

AMMB HOLDINGS BERHAD
(223035-V) (Incorporated in Malaysia)
and its subsidiaries

UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	Group		Company	
		31.12.18 RM'000	31.03.18 RM'000	31.12.18 RM'000	31.03.18 RM'000
ASSETS					
Cash and short-term funds	A8	10,484,144	5,515,856	84,959	79,080
Deposits and placements with banks and other financial institutions	A9	593,592	215,602	-	-
Derivative financial assets	A37	768,496	1,125,617	-	-
Financial assets at fair value through profit or loss	A10	13,742,030	-	1,035	-
Financial assets held-for-trading	A11	-	12,944,783	-	-
Financial investments at fair value through other comprehensive income	A12	14,908,907	-	-	-
Financial investments available-for-sale	A13	-	7,702,886	-	1,008
Financial investments at amortised cost	A14	5,145,455	-	-	-
Financial investments held-to-maturity	A15	-	3,028,316	-	1,425,000
Loans, advances and financing	A16	99,021,435	95,377,900	-	-
Receivables: Investments not quoted in active markets		-	1,940,433	-	-
Statutory deposits with Bank Negara Malaysia	A17	2,766,572	2,836,841	-	-
Deferred tax assets		33,155	75,324	-	-
Investment in subsidiaries and other investments		-	-	9,640,313	9,487,139
Investment in associates and joint ventures		711,610	690,294	-	-
Other assets	A18	2,004,443	2,269,106	5,826	7,313
Reinsurance assets and other insurance receivables	A19	503,777	536,859	-	-
Property and equipment		170,614	191,412	733	940
Intangible assets		3,391,333	3,426,051	-	-
Assets held for sale	A35	1,690	3,963	-	-
TOTAL ASSETS		154,247,253	137,881,243	9,732,866	11,000,480
LIABILITIES AND EQUITY					
Deposits from customers	A20	106,799,235	95,805,187	-	-
Investment accounts of customers		158,022	138,956	-	-
Deposits and placements of banks and other financial institutions	A21	6,043,789	3,432,578	-	-
Securities sold under resale agreements		2,217,695	-	-	-
Recourse obligation on loans and financing sold to Cagamas Berhad		4,658,890	4,273,621	-	-
Derivative financial liabilities	A37	719,941	1,278,792	-	-
Term funding		4,236,205	4,329,713	-	500,000
Debt capital		5,080,099	4,579,504	-	1,424,585
Redeemable cumulative convertible preference share		221,799	217,451	-	-
Deferred tax liabilities		75,886	65,403	-	-
Other liabilities	A22	3,222,229	3,336,516	37,726	24,722
Insurance contract liabilities and other insurance payables	A23	2,628,642	2,763,512	-	-
Total Liabilities		136,062,432	120,221,233	37,726	1,949,307
Share capital		5,751,557	5,551,557	5,550,250	5,550,250
Reserves		11,449,302	10,964,048	4,144,890	3,500,923
Equity attributable to equity holders of the Company		17,200,859	16,515,605	9,695,140	9,051,173
Non-controlling interests		983,962	1,144,405	-	-
Total Equity		18,184,821	17,660,010	9,695,140	9,051,173
TOTAL LIABILITIES AND EQUITY		154,247,253	137,881,243	9,732,866	11,000,480
COMMITMENTS AND CONTINGENCIES	A36	126,423,024	143,672,497	-	-
NET ASSETS PER SHARE (RM)		5.71	5.48	3.22	3.00

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Group and the Company for the financial year ended 31 March 2018.

AMMB HOLDINGS BERHAD
(223035-V) (Incorporated in Malaysia)
and its subsidiaries

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2018

Group	Note	Individual Quarter		Cumulative Quarter	
		31.12.18 RM'000	31.12.17 RM'000	31.12.18 RM'000	31.12.17 RM'000
Operating revenue	A31	2,300,616	2,159,629	6,785,873	6,365,400
Interest income	A24	1,268,957	1,088,399	3,647,864	3,195,587
Interest expense	A25	(830,143)	(680,594)	(2,346,318)	(1,956,537)
Net interest income		438,814	407,805	1,301,546	1,239,050
Net income from Islamic banking		242,125	239,874	714,371	691,000
Income from insurance business		347,573	345,050	1,026,796	1,050,986
Insurance claims and commissions		(237,738)	(259,968)	(654,211)	(734,163)
Net income from insurance business	A26	109,835	85,082	372,585	316,823
Other operating income	A27	160,055	218,552	560,540	667,090
Share in results of associates and joint ventures		(3,807)	8,004	18,785	(5,580)
Net income		947,022	959,317	2,967,827	2,908,383
Other operating expenses	A28	(512,571)	(576,659)	(1,530,936)	(1,692,439)
Operating profit before impairment losses		434,451	382,658	1,436,891	1,215,944
Net impairment on loans, advances and financing - writeback/(loss)	A29	54,900	(75,922)	29,743	(27,963)
Net impairment writeback/(loss) on:					
Financial investments	A30	(11,112)	(1,240)	(13,077)	(1,483)
Insurance receivables		2,429	(1,999)	4,972	(1,857)
Other financial assets	A30	811	1,302	(1,232)	(7,500)
Foreclosed properties		-	(5)	-	(35)
Property and equipment		-	-	-	369
Provision for commitments and contingencies - writeback/(charge)		4,397	(3,819)	10,465	4,257
Other recoveries, net		(98)	765	2,514	1,293
Profit before taxation and zakat		485,778	301,740	1,470,276	1,183,025
Taxation and zakat	B5	(120,190)	(71,641)	(342,976)	(231,273)
Profit for the financial period		365,588	230,099	1,127,300	951,752
Attributable to:					
Equity holders of the Company		349,875	218,978	1,045,622	878,717
Non-controlling interests		15,713	11,121	81,678	73,035
Profit for the financial period		365,588	230,099	1,127,300	951,752
EARNINGS PER SHARE (SEN)	B11				
Basic		11.63	7.28	34.75	29.22
Fully diluted		11.63	7.28	34.75	29.21

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Group and the Company for the financial year ended 31 March 2018.

AMMB HOLDINGS BERHAD
(223035-V) (Incorporated in Malaysia)
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UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2018

Group	Individual Quarter		Cumulative Quarter	
	31.12.18 RM'000	31.12.17 RM'000	31.12.18 RM'000	31.12.17 RM'000
Profit for the financial period	365,588	230,099	1,127,300	951,752
Items that may be reclassified to profit or loss				
Translation of foreign operations	82	(30,636)	37,580	(63,400)
Cash flow hedge				
- Loss arising during the financial period	(5,148)	519	(8,091)	(1,645)
- reclassification adjustments for loss/(gain) included in profit or loss	8	(931)	(128)	(760)
Financial investments at fair value through other comprehensive income ("FVOCI")				
- net unrealised gains on changes in fair value	13,763	-	14,263	-
- net gain reclassified to profit or loss	(4,357)	-	(6,542)	-
- expected credit loss	10,881	-	11,886	-
- foreign exchange differences	-	-	341	-
Financial investments available-for-sale				
- net unrealised gain/(loss) on changes in fair value	-	1,499	-	72,972
- net gain reclassified to profit or loss	-	(1,479)	-	(68,272)
Income tax relating to the components of other comprehensive income/(loss)				
- cash flow hedging	1,234	99	1,973	577
- financial investments at FVOCI/available-for-sale	826	(6)	1,446	(38)
Share of reserve movements in equity accounted joint ventures	(1,667)	7	3,779	3,218
Other comprehensive income/(loss) for the financial period, net of tax	15,622	(30,928)	56,507	(57,348)
Total comprehensive income for the financial period	381,210	199,171	1,183,807	894,404
Total comprehensive income for the financial period attributable to:				
Equity holders of the Company	365,497	185,295	1,102,129	819,129
Non-controlling interests	15,713	13,876	81,678	75,275
	381,210	199,171	1,183,807	894,404

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Group and the Company for the financial year ended 31 March 2018.

AMMB HOLDINGS BERHAD
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UNAUDITED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2018

Company	Note	Individual Quarter		Cumulative Quarter	
		31.12.18 RM'000	31.12.17 RM'000	31.12.18 RM'000	31.12.17 RM'000
Operating revenue		422,738	207,352	1,209,209	1,156,120
Interest income	A24	18,185	9,858	61,535	30,377
Interest expense	A25	(20,917)	(16,864)	(69,515)	(58,817)
Net interest expense		(2,732)	(7,006)	(7,980)	(28,440)
Other operating income	A27	404,553	197,494	1,147,674	1,125,743
Net operating income		401,821	190,488	1,139,694	1,097,303
Other operating expenses	A28	(9,386)	1,060	(18,406)	(6,597)
Operating profit		392,435	191,548	1,121,288	1,090,706
Impairment of subsidiary		(24,083)	(11,506)	(24,083)	(11,506)
Profit before taxation		368,352	180,042	1,097,205	1,079,200
Taxation		(481)	(13)	(1,845)	(41)
Profit for the financial period representing total comprehensive income for the financial period		367,871	180,029	1,095,360	1,079,159

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AMMB HOLDINGS BERHAD
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UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2018

Group	Attributable to Equity Holders of the Company												Total equity RM'000
	Non-Distributable								Distributable				
	Ordinary share capital RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	AFS reserve/ (deficit) RM'000	Cash flow hedging reserve RM'000	Foreign currency translation reserve RM'000	Executives' share scheme reserve RM'000	Shares held in trust for ESS RM'000	Retained Earnings		Non- controlling interests RM'000		
									Non- participating funds RM'000	Total RM'000			
At 01.04.17	5,551,557	1,938,849	225,050	(47,520)	3,010	153,368	30,998	(47,273)	45,715	8,173,314	16,027,068	1,125,816	17,152,884
Profit for the financial period	-	-	-	-	-	-	-	-	-	878,717	878,717	73,035	951,752
Other comprehensive income/(loss), net	-	-	-	5,640	(1,828)	(63,400)	-	-	-	-	(59,588)	2,240	(57,348)
Total comprehensive income/(loss) for the financial period	-	-	-	5,640	(1,828)	(63,400)	-	-	-	878,717	819,129	75,275	894,404
Purchase of shares pursuant to Executives' Share Scheme ("ESS")^	-	-	-	-	-	-	-	(370)	-	-	(370)	-	(370)
Share-based payment under Executives' Share Scheme ("ESS"), net	-	-	-	-	-	-	(11,349)	-	-	-	(11,349)	-	(11,349)
ESS shares vested to employees	-	-	-	-	-	-	(3,846)	5,942	-	-	2,096	-	2,096
Transfer of ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	-	-	-	(2,280)	(2,280)	(55)	(2,335)
Transfer from statutory reserve	-	(1,938,849)	-	-	-	-	-	-	-	1,938,849	-	-	-
Distribution payable	-	-	-	-	-	-	-	-	-	-	-	(100,615)	(100,615)
Transfer to regulatory reserve	-	-	479,184	-	-	-	-	-	-	(479,184)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(530,496)	(530,496)	(396)	(530,892)
Transactions with owners and other equity movements	-	(1,938,849)	479,184	-	-	-	(15,195)	5,572	-	926,889	(542,399)	(101,066)	(643,465)
At 31.12.17	5,551,557	-	704,234	(41,880)	1,182	89,968	15,803	(41,701)	45,715	9,978,920	16,303,798	1,100,025	17,403,823

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UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2018

Group	Attributable to Equity Holders of the Company												
	Non-Distributable								Distributable				
	Ordinary share capital RM'000	Regulatory reserve RM'000	AFS reserve/ (deficit) RM'000	Fair value reserves RM'000	Cash flow hedging reserve RM'000	Foreign currency translation reserve RM'000	Executives' share reserve RM'000	Shares held in trust for ESS RM'000	Retained Earnings		Non- controlling interests RM'000	Total equity RM'000	
At 01.04.18	5,551,557	702,734	(58,628)	-	3,174	61,600	17,428	(41,620)	45,715	10,233,645	16,515,605	1,144,405	17,660,010
Effects of adopting MFRS 9 at 1 April 2018	-	(406,513)	58,628	381,542	-	-	-	-	-	3,973	37,630	48	37,678
Restated balance at 1 April 2018	5,551,557	296,221	-	381,542	3,174	61,600	17,428	(41,620)	45,715	10,237,618	16,553,235	1,144,453	17,697,688
Profit for the financial period	-	-	-	-	-	-	-	-	-	1,045,622	1,045,622	81,678	1,127,300
Other comprehensive income/(loss), net	-	-	-	25,173	(6,246)	37,580	-	-	-	-	56,507	-	56,507
Total comprehensive income/(loss) for the financial period	-	-	-	25,173	(6,246)	37,580	-	-	-	1,045,622	1,102,129	81,678	1,183,807
Purchase of shares pursuant to ESS [^]	-	-	-	-	-	-	-	(183)	-	-	(183)	-	(183)
Share-based payment under ESS, net	-	-	-	-	-	-	(7,932)	-	-	-	(7,932)	-	(7,932)
ESS shares vested to employees	-	-	-	-	-	-	(6,863)	10,320	-	-	3,457	-	3,457
Transfer of ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	-	-	-	(3,348)	(3,348)	(109)	(3,457)
Dividend for ESS shares not vested	-	-	-	-	-	-	-	-	-	5,629	5,629	-	5,629
Transfer to regulatory reserve	-	167,879	-	-	-	-	-	-	-	(167,879)	-	-	-
Transfer from Retained Earnings arising from redemption of preference shares by a subsidiary	200,000	-	-	-	-	-	-	-	-	(200,000)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(452,128)	(452,128)	(242,060)	(694,188)
Transactions with owners and other equity movements	200,000	167,879	-	-	-	-	(14,795)	10,137	-	(817,726)	(454,505)	(242,169)	(696,674)
At 31.12.18	5,751,557	464,100	-	406,715	(3,072)	99,180	2,633	(31,483)	45,715	10,465,514	17,200,859	983,962	18,184,821

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AMMB HOLDINGS BERHAD
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UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2018

Company	Attributable to Equity Holders of the Company				Total equity RM'000
	Non-Distributable		Distributable		
	Ordinary share capital RM'000	Executives' share scheme reserve RM'000	Shares held in trust for ESS RM'000	Retained earnings RM'000	
At 01.04.17	5,550,250	30,998	(47,273)	2,991,530	8,525,505
Profit for the financial period	-	-	-	1,079,159	1,079,159
Total comprehensive income for the financial period	-	-	-	1,079,159	1,079,159
Purchase of shares pursuant to ESS [^]	-	-	(370)	-	(370)
Share-based payment under ESS, net	-	(11,349)	-	-	(11,349)
ESS shares vested to employees	-	(3,846)	5,942	(188)	1,908
Dividends paid	-	-	-	(530,496)	(530,496)
Transactions with owners and other equity movements	-	(15,195)	5,572	(530,684)	(540,307)
At 31.12.17	5,550,250	15,803	(41,701)	3,540,005	9,064,357

Company	Attributable to Equity Holders of the Company				Total equity RM'000
	Non-Distributable		Distributable		
	Ordinary share capital RM'000	Executives' share scheme reserve RM'000	Shares held in trust for ESS RM'000	Retained earnings RM'000	
At 01.04.18	5,550,250	17,428	(41,620)	3,525,115	9,051,173
Profit for the financial year	-	-	-	1,095,360	1,095,360
Total comprehensive income for the financial period	-	-	-	1,095,360	1,095,360
Purchase of shares pursuant to ESS ^{^^}	-	-	(183)	-	(183)
Share-based payment under ESS, net	-	(7,932)	-	-	(7,932)
ESS shares vested to employees	-	(6,863)	10,320	(236)	3,221
Dividend for ESS shares not vested	-	-	-	5,629	5,629
Dividends paid	-	-	-	(452,128)	(452,128)
Transactions with owners and other equity movements	-	(14,795)	10,137	(446,735)	(451,393)
At 31.12.18	5,550,250	2,633	(31,483)	4,173,740	9,695,140

[^] Represents the purchase of 71,550 of the Company's issued ordinary shares from the open market by a trustee appointed by the ESS committee at an average price of RM5.17 per share.

^{^^} Represents the purchase of 48,350 of the Company's issued ordinary shares from the open market by a trustee appointed by the ESS committee at an average price of RM3.79 per share.

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AMMB HOLDINGS BERHAD
(223035-V) (Incorporated in Malaysia)
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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2018

	Group		Company	
	31.12.18 RM'000	31.12.17 RM'000	31.12.18 RM'000	31.12.17 RM'000
Profit/(Loss) before taxation and zakat	1,470,276	1,183,025	1,097,205	1,079,200
Add/(Less) adjustments for:				
Accretion of discount less amortisation of premium for securities	(234,903)	(126,550)	-	-
Allowance for losses on loans, advances and financing, net	436,539	372,670	-	-
Dividend income from securities	(24,777)	(32,035)	(27)	(2,176)
Dividend income from subsidiaries	-	-	(1,122,065)	(1,123,426)
Net (gain)/loss on revaluation of derivatives	(203,697)	310,438	-	-
Net (gain)/loss on revaluation of financial assets at fair value through profit or loss ("FVTPL")/ held-for-trading	72,020	(34,606)	-	-
Net gain on sale of financial investments at FVOCI/ available-for-sale	(6,542)	(68,272)	-	-
Net gain on sale of financial assets at FVTPL/held-for-trading	(33,024)	(30,641)	-	-
Other non-operating and non-cash items	175,520	(60,202)	24,705	11,861
Operating profit/(loss) before working capital changes	1,651,412	1,513,827	(182)	(34,541)
<i>Decrease/(Increase) in operating assets:</i>				
Securities purchased under resale agreements	-	10,369	-	-
Deposits and placements with banks and other financial institutions	15,602	90,266	-	-
Financial assets at FVTPL/held-for-trading	(207,122)	538,489	27	-
Loans, advances and financing	(4,526,634)	(4,175,742)	-	-
Statutory deposits with Bank Negara Malaysia	70,268	(21,993)	-	-
Other assets	116,943	437,334	(4,232)	52,724
Reinsurance assets and other insurance receivables	37,182	2,423	-	-
<i>Increase/(Decrease) in operating liabilities:</i>				
Deposits from customers	10,994,048	6,009,787	-	-
Investment accounts of customers	19,066	(3,206)	-	-
Deposits and placements of banks and other financial institutions	2,611,211	3,025,499	-	-
Securities sold under resale agreements	2,217,695	(9,464)	-	-
Recourse obligation on loans and financing sold to Cagamas Berhad	385,269	1,118,747	-	-
Term funding	(206,179)	(2,054,555)	(500,000)	(676,000)
Other liabilities	(106,023)	(207,221)	12,501	190,238
Insurance contract liabilities and other insurance payables	(134,870)	(94,071)	-	-
Cash generated from/(used) in operations	12,937,868	6,180,489	(491,886)	(467,579)
Taxation and zakat paid/(refunded), net	10,652	4,574	(361)	(2,040)
Net cash generated from/(used) in operating activities	12,948,520	6,185,063	(492,247)	(469,619)
<i>Cash flows from investing activities</i>				
Purchase of shares for ESS by appointed trustee	(183)	(370)	(183)	(370)
Dividend/Distribution income received	31,998	37,407	1,122,065	1,123,438
Subscription of shares in subsidiaries and joint venture	(6,000)	-	(177,257)	(200,000)
Proceeds from disposal of property and equipment	2,891	3,874	-	-
Redemption/(Purchase) of financial investments	(7,347,043)	(956,559)	-	132,147
Purchase of property and equipment and intangible assets	(84,474)	(103,216)	-	(424)
Net cash generated from/(used in) investing activities carried forward	(7,402,811)	(1,018,864)	944,625	1,054,791

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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2018 (CONT'D.)

	Group		Company	
	31.12.18 RM'000	31.12.17 RM'000	31.12.18 RM'000	31.12.17 RM'000
Net cash generated from/(used in) investing activities brought forward	(7,402,811)	(1,018,864)	944,625	1,054,791
Redemption of receivables: investments not quoted in active markets	-	49,147	-	-
Net proceeds from disposal of assets held for sale (properties)	7,129	17,698	-	-
Net cash generated from/(used in) investing activities	<u>(7,395,682)</u>	<u>(952,019)</u>	<u>944,625</u>	<u>1,054,791</u>
<i>Cash flows from financing activities</i>				
Dividends paid by Company to its shareholders	(452,128)	(530,496)	(452,128)	(530,496)
Dividends paid to non-controlling interests by subsidiaries	(242,060)	(396)	-	-
Dividends refunded by Trustee for ESS shares not vested	5,629	-	5,629	-
Investment by non-controlling interests-withdrawal	-	(100,615)	-	-
Debt capital - net issuance/(repayment)	500,000	(270,000)	-	-
Net cash used in financing activities	<u>(188,559)</u>	<u>(901,507)</u>	<u>(446,499)</u>	<u>(530,496)</u>
Net increase in cash and cash equivalents	5,364,279	4,331,537	5,879	54,676
Cash and cash equivalents at beginning of the financial year	5,715,856	9,376,920	79,080	26,057
Effect of exchange rate changes	(51)	(327)	-	-
Cash and cash equivalents at end of the financial period	<u>11,080,084</u>	<u>13,708,130</u>	<u>84,959</u>	<u>80,733</u>

For the purpose of statements of cash flows, cash and cash equivalents consist of cash and short-term funds net of bank overdrafts. Cash and cash equivalents included in the statements of cash flows comprise the following amounts:

	Group		Company	
	31.12.18 RM'000	31.12.17 RM'000	31.12.18 RM'000	31.12.17 RM'000
Cash and short-term funds	10,484,144	13,178,231	84,959	80,733
Deposits and placements with banks and other financial institutions with original maturity of three months or less	593,592	529,899	-	-
Less: Deposits with original maturity of more than three months	-	-	-	-
	<u>11,077,736</u>	<u>13,708,130</u>	<u>84,959</u>	<u>80,733</u>
Changes in expected credit loss ("ECL") for cash and cash equivalents:				
Effects of adoption of MFRS 9	(983)	-	-	-
Changes in ECL	(1,348)	-	-	-
Foreign exchange differences	(17)	-	-	-
Closing balance of ECL	<u>(2,348)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents	<u>11,080,084</u>	<u>13,708,130</u>	<u>84,959</u>	<u>80,733</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Group and the Company for the financial year ended 31 March 2018.

AMMB HOLDINGS BERHAD
(223035-V) (Incorporated in Malaysia)
and its subsidiaries

EXPLANATORY NOTES :

A1. BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with MFRS 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Listing Requirements of Bursa Malaysia. These financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

These condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial statements of the Group and the Company for the financial year ended 31 March 2018 which are available upon request from the Company's registered office at Level 22, Bangunan AmBank Group, No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur.

The condensed interim financial statements incorporate those activities relating to Islamic banking which have been undertaken by the Group. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic securities under Shariah principles.

