD and AED currencies where the amount of each currency is relatively small.

**c) Disclosures on Market Risk - Interest/profit Rate Risk/Rate of Return Risk in the Banking Book (continued)**

2016

| Type of Currency (RM million) | Group                                                    |                                         | Bank                                                     |                                         |
|-------------------------------|----------------------------------------------------------|-----------------------------------------|----------------------------------------------------------|-----------------------------------------|
|                               | Impact on Positions<br>(100 basis points) Parallel Shift |                                         | Impact on Positions<br>(100 basis points) Parallel Shift |                                         |
|                               | Increase/(Decline)<br>in Earnings                        | Increase/(Decline)<br>in Economic Value | Increase/(Decline)<br>in Earnings                        | Increase/(Decline)<br>in Economic Value |
| Ringgit Malaysia              | (43.2)                                                   | 355.5                                   | (30.0)                                                   | 263.6                                   |
| US Dollar                     | 11.2                                                     | 8.7                                     | 12.0                                                     | 8.7                                     |
| Euro                          | (2.0)                                                    | 0.1                                     | (2.0)                                                    | 0.1                                     |
| Great Britain Pound           | (0.1)                                                    | -                                       | (0.1)                                                    | -                                       |
| Australian Dollar             | (0.1)                                                    | -                                       | (0.1)                                                    | -                                       |
| Singapore Dollar              | 0.4                                                      | 0.2                                     | 0.4                                                      | 0.2                                     |
| Others (#)                    | (3.5)                                                    | 1.4                                     | 0.1                                                      | 1.4                                     |
| Total                         | (37.3)                                                   | 365.9                                   | (19.7)                                                   | 274.0                                   |

# Others comprise of CNH, NZD, HKD and AED currencies where the amount of each currency is relatively small.



**ADDITIONAL DISCLOSURE**

Pursuant to Listing Requirements

The information set out below is disclosed in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa") ("Listing Requirements"):

**1. Utilisation of proceeds raised from corporate proposals**

During the financial year ended 31 December 2017, Affin Bank has issued the following instrument:-

**RM6.0 billion Tier 2 BASEL III Compliant medium-term notes ("MTN") programme**

Affin Bank had on 7 February 2017 and 20 September 2017 issued 2 tranches of Tier 2 Subordinated MTNs of RM1.0 billion each out of its approved BASEL III Compliant MTN programme of up to RM6.0 billion in nominal value. The Subordinated MTNs were issued with a tenure of 10 years from the issuance date on a 10-year non-callable 5 basis, at a coupon rate of 5.45% and 5.03% respectively.

The total RM2.0 billion Tier 2 Subordinated MTNs issuance were fully utilised as follows:-

|                                                                     | Amount<br>RM'million |
|---------------------------------------------------------------------|----------------------|
| General banking, working capital requirements and business purposes | 1,000                |
| Repayment of subordinated loan                                      | 1,000                |
| <b>Total</b>                                                        | <b>2,000</b>         |

**2. Material contracts**

There were no material contracts entered into by Affin Bank and/or its subsidiary companies involving the interests of directors or major shareholders which subsisted at the end of the financial year ended 31 December 2017 or, if not then subsisting entered into since the end of the previous financial year.

**3. Recurrent Related Party Transactions of a Revenue or Trading Nature**

At the Annual General Meeting held on 24 April 2017, AFFIN Holdings Berhad ("AFFIN") (the then holding company listed in Bursa prior to the transfer of its listing status to Affin Bank on 2 February 2018) had obtained shareholders' mandate to allow AFFIN and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature, which are necessary for the day-to-day operations of AFFIN and/or its subsidiaries within the ordinary course of business of AFFIN and/or its subsidiaries ("Shareholders' Mandate"). The Shareholders' Mandate also applies to those RRPTs entered into by Affin Bank and its subsidiaries during the financial year ended 31 December 2017.

In accordance with Section 3.1.5 of Practice Note No. 12 of the Listing Requirements, the details of the RRPTs conducted during the financial year ended 31 December 2017 by AFFIN, Affin Bank and its subsidiaries pursuant to the Shareholders' Mandate are disclosed as follows:-

| Name of Company | Related Company                        | Nature of Transaction                                                                                                                                                               | Interested Directors/Major Shareholders/<br>Person(s) Connected to Interested Directors<br>or Interested Major Shareholders                                                                                             | Value of Transaction<br>RM'000 |
|-----------------|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| AFFIN           | Irat Hotels & Resorts Sdn Bhd ("Irat") | Rental payment by AFFIN for office premises, car park and utilities charges payable monthly for a lease term renewable every three (3) years and payment for other related services | <u>Interested Directors</u><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholder</u><br>LTAT               | 906                            |
|                 | Boustead Travel                        | Provision of travelling related services to AFFIN                                                                                                                                   | <u>Interested Directors</u><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 465                            |

**ADDITIONAL DISCLOSURE**

Pursuant to Listing Requirements

| Name of Company   | Related Company                                      | Nature of Transaction                                                                                                                                                                         | Interested Directors/Major Shareholders/<br>Person(s) Connected to Interested Directors<br>or Interested Major Shareholders                                                                                             | Value of<br>Transaction<br>RM'000 |
|-------------------|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| AFFIN (continued) | Boustead Hotels & Resorts                            | Hotel facilities and refreshment provided to AFFIN                                                                                                                                            | <u>Interested Directors</u><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 311                               |
|                   | Tricor Issuing House ("Tricor")                      | Share registrar services provided to AFFIN                                                                                                                                                    | <u>Interested Directors</u><br>Ignatius Chan Tze Ching, Joseph Yuk Wing Pang and Peter Yuen Wai Hung<br><br><u>Interested Major Shareholder</u><br>The Bank of East Asia, Limited                                       | -                                 |
| Affin Bank        | Perbadanan Perwira Niaga Malaysia                    | Rental payment by Affin Bank for office premises, service charge and space for Automated Teller Machine (ATM) at various locations for a lease period ranging from two (2) to three (3) years | <u>Interested Directors</u><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholder</u><br>LTAT               | 142                               |
|                   | Boustead Travel Services Sdn Bhd ("Boustead Travel") | Provision of travelling related services to Affin Bank                                                                                                                                        | <u>Interested Directors</u><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 1,317                             |
|                   | Boustead Properties Sdn Bhd ("Boustead Properties")  | Rental payment by Affin Bank for office premises and car park payable monthly for a lease term renewable every five (5) years (Menara AFFIN)                                                  | <u>Interested Directors</u><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 11,804                            |
|                   | Lembaga Tabung Angkatan Tentera ("LTAT")             | Rental payment by Affin Bank for office premises and car park payable monthly for a lease term renewable every three (3) years                                                                | <u>Interested Directors</u><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholder</u><br>LTAT               | 319                               |
|                   | Boustead Curve Sdn Bhd ("Boustead Curve")            | Rental payment by Affin Bank for office premises, car park and utilities charges for a lease term renewable every three (3) years and payment for other related services (The Curve)          | <u>Interested Directors</u><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 196                               |

**ADDITIONAL DISCLOSURE**

Pursuant to Listing Requirements

| Name of Company                             | Related Company                                                   | Nature of Transaction                                                                                                             | Interested Directors/Major Shareholders/<br>Person(s) Connected to Interested Directors<br>or Interested Major Shareholders                                                                                             | Value of<br>Transaction<br>RM'000 |
|---------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| Affin Bank<br>(continued)                   | Boustead Hotels & Resorts Sdn Bhd ("Boustead Hotels & Resorts")   | Hotel facilities and refreshment provided to Affin Bank                                                                           | <u>Interested Directors</u><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 1,120                             |
|                                             | Boustead Hotels & Resorts                                         | Rental payment by Affin Bank for space of ATM machine at The Royale Chulan Kuala Lumpur Hotel                                     | <u>Interested Directors</u><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 11                                |
|                                             | Boustead Petroleum Marketing Sdn Bhd ("Boustead Petroleum")       | LED advertising charges and related expenses to Affin Bank                                                                        | <u>Interested Directors</u><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 83                                |
|                                             | Boustead Petroleum                                                | Rental payment by Affin Bank for space of ATM machine at BHP petrol stations                                                      | <u>Interested Directors</u><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 153                               |
|                                             | Dr. Rosnah binti Omar                                             | Rental payment by Affin Bank for branch premises payable monthly for a lease term renewable every three (3) years (Ara Damansara) | <u>Interested Director</u><br>Dr. Rosnah binti Omar                                                                                                                                                                     | 79                                |
|                                             | Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin | Rental payment by Affin Bank for branch premises payable monthly for a lease term renewable every three (3) years (Kulai)         | <u>Interested Director</u><br>Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin                                                                                                                         | 60                                |
| AFFIN Islamic Bank Berhad ("AFFIN Islamic") | Boustead Travel                                                   | Provision of travelling related services to AFFIN Islamic                                                                         | <u>Interested Directors</u><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 114                               |
|                                             | Boustead Hotels & Resorts                                         | Hotel facilities and refreshment provided to AFFIN Islamic                                                                        | <u>Interested Directors</u><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 4                                 |

