

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

UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	Group		Company	
		30.06.19 RM'000	31.03.19 RM'000	30.06.19 RM'000	31.03.19 RM'000
ASSETS					
Cash and short-term funds	A8	5,132,470	7,073,744	575,674	81,005
Deposits and placements with banks and other financial institutions	A9	34,753	196,159	-	-
Derivative financial assets	A34	875,549	763,923	-	-
Financial assets at fair value through profit or loss	A10	16,604,154	19,365,595	1,053	1,044
Financial investments at fair value through other comprehensive income	A11	18,652,714	15,709,873	-	-
Financial investments at amortised cost	A12	5,033,106	5,146,316	-	-
Loans, advances and financing	A13	99,696,931	100,544,021	-	-
Statutory deposits with Bank Negara Malaysia	A14	3,182,461	3,155,541	-	-
Deferred tax assets		35,815	66,162	-	-
Investment in subsidiaries and other investments		-	-	9,640,313	9,640,313
Investment in associates and joint ventures		733,971	710,091	-	-
Other assets	A15	1,976,835	1,983,451	1,609	1,670
Reinsurance assets and other insurance receivables	A16	478,102	525,547	-	-
Property and equipment		162,339	168,221	619	676
Right-of-use assets		289,244	-	-	-
Intangible assets		3,366,563	3,379,727	-	-
Assets held for sale	A32	5,029	5,029	-	-
TOTAL ASSETS		156,260,036	158,793,400	10,219,268	9,724,708
LIABILITIES AND EQUITY					
Deposits from customers	A17	102,772,044	106,915,989	-	-
Investment accounts of customers		260,098	353,451	-	-
Deposits and placements of banks and other financial institutions	A18	9,207,892	7,687,719	-	-
Securities sold under repurchase agreements		5,400,895	5,339,422	-	-
Recourse obligation on loans and financing sold to Cagamas Berhad		4,457,808	4,658,353	-	-
Derivative financial liabilities	A34	890,914	825,492	-	-
Term funding		3,622,491	3,634,754	-	-
Debt capital		4,230,000	4,230,000	-	-
Redeemable cumulative convertible preference share		226,734	224,229	-	-
Deferred tax liabilities		100,219	63,702	-	-
Other liabilities	A19	3,277,967	3,476,588	25,576	31,436
Insurance contract liabilities and other insurance payables	A20	2,592,903	2,693,249	-	-
Total Liabilities		137,039,965	140,102,948	25,576	31,436
Share capital		5,751,557	5,751,557	5,550,250	5,550,250
Reserves		12,428,884	11,939,396	4,643,442	4,143,022
Equity attributable to equity holders of the Company		18,180,441	17,690,953	10,193,692	9,693,272
Non-controlling interests		1,039,630	999,499	-	-
Total Equity		19,220,071	18,690,452	10,193,692	9,693,272
TOTAL LIABILITIES AND EQUITY		156,260,036	158,793,400	10,219,268	9,724,708
COMMITMENTS AND CONTINGENCIES	A33	125,980,576	131,016,758	-	-
NET ASSETS PER SHARE (RM)		6.03	5.87	3.38	3.22

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 2019.

AMMB HOLDINGS BERHAD
(223035-V) (Incorporated in Malaysia)
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UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2019

Group	Note	Individual Quarter		Cumulative Quarter	
		30.06.19 RM'000	30.06.18 RM'000	30.06.19 RM'000	30.06.18 RM'000
Operating revenue	A28	2,390,402	2,171,291	2,390,402	2,171,291
Interest income	A21	1,279,691	1,148,992	1,279,691	1,148,992
Interest expense	A22	(811,390)	(717,619)	(811,390)	(717,619)
Net interest income		468,301	431,373	468,301	431,373
Net income from Islamic banking		229,976	236,606	229,976	236,606
Income from insurance business		349,172	335,993	349,172	335,993
Insurance claims and commissions		(228,008)	(180,887)	(228,008)	(180,887)
Net income from insurance business	A23	121,164	155,106	121,164	155,106
Other operating income	A24	232,354	174,670	232,354	174,670
Share in results of associates and joint ventures		12,775	15,926	12,775	15,926
Net income		1,064,570	1,013,681	1,064,570	1,013,681
Other operating expenses	A25	(528,565)	(512,853)	(528,565)	(512,853)
Operating profit before impairment losses		536,005	500,828	536,005	500,828
Net writeback for impairment for loans, advances and financing	A26	44,911	10,361	44,911	10,361
Net impairment writeback/(loss) on:					
Financial investments	A27	1,636	(4,787)	1,636	(4,787)
Insurance receivables		(1,008)	1,425	(1,008)	1,425
Other financial assets	A27	1,047	1,608	1,047	1,608
Provision for commitments and contingencies - charge		(12,891)	(12,528)	(12,891)	(12,528)
Other write-offs, net		(1,238)	(3,066)	(1,238)	(3,066)
Profit before taxation and zakat		568,462	493,841	568,462	493,841
Taxation and zakat	B5	(136,872)	(110,585)	(136,872)	(110,585)
Profit for the financial period		431,590	383,256	431,590	383,256
Attributable to:					
Equity holders of the Company		391,459	347,594	391,459	347,594
Non-controlling interests		40,131	35,662	40,131	35,662
Profit for the financial period		431,590	383,256	431,590	383,256
EARNINGS PER SHARE (SEN)	B11				
Basic/Diluted		13.01	11.56	13.01	11.56

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AMMB HOLDINGS BERHAD
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UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2019

Group	Individual Quarter		Cumulative Quarter	
	30.06.19 RM'000	30.06.18 RM'000	30.06.19 RM'000	30.06.18 RM'000
Profit for the financial period	431,590	383,256	431,590	383,256
Items that may be reclassified to profit or loss				
Translation gain of foreign operations	3,339	23,548	3,339	23,548
Cash flow hedge				
- (loss)/gain arising during the financial period	(6,180)	1,372	(6,180)	1,372
- reclassification adjustments for gain included in profit or loss	(66)	(143)	(66)	(143)
- amortisation of fair value changes for terminated hedge	(1,494)	(2,122)	(1,494)	(2,122)
Financial investments at fair value through other comprehensive income ("FVOCI")				
- net unrealised gain/(loss) on changes in fair value	120,830	(48,918)	120,830	(48,918)
- net gain reclassified to profit or loss	(10,967)	(164)	(10,967)	(164)
- expected credit loss	(1,616)	4,634	(1,616)	4,634
- foreign exchange differences	2	462	2	462
Tax effect relating to the components of other comprehensive (income)/loss				
- cash flow hedge	1,858	214	1,858	214
- financial investments at FVOCI	(25,191)	11,555	(25,191)	11,555
Share of reserve movements in equity accounted joint ventures	15,013	(6,549)	15,013	(6,549)
Other comprehensive income/(loss) for the financial period, net of tax	95,528	(16,111)	95,528	(16,111)
Total comprehensive income for the financial period	527,118	367,145	527,118	367,145
Total comprehensive income for the financial period attributable to:				
Equity holders of the Company	486,987	331,482	486,987	331,482
Non-controlling interests	40,131	35,663	40,131	35,663
	527,118	367,145	527,118	367,145

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 2019.

AMMB HOLDINGS BERHAD
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UNAUDITED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2019

Company	Note	Individual Quarter		Cumulative Quarter	
		30.06.19 RM'000	30.06.18 RM'000	30.06.19 RM'000	30.06.18 RM'000
Operating revenue		504,434	446,596	504,434	446,596
Interest income	A21	928	19,105	928	19,105
Interest expense	A22	-	(24,166)	-	(24,166)
Net interest income/(expense)		928	(5,061)	928	(5,061)
Other operating income	A24	503,506	427,491	503,506	427,491
Net operating income		504,434	422,430	504,434	422,430
Other operating expenses	A25	(6,282)	(1,635)	(6,282)	(1,635)
Profit before taxation		498,152	420,795	498,152	420,795
Taxation		(233)	(95)	(233)	(95)
Profit for the financial period representing total comprehensive income for the financial period		497,919	420,700	497,919	420,700

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 2019.