A1.1 Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new standards, amendments to published standards, and new interpretation which became effective for the first time for the Group and the Company on 1 April 2018:

- MFRS 9 *Financial Instruments*
- MFRS 15 *Revenue from Contracts with Customers*
- Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts* (Amendments to MFRS 4)
- Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)
- Transfers of Investment Property (Amendments to MFRS 140)
- Annual Improvements to MFRSs 2014-2016 Cycle - amendments to MFRS 1 and MFRS 128
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The adoption of these new standards, amendments to published standards and new interpretation did not have any material impact on the financial statements of the Group and the Company except for those arising from the adoption of MFRS 9 as disclosed below. Other than the adoption of new accounting policies as disclosed in Note A1.2, the Group and the Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting the other amendments to published standards and new interpretation.

The nature of the new standards, amendments to published standards and new interpretation are described below:

MFRS 9 *Financial Instruments*

MFRS 9 replaces the provisions of MFRS 139 *Financial Instruments: Recognition and Measurement* that relate to the recognition, classification and measurement, as well as derecognition of financial instruments, impairment of financial assets and hedge accounting. As permitted by the transitional provision of MFRS 9, comparative information have not been restated. The impact arising from the adoption of MFRS 9 are as follows:

(i) Classification and measurement

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

A1. BASIS OF PREPARATION (CONT'D.)

A1.1 Significant Accounting Policies (Cont'd.)

MFRS 9 Financial Instruments (Cont'd.)

(i) Classification and measurement (Cont'd.)

Loans, advances and financing, which form a substantial portion of the Group's financial assets, satisfied the conditions for classification at amortised cost and hence there is no change to the accounting of these assets. Similarly, investments in corporate bonds and sukuk classified as held-to-maturity under MFRS 139 also met the conditions for classification at amortised cost under MFRS 9.

Certain investments in corporate bonds and sukuk that were classified as available-for-sale under MFRS 139 qualified for classification at amortised cost under MFRS 9. The reclassification has been effected by way of a retrospective application of the effective interest method and accordingly, the related cumulative fair value loss has been reversed on 1 April 2018. Other investments in corporate bonds and sukuk that were classified as available-for-sale satisfies the conditions for classification at FVOCI and hence there is no change to the accounting of these assets.

The majority of the Group's debt investments not quoted in active market that were measured at amortised cost under MFRS 139 satisfied the conditions for classification at FVOCI and the related fair value gains have been recognised in fair value reserve on 1 April 2018. However, certain debt investments did not meet the cash flow characteristics criterion to be classified either at FVOCI or at amortised cost and have been accordingly classified at FVTPL with related fair value loss recognised in retained earnings on 1 April 2018.

All financial assets held for trading comprising derivatives, as well as investments in debt and equity instruments, continued to be measured at FVTPL.

Other than equity instruments held for long-term strategic or socioeconomic purposes, the Group did not designate any of the equity instruments not held-for-trading at FVOCI. As a majority of the equity instruments held for long-term strategic or socioeconomic purposes are unquoted and have been measured at cost in accordance with MFRS 139, the classification of these equity instruments at FVOCI under MFRS 9 resulted in the recognition of related fair value gains in fair value reserve on 1 April 2018.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVTPL and the Group does not have any such liabilities at this juncture.

A1. BASIS OF PREPARATION (CONT'D.)

A1.1 Significant Accounting Policies (Cont'd.)

MFRS 9 Financial Instruments (Cont'd.)

(ii) Impairment

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

The Group has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument. To calculate ECL, the Group has estimated the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e. the difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expect to receive, discounted at the effective interest rate of the financial asset.

Following the adoption of MFRS 9, the Group recorded an additional loss allowance in respect of loans, advances and financing, as well as investments in debt securities and other financial assets that are not classified at FVTPL, which has been adjusted to retained earnings on 1 April 2018.

(iii) Hedge accounting

All existing hedge relationships that were designated in effective hedging relationships under MFRS 139 continued to qualify for hedge accounting under MFRS 9. As MFRS 9 did not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of MFRS 9 did not result in any significant impact on the Group's financial statements.

The tax treatment on the transition from MFRS 139 to MFRS 9 is in accordance with clarification provided by the Ministry of Finance in a letter dated 27 December 2018.

The financial impact of the adoption of MFRS 9 on the financial statements of the Group are as disclosed in Note A41.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 established a new five-step model that applies to revenue arising from contracts with customers, based on the underlying principle that an entity should recognise revenue in a manner which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. The standard also specified the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

In accordance with the transitional provision in MFRS 15, the Group has adopted the standard using the modified retrospective approach without any restatement to the comparative information. The adoption of MFRS 15 has resulted in changes in the Group's accounting policies. Nevertheless, no adjustment has been made to the amounts recognised in the financial statements as the adoption of MFRS 15 did not have any material financial impact because the Group has been recognising revenue in a manner consistent with the principles of MFRS 15.

A1. BASIS OF PREPARATION (CONT'D.)

A1.1 Significant Accounting Policies (Cont'd.)

Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts* (Amendments to MFRS 4)

The amendments address the concerns about the different effective dates of MFRS 9 and MFRS 17 *Insurance Contracts* by providing 2 different solutions for insurers which are optional, including a temporary exemption that allows insurers to continue to apply MFRS 139 instead of adopting MFRS 9 for annual periods beginning before 1 January 2021 if their activities are "predominantly connected with insurance". The eligibility to apply this temporary exemption is assessed based on the significance of the carrying amounts of liabilities arising from contracts within the scope of MFRS 4 and liabilities connected with insurance as at the annual reporting date that immediately precedes 1 April 2016. The temporary exemption shall cease to be applicable when MFRS 17 becomes effective for annual periods beginning on or after 1 January 2021.

The Group is not eligible to apply the temporary exemption from MFRS 9 as its activities are not "predominantly connected with insurance". Though eligible, the general insurance subsidiary of the Group has opted not to apply the temporary exemption as it has adopted MFRS 9 as at 1 April 2018.

The life assurance and family takaful joint ventures of the Group have applied the temporary exemption and have deferred their MFRS 9 adoption to the financial year ending 31 March 2022. The amendments provided the Group an exemption from applying uniform accounting policies when applying the equity method under MFRS 128 *Investments in Associates and Joint Ventures* to account for its investments in joint ventures with activities that are predominantly connected with insurance and that have elected to apply the temporary exemption from MFRS 9. Accordingly, adjustments have not been made to the financial information of the life assurance and family takaful joint ventures to conform with the Group's accounting policies on financial instruments when applying the equity method in the Group's financial statements.

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

The amendments clarify the measurement basis and the effects of vesting conditions on the measurement of cash-settled share-based payments, as well as the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in MFRS 2 that will require an award to be treated as if it was wholly equity-settled when an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The adoption of these amendments did not have any material financial impact as the Group's existing share-based payment transactions do not possess any of the features addressed in these amendments.

Transfers of Investment Property (Amendments to MFRS 140)

The amendments clarified that to transfer to, or from, investment properties, there must be a change in use. To conclude if a property has a change in use, there should be an assessment of whether the property meets, or has ceased to meet, the definition of investment property. This change must be supported by evidence; a change in intention in isolation is not enough to support a transfer. The adoption of these amendments did not result in any impact as is no reclassification of property to investment properties during the financial quarter ended 31 December 2018.

Annual Improvements to MFRSs 2014-2016 Cycle

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

(i) **MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards***

The amendments deleted short-term exemptions covering transition provisions of MFRS 7, MFRS 10, and MFRS 119. These transition provisions were available to entities for past reporting periods and are therefore no longer applicable. The deletion has no impact as the Group has transitioned into MFRS in the past.

(ii) **MFRS 128 *Investments in Associates and Joint Ventures***

MFRS 128 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss. The amendments clarified that this election should be made separately for each associate or joint venture at initial recognition. The amendment has no impact as such election is not available to the Group.

A1. BASIS OF PREPARATION (CONT'D.)

A1.1 Significant Accounting Policies (Cont'd.)

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on how to determine the date of the transaction when applying MFRS 121 *The Effects of Changes in Foreign Exchange Rates* in situations where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. For the purpose of determining the exchange rate to use on initial recognition of the related item, the Interpretation states that the date of the transaction shall be the date on which an entity initially recognises the non-monetary asset or liability arising from the advance consideration. The adoption of this Interpretation did not have any material financial impact to the Group.

Standards issued but not yet effective

Description	Effective for annual periods beginning on or after
- MFRS 16 Leases	01 January 2019
- IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	01 January 2019
- Prepayment Features with Negative Compensation (Amendments to MFRS 9)	01 January 2019
- Long-term interests in Associates and Joint ventures (Amendments to MFRS 128)	01 January 2019
- Plan Amendment, Curtailment or Settlement (Amendments to MFRS119)	01 January 2019
- Annual Improvements to MFRSs 2015-2017 Cycle	01 January 2019
- Amendments to References to the Conceptual Framework in MFRS Standards	01 January 2020
- Definition of a Business (Amendments to MFRS 3)	01 January 2020
- Definition of Material (Amendments to MFRS 101 and MFRS 108)	01 January 2020
- MFRS 17 Insurance Contracts	01 January 2021
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	To be determined by MASB

The nature of the new standards, amendments to published standards and new interpretation that are issued but not yet effective are described below. The Group and the Company are assessing the financial effects of their adoption.

(a) Standards effective for financial year ending 31 March 2020

MFRS 16 Leases

MFRS 16 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 statement of profit or loss.

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

MFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early application permitted provided MFRS 15 is also applied. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts.

The Group is in the process of assessing the financial implication for adopting MFRS 16. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard.

A1. BASIS OF PREPARATION (CONT'D.)

A1.1 Significant Accounting Policies (Cont'd.)

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

(a) Standards effective for financial year ending 31 March 2020 (Cont'd.)

IC Interpretation 23 *Uncertainty over Income Tax Treatments*

The Interpretation provides guidance on how to recognise and measure deferred and current income tax assets and liabilities in situations where there is uncertainty over whether the tax treatment applied by an entity will be accepted by the tax authority. If it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, the accounting for income taxes shall be determined consistently with that tax treatment. If an entity concludes that it is not probable that the treatment will be accepted, it should reflect the effect of the uncertainty in its income tax accounting in the period in which that determination is made, by applying the most likely amount method or the expected value method.

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. Entities can choose to apply the Interpretation on full retrospective basis if possible without the use of hindsight, or retrospectively with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings.

Prepayment Features with Negative Compensation (Amendments to MFRS 9)

Under the current MFRS 9 requirements, the "solely payments of principal and interest on the principal amount outstanding" ("SPPI") condition is not met if the lender has to make a settlement payment in the event of early termination by the borrower. The existing requirements are amended to enable entities, to measure at amortised cost or at fair value through other comprehensive income (depending on the business model), some prepayable financial assets with negative compensation if the negative compensation is a reasonable compensation for early termination of the contract. An example of such reasonable compensation is an amount that reflects the effect of the change in the relevant benchmark rate of interest at the time of termination; the calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of a early repayment gain.

The amendments are effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. The amendments shall be applied retrospectively.

Long-term Interests in associates and Joint Ventures (Amendments to MFRS 128)

The amendments clarify that MFRS 9 including its impairment requirements shall be applied to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The amendments are effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. The amendments shall be applied retrospectively.

Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)

Currently, MFRS 119 did not specify how current service cost and net interest should be determined for the remainder of the period after a plan amendment, curtailment or settlement. The standard has been amended to mandate the use of updated assumptions from the remeasurement of net defined benefit liability or asset upon a change to the plan to determine current service cost and net interest for the remainder of the period after the change to the plan.

The amendments are applied prospectively to plan amendments, settlements or curtailments that occur after the beginning of the first annual reporting period beginning on or after 1 January 2019. Early adoption is permitted.

A1. BASIS OF PREPARATION (CONT'D.)

A1.1 Significant Accounting Policies (Cont'd.)

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

(a) Standards effective for financial year ending 31 March 2020 (Cont'd.)

Annual Improvements to MFRSs 2015-2017 Cycle

The Annual Improvements to MFRSs 2015-2017 Cycle include minor amendments affecting 4 MFRSs, which are effective for annual periods beginning on or after 1 January 2019, as summarised below:

(i) MFRS 3 *Business Combinations*

The amendments clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. The acquirer shall remeasure its previously held interest in the joint operation at fair value at the acquisition date.

(ii) MFRS 11 *Joint Arrangements*

The amendments clarified that the party obtaining joint control of a business that is a joint operation shall not remeasure any previously held interest in the joint operation.

(iii) MFRS 112 *Income Taxes*

The amendments clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated the distributable amounts were recognised. Hence the tax consequences are recognised in profit or loss only when an entity determines payments on such instruments are distributions of profits.

(iv) MFRS 123 *Borrowing Costs*

The amendments clarified that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

(b) Standards effective for financial year ending 31 March 2021

Amendments to References to the Conceptual Framework in MFRS Standards

The amendments, affecting nine published standards and five published interpretations, were issued as a consequence to the issuance of the revised *Conceptual Framework for Financial Reporting* ("Conceptual Framework") on 30 April 2018. The references and quotations in these published standards and interpretations to the Conceptual Framework have been updated so as to clarify the version of the Conceptual Framework these published standards and interpretations refer to. The amendments are effective for annual periods beginning on or after 1 January 2020 for entities that develop an accounting policy by reference to the Conceptual Framework.

Definition of a Business (Amendments to MFRS 3)

The amendments revised the definition of a business, whereby the term "outputs" is narrowed to focus on goods and services provided to customers, as well as generation of investment income and other income from ordinary activities; returns in the form of lower costs and other economic benefits are no longer considered. In addition, a new framework is added to help evaluate when an input and a substantive process are present.

The amendments are applied prospectively to business combinations and asset acquisitions that occur on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Early adoption is permitted.

Definition of Material (Amendments to MFRS 101 and MFRS 108)

The amendments clarified the definition of material and how it should be applied through the addition of definition guidance. In addition, the explanations accompanying the definition have been improved and aligned across all MFRS standards to make it easier for entities to make materiality judgements. The amendments are applied prospectively from annual reporting period beginning on or after 1 January 2020. Early adoption is permitted.

A1. BASIS OF PREPARATION (CONT'D.)

A1.1 Significant Accounting Policies (Cont'd.)

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

(c) Standards effective for financial year ending 31 March 2022

MFRS 17 Insurance Contracts

MFRS 17 supersedes MFRS 4 *Insurance Contracts*.

MFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows.

Changes in cash flows related to future services should be recognised against the CSM. The CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognised in profit or loss. Interest is accreted on the CSM at rates locked in at initial recognition of a contract. To reflect the service provided, the CSM is released to profit or loss in each period on the basis of passage of time. Entities have an accounting policy choice to recognise the impact of changes in discount rates and other assumptions that relate to financial risks either in profit or loss or in other comprehensive income.

MFRS 17 is effective for annual periods beginning on or after 1 January 2021, with early application permitted provided MFRS 9 and MFRS 15 are also applied. A full retrospective application is required; an entity is permitted to choose between a modified retrospective approach and the fair value approach if full retrospective application is impracticable. The Group is in the process of assessing the financial implication for adopting MFRS 17.

(d) Standard effective on a date to be determined by MASB

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

The amendments clarify that:

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

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2018

The significant accounting policies adopted in preparing these condensed interim financial statements are consistent with those as disclosed in the annual financial statements of the Group and the Company for the financial year ended 31 March 2018 except for the following new accounting policies which has been applied from 1 April 2018 following the adoption of the new standards and amendments to published standards which are effective for annual periods beginning on or after 1 January 2018:

(a) Financial instruments – initial recognition and measurement

(i) Initial recognition

Financial assets and financial liabilities are recognised when the Group and the Company become a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised using trade date accounting or settlement date accounting. The method used is applied consistently for all purchases and sales of financial assets that belong to the same category of financial assets. The Group and the Company apply trade date accounting for derivative financial instruments and investments in equity instruments, and settlement date accounting for investments in debt instruments.

(ii) Initial measurement

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

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities not recorded at fair value through profit or loss, net of directly attributable transaction costs.

(iii) “Day 1” profit or loss

At initial measurement, if the transaction price differs from the fair value, the Group and the Company immediately recognise the difference between the transaction price and fair value (a “Day 1” profit or loss) in “investment and trading income” provided that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. Level 1 input) or based on a valuation technique that uses only data from observable markets. In all other cases, the difference between the transaction price and model value is recognised in profit or loss on a systematic and rational basis that reflects the nature of the instrument over its tenure.

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2018 (Cont'd.)

(b) Financial assets – classification and subsequent measurement

The Group and the Company classify its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); or
- Fair value through profit or loss ("FVTPL").

The classification requirements for debt and equity instruments are described below:

(i) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification and subsequent measurement of debt instruments depend on:

Business model

The business model reflects how the Group and the Company manage the financial assets in order to generate cash flows. That is, whether the Group and the Company's objective is solely to collect the contractual cash flows from the assets, or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. the financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model. Factors considered by the Group and the Company in determining the business model for a portfolio of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, and how risks are assessed and managed.

Cash flow characteristics

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Group and the Company assess whether the financial assets' contractual cash flows represent solely payment of principal and interest ("SPPI"). In making this assessment, the Group and the Company consider whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

Based on these factors, the Group and the Company classify the debt instruments into one of the following three measurement categories:

Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost using the effective interest method. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured using the methodology described in Note A1.2(g). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate ("EIR"). The EIR amortisation is included in "interest income" in profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in "impairment losses on financial investments" for bonds, "impairment losses on loans, advances and financing" for loans, advances and financing or "doubtful receivables" for losses other than bonds, loans, advances and financing.

FVOCI

Financial assets that are held for contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and are not designated at FVTPL, are measured at FVOCI. Changes in the fair value are recognised through other comprehensive income, except for the recognition of impairment losses (measured using the methodology described in Note A1.2(g)), interest income and foreign exchange gains or losses on the assets' amortised cost which are recognised in profit or loss. Interest earned whilst holding the assets are reported as "interest income" using the effective interest method. The losses arising from impairment are reclassified from other comprehensive income to profit or loss in "impairment losses on financial investments". When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss and recognised in "other operating income".

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2018 (Cont'd.)

(b) Financial assets – classification and subsequent measurement (Cont'd.)

(i) Debt instruments (Cont'd.)

FVTPL

Financial assets that do not meet the criteria for amortised cost or FVOCI, including financial assets held-for-trading and derivatives, are measured at FVTPL. A gain or loss on an asset that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented within "investment and trading income". Interest earned whilst holding the assets are reported as "interest income" using the effective interest method.

In addition, financial assets that meet the criteria for amortised cost or FVOCI may be irrevocably designated by management as FVTPL on initial recognition, provided the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis. Such designation is determined on an instrument by instrument basis. Any change in fair value is recognised in profit or loss and presented within "investment and trading income". Interest earned is recognised in "interest income" using the effective interest method.

(ii) Reclassification of debt investments

The Group and the Company reclassify debt investments when and only when the business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the financial period.

(iii) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group and the Company subsequently measure all equity investments at FVTPL, except where the management has elected at initial recognition to irrevocably designate an equity investment that is not held for trading at FVOCI. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Dividends earned whilst holding the equity investment are recognised in profit or loss as "other operating income" when the right to the payment has been established.

Gains and losses on equity investments at FVTPL, including dividends earned, are included in "investment and trading income" in profit or loss.

(c) Financial liabilities – classification and subsequent measurement

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- financial liabilities at FVTPL; and
- financial guarantee contracts and loan commitments (see Note A1.2(j)).

(i) Amortised cost

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

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

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2018 (Cont'd.)

(c) Financial liabilities – classification and subsequent measurement (Cont'd.)

(i) Amortised cost (Cont'd.)

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted market prices for similar debt instruments). The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the debt component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

(ii) FVTPL

This classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at FVTPL are presented partially in other comprehensive income (being the amount of change in the fair value of the financial liability that is attributable to changes in credit risk of that liability) and partially in profit or loss (i.e. the remaining amount of change in fair value of the liability). This is unless such presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss.

(d) Derecognition of financial instruments

(i) Derecognition of financial assets

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

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

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

(ii) Modification of loans

The Group sometimes renegotiate or otherwise modify the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced, such as a profit share or equity-based return that substantially affects the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in;
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2018 (Cont'd.)

(d) Derecognition of financial instruments (Cont'd.)

(ii) Modification of loans (Cont'd.)

If the terms are substantially different, the Group derecognises the original financial asset and recognise a "new" asset at fair value and recalculate a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the borrower being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

(iii) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and changes in covenants are also taken into consideration. The difference in the respective carrying amount of the original financial liability and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred are adjusted to the carrying amount of the financial liability and are amortised over the remaining term of the modified financial liability.

(e) Repurchase and reverse repurchase agreements

Securities sold under repurchase agreements at a specified future date are not derecognised from the statement of financial position as the Group retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest, as a liability within "securities sold under repurchase agreements", reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the EIR. When the counterparty has the right to sell or repledge the securities, the Group reclassifies those securities in its statement of financial position to "financial assets at FVTPL pledged as collateral" or to "financial investments at FVOCI pledged as collateral", as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within "securities purchased under reverse repurchase agreements", reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in "interest income" and is accrued over the life of the agreement using the EIR.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within "financial liabilities at FVTPL" and measured at fair value with any gains or losses included in "investment and trading income".

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2018 (Cont'd.)

(f) Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in "investment and trading income".

(g) Financial instruments - expected credit losses

The Group and the Company assess on a forward-looking basis the expected credit losses ("ECL") associated with debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group and the Company recognise a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued in profit or loss on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

Loans together with the associated allowance are written off when all practical recovery efforts has been exhausted and there is no realistic prospect of future recovery, and all collateral has been realised or has been transferred to the Group. The Group may also write-off financial assets that are still subject to enforcement activity when there is no reasonable expectation of full recovery. If a write-off is later recovered, the recovery is credited to profit or loss.

(i) Rescheduled and restructured loans

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

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2018 (Cont'd.)

(g) Financial instruments - expected credit losses (Cont'd.)

(ii) Collateral valuation

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Group's quarterly reporting schedule, however, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements and other independent sources.

(iii) Collateral repossessed

The Group's policy is to determine whether a repossessed asset is best used for internal operations or should be sold. Repossessed financial assets determined to be useful for the internal operations are classified based on their characteristics, business model and the cash flow characteristics, and are measured at their fair value in the same manner as described in Note A1.2(a)(ii). Repossessed non-financial assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value and the carrying value of the original secured asset. Repossessed assets that are determined better to be sold are immediately transferred to assets held for sale if the sale is deemed highly probable within a short period following the repossession, whereby financial assets are measured at their fair value whereas non-financial assets are measured at the lower of fair value less cost to sell at the repossession date and the carrying value of the original secured asset.

(h) Hedge accounting

The Group makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions and firm commitments. In order to manage particular risks, the Group applies hedge accounting for transactions which meet specified criteria.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on an ongoing basis.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. Hedge ineffectiveness is recognised in profit or loss. For situations where the hedged item is a forecast transaction, the Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2018 (Cont'd.)