**ADDITIONAL DISCLOSURE**

Pursuant to Listing Requirements

| Name of Company                                                | Related Company                                      | Nature of Transaction                                                                                                                                                                                            | Interested Directors/Major Shareholders/<br>Person(s) Connected to Interested Directors<br>or Interested Major Shareholders                                                                                                       | Value of<br>Transaction<br>RM'000 |
|----------------------------------------------------------------|------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| AFFIN Hwang<br>Investment Bank<br>Berhad ("AFFIN<br>Hwang IB") | Boustead<br>Realty Sdn Bhd<br>("Boustead<br>Realty") | Rental payment by AFFIN Hwang<br>IB for office premises, car<br>park and utilities charges for<br>a lease term renewable every<br>three (3) years and payment for<br>other related services (Menara<br>Boustead) | <u>Interested Directors</u><br><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi<br>bin Haji Zainuddin (R) and Tan Sri Dato' Seri<br>Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 4,192                             |
|                                                                | Boustead Travel                                      | Provision of travelling related<br>services to AFFIN Hwang IB                                                                                                                                                    | <u>Interested Directors</u><br><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi<br>bin Haji Zainuddin (R) and Tan Sri Dato' Seri<br>Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 498                               |
|                                                                | Boustead<br>Petroleum                                | Petrol consumption                                                                                                                                                                                               | <u>Interested Directors</u><br><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi<br>bin Haji Zainuddin (R) and Tan Sri Dato' Seri<br>Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 29                                |
|                                                                | Boustead Curve                                       | Rental payment by AFFIN Hwang<br>IB for office premises, car park<br>and utilities charges for a lease<br>term renewable every three (3)<br>years and payment for other<br>related services (The Curve)          | <u>Interested Directors</u><br><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi<br>bin Haji Zainuddin (R) and Tan Sri Dato' Seri<br>Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 369                               |
|                                                                | Irat                                                 | Rental payment by AFFIN Hwang<br>IB for office premises, car<br>park and utilities charges for a<br>renewable lease term every three<br>(3) years and payment for other<br>related services (Chulan Tower)       | <u>Interested Directors</u><br><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi<br>bin Haji Zainuddin (R) and Tan Sri Dato' Seri<br>Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholder</u><br>LTAT               | 2,278                             |
|                                                                | Boustead Hotels &<br>Resorts                         | Hotel facilities and refreshment<br>provided to AFFIN Hwang IB for<br>staff in-house training and other<br>expenses                                                                                              | <u>Interested Directors</u><br><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi<br>bin Haji Zainuddin (R) and Tan Sri Dato' Seri<br>Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 136                               |
|                                                                | Boustead Weld<br>Quay Sdn Bhd                        | Accommodation and meeting<br>package                                                                                                                                                                             | <u>Interested Directors</u><br><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi<br>bin Haji Zainuddin (R) and Tan Sri Dato' Seri<br>Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 60                                |
|                                                                |                                                      |                                                                                                                                                                                                                  |                                                                                                                                                                                                                                   |                                   |

**ADDITIONAL DISCLOSURE**

Pursuant to Listing Requirements

| Name of Company                                                      | Related Company           | Nature of Transaction                                                                                                                                                                   | Interested Directors/Major Shareholders/<br>Person(s) Connected to Interested Directors<br>or Interested Major Shareholders                                                                                             | Value of<br>Transaction<br>RM'000 |
|----------------------------------------------------------------------|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| AFFIN Hwang Asset Management Berhad ("AFFIN Hwang Asset Management") | LTAT                      | Management fees payable by LTAT to AFFIN Hwang Asset Management                                                                                                                         | <u>Interested Directors</u><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholder</u><br>LTAT               | 283                               |
|                                                                      | Boustead Travel           | Provision of travelling related services to AFFIN Hwang Asset Management                                                                                                                | <u>Interested Directors</u><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 1,081                             |
|                                                                      | Boustead Hotels & Resorts | Hotel facilities and refreshment provided to AFFIN Hwang Asset Management for staff in-house training and other expenses                                                                | <u>Interested Directors</u><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 11                                |
|                                                                      | Boustead Realty           | Rental payment by AFFIN Hwang Asset Management for office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services | <u>Interested Directors</u><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 982                               |
|                                                                      | Nikko Asset Management    | Management fees payable by AFFIN Hwang Asset Management to Nikko Asset Management                                                                                                       | <u>Interested Director</u><br>David Jonathan Semaya<br><br><u>Interested Major Shareholder</u><br>Nikko Asset Management                                                                                                | 583                               |
|                                                                      | Nikko Asset Management    | Advisory fees payable by AFFIN Hwang Asset Management to Nikko Asset Management                                                                                                         | <u>Interested Director</u><br>David Jonathan Semaya<br><br><u>Interested Major Shareholder</u><br>Nikko Asset Management                                                                                                | 849                               |
|                                                                      | Nikko Asset Management    | Other fees and commission payable by Nikko Asset Management to AFFIN Hwang Asset Management                                                                                             | <u>Interested Director</u><br>David Jonathan Semaya<br><br><u>Interested Major Shareholder</u><br>Nikko Asset Management                                                                                                | 902                               |
| AFFIN Moneybrokers Sdn Bhd ("AFFIN Moneybrokers")                    | Boustead Realty           | Rental payment by AFFIN Moneybrokers for office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services           | <u>Interested Directors</u><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 411                               |

**ADDITIONAL DISCLOSURE**

Pursuant to Listing Requirements

| Name of Company                                                  | Related Company           | Nature of Transaction                                                                                                                                                      | Interested Directors/Major Shareholders/<br>Person(s) Connected to Interested Directors<br>or Interested Major Shareholders                                                                                             | Value of<br>Transaction<br>RM'000 |
|------------------------------------------------------------------|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| AFFIN Moneybrokers Sdn Bhd ("AFFIN Moneybrokers")<br>(continued) | Boustead Travel           | Provision of travelling related services to AFFIN Moneybrokers                                                                                                             | <u>Interested Directors</u><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 55                                |
| AXA AFFIN Life Insurance Berhad ("AXA AFFIN Life")               | Irat                      | Rental payment by AXA AFFIN Life for office premises, car park and utilities charges for lease term renewable every three (3) years and payment for other related services | <u>Interested Directors</u><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 1,907                             |
|                                                                  | AXA Asia Pacific Ltd      | Provision of information technology and other support services to AXA AFFIN Life                                                                                           | <u>Interested Directors</u><br>Loke Kah Meng and Jean Paul Dominique Louis Drouffe<br><br><u>Interested Major Shareholder</u><br>AXA Asia Pacific Ltd                                                                   | 10,497                            |
|                                                                  | AXA Asia Pacific Ltd      | Software development and license fees by AXA Asia Pacific Ltd to AXA AFFIN Life                                                                                            | <u>Interested Directors</u><br>Loke Kah Meng and Jean Paul Dominique Louis Drouffe<br><br><u>Interested Major Shareholder</u><br>AXA Asia Pacific Ltd                                                                   | 3,838                             |
|                                                                  | Boustead Travel           | Provision of travelling related services to AXA AFFIN Life                                                                                                                 | <u>Interested Directors</u><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 1,051                             |
|                                                                  | Boustead Hotels & Resorts | Hotel facilities and refreshment provided to AXA AFFIN Life                                                                                                                | <u>Interested Directors</u><br>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin<br><br><u>Interested Major Shareholders</u><br>LTAT and Boustead | 73                                |
| <b>Total</b>                                                     |                           |                                                                                                                                                                            |                                                                                                                                                                                                                         | <b>47,169</b>                     |

Note:

- 1) Tricor ceased to be a related party with effect from 1 April 2017.
- 2) YBhg Tan Sri Dato' Seri Lodin bin Wok Kamaruddin ceased to be an interested director, ie 6 months after completion of his tenure of directorship at AFFIN, AFFIN Bank, AFFIN Islamic, AFFIN Hwang IB and AXA-AFFIN Life accordingly.