AMMB HOLDINGS BERHAD
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UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2019

Group	Attributable to Equity Holders of the Company												
	Non-Distributable								Distributable				
	Ordinary share capital	Regulatory reserve	AFS reserve/(deficit)	Fair value reserve	Cash flow hedging reserve	Foreign currency translation reserve	Executives' share scheme reserve	Shares held in trust for ESS	Retained Earnings		Total	Non-controlling interests	Total equity
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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	412,919	-	-	-	-	-	(27,404)	37,630	48	37,678
Restated balance at 1 April 2018	5,551,557	296,221	-	412,919	3,174	61,600	17,428	(41,620)	45,715	10,206,241	16,553,235	1,144,453	17,697,688
Profit for the financial period	-	-	-	-	-	-	-	-	-	347,594	347,594	35,662	383,256
Other comprehensive income/(loss), net	-	-	-	(38,980)	(679)	23,548	-	-	-	-	(16,111)	-	(16,111)
Total comprehensive income/(loss) for the financial period	-	-	-	(38,980)	(679)	23,548	-	-	-	347,594	331,483	35,662	367,145
Share-based payment under													
Executives' Share Scheme ("ESS"), net	-	-	-	-	-	-	(10,565)	-	-	-	(10,565)	-	(10,565)
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	-	-	-	-	-	-	-	-	-	(3,349)	(3,349)	(108)	(3,457)
Transfer to regulatory reserve	-	103,566	-	-	-	-	-	-	-	(103,566)	-	-	-
Transactions with owners and other equity movements	-	103,566	-	-	-	-	(17,428)	10,320	-	(106,915)	(10,457)	(108)	(10,565)
At 30.06.18	5,551,557	399,787	-	373,939	2,495	85,148	-	(31,300)	45,715	10,446,920	16,874,261	1,180,007	18,054,268

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UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2019

Group	Attributable to Equity Holders of the Company											
	Non-Distributable							Distributable				
	Share capital RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Cash flow hedging deficit 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	Total equity RM'000
Non-participating funds RM'000								RM'000	Total RM'000			
At 01.04.19	5,751,557	450,158	479,970	(12,074)	94,089	5,295	(31,483)	45,715	10,907,726	17,690,953	999,499	18,690,452
Profit for the financial period	-	-	-	-	-	-	-	-	391,459	391,459	40,131	431,590
Other comprehensive income/(loss), net	-	-	98,071	(5,882)	3,339	-	-	-	-	95,528	-	95,528
Total comprehensive income/(loss) for the financial period	-	-	98,071	(5,882)	3,339	-	-	-	391,459	486,987	40,131	527,118
Share-based payment under ESS, net	-	-	-	-	-	2,501	-	-	-	2,501	-	2,501
Transfer to regulatory reserve	-	167,450	-	-	-	-	-	-	(167,450)	-	-	-
Transactions with owners and other equity movements	-	167,450	-	-	-	2,501	-	-	(167,450)	2,501	-	2,501
At 30.06.19	5,751,557	617,608	578,041	(17,956)	97,428	7,796	(31,483)	45,715	11,131,735	18,180,441	1,039,630	19,220,071

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 2019.

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UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2019

Company	Attributable to Equity Holders of the Company				
	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	Total equity RM'000
At 01.04.18	5,550,250	17,428	(41,620)	3,525,115	9,051,173
Profit for the financial period	-	-	-	420,700	420,700
Total comprehensive income for the financial period	-	-	-	420,700	420,700
Share-based payment under ESS, net	-	(10,565)	-	-	(10,565)
ESS shares vested to employees	-	(6,863)	10,320	(236)	3,221
Transactions with owners and other equity movements	-	(17,428)	10,320	(236)	(7,344)
At 30.06.18	5,550,250	-	(31,300)	3,945,579	9,464,529
Company	Attributable to Equity Holders of the Company				
	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	Total equity RM'000
At 01.04.19	5,550,250	5,295	(31,483)	4,169,210	9,693,272
Profit for the financial period	-	-	-	497,919	497,919
Total comprehensive income for the financial period	-	-	-	497,919	497,919
Share-based payment under ESS, net	-	2,501	-	-	2,501
Transactions with owners and other equity movements	-	2,501	-	-	2,501
At 30.06.19	5,550,250	7,796	(31,483)	4,667,129	10,193,692

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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2019

	Group		Company	
	30.06.19 RM'000	30.06.18 RM'000	30.06.19 RM'000	30.06.18 RM'000
Profit before taxation and zakat	568,462	493,841	498,152	420,795
(Less)/Add adjustments for:				
Net (accretion of discount)/amortisation of premium for securities	(27,772)	(69,257)	-	-
Allowance for expected credit losses on loans, advances and financing, net	47,639	106,263	-	-
Dividend income	(2,610)	(1,810)	(503,146)	(427,467)
Net gain on revaluation of derivatives	(52,450)	(316,569)	-	-
Net (gain)/loss on revaluation of financial assets at fair value through profit or loss	(60,261)	32,951	-	-
Net gain on sale of financial investments at fair value through other comprehensive income	(10,966)	(164)	-	-
Net (gain)/loss on sale of financial assets at fair value through profit or loss	(14,132)	8,838	-	-
Other non-operating and non-cash items	78,770	77,125	57	115
Operating profit/(loss) before working capital changes	526,680	331,218	(4,937)	(6,557)
<i>Decrease/(Increase) in operating assets:</i>				
Deposits and placements with banks and other financial institutions	(6,691)	(595,551)	-	-
Financial assets at fair value through profit or loss	2,859,674	(2,255,805)	(9)	(9)
Loans, advances and financing	799,451	(2,235,090)	-	-
Statutory deposits with Bank Negara Malaysia	(26,921)	(116,492)	-	-
Other assets	55,828	271,439	3,036	(25,844)
Reinsurance assets and other insurance receivables	46,437	8,782	-	-
<i>Increase/(Decrease) in operating liabilities:</i>				
Deposits from customers	(4,143,945)	2,822,613	-	-
Investment accounts of customers	(93,354)	51,650	-	-
Deposits and placements of banks and other financial institutions	1,520,173	4,297,084	-	-
Securities sold under repurchase agreements	61,473	294,961	-	-
Recourse obligation on loans and financing sold to Cagamas Berhad	(200,544)	(486)	-	-
Term funding	(33,015)	418,190	-	-
Other liabilities	(479,692)	(189,841)	(5,859)	26,201
Insurance contract liabilities and other insurance payables	(100,346)	(67,001)	-	-
Cash generated from/(used) in operations	785,208	3,035,671	(7,769)	(6,209)
Taxation and zakat (paid)/refunded, net	(157,545)	6,716	(708)	(237)
Net cash generated from/(used) in operating activities	627,663	3,042,387	(8,477)	(6,446)
<i>Cash flows from investing activities</i>				
Dividend/Distribution income received	6,519	5,636	503,146	427,467
Subscription of shares in subsidiaries	-	-	-	(177,257)
Proceeds from disposal of property and equipment	68	53	-	-
Net purchase of financial investments	(2,703,776)	(2,961,952)	-	-
Purchase of property and equipment and intangible assets	(23,840)	(32,360)	-	-
Net cash (used in)/generated from investing activities	(2,721,029)	(2,988,623)	503,146	250,210
carried forward				

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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2019 (CONT'D.)