(h) Hedge accounting (Cont'd.)

(i) Fair value hedges

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

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

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

(ii) Cash flow hedges

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

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

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

(iii) Hedges of a net investment

Hedges of net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in OCI while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

(i) Offsetting financial instruments

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

(j) Financial guarantee contracts and loan commitments

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance (calculated as described in Note A1.2(g)) and the premium received on initial recognition less income recognised in accordance with the principles of MFRS 15.

Loan commitments provided by the Group are measured at the amount of the loss allowance (calculated as described in Note A1.2(g)).

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2018 (Cont'd.)

(k) Investment in associates and joint ventures

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

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

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

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

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

The statement of profit or loss reflects the Group's share of the results of operations of the associates or joint ventures. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associates or joint ventures, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

The aggregate of the Group's share of profit or loss of the associates and joint ventures is shown on the face of the statement of profit or loss and represents profit or loss after tax and non-controlling interests in the associates or joint ventures.

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

The financial statements of the associates or joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. Nevertheless, no adjustment is made to the accounting policies relating to financial instruments of any associate or joint venture with activities that are predominantly connected with insurance if the associate or joint venture concerned applies the temporary exemption from MFRS 9.

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2018 (Cont'd.)

(k) Investment in associates and joint ventures (Cont'd.)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investments in associates or joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investments in associates or joint ventures are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amounts of the associates or joint ventures and their carrying values, then recognises the loss as "impairment loss on associates or joint ventures" in profit or loss.

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

(l) Recognition of income and expenses relating to financial instruments

(i) Interest/financing income and similar income and expense

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

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded in profit or loss. However, for a reclassified financial asset for which the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan.

(ii) Dividend income

Revenue is recognised when the Group's and the Company's right to receive the payment is established, it is probable that the economic benefits will flow to the Group and the Company and the amount of payment can be reliably measured. The conditions are generally met when shareholders approve the dividend.

(iii) Investment and trading income

Results arising from trading activities include all gains and losses from changes in fair value and dividends for financial investments held-for-trading classified as financial assets at FVTPL. This includes any ineffectiveness recorded in hedging transactions.

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2018 (Cont'd.)

(m) Recognition of revenue from contracts with customers

Revenue is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers the control of the goods or services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at a point in time.

A contract with customer exists when the contract has commercial substance, the Group and its customer has approved the contract and intend to perform their respective obligations, the Group's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group will collect the consideration to which it will be entitled to in exchange of those goods or services.

At the inception of each contract with customer, the Group assesses the contract to identify distinct performance obligations, being the units of account that determine when and how revenue from the contract with customer is recognised.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties. If the amount of consideration varies, the Group estimates the amount of consideration that it expects to be entitled based on the expected value or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future. If the contract with customer contains more than one distinct performance obligation, the amount of consideration is allocated to each distinct performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The consideration allocated to each performance obligation is recognised as revenue when or as the customer obtains control of the goods or services. At the inception of each contract with customer, the Group determines whether control of the goods or services for each performance obligation is transferred over time or at a point in time. Revenue is recognised over time if the control over the goods or services is transferred over time. Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

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

(i) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a period of time

Fees earned for the provision of services over a period of time are accrued over that period by reference to the stage of completion of the services. These fees include loan arrangement, commission income, asset management, custody and other management and advisory fees. Loan commitment fees for loans that are unlikely to be drawn down are recognised over the commitment period on a straight-line basis.

Fee income from providing transaction services

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

(ii) Customer loyalty programmes

Award credits under customer loyalty programmes are accounted for as a separate performance obligation of the transaction in which the award credits are granted (i.e. a material right). The fair value of the consideration received in respect of the transaction is allocated between the award credits and the other components of the transaction on a relative stand-alone selling price basis. Revenue from the award credits is recognised when the award credits are redeemed or expired. The amount of revenue recognised when the award credits are redeemed is based on the number of award credits redeemed relative to the total number expected to be redeemed.

A1. BASIS OF PREPARATION (CONT'D.)

A1.3 Significant changes in Regulatory Requirements

Bank Negara Malaysia ("BNM") policy documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions

On 2 February 2018, BNM issued the following revised policy documents which are effective for financial years beginning on or after 1 January 2018:

- (a) Financial Reporting
- (b) Financial Reporting for Islamic Banking Institutions

Certain requirements in the policy documents have been revised in response to the changes in the loan loss impairment methodology arising from the expected credit loss approach under MFRS 9. In addition, the credit-impaired classification requirements which was previously provided in BNM's policy document on Classification and Impairment Provisions for Loans/Financing have also been incorporated into the above revised policy documents.

Following the application of MFRS 9 impairment requirements, the revised policy documents require banking institutions and Islamic banking institutions to maintain, in aggregate, loss allowance for non-credit-impaired exposures (commonly referred to as Stage 1 and Stage 2 expected credit losses) and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures. This revised requirement has been applied in the computation of loss allowances in these condensed interim financial statements.

The revised policy documents also introduced the following new disclosure requirements in the annual financial statements. These information which are not disclosed in these condensed interim financial statements, will be presented in the Group's annual financial statements for the financial year ending 31 March 2019:

- (i) a movement schedule of financial instruments classified as credit-impaired with a breakdown by class of financial instrument;
- (ii) a movement schedule of loss allowance with a breakdown by class of financial instrument and showing separately the loss allowance measured by different stages of expected credit loss;
- (iii) intercompany charges with a breakdown by type of services received and geographical distribution; and
- (iv) nature of the underlying assets in connection with placement of funds in an investment account with an Islamic banking institution.

A1.4 Significant Accounting Judgements, Estimates and Assumptions

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

In the process of applying the Group's and the Company's accounting policies, the significant judgements, estimates and assumptions made by management were the same as those applied to the annual financial statements for the financial year ended 31 March 2018 except for the measurement of expected credit losses under MFRS 9 which involves increased complexity and judgements.

A2. AUDIT QUALIFICATION

There was no audit qualification in the annual financial statements for the financial year ended 31 March 2018.

A3. SEASONALITY OR CYCLICALITY OF OPERATIONS

The operations of the Group and the Company are not materially affected by any seasonal or cyclical fluctuation in the current financial quarter.

A4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items during the current financial quarter.

A5. CHANGES IN ESTIMATES

There was no material change in estimates of amounts reported in the prior financial years that have a material effect on the financial quarter ended 31 December 2018 other than the impact of adoption of MFRS 9 as disclosed in Note A42.

A6. ISSUANCE, REPURCHASE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

Issuance of new shares

On 28 June 2018, AmBank (M) Berhad ("AmBank"), its wholly-owned subsidiary had increased its paid-up ordinary share capital by RM177,257,008 through the issuance of 16,489,024 new ordinary shares at a price of RM10.75 per ordinary share.

Issuance of debt securities

- a) On 26 June 2018, AmBank issued Tranche 7 of Senior Notes with nominal amount of RM700.0 million under its Senior Notes programme of RM7.0 billion. This tranche bears interest at 4.5% payable half-yearly and is for a tenor of 2 years.
- b) On 18 October 2018, AmBank Islamic Berhad ("AmBank Islamic") issued Tranche 7 of Subordinated Sukuk Murabahah with nominal amount of RM500.0 million under its Subordinated Sukuk Murabahah programme of RM3.0 billion. This tranche bears profit at 4.88% payable half-yearly and is for a tenor of 10 years.
- c) On 15 November 2018, AmBank issued Tranche 6 of Subordinated Notes with nominal amount of RM1.0 billion under its Subordinated Notes programme of up to RM4.0 billion. This tranche bears interest at 4.98% payable half-yearly and is for a tenor of 10 years.

Redemption of debt securities

- a) On its first call date on 9 April 2018, AmBank fully redeemed Tranche 6 of Medium Term Notes with nominal amount of RM600.0 million issued under its Medium Term Notes Programme of up to RM2.0 billion.
- b) On 21 May 2018, AmBank fully redeemed Tranche 5 of Senior Notes with RM400.0 million nominal amount issued under its RM7.0 billion Senior Notes Programme.
- c) On 11 December 2018, at two Extraordinary General Meetings ("EGM") of the Company:
 - (i) the holders of the Company's Senior Notes issued under the Senior and/or Subordinated Medium Term Notes programme of up to RM2.0 billion in nominal value approved the early redemption of the outstanding RM500.0 million Senior Notes due to mature on 8 August 2019. As at 18 December 2018, the Company had fully settled the outstanding Senior Notes with nominal value of RM500.0 million;

A6. ISSUANCE, REPURCHASE AND REPAYMENT OF DEBT AND EQUITY SECURITIES (CONT'D.)

Redemption of debt securities (Cont'd.)

- c) On 11 December 2018, at two Extraordinary General Meetings ("EGM") of the Company: (Cont'd.)
- (ii) the holders of the Subordinated Notes issued under a Tier 2 Subordinated Notes programme of up to RM10.0 billion approved a bond swap of the Company's outstanding RM1.425 billion in nominal value of Subordinated Notes in exchange for the Company's:
- RM1.025 billion in nominal value of Subordinated Notes issued by its subsidiary, AmBank under a Subordinated Notes programme of up to RM4.0 billion;
 - RM400.0 million in nominal value of Subordinated Sukuk issued by its subsidiary, AmBank Islamic under a Subordinated Sukuk Murabahah programme of up to RM3.0 billion.

On the same day, the two subsidiaries, AmBank and AmBank Islamic held two separate EGM to obtain consent from Noteholders and Sukukholders respectively to revise the terms and conditions of the Subordinated Notes/Sukuk for outstanding tranches and new issuances. The revision was made to incorporate a non-viability trigger event in relation to the financial group ("Group-level Trigger") as the two programmes were structured previously with loss absorption at point of non-viability referenced to the entity only, without Group-level Trigger. The above revisions were approved by Bank Negara Malaysia via letters dated 24 July 2018 and the Noteholders and Sukukholders at the EGM for AmBank and AmBank Islamic respectively. The bond swap transaction was completed on 18 December 2018.

The early redemption of Senior Notes and bond swap transaction undertaken was part of the Company's debt restructuring programme to maintain the Group's Tier 2 debt rating at AA3.

- d) On its first call date on 31 December 2018, AmBank fully redeemed Tranche 1 of Subordinated Notes with nominal amount of RM400.0 million issued under its Subordinated Notes Programme of up to RM4.0 billion.

Other than as disclosed above, there were no new share issuance, repayment of debt securities, share buy-backs, share cancellations, shares held as treasury shares nor resale of treasury shares by the Group and the Company during the financial quarter.

A7. DIVIDENDS PAID

- a) The final single-tier dividend of 10.0 sen per share for the financial year ended 31 March 2018 which amounted to approximately RM301,418,484 was paid on 28 August 2018 to shareholders whose names appear in the record of Depositors as at 13 August 2018.
- b) The interim single-tier dividend of 5.0 sen per share for the financial year ending 31 March 2019 which amounted to approximately RM150,709,242 was paid on 28 December 2018 to shareholders whose names appear in the record of Depositors as at 17 December 2018.

A8. CASH AND SHORT-TERM FUNDS

	Group		Company	
	31.12.18 RM'000	31.03.18 RM'000	31.12.18 RM'000	31.03.18 RM'000
Cash and balances with banks and other financial institutions	2,062,968	1,738,875	84,959	79,080
Deposit placements maturing within one month:				
Licensed banks	2,320,337	2,247,063	-	-
Bank Negara Malaysia	6,090,000	1,517,280	-	-
Other financial institutions	12,900	12,638	-	-
	<u>8,423,237</u>	<u>3,776,981</u>	<u>-</u>	<u>-</u>
	10,486,205	5,515,856	84,959	79,080
Less : Expected credit losses	(2,061)	-	-	-
	<u>10,484,144</u>	<u>5,515,856</u>	<u>84,959</u>	<u>79,080</u>

Movements in allowances for impairment are as follows:

Group 31.12.18	12-month ECL Stage 1 RM'000	12-month ECL Stage 2 RM'000	Total RM'000
	Balance at beginning of the financial year		
- as previously stated	-	-	-
- effects of adoption of MFRS 9	983	-	983
Balance at beginning of the financial year, as restated	<u>983</u>	<u>-</u>	<u>983</u>
Movement in allowance due to changes in credit risk	1,039	22	1,061
Exchange difference	17	-	17
Balance at end of the financial period	<u>2,039</u>	<u>22</u>	<u>2,061</u>

A9. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Company	
	31.12.18 RM'000	31.03.18 RM'000	31.12.18 RM'000	31.03.18 RM'000
Licensed Banks	593,879	215,602	-	-
	<u>593,879</u>	<u>215,602</u>	<u>-</u>	<u>-</u>
Less : Expected credit losses	(287)	-	-	-
	<u>593,592</u>	<u>215,602</u>	<u>-</u>	<u>-</u>

Movements in allowances for impairment are as follows:

Group 31.12.18	12-month ECL Stage 1 RM'000
Balance at beginning of the financial year	
- as previously stated	-
- effects of adoption of MFRS 9	-
Balance at beginning of the financial year, as restated	<u>-</u>
Allowance made due to changes in credit risk	287
Balance at end of the financial period	<u>287</u>

A10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Group		Company	
	31.12.18	31.03.18	31.12.18	31.03.18
	RM'000	RM'000	RM'000	RM'000
At Fair Value				
Money Market Instruments:				
Malaysian Treasury Bills	321,727	-	-	-
Malaysian Government Securities	2,154,198	-	-	-
Malaysian Government Investment Issues	1,509,885	-	-	-
Cagamas bonds	30,595	-	-	-
Bank Negara Monetary Notes	5,355,689	-	-	-
	<u>9,372,094</u>	<u>-</u>	<u>-</u>	<u>-</u>
Quoted Securities:				
In Malaysia:				
Shares	420,183	-	-	-
Unit trusts	213,169	-	1,035	-
Corporate bonds and sukuk	37,806	-	-	-
Outside Malaysia:				
Shares	110,213	-	-	-
	<u>781,371</u>	<u>-</u>	<u>1,035</u>	<u>-</u>
Unquoted Securities:				
In Malaysia:				
Shares	2,785	-	-	-
Corporate bonds and sukuk	3,585,780	-	-	-
	<u>3,588,565</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>13,742,030</u>	<u>-</u>	<u>1,035</u>	<u>-</u>

A11. FINANCIAL ASSETS HELD-FOR-TRADING

	Group	
	31.12.18	31.03.18
	(Note A41)	
	RM'000	RM'000
At Fair Value		
Money Market Instruments:		
Malaysian Treasury Bills	-	52,540
Malaysian Islamic Treasury Bills	-	814,597
Malaysian Government Securities	-	311,457
Malaysian Government Investment Issues	-	871,477
Cagamas bonds	-	100,799
Bank Negara Monetary Notes	-	5,008,044
	<u>-</u>	<u>7,158,914</u>
Quoted Securities:		
In Malaysia:		
Shares	-	268,992
Unit trusts	-	220,124
Corporate bonds and sukuk	-	37,962
Outside Malaysia:		
Shares	-	120,095
	<u>-</u>	<u>647,173</u>
Unquoted Securities:		
In Malaysia:		
Corporate bonds and sukuk	-	5,138,696
	<u>-</u>	<u>5,138,696</u>
Total	<u>-</u>	<u>12,944,783</u>

A12. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group	
	31.12.18	31.03.18
	RM'000	RM'000
At Fair Value		
Money Market Instruments:		
Malaysian Government Securities	3,167,236	-
Malaysian Government Investment Issues	1,800,569	-
Islamic negotiable instruments of deposit	298,514	-
	<u>5,266,319</u>	<u>-</u>
Unquoted Securities:		
In Malaysia:		
Shares	523,665	-
Corporate bonds and sukuk	7,954,548	-
Outside Malaysia:		
Shares	565	-
Corporate bonds and sukuk	1,163,810	-
	<u>9,642,588</u>	<u>-</u>
Total	<u>14,908,907</u>	<u>-</u>

Movements in allowances for impairment which reflect the ECL model on impairment are as follows:

	12-month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Balance at beginning of the financial year	-	-	7,318	7,318
Effects of adoption of MFRS 9	14,797	7,264	-	22,061
Write-off against gross carrying amount upon adoption of MFRS 9	-	-	(2,318)	(2,318)
Balance at beginning of the financial year, as restated	<u>14,797</u>	<u>7,264</u>	<u>5,000</u>	<u>27,061</u>
New financial assets originated	9,778	-	-	9,778
Financial assets derecognised	(6,631)	(4,244)	-	(10,875)
Allowance made due to changes in credit risk	129	12,854	-	12,983
Write-off during the financial period	-	-	(5,000)	(5,000)
Exchange difference	341	-	-	341
Balance at end of the financial period	<u>18,414</u>	<u>15,874</u>	<u>-</u>	<u>34,288</u>

A13. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Company	
	31.12.18 (Note A41) RM'000	31.03.18 RM'000	31.12.18 (Note A41) RM'000	31.03.18 RM'000
At Fair Value				
Money Market Instruments:				
Malaysian Government Securities	-	232,917	-	-
Malaysian Government Investment Issues	-	537,965	-	-
Islamic negotiable instruments of deposit	-	1,510,068	-	-
Foreign Government investment issues	-	11,493	-	-
	-	2,292,443	-	-
Quoted Securities:				
In Malaysia:				
Shares	-	223,614	-	-
Unit trusts	-	15,024	-	1,008
Outside Malaysia:				
Shares	-	40	-	-
	-	238,678	-	1,008
Unquoted Securities:				
In Malaysia:				
Shares	-	46,677	-	-
Unit trusts	-	114,855	-	-
Corporate bonds and sukuk	-	4,660,839	-	-
Outside Malaysia:				
Corporate bonds and sukuk	-	252,348	-	-
	-	5,074,719	-	-
At Cost				
Unquoted Securities:				
In Malaysia:				
Shares	-	96,852	-	-
Outside Malaysia:				
Shares	-	194	-	-
	-	97,046	-	-
Total	-	7,702,886	-	1,008

A14. FINANCIAL INVESTMENTS AT AMORTISED COST

	Group		Company	
	31.12.18 RM'000	31.03.18 RM'000	31.12.18 RM'000	31.03.18 RM'000
At Amortised Cost				
Money Market Instruments:				
Malaysian Government Securities	472,249	-	-	-
Unquoted Securities:				
In Malaysia:				
Corporate Bonds and sukuk	4,680,350	-	-	-
	5,152,599	-	-	-
Less: Expected credit loss	(7,144)	-	-	-
Total	5,145,455	-	-	-

Movements in allowances for impairment which reflect the ECL model on impairment are as follows:

	12-Month ECL Stage 1 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Balance at beginning of the financial year			
- as previously stated	-	2,550	2,550
- effects of adoption of MFRS 9	3,403	-	3,403
Balance at beginning of the financial year, as restated	3,403	2,550	5,953
Allowance made due to changes in credit risk	1,191	-	1,191
Balance at end of the financial period	4,594	2,550	7,144

A15. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group		Company	
	31.12.18 (Note A41) RM'000	31.03.18 RM'000	31.12.18 (Note A41) RM'000	31.03.18 RM'000
At Amortised Cost				
Money Market Instruments:				
Malaysian Government Securities	-	60,601	-	-
Unquoted Securities:				
In Malaysia:				
Corporate Bonds and sukuk	-	2,970,265	-	1,425,000
	-	3,030,866	-	1,425,000
Less: Accumulated impairment losses	-	(2,550)	-	-
Total	-	3,028,316	-	1,425,000

A16. LOANS, ADVANCES AND FINANCING

	Group	
	31.12.18	31.03.18
	RM'000	RM'000
At Amortised Cost:		
Loans, advances and financing:		
Term loans/financing	25,972,594	23,829,662
Revolving credit	12,456,219	12,518,695
Housing loans/financing	29,829,819	26,926,393
Hire-purchase receivables	17,209,671	19,224,817
Card receivables	2,230,248	1,984,146
Overdraft	4,000,271	3,935,978
Claims on customers under acceptance credits	5,164,655	4,663,871
Trust receipts	1,794,872	1,765,269
Bills receivables	1,267,174	1,091,864
Staff loans	99,236	103,815
Others	335,000	276,720
Gross loans, advances and financing	<u>100,359,759</u>	<u>96,321,230</u>
Allowance for impairment on loans, advances and financing:		
Individual allowance	(210,307)	(208,482)
Collective allowance	(1,128,017)	(734,848)
	<u>(1,338,324)</u>	<u>(943,330)</u>
Net loans, advances and financing	<u>99,021,435</u>	<u>95,377,900</u>

(a) Gross loans, advances and financing analysed by type of customer are as follows:

	Group	
	31.12.18	31.03.18
	RM'000	RM'000
Domestic banking institutions	125,869	216
Domestic non-bank financial institutions	2,583,236	2,736,996
Domestic business enterprises:		
- Small and medium enterprises	18,918,480	16,693,920
- Others	21,822,116	22,191,579
Government and statutory bodies	809,866	716,114
Individuals	54,795,320	52,703,562
Other domestic entities	13,043	8,865
Foreign individuals and entities	1,291,829	1,269,978
	<u>100,359,759</u>	<u>96,321,230</u>

A16. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

	Group	
	31.12.18	31.03.18
	RM'000	RM'000
In Malaysia	100,127,902	96,093,527
Outside Malaysia	231,857	227,703
	<u>100,359,759</u>	<u>96,321,230</u>

(c) Gross loans, advances and financing analysed by interest rate/rate of return sensitivity are as follows:

	Group	
	31.12.18	31.03.18
	RM'000	RM'000
Fixed rate:		
- Housing loans/financing	459,140	487,741
- Hire purchase receivables	16,090,001	17,824,523
- Other loans/financing	9,217,556	8,357,769
	<u>25,766,697</u>	<u>26,670,033</u>
Variable rate:		
- Base rate and lending/financing rate plus	45,492,880	40,580,214
- Cost plus	22,155,012	22,643,595
- Other variable rates	6,945,170	6,427,388
	<u>74,593,062</u>	<u>69,651,197</u>
	<u>100,359,759</u>	<u>96,321,230</u>

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

	Group	
	31.12.18	31.03.18
	RM'000	RM'000
Agriculture	3,327,478	3,300,734
Mining and quarrying	2,171,017	1,906,127
Manufacturing	10,677,572	9,824,643
Electricity, gas and water	755,106	1,161,410
Construction	4,162,950	3,743,923
Wholesale and retail trade and hotels and restaurants	6,209,733	5,955,656
Transport, storage and communication	2,262,941	2,085,001
Finance and insurance	2,724,199	2,755,986
Real estate	8,246,289	8,317,497
Business activities	2,021,168	1,714,275
Education and health	1,660,098	1,754,754
Household of which:	55,833,645	53,698,489
Purchase of residential properties	29,251,151	26,400,754
Purchase of transport vehicles	15,883,018	18,087,330
Others	10,699,476	9,210,405
Others	307,563	102,735
	<u>100,359,759</u>	<u>96,321,230</u>

A16. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

	Group	
	31.12.18	31.03.18
	RM'000	RM'000
Maturing within one year	25,236,567	24,782,847
Over one year to three years	8,725,406	8,250,270
Over three years to five years	10,287,120	11,539,235
Over five years	56,110,666	51,748,878
	<u>100,359,759</u>	<u>96,321,230</u>

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

	Group	
	31.12.18	31.03.18
	RM'000	RM'000
Gross		
Balance at beginning of the financial year	1,638,405	1,689,326
Impaired during the financial period/year	1,142,190	1,161,735
Reclassified as non-impaired	(342,881)	(100,128)
Recoveries	(325,449)	(477,456)
Amount written off	(495,765)	(618,521)
Foreign exchange differences	6,277	(16,551)
Balance at end of the financial period/year	<u>1,622,777</u>	<u>1,638,405</u>
Gross impaired loans, advances and financing as % of gross loans, advances and financing	<u>1.62%</u>	<u>1.70%</u>
Loan loss coverage (including regulatory reserve)*	<u>116.83%</u>	<u>100.47%</u>

* Effective 1 April 2018, loan loss allowance includes provision for commitments and contingencies for loan commitments and financial guarantees.