# PARTICULAR OF PROPERTIES

as at 31 December 2017

| NO. | TITLE / LOT NO.                                                                                                     | LOCATION / ADDRESS                                                                                           | DESCRIPTION / EXISTING USE                                                                   | TENURE                           | AREA (sq ft)<br>L : LAND AREA<br>B : BUILT-UP AREA | APPROX AGE<br>OF BUILDING<br>(YEARS) | NET BOOK<br>VALUE AS AT<br>31/12/2017<br>(RM) |
|-----|---------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------|----------------------------------------------------|--------------------------------------|-----------------------------------------------|
| 1   | HS(D) 5217<br>P.T. 90 SECTION 1<br>TOWN OF PORT SWETHENHAM<br>DISTRICT OF KLANG                                     | NO. 1, JLN BERANGAN<br>42000 PORT KLANG<br>SELANGOR DARUL EHSAN                                              | 4 STOREY SHOP OFFICE / BRANCH<br>PREMISES<br>(PORT KLANG) CRC                                | FREEHOLD                         | LAND : 3,000<br>BUILT-UP : 12,768                  | 36                                   | 394,182                                       |
| 2   | LOT 51412 & 51413<br>HS(D) 23844 & 23843<br>P.T. 3479 & 3480<br>MUKIM OF KUALA LUMPUR<br>DISTRICT OF W. PERSEKUTUAN | NO. 4 & 6<br>JALAN TELAWI 3<br>BANGSAR BARU<br>59100 KUALA LUMPUR                                            | 2 UNITS 3 STOREY SHOP OFFICE /<br>BRANCH PREMISES (BANGSAR) CRC                              | FREEHOLD                         | LAND : 4,659<br>BUILT-UP : 11,858                  | 26                                   | 2,993,399                                     |
| 3   | HS(M) 4961 PT 457<br>HS(M) 4962 PT 458<br>MUKIM OF KAJANG<br>DISTRICT OF ULU LANGAT                                 | NO. 2 & 3, JLN SAGA<br>TMN SRI SAGA<br>OFF JLN SG CHUA<br>43000 KAJANG, SELANGOR DARUL<br>EHSAN              | 2 UNITS 3 1/2 STOREY SHOP<br>OFFICE / BRANCH PREMISES<br>(KAJANG) CRC                        | FREEHOLD                         | LAND : 3,510<br>BUILT-UP : 11,136                  | 22                                   | 211,797                                       |
| 4   | PLOT 65 & 66<br>HS(D) 7570 & 7571<br>LOT 8552 & 8553<br>MUKIM 12<br>DISTRICT OF BARAT DAYA                          | NO. 124 & 126<br>JALAN MAYANG PASIR<br>TMN SRI TUNAS<br>11950 BAYAN BARU<br>PULAU PINANG                     | 2 UNITS 3 STOREY SHOP OFFICE /<br>BRANCH PREMISES (BAYAN BARU)<br>CRC                        | FREEHOLD                         | LAND : 3,080<br>BUILT-UP : 8,360                   | 25                                   | 939,629                                       |
| 5   | HS(D) 11547, 11548<br>P.T. 15727, 15728<br>MUKIM OF AMPANG                                                          | NO. 11 & 11A<br>JLN MAMANDA 7/1<br>AMPANG POINT<br>68000 AMPANG, SELANGOR                                    | 5 STOREY SHOP OFFICE (OCCUPIED<br>GR & 1ST FLOOR ONLY) / BRANCH<br>PREMISES(AMPANG JAYA) CRC | FREEHOLD                         | LAND : 3,261<br>BUILT-UP : 5,658.4                 | 21                                   | 925,628                                       |
| 6   | HS(D) 52849, 52850,<br>52988 & 52989<br>PT 2, 3, 6620 & 6621<br>MUKIM OF BATU<br>DISTRICT OF WILAYAH<br>PERSEKUTUAN | NO. 81, 83 & 85<br>JALAN 2/3A<br>PUSAT PASAR BORONG<br>KM 12, JALAN IPOH<br>68100 BATU CAVES<br>KUALA LUMPUR | 3 UNITS 4 STOREY SHOP OFFICE<br>/ BRANCH PREMISES (SELAYANG)<br>CRC                          | LEASEHOLD/<br>EXP:<br>01/01/2086 | LAND : 4,950<br>BUILT-UP : 16,733                  | 22                                   | 915,876                                       |
| 7   | HS(D) 39216, K1<br>PT 2068<br>MUKIM AND DISTRICT OF PETALING                                                        | NO. 1, JLN TK 1/11A<br>TMN KINRARA, SECTION 1<br>BATU 7 1/2, JLN PUCHONG<br>58200 SELANGOR                   | 3 STOREY SHOP OFFICE +<br>BASEMENT / BRANCH PREMISES<br>(KINRARA) CRC                        | LEASEHOLD<br>/ EXP:<br>27/8/2091 | LAND : 3,900<br>BUILT-UP : 15,600                  | 23                                   | 1,301,157                                     |

# PARTICULAR OF PROPERTIES

as at 31 December 2017

| NO. TITLE / LOT NO.                                                                                                    | LOCATION / ADDRESS                                                                                                 | DESCRIPTION / EXISTING USE                                              | TENURE                          | AREA (sq ft)<br>L : LAND AREA<br>B : BUILT-UP AREA | APPROX AGE<br>OF BUILDING<br>(YEARS) | NET BOOK<br>VALUE AS AT<br>31/12/2017<br>(RM) |
|------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|---------------------------------|----------------------------------------------------|--------------------------------------|-----------------------------------------------|
| 8 HS(D) 9406, LOT 8226 & PT 4045<br>HS(D) 9407, LOT 8227 & PT 4046<br>MUKIM OF DAMANSARA<br>DISTRICT OF PETALING       | NO. 7 & 9<br>JLN SS 15/8A<br>47500 PETALING JAYA<br>SELANGOR                                                       | 2 UNITS 4 STOREY SHOP OFFICE /<br>BRANCH PREMISES (SUBANG JAYA)<br>CRC  | FREEHOLD                        | LAND : 3,520<br>BUILT-UP : 9,944                   | 24                                   | 937,859                                       |
| 9 HS(D) 2874 & PTD 4161<br>TOWNSHIP OF KLUANG<br>DISTRICT OF KLUANG                                                    | NO. 503<br>JLN MERSING<br>86000 KLUANG, JOHOR                                                                      | 3 STOREY SHOP OFFICE / BRANCH<br>PREMISES (KLUANG) CRC/HPC              | FREEHOLD                        | LAND : 6,000<br>BUILT-UP : 9,944                   | 24                                   | 444,426                                       |
| 10 HS(M) 6367, PT 7485<br>MUKIM OF CHENOR<br>DISTRICT OF MARAN                                                         | NADI KOTA<br>BANDAR PUSAT JENGKA<br>26400 JENGKA<br>PAHANG                                                         | SINGLE STOREY BUNGALOW /<br>BRANCH PREMISES (JENGKA) CRC                | LEASEHOLD/<br>EXP:<br>21/8/2091 | LAND : 20,056<br>BUILT-UP : 2,100                  | 27                                   | 357,359                                       |
| 11 GM 2251 & 2252<br>LOT 3991 & 3992<br>MUKIM 5<br>DISTRICT OF SEBERANG PERAI UTARA                                    | NO. 1317 & 1318<br>TMN SEPAKAT<br>OFF JLN BUTTERWORTH<br>13200 KEPALA BATAS<br>SEBERANG PRAI UTARA<br>PULAU PINANG | 2 UNITS 3 STOREY SHOP OFFICE /<br>BRANCH PREMISES (KEPALA BATAS)<br>CRC | FREEHOLD                        | LAND : 2,390<br>BUILT-UP : 6,920                   | 22                                   | 486,860                                       |
| 12 TOWN LEASE NO. 017541374 & 017541383<br>LOT 82 & 83, BLOK K<br>MUKIM OF KARAMUNISING<br>DISTRICT OF KOTA KINABALU   | LOT 19 & 20<br>SADONG JAYA COMPLEX<br>JALAN JUARA IKAN 3<br>KARAMUNISING<br>88300 KOTA KINABALU<br>SABAH           | 4 STOREY SHOP OFFICE / BRANCH<br>PREMISES (KOTA KINABALU) CRC           | LEASEHOLD/<br>EXP:<br>21/1/2901 | LAND : 2,780<br>BUILT-UP : 10,144                  | 24                                   | 2,148,342                                     |
| 13 HS(D) 73618 & 73619<br>PT 5733 & 5734<br>MUKIM OF LABU<br>DISTRICT OF SEREMBAN                                      | NO. 5733 & 5734<br>JLN TS 2/1<br>TMN SEMARAK, PHASE II<br>71800 NILAI, N. SEMBILAN                                 | 2 UNITS 3 STOREY SHOP OFFICE /<br>BRANCH PREMISES (NILAI) CRC           | FREEHOLD                        | LAND : 3,600<br>BUILT-UP : 10,800                  | 23                                   | 659,151                                       |
| 14 HS(D) 7156, 7157, 7187 & 7188<br>PT 34, 35, 65 & 66<br>BANDAR BUKIT BARU<br>SEKSYEN 11<br>DISTRICT OF MELAKA TENGAH | NO. 7 & 8, JALAN DR1 DELIMA POINT<br>TAMAN DELIMA RAYA<br>75150 MELAKA                                             | 2 UNITS 5 STOREY SHOP OFFICE /<br>BRANCH PREMISES (BUKIT BARU)<br>CRC   | FREEHOLD                        | LAND : 3,509<br>BUILT-UP : 17,160                  | 21                                   | 1,354,460                                     |