	Group		Company	
	30.06.19 RM'000	30.06.18 RM'000	30.06.19 RM'000	30.06.18 RM'000
Net cash (used in)/generated investing activities				
brought forward	(2,721,029)	(2,988,623)	503,146	250,210
Net proceeds from disposal of assets held for sale (properties)	-	3,922	-	-
Net cash (used in)/generated from investing activities	<u>(2,721,029)</u>	<u>(2,984,701)</u>	<u>503,146</u>	<u>250,210</u>
<i>Cash flows from financing activities</i>				
Repayment of lease liabilities	(17,234)	-	-	-
Debt capital - net issuance/(repayment)	-	(600,000)	-	-
Net cash (used in)/generated from financing activities	<u>(17,234)</u>	<u>(600,000)</u>	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	(2,110,600)	(542,314)	494,669	243,764
Cash and cash equivalents at beginning of the financial year	7,270,046	5,715,856	81,005	79,080
Effect of exchange rate changes	65	(16)	-	-
Cash and cash equivalents at end of the financial period	<u>5,159,511</u>	<u>5,173,526</u>	<u>575,674</u>	<u>322,844</u>

Cash and cash equivalents included in the statements of cash flows comprise the following amounts:

	Group		Company	
	30.06.19 RM'000	30.06.18 RM'000	30.06.19 RM'000	30.06.18 RM'000
Cash and short-term funds	5,132,470	4,632,234	575,674	322,844
Deposits and placements with banks and other financial institutions	34,753	1,151,750	-	-
	<u>5,167,223</u>	<u>5,783,984</u>	<u>575,674</u>	<u>322,844</u>
Less: Deposits with original maturity of more than three months	(9,975)	(611,154)	-	-
	<u>5,157,248</u>	<u>5,172,830</u>	<u>575,674</u>	<u>322,844</u>
Add:				
Allowances for expected credit loss ("ECL") for cash and cash equivalents	2,263	696	-	-
Cash and cash equivalents	<u>5,159,511</u>	<u>5,173,526</u>	<u>575,674</u>	<u>322,844</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 2019.

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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 2019 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 2019:

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Prepayment Features with Negative Compensation (Amendments to MFRS 9)
- Long-term interests in Associates and Joint Ventures (Amendments to MFRS 128)
- Plan Amendment, Curtailment or Settlement (Amendments to MFRS119)
- Annual Improvements to MFRSs 2015-2017 Cycle

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 16 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 these amendments to published standards and new interpretation.

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

(a) MFRS 16 Leases

As a lessee, the Group previously classified each of its leases as operating leases (off balance sheet) in accordance with MFRS 117 *Leases* if the arrangements do not transfer substantially all the risks and rewards incidental to ownership of the leased assets to the Group; otherwise, they were classified as finance leases (on balance sheet).

MFRS 16, which supersedes MFRS 117, eliminates the classification of leases by the lessee as either finance leases or operating leases. MFRS 16 requires a lessee to account for all leases under a single on balance sheet model similar to the accounting for a finance lease under MFRS 117 which involves the recognition of a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments.

A1. BASIS OF PREPARATION (CONT'D.)

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

(a) MFRS 16 Leases (Cont'd.)

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.

The Group has adopted MFRS 16 for the first time since 1 April 2019. In its transition to MFRS 16, the Group has elected to apply the simplified transition approach whereby the comparative amounts were not restated. For leases previously classified as operating leases with remaining lease term greater than 12 months from the date of initial application, the Group recognised the lease liabilities at the date of initial application which were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. Correspondingly, the Group recognised the right-of-use assets at an amount equal to the lease liabilities and hence the Group did not make any adjustment to the opening retained earnings. In addition, the Group has made use of the following transitional practical expedients for recognition and measurement purposes at the date of initial application:

- (i) The Group has elected not to reassess whether an agreement is, or contains a lease at the date of initial application. Instead, for agreements entered into before the transition date, the Group relied on its previous assessments made in accordance with MFRS 117 and IC Interpretation 4 *Determining whether an Arrangement contains a Lease*.
- (ii) Lease agreements for which the remaining lease term ends within 12 months from the date of initial application are accounted as short-term leases whereby the Group has elected not to recognise the associated right-of-use assets and lease liabilities.
- (iii) A single discount rate was applied for those portfolio of leases with reasonably similar characteristics, such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment.
- (iv) Initial direct costs were excluded from the measurement of the right-of-use assets at the date of initial application.

The Group has elected not to recognise a right-of-use asset and a lease liability for short-term leases, i.e. leases without purchase option with a lease term of 12 months or less from the commencement date. Similarly, the Group will not recognise a right-of-use asset and a lease liability on leases for which the underlying asset is of low value.

The financial impact of the adoption of MFRS 16 on the financial statements of the Group are as disclosed in Note A38.

(b) 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 adoption of this Interpretation did not have any material financial impact to the Group and the Company.

(c) **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 an early repayment gain. The adoption of these amendments did not result in any impact as the Group and the Company do not hold any prepayable financial asset with negative compensation.

A1. BASIS OF PREPARATION (CONT'D.)

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

(d) 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 adoption of these amendments did not result in any impact as the Group's net investments in the associates and joint ventures do not include any long-term financial assets that are in the scope of MFRS 9.

(e) 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 adoption of these amendments did not result in any impact as there is no plan amendment, settlement or curtailment that occurred during the financial quarter ended 30 June 2019.

(f) Annual Improvements to MFRSs 2015-2017 Cycle

The Annual Improvements to MFRSs 2015-2017 Cycle include minor amendments affecting 4 MFRSs, 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. The amendment has no impact as the Group does not hold interest in any joint operation.

(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. The amendment has no impact as the Group does not hold interest in any 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. The amendment did not have any material financial impact to the Group and the Company.

(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. The amendment did not have any material financial impact to the Group and the Company.

A1. BASIS OF PREPARATION (CONT'D.)

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

Standards issued but not yet effective

Description	Effective for annual periods beginning on or after
- Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
- Definition of a Business (Amendments to MFRS 3)	1 January 2020
- Definition of Material (Amendments to MFRS 101 and MFRS 108)	1 January 2020
- MFRS 17 <i>Insurance Contracts</i>	1 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 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.)

(b) 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 plans to adopt MFRS 17 on the required effective date and a Project Steering Committee has been formed to oversee the implementation of MFRS 17. The Group expects that MFRS 17 will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have a significant impact on profit and total equity of its Insurance business segment.

(c) 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 2019

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 2019 except for the following new accounting policies which has been applied from 1 April 2019 following the adoption of MFRS 16:

(a) Leases

The determination of whether an arrangement is, or contains, a lease is based on whether the arrangement conveys a right to control the use the asset, even if that right is not explicitly specified in an arrangement.

(i) The Group as a lessee (before 1 April 2019)

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

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

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

(ii) The Group as a lessee (from 1 April 2019)

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2019 (Cont'd.)

(a) Leases (Cont'd.)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the underlying asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. If the Group is reasonably certain to obtain ownership of the underlying asset at the end of the lease term, the right-of-use asset is depreciated over the underlying asset's useful life. Right-of-use assets are assessed for impairment whenever there is an indication that the right-of-use assets may be impaired.

The Group applies the short-term lease recognition exemption to its short-term leases, i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value, i.e. those with a value of RM20,000 or less when new. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(ii) The Group as a lessor

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

A1.3 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the condensed interim financial statements in accordance with MFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of revenue, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Judgments, 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 judgments, estimates and assumptions made by management were the same as those applied to the annual financial statements for the financial year ended 31 March 2019, as well as the following:

Lease term of agreements with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to twelve years. The extension options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option. Factors considered include historical lease durations and the costs and business disruption required to replace the leased asset. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew. The Group included the renewal period as part of the lease term for most of its leases of premises due to the significance of these assets to its operations.

A2. AUDIT QUALIFICATION

There was no audit qualification in the annual financial statements for the financial year ended 31 March 2019.

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 30 June 2019.

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

Redemption of debt securities subsequent to reporting date

- a) On 3 July 2019, AmBank (M) Berhad, a wholly-owned subsidiary of the Company repaid in full the debt securities of USD400.0 million (equivalent to approximately RM1,655.0 million) nominal value issued under its Euro Medium-Term Note programme of up to USD2.0 billion in nominal value (or its equivalent).

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

No dividend has been paid during the current financial quarter.