(g) Impaired loans, advances and financing analysed by geographical distribution are as follows:

	Group	
	31.12.18	31.03.18
	RM'000	RM'000
In Malaysia	1,563,650	1,579,455
Outside Malaysia	59,127	58,950
	<u>1,622,777</u>	<u>1,638,405</u>

A16. LOANS, ADVANCES AND FINANCING (CONT'D.)

(h) Impaired loans, advances and financing analysed by sector are as follows:

	Group	
	31.12.18	31.03.18
	RM'000	RM'000
Agriculture	78	836
Mining and quarrying	79,727	86,517
Manufacturing	151,583	83,010
Electricity, gas and water	120	7,140
Construction	18,843	46,033
Wholesale and retail trade and hotels and restaurants	61,299	43,944
Transport, storage and communication	67,267	85,956
Real estate	546,748	599,355
Business activities	10,672	11,823
Education and health	16,287	24,192
Household of which:	667,231	647,234
Purchase of residential properties	375,561	331,669
Purchase of transport vehicles	166,536	207,396
Others	125,134	108,169
Others	2,922	2,365
	<u>1,622,777</u>	<u>1,638,405</u>

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

Individual allowance	Group	
	31.12.18	31.03.18
	RM'000	RM'000
Balance at beginning of the financial year		
- as previously stated	208,482	258,997
- effects of adoption of MFRS 9	41,725	-
Balance at beginning of the financial period/year, as restated	<u>250,207</u>	<u>258,997</u>
Allowance made during the financial period/year, net	62,892	105,151
Amount written off	(100,724)	(148,170)
Foreign exchange differences	(2,068)	(7,496)
Balance at end of the financial period/year	<u>210,307</u>	<u>208,482</u>

A16. LOANS, ADVANCES AND FINANCING (CONT'D.)

(i) Movements in allowances for loans, advances and financing are as follows (Cont'd.):

Collective allowance	Group	
	31.12.18	31.03.18
	RM'000	RM'000
Balance at beginning of the financial period/year		
- as previously stated	734,848	861,850
- effects of adoption of MFRS 9	414,168	-
Balance at beginning of the financial period/year, as restated	1,149,016	861,850
Allowance made during the financial period/year, net	373,647	345,200
Amount written off	(395,041)	(470,347)
Foreign exchange differences	395	(1,855)
Balance at end of the financial period/year	<u>1,128,017</u>	<u>734,848</u>

Group	12-Month	Lifetime ECL	Lifetime ECL	Total
	ECL	not credit	credit	
31.12.18	Stage 1	Stage 2	Stage 3	RM'000
Collective allowance	RM'000	RM'000	RM'000	RM'000
Restated balance at 1 April 2018	268,685	689,245	191,086	1,149,016
Changes due to loan and advances movements:				
- Transfer to 12 month ECL (Stage 1)	12,861	(125,943)	(4,895)	(117,977)
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(23,156)	187,623	(25,481)	138,986
- Transfer to Lifetime ECL credit impaired (Stage 3)	(2,769)	(29,937)	128,107	95,401
New financial assets originated	64,736	152,896	9,136	226,768
Changes in credit risk	(3,210)	(195,511)	126,277	(72,444)
Modification of contractual cash flows of financial assets	94	(732)	127	(511)
Financial assets derecognised	(38,326)	(43,086)	184,836	103,424
Foreign exchange differences	298	86	11	395
Amount written off	-	-	(395,041)	(395,041)
Balance at end of the financial period	<u>279,213</u>	<u>634,641</u>	<u>214,163</u>	<u>1,128,017</u>

A17. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

A18. OTHER ASSETS

	Group		Company	
	31.12.18 RM'000	31.03.18 RM'000	31.12.18 RM'000	31.03.18 RM'000
Trade receivables	188,341	587,917	-	-
Other receivables, deposits and prepayments	944,297	880,670	5,826	1,774
Interest/Profit receivable	362,634	295,295	-	4,558
Fee receivable	33,535	33,641	-	-
Amount due from originators (Note 1)	18,888	20,398	-	-
Amount due from agents, brokers and reinsurers	54,302	35,635	-	-
Foreclosed properties	4,396	4,497	-	-
Tax recoverable (Note 2)	21,288	192,617	-	981
Collateral pledged for derivative transactions	390,728	247,839	-	-
	<u>2,018,409</u>	<u>2,298,509</u>	<u>5,826</u>	<u>7,313</u>
Accumulated impairment losses	(13,966)	(29,403)	-	-
	<u>2,004,443</u>	<u>2,269,106</u>	<u>5,826</u>	<u>7,313</u>

Notes:

1. Amount due from originators represents housing financing acquired from originators for onward sale to Cagamas Berhad with recourse.
2. In financial year ended 31 March 2015, the Inland Revenue Board ("IRB") had issued notice of income tax assessments for the year of assessment 2008 and 2009 to AmBank. AmBank had appealed against the said notices by filing an application to the High Court for judicial review of the notice of assessment for the year of assessment 2008 and to the Special Commissioners of Income Tax for the notice of assessment for the year of assessment 2009. Included in tax recoverable of the Group is tax paid of approximately RM203,500,700 in financial year ended 31 March 2015 as the Group is of the opinion that it has strong grounds to succeed in its appeals. AmBank was successful in its appeals for the majority of the tax matters under dispute. AmBank had since received full refund for years of assessment 2008 and 2009.

A19. REINSURANCE ASSETS AND OTHER INSURANCE RECEIVABLES

	Note	Group	
		31.12.18 RM'000	31.03.18 RM'000
Reinsurance assets from general insurance business	(i)	439,433	470,121
Other insurance receivables	(ii)	64,344	66,738
		<u>503,777</u>	<u>536,859</u>
 (i) Movements in allowances for impairment are as follows:			
Balance at beginning of the financial year		7,514	7,514
Writeback for the financial period		(4,588)	-
Balance at end of the financial period/year		<u>2,926</u>	<u>7,514</u>
 (ii) Other insurance receivables			
Due premiums including agents/brokers and co-insurers' balances		85,976	82,018
Amount owing by reinsurance and cedants		11,048	16,914
Accumulated impairment losses		(32,680)	(32,194)
		<u>64,344</u>	<u>66,738</u>
 Movements in allowances for impairment are as follows:			
Balance at beginning of the financial year			
- as previously stated		32,194	33,196
- effects of adoption of MFRS 9		870	-
Balance at beginning of the financial year, as restated		<u>33,064</u>	<u>33,196</u>
Charge for the financial period/year		(384)	(965)
Amount written off		-	(37)
		<u>32,680</u>	<u>32,194</u>

A20. DEPOSITS FROM CUSTOMERS

	Group	
	31.12.18 RM'000	31.03.18 RM'000
Demand deposits	16,805,507	15,039,403
Savings deposits	5,297,622	5,324,846
Term/Investment deposits	80,232,937	74,540,938
Negotiable instruments of deposits	4,463,169	900,000
	<u>106,799,235</u>	<u>95,805,187</u>
 The deposits are sourced from the following types of customers:		
Government and statutory bodies	5,221,872	6,543,091
Business enterprises	49,446,637	42,261,644
Individuals	45,374,917	43,161,385
Others	6,755,809	3,839,067
	<u>106,799,235</u>	<u>95,805,187</u>

A21. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	31.12.18	31.03.18
	RM'000	RM'000
Licensed banks	2,988,100	1,260,015
Licensed investment banks	489,319	175,000
Bank Negara Malaysia	19,109	26,361
Other financial institutions	2,547,261	1,971,202
	<u>6,043,789</u>	<u>3,432,578</u>

A22. OTHER LIABILITIES

	Group		Company	
	31.12.18	31.03.18	31.12.18	31.03.18
	RM'000	RM'000	RM'000	RM'000
Trade payables	257,239	591,259	-	-
Other payables and accruals	1,596,727	1,384,737	29,309	9,111
Interest payable on deposits and borrowings	917,063	850,801	-	7,702
Lease deposits and advance rental	29,921	18,831	-	-
Provision for commitments and contingencies:				
- loan commitments and financial guarantees	93,495	72,711	-	-
- others	14,717	14,244	-	-
Amount due to subsidiaries	-	-	7,914	7,909
Provision for taxation	80,900	66,405	503	-
Collateral received for derivative transactions	147,729	270,412	-	-
Deferred income	84,438	67,116	-	-
	<u>3,222,229</u>	<u>3,336,516</u>	<u>37,726</u>	<u>24,722</u>

Movements in allowances for impairment which reflect the ECL model on impairment are as follows:

Group	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Balance at beginning of the financial year				
- as previously stated				72,711
- effects of adoption of MFRS 9				31,551
Balance at beginning of the financial year, as restated	58,069	45,950	243	104,262
Changes due to				
- Transfer to 12 month ECL (Stage 1)	920	(13,606)	-	(12,686)
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,477)	9,756	-	8,279
- Transfer to Lifetime ECL credit impaired (Stage 3)	(147)	(334)	10,391	9,910
New financial instruments originated	19,086	8,892	-	27,978
Changes in credit risk	(10,027)	(12,727)	257	(22,497)
Financial instruments derecognised	(15,177)	(6,745)	-	(21,922)
Foreign exchange difference	151	19	1	171
Balance at the end of the financial period	<u>51,398</u>	<u>31,205</u>	<u>10,892</u>	<u>93,495</u>

A23. INSURANCE CONTRACT LIABILITIES AND OTHER INSURANCE PAYABLES

Group

	Note	31.12.18 RM'000	31.03.18 RM'000
Insurance contract liabilities	(i)	2,466,603	2,582,474
Other insurance payables	(ii)	162,039	181,038
		<u>2,628,642</u>	<u>2,763,512</u>
 (i) Insurance contract liabilities			
		31.12.18	31.03.18
		Gross contract liabilities	Reinsurance assets
		RM'000	RM'000
General insurance business	2,466,603	(439,433)	2,027,170
		<u>2,582,474</u>	<u>2,112,353</u>
 (ii) Other insurance payables			
		31.12.18	31.03.18
		RM'000	RM'000
Amount due to agents and intermediaries		30,461	32,126
Amount due to reinsurers and cedants		131,578	148,912
		<u>162,039</u>	<u>181,038</u>

A24. INTEREST INCOME

Group	Individual Quarter		Cumulative Quarter	
	31.12.18 RM'000	31.12.17 RM'000	31.12.18 RM'000	31.12.17 RM'000
Short-term funds and deposits and placements with banks and other financial institutions	33,138	34,061	76,371	72,044
Financial assets at fair value through profit or loss	125,979	-	353,379	-
Financial assets held-for-trading	-	82,326	-	266,864
Financial investments at fair value through other comprehensive income	89,814	-	226,373	-
Financial investments available-for-sale	-	56,804	-	168,852
Financial investments at amortised cost	36,574	-	106,481	-
Financial investments held-to-maturity	-	19,898	-	63,566
Loans and advances	969,966	868,488	2,851,485	2,541,350
Impaired loans and advances	7,337	4,759	14,636	18,102
Others	6,149	22,063	19,139	64,809
	<u>1,268,957</u>	<u>1,088,399</u>	<u>3,647,864</u>	<u>3,195,587</u>
Company				
Short-term funds and deposits and placements with banks and other financial institutions	2,504	26	8,586	976
Financial investments at amortised cost	15,681	-	52,949	-
Financial investments held-to-maturity	-	9,832	-	29,401
	<u>18,185</u>	<u>9,858</u>	<u>61,535</u>	<u>30,377</u>

A25. INTEREST EXPENSE

Group	Individual Quarter		Cumulative Quarter	
	31.12.18 RM'000	31.12.17 RM'000	31.12.18 RM'000	31.12.17 RM'000
Deposits from customers	602,757	522,183	1,778,960	1,486,875
Deposit and placements of banks and other financial institutions	74,241	25,948	136,210	67,960
Senior notes	32,859	37,779	95,174	123,548
Credit linked Notes	1,875	1,864	5,675	5,643
Recourse obligation on loans sold to Cagamas Berhad	40,223	33,923	126,341	91,873
Term loans and revolving credit	-	(25)	-	4,282
Subordinated bonds and notes	36,991	21,033	98,761	51,157
Medium term notes	-	10,751	822	45,393
Tier 1 capital securities	21,428	21,427	64,051	64,050
Other structured products and others	19,769	5,711	40,324	15,756
	<u>830,143</u>	<u>680,594</u>	<u>2,346,318</u>	<u>1,956,537</u>
Company				
Senior notes	4,871	5,672	16,151	24,610
Term loans and revolving credit	-	960	-	4,304
Subordinated notes	16,046	9,856	53,364	29,471
Others	-	376	-	432
	<u>20,917</u>	<u>16,864</u>	<u>69,515</u>	<u>58,817</u>

A26. NET INCOME FROM INSURANCE BUSINESS

Group	Note	Individual Quarter		Cumulative Quarter	
		31.12.18 RM'000	31.12.17 RM'000	31.12.18 RM'000	31.12.17 RM'000
Income from insurance business:	(a)				
Premium income from general insurance business		347,573	345,050	1,026,796	1,050,986
		<u>347,573</u>	<u>345,050</u>	<u>1,026,796</u>	<u>1,050,986</u>
Insurance claims and commissions:	(b)				
Insurance commission ¹		35,606	32,365	92,519	94,538
General insurance claims		202,132	227,603	561,692	639,625
		<u>237,738</u>	<u>259,968</u>	<u>654,211</u>	<u>734,163</u>
Total income from insurance business, net		<u>109,835</u>	<u>85,082</u>	<u>372,585</u>	<u>316,823</u>
(a) Income from insurance business					
Gross Premium					
- insurance contract		381,270	358,792	1,115,603	1,073,976
- change in unearned premium provision		8,806	21,014	8,893	78,036
		<u>390,076</u>	<u>379,806</u>	<u>1,124,496</u>	<u>1,152,012</u>
Premium ceded					
- insurance contract		(34,168)	(30,305)	(94,344)	(92,914)
- change in unearned premium provision		(8,335)	(4,451)	(3,356)	(8,112)
		<u>(42,503)</u>	<u>(34,756)</u>	<u>(97,700)</u>	<u>(101,026)</u>
		<u>347,573</u>	<u>345,050</u>	<u>1,026,796</u>	<u>1,050,986</u>
(b) Insurance claims					
- gross benefits and claims paid		243,956	256,415	696,284	715,144
- claims ceded to reinsurers		(17,459)	(39,949)	(59,532)	(60,357)
- change in contract liabilities - insurance contract		(28,221)	29,762	(106,979)	(5,681)
- change in contract liabilities ceded to reinsurers					
- insurance contract		3,856	(18,625)	31,919	(9,481)
		<u>202,132</u>	<u>227,603</u>	<u>561,692</u>	<u>639,625</u>

¹ Net of bancassurance commission paid/payable to subsidiaries of the Group of RM9,597,000 (31 December 2017: RM14,280,000) eliminated upon consolidation.

A27. OTHER OPERATING INCOME

Group	Individual Quarter		Cumulative Quarter	
	31.12.18 RM'000	31.12.17 RM'000	31.12.18 RM'000	31.12.17 RM'000
Fee and commission income:				
Fees on loans and securities	37,231	38,744	119,593	120,876
Corporate advisory	1,920	2,425	9,326	6,990
Guarantee fees	14,496	15,008	44,542	46,239
Underwriting commission	345	(1)	870	151
Portfolio management fees	4,896	3,826	25,247	21,081
Unit trust fees, commission and charges	39,623	41,285	87,621	99,927
Property trust management fees	1,822	1,871	5,551	5,565
Brokerage fees and commission	7,385	10,719	26,517	33,601
Bancassurance commission	3,061	2,911	8,984	9,032
Wealth management fees	2,320	4,454	8,041	16,311
Remittances	5,781	5,290	16,392	15,064
Fees, service and commission charges	8,212	8,501	24,421	26,211
Others	4,999	3,883	13,810	10,950
	<u>132,091</u>	<u>138,916</u>	<u>390,915</u>	<u>411,998</u>
Investment and trading income:				
Net gain from sale of financial assets at fair value through profit or loss	25,185	-	29,972	-
Net gain/(loss) from sale of financial assets held-for-trading	-	(970)	-	28,091
Net gain from sale of financial investments at fair value through other comprehensive income	2,572	-	4,758	-
Net gain from sale of financial investments available-for-sale	-	804	-	65,864
Net loss on revaluation of financial assets at fair value through profit or loss	(66,050)	-	(71,753)	-
Net gain on revaluation of financial assets held-for-trading	-	1,519	-	33,443
Net foreign exchange gain/(loss) ¹	40,903	(13,561)	135,054	3,764
Net gain/(loss) on derivatives	3,477	35,266	(15,102)	9,646
Dividend income from:				
Financial assets at fair value through profit or loss	9,270	-	21,880	-
Financial assets held-for-trading	-	5,747	-	10,052
Financial assets at fair value through other comprehensive income	725	-	2,897	-
Financial investments available-for-sale	-	2,817	-	21,983
Others	1,334	(679)	3,888	(76)
	<u>17,416</u>	<u>30,943</u>	<u>111,594</u>	<u>172,767</u>

A27. OTHER OPERATING INCOME (CONT'D.)

	Individual Quarter		Cumulative Quarter	
	31.12.18 RM'000	31.12.17 RM'000	31.12.18 RM'000	31.12.17 RM'000
Other income:				
Net non-trading foreign exchange gain	430	8,025	948	8,269
Net gain/(loss) on disposal of property and equipment	666	(151)	3,700	3,208
Rental income	1,248	1,041	4,191	3,783
Profit from sale of goods and services	4,099	4,620	14,069	7,184
Gain on disposal of foreclosed properties	-	30,679	21,653	30,680
Others	4,105	4,479	13,470	29,201
	<u>10,548</u>	<u>48,693</u>	<u>58,031</u>	<u>82,325</u>
	<u>160,055</u>	<u>218,552</u>	<u>560,540</u>	<u>667,090</u>

¹ Foreign exchange ("FX") gain includes gains and losses from spot and forward contracts and other currency derivatives.

Company	Individual Quarter		Cumulative Quarter	
	31.12.18 RM'000	31.12.17 RM'000	31.12.18 RM'000	31.12.17 RM'000
Investment and trading income:				
Dividend income from:				
Subsidiaries	379,073	197,077	1,122,065	1,123,426
Financial assets at fair value through profit or loss	9	-	27	-
Financial investments available-for-sale	-	391	-	2,176
Distribution from capital repayment by subsidiary	25,000	-	25,000	-
	<u>404,082</u>	<u>197,468</u>	<u>1,147,092</u>	<u>1,125,602</u>
Other income:				
Others	471	26	582	141
	<u>471</u>	<u>26</u>	<u>582</u>	<u>141</u>
	<u>404,553</u>	<u>197,494</u>	<u>1,147,674</u>	<u>1,125,743</u>

A28. OTHER OPERATING EXPENSES

Group	Individual Quarter		Cumulative Quarter	
	31.12.18 RM'000	31.12.17 RM'000	31.12.18 RM'000	31.12.17 RM'000
Personnel costs :				
Salaries, allowances and bonuses	221,247	244,466	701,387	715,236
Share/options granted under ESS - charge/(writeback)	2,730	1,024	(7,932)	(11,120)
Contributions to Employees' Provident Fund ("EPF")/Private Retirement Schemes	34,622	37,812	111,315	117,954
Social security costs	2,033	2,142	6,242	6,361
Other staff related expenses	27,077	33,484	84,353	107,609
	<u>287,709</u>	<u>318,928</u>	<u>895,365</u>	<u>936,040</u>
Establishment costs:				
Depreciation of property and equipment	12,287	14,676	39,020	43,800
Amortisation of intangible assets	30,735	25,529	88,586	77,132
Computerisation costs	49,938	47,806	140,976	132,752
Rental of premises	23,513	26,054	72,893	80,795
Cleaning, maintenance and security	7,223	6,073	19,729	19,257
Others	8,777	9,459	27,263	25,071
	<u>132,473</u>	<u>129,597</u>	<u>388,467</u>	<u>378,807</u>
Marketing and communication expenses:				
Sales commission	3,527	2,096	9,032	2,213
Advertising, promotional and other marketing activities	13,654	16,430	32,512	34,336
Telephone charges	4,809	5,250	14,565	14,003
Postage	2,467	3,917	5,368	10,043
Travelling and entertainment	3,967	3,788	10,958	10,649
Others	5,177	5,314	14,737	12,703
	<u>33,601</u>	<u>36,795</u>	<u>87,172</u>	<u>83,947</u>
Administration and general expenses:				
Professional services	22,845	38,034	61,993	112,886
Travelling	1,506	1,727	3,915	5,062
Insurance	927	629	3,117	2,665
Subscriptions and periodicals	1,572	2,795	6,718	9,854
Others	31,938	48,154	84,189	163,178
	<u>58,788</u>	<u>91,339</u>	<u>159,932</u>	<u>293,645</u>
	<u>512,571</u>	<u>576,659</u>	<u>1,530,936</u>	<u>1,692,439</u>

A28. OTHER OPERATING EXPENSES (CONT'D.)