## PARTICULAR OF PROPERTIES

as at 31 December 2017

| NO. TITLE / LOT NO.                                                                               | LOCATION / ADDRESS                                                                                                   | DESCRIPTION / EXISTING USE                                                                  | TENURE                           | AREA (sq ft)<br>L : LAND AREA<br>B : BUILT-UP AREA | APPROX AGE<br>OF BUILDING<br>(YEARS) | NET BOOK<br>VALUE AS AT<br>31/12/2017<br>(RM)                                                                                                         |
|---------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|----------------------------------|----------------------------------------------------|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| 15 HS(D) 143324, PT 18<br>SEKSYEN 14,<br>BANDAR SHAH ALAM<br>SELANGOR DARUL EHSAN                 | a. COMMERCIAL LAND<br>PRECINT 3.4<br>PUSAT BANDAR SHAH ALAM<br>b. BANGUNAN AFFINBANK                                 | 16-STOREY BUILDING WITH<br>4 STOREY BASEMENT<br>BUILDING (BANGUNAN AFFIN BANK<br>SHAH ALAM) | LEASEHOLD/<br>EXP:<br>11/5/2100  | LAND : 32,561<br>BUILT-UP : 81,400                 | 18                                   | 37,150,604<br>(Note: This<br>property has<br>been sold,<br>currently the<br>purchaser<br>has paid 10%<br>of purchase<br>price on 15<br>September 2017 |
| 16 LOT S03 & S04<br>PT 72, HS(D) 7295<br>DISTRICT OF PORT DICKSON                                 | NO. 3 & 4, JALAN AMAN<br>KAWASAN PENAMBAKAN LAUT<br>BANDAR PORT DICKSON<br>71009 NEGERI SEMBILAN                     | 2 UNITS 3 STOREY SHOP OFFICE<br>/ BRANCH PREMISES (PORT<br>DICKSON) CRC                     | LEASEHOLD/<br>EXP:<br>31/1/2085  | LAND : 3,532<br>BUILT-UP : 9,900                   | 21                                   | 697,789                                                                                                                                               |
| 17 LOT 2387 & 2388<br>BLOCK 5<br>DISTRICT OF MIRI                                                 | LOT 2387 & 2388<br>JALAN BOULEVARD 1A<br>BOULEVARD COMMERCIAL CENTRE<br>3KM, JALAN MIRI-PUJUT<br>98000 MIRI, SARAWAK | 2 UNITS 3 STOREY SHOP OFFICE /<br>BRANCH PREMISES (MIRI) CRC                                | LEASEHOLD/<br>EXP:<br>21/1/2050  | LAND : 3,190<br>BUILT-UP : 8,371                   | 21                                   | 736,572                                                                                                                                               |
| 18 PTD 48474 & 48475<br>HS(D) 86046 & 86047<br>MUKIM OF PLENTONG<br>DISTRICT OF JOHOR BHARU       | NO. 130 & 132<br>JLN ROSMERAH 2/17<br>TMN JOHOR JAYA<br>81100 JOHOR                                                  | 2 UNITS 3 STOREY SHOP OFFICE /<br>BRANCH PREMISES (JOHOR JAYA)<br>CRC                       | FREEHOLD                         | LAND : 4,773<br>BUILT-UP : 14,319                  | 23                                   | 1,437,697                                                                                                                                             |
| 19 PTD 100479 & 100480<br>MUKIM OF PLENTONG<br>DISTRICT OF JOHOR BHARU                            | NO. 23 AND 25,<br>JALAN PERMAS 10/2,<br>PERMAS JAYA, 81750 MASAI,<br>JOHOR BAHRU, JOHOR                              | 2 UNITS 4 STOREY SHOP OFFICE /<br>BRANCH PREMISES (PERMAS JAYA)<br>CRC                      | FREEHOLD                         | LAND : 3,840<br>BUILT-UP : 13,440                  | 24                                   | 1,761,806                                                                                                                                             |
| 20 PT 3686 & 3687<br>HS(D) 5167 & 5168<br>MUKIM 1<br>DISTRICT OF SEBERANG<br>PERAI TENGAH, PENANG | NO. 10<br>JLN TODAK 1<br>PUSAT BANDAR SEBERANG JAYA<br>13700 PERAI, PENANG                                           | 4 STOREY SHOP OFFICE / BRANCH<br>PREMISES (SEBERANG JAYA) CRC                               | LEASEHOLD/<br>EXP:<br>21/10/2092 | LAND : 3,681<br>BUILT-UP : 13,716                  | 21                                   | 1,629,836                                                                                                                                             |

# PARTICULAR OF PROPERTIES

as at 31 December 2017

| NO. TITLE / LOT NO.                                                                                                | LOCATION / ADDRESS                                                                                                             | DESCRIPTION / EXISTING USE                                                       | TENURE                           | AREA (sq ft)<br>L : LAND AREA<br>B : BUILT-UP AREA | APPROX AGE<br>OF BUILDING<br>(YEARS) | NET BOOK<br>VALUE AS AT<br>31/12/2017<br>(RM) |
|--------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|----------------------------------|----------------------------------------------------|--------------------------------------|-----------------------------------------------|
| 21 LOT 175 & 176<br>PT 1386 & 1387<br>GRANT 6787<br>MUKIM OF KUAH<br>DISTRICT OF LANGKAWI                          | NO. 149-A, 149-B & 149-C<br>NO. 151-A, 151-B & 151-C<br>PERSIARAN BUNGA RAYA LANGKAWI<br>MALL<br>07000 KUAH<br>LANGKAWI, KEDAH | 2 ADJACENT LOTS 3 STOREY SHOP<br>OFFICE / BRANCH PREMISES (KUAH)<br>CRC          | FREEHOLD                         | LAND : 3,304<br>BUILT-UP : 9,912                   | 20                                   | 1,221,239                                     |
| 22 LOT 1894 TITLE NO. 1289 & LOT 1895<br>TITLE NO. 1290,<br>DAERAH & BANDAR KUALA TERENGGANU,<br>NEGERI TERENGGANU | 63 & 63A , JALAN SULTAN ISMAIL<br>20200 KUALA TERENGGANU<br>TERENGGANU                                                         | 3 STOREY SHOP OFFICE / BRANCH<br>PREMISES (KUALA TERENGGANU)<br>CRC              | LEASEHOLD/<br>EXP:<br>18/12/2048 | LAND : 4,171<br>BUILT-UP : 8,128                   | 17                                   | 1,344,301                                     |
| 23 LOT 14127 & 14128<br>GRANTS 7792 & 7793<br>MUKIM OF SETAPAK<br>DISTRICT OF KUALA LUMPUR                         | NO. 159 & 161<br>JALAN GENTING KELANG<br>53300 SETAPAK<br>KUALA LUMPUR                                                         | 2 UNITS 3 STOREY SHOP OFFICE<br>WITH BASEMENT / BRANCH<br>PREMISES (SETAPAK) CRC | FREEHOLD                         | LAND : 4,306<br>BUILT-UP : 17,224                  | 29                                   | 1,736,807                                     |
| 24 HS(D) 67774 & 67773<br>LOT 29427 & 29428<br>MUKIM OF KUALA LUMPUR<br>DISTRICT & STATE OF<br>WILAYAH PERSEKUTUAN | NO. 47 & 49<br>JALAN TUN MOHD FUAD 3<br>TAMAN TUN DR ISMAIL<br>60000 KUALA LUMPUR                                              | 2 UNITS 3 STOREY SHOP OFFICE /<br>BRANCH PREMISES (TAMAN TUN DR<br>ISMAIL) CRC   | FREEHOLD                         | LAND : 5,138<br>BUILT-UP : 11,250                  | 26                                   | 3,617,647                                     |
| 25 HS(D) 16728, PTD 9887 &<br>HSD(D) 16729, PTD 9888,<br>MUKIM OF SIMPANG KANAN,<br>DISTRICT OF BATU PAHAT         | NO. 3 & 4<br>JALAN MERAH<br>TAMAN BUKIT PASIR<br>83000 BATU PAHAT, JOHOR                                                       | 2 UNITS 3 STOREY SHOP HOUSE /<br>BRANCH PREMISES (BATU PAHAT)<br>CRC             | FREEHOLD                         | LAND : 3,080<br>BUILT-UP : 16,227                  | 27                                   | 735,176                                       |
| 26 HS (M) 14862 & 14863<br>PT 21350 & 21351<br>TEMPAT BUKIT RAJA<br>MUKIM OF KAPAR<br>DISTRICT OF KLANG            | NO. 29 & 31<br>JALAN TIARA 3<br>BANDAR BARU KELANG<br>41150 KELANG<br>SELANGOR                                                 | 2 UNITS 4 STOREY SHOP OFFICE /<br>BRANCH PREMISES (KELANG<br>UTARA) CRC          | LEASEHOLD/<br>EXP:<br>8/5/2093   | LAND : 3,300<br>BUILT-UP : 13,200                  | 20                                   | 2,483,814                                     |
| 27 PTD 62642 & 62643<br>HS(D) 227069 & 227070<br>MUKIM OF PULAI<br>DISTRICT OF JOHOR BAHRU                         | NO. 49 & 51<br>JALAN SRI PERKASA 2/1<br>TAMAN TAMPOI UTAMA<br>81200 TAMPOI<br>JOHOR BAHRU, JOHOR                               | 2 ADJACENT LOTS 3 STOREY<br>SHOP HOUSE / BRANCH PREMISES<br>(TAMPOI) CRC         | LEASEHOLD/<br>EXP:<br>13/4/2094  | LAND : 5,468<br>BUILT-UP : 10,710                  | 20                                   | 1,136,886                                     |