A8. CASH AND SHORT-TERM FUNDS

	Group		Company	
	30.06.19 RM'000	31.03.19 RM'000	30.06.19 RM'000	31.03.19 RM'000
Cash and balances with banks and other financial institutions	1,725,342	1,468,715	575,674	81,005
Deposit placements maturing within one month:				
Licensed banks	2,824,891	3,767,374	-	-
Bank Negara Malaysia	570,000	1,826,000	-	-
Other financial institutions	13,096	13,006	-	-
	3,407,987	5,606,380	-	-
	5,133,329	7,075,095	575,674	81,005
Less :				
Allowances for ECL	(859)	(1,351)	-	-
	5,132,470	7,073,744	575,674	81,005

Movements in allowances for ECL are as follows:

Group	Stage 1	Stage 2	Total
	12-month ECL	Lifetime ECL not credit impaired	
30.06.19	RM'000	RM'000	RM'000
Balance at beginning of the financial year	1,320	31	1,351
(Writeback) of/allowances for ECL:	(467)	(10)	(477)
Transfer from deposits and placements with banks and other financial institutions (Note A9)	2,174	-	2,174
New financial assets originated	3,074	-	3,074
Financial assets derecognised	(5,736)	-	(5,736)
Net remeasurement of allowances	21	(10)	11
Exchange difference	(17)	2	(15)
Balance at end of the financial period	836	23	859
Group	Stage 1	Stage 2	Total
31.03.19	12-month ECL	12-month ECL	
	RM'000	RM'000	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	983	-	983
Allowances for ECL:	298	32	330
Net remeasurement of allowances	298	32	330
Exchange difference	39	(1)	38
Balance at end of the financial year	1,320	31	1,351

A9. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Company	
	30.06.19 RM'000	31.03.19 RM'000	30.06.19 RM'000	31.03.19 RM'000
Deposits and placements with maturity more than one month				
Licensed banks	36,157	198,234	-	-
	36,157	198,234	-	-
Less : Allowances for ECL	(1,404)	(2,075)	-	-
	34,753	196,159	-	-

A9. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (CONT'D.)

Movements in allowances for ECL are as follows:

Group	Stage 1
30.06.19	12-month
	ECL
	RM'000
Balance at beginning of the financial year	2,075
(Writeback) of/allowances for ECL:	(671)
Transfer to cash and short term funds (Note A8)	(2,174)
New financial assets originated	1,606
Net remeasurement of allowances	(103)
Balance at end of the financial period	<u>1,404</u>
Group	Stage 1
31.03.19	12-month
	ECL
	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>
Net remeasurement of allowances	2,075
Balance at end of the financial year	<u>2,075</u>

A10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Group		Company	
	30.06.19	31.03.19	30.06.19	31.03.19
	RM'000	RM'000	RM'000	RM'000
At Fair Value				
Money Market Instruments:				
Malaysian Treasury Bills	581,710	689,738	-	-
Malaysian Islamic Treasury Bills	1,046,107	164,980	-	-
Malaysian Government Securities	6,189,040	3,670,874	-	-
Malaysian Government Investment Issues	2,829,001	3,430,028	-	-
Cagamas bonds	101,712	101,181	-	-
Bank Negara Monetary Notes	686,123	6,388,520	-	-
	<u>11,433,693</u>	<u>14,445,321</u>	<u>-</u>	<u>-</u>
Quoted Securities:				
In Malaysia:				
Shares	322,755	369,730	-	-
Unit trusts	225,530	194,376	1,053	1,044
Corporate bonds and sukuk	38,064	37,937	-	-
Outside Malaysia:				
Shares	123,313	117,962	-	-
	<u>709,662</u>	<u>720,005</u>	<u>1,053</u>	<u>1,044</u>
Unquoted Securities:				
In Malaysia:				
Shares	2,813	2,813	-	-
Corporate bonds and sukuk	4,457,986	4,197,456	-	-
	<u>4,460,799</u>	<u>4,200,269</u>	<u>-</u>	<u>-</u>
Total	<u>16,604,154</u>	<u>19,365,595</u>	<u>1,053</u>	<u>1,044</u>

A11. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group	
	30.06.19	31.03.19
	RM'000	RM'000
At Fair Value		
Money Market Instruments:		
Malaysian Government Securities	3,784,396	2,841,636
Malaysian Government Investment Issues	4,339,598	2,776,050
Negotiable instruments of deposit	99,965	299,979
	8,223,959	5,917,665
Unquoted Securities:		
In Malaysia:		
Shares	523,665	523,665
Corporate bonds and sukuk	9,797,781	9,161,866
Outside Malaysia:		
Shares	563	548
Corporate bonds and sukuk	106,746	106,129
	10,428,755	9,792,208
Total	18,652,714	15,709,873

Movements in allowances ECL are as follows:

	Stage 1	Stage 2	Total
	12-month	Lifetime	
	ECL	ECL	
30 June 2019	RM'000	not credit	RM'000
		impaired	
		RM'000	RM'000
Balance at beginning of the financial year	11,872	21,830	33,702
(Writeback) of/allowances for ECL			
during the financial period:	1,274	(2,890)	(1,616)
- Transfer to 12-month ECL (Stage 1)	797	(1,340)	(543)
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(325)	512	187
New financial assets originated	3,517	-	3,517
Financial assets derecognised	(2,650)	-	(2,650)
Net remeasurement of allowances	(65)	(2,062)	(2,127)
Balance at end of the financial period	13,146	18,940	32,086

A11. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONT'D.)

Movements in allowances ECL are as follows (Cont'd.):

31 March 2019	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Balance at beginning of the financial year				
- as previously stated	-	-	7,318	7,318
- effects of adoption of MFRS 9	14,797	7,264	(2,318)	19,743
Balance at beginning of the financial year, as restated	14,797	7,264	5,000	27,061
(Writeback) of/allowances for ECL during the year	(3,265)	14,566	-	11,301
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(2,929)	16,379	-	13,450
New financial assets originated	21,563	1,972	-	23,535
Financial assets derecognised	(8,483)	(4,244)	-	(12,727)
Net remeasurement of allowances	(13,416)	459	-	(12,957)
Financial assets written-off	-	-	(5,000)	(5,000)
Exchange difference	340	-	-	340
Balance at end of the financial year	11,872	21,830	-	33,702

A12. FINANCIAL INVESTMENTS AT AMORTISED COST

	Group	
	30.06.19	31.03.19
	RM'000	RM'000
At Amortised Cost		
Money Market Instruments:		
Malaysian Government Securities	472,050	472,186
Unquoted Securities:		
In Malaysia:		
Corporate Bonds and sukuk	4,566,434	4,679,528
	<u>5,038,484</u>	<u>5,151,714</u>
Less: Allowances for ECL	(5,378)	(5,398)
Total	<u>5,033,106</u>	<u>5,146,316</u>

Movements in allowances for ECL are as follows:

	Stage 1 12-Month ECL RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
30 June 2019			
Balance at beginning of the financial year	5,398	-	5,398
Writeback of allowances for ECL during the financial period:	(20)	-	(20)
Net remeasurement of allowances	<u>(20)</u>	<u>-</u>	<u>(20)</u>
Balance at end of the financial period	<u>5,378</u>	<u>-</u>	<u>5,378</u>

	Stage 1 12-Month ECL RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
31 March 2019			
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	<u>3,403</u>	<u>2,550</u>	<u>5,953</u>
Allowances for/(writeback) of ECL during the year:	1,995	(1,459)	536
Net remeasurement of allowances	<u>1,995</u>	<u>-</u>	<u>1,995</u>
Financial assets derecognised	-	(1,459)	(1,459)
Amount written off	-	(1,091)	(1,091)
Balance at end of the financial year	<u>5,398</u>	<u>-</u>	<u>5,398</u>

A13. LOANS, ADVANCES AND FINANCING

	Group	
	30.06.19	31.03.19
	RM'000	RM'000
At Amortised Cost:		
Loans, advances and financing:		
Term loans/financing	26,649,309	26,421,666
Revolving credit	12,165,800	12,720,054
Housing loans/financing	31,030,044	30,463,942
Hire-purchase receivables	15,818,328	16,496,256
Card receivables	2,234,977	2,228,984
Overdraft	4,158,593	4,271,329
Claims on customers under acceptance credits	5,148,737	5,322,723
Trust receipts	1,671,797	1,872,490
Bills receivables	1,417,841	1,572,401
Staff loans	96,202	97,711
Others	442,183	377,006
Gross loans, advances and financing	<u>100,833,811</u>	<u>101,844,562</u>
Allowance for impairment on loans, advances and financing:		
Allowances for ECL:		
- Stage 1 - 12 month ECL	(281,690)	(275,818)
- Stage 2 - Lifetime ECL not credit impaired	(491,641)	(622,411)
- Stage 3 - Lifetime ECL credit impaired	(363,549)	(402,312)
	<u>(1,136,880)</u>	<u>(1,300,541)</u>
Net loans, advances and financing	<u>99,696,931</u>	<u>100,544,021</u>