Company	Individual Quarter		Cumulative Quarter	
	31.12.18 RM'000	31.12.17 RM'000	31.12.18 RM'000	31.12.17 RM'000
Personnel costs:				
Salaries, allowances and bonuses	3,769	114	11,848	8,187
Shares/options granted under ESS - charge/(writeback)	518	(74)	(450)	(39)
Contributions to EPF/Private Retirement Scheme	597	273	1,775	1,221
Social security costs	2	2	5	5
Others	135	24	351	344
	<u>5,021</u>	<u>339</u>	<u>13,529</u>	<u>9,718</u>
Establishment costs:				
Depreciation of property and equipment	58	102	207	285
Computerisation costs	-	-	3	-
Cleaning, maintenance and security	-	1	-	4
Others	1	2	4	9
	<u>59</u>	<u>105</u>	<u>214</u>	<u>298</u>
Marketing and communication expenses:				
Advertising, promotional and other marketing activities	28	170	385	427
Telephone charges	6	10	17	35
Travelling and entertainment	52	44	137	142
Others	(2)	1	88	124
	<u>84</u>	<u>225</u>	<u>627</u>	<u>728</u>
Administration and general expenses:				
Professional services	878	413	1,825	1,300
Travelling	7	64	19	282
Insurance	-	16	18	41
Subscriptions and periodicals	3	3	18	39
Others	3,196	2,017	5,176	3,904
	<u>4,084</u>	<u>2,513</u>	<u>7,056</u>	<u>5,566</u>
Service transfer pricing (income)/expense, net	138	(4,242)	(3,020)	(9,713)
	<u>9,386</u>	<u>(1,060)</u>	<u>18,406</u>	<u>6,597</u>

A29. IMPAIRMENT ON LOANS, ADVANCES AND FINANCING - (WRITEBACK)/LOSS

Group	Individual Quarter		Cumulative Quarter	
	31.12.18 RM'000	31.12.17 RM'000	31.12.18 RM'000	31.12.17 RM'000
Allowance for loans, advances and financing:				
Individual allowance, net	(16,746)	56,536	62,892	121,663
Collective allowance, net	177,223	116,779	373,647	251,007
Impaired loans, advances and financing:				
Recovered, net	(215,377)	(97,393)	(466,282)	(344,707)
	<u>(54,900)</u>	<u>75,922</u>	<u>(29,743)</u>	<u>27,963</u>

A30. IMPAIRMENT (WRITEBACK)/LOSS ON FINANCIAL INVESTMENTS AND OTHER FINANCIAL ASSETS

	Individual Quarter		Cumulative Quarter	
	31.12.18 RM'000	31.12.17 RM'000	31.12.18 RM'000	31.12.17 RM'000
Group				
Financial investments				
Financial investments at fair value through other comprehensive income	10,881	-	11,886	-
Financial investments available-for-sale	-	1,240	-	1,483
Financial investments at amortised cost	231	-	1,191	-
	<u>11,112</u>	<u>1,240</u>	<u>13,077</u>	<u>1,483</u>
Other financial assets				
Cash and short-term funds	(364)	-	1,061	-
Deposits and placements with banks and other financial institutions	56	-	287	-
Other assets	(503)	(1,302)	(116)	7,500
	<u>(811)</u>	<u>(1,302)</u>	<u>1,232</u>	<u>7,500</u>

A31. BUSINESS SEGMENT ANALYSIS

Segment information is presented in respect of the Group's business segments. The business segment information is prepared based on internal management reports, which are regularly reviewed by the chief operating decision-maker in order to allocate resources to segment and to assess its performance. The Group comprises the following main business segments:

- (a) **Retail Banking**
Retail Banking continues to focus on building mass affluent, affluent and small business customers. Retail Banking offers products and financial solutions which includes auto finance, mortgages, personal loans, credit cards, small business loans, priority banking services, wealth management, remittance services and deposits.
- (b) **Business Banking**
Business Banking ("BB") focuses on the small and medium sized enterprises segment, which comprises Enterprise Banking and Commercial Banking. Solutions offered to Enterprise Banking customers encompass Capital Expenditure ("CAPEX") financing, Working Capital financing and Cash Management, and while Commercial Banking offers the same suite of products, it also provides more sophisticated structures such as Contract Financing, Development Loans, and Project Financing. Previously, Business Banking was not included as a reportable segment and included in Wholesale Banking division in view of its contribution to the Group in terms of revenue, profit and total assets. Accordingly, the comparative have been restated to conform with current presentation.
- (c) **Wholesale Banking**
Wholesale Banking comprises Corporate Banking and Group Treasury & Markets.
 - (i) Corporate Banking offers a full range of products and services of corporate lending, trade finance, offshore banking, and cash management solutions to wholesale banking clients;
 - (ii) Group Treasury & Markets includes proprietary trading as well as providing full range of products and services relating to treasury activities, including foreign exchange, derivatives, fixed income and structured warrants;
- (d) **Investment Banking**
Investment Banking offers investment banking solutions and services, encompassing capital markets (primary) activities, broking, private banking services, corporate advisory and fund raising services (equity and debt capital).
- (e) **Fund Management**
Fund Management comprises the asset and fund management services, offering a variety of investment solutions for various asset classes to retail, corporate and institutional clients.
- (f) **Insurance**
Insurance segment offers a broad range of general insurance products, namely motor, personal accident, property and household. It also offers life insurance and takaful products namely wealth protection/savings, health and medical protection and family takaful solutions provided through our joint venture operations.
- (g) **Group Funding and Others**
Group Funding and Others comprises activities to maintain the liquidity of the Group as well as support operations of its main business units and non-core operations of the Group.

Note:

- (i) The revenue generated by a majority of the operating segments substantially comprise finance income. The Chief Operating Decision Maker relies primarily on the net finance income information to assess the performance of, and to make decisions about resources to be allocated to these operating segments.
- (ii) The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia.

A31. BUSINESS SEGMENT ANALYSIS (CONT'D.)

Group

For the financial period ended 31 December 2018	Wholesale Banking						Group Funding and Others RM'000	Total RM'000	
	Retail Banking RM'000	Business Banking RM'000	Corporate Banking RM'000	Treasury & Markets RM'000	Investment Banking RM'000	Fund Management RM'000			
External revenue	2,489,403	444,535	1,538,826	682,214	139,682	75,991	1,151,025	264,197	6,785,873
Revenue from other segments	(85,634)	(111,002)	(774,274)	459,169	(23,539)	-	-	535,280	-
Total operating revenue	<u>2,403,769</u>	<u>333,533</u>	<u>764,552</u>	<u>1,141,383</u>	<u>116,143</u>	<u>75,991</u>	<u>1,151,025</u>	<u>799,477</u>	<u>6,785,873</u>
Net interest income	908,821	178,144	497,226	71,671	35,730	812	101,314	157,652	1,951,370
Other income	201,242	57,890	147,768	55,820	68,703	74,914	359,604	31,731	997,672
Share in results of associates and joint ventures	1,752	-	-	-	-	-	11,424	5,609	18,785
Net income	<u>1,111,815</u>	<u>236,034</u>	<u>644,994</u>	<u>127,491</u>	<u>104,433</u>	<u>75,726</u>	<u>472,342</u>	<u>194,992</u>	<u>2,967,827</u>
Other operating expenses	(619,834)	(87,985)	(159,513)	(45,916)	(83,073)	(46,606)	(257,988)	(230,021)	(1,530,936)
of which:									
Depreciation of property and equipment	(16,172)	(428)	(544)	(260)	(767)	(259)	(8,741)	(11,849)	(39,020)
Amortisation of intangible assets	(14,793)	(39)	(1,348)	(1,933)	(527)	(169)	(18,392)	(51,385)	(88,586)
Profit/(Loss) before impairment losses	491,981	148,049	485,481	81,575	21,360	29,120	214,354	(35,029)	1,436,891
Net impairment on loans, advances and financing -writeback/(loss)	(126,856)	(13,888)	204,550	-	6,145	-	-	(40,208)	29,743
Net impairment on other assets -(loss)/writeback	1,189	-	(12,816)	(3,282)	(140)	(173)	4,972	913	(9,337)
Provision for commitments and contingencies -writeback/(charge)	13,835	(1,260)	(1,356)	-	-	-	-	(754)	10,465
Other recoveries/(write-offs)	28	-	5,683	-	11	-	(3,413)	205	2,514
Profit/(Loss) before taxation and zakat	<u>380,177</u>	<u>132,901</u>	<u>681,542</u>	<u>78,293</u>	<u>27,376</u>	<u>28,947</u>	<u>215,913</u>	<u>(74,873)</u>	<u>1,470,276</u>
Taxation and zakat	(90,793)	(31,238)	(161,008)	(19,607)	(5,331)	(4,827)	(39,067)	8,895	(342,976)
Profit/(Loss) for the financial period	<u>289,384</u>	<u>101,663</u>	<u>520,534</u>	<u>58,686</u>	<u>22,045</u>	<u>24,120</u>	<u>176,846</u>	<u>(65,978)</u>	<u>1,127,300</u>
Other information									
Total segment assets	57,075,809	9,006,989	34,619,398	26,161,271	2,161,134	82,283	5,534,245	19,606,124	154,247,253
Total segment liabilities	53,818,927	5,417,528	9,209,123	41,472,011	1,020,339	14,724	3,519,824	21,589,956	136,062,432
Cost to income ratio	55.7%	37.3%	24.7%	36.0%	79.5%	61.5%	54.6%	118.0%	51.6%
Gross loans, advances and financing	56,766,258	9,055,303	33,043,370	-	1,580,999	-	1,303	(87,474)	100,359,759
Net loans, advances and financing	55,976,958	9,003,140	32,622,733	-	1,579,003	-	1,233	(161,632)	99,021,435
Impaired loans, advances and financing	746,859	152,393	721,533	-	1,992	-	-	-	1,622,777
Total deposits	52,838,990	5,314,254	8,813,617	37,926,647	818,238	-	-	7,131,278	112,843,024
Additions to:									
Property and equipment	7,428	1,252	1,700	116	205	30	1,984	5,707	18,422
Intangible assets	12,090	24	14,181	8	241	76	10,289	29,143	66,052

A31. BUSINESS SEGMENT ANALYSIS (CONT'D.)

Group

For the financial period ended 31 December 2017 (Restated)	Wholesale Banking						Group Funding and Others RM'000	Total RM'000	
	Retail Banking RM'000	Business Banking RM'000	Corporate Banking RM'000	Group Treasury & Markets RM'000	Investment Banking RM'000	Fund Management RM'000			
External revenue	2,302,720	336,757	1,499,913	470,588	176,201	88,422	1,184,459	306,340	6,365,400
Revenue from other segments	(259,700)	(76,345)	(759,992)	724,068	(9,417)	-	-	381,386	-
Total operating revenue	2,043,020	260,412	739,921	1,194,656	166,784	88,422	1,184,459	687,726	6,365,400
Net interest income	869,845	145,532	490,176	33,899	30,583	842	102,683	168,264	1,841,824
Other income	248,386	45,961	141,517	87,760	124,256	87,305	332,082	4,872	1,072,139
Share in results of associates and joint ventures	1,421	-	-	-	-	-	(13,177)	6,176	(5,580)
Net income	1,119,652	191,493	631,693	121,659	154,839	88,147	421,588	179,312	2,908,383
Other operating expenses of which:	(744,206)	(83,031)	(166,346)	(52,002)	(94,898)	(53,087)	(258,153)	(240,716)	(1,692,439)
<i>Depreciation of property and equipment</i>	(18,648)	(168)	(692)	(413)	(911)	(294)	(9,791)	(12,883)	(43,800)
<i>Amortisation of intangible assets</i>	(12,599)	(20)	(1,326)	(2,995)	(603)	(990)	(12,546)	(46,053)	(77,132)
Profit/(Loss) before impairment losses	375,446	108,462	465,347	69,657	59,941	35,060	163,435	(61,404)	1,215,944
Net impairment on loans, advances and financing -writeback/(loss)	(31,069)	(30,807)	(52,335)	-	1,271	-	-	84,977	(27,963)
Net impairment on other assets -(loss)/writeback	(8,549)	-	(35)	-	496	(24)	(3,340)	946	(10,506)
Provision for commitments and contingencies -writeback/(charge)	(2,028)	(1,703)	8,041	-	(49)	-	-	(4)	4,257
Other recoveries/(write-offs)	5	-	-	56	-	-	524	708	1,293
Profit before taxation and zakat	333,805	75,952	421,018	69,713	61,659	35,036	160,619	25,223	1,183,025
Taxation and zakat	(77,265)	(20,029)	(105,278)	(15,314)	(11,418)	(7,132)	(26,767)	31,930	(231,273)
Profit for the financial period	256,540	55,923	315,740	54,399	50,241	27,904	133,852	57,153	951,752
Other information									
Total segment assets	53,627,986	7,026,110	35,109,081	12,856,888	2,407,551	94,118	5,685,649	25,991,350	142,798,733
Total segment liabilities	47,632,365	4,093,514	8,471,752	43,117,161	1,134,344	15,094	3,457,493	17,473,187	125,394,910
Cost to income ratio	66.5%	43.4%	26.3%	42.7%	61.3%	60.2%	61.2%	134.2%	58.2%
Gross loans, advances and financing	52,879,536	7,092,369	33,167,224	-	1,619,881	-	1,717	(89,784)	94,670,943
Net loans, advances and financing	52,392,384	7,022,485	32,881,770	-	1,611,601	-	1,647	(241,730)	93,668,157
Impaired loans, advances and financing	672,561	216,988	787,696	-	2,091	-	-	-	1,679,336
Total deposits	46,903,066	4,031,792	7,974,732	39,082,671	827,900	-	-	5,679,605	104,499,766
Additions to:									
Property and equipment	8,084	1,433	364	4	950	220	2,063	6,820	19,938
Intangible assets	19,202	162	4,381	171	251	150	18,484	40,477	83,278

A32. VALUATION OF PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and impairment losses.

A33. EVENTS SUBSEQUENT TO REPORTING DATE

Other than as disclosed in Note B6, there has not arisen in the interval between the end of the financial year and the date of this report any items, 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 for the current financial period.

A34. CHANGES IN THE COMPOSITION OF THE GROUP AND THE COMPANY

1. Return of capital

AmInvestment Group Berhad ("AIGB"), a direct wholly-owned subsidiary of the Company which had obtained Capital Reduction Order from the High Court pursuant to Section 116 of the Companies Act 2016 in the previous financial year returned additional capital which amounted to RM25.0 million to the Company on 14 November 2018 through the cancellation of 25,000,000 ordinary shares. Arising from the return of capital, the Company provided for impairment on subsidiary of RM24,083,000 during the current financial period.

The capital repayment of AIGB did not have any effect on the reported cashflows from operations, financial position and performance of the Group.

2. Commencement of member's voluntary winding-up

AmCapital (B) Sdn Bhd ("AmCapital (B)") (incorporated in Brunei Darussalam), a wholly-owned subsidiary of AIGB had on 12 December 2018 applied to the Supreme Court of Brunei Darussalam to be wound up by the Court under the provisions of the Insolvency Order 2016, of Brunei Darussalam. AmCapital (B) had ceased operations since 1 May 2015.

The member's voluntary liquidation will not have any material effect on the earnings and net assets of the Group for the current financial year.

Other than as disclosed above, there were no material changes in the composition of the Group and the Company for the current financial quarter and period.

A35. ASSETS HELD FOR SALE

	Group	
	31.12.18	31.03.18
	RM'000	RM'000
<u>Assets held for sale</u>		
Proposed disposal of property and equipment	1,690	3,963

A36. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the banking subsidiaries of the Company make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions other than those where provision had been made in the financial statements. The commitments and contingencies are not secured against the Group's assets.

As at the reporting date, the commitments and contingencies are as follows:

	Group	
	31.12.18	31.03.18
	Principal/ Notional Amount RM'000	Principal/ Notional Amount RM'000
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
up to one year	18,430,657	18,243,224
over one year	3,082,180	4,103,833
Unutilised credit card lines	5,487,400	5,208,130
Forward asset purchases	265,984	351,998
	<u>27,266,221</u>	<u>27,907,185</u>
Contingent Liabilities		
Direct credit substitutes	2,427,433	2,147,797
Transaction related contingent items	5,688,793	5,849,587
Obligations under underwriting agreements	55,000	105,903
Short term self liquidating trade related contingencies	849,708	693,023
	<u>9,020,934</u>	<u>8,796,310</u>
Derivative Financial Instruments		
Interest/Profit rate related contracts:	51,849,564	53,821,239
One year or less	7,571,004	10,715,515
Over one year to five years	34,606,134	32,408,106
Over five years	9,672,426	10,697,618
Foreign exchange related contracts:	36,860,830	51,597,453
One year or less	31,557,258	47,466,152
Over one year to five years	3,898,907	2,655,384
Over five years	1,404,665	1,475,917
Credit related contracts:	347,544	334,505
Over one year to five years	347,544	334,505
Equity and commodity related contracts:	1,077,931	1,215,805
One year or less	898,499	797,179
Over one year to five years	179,432	418,626
	<u>90,135,869</u>	<u>106,969,002</u>
	<u>126,423,024</u>	<u>143,672,497</u>

A36. COMMITMENTS AND CONTINGENCIES (CONT'D.)

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

- (a) The Company has given an unsecured guarantee amounting to RM50.0 million (31 March 2018: RM70.0 million) on behalf of AmlInvestment Bank Berhad ("AmlInvestment Bank") for the payment and discharge of all monies due on trading accounts maintained by Morgan Stanley & Co. International Plc. in respect of its futures trading activity with AmlInvestment Bank.
- (b) As of reporting date, AmMetLife had received complaints from 66 policyholders relating to the alleged mis-selling of a certain insurance product of AmMetLife. The Company and MetLife are working jointly in the process of investigating these complaints and assessing any financial impact thereon.

Under the terms for the sale by the Company to MetLife of shares in AmMetLife, the Group would fully indemnify MetLife or AmMetLife from any losses arising from incidences of mis-selling of certain specified insurance products occurring prior to the share sale.

- (c) **The Malaysia Competition Commission ("MyCC")'s Proposed Decision ("PD") against PIAM and its 22 members (including AmGeneral, a subsidiary)**

On 25 April 2017, AmGeneral had completed the submission of its written representations to MyCC. AmGeneral had also indicated its request for oral representations.

AmGeneral's legal counsel had delivered oral representations to MyCC reiterating its position that it has not infringed Section 4(2)(a) of the Competition Act, 2010 and that no infringement penalties should be imposed. Should the PD be upheld, AmGeneral will appeal to the Competition Appeals Tribunal and thereafter take any adverse outcome to a judicial review before the Malaysian courts.

A37. DERIVATIVE FINANCIAL INSTRUMENTS

The following summarises the notional contracted amounts of derivatives held for trading and derivative designated in hedge accounting relationships of the Group and the revalued derivative financial instruments as at the reporting date:

Group	31.12.18			31.03.18		
	Contract/ Notional Amount RM'000	Fair Value		Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading derivatives						
Interest/Profit rate related contracts:	49,069,564	169,627	154,312	50,777,541	197,376	164,006
- One year or less	7,291,004	5,069	4,945	10,095,515	7,042	4,747
- Over one year to three years	18,505,509	49,515	43,870	14,390,414	44,542	33,457
- Over three years	23,273,051	115,043	105,497	26,291,612	145,792	125,802
Foreign exchange related contracts:	36,860,830	553,084	492,087	51,597,451	889,092	1,053,648
- One year or less	31,557,258	211,900	182,934	47,466,152	549,681	738,526
- Over one year to three years	2,132,000	33,107	60,211	1,304,688	59,636	63,815
- Over three years	3,171,572	308,077	248,942	2,826,611	279,775	251,307
Credit related contracts:	347,544	5,663	-	334,505	6,537	-
- Over one year to three years	347,544	5,663	-	-	-	-
- Over three years	-	-	-	334,505	6,537	-
Equity and commodity related contracts:	1,077,931	40,122	48,103	1,215,805	32,574	36,669
- One year or less	898,499	24,990	32,971	797,179	30,633	34,728
- Over one year to three years	179,432	15,132	15,132	418,626	1,941	1,941
	87,355,869	768,496	694,502	103,925,302	1,125,579	1,254,323
Hedging derivatives						
Interest rate related contracts -						
Interest rate swaps:						
Cash flow hedge	2,430,000	-	17,540	2,693,700	38	16,843
- One year or less	280,000	-	217	620,000	38	220
- Over one year to three years	1,205,000	-	10,549	1,005,000	-	7,576
- Over three years	945,000	-	6,774	1,068,700	-	9,047
Fair value hedge	350,000	-	7,899	350,000	-	7,626
- Over three years	350,000	-	7,899	350,000	-	7,626
Total	90,135,869	768,496	719,941	106,969,002	1,125,617	1,278,792

A38. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

The Group and the Company measure fair value using the following fair value hierarchy, which 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: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

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

Non market observable inputs means that fair values are determined, in whole or in part, using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data. The main asset classes in this category are unlisted equity investments and debt instruments. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group and the Company. Therefore, unobservable inputs reflect the Group's and the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's and the Company's own data.

About 1.8% (2018: 0.2%) of the Group's total financial assets recorded at fair value, are based on estimates and recorded as Level 3 investments. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. While such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not change the fair value significantly.

The following tables show the Group's and the Company's financial instruments that are measured at fair value at the reporting date analysed by levels within the fair value hierarchy.

Group	Level 1	Level 2	Level 3	Total
31.12.18	RM'000	RM'000	RM'000	RM'000
Derivative financial assets	365	768,131	-	768,496
Financial assets at fair value through profit or loss				
- Money market securities	-	9,372,094	-	9,372,094
- Equities	743,565	45	2,740	746,350
- Quoted corporate bonds and sukuk	-	37,806	-	37,806
- Unquoted corporate bonds and sukuk	-	3,585,780	-	3,585,780
Financial investments at fair value through other comprehensive income				
- Money market securities	-	5,266,319	-	5,266,319
- Equities	-	-	524,230	524,230
- Unquoted corporate bonds and sukuk	-	9,118,358	-	9,118,358
	743,930	28,148,533	526,970	29,419,433
Derivative financial liabilities	2,820	717,121	-	719,941

A38. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONT'D.)

Company 31.12.18	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets at fair value through profit or loss				
- Equities	1,035	-	-	1,035
	<u>1,035</u>	<u>-</u>	<u>-</u>	<u>1,035</u>
Group 31.03.18	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Derivative financial assets	3	1,125,614	-	1,125,617
Financial assets held-for-trading				
- Money market securities	-	7,158,914	-	7,158,914
- Equities	609,211	-	-	609,211
- Quoted corporate bonds and sukuk	-	37,962	-	37,962
- Unquoted corporate bonds and sukuk	-	5,138,696	-	5,138,696
Financial investments available-for-sale				
- Money market securities	-	2,292,443	-	2,292,443
- Equities	238,678	114,855	-	353,533
- Unquoted corporate bonds and sukuk	-	4,913,187	-	4,913,187
	<u>847,892</u>	<u>20,781,671</u>	<u>-</u>	<u>21,629,563</u>
Derivative financial liabilities	6,154	1,272,638	-	1,278,792
Company 31.03.18				
Financial investments available-for-sale				
- Equities	1,008	-	-	1,008
	<u>1,008</u>	<u>-</u>	<u>-</u>	<u>1,008</u>

A38. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONT'D.)

Movements in Level 3 financial instruments measured at fair value

The level of the fair value hierarchy of financial instruments is determined at the beginning of each reporting period. The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets which are recorded at fair value at the reporting date.