## PARTICULAR OF PROPERTIES

as at 31 December 2017

| NO. TITLE / LOT NO.                                                                                                      | LOCATION / ADDRESS                                                                                                          | DESCRIPTION / EXISTING USE                                                     | TENURE                           | AREA (sq ft)<br>L : LAND AREA<br>B : BUILT-UP AREA                           | APPROX AGE<br>OF BUILDING<br>(YEARS) | NET BOOK<br>VALUE AS AT<br>31/12/2017<br>(RM) |
|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|----------------------------------|------------------------------------------------------------------------------|--------------------------------------|-----------------------------------------------|
| 28 LOT 436 & 437<br>GERAN NO. 12256 & 12257<br>SECTION 13<br>DISTRICT OF KOTA BHARU                                      | NO. 3788 H & 3788 I<br>SECTION 13<br>JALAN SULTAN IBRAHIM<br>15050 KOTA BHARU, KELANTAN                                     | 2 UNITS 3 STOREY SHOP OFFICE /<br>BRANCH PREMISES (KOTA BHARU)<br>CRC          | LEASEHOLD/<br>EXP:<br>09/03/2064 | LAND : 3,200<br>BUILT-UP : 9,152                                             | 32                                   | 771,947                                       |
| New Title :<br>HS(D) KB. 4/98,<br>No. PT 133 & HS(D) KB. 5/98,<br>No. PT 134, SECTION 13,<br>DISTRICT OF KOTA BHARU      |                                                                                                                             |                                                                                |                                  |                                                                              |                                      |                                               |
| 29 SUB-LOT 13, LOT 3060<br>DISTRICT OF BINTULU                                                                           | SUB LOT 13, OFF LOT 3299<br>BINTULU TOWN DISTRICT<br>OFF JALAN DIWARTA 97000 BINTULU<br>SARAWAK                             | 1 UNITS 3 STOREY SHOP OFFICE /<br>BRANCH PREMISES (BINTULU) CRC                | LEASEHOLD/<br>EXP:<br>29/3/2055  | LAND : 3,240<br>BUILT-UP : 9,720                                             | 20                                   | 569,579                                       |
| 30 LOT 27/28, SEKSYEN 1<br>NO. HAKMILIK 980/981<br>MUKIM OF PEKAN BATU                                                   | NO. 840 & 842, BT 4 ½<br>JALAN IPOH<br>51200 KUALA LUMPUR                                                                   | 4 1/2 STOREY BUILDING +<br>BASEMENT / BRANCH PREMISES<br>(BATU CANTONMENT) CRC | LEASEHOLD/<br>EXP:<br>13/01/2037 | LAND : 3,081<br>BUILT-UP : 9,243                                             | 32                                   | 1,252,255                                     |
| 31 HS(M) 6836<br>P.T. 14531<br>MUKIM OF DAMANSARA<br>DISTRICT OF PETALING                                                | NO. 301, 401 & 501,<br>BLOCK C, MENARA GLOMAC<br>KELANA BUSINESS CENTRE<br>97, JALAN 227/2<br>47301 KELANA JAYA<br>SELANGOR | BRANCH PREMISES (KELANA JAYA)<br>CREDIT CARD & SSL                             | LEASEHOLD/<br>EXP:<br>21/11/2092 | LAND : N/A<br>BUILT-UP<br>NO 301 : 6,916<br>NO 401 : 6,916<br>NO 501 : 6,916 | 17                                   | 4,902,363                                     |
| 32 HS(D) 96849 (30438 [new])<br>LOT/PT 6536 (28035 [new])<br>MUKIM OF SETAPAK<br>DISTRICT & STATE OF WILAYAH PERSEKUTUAN | NO. 2, JLN 1/27F<br>KLSC WANGSA MAJU<br>53300 KUALA LUMPUR<br>[C7/50/86-1 & C7/50/86-2<br>C7/50/86-4, C7/50/86-3]           | 4 STOREY SHOP OFFICE CORNER<br>UNIT / BRANCH PREMISES<br>(WANGSA MAJU) CRC     | LEASEHOLD/<br>EXP:<br>19/04/2083 | LAND : 4,480<br>BUILT-UP : 14,920                                            | 19                                   | 2,213,005                                     |
| HS(D) 96848 (30437 [new])<br>LOT/PT 6537 (28034 [new])<br>MUKIM OF SETAPAK<br>DISTRICT & STATE OF WILAYAH PERSEKUTUAN    | NO. 4, JLN 1/27F<br>KLSC WANGSA MAJU<br>53300 KUALA LUMPUR<br>[C7/50/85-1, C7/50/85-3]                                      | 3 STOREY SHOP OFFICE / BRANCH<br>PREMISES (WANGSA MAJU) CRC                    | LEASEHOLD/<br>EXP:<br>19/04/2083 | LAND : 1,920<br>BUILT-UP : 5,760                                             |                                      |                                               |

# PARTICULAR OF PROPERTIES

as at 31 December 2017

| NO. TITLE / LOT NO.                                                                                  | LOCATION / ADDRESS                                                                                  | DESCRIPTION / EXISTING USE                                                    | TENURE                           | AREA (sq ft)<br>L : LAND AREA<br>B : BUILT-UP AREA | APPROX AGE<br>OF BUILDING<br>(YEARS) | NET BOOK<br>VALUE AS AT<br>31/12/2017<br>(RM) |
|------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|----------------------------------|----------------------------------------------------|--------------------------------------|-----------------------------------------------|
| 33 HS(D) 23766<br>PT 199, SECTION 40<br>MUKIM KUALA LUMPUR                                           | 133, JALAN BUNUS<br>OFF JALAN MASJID INDIA<br>50100 KUALA LUMPUR                                    | 1 UNIT 4 1/2 STOREY SHOP<br>OFFICE / BRANCH PREMISES<br>(JALAN BUNUS) CRC     | FREEHOLD                         | LAND : 1,539.9<br>BUILT-UP : 7,699.8               | 17                                   | 3,176,920                                     |
| 34 GM 405, LOT 1927<br>GM 407, LOT 2007<br>GM 409, LOT 2006<br>MUKIM NIBONG<br>TANAH MERAH, KELANTAN | LOT PT 1995/1996<br>BANDAR BARU BUKIT BUNGA<br>17700 TANAH MERAH, KELANTAN                          | 1 UNIT 2 STOREY SHOP OFFICE /<br>BRANCH PREMISES (JELI) CRC                   | FREEHOLD                         | LAND : 2,000<br>BUILT-UP : 4,000                   | 17                                   | 267,178                                       |
| 35 HS(D) 103053<br>LOT NO. 770, SECTION 11<br>DISTRICT OF PETALING<br>TOWN OF SHAH ALAM              | NO. 11, KOMPLEKS PERDAGANGAN<br>UMNO,<br>PERSIARAN DAMAI<br>40000 SHAH ALAM<br>SELANGOR DARUL EHSAN | 1 UNIT 4 STOREY SHOP OFFICE /<br>BRANCH PREMISES (BLC,<br>MORTGAGE & STORAGE) | LEASEHOLD/<br>EXP:<br>12/05/2095 | LAND : 1,650<br>BUILT-UP : 8,000                   | 17                                   | 1,733,193                                     |
| HS(D) 103053<br>LOT NO. 770, SECTION 11<br>DISTRICT OF PETALING<br>TOWN OF SHAH ALAM                 | NO. 12, KOMPLEKS PERDAGANGAN<br>UMNO,<br>PERSIARAN DAMAI<br>40000 SHAH ALAM<br>SELANGOR DARUL EHSAN | 1 UNIT 4 STOREY SHOP OFFICE /<br>BRANCH PREMISES (BLC,<br>MORTGAGE & STORAGE) | LEASEHOLD/<br>EXP:<br>12/05/2095 | LAND : 1,650<br>BUILT-UP : 8,000                   |                                      |                                               |
| 36 HS(D) 4705 & 4706,<br>DISTRICT OF MELAKA TENGAH                                                   | MELAKA RAYA<br>NO. 200 & 201,<br>TAMAN MELAKA RAYA<br>OFF JALAN PARAMESWARA<br>75000, MELAKA        | 2 UNITS 3 STOREY SHOP OFFICE /<br>BRANCH PREMISES (MELAKA RAYA)<br>CRC/HPC    | LEASEHOLD/<br>EXP:<br>19/12/2075 | LAND : 4,430<br>BUILT-UP : 10,031                  | 37                                   | 445,385                                       |
| 37 HS(D) 36868, LOT 25724,<br>MUKIM OF PETALING                                                      | SS2 (AIBB/HPC)<br>NO. 161, JALAN SS2/24<br>47300 PETALING JAYA<br>SELANGOR                          | 3 STOREY SHOP HOUSE / BRANCH<br>PREMISES (SS2) CRC                            | FREEHOLD                         | LAND : 2,268<br>BUILT-UP : 8,902                   | 37                                   | 801,325                                       |
| 38 LOT 247 & 248, SECTION 49, LEASE OF STATE LAND                                                    | LOTS 247 & 248,<br>SECTION 49, KTLD,<br>JALAN TUNKU ABDUL RAHMAN,<br>93100 KUCHING<br>SARAWAK       | 2 UNITS 4 STOREY SHOP OFFICE /<br>BRANCH PREMISES (KUCHING) CRC/<br>HPC       | LEASEHOLD/<br>EXP:<br>24/07/2044 | LAND : 2,500<br>BUILT-UP : 9,405                   | 31                                   | 804,294                                       |