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

	Group	
	30.06.19	31.03.19
	RM'000	RM'000
Domestic banking institutions	123,309	124,371
Domestic non-bank financial institutions	2,211,753	2,457,535
Domestic business enterprises:		
- Small and medium enterprises	19,814,945	20,238,234
- Others	22,434,248	22,473,666
Government and statutory bodies	553,686	551,785
Individuals	54,353,004	54,660,848
Other domestic entities	21,599	19,296
Foreign individuals and entities	1,321,267	1,318,827
	<u>100,833,811</u>	<u>101,844,562</u>

A13. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

	Group	
	30.06.19	31.03.19
	RM'000	RM'000
In Malaysia	100,540,377	101,566,469
Outside Malaysia	293,434	278,093
	<u>100,833,811</u>	<u>101,844,562</u>

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

	Group	
	30.06.19	31.03.19
	RM'000	RM'000
Fixed rate:		
- Housing loans/financing	429,286	443,683
- Hire purchase receivables	14,841,770	15,434,981
- Other loans/financing	9,484,192	9,941,797
Variable rate:		
- Base rate and lending/financing rate plus	47,094,876	46,723,728
- Cost plus	21,685,586	22,156,095
- Other variable rates	7,298,101	7,144,278
	<u>100,833,811</u>	<u>101,844,562</u>

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

	Group	
	30.06.19	31.03.19
	RM'000	RM'000
Agriculture	3,265,035	3,284,337
Mining and quarrying	1,712,718	1,705,878
Manufacturing	11,701,498	11,770,889
Electricity, gas and water	335,521	442,498
Construction	4,465,214	4,422,781
Wholesale and retail trade and hotels and restaurants	6,692,831	6,793,566
Transport, storage and communication	2,620,795	2,741,298
Finance and insurance	2,357,964	2,603,147
Real estate	7,858,847	8,289,464
Business activities	2,317,176	2,279,216
Education and health	1,881,512	1,571,964
Household of which:	55,369,433	55,688,901
Purchase of residential properties	30,361,820	29,884,774
Purchase of transport vehicles	14,278,461	15,065,225
Others	10,729,152	10,738,902
Others	255,267	250,623
	<u>100,833,811</u>	<u>101,844,562</u>

A13. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

	Group	
	30.06.19	31.03.19
	RM'000	RM'000
Maturing within one year	24,254,939	25,773,375
Over one year to three years	8,408,249	8,347,291
Over three years to five years	10,041,842	10,025,352
Over five years	58,128,781	57,698,544
	<u>100,833,811</u>	<u>101,844,562</u>

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

	Group	
	30.06.19	31.03.19
	RM'000	RM'000
Gross		
Balance at beginning of the financial year	1,620,662	1,638,405
Impaired during the financial period/year	560,201	1,123,123
Reclassified as non-impaired	(100,241)	(306,127)
Recoveries	(197,354)	(207,813)
Amount written off	(211,532)	(632,072)
Foreign exchange differences	1,166	5,146
Balance at end of the financial period/year	<u>1,672,902</u>	<u>1,620,662</u>
Gross impaired loans, advances and financing as % of gross loans, advances and financing	<u>1.66%</u>	<u>1.59%</u>
Loan loss coverage (including regulatory reserve)	<u>111.50%</u>	<u>113.99%</u>

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

	Group	
	30.06.19	31.03.19
	RM'000	RM'000
In Malaysia	1,626,633	1,562,438
Outside Malaysia	46,269	58,224
	<u>1,672,902</u>	<u>1,620,662</u>

A13. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

	Group	
	30.06.19	31.03.19
		(Restated)
		(Note A38)
	RM'000	RM'000
Agriculture	8,689	554
Mining and quarrying	54,504	78,964
Manufacturing	283,529	164,731
Electricity, gas and water	144	140
Construction	72,013	23,265
Wholesale and retail trade and hotels and restaurants	79,311	58,976
Transport, storage and communication	70,377	73,255
Finance and insurance	1	1
Real estate	316,830	503,656
Business activities	29,244	14,831
Education and health	13,074	11,418
Household of which:	745,186	690,871
Purchase of residential properties	409,850	374,701
Purchase of transport vehicles	208,078	193,826
Others	127,258	122,344
	1,672,902	1,620,662

(i) Movements in allowances for ECL are as follows:

Group	Stage 1	Stage 2	Stage 3	Total
	12-Month	Lifetime ECL	Lifetime ECL	
30.06.19	ECL	not credit	credit	
	RM'000	impaired	impaired	RM'000
Balance at beginning of the financial year (Writeback) of/allowances for ECL	275,818	622,411	402,312	1,300,541
during the financial period:	5,826	(130,806)	172,619	47,639
- Transfer to 12 month ECL (Stage 1)	14,112	(94,546)	(2,817)	(83,251)
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(19,418)	129,139	(30,670)	79,051
- Transfer to Lifetime ECL credit impaired (Stage 3)	(1,213)	(32,031)	122,185	88,941
New financial assets originated	38,889	10,856	1,401	51,146
Net remeasurement of allowances	7,436	(127,837)	136,638	16,237
Modification of contractual cash flows of financial assets	(1,472)	69	204	(1,199)
Financial assets derecognised	(32,508)	(16,456)	(54,322)	(103,286)
Foreign exchange differences	46	36	150	232
Amount written off	-	-	(211,532)	(211,532)
Balance at end of the financial period	281,690	491,641	363,549	1,136,880

A13. LOANS, ADVANCES AND FINANCING (CONT'D.)

(i) Movements in allowances for ECL are as follows (Cont'd.):

Group	Note	Stage 1 12-Month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Balance at beginning of the financial year					
- as previously stated		-	-	-	943,330
- effects of adoption of MFRS 9		-	-	-	455,893
Balance at beginning of the financial year, as restated		268,685	689,245	441,293	1,399,223
(Writeback) of/allowances for ECL during the financial year:		6,889	(66,898)	596,106	536,097
- Transfer to 12 month ECL (Stage 1)		12,698	(135,350)	(6,903)	(129,555)
- Transfer to Lifetime ECL not credit impaired (Stage 2)		(23,638)	206,313	(25,259)	157,416
- Transfer to Lifetime ECL credit impaired (Stage 3)		(2,898)	(35,316)	243,125	204,911
New financial assets originated		74,555	179,608	12,774	266,937
Net remeasurement of allowances		(9,077)	(222,774)	457,461	225,610
Modification of contractual cash flows of financial assets		(1,141)	(693)	112	(1,722)
Financial assets derecognised		(43,610)	(58,686)	(85,204)	(187,500)
Foreign exchange differences		244	64	(3,015)	(2,707)
Amount written off		-	-	(632,072)	(632,072)
Balance at end of the financial year		275,818	622,411	402,312	1,300,541

A14. 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.

A15. OTHER ASSETS

	Group		Company	
	30.06.19 RM'000	31.03.19 RM'000	30.06.19 RM'000	31.03.19 RM'000
Trade receivables	312,151	435,443	-	-
Other receivables, deposits and prepayments	572,345	569,727	419	955
Interest/Profit receivable	457,318	443,227	-	-
Fee receivable	29,253	29,656	-	-
Amount due from originators (Note 1)	17,805	18,350	-	-
Amount due from agents, brokers and reinsurers	68,495	54,399	-	-
Foreclosed properties	2,596	2,596	-	-
Tax recoverable	111,200	52,111	1,190	715
Collateral pledged for derivative transactions	413,730	386,679	-	-
	<u>1,984,893</u>	<u>1,992,188</u>	<u>1,609</u>	<u>1,670</u>
Accumulated impairment losses	(8,056)	(8,733)	-	-
Allowances for ECL	(2)	(4)	-	-
	<u>1,976,835</u>	<u>1,983,451</u>	<u>1,609</u>	<u>1,670</u>

Notes:

1. Amount due from originators represents housing financing acquired from originators for onward sale to Cagamas Berhad with recourse.