Group	Equity instruments at fair value through profit or loss RM'000	Debt instruments at fair value through other comprehensive income RM'000	Equity instruments at fair value through other comprehensive income RM'000	Financial investments available -for-sale RM'000	Total RM'000
At 31 March 2018	-	-	-	48,107	48,107
Effect of adopting MFRS 9	2,740	-	523,947	(48,107)	478,580
Adjusted 1 April 2018	2,740	-	523,947	-	526,687
Addition	-	-	289	-	289
Exchange fluctuation	-	-	(6)	-	(6)
As at 31 December 2018	<u>2,740</u>	<u>-</u>	<u>524,230</u>	<u>-</u>	<u>526,970</u>

There were no transfers between Level 2 and Level 3 during the current financial period and previous financial year for the Group and the Bank.

Total gains of losses included in the statement of profit or loss and statement of comprehensive income for financial instruments held at the end of the reporting period:

Group	31.12.18 RM'000	31.03.18 RM'000
Financial investments at fair value through other comprehensive income:		
Total gain included in other comprehensive income	<u>3</u>	<u>-</u>
	<u>3</u>	<u>-</u>

Impact on fair value of Level 3 financial instruments measured at fair value arising from changes to key assumptions.

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.

A39. CAPITAL ADEQUACY

(a) The capital adequacy ratios of our regulated banking subsidiaries and a pro-forma Group view are as follows:

	31.12.18			
	AmBank	AmBank Islamic	AmInvestment Bank	Group *
Common Equity Tier 1 ("CET1") Capital ratio	11.290%	11.643%	51.614%	11.812%
Tier 1 Capital ratio	12.225%	11.643%	51.614%	12.487%
Total Capital ratio	16.853%	18.195%	52.203%	17.605%

	31.03.18			
	AmBank	AmBank Islamic	AmInvestment Bank	Group *
Before deducting proposed dividend:				
CET1 Capital ratio	10.955%	11.561%	41.194%	11.723%
Tier 1 Capital ratio	11.903%	11.561%	41.194%	12.413%
Total Capital ratio	16.451%	16.569%	41.452%	17.024%
After deducting proposed dividend:				
CET1 Capital ratio	10.613%	11.561%	27.529%	11.270%
Tier 1 Capital ratio	11.561%	11.561%	27.529%	11.960%
Total Capital ratio	16.109%	16.569%	27.787%	16.571%

Notes:

- (1) The capital adequacy ratios are computed in accordance to BNM's guidelines on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) issued by Bank Negara Malaysia on 2 February 2018, which is based on the Basel III capital accord. The Group has adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM's Guidelines on Capital Adequacy Framework (Basel II - Risk Weighted Assets) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 2 February 2018.
- (2) Group* figures presented in this Report represent an **aggregation** of the capital positions and risk weighted assets ("RWA") of our three regulated banking institutions (consolidated for AmBank and AmInvestment Bank). The positions of each entity and group (where applicable) are published at www.ambankgroup.com.
- (3) Pursuant to the BNM's guidelines on Capital Adequacy Framework (Capital Components) issued, a financial institution is required to hold and maintain, at all times, minimum capital adequacy ratios at 4.5% for CET1 capital, 6.0% for Tier 1 capital and 8.0% for Total capital ratio. In addition, a financial institution is also required to hold and maintain capital buffers in the form of CET1 Capital above the minimum CET1 Capital, Tier 1 Capital and Total Capital adequacy levels. The capital buffers shall comprise the sum of the following:
 - (a) a Capital Conservation Buffer ("CCB") of 2.5%; and
 - (b) a Countercyclical Capital Buffer ("CCyB") determined as the weighted-average of the prevailing CCyB rates applied in the jurisdictions in which the banking institution has credit exposures.

The CCB requirements phased-in under transitional arrangements for calendar year 2018 is 1.875% and for calendar year 2019 onwards is 2.5%.

BNM will communicate any decision on the CCyB rate by up to 12 months before the date from which the rate applies for exposures in Malaysia.

The Company, being a financial holding company ("FHC") i.e. a financial holding company approved pursuant to section 112(3) of the FSA or section 124(3) of the IFSA and holds investment directly or indirectly in corporations that are engaged predominantly in banking business or Islamic banking business, will be required to comply with BNM guidelines on minimum capital adequacy ratios and capital buffer requirements at the consolidated level effective 1 January 2019.

For regulatory capital reporting purposes, the consolidated level comprise the consolidation of all its financial and non-financial subsidiaries, excluding investments in insurance subsidiaries as per BNM's guidelines on Capital Adequacy Framework (Capital Components). Under the guidelines, investments in insurance subsidiaries shall be deducted in the calculation of CET1 Capital ratio.

The Group is operationally ready to comply with the requirements and has complied with the minimum capital adequacy ratios and capital buffer requirements during the observation period as required by BNM.

A39. CAPITAL ADEQUACY (CONT'D.)

- (b) The aggregated components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group are as follows:

	31.12.18			Group *
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	
<u>CET1 Capital</u>				
Ordinary share capital	1,940,465	1,387,107	200,000	3,527,572
Retained earnings	6,656,388	1,846,859	276,780	8,671,314
Fair value reserve	213,508	24,081	1,089	238,590
Foreign exchange translation reserve	90,087	-	-	88,777
Regulatory reserve	310,834	148,480	4,786	464,100
Capital reserve	-	-	-	2,815
Merger reserve	-	-	-	186,264
Cash flow hedging reserve	(3,072)	-	-	(3,072)
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(36,442)
Other intangible assets	(377,356)	(1,441)	(1,764)	(380,972)
Deferred tax assets	(17,164)	-	(4,738)	(24,211)
Cash flow hedging reserve	3,072	-	-	3,072
55% of cumulative fair value gains in				
Fair value reserve	(117,429)	(13,244)	(599)	(131,224)
Regulatory reserve	(310,834)	(148,480)	(4,786)	(464,100)
Investment in capital instruments of unconsolidated financial and insurance/ takaful entities	(8,488)	-	(49,809)	-
CET1 Capital	8,380,011	3,243,362	420,959	12,142,483
<u>Additional Tier 1 Capital</u>				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	694,040	-	-	694,040
Qualifying CET1, Additional Tier 1 capital instruments held by third parties	-	-	-	4
Tier 1 Capital	9,074,051	3,243,362	420,959	12,836,527
<u>Tier 2 Capital</u>				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	2,595,000	1,500,000	-	4,095,000
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	-	-	-	1
Collective allowance and regulatory reserve	840,247	325,287	4,799	1,166,454
Tier 2 Capital	3,435,247	1,825,287	4,799	5,261,455
Total Capital	12,509,298	5,068,649	425,758	18,097,982

A39. CAPITAL ADEQUACY (CONT'D.)

- (b) The aggregated components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group are as follows (Cont'd.):

The breakdown of the risk weighted assets ("RWA") in various categories of risk are as follows:

	31.12.18			Group *
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	
Credit RWA	67,219,727	28,029,172	523,637	95,414,800
Less: Credit RWA absorbed by Profit Sharing Investment Account	-	(2,006,180)	-	(2,006,180)
Total Credit RWA	67,219,727	26,022,992	523,637	93,408,620
Market RWA	2,439,797	414,910	32,620	2,910,332
Operational RWA	4,029,410	1,419,540	259,332	5,944,404
Large exposure risk RWA for equity holdings	538,802	-	-	538,802
Total Risk Weighted Assets	74,227,736	27,857,442	815,589	102,802,158

	31.03.18			Group *
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	
<u>CET1 Capital</u>				
Ordinary share capital	1,763,208	1,387,107	200,000	3,350,315
Retained earnings	6,700,583	1,632,472	474,802	8,744,009
Available-for-sale deficit	(23,518)	(5,492)	-	(28,879)
Foreign exchange translation reserve	52,974	-	-	51,199
Regulatory reserve	372,133	327,683	2,918	702,734
Capital reserve	-	-	-	2,815
Merger reserve	-	-	-	186,264
Cash flow hedging reserve	3,174	-	-	3,174
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(36,442)
Other intangible assets	(400,376)	(1,207)	(2,137)	(404,225)
Deferred tax assets	(66,637)	-	(4,085)	(73,182)
Cash flow hedging reserve	(3,174)	-	-	(3,174)
Regulatory reserve	(372,133)	(327,683)	(2,918)	(702,734)
Investment in capital instruments of unconsolidated financial and insurance/ takaful entities	(8,488)	-	(49,809)	-
CET1 Capital	8,017,746	3,012,880	618,771	11,791,874

Additional Tier 1 Capital

Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	694,040	-	-	694,040
Qualifying CET1, Additional Tier 1 capital instruments held by third parties	-	-	-	2
Tier 1 Capital	8,711,786	3,012,880	618,771	12,485,916

A39. CAPITAL ADEQUACY (CONT'D.)

- (b) The aggregated components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group are as follows (Cont'd.):

	31.03.18			Group *
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	
<u>Tier 2 Capital</u>				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	1,995,000	1,000,000	-	2,995,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	600,000	-	-	600,000
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	-	-	-	1
Collective allowance and regulatory reserve	734,013	305,028	3,871	1,042,898
Tier 2 Capital	3,329,013	1,305,028	3,871	4,637,899
Total Capital	12,040,799	4,317,908	622,642	17,123,815

The breakdown of the risk weighted assets ("RWA") in various categories of risk are as follows:

Credit RWA	65,981,322	27,390,400	1,123,584	94,039,226
Less: Credit RWA absorbed by Profit Sharing Investment Account	-	(2,988,135)	-	(2,988,135)
Total Credit RWA	65,981,322	24,402,265	1,123,584	91,051,091
Market RWA	2,861,798	277,093	105,011	3,264,601
Operational RWA	3,973,753	1,380,469	273,498	5,896,314
Large exposure risk RWA for equity holdings	373,899	-	-	373,899
Total Risk Weighted Assets	73,190,772	26,059,827	1,502,093	100,585,905

A40. INSURANCE BUSINESS

AmGeneral Holdings Berhad and its subsidiary

(I) CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	General insurance fund		Shareholders' fund and Others		Total*	
	31.12.18 RM'000	31.3.18 RM'000	31.12.18 RM'000	31.3.18 RM'000	31.12.18 RM'000	31.3.18 RM'000
ASSETS						
Cash and short-term funds	258,759	183,065	438,279	306,791	697,038	489,856
Deposits and placements with banks and other financial institutions	14,839	15,602	-	-	14,839	15,602
Financial assets at fair value through profit or loss	2,353,707	-	4,079,340	-	3,197,418	-
Financial assets held-for-trading	-	2,574,661	-	3,158,659	-	3,317,190
Financial investments available-for-sale	-	-	-	1,425,929	-	352,809
Loans and advances	1,233	1,587	-	-	1,233	1,587
Deferred tax assets	23,157	22,465	-	738	23,157	23,203
Investment in a subsidiary	-	-	1,908,733	2,108,733	-	-
Other assets	763,437	518,087	106,012	101,527	148,861	228,526
Reinsurance assets and other insurance receivables	503,777	536,859	-	-	503,777	536,859
Property and equipment	32,206	39,666	978	978	33,184	40,644
Intangible assets	55,989	61,556	67,862	70,900	902,777	911,383
Assets held for sale	1,599	1,599	91	2,364	1,690	3,963
TOTAL ASSETS	4,008,703	3,955,147	6,601,295	7,176,619	5,523,974	5,921,622
LIABILITIES AND EQUITY						
Redeemable cumulative convertible preference share	-	-	452,651	443,777	452,651	443,777
Deferred tax liabilities	-	-	71,305	74,675	71,746	75,115
Other liabilities	275,942	250,961	811,431	446,500	366,784	306,373
Insurance contract liabilities and other insurance payables	2,628,642	2,763,512	-	-	2,628,642	2,763,512
Total Liabilities	2,904,584	3,014,473	1,335,387	964,952	3,519,823	3,588,777
Share capital**	-	-	5,695,978	5,953,072	1,599,148	1,399,148
Reserves	1,104,119	940,674	(430,070)	258,595	405,003	933,697
Equity attributable to equity holders of the Company	1,104,119	940,674	5,265,908	6,211,667	2,004,151	2,332,845
TOTAL LIABILITIES AND EQUITY	4,008,703	3,955,147	6,601,295	7,176,619	5,523,974	5,921,622
* after elimination on consolidation						
** Comprising:						
Ordinary share capital					1,230,000	1,230,000
Preference share capital					169,148	169,148
Transfer from Retained Earnings arising from redemption of preference shares					200,000	-
					1,599,148	1,399,148

Note: Shareholders' funds and Others comprise the results of AmGeneral Holdings Berhad and collective investment schemes of its insurance subsidiary.

A40. INSURANCE BUSINESS (CONT'D.)

AmGeneral Holdings Berhad and its subsidiary

(II) CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2018

Group	General insurance fund		Shareholders' fund and Others		Total*	
	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17
Interest income	2,531	1,360	113,657	115,751	116,188	117,111
Interest expense	-	-	(14,874)	(14,428)	(14,874)	(14,428)
Net interest income	2,531	1,360	98,783	101,323	101,314	102,683
Income from insurance	1,026,796	1,050,986	-	-	1,026,796	1,050,986
Insurance claims and commissions**	(663,808)	(748,443)	-	-	(663,808)	(748,443)
Net income from insurance	362,988	302,543	-	-	362,988	302,543
Other operating income	84,845	85,046	232,175	82,480	(3,384)	29,539
Net income	450,364	388,949	330,958	183,803	460,918	434,765
Other operating expenses	(249,502)	(249,163)	(8,486)	(8,990)	(257,988)	(258,153)
Operating profit	200,862	139,787	322,472	174,813	202,930	176,612
Net impairment writeback/(charge) on:						
Financial investments	-	-	-	(1,483)	-	(1,483)
Reinsurance assets and insurance receivables	4,972	(1,857)	-	-	4,972	(1,857)
Other recoveries/(write-offs), net	(3,413)	524	-	-	(3,413)	524
Profit before taxation	202,421	138,454	322,472	173,330	204,489	173,796
Taxation	(37,864)	(19,485)	(1,203)	(7,282)	(39,067)	(26,767)
Profit for the financial period	164,557	118,969	321,269	166,048	165,422	147,029
Attributable to:						
Equity holders of the Company					165,422	146,414
Non-controlling interests					-	615
Profit for the financial period					165,422	147,029

* after elimination on consolidation

** Includes commission paid/payable to related companies of the Group of RM9,597,000 (31 December 2017: RM14,280,000)

A41. CHANGES IN ACCOUNTING POLICIES

Adoption of MFRS 9 Financial Instruments

i. Classification and measurement of financial instruments

On 1 April 2018, Group management has assessed which business models apply to the financial assets held by the Group at the date of initial application of MFRS 9 (1 April 2018) and has classified its financial instruments into the appropriate MFRS 9 categories. The main effects resulting from this reclassification are as follows:

Group	Measurement category		Carrying amount		
	Under MFRS 139	Under MFRS 9	Under MFRS 139 RM'000	Remeasurement and Impairment RM'000	Under MFRS 9 RM'000
Financial assets					
Cash and short-term funds	Amortised cost - (Loans and receivables)	Amortised cost	5,515,856	(983)	5,514,873
Financial assets held-for-trading	FVTPL (HFT)	FVTPL	12,944,783	-	12,944,783
Financial investments available-for-sale	FVOCI (AFS)	FVOCI (Debt)	5,546,304	-	5,546,304
Financial investments available-for-sale	FVOCI (AFS)	FVOCI (Equity)	142,031	381,916	523,947
Financial investments available-for-sale	FVOCI (AFS)	FVTPL	355,225	1,092	356,317
Financial investments available-for-sale	FVOCI (AFS)	Amortised Cost	1,659,326	30,223	1,689,549
Financial investments held-to-maturity	Amortised Cost (HTM)	Amortised Cost	3,028,316	(3,403)	3,024,913
Loans, advances and financing	Amortised cost (Loans and receivables)	Amortised cost	95,377,900	(455,893)	94,922,007
Receivables: Investments not quoted in active markets	Amortised cost (Loans and receivables)	FVTPL	94,830	(10,375)	84,455
Receivables: Investments not quoted in active markets	Amortised cost (Loans and receivables)	FVOCI (Debt)	1,845,603	16,243	1,861,846
Other assets	Amortised cost (Loans and receivables)	Amortised cost	2,269,106	132,978	2,402,084
Reinsurance assets and other insurance receivables	Amortised cost (Loans and receivables)	Amortised cost	536,859	(870)	535,989
Company					
Financial assets					
Financial investments available-for-sale	FVOCI (AFS)	FVTPL	1,008	-	1,008

A41. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

Adoption of MFRS 9 Financial Instruments (Cont'd.)

ii. Reconciliation of financial instruments from MFRS 139 to MFRS 9

	Group RM'000	Company RM'000
Cash and short-term funds		
Closing balance under MFRS 139 as at 31 March 2018	5,515,856	79,080
Allowance for ECL	(983)	-
Opening balance under MFRS 9 as at 1 April 2018	<u>5,514,873</u>	<u>79,080</u>
Financial assets held-for-trading		
Closing balance under MFRS 139 as at 31 March 2018	12,944,783	-
Reclassification to Financial assets at FVTPL	(12,944,783)	-
Opening balance under MFRS 9 as at 1 April 2018	<u>-</u>	<u>-</u>
Financial assets at FVTPL		
Closing balance under MFRS 139 as at 31 March 2018	-	-
Reclassification from Financial investments held-for-trading	12,944,783	-
Reclassification from Financial investments available-for-sale	355,225	1,008
Remeasurement for reclassification	1,092	-
Reclassification from Receivables: Investments not quoted in active markets	94,830	-
Remeasurement for reclassification	(10,375)	-
Opening balance under MFRS 9 as at 1 April 2018	<u>13,385,555</u>	<u>1,008</u>

A41. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

Adoption of MFRS 9 Financial Instruments (Cont'd.)

ii. Reconciliation of financial instruments from MFRS 139 to MFRS 9 (Cont'd.)

	Group RM'000	Company RM'000
Financial assets available-for-sale		
Closing balance under MFRS 139 as at 31 March 2018	7,702,886	1,008
Reclassification to Financial assets at FVTPL	(355,225)	(1,008)
Reclassification to Financial investments at amortised cost	(1,659,326)	-
Reclassification to Financial investments at FVOCI (equity)	(142,031)	-
Reclassification to Financial investments at FVOCI (debt)	(5,546,304)	-
Opening balance under MFRS 9 as at 1 April 2018	<u>-</u>	<u>-</u>
Financial assets at FVOCI (debt)		
Closing balance under MFRS 139 as at 31 March 2018	-	-
Reclassification from Financial investments available-for-sale	5,546,304	-
Reclassification from Receivables: Investments not quoted in active markets	1,845,603	-
Remeasurement from amortised cost to FV	16,243	-
Opening balance under MFRS 9 as at 1 April 2018	<u>7,408,150</u>	<u>-</u>
Financial assets at FVOCI (equity)		
Closing balance under MFRS 139 as at 31 March 2018	-	-
Reclassification from Financial investments available-for-sale	142,031	-
Remeasurement from amortised cost to FV	381,916	-
Opening balance under MFRS 9 as at 1 April 2018	<u>523,947</u>	<u>-</u>
Total financial assets measured at fair value through other comprehensive income	<u>7,932,097</u>	<u>-</u>

A41. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

Adoption of MFRS 9 Financial Instruments (Cont'd.)

ii. Reconciliation of financial instruments from MFRS 139 to MFRS 9 (Cont'd.)

	Group RM'000	Company RM'000
Financial investments held-to-maturity		
Closing balance under MFRS 139 as at 31 March 2018	3,028,316	1,425,000
Reclassification to Financial Investments at amortised cost	<u>(3,028,316)</u>	<u>(1,425,000)</u>
Opening balance under MFRS 9 as at 1 April 2018	<u>-</u>	<u>-</u>
Financial assets at amortised cost		
Closing balance under MFRS 139 as at 31 March 2018	-	-
Reclassification from Financial investments held-to-maturity	3,028,316	1,425,000
Reclassification from Financial investments available-for-sale	1,659,326	-
Remeasurement from FV to amortised cost	30,223	-
Allowance for ECL	<u>(3,403)</u>	<u>-</u>
Opening balance under MFRS 9 as at 1 April 2018	<u>4,714,462</u>	<u>1,425,000</u>
Loans, advances and financing		
Closing balance under MFRS 139 as at 31 March 2018	95,377,900	-
Allowance for ECL	<u>(455,893)</u>	<u>-</u>
Opening balance under MFRS 9 as at 1 April 2018	<u>94,922,007</u>	<u>-</u>
Receivables: Investments not quoted		
in active markets		
Closing balance under MFRS 139 as at 31 March 2018	1,940,433	-
Reclassification to Financial assets at FVTPL	(94,830)	-
Reclassification to Financial investments at FVOCI (debt)	<u>(1,845,603)</u>	<u>-</u>
Opening balance under MFRS 9 as at 1 April 2018	<u>-</u>	<u>-</u>
Deferred tax assets		
Closing balance under MFRS 139 as at 31 March 2018	75,324	-
Tax impact on unrealised gain on financial investments at FVOCI	(11,509)	-
Tax impact on allowance for ECL	(13,441)	-
Tax impact on remeasurement of instruments to FVTPL	<u>(314)</u>	<u>-</u>
Opening balance under MFRS 9 as at 1 April 2018	<u>50,060</u>	<u>-</u>
Other assets		
Closing balance under MFRS 139 as at 31 March 2018	2,269,106	7,313
Allowance for ECL	(313)	-
Tax impact on allowance for ECL	131,022	-
Tax impact on remeasurement of instruments to FVTPL	<u>2,269</u>	<u>-</u>
Opening balance under MFRS 9 as at 1 April 2018	<u>2,402,084</u>	<u>7,313</u>

A41. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

Adoption of MFRS 9 Financial Instruments (Cont'd.)

ii. Reconciliation of financial instruments from MFRS 139 to MFRS 9 (Cont'd.)

	Group RM'000	Company RM'000
Reinsurance assets and other insurance receivables		
Closing balance under MFRS 139 as at 31 March 2018	536,859	-
Allowance for ECL	(870)	-
Opening balance under MFRS 9 as at 1 April 2018	<u>535,989</u>	<u>-</u>
Deferred tax liabilities		
Closing balance under MFRS 139 as at 31 March 2018	65,403	-
Tax impact on allowance for ECL	2,568	-
Opening balance under MFRS 9 as at 1 April 2018	<u>67,971</u>	<u>-</u>
Other liabilities		
Closing balance under MFRS 139 as at 31 March 2018	3,336,516	24,722
Allowance for ECL for provision for commitments and contingencies	31,551	-
Tax impact on allowance for ECL	(5,855)	-
Tax impact on remeasurement of instruments to FVTPL	(278)	-
Opening balance under MFRS 9 as at 1 April 2018	<u>3,361,934</u>	<u>24,722</u>

A41. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

Adoption of MFRS 9 Financial Instruments (Cont'd.)