## PARTICULAR OF PROPERTIES

as at 31 December 2017

| NO. TITLE / LOT NO.                                                                                                                                   | LOCATION / ADDRESS                                                                                                            | DESCRIPTION / EXISTING USE                                                                                     | TENURE   | AREA (sq ft)<br>L : LAND AREA<br>B : BUILT-UP AREA | APPROX AGE<br>OF BUILDING<br>(YEARS) | NET BOOK<br>VALUE AS AT<br>31/12/2017<br>(RM)             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|----------|----------------------------------------------------|--------------------------------------|-----------------------------------------------------------|
| 39 HS(D) 194608, PT 1106,<br>PEKAN SERDANG,<br>DAERAH PETALING, SELANGOR                                                                              | NO. 36, JALAN PSK 3<br>PUSAT PERDAGANGAN SERI KEMBANGAN<br>43300 SERI KEMBANGAN<br>SELANGOR                                   | 3 STOREY SHOP HOUSE /<br>BRANCH PREMISES (SRI<br>KEMBANGAN) CRC                                                | FREEHOLD | LAND : 3,563<br>BUILT-UP : 10,684                  | 17                                   | 1,252,601                                                 |
| 40 LOT 1<br>MUKIM OF PADANG CINA<br>DISTRICT OF KULIM                                                                                                 | KULIM HI-TECH<br>SUITE B.4<br>KHTP BUSINESS CENTRE<br>KULIM HI-TECH PARK<br>09000 KULIM, KEDAH                                | OFFICE/COMMERCIAL COMPLEX<br>KHTP BUSINESS CENTRE (GROUND<br>FLOOR OF 5 STOREY OFFICE /<br>COMMERCIAL COMPLEX) | FREEHOLD | LAND : 9,064.36<br>BUILT-UP :<br>9,064.36          | 19                                   | This property<br>had completed<br>sold on 13 June<br>2017 |
| 41 UNIT NO. P1-01-32,<br>HELD UNDER HAKMILIK,<br>STRATA NO BERDAFTAR GERAN 61929/M1/1/53,<br>LOT NO. 1594, SEKSYEN 2,<br>BANDAR TANJONG TOKONG        | FETTES PARK<br>98-G-32 TO 98-3A-32<br>BLOCK 32 PRIMA TANJUNG BUSINESS<br>CENTRE<br>JALAN TANJUNG TOKONG<br>10470 PULAU PINANG | 5 STOREY SHOP OFFICE                                                                                           | FREEHOLD | L : 1,037<br>B : 1,037                             | 17                                   | 1,637,818                                                 |
| UNIT NO. P1-02-32,<br>HELD UNDER HAKMILIK,<br>STRATA NO BERDAFTAR GERAN 61929/M1/2/121,<br>LOT NO. 1594, SEKSYEN 2,<br>BANDAR TANJONG TOKONG          |                                                                                                                               |                                                                                                                |          | L : N/A<br>B : 1,037                               |                                      |                                                           |
| UNIT NO. P1-03-32, HELD UNDER HAKMILIK,<br>STRATA NO BERDAFTAR GERAN 61929/M1 MENARA<br>B/3/223,<br>LOT NO. 1594, SEKSYEN 2,<br>BANDAR TANJONG TOKONG |                                                                                                                               |                                                                                                                |          | L : N/A<br>B : 1,886                               |                                      |                                                           |
| UNIT NO. P1-04-32, HELD UNDER HAKMILIK,<br>STRATA NO BERDAFTAR GERAN 61929/M1 MENARA<br>B/4/257,<br>LOT NO. 1594, SEKSYEN 2,<br>BANDAR TANJONG TOKONG |                                                                                                                               |                                                                                                                |          | L : N/A<br>B : 1,886                               |                                      |                                                           |
| UNIT NO. P1-05-32, HELD UNDER HAKMILIK,<br>STRATA NO BERDAFTAR GERAN 61929/M1 MENARA<br>B/5/259,<br>LOT NO. 1594, SEKSYEN 2,<br>BANDAR TANJONG TOKONG |                                                                                                                               |                                                                                                                |          | L : N/A<br>B : 1,886                               |                                      |                                                           |

## PARTICULAR OF PROPERTIES

as at 31 December 2017

| NO. TITLE / LOT NO.                                                                                                                                                                                                                                          | LOCATION / ADDRESS                                                                                                                  | DESCRIPTION / EXISTING USE                        | TENURE                           | AREA (sq ft)<br>L : LAND AREA<br>B : BUILT-UP AREA | APPROX AGE<br>OF BUILDING<br>(YEARS) | NET BOOK<br>VALUE AS AT<br>31/12/2017<br>(RM) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|----------------------------------|----------------------------------------------------|--------------------------------------|-----------------------------------------------|
| 42 HS(D) 9980<br>PT 4370<br>MUKIM & DISTRICT PORT DICKSON<br><br>New Title :-<br>Lot No. 287, PN 2474 / M1 / 3/48,<br>Mukim Bandar Port Dickson,<br>Daerah Port Dickson                                                                                      | CORUS LAGOON APARTMENT<br>UNIT B-L3-06<br>BATU 2, JALAN PANTAI<br>71000 PORT DICKSON<br>NEGERI SEMBILAN                             | 1 UNIT APARTMENT                                  | LEASEHOLD/<br>EXP:<br>06/07/2087 | LAND : N/A<br>BUILT-UP : 792                       | 17                                   | 126,517                                       |
| 43 TITLE NO. 35120<br>LOT NO. 86, SECTION 2<br>TOWN OF BATU FERINGHI<br>NORTH EAST DISTRICT OF PENANG<br><br>New Title :<br>Lot No. 666, Geran HBM 107 / M1 / 22 / 124,<br>Mukim Bandar Batu Perringgi Sek. 2,<br>Daerah Timur Laut,<br>Negeri Pulau Pinang. | SRI SAYANG RESORT APARTMENT<br>UNIT NO. 22-06, 22ND STOREY<br>BATU FERINGHI<br>PULAU PINANG                                         | AN END UNIT 3 BEDROOM<br>APARTMENT                | FREEHOLD                         | LAND : N/A<br>BUILT-UP : 911                       | 17                                   | 155,102                                       |
| 44 (L/H)<br>HS(D) 1772<br>PT 2851<br>MUKIM OF KIJAL<br>DISTRICT OF KEMAMAN                                                                                                                                                                                   | AWANA KIJAL BEACH RESORT<br>APARTMENT (2 ROOMS)<br>13B, BAIDURI APARTMENT<br>KM 28, JALAN KEMAMAN-DUNGUN<br>24100 KIJAL, TERENGGANU | 1 UNIT APARTMENT                                  | LEASEHOLD/<br>EXP:<br>27/11/2091 | LAND : N/A<br>BUILT-UP : 892                       | 17                                   | 122,867                                       |
| 45 HS(D) 1772<br>PT 2851<br>MUKIM OF KIJAL<br>DISTRICT OF<br>KEMAMAN                                                                                                                                                                                         | AWANA KIJAL BEACH RESORT<br>APARTMENT (3 ROOMS)<br>19A, BAIDURI APARTMENT<br>KM 28, JALAN KEMAMAN-DUNGUN<br>24100 KIJAL, TERENGGANU | 1 UNIT 3 BEDROOM APARTMENT                        | LEASEHOLD/<br>EXP:<br>27/11/2091 | LAND : N/A<br>BUILT-UP : 1,107                     | 17                                   | 151,952                                       |
| 46 HS(D) 807 & 808<br>P.T. 2592 & 2593<br>DISTRICT OF<br>SEBERANG PERAI UTARA                                                                                                                                                                                | NO. 55 & 57, TMN SELAT<br>JLN BAGAN LUAR<br>12710 BUTTERWORTH<br>PULAU PINANG                                                       | 2 UNITS 4 STOREY SHOP OFFICE /<br>BRANCH PREMISES | FREEHOLD                         | LAND : 4,779.2<br>BUILT-UP : 13,760                | 32                                   | 1,419,685                                     |