A16. REINSURANCE ASSETS AND OTHER INSURANCE RECEIVABLES

	Note	Group	
		30.06.19 RM'000	31.03.19 RM'000
Reinsurance assets from general insurance business	(i)	424,430	464,854
Other insurance receivables	(ii)	53,672	60,693
		<u>478,102</u>	<u>525,547</u>
 (i) Movements in allowances for impairment are as follows:			
Balance at beginning of the financial year		2,639	7,514
Writeback for the financial year		-	(4,875)
Balance at end of the financial period/year		<u>2,639</u>	<u>2,639</u>
 (ii) Other insurance receivables			
Due premiums including agents/brokers and co-insurers' balances		81,388	82,329
Amount owing by reinsurance and cedants		6,270	11,342
Accumulated impairment losses		(33,986)	(32,978)
		<u>53,672</u>	<u>60,693</u>
 Movements in allowances for impairment are as follows:			
Balance at beginning of the financial year		32,978	32,194
- effects of adoption of MFRS 9		-	870
Restated balance at beginning of the financial year		<u>32,978</u>	<u>33,064</u>
(Writeback)/Charge for the financial period/year		1,008	(86)
Balance at end of the financial period/year		<u>33,986</u>	<u>32,978</u>

A17. DEPOSITS FROM CUSTOMERS

	Group	
	30.06.19 RM'000	31.03.19 RM'000
Demand deposits	17,540,971	19,464,525
Savings deposits	5,538,750	5,407,991
Term/Investment deposits	74,794,337	78,033,665
Negotiable instruments of deposits	4,897,986	4,009,808
	<u>102,772,044</u>	<u>106,915,989</u>
 The deposits are sourced from the following types of customers:		
Government and statutory bodies	3,997,396	4,916,717
Business enterprises	44,966,851	48,942,882
Individuals	44,754,121	45,673,217
Others	9,053,676	7,383,173
	<u>102,772,044</u>	<u>106,915,989</u>

A18. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	30.06.19 RM'000	31.03.19 RM'000
Licensed banks	6,544,907	5,018,484
Licensed investment banks	548,996	808,355
Bank Negara Malaysia	129,144	124,231
Other financial institutions	1,984,845	1,736,649
	<u>9,207,892</u>	<u>7,687,719</u>

A19. OTHER LIABILITIES

	Group		Company	
	30.06.19 RM'000	31.03.19 RM'000	30.06.19 RM'000	31.03.19 RM'000
Trade payables	322,619	445,075	-	-
Other payables and accruals	1,218,696	1,584,142	20,722	23,303
Interest payable on deposits and borrowings	938,882	966,826	-	-
Lease deposits and advance rental	35,996	33,620	-	-
Provision for commitments and contingencies	78,686	81,779	-	-
Allowances for ECL on loan commitments and financial guarantees	110,836	96,749	-	-
Lease liabilities	276,075	-	-	-
Provision for reinstatement for leased properties	15,710	-	-	-
Amount due to subsidiaries	-	-	4,854	8,133
Provision for taxation	38,440	44,294	-	-
Collateral received for derivative transactions	155,405	140,104	-	-
Deferred income	86,622	83,999	-	-
	<u>3,277,967</u>	<u>3,476,588</u>	<u>25,576</u>	<u>31,436</u>

Movements in allowances for ECL on loan commitments and financial guarantees are as follows:

	Note	Stage 2		Stage 3		Total
		Stage 1 12-Month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL impaired RM'000	RM'000	
Balance at beginning of the financial year		51,703	34,141	10,905	96,749	96,749
(Writeback) of/allowances for ECL:		(5,346)	1,973	17,358	13,985	13,985
- Transfer to 12 month ECL (Stage 1)		1,625	(10,578)	-	(8,953)	(8,953)
- Transfer to Lifetime ECL not credit impaired (Stage 2)		(1,442)	10,371	-	8,929	8,929
- Transfer to Lifetime ECL credit impaired (Stage 3)		(132)	(3,101)	17,235	14,002	14,002
New exposures originated		11,159	5,820	-	16,979	16,979
Net remeasurement of allowances		(6,231)	2,693	123	(3,415)	(3,415)
Modification of contractual cash flows of exposures		145	-	-	145	145
Exposures derecognised		(10,470)	(3,232)	-	(13,702)	(13,702)
Foreign exchange differences		49	57	(4)	102	102
Balance at the end of the financial period		<u>46,406</u>	<u>36,171</u>	<u>28,259</u>	<u>110,836</u>	<u>110,836</u>

A19. OTHER LIABILITIES (CONT'D.)

Movements in allowances for ECL on loan commitments and financial guarantees are as follows (Cont'd.):

Group 31.03.19	Stage 1 12-Month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired 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
(Writeback) of/allowances for ECL:	(6,472)	(11,774)	10,661	(7,585)
- Transfer to 12 month ECL (Stage 1)	1,337	(14,395)	-	(13,058)
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(2,031)	10,414	-	8,383
- Transfer to Lifetime ECL credit impaired (Stage 3)	(136)	(217)	10,893	10,540
New exposures originated	19,512	13,733	-	33,245
Net remeasurement of allowances	(7,737)	(9,622)	(232)	(17,591)
Exposures derecognised	(17,417)	(11,687)	-	(29,104)
Foreign exchange difference	106	(35)	1	72
Balance at the end of the financial year	51,703	34,141	10,905	96,749

A20. INSURANCE CONTRACT LIABILITIES AND OTHER INSURANCE PAYABLES

Group

	Note	30.06.19 RM'000	31.03.19 RM'000
Insurance contract liabilities	(i)	2,463,531	2,527,045
Other insurance payables	(ii)	129,372	166,204
		<u>2,592,903</u>	<u>2,693,249</u>

(i) Insurance contract liabilities

	30.06.19 Gross contract liabilities RM'000	Reinsurance assets RM'000	Net contract liabilities RM'000
General insurance business	2,463,531	(424,430)	<u>2,039,101</u>

	31.03.19 Gross contract liabilities RM'000	Reinsurance assets RM'000	Net contract liabilities RM'000
General insurance business	2,527,045	(464,854)	<u>2,062,191</u>

(ii) Other insurance payables

	30.06.19 RM'000	31.03.19 RM'000
Amount due to agents and intermediaries	21,459	29,184
Amount due to reinsurers and cedants	107,913	137,020
	<u>129,372</u>	<u>166,204</u>

A21. INTEREST INCOME

	Individual Quarter		Cumulative Quarter	
	30.06.19 RM'000	30.06.18 RM'000	30.06.19 RM'000	30.06.18 RM'000
Group				
Short-term funds and deposits and placements with banks and other financial institutions	21,597	16,653	21,597	16,653
Financial assets at fair value through profit or loss	125,088	106,577	125,088	106,577
Financial investments at fair value through other comprehensive income	127,887	57,347	127,887	57,347
Financial investments at amortised cost	35,962	33,438	35,962	33,438
Loans and advances	961,516	925,141	961,516	925,141
Impaired loans and advances	3,469	3,355	3,469	3,355
Others	4,172	6,481	4,172	6,481
	<u>1,279,691</u>	<u>1,148,992</u>	<u>1,279,691</u>	<u>1,148,992</u>
Company				
Short-term funds and deposits and placements with banks and other financial institutions	928	573	928	573
Financial investments at amortised cost	-	18,532	-	18,532
	<u>928</u>	<u>19,105</u>	<u>928</u>	<u>19,105</u>