- iii. The following is the reconciliation of prior year's closing equity balances which have impact from the adoption of MFRS 9 arising from the reclassifications and remeasurements highlighted in Note A.1.1 to the restated opening balance as at 1 April 2018:

	Group RM'000	Company RM'000
Retained Earnings		
Closing balance under MFRS 139 as at 31 March 2018	10,233,645	3,525,115
Recognition of allowance for ECL	(515,074)	-
Tax impact on allowance for ECL	120,868	-
Transfer from Regulatory reserve	406,513	-
Fair value changes on financial assets at FVTPL	(10,519)	-
Tax impact on remeasurement of instruments to FVTPL	2,233	-
Non-controlling interests share of remeasurement and allowance for ECL	(48)	-
Opening balance under MFRS 9 as at 1 April 2018	<u>10,237,618</u>	<u>3,525,115</u>
Regulatory reserve		
Closing balance under MFRS 139 as at 31 March 2018	702,734	-
Transfer to Retained Earnings	(406,513)	-
Opening balance under MFRS 9 as at 1 April 2018	<u>296,221</u>	<u>-</u>
Available-for-sale deficit		
Closing balance under MFRS 139 as at 31 March 2018	(58,628)	-
Transfer to Fair value reserve	58,628	-
Opening balance under MFRS 9 as at 1 April 2018	<u>-</u>	<u>-</u>
Fair value reserve		
Closing balance under MFRS 139 as at 31 March 2018	-	-
Transfer from Available-for-sale deficit	(58,628)	-
Fair value changes for financial investments available-for-sale reclassified to financial investments at amortised cost	30,223	-
Fair value changes for financial investments available-for-sale reclassified to financial assets at FVTPL	2,404	-
Fair value changes on financial investments at FVOCI	396,991	-
Recognition of allowance for ECL	22,061	-
Tax impact on unrealised fair value changes	(11,509)	-
Opening balance under MFRS 9 as at 1 April 2018	<u>381,542</u>	<u>-</u>
Non-Controlling interests		
Closing balance under MFRS 139 as at 31 March 2018	1,144,405	-
Share of impact of reclassification from financial investments available-for-sale to financial assets at FVTPL	488	-
Share of impact of allowance for ECL	(440)	-
Opening balance under MFRS 9 as at 1 April 2018	<u>1,144,453</u>	<u>-</u>

A41. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

Adoption of MFRS 9 Financial Instruments (Cont'd.)

- iv. The following is the reconciliation of prior year's closing impairment allowance measured in accordance with the MFRS 9 incurred loss model or provision under MFRS 137 to the new impairment allowance measured in accordance with the MFRS 9 expected loss model at 1 April 2018:

Group	Loss allowance under MFRS139/ Provision under MFRS137 RM'000	Remeas-urements RM'000	Loss allowance under MFRS9 RM'000
Loans and receivables and held-to-maturity under MFRS 139/Financial assets at amortised cost under MFRS 9			
Cash and short-term funds	-	983	983
Financial investments at amortised cost	2,550	3,403	5,953
Loans, advances and financing	943,330	455,893	1,399,223
Other assets	29,403	313	29,716
Reinsurance assets and other insurance receivables	39,708	870	40,578
Total	1,014,991	461,462	1,476,453
Available-for-sale under MFRS 9/Financial assets at FVOCI under MFRS 9			
Financial investments at fair value through other comprehensive income:			
- debt	5,000	22,061	27,061
- equity	2,318	(2,318)	-
Total	7,318	19,743	27,061
Loan commitments and financial guarantee contracts issued			
Loan commitments	61,577	29,434	91,011
Financial guarantee contracts	11,134	2,117	13,251
Total	72,711	31,551	104,262

A41. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

Adoption of MFRS 9 Financial Instruments (Cont'd.)

(v) Financial Effects Due To Changes In Accounting Policies

The adoption of MFRS 9 resulted in the following financial effects to:

(i) The statement of financial position of the Group and the Company:

	31.03.18 RM'000	Classification and Measurement RM'000	Impairment RM'000	01.04.18 RM'000
Group				
ASSETS				
Cash and short-term funds	5,515,856	-	(983)	5,514,873
Deposits and placements with banks and other financial institutions	215,602	-	-	215,602
Derivative financial assets	1,125,617	-	-	1,125,617
Financial assets at fair value through profit or loss	-	13,385,555	-	13,385,555
Financial assets held-for-trading	12,944,783	(12,944,783)	-	-
Financial investments at fair value through other comprehensive income	-	7,932,097	-	7,932,097
Financial investments available-for-sale	7,702,886	(7,702,886)	-	-
Financial investments at amortised cost	-	4,717,865	(3,403)	4,714,462
Financial investments held-to-maturity	3,028,316	(3,028,316)	-	-
Loans, advances and financing	95,377,900	-	(455,893)	94,922,007
Receivables: Investments not quoted in active markets	1,940,433	(1,940,433)	-	-
Statutory deposits with Bank Negara Malaysia	2,836,841	-	-	2,836,841
Deferred tax assets	75,324	(11,823)	(13,441)	50,060
Investment in associates and joint ventures	690,294	-	-	690,294
Other assets	2,269,106	2,269	130,709	2,402,084
Reinsurance assets and other insurance receivables	536,859	-	(870)	535,989
Property and equipment	191,412	-	-	191,412
Intangible assets	3,426,051	-	-	3,426,051
Assets held for sale	3,963	-	-	3,963
TOTAL ASSETS	137,881,243	409,545	(343,881)	137,946,907
LIABILITIES AND EQUITY				
Deposits from customers	95,805,187	-	-	95,805,187
Investment accounts of customers	138,956	-	-	138,956
Deposits and placements of banks and other financial institutions	3,432,578	-	-	3,432,578
Recourse obligation on loans and financing sold to Cagamas Berhad	4,273,621	-	-	4,273,621
Derivative financial liabilities	1,278,792	-	-	1,278,792
Term funding	4,329,713	-	-	4,329,713
Debt capital	4,579,504	-	-	4,579,504
Redeemable cumulative convertible preference share	217,451	-	-	217,451
Deferred tax liabilities	65,403	-	2,568	67,971
Other liabilities	3,336,516	(278)	25,696	3,361,934
Insurance contract liabilities and other insurance payables	2,763,512	-	-	2,763,512
Total Liabilities	120,221,233	(278)	28,264	120,249,219

A41. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

Adoption of MFRS 9 Financial Instruments (Cont'd.)

(v) Financial Effects Due To Changes In Accounting Policies (Cont'd.)

The adoption of MFRS 9 resulted in the following financial effects to (Cont'd.):

(i) The statement of financial position of the Group and the Company (Cont'd.):

Group	31.03.18	Classification and Measurement	Impairment	01.04.18
	RM'000	RM'000	RM'000	RM'000
Share capital	5,551,557	-	-	5,551,557
Reserves	10,964,048	409,335	(371,705)	11,001,678
<i>Retained earnings</i>	10,233,645	(8,774)	12,747	10,237,618
<i>Non-participating funds</i>	45,715	-	-	45,715
<i>Regulatory reserve</i>	702,734	-	(406,513)	296,221
<i>AFS reserve/(deficit)</i>	(58,628)	58,628	-	-
<i>Fair value reserve</i>	-	359,481	22,061	381,542
<i>Other reserves</i>	82,202	-	-	82,202
<i>Shares held in trust for ESS</i>	(41,620)	-	-	(41,620)
Equity attributable to equity holders of the Company	16,515,605	409,335	(371,705)	16,553,235
Non-controlling interests	1,144,405	488	(440)	1,144,453
Total Equity	17,660,010	409,823	(372,145)	17,697,688
TOTAL LIABILITIES AND EQUITY	137,881,243	409,545	(343,881)	137,946,907
Company				
ASSETS				
Cash and short-term funds	79,080	-	-	79,080
Financial assets at fair value through profit or loss	-	1,008	-	1,008
Financial investments available-for-sale	1,008	(1,008)	-	-
Financial investments at amortised cost	-	1,425,000	-	1,425,000
Financial investments held-to-maturity	1,425,000	(1,425,000)	-	-
Investment in subsidiaries and other investments	9,487,139	-	-	9,487,139
Other assets	7,313	-	-	7,313
Property and equipment	940	-	-	940
TOTAL ASSETS	11,000,480	-	-	11,000,480
LIABILITIES AND EQUITY				
Term funding	500,000	-	-	500,000
Debt capital	1,424,585	-	-	1,424,585
Other liabilities	24,722	-	-	24,722
Total Liabilities	1,949,307	-	-	1,949,307
Share capital	5,550,250	-	-	5,550,250
Reserves	3,500,923	-	-	3,500,923
<i>Retained earnings</i>	3,525,115	-	-	3,525,115
<i>Executives' share scheme reserve</i>	17,428	-	-	17,428
<i>Shares held in trust for ESS</i>	(41,620)	-	-	(41,620)
Total Equity	9,051,173	-	-	9,051,173
TOTAL LIABILITIES AND EQUITY	11,000,480	-	-	11,000,480

A41. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

Adoption of MFRS 9 Financial Instruments (Cont'd.)

(v) Financial Effects Due To Changes In Accounting Policies (Cont'd.)

The adoption of MFRS 9 resulted in the following financial effects to (Cont'd.):

(ii) Capital Adequacy Ratio

	31.03.18	Effects of	01.04.18
	RM'000	Adopting	RM'000
		MFRS 9	RM'000
		RM'000	
Capital adequacy			
Group			
CET1 capital	11,791,874	159,768	11,951,642
Tier 1 capital	12,485,916	159,768	12,645,684
Total capital	17,123,815	252,277	17,376,092
Risk-weighted assets	100,585,905	506,408	101,092,313
Before deducting proposed dividend			
CET1 capital ratio (%)	11.723%	0.100%	11.823%
Tier 1 capital ratio (%)	12.413%	0.096%	12.509%
Total capital ratio (%)	17.024%	0.164%	17.188%
After deducting proposed dividend			
CET1 capital ratio (%)	11.270%	0.102%	11.372%
Tier 1 capital ratio (%)	11.960%	0.098%	12.058%
Total capital ratio (%)	16.571%	0.167%	16.738%

A42. OPERATIONS OF ISLAMIC BANKING

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	Note	Group	
		31.12.18 RM'000	31.03.18 RM'000
ASSETS			
Cash and short-term funds		4,223,348	1,588,497
Deposits and placements with banks and other financial institutions		-	200,000
Derivative financial assets		52,001	87,408
Financial assets at fair value through profit or loss		1,864,659	-
Financial assets held-for-trading		-	1,584,632
Financial investments at fair value through other comprehensive income		3,608,197	-
Financial investments available-for-sale		-	2,838,566
Financial Investments at amortised cost		1,703,452	-
Financial Investments held-to-maturity		-	1,090,010
Financing and advances	(a)	28,856,102	27,775,489
Receivables: Investments not quoted in active markets		-	790,833
Statutory deposit with Bank Negara Malaysia		787,000	821,000
Deferred tax assets		231	306
Other assets		307,108	277,353
Property and equipment		703	432
Intangible assets		1,442	1,207
TOTAL ASSETS		41,404,243	37,055,733
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(b)	29,319,608	26,493,802
Investment accounts of customers	(c)	158,022	138,956
Deposits and placements of banks and other financial institutions		2,821,114	884,093
Investment account due to a licensed bank	(d)	1,859,816	2,859,110
Recourse obligation on financing sold to Cagamas Berhad		518,887	520,405
Derivative financial liabilities		59,285	92,939
Term funding		1,080,000	1,080,000
Subordinated Sukuk		1,499,964	999,839
Deferred tax liabilities		11,043	5,065
Other liabilities	(e)	425,176	403,492
TOTAL LIABILITIES		37,752,915	33,477,701
Share capital/Capital funds		1,417,107	1,417,107
Reserves		2,234,221	2,160,925
TOTAL ISLAMIC BANKING FUNDS		3,651,328	3,578,032
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		41,404,243	37,055,733
COMMITMENTS AND CONTINGENCIES		11,975,031	11,346,899

A42. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2018**

Group	Individual Quarter		Cumulative Quarter	
	31.12.18 RM'000	31.12.17 RM'000	31.12.18 RM'000	31.12.17 RM'000
Income derived from investment of depositors' funds and others	455,701	433,695	1,307,630	1,279,224
Income derived from investment of investment account funds	25,891	27,971	83,360	66,986
Income derived from Islamic Banking Funds	46,285	37,966	140,946	111,125
Impairment on financing and advances-(charge)/writeback	(28,336)	(32,907)	(103,960)	(56,136)
Impairment losses on financial investments	(4,253)	-	(6,159)	-
Impairment losses on other assets	30	-	(2)	-
Provision for commitments and contingencies -(charge)/writeback	1,733	(496)	(277)	(251)
Impairment for sundry debtors	420	-	-	-
Total distributable income	497,471	466,229	1,421,538	1,400,948
Income attributable to the depositors and others	(264,192)	(240,451)	(759,978)	(693,228)
Income attributable to the investment account holders	(23,036)	(25,031)	(71,520)	(59,831)
Total net income	210,243	200,747	590,040	647,889
Operating expenses	(76,390)	(101,882)	(231,476)	(325,003)
Finance cost	(29,359)	(23,728)	(77,781)	(87,776)
Profit before taxation and zakat	104,494	75,137	280,783	235,110
Taxation and zakat	(24,960)	(16,005)	(63,917)	(48,889)
Profit for the financial period	79,534	59,132	216,866	186,221

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2018**

Group	Individual Quarter		Cumulative Quarter	
	31.12.18 RM'000	31.12.17 RM'000	31.12.18 RM'000	31.12.17 RM'000
Profit for the financial period	79,534	59,132	216,866	186,221
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss				
Financial investments at fair value through other comprehensive income:				
- net unrealised gain/(loss) for changes in fair value	1,446	-	5,065	-
- expected credit loss	4,230	-	6,052	-
- net loss reclassified to profit or loss	(1,785)	-	(1,784)	-
- income tax relating to the component of other comprehensive loss	82	-	(787)	-
Financial investments available-for-sale:				
- net unrealised gain/(loss) for changes in fair value	-	(1,221)	-	3,365
- net gain reclassified to profit or loss	-	(676)	-	(2,408)
- Income tax relating to the component of other comprehensive income	-	455	-	(230)
Other comprehensive income/(loss) for the financial period, net of tax	3,973	(1,442)	8,546	727
Total comprehensive income for the financial period	83,507	57,690	225,412	186,948

A42. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 December 2018**

Group	Non-Distributable				Distributable		Total Equity RM'000
	Share capital/ Capital funds RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Available- for sale deficit RM'000	Fair value reserve RM'000	Retained earnings RM'000	
At 1 April 2017	1,217,107	483,345	58,430	(5,149)	-	1,353,645	3,107,378
Profit for the financial period	-	-	-	-	-	186,221	186,221
Other comprehensive income, net	-	-	-	727	-	-	727
Total comprehensive income for the financial period	-	-	-	727	-	186,221	186,948
Issuance of ordinary shares	200,000	-	-	-	-	-	200,000
Transfer to retained earnings	-	(483,345)	-	-	-	483,345	-
Transfer to regulatory reserve	-	-	264,753	-	-	(264,753)	-
Transfer of ESS shares recharged - difference on purchase price of shares vested	-	-	-	-	-	(31)	(31)
	<u>200,000</u>	<u>(483,345)</u>	<u>264,753</u>	<u>-</u>	<u>-</u>	<u>218,561</u>	<u>199,969</u>
At 31 December 2017	<u>1,417,107</u>	<u>-</u>	<u>323,183</u>	<u>(4,422)</u>	<u>-</u>	<u>1,758,427</u>	<u>3,494,295</u>
At 1 April 2018							
- as previously stated	1,417,107	-	327,683	(5,492)	-	1,838,734	3,578,032
-effects of adoption of MFRS 9	-	-	(162,530)	5,492	15,535	38,894	(102,609)
As restated	<u>1,417,107</u>	<u>-</u>	<u>165,153</u>	<u>-</u>	<u>15,535</u>	<u>1,877,628</u>	<u>3,475,423</u>
Profit for the financial period	-	-	-	-	-	216,866	216,866
Other comprehensive loss, net	-	-	-	-	8,546	-	8,546
Total comprehensive income/(loss) for the financial period	-	-	-	-	8,546	216,866	225,412
Transfer from regulatory reserve	-	-	(16,673)	-	-	16,673	-
Transfer of ESS shares recharged - difference on purchase price of shares vested	-	-	-	-	-	(70)	(70)
Dividend paid	-	-	-	-	-	(49,437)	(49,437)
	<u>-</u>	<u>-</u>	<u>(16,673)</u>	<u>-</u>	<u>-</u>	<u>(32,834)</u>	<u>(49,507)</u>
At 31 December 2018	<u>1,417,107</u>	<u>-</u>	<u>148,480</u>	<u>-</u>	<u>24,081</u>	<u>2,061,660</u>	<u>3,651,328</u>

A42. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(a) Financing and Advances

Financing and advances by type and Shariah contracts are as follows:

Group 31.12.18	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Musharakah Mutanaqisah RM'000	Al-Ijarah Thummah Al-Bai' (AITAB) RM'000	Bai' Al-Inah RM'000	Others RM'000	Total RM'000
At amortised cost:							
Cash lines	-	349,236	-	-	1,014,424	-	1,363,660
Term financing	1,168,965	6,052,944	10,261	-	2,556,083	58,677	9,846,930
Revolving credit	42,081	3,112,131	-	-	1,543,932	-	4,698,144
Housing financing	2,999,177	2,947,466	49,401	-	-	-	5,996,044
Hire purchase receivables	4	-	-	4,860,042	-	-	4,860,046
Bills receivables	-	53,715	-	-	-	4,966	58,681
Credit card receivables	-	-	-	-	-	525,464	525,464
Trust receipts	-	244,618	-	-	-	-	244,618
Claims on customers under acceptance credits	-	1,464,758	-	-	-	191,167	1,655,925
Staff financing	-	286	-	-	-	-	286
Gross financing and advances*	<u>4,210,227</u>	<u>14,225,154</u>	<u>59,662</u>	<u>4,860,042</u>	<u>5,114,439</u>	<u>780,274</u>	<u>29,249,798</u>
Allowance for impairment on financing and advances							
- Individual allowance							(47,915)
- Collective allowance							(345,781)
Net financing and advances							<u>28,856,102</u>

A42. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(a) Financing and Advances (Cont'd.)

Financing and advances by type and Shariah contracts are as follows (Cont'd.):

Group	Bai' Bithaman	Murabahah	Musharakah	AI-Ijarah Thummah	Bai' AI-Inah	Others	Total
31.03.18	Ajil		Mutanaqisah	AI-Bai' (AITAB)			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At amortised cost:							
Cash lines	-	243,060	-	-	1,146,215	-	1,389,275
Term financing	1,327,945	4,731,117	10,579	-	2,920,051	64,707	9,054,399
Revolving credit	62,100	2,859,554	-	-	1,692,374	-	4,614,028
Housing financing	3,047,080	1,819,335	50,636	-	-	-	4,917,051
Hire purchase receivables	4	-	-	6,051,229	-	-	6,051,233
Bills receivables	-	27,086	-	-	-	271	27,357
Credit card receivables	-	-	-	-	-	423,920	423,920
Trust receipts	-	130,910	-	-	-	-	130,910
Claims on customers under acceptance credits	-	1,241,342	-	-	-	184,560	1,425,902
Gross financing and advances*	4,437,129	11,052,404	61,215	6,051,229	5,758,640	673,458	28,034,075
Allowance for impairment on financing and advances							
- Individual allowance							(25,314)
- Collective allowance							(233,272)
Net financing and advances							27,775,489

* Included in financing and advances are exposures to the Restricted Investment Account ("RIA") arrangements between AmBank Islamic and AmBank. Under the RIA contract, the profit is shared based on a pre-agreed ratio. AmBank is exposed to the risks and rewards on the RIA financing and it had accounted for all allowance for impairment arising from the RIA financing.

A42. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(a) Financing and Advances (Cont'd.)

(i) Movements in impaired financing and advances are as follows:

	Group	
	31.12.18	31.03.18
	RM'000	RM'000
Balance at beginning of the financial year	582,538	488,700
Impaired during the financial period/year	385,178	359,171
Reclassified to non-impaired financing	(34,599)	(25,231)
Recoveries	(206,346)	(63,456)
Amount written off	(184,720)	(176,646)
Balance at end of the financial period/year	<u>542,051</u>	<u>582,538</u>
Gross impaired financing and advances as % of total gross financing and advances	<u>1.85%</u>	<u>2.08%</u>
Financing loss coverage (including regulatory reserve)*	<u>102.80%</u>	<u>100.64%</u>

* Effective 1 April 2018, financing loss coverage includes provision for commitments and contingencies for financing commitments and financial guarantees.

(ii) Movements in the allowances for financing and advances are as follows:

	Group	
	31.12.18	31.03.18
	RM'000	RM'000
Individual allowance		
Balance at beginning of financial year		
- as previously stated	25,314	16,041
- effects of adoption of MFRS 9	43,219	-
Restated balance at beginning of the financial year	<u>68,533</u>	<u>16,041</u>
Allowance made during the financial period/year, net	39,638	29,090
Amount written off	(60,256)	(19,817)
Balance at end of the financial period/year	<u>47,915</u>	<u>25,314</u>
Collective allowance		
Balance at beginning of financial year		
- as previously stated	233,272	252,280
- effects of adoption of MFRS 9	100,745	-
Restated balance at beginning of the financial year	<u>334,017</u>	<u>252,280</u>
Allowance made during the financial period/year, net	136,223	137,829
Amount written off	(124,464)	(156,829)
Foreign exchange differences	5	(8)
Balance at end of the financial year	<u>345,781</u>	<u>233,272</u>

A42. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(a) Financing and Advances (Cont'd.)

(ii) Movements in the allowances for financing and advances are as follows (Cont'd.):

Group 31.12.18	12-month	Lifetime ECL	Lifetime ECL	Total
	ECL	Not Credit	Credit	
Collective Allowance	Stage 1	Stage 2	Stage 3	
	RM'000	RM'000	RM'000	RM'000
Restated balance at beginning of the financial year	72,384	204,922	56,711	334,017
Changes due to financing and advances movements:	(4,898)	10,446	30,332	35,880
-Transfer to Stage 1	3,077	(30,919)	(1,665)	(29,507)
-Transfer to Stage 2	(7,000)	49,634	(8,489)	34,145
-Transfer to Stage 3	(975)	(8,269)	40,486	31,242
New financial assets originated	16,272	59,340	6,319	81,931
Changes in credit risk	2,871	(52,593)	67,625	17,903
Modification of contractual cash flows of financial assets	13	-	-	13
Financial assets derecognised	(7,962)	(14,970)	23,428	496
Amount written-off	-	-	(124,464)	(124,464)
Foreign exchange differences	5	-	-	5
Balance at end of the financial period**	<u>78,685</u>	<u>207,145</u>	<u>59,951</u>	<u>345,781</u>

** As at 31 December 2018, the gross exposure (including profit receivable) relating to RIA financing amounted to RM1,866.2 million (31 March 2018: RM2,869.6 million). Collective allowance which amounted to RM10.8 million (31 March 2018: RM2.7 million) is taken up by AmBank. There was no individual allowance provided for all the RIA financing.