## PARTICULAR OF PROPERTIES

as at 31 December 2017

| NO. TITLE / LOT NO.                                                                                                                                                                                                                 | LOCATION / ADDRESS                                                                 | DESCRIPTION / EXISTING USE                                                   | TENURE                           | AREA (sq ft)<br>L : LAND AREA<br>B : BUILT-UP AREA | APPROX AGE<br>OF BUILDING<br>(YEARS) | NET BOOK<br>VALUE AS AT<br>31/12/2017<br>(RM) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|------------------------------------------------------------------------------|----------------------------------|----------------------------------------------------|--------------------------------------|-----------------------------------------------|
| 47 HS(M) 2926 & 2925<br>P.T. 21346 & 21345<br>MUKIM OF PETALING<br>DISTRICT OF W.P.                                                                                                                                                 | NO. 10 & 12<br>JLN RADIN TENGAH<br>BANDAR BARU SERI PETALING<br>57000 KUALA LUMPUR | 2 UNITS 3 STOREY SHOP OFFICE /<br>BRANCH PREMISES                            | LEASEHOLD/<br>EXP:<br>05/04/2078 | LAND : 3,840<br>BUILT-UP : 11,520                  | 34                                   | 490,749                                       |
| 48 HS(D) 16521 & 16496<br>P.T. 8912 / 1367 & P.T. 8912 / 1366<br>MUKIM OF KUALA LUMPUR<br>DISTRICT OF PETALING                                                                                                                      | NO. 20 & 22<br>JLN 21/12, SEA PARK<br>46730 PETALING JAYA<br>SELANGOR              | 2 UNITS 2 STOREY SHOP OFFICE<br>AND BASEMENT / BRANCH<br>PREMISES (SEA PARK) | FREEHOLD                         | LAND : 3,230<br>BUILT-UP : 9,750                   | 33                                   | 1,350,897                                     |
| 49 TOWN LEASE : 107516432<br>TOWN LEASE : 107516441<br>TOWN LEASE : 107516450<br>DISTRICT OF TAWAU                                                                                                                                  | TB 281, 282 & 283<br>JLN HJ KARIM<br>TOWN EXTENSION 11<br>91008 TAWAU, SABAH       | 3 UNITS 4 STOREY SHOP OFFICE /<br>BRANCH PREMISES (TAWAU)                    | LEASEHOLD/<br>EXP:<br>31/12/2895 | LAND : 6,720<br>BUILT-UP : 13,440                  | 33                                   | 1,421,655                                     |
| 50 GERAN NO. HAKMILIK 75550<br>LOT 1207 SEKSYEN 62<br>(previously Lot 13151)<br>GERAN NO. HAKMILIK 76429<br>LOT 20006 SEKSYEN 62<br>(previously Lot 11641)<br>BANDAR & DISTRICT OF KUALA LUMPUR<br>WILAYAH PERSEKUTUAN KUALA LUMPUR | TRX DISTRICT<br>PLOT C7 9-CT                                                       | COMMERCIAL LAND (VACANT LAND)                                                | FREEHOLD                         | LAND : 54,266                                      | -                                    | 259,831,312                                   |
| 51 LOT 400, PN2117<br>MUKIM OF KAWASAN BANDAR XXXIX<br>DISTRICT OF MELAKA TENGAH                                                                                                                                                    | No. 596, JALAN MELAKA RAYA 10<br>TAMAN MELAKA RAYA<br>BANDAR HILIR<br>75000 MELAKA | 2 STOREY SHOPHOUSE                                                           | LEASEHOLD/<br>EXP:<br>4/10/2082  | LAND : 1,580<br>BUILT-UP : 2,790                   | 31                                   | 254,500                                       |
|                                                                                                                                                                                                                                     |                                                                                    |                                                                              |                                  |                                                    |                                      | <b>354,913,398</b>                            |

## SHAREHOLDING STATISTICS

Analysis of shareholdings as at 22 March 2018

| SIZE OF SHAREHOLDINGS  | NO OF HOLDERS | %             | NO OF SHARES         | %             |
|------------------------|---------------|---------------|----------------------|---------------|
| Less than 100          | 767           | 4.33          | 15,136               | 0.00          |
| 100 to 1,000           | 2,501         | 14.12         | 1,826,452            | 0.09          |
| 1,001 to 10,000        | 11,067        | 62.48         | 43,320,162           | 2.23          |
| 10,001 to 100,000      | 3,014         | 17.02         | 84,024,905           | 4.33          |
| 100,001 to 97,147,426* | 361           | 2.04          | 139,727,369          | 7.19          |
| 97,147,427** and above | 4             | 0.02          | 1,674,034,523        | 86.16         |
| <b>Total</b>           | <b>17,714</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 22 MARCH 2018

| NO. | NAME                                                                                                                       | SHAREHOLDINGS | %     |
|-----|----------------------------------------------------------------------------------------------------------------------------|---------------|-------|
| 1   | LEMBAGA TABUNG ANGKATAN TENTERA                                                                                            | 688,269,241   | 35.42 |
| 2   | MAYBANK NOMINEES (ASING) SDN BHD THE BANK OF EAST ASIA LIMITED HONG KONG FOR THE BANK OF EAST ASIA LIMITED (INVESTMENT AC) | 456,942,493   | 23.52 |
| 3   | BOUSTEAD HOLDINGS BERHAD ACCOUNT NON-TRADING                                                                               | 402,012,529   | 20.69 |
| 4   | CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD                                                       | 126,810,260   | 6.53  |
| 5   | CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND                                        | 10,731,350    | 0.55  |
| 6   | CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD.                                                               | 9,368,460     | 0.48  |
| 7   | CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC      | 4,004,300     | 0.21  |
| 8   | PUBLIC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAYLAND PARKVIEW SDN BHD (KLC)                              | 2,800,200     | 0.14  |
| 9   | HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR AUSTRALIAN SUPER                                                                | 2,425,800     | 0.12  |
| 10  | PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEAM HENG MING (E-KTN/RAU)                              | 2,221,300     | 0.11  |
| 11  | MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR LIM SHIANG LIANG (LIN XIANGLIANG)       | 1,975,100     | 0.10  |
| 12  | FANG INN                                                                                                                   | 1,869,110     | 0.10  |
| 13  | KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HII YU HO                                               | 1,868,000     | 0.10  |
| 14  | HSBC NOMINEES (ASING) SDN BHD TNTC FOR LSV EMERGING MARKETS EQUITY FUND L.P.                                               | 1,801,000     | 0.09  |
| 15  | ZALARAZ SDN BHD                                                                                                            | 1,603,000     | 0.08  |
| 16  | CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES                                          | 1,576,220     | 0.08  |
| 17  | AMANAH RAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA                                                                        | 1,331,500     | 0.07  |
| 18  | KEY DEVELOPMENT SDN BERHAD                                                                                                 | 1,308,580     | 0.07  |
| 19  | PERTUBUHAN PELADANG KEBANGSAAN                                                                                             | 1,250,000     | 0.06  |
| 20  | LEE GUAN SEONG                                                                                                             | 1,221,000     | 0.06  |
| 21  | HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (UOB AMM6939-406)                  | 1,080,000     | 0.06  |



## SHAREHOLDING STATISTICS

| NO.          | NAME                                                                                                      | SHAREHOLDINGS        | %            |
|--------------|-----------------------------------------------------------------------------------------------------------|----------------------|--------------|
| 22           | CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR CHE LODIN BIN WOK KAMARUDDIN (PBCL-0G0052)               | 1,051,328            | 0.05         |
| 23           | UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)                    | 1,031,269            | 0.05         |
| 24           | PATRICK FANG LEE CHOONG                                                                                   | 1,006,700            | 0.05         |
| 25           | TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HENG TENG KUANG                             | 1,001,800            | 0.05         |
| 26           | CHUAH TEK BENG                                                                                            | 1,000,000            | 0.05         |
| 27           | G.T.Y. HOLDINGS SDN. BHD                                                                                  | 1,000,000            | 0.05         |
| 28           | AFFIN HWANG NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (CLIENTS) | 880,700              | 0.05         |
| 29           | PUBLIC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA KEE TEE (E-JBU/SKI)                   | 880,000              | 0.05         |
| 30           | GEMAS BAHRU ESTATES SDN. BHD.                                                                             | 853,190              | 0.04         |
| <b>TOTAL</b> |                                                                                                           | <b>1,731,174,430</b> | <b>89.10</b> |

## LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 22 MARCH 2018

| NAME                                   | DIRECT<br>SHAREHOLDINGS | %     | INDIRECT<br>SHAREHOLDINGS | %     |
|----------------------------------------|-------------------------|-------|---------------------------|-------|
| LEMBAGA TABUNG ANGKATAN TENTERA (LTAT) | 688,269,241             | 35.42 | 402,532,529 *             | 20.72 |
| THE BANK OF EAST ASIA LIMITED          | 456,942,493             | 23.52 | -                         |       |
| BOUSTEAD HOLDINGS BERHAD (BHB)         | 402,012,529             | 20.69 | 520,000 #                 | 0.03  |
| EMPLOYEES PROVIDENT FUND BOARD         | 126,810,260             | 6.53  |                           |       |

\* Deemed interest by virtue of LTAT's interest in BHB

# Deemed interest by virtue of BHB's interest in UAC Berhad

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE **42ND ANNUAL GENERAL MEETING OF AFFIN BANK BERHAD (25046-T)** WILL BE HELD AT THE **TAMING SARI GRAND BALLROOM, THE ROYALE CHULAN KUALA LUMPUR, 5 JALAN CONLAY, 50450 KUALA LUMPUR ON TUESDAY, 15 MAY 2018 AT 10.00 A.M.** FOR THE FOLLOWING PURPOSES:-

## AGENDA

### ORDINARY BUSINESS

1. To lay before the meeting the Audited Financial Statements for the financial year ended 31 December 2017 and the Reports of the Directors and Auditors thereon.
2. To re-elect Encik Abd Malik bin A Rahman who retires by rotation pursuant to Article 118 of the Company's Constitution. **Resolution 1**
3. To re-elect the following Directors who retire pursuant to Article 124 of the Company's Constitution:-
  - 3.1 Gen Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (Retired) **Resolution 2**
  - 3.2 Mr. Tang Peng Wah **Resolution 3**
  - 3.3 Dato' Mohd Hata bin Robani **Resolution 4**
  - 3.4 Dato' Abdul Aziz bin Abu Bakar **Resolution 5**
  - 3.5 Mr. Ignatius Chan Tze Ching **Resolution 6**
4. To approve the payment of Directors' Fees, other emoluments and benefits amounting to RM2,144,000 for the financial year ended 31 December 2017. **Resolution 7**
5. To approve the payment of Directors' Fees, other emoluments and benefits on a monthly basis based on the present Directors' remuneration structure from 1 January 2018 to the date of next Annual General Meeting of the Company. **Resolution 8**
6. To re-appoint Messrs PricewaterhouseCoopers as the Company's Auditors for the financial year ending 31 December 2018 and to authorise the Directors to fix the Auditors' remuneration. **Resolution 9**

### SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions:-

7. Ordinary Resolution

#### Authority for Directors to Issue Shares

"THAT pursuant to Sections 75 and 76 of the Companies Act, 2016, and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

**Resolution 10**

**NOTICE OF ANNUAL GENERAL MEETING****8 Ordinary Resolution****Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**

"THAT authority be and is hereby given in line with Chapter 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, for the Company, its subsidiaries or any of them to enter into any of the transactions falling within the types of the Recurrent Related Party Transactions, particulars of which are set out in the Circular to Shareholders dated 16 April 2018 with the Related Parties as described in the said Circular, provided that such transactions are of revenue or trading nature, which are necessary for the day-to-day operations of the Company and/or its subsidiaries within the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms which are those generally available to the public and are not detrimental to the minority shareholders of the Company;

AND THAT such authority shall commence immediately upon the passing of this Ordinary Resolution until:-

- i. the conclusion of the next Annual General Meeting of the Company at which time the authority shall lapse unless by a resolution passed at a general meeting, the authority is renewed; or
- ii. the expiration of the period within which the next Annual General Meeting of the Company which is to be held pursuant to Section 340(2) of the Companies Act, 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act, 2016); or
- iii. revoked or varied by a resolution passed by the shareholders of the Company at a general meeting, whichever is earlier.