A22. INTEREST EXPENSE

	Individual Quarter		Cumulative Quarter	
	30.06.19 RM'000	30.06.18 RM'000	30.06.19 RM'000	30.06.18 RM'000
Group				
Deposits from customers	611,635	560,964	611,635	560,964
Deposit and placements of banks and other financial institutions	44,496	26,767	44,496	26,767
Senior notes	21,452	28,623	21,452	28,623
Credit linked Notes	1,896	1,886	1,896	1,886
Securities sold under repurchase agreements	40,311	667	40,311	667
Recourse obligation on loans sold to Cagamas Berhad	43,369	39,854	43,369	39,854
Subordinated bonds and notes	32,707	30,693	32,707	30,693
Medium term notes	-	822	-	822
Tier 1 capital securities	9,976	21,195	9,976	21,195
Other structured products and others	5,548	6,148	5,548	6,148
	<u>811,390</u>	<u>717,619</u>	<u>811,390</u>	<u>717,619</u>
Company				
Senior notes	-	5,609	-	5,609
Subordinated notes	-	18,557	-	18,557
	<u>-</u>	<u>24,166</u>	<u>-</u>	<u>24,166</u>

A23. NET INCOME FROM INSURANCE BUSINESS

Group	Note	Individual Quarter		Cumulative Quarter	
		30.06.19 RM'000	30.06.18 RM'000	30.06.19 RM'000	30.06.18 RM'000
Income from insurance business:	(a)				
Premium income from general insurance business		349,172	335,993	349,172	335,993
		<u>349,172</u>	<u>335,993</u>	<u>349,172</u>	<u>335,993</u>
Insurance claims and commissions:	(b)				
Insurance commission ¹		33,227	21,993	33,227	21,993
General insurance claims		194,781	158,894	194,781	158,894
		<u>228,008</u>	<u>180,887</u>	<u>228,008</u>	<u>180,887</u>
Total income from insurance business, net		<u>121,164</u>	<u>155,106</u>	<u>121,164</u>	<u>155,106</u>
(a) Income from insurance business					
Gross Premium					
- insurance contract		377,599	360,911	377,599	360,911
- change in unearned premium provision		4,748	7,041	4,748	7,041
		<u>382,347</u>	<u>367,952</u>	<u>382,347</u>	<u>367,952</u>
Premium ceded					
- insurance contract		(32,092)	(30,843)	(32,092)	(30,843)
- change in unearned premium provision		(1,083)	(1,116)	(1,083)	(1,116)
		<u>(33,175)</u>	<u>(31,959)</u>	<u>(33,175)</u>	<u>(31,959)</u>
		<u>349,172</u>	<u>335,993</u>	<u>349,172</u>	<u>335,993</u>
(b) Insurance claims					
- gross benefits and claims paid		259,414	220,317	259,414	220,317
- claims ceded to reinsurers		(45,206)	(15,791)	(45,206)	(15,791)
- change in contract liabilities - insurance contract		(58,767)	(48,858)	(58,767)	(48,858)
- change in contract liabilities ceded to reinsurers					
- insurance contract		39,340	3,226	39,340	3,226
		<u>194,781</u>	<u>158,894</u>	<u>194,781</u>	<u>158,894</u>

¹ Net of bancassurance commission paid/payable to other subsidiaries of the Group of RM3,980,000 (30 June 2018: RM3,007,000) eliminated upon consolidation.

A24. OTHER OPERATING INCOME

Group	Individual Quarter		Cumulative Quarter	
	30.06.19 RM'000	30.06.18 RM'000	30.06.19 RM'000	30.06.18 RM'000
Fee and commission income:				
Fees on loans and securities	38,518	46,834	38,518	46,834
Corporate advisory	9,399	4,096	9,399	4,096
Guarantee fees	13,759	15,300	13,759	15,300
Underwriting commission	323	525	323	525
Portfolio management fees	7,656	8,793	7,656	8,793
Unit trust fees, commission and charges	27,892	25,945	27,892	25,945
Property trust management fees	1,834	1,858	1,834	1,858
Brokerage fees and commission	8,357	10,816	8,357	10,816
Bancassurance commission	2,852	2,953	2,852	2,953
Wealth management fees	6,935	3,037	6,935	3,037
Remittances	5,798	5,374	5,798	5,374
Fees, service and commission charges	7,682	7,393	7,682	7,393
Others	5,098	4,351	5,098	4,351
	<u>136,103</u>	<u>137,275</u>	<u>136,103</u>	<u>137,275</u>
Investment and trading income:				
Net gain/(loss) from sale of financial assets at fair value through profit or loss	9,103	(9,268)	9,103	(9,268)
Net gain from sale of financial investments at fair value through other comprehensive income	7,970	165	7,970	165
Net gain/(loss) on revaluation of financial assets at fair value through profit or loss	59,537	(41,156)	59,537	(41,156)
Net foreign exchange gain	23,686	46,555	23,686	46,555
Net loss on derivatives	(19,037)	(4,223)	(19,037)	(4,223)
Dividend income from:				
Financial assets at fair value through profit or loss	2,860	5,726	2,860	5,726
Financial assets at fair value through other comprehensive income	2,610	1,810	2,610	1,810
Others	(799)	2,501	(799)	2,501
	<u>85,930</u>	<u>2,110</u>	<u>85,930</u>	<u>2,110</u>

A24. OTHER OPERATING INCOME (CONT'D.)

	Individual Quarter		Cumulative Quarter	
	30.06.19 RM'000	30.06.18 RM'000	30.06.19 RM'000	30.06.18 RM'000
Other income:				
Net non-trading foreign exchange gain	416	162	416	162
Net gain on disposal of property and equipment	63	1,512	63	1,512
Rental income	1,531	1,374	1,531	1,374
Profit from sale of goods and services	4,361	5,013	4,361	5,013
(Loss)/Gain on disposal of foreclosed properties	(1)	21,653	(1)	21,653
Others	3,951	5,571	3,951	5,571
	<u>10,321</u>	<u>35,285</u>	<u>10,321</u>	<u>35,285</u>
	<u>232,354</u>	<u>174,670</u>	<u>232,354</u>	<u>174,670</u>

Company	Individual Quarter		Cumulative Quarter	
	30.06.19 RM'000	30.06.18 RM'000	30.06.19 RM'000	30.06.18 RM'000
Investment and trading income:				
Dividend income from:				
Subsidiaries	503,146	427,467	503,146	427,467
Financial assets at fair value through profit or loss	9	9	9	9
	<u>503,155</u>	<u>427,476</u>	<u>503,155</u>	<u>427,476</u>
Other income:				
Others	351	15	351	15
	<u>351</u>	<u>15</u>	<u>351</u>	<u>15</u>
	<u>503,506</u>	<u>427,491</u>	<u>503,506</u>	<u>427,491</u>

A25. OTHER OPERATING EXPENSES

Group	Individual Quarter		Cumulative Quarter	
	30.06.19 RM'000	30.06.18 RM'000	30.06.19 RM'000	30.06.18 RM'000
Personnel costs:				
Salaries, allowances and bonuses	255,205	245,822	255,205	245,822
Shares granted under ESS				
- charge/(writeback)	2,501	(10,525)	2,501	(10,525)
Contributions to Employees' Provident Fund ("EPF")/Private Retirement Schemes	40,941	39,406	40,941	39,406
Social security costs	2,037	2,166	2,037	2,166
Other staff related expenses	27,353	33,574	27,353	33,574
	<u>328,037</u>	<u>310,443</u>	<u>328,037</u>	<u>310,443</u>
Establishment costs:				
Depreciation of property and equipment	11,623	13,616	11,623	13,616
Depreciation of right-of-use assets	17,245	-	17,245	-
Amortisation of intangible assets	28,217	28,464	28,217	28,464
Computerisation costs	46,960	44,058	46,960	44,058
Rental of premises	6,141	25,905	6,141	25,905
Cleaning, maintenance and security	7,022	5,215	7,022	5,215
Finance costs:				
- interest on lease liabilities	2,425	-	2,425	-
- provision for reinstatement for leased properties	105	-	105	-
Others	8,100	8,344	8,100	8,344
	<u>127,838</u>	<u>125,602</u>	<u>127,838</u>	<u>125,602</u>
Marketing and communication expenses:				
Sales commission	2,666	2,661	2,666	2,661
Advertising, promotional and other marketing activities	11,686	7,361	11,686	7,361
Telephone charges	4,643	4,676	4,643	4,676
Postage	2,261	519	2,261	519
Travelling and entertainment	3,415	3,556	3,415	3,556
Others	3,770	4,742	3,770	4,742
	<u>28,441</u>	<u>23,515</u>	<u>28,441</u>	<u>23,515</u>
Administration and general expenses:				
Professional services	22,018	20,393	22,018	20,393
Travelling	1,343	1,433	1,343	1,433
Insurance	834	1,022	834	1,022
Subscriptions and periodicals	2,455	2,707	2,455	2,707
Others	17,599	27,738	17,599	27,738
	<u>44,249</u>	<u>53,293</u>	<u>44,249</u>	<u>53,293</u>
	<u>528,565</u>	<u>512,853</u>	<u>528,565</u>	<u>512,853</u>

A25. OTHER OPERATING EXPENSES (CONT'D.)