(b) Deposits From Customers

	Group	
	31.12.18	31.03.18
	RM'000	RM'000
By type of deposit:		
Savings deposits		
Commodity Murabahah	1,927,954	2,005,599
Qard	59,756	14,279
Demand deposits		
Commodity Murabahah	4,640,971	4,841,876
Qard	673,602	22,777
Term deposits		
Commodity Murabahah	21,655,405	19,373,738
Qard	361,920	235,533
	<u>29,319,608</u>	<u>26,493,802</u>

The deposits are sourced from the following types of customers:

	Group	
	31.12.18	31.03.18
	RM'000	RM'000
Business enterprises	4,371,480	10,150,411
Government and statutory bodies	15,340,872	4,614,846
Individuals	8,950,889	11,051,343
Othres	656,367	677,202
	<u>29,319,608</u>	<u>26,493,802</u>

A42. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(b) Deposits From Customers (Cont'd.)

The maturity structure of term deposits are as follows:

	Group	
	31.12.18	31.03.18
	RM'000	RM'000
Due within six months	17,507,908	12,235,496
Over six months to one year	3,233,449	6,006,987
Over one year to three years	321,317	369,329
Over three years to five years	954,651	997,459
	<u>22,017,325</u>	<u>19,609,271</u>

(c) Investment Accounts Of Customers

	Group	
	31.12.18	31.03.18
	RM'000	RM'000
Unrestricted investment accounts:		
Without maturity		
- Wakalah	17,992	20,387
With maturity		
- Mudarabah	140,030	118,569
	<u>158,022</u>	<u>138,956</u>

The investment accounts are sourced from the following types of customers:

	Group	
	31.12.18	31.03.18
	RM'000	RM'000
Business enterprises	140,348	118,793
Individuals	17,674	20,163
	<u>158,022</u>	<u>138,956</u>

Investment asset:

	Group	
	31.12.18	31.03.18
	RM'000	RM'000
Interbank placement (Wakalah)	17,992	20,387
House financing (Mudarabah)	140,030	118,569
Total investment	<u>158,022</u>	<u>138,956</u>

Average Rate of Return and Average Performance Incentive Fee for the investment accounts are as follows:

	Investment account holder		
	Average profit sharing ratio (%)	Average rate of return (%)	Average Performance incentive fee (%)
31.12.18			
Maturity			
less than 3 months	77.87	2.68	3.25
over 3 months to 1 year	87.60	4.04	-
31.03.18			
Maturity			
less than 3 months	83.98	0.20	3.01

A42. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(d) Investment Account Due to A Licensed Bank

	Group	
	31.12.18	31.03.18
	RM'000	RM'000
<u>Restricted investment account</u>		
- Mudarabah Muqayyadah	1,859,816	2,859,110
Investment asset:		
Financing	1,859,816	2,859,110
Total investment	1,859,816	2,859,110

The RIA is a contract based on the Shariah concept of Mudarabah between two parties, that is, capital provider and entrepreneur to finance a business venture where the business venture is managed solely by the AmBank Islamic as the entrepreneur. The profit of the business venture is shared between both parties based on a pre-agreed ratio. Losses shall be borne solely by the capital provider. The capital provider for the RIA contracts is AmBank, a related company.

During the current financial period on 30 April 2018 and 14 May 2018, AmBank early redeemed placements which amounted to RM 517.4 million and RM480.7 million respectively.

As at 31 December 2018, the tenure of the RIA contracts is for a period ranging between 11 months to 11 years (31 March 2018: 6 months to 13 years).

Profit Sharing Ratio and Average Rate of Return for the investment account are as follows:

	31.12.18		31.03.18	
	Profit sharing ratio (%)	Average rate of return (%)	Profit sharing ratio (%)	Average rate of return (%)
Maturity:				
up to 1 year	90	-	90	4.50
over 1 year to 2 years	46	2.35	46	4.55
over 2 years to 5 years	90	4.62	90	4.40
more than 5 years	75	3.82	75	4.77

(e) Other Liabilities

	Group	
	31.12.18	31.03.18
	RM'000	RM'000
Other payables and accruals	257,817	251,743
Deferred income	16,123	15,165
Provision for zakat and taxation	21,963	15,637
Provision for commitments and contingencies	15,044	10,698
Amount owing to conventional banking	109,970	107,681
Advance rental	4,259	2,568
	425,176	403,492

Part B - Explanatory Notes Pursuant to Appendix 9B of the Bursa Malaysia Securities Berhad Listing Requirements

B1. PERFORMANCE REVIEW ON THE RESULTS OF THE GROUP

Table 1: Financial review for current quarter and financial year to date

	Group				Group			
	Individual Quarter		Changes		Cumulative Quarter		Changes	
	31.12.18 RM'000	31.12.17 RM'000	Amount RM'000	%	31.12.18 RM'000	31.12.17 RM'000	Amount RM'000	%
Operating revenue	2,300,616	2,159,629	140,987	6.5	6,785,873	6,365,400	420,473	6.6
Operating profit before impairment losses	434,451	382,658	51,793	13.5	1,436,891	1,215,944	220,947	18.2
Profit before taxation and zakat	485,778	301,740	184,038	61.0	1,470,276	1,183,025	287,251	24.3
Profit for the financial period	365,588	230,099	135,489	58.9	1,127,300	951,752	175,548	18.4
Profit attributable to equity holders of the Company	349,875	218,978	130,897	59.8	1,045,622	878,717	166,905	19.0

Financial year to date - Cumulative period ended 31 December 2018 compared to 31 December 2017

For the financial period under review, the Group generated revenue of RM6,785.9 million, a growth of RM420.5 million (6.6%) compared to last year. Fund based income from interest bearing assets increased mainly from interest on fixed income securities and customer lending. Non-interest income decreased by RM130.2m compared to same period last year.

Interest income from securities grew mainly from trading securities. Interest income from customer lending increased from term loans, trade financing and mortgages.

Funding costs namely interest from customer deposits and financial institutions deposits increased due to the increase in average deposit balances. Net interest margin ("NIM") declined to 1.93% compared to 1.98% for the corresponding period last year.

Fee based income recorded a reduction in income from brokerage activities, management fees and commission earned from unit trusts and wealth management services. Market based income from treasury related activities from customer flows and gains on trading/liquidation of securities declined mainly from revaluation of trading securities mitigated by increase in gain from trading in foreign exchange. Decrease in other income was attributable to lower gain on disposal of foreclosed property.

Net income from insurance business improved mainly due to lower insurance claims.

The Group's insurance-based joint ventures recorded improved results attributable to higher net earned premium and lower actuarial reserving. This contributed to the Group's share of profit in results of associates and joint ventures of RM18.8 million compared to share of losses of RM5.6 million for same period last year.

Total operating expenses recorded reduction of 9.5% compared to same period last year. General and administrative expenses were controlled with less expenses incurred relating to compliance and governance. Overall, the Group's cost to income ratio improved to 51.6% from 58.2% a year ago.

Credit costs recorded a writeback for this financial period, attributable to higher recoveries and lower allowance for loans provided on individual basis offset by higher allowance for loans provided on collective basis.

Profit before taxation and zakat for the current financial period was higher compared to a year ago at RM1,470.3 million, an increase of RM287.3 million (24.3%). Profit for the financial period increased by RM175.5 million to RM1,127.3 million compared to a year ago.

B1. PERFORMANCE REVIEW ON THE RESULTS OF THE GROUP (CONT'D.)

Commentary on key components of financial position

The Group's core interest bearing assets namely loans, advances and financing grew moderately by RM4,038.5 million (4.2%) from 31 March 2018 to RM100,359.8 million driven by growth in mortgage loans and term loans. The Group continued to make good progress in its target segment of customers ie the SME that recorded RM2.2 billion loans growth (13.3%). Household consumers from mortgage financing increased by RM2.9 billion compared to 31 March 2018. The Group's impaired loans ratio of gross loans improved to 1.6%.

Deposits from customers was higher compared to 31 March 2018 at RM106.8 billion predominantly driven by customer deposit acquiring and retention initiatives. Low cost deposits constituted 20.7% of total deposits from customers, a reduction compared to 21.3% as at 31 March 2018.

Liquidity and capital strength

The Group is well-positioned to meet and comply with regulatory requirements. Its banking subsidiaries recorded Liquidity Coverage ratios in excess of minimum requirements. The Group's aggregated capital adequacy ratio strengthened to 17.61% compared to 16.57% as at 31 March 2018.

Divisional performance

Retail Banking (Year to date ("YTD") FY2019: RM380.2 million vs YTD FY2018: RM333.8 million)

Profit before tax ("PBT") increased by RM46.4 million mainly due lower other operating expenses, partially offset by lower income and higher impairment.

Lower other operating expenses underpinned by cost savings flow through from Mutual Separation Scheme ("MSS") and higher operational expenses on Cards for FY2018. Net income declined mainly due to gain from securities available for sale ("AFS") of RM42.6 million in FY2018, partially offset by higher net finance income from higher volume impact. Higher net impairment mainly attributed to deterioration of asset quality from higher inflow of non-performing loan ("NPL").

Retail deposits increased significantly by RM5.9 billion to RM52.8 billion attributed to higher fixed deposits and current accounts, while gross loans grew 7.4% to close at RM56.8 billion mainly from mortgages.

Business Banking (YTD FY2019: RM132.9 million vs YTD FY2018: RM76.0 million)

PBT increased by RM56.9 million due higher income and lower impairment, offset by higher other operating expenses.

Income increased by RM44.5 million arising from higher business volume, while lower impairment of RM17.4 million due to higher recoveries.

Business Banking deposits increased by 31.8% to RM5.3 billion mainly from fixed deposits and current accounts, while gross loans grew 27.7% to close at RM9.1 billion.

Corporate Banking (YTD FY2019: RM681.5 million vs YTD FY2018: RM421.0 million)

PBT hiked RM260.5 million driven by higher income, lower other operating expenses and lower impairment.

Income increased by RM13.3 million mainly arising from higher margin and higher loan related fees. Lower net impairment of RM240.4 million due to higher write-back of provision and higher recoveries.

Deposits increased by 10.5% to close at RM8.8 billion, while gross loans remained flattish at RM33.0 billion.

Group Treasury and Markets (YTD FY2019: RM78.3 million vs YTD FY2018: RM69.7 million)

PBT grew RM8.6 million attributed to higher margin and business volume, lower other operating expenses and higher write-back of provision.

Investment Banking (YTD FY2019: RM27.4 million vs YTD FY2018: RM61.7 million)

PBT dropped RM34.3 million from softer fee income, offset by lower other operating expenses and lower impairment.

B1. PERFORMANCE REVIEW ON THE RESULTS OF THE GROUP (CONT'D.)

Divisional performance (Cont'd.)

Fund Management (YTD FY2019: RM28.9 million vs FY2018: RM35.0 million)

PBT decreased slightly by RM6.1 million from lower management fee, offset by lower other operating expenses.

Insurance (YTD FY2019: RM215.9 million vs YTD FY2018: RM160.6 million)

Insurance PBT up by 34.4% mainly driven by higher income from lower claims.

Group Funding & Others (YTD FY2019: Loss of RM74.9 million vs YTD FY2018: RM25.2 million)

Lower PBT as FY2018 captured higher writeback arising from the release of the general macro economics provision and National Automotive Policy ("NAP") 2014, offset by specific macro provision for high risk sectors (Oil & Gas and Real Estate & Construction).

B2. REVIEW OF MATERIAL CHANGES IN PROFIT BEFORE TAXATION

Table 2: Financial review for current quarter compared with immediate preceding quarter

	Group			
	Individual Quarter		Changes	
	31.12.18	30.09.18	Amount	%
	RM'000	RM'000	RM'000	
Operating revenue	2,300,616	2,313,966	(13,350)	(0.6)
Operating profit before impairment losses	434,451	501,612	(67,161)	(13.4)
Profit before taxation and zakat	485,778	490,657	(4,879)	(1.0)
Profit for the financial quarter	365,588	378,456	(12,868)	(3.4)
Profit attributable to equity holders of the Company	349,875	348,153	1,722	0.5

Current quarter compared to immediate preceding quarter

For the financial quarter under review, the Group generated revenue of RM2,300.6 million, a decrease of 0.6% over last quarter. Fund based income from interest bearing assets continue to increase mainly from interest on customer lending. Interest income from customer lending grew mainly due to increase in term loans and mortgages. Trading and investment income result declined compared to last quarter.

Funding costs namely interest from deposits from customers and banks and other financial institutions increased due to the increase in average balances. For this quarter, net interest margin declined to 1.88% compared to 1.91% in the preceding quarter.

Overall other operating income decreased for this quarter compared to preceding quarter. Market based income declined attributable to fair value losses on revaluation of trading securities offset by increase in gain from derivatives and disposal of securities.

Total operating expenses increased marginally compared to preceding quarter mainly from general and administrative expenses offset by reduction in personnel expenses.

Credit costs reduced driven by higher recoveries and lower loss allowance provided for loans, advances and financing which were assessed on individual basis offset by higher loss allowance provided on collective basis.

Against the preceding quarter, profit before taxation and zakat for the current quarter is lower at RM485.8 million, a decrease of RM4.9 million (1.0%). Profit for the quarter decreased by RM12.9 million to RM365.6 million compared to preceding quarter.

B3. PROSPECTS FOR FINANCIAL YEAR ENDING 31 MARCH 2019

In 2018, Gross Domestic Product ("GDP") grew 4.7% year-on-year supported by private sector activities and complemented by exports. Going forward, private sector demand is expected to remain the main driver of growth amid continuing fiscal rationalisation while the external sector is likely to soften with moderating global demand. The economy in 2019 is projected to grow at 4.5%-4.8%.

Headline inflation penciled at 1.0% year-on-year in 2018 owing to the tax holiday period and replacing GST tax to SST. Going forward, headline inflation is expected to average moderately higher. The impact of the consumption tax policy on headline inflation in 2019 will start to lapse towards the end of the year. Underlying inflation, which excludes the impact of the changes in consumption tax policy, is expected to be broadly stable in 2019 in the absence of strong demand pressure. As such, we project the inflation to come in 1.5% in 2019.

In 2018, the banking system's loans expanded by 5.6%. For 2019, we project loans growth to come in at 4.9% based on our view that GDP will continue to expand by 4.5% in 2019.

Banks have sufficient liquid assets with an industry liquidity coverage ratio of 143% as at end of December 2018, well above the regulatory requirement of 100.0%. Funding profiles of banks have been well diversified with the industry's loan-to-fund ratio and loan-to-fund and equity ratio standing at 82.7% and 72.4% respectively as at December 2018.

The OPR while is expected to stay at 3.25% in 2019, there is an increasing possibilities for a 25bps rate cut to be instituted in 2019 in a move to support growth while inflation remains stable supported by firmer ringgit.

For FY2019, our financial priorities will be centred on the following:

1. Revenue growth: We will continue to focus on driving our income growth momentum, in line with our key segments and products strategies. CASA (current and savings accounts) growth is one of our key priorities this year.
2. Business efficiency transformation (BET 300): This is a 3-year business efficiency programme, which aims to achieve RM300 million gross cost efficiencies across the Group and help us achieve our cost-to-income ratio target of 55% in FY2019. We will continue to keep a tight rein on cost, pacing our investments while continuing to look for operational efficiencies.
3. Capital accretive growth: We aim to strengthen our capital position further and deliver sustainable dividend payout to our shareholders. To achieve this, we are driving initiatives to improve our capital efficiency and return on risk-weighted assets.

B4. VARIANCE FROM PROFIT FORECAST AND SHORTFALL FROM PROFIT GUARANTEE

This is not applicable to the Group.

B5. TAXATION AND ZAKAT

Group	Individual Quarter		Cumulative Quarter	
	31.12.18 RM'000	31.12.17 RM'000	31.12.18 RM'000	31.12.17 RM'000
Estimated current tax payable	141,493	88,152	318,078	299,412
Deferred tax	(22,017)	(15,159)	28,583	(118,749)
	<u>119,476</u>	<u>72,993</u>	<u>346,661</u>	<u>180,663</u>
Under/(Over) provision of current taxation in respect of prior years	1	(1,753)	(5,678)	49,043
Taxation	<u>119,477</u>	<u>71,240</u>	<u>340,983</u>	<u>229,706</u>
Zakat	713	401	1,993	1,567
Taxation and zakat	<u>120,190</u>	<u>71,641</u>	<u>342,976</u>	<u>231,273</u>

The total tax charge of the Group for the financial period ended 31 December 2018 and 31 December 2017 reflects an effective tax rate which is lower than the statutory tax rate mainly due to income not subject to tax.

B6. CORPORATE PROPOSALS

- As at 31 December 2018, the trustee of the ESS held 4,951,750 ordinary shares (net of ESS shares vested to employees) representing 0.16% of the total number of issued and paid-up ordinary shares capital of the Company. These shares are held at a carrying amount of RM31,483,000.
- Proposed disposal of non-performing loans/financing

On 3 January 2019, the Group's commercial banking subsidiaries, AmBank and AmBank Islamic entered into sale and purchase agreements ("SPA") to dispose their respective non-performing loans/financing to Aiqon Amanah Sdn Bhd ("Aiqon Amanah") and Aiqon Islamic Sdn Bhd ("Aiqon Islamic") respectively. Both Aiqon Amanah and Aiqon Islamic are subsidiaries of Aiqon Capital Sdn Bhd whereby its Group Executive Chairman/Chief Executive Officer and major shareholder is a close member of family of a director and major shareholder of the Company.

The proposed disposal as approved by BNM, involves an outright sale of portfolio of accounts ("Portfolio") which includes Industrial hire-purchase, small & medium industry loans/financing, auto financing, mortgage, personal loans/financing under cooperative and credit cards previously fully written-off from the books of the two subsidiaries.

For a period of 2 years from the completion of the proposed disposal, the purchasers are entitled to put-back to or require the repurchase by AmBank and AmBank Islamic for such loans/financing that are not conforming to the representations made under the respective SPA. The headline purchase price for the above proposed disposal amounted to a total of RM553.91m, contributing a positive impact to the Group's financial results. This proposal is part of the debt recovery strategy of its two subsidiaries to strengthen their respective loans/financing management, resolution processes and to monetise the Portfolio.

Currently, the proposed disposal is pending the High Court's approval for the vesting of the Portfolio. The proposed disposal is expected to be completed by 31 March 2019.

B7. BORROWINGS AND DEBT SECURITIES

Group

	Long term		Short term		Total	
	Foreign denomination USD'000	RM denomination RM'000	Foreign denomination USD'000	RM denomination RM'000	Foreign denomination USD'000	RM denomination RM'000
31.12.18						
Unsecured						
Term funding	400,000	1,926,781 [^]	-	2,309,424	400,000	4,236,205
Debt capital	-	5,080,099	-	-	-	5,080,099
31.12.17						
Unsecured						
Term funding	400,000	2,612,550 [^]	-	2,570,755	400,000	5,183,305
Debt capital	-	3,904,398	-	-	-	3,904,398

Borrowings denominated in foreign currencies have not been hedged to RM; AmBank's US Dollar debts are maintained in the originating currency for purpose of funding the US Dollar balance sheet. As foreign currency constitutes a marginal 10% of total balance sheet, the foreign currency exchange risk is not significant to render the need for hedging.

[^] Included here an amount of RM1,654.4 million and RM1,619.0 million related to the USD400.0 million Medium Term Note issued as at 31 December 2018 and 31 December 2017 respectively, translated at exchange rate of 4.136 (31 December 2017: 4.0475)

Detailed explanations on the material changes to the borrowings (excluding structured deposits and Credit Linked Notes) and debt securities as at the current year to-date compared with the corresponding period in the immediate preceding year:

Month of Issuance/ Redemption	Entity	Note type and tenor	Nominal value RM'000	Weighted average interest rate %	Net interest savings per annum for redemption RM'000
February 2018 - Issuance	The Company	Subordinated Note Tier 2 - 10 years	325,000	5.23	-
March 2018 - Issuance	The Company	Subordinated Note Tier 2 - 10 years	350,000	5.23	-
March 2018 - Redemption	AmBank	Senior Notes - 3 years	800,000	4.25	34,000
April 2018 - Redemption	AmBank	Subordinated Note Tier 2 - 10 years	600,000	6.25	37,500
May 2018 - Redemption	AmBank	Senior Notes - 4 years	400,000	4.40	17,600
June 2018 - Issuance	AmBank	Senior Notes - 2 years	700,000	4.50	-
October 2018 - Issuance	AmBank Islamic	Subordinated Note Tier 2 - 10 years	500,000	4.88	-
November 2018 - Issuance	AmBank	Subordinated Note Tier 2 - 10 years	1,000,000	4.98	-
December 2018 - Redemption	The Company	Senior Notes - 7 years	500,000	4.50	22,500
December 2018 - Redemption	AmBank	Senior Notes - 10 years	400,000	5.20	20,800

Borrowing and debt securities issued are for purposes of working capital, investment, enhancing capital position and other general funding requirements of the Company and its banking subsidiaries.

B8. MATERIAL LITIGATION

The Group and the Company do not have any material litigation which would materially affect the financial position of the Group and the Company. For other litigations, please refer to Note A36.

B9. DIVIDENDS

There is no dividend proposed for the current financial quarter.

B10. DERIVATIVE FINANCIAL INSTRUMENTS

Please refer to Note A37.

B11. EARNINGS PER SHARE (SEN)

a. Basic earnings per share

The basic earnings per share of the Group is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period.

	Individual Quarter		Cumulative Quarter	
	31.12.18	31.12.17	31.12.18	31.12.17
Net profit attributable to equity holders of the Company (RM'000)	349,875	218,978	1,045,622	878,717
Weighted average number of ordinary shares in issue ('000)	3,009,233	3,007,684	3,008,800	3,007,593
Basic earnings per share (Sen)	11.63	7.28	34.75	29.22

b. Diluted earnings per share

The diluted earnings per share of the Group is calculated by dividing the net profit attributable to equity holders of the Company by the adjusted weighted average number of ordinary shares in issue and dilutive effect of Share Options vested and not exercised by eligible executives under ESS as at the reporting date.

	Individual Quarter		Cumulative Quarter	
	31.12.18	31.12.17	31.12.18	31.12.17
Net profit attributable to equity holders of the Company (RM'000)	349,875	218,978	1,045,622	878,717
Weighted average number of ordinary shares in issue (as in (a) above) ('000)	3,009,233	3,007,684	3,008,800	3,007,593
Effect of executives' share scheme ('000)	-	540	-	540
Adjusted weighted average number of ordinary shares in issue/issuable ('000)	3,009,233	3,008,224	3,008,800	3,008,133
Fully diluted earnings per share (Sen)	11.63	7.28	34.75	29.21