AND FURTHER THAT the Board of Directors be and is hereby authorised to do all acts, deeds and things as may be deemed fit, necessary, expedient and/or appropriate in order to implement the Proposed Shareholders' Mandate with full power to assent to all or any conditions, variations, modifications and/or amendments in any manner as may be required by any relevant authorities or otherwise and to deal with all matters relating thereto and to take all such steps and to execute, sign and deliver for and on behalf of the Company all such documents, agreements, arrangements and/or undertakings, with any party or parties and to carry out any other matters as may be required to implement, finalise and complete, and give full effect to the Proposed Shareholders' Mandate in the best interest of the Company."

**Resolution 11**

9. To transact any other ordinary business of the Company.

**BY ORDER OF THE BOARD****NIMMA SAFIRA KHALID (LS0009015)**

Secretary

Kuala Lumpur

16 April 2018

## NOTICE OF ANNUAL GENERAL MEETING

### Notes:

- (1) A member entitled to attend and vote at the meeting may appoint a proxy or proxies (not more than 2) to attend and vote on his/her behalf. A proxy need not be a member.
- (2) Where a member appoints 2 proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
- (3) The instrument appointing a proxy in the case of any individual shall be signed by the appointer or his/her attorney and in the case of a corporation, under its common seal or under the hand of the officer duly authorised.
- (4) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 1 proxy in respect of each securities account which is credited with ordinary shares of the Company.  
  
Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominees may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 which is exempted from compliance with the provisions of subsection 25A(1) of the said Act.
- (5) The Form of Proxy should be completed and lodged at the office of the Company's Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time set for holding the Annual General Meeting or any adjournment thereof.
- (6) Only member registered in the Record of Depositors as at 7 May 2018 shall be eligible to attend the meeting or appoint proxy(ies) to attend the meeting and vote on his/her behalf.

### Audited Financial Statements for Financial Year Ended 31 December 2017

The Audited Financial Statements are for discussion only as they do not require shareholders' approval pursuant to Section 340(1) of the Companies Act 2016. Hence, this matter will not be put for voting.

### Remuneration and Benefits Payable to Directors

The proposed ordinary resolution 8, if passed, will give authority to the Company to pay the Directors' Fees, other emoluments and benefits on a monthly basis based on the present fees and benefits structure for a period from 1 January 2018 to the date of next Annual General Meeting of the Company.

### Authority for Directors to Issue Shares

The Company has not issued any shares under the general mandate for allotment of shares pursuant to Sections 75 and 76 of the Companies Act, 2016 which was approved at the 41st Annual General Meeting held on 30 March 2017 and will lapse at the conclusion of the 42nd Annual General Meeting to be held on 15 May 2018.

The proposed ordinary resolution 10, if passed, will give powers to the Directors to issue up to a maximum of 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company. The authority will, unless revoked or varied by the Company in a General Meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

The General Mandate sought will provide flexibility to the Company for any possible fund raising activities, including but not limited for further placing of shares, for purpose of funding investment(s), working capital and/or acquisition(s).

### Proposed Shareholders' Mandate

The proposed ordinary resolution 11, if passed, will enable the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Company and/or its subsidiaries, subject to the transactions being carried out in the ordinary course of business of the Company and/or its subsidiaries and on normal commercial terms which are generally available to the public and not detrimental to the minority shareholders of the Company.

I/We \_\_\_\_\_ NRIC No./Company No. \_\_\_\_\_  
(Full Name in Block Letters)

of \_\_\_\_\_  
(Full Address)

Tel No. \_\_\_\_\_ being a member of AFFIN BANK BERHAD, hereby appoint \_\_\_\_\_  
(Full Name in Block Letters)

\_\_\_\_\_ NRIC No. \_\_\_\_\_ of \_\_\_\_\_  
(Full Address)

\_\_\_\_\_ and/or \_\_\_\_\_  
(Full Name in Block Letters)

\_\_\_\_\_ NRIC No./Company No. \_\_\_\_\_ of \_\_\_\_\_  
(Full Address)

or failing him/her, the CHAIRMAN OF THE MEETING as my/our first proxy to attend and vote for me/us on my/our behalf at the 42nd Annual General Meeting of the Company to be held at the **Taming Sari Grand Ballroom, The Royale Chulan Kuala Lumpur, 5 Jalan Conlay, 50450 Kuala Lumpur** on **Tuesday, 15 May 2018** at **10.00 a.m.**, or any adjournment thereof.

My/our proxy/proxies is/are to vote as follows:

| No. | Resolutions                                                                                                                                                                                                                           | For | Against |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|---------|
| 1   | Re-election of Encik Abd Malik bin A Rahman as Director in accordance with Article 118 of the Company's Constitution                                                                                                                  |     |         |
| 2   | Re-election of the following Directors in accordance with Article 124 of the Company's Constitution:-                                                                                                                                 |     |         |
|     | (i) Gen Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (Retired)                                                                                                                                                      |     |         |
|     | (ii) Mr. Tang Peng Wah                                                                                                                                                                                                                |     |         |
|     | (iii) Dato' Mohd Hata bin Robani                                                                                                                                                                                                      |     |         |
|     | (iv) Dato' Abdul Aziz bin Abu Bakar                                                                                                                                                                                                   |     |         |
|     | (v) Mr. Ignatius Chan Tze Ching                                                                                                                                                                                                       |     |         |
| 3   | Approval of the payment of Directors' Fees, other emoluments and benefits amounting to RM2,144,000 for the financial year ended 31 December 2017                                                                                      |     |         |
| 4   | Approval of the payment of Directors' Fees, other emoluments and benefits on a monthly basis based on the present Directors' remuneration structure from 1 January 2018 to the date of the next Annual General Meeting of the Company |     |         |
| 5   | Re-appointment of Messrs PricewaterhouseCoopers as the Company's Auditors for the financial year ending 31 December 2018 and to authorise the Directors to fix the Auditors' remuneration                                             |     |         |
| 6   | Authorisation to the Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016                                                                                                                     |     |         |
| 7   | Approval of the Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature                                                                                                                         |     |         |

Signed this on \_\_\_\_\_ day of \_\_\_\_\_ 2018.

Signature of Member/Common Seal

|                                                     |                                             |
|-----------------------------------------------------|---------------------------------------------|
| CDS Account No. :                                   |                                             |
| No. of shares held :                                |                                             |
| Proportion of shareholdings represented by proxies: | First proxy : %<br>Second proxy : %<br>100% |

**Notes:**

- (1) A member entitled to attend and vote at the meeting may appoint a proxy or proxies (not more than 2) to attend and vote on his/her behalf. A proxy need not be a member.
- (2) Where a member appoints 2 proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
- (3) The instrument appointing a proxy in the case of any individual shall be signed by the appointer or his/her attorney and in the case of a corporation, under its common seal or under the hand of the officer duly authorised.
- (4) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 1 proxy in respect of each securities account which is credited with ordinary shares of the Company. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominees may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 which is exempted from compliance with the provisions of subsection 25A(1) of the said Act.
- (5) Unless voting instructions are indicated in the spaces provided above, the proxies may vote as he/she deems fit.
- (6) The Form of Proxy should be completed and lodged at the office of the Company's Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time set for holding the Annual General Meeting or any adjournment thereof.
- (7) Only member registered in the Record of Depositors as at 7 May 2018 shall be eligible to attend the meeting or appoint proxy(ies) to attend the meeting and vote on his/her behalf.

FOLD THIS FLAP FOR SEALING

Stamp

**Tricor Investor & Issuing House  
Services Sdn Bhd**

Unit 32-01, Level 32, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8 Jalan Kerinchi  
59200 Kuala Lumpur  
Malaysia

1ST FOLD HERE



[www.affinbank.com.my](http://www.affinbank.com.my)

**Affin Bank Berhad** (25046-T)  
17th Floor, Menara AFFIN,  
80, Jalan Raja Chulan,  
50200 Kuala Lumpur

**T** +603 2055 9000  
**F** +603 2026 1415