Company	Individual Quarter		Cumulative Quarter	
	30.06.19 RM'000	30.06.18 RM'000	30.06.19 RM'000	30.06.18 RM'000
Personnel costs:				
Salaries, allowances and bonuses	-	4,828	-	4,828
Shares granted under ESS				
- writeback	-	(968)	-	(968)
Contributions to EPF/Private Retirement Scheme	-	766	-	766
Social security costs	-	2	-	2
Other staff related expenses	(50)	85	(50)	85
	<u>(50)</u>	<u>4,713</u>	<u>(50)</u>	<u>4,713</u>
Establishment costs:				
Depreciation of property and equipment	57	91	57	91
Computerisation costs	115	3	115	3
Others	-	1	-	1
	<u>172</u>	<u>95</u>	<u>172</u>	<u>95</u>
Marketing and communication expenses:				
Advertising, promotional and other marketing activities	247	130	247	130
Telephone charges	3	5	3	5
Travelling and entertainment	36	58	36	58
Others	-	2	-	2
	<u>286</u>	<u>195</u>	<u>286</u>	<u>195</u>
Administration and general expenses:				
Professional services	120	197	120	197
Travelling	1	7	1	7
Insurance	-	19	-	19
Subscriptions and periodicals	2	10	2	10
Others	1,050	972	1,050	972
	<u>1,173</u>	<u>1,205</u>	<u>1,173</u>	<u>1,205</u>
Service transfer pricing expense/(income), net	4,701	(4,554)	4,701	(4,554)
	<u>6,282</u>	<u>1,654</u>	<u>6,282</u>	<u>1,654</u>

A26. (WRITEBACK) OF/IMPAIRMENT FOR LOSS ON LOANS, ADVANCES AND FINANCING

Group	Individual Quarter		Cumulative Quarter	
	30.06.19 RM'000	30.06.18 RM'000	30.06.19 RM'000	30.06.18 RM'000
Impaired loans, advances and financing:				
Allowances for ECL	47,639	106,263	47,639	106,263
Impaired loans, advances and financing:				
Recovered, net	(92,550)	(116,624)	(92,550)	(116,624)
	<u>(44,911)</u>	<u>(10,361)</u>	<u>(44,911)</u>	<u>(10,361)</u>

A27. (WRITEBACK) OF/IMPAIRMENT FOR LOSS ON FINANCIAL INVESTMENTS AND OTHER FINANCIAL ASSETS

	Individual Quarter		Cumulative Quarter	
	30.06.19 RM'000	30.06.18 RM'000	30.06.19 RM'000	30.06.18 RM'000
Group				
Financial investments				
Financial investments at fair value through other comprehensive income	(1,616)	4,634	(1,616)	4,634
Financial investments at amortised cost	(20)	153	(20)	153
	<u>(1,636)</u>	<u>4,787</u>	<u>(1,636)</u>	<u>4,787</u>
Other financial assets				
Cash and short-term funds	(477)	(642)	(477)	(642)
Deposits and placements with banks and other financial institutions	(671)	332	(671)	332
Other assets	101	(1,298)	101	(1,298)
	<u>(1,047)</u>	<u>(1,608)</u>	<u>(1,047)</u>	<u>(1,608)</u>

A28. 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.
- (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.
- (iii) The comparatives have been restated with current business realignment.

A28. BUSINESS SEGMENT ANALYSIS (CONT'D.)

Group

For the financial period ended 30 June 2019	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	811,396	170,374	497,493	401,530	54,512	25,621	434,737	(5,261)	2,390,402
Revenue from other segments	(39,543)	(43,814)	(240,235)	148,916	(6,123)	-	-	180,799	-
Total operating revenue	<u>771,853</u>	<u>126,560</u>	<u>257,258</u>	<u>550,446</u>	<u>48,389</u>	<u>25,621</u>	<u>434,737</u>	<u>175,538</u>	<u>2,390,402</u>
Net interest income	298,745	66,394	165,686	52,627	11,519	271	33,479	40,455	669,176
Other income	59,338	20,099	45,495	38,286	32,780	25,297	153,504	7,820	382,619
Share in results of associates and joint ventures	351	-	-	-	-	-	10,651	1,773	12,775
Net income	<u>358,434</u>	<u>86,493</u>	<u>211,181</u>	<u>90,913</u>	<u>44,299</u>	<u>25,568</u>	<u>197,634</u>	<u>50,048</u>	<u>1,064,570</u>
Other operating expenses of which:	<u>(205,895)</u>	<u>(33,767)</u>	<u>(53,732)</u>	<u>(17,562)</u>	<u>(28,689)</u>	<u>(16,709)</u>	<u>(84,825)</u>	<u>(87,386)</u>	<u>(528,565)</u>
Depreciation of property and equipment	(4,655)	(173)	(281)	(37)	(180)	(72)	(2,534)	(3,691)	(11,623)
Depreciation of right-of-use assets	-	-	-	-	-	-	(3,392)	(13,853)	(17,245)
Amortisation of intangible assets	(5,089)	(19)	(1,467)	(320)	(182)	(45)	(4,597)	(16,498)	(28,217)
Profit/(loss) before impairment losses	<u>152,539</u>	<u>52,726</u>	<u>157,449</u>	<u>73,351</u>	<u>15,610</u>	<u>8,859</u>	<u>112,809</u>	<u>(37,338)</u>	<u>536,005</u>
Impairment on loans, advances and financing-writeback/(charge)	(54,934)	(18,759)	118,316	-	372	-	-	(84)	44,911
Net impairment on other assets -(loss)/writeback	5	-	621	2,457	(100)	-	(1,008)	(300)	1,675
Provision for commitments and contingencies -writeback/(charge)	(3,956)	4,930	(14,966)	-	-	-	-	1,101	(12,891)
Other write-offs, net	-	-	-	-	-	-	(1,238)	-	(1,238)
Profit/(loss) before taxation and zakat	<u>93,654</u>	<u>38,897</u>	<u>261,420</u>	<u>75,808</u>	<u>15,882</u>	<u>8,859</u>	<u>110,563</u>	<u>(36,621)</u>	<u>568,462</u>
Taxation and zakat	<u>(22,384)</u>	<u>(8,873)</u>	<u>(62,430)</u>	<u>(17,219)</u>	<u>(3,433)</u>	<u>(1,847)</u>	<u>(18,255)</u>	<u>(2,431)</u>	<u>(136,872)</u>
Profit/(loss) for the financial period	<u>71,270</u>	<u>30,024</u>	<u>198,990</u>	<u>58,589</u>	<u>12,449</u>	<u>7,012</u>	<u>92,308</u>	<u>(39,052)</u>	<u>431,590</u>
Other information									
Total segment assets	57,283,896	9,980,672	33,842,752	43,040,874	2,252,664	102,176	5,557,982	4,199,020	156,260,036
Total segment liabilities	51,500,849	6,104,485	9,979,344	53,273,905	1,131,236	22,206	3,430,087	11,597,853	137,039,965
Cost to income ratio	57.4%	39.0%	25.4%	19.3%	64.8%	65.4%	42.9%	174.6%	49.7%
Gross loans, advances and financing	57,050,027	10,069,042	32,161,201	-	1,648,462	-	907	(95,828)	100,833,811
Net loans, advances and financing	56,242,407	9,974,463	31,932,085	-	1,646,639	-	837	(99,500)	99,696,931
Impaired loans, advances and financing	819,839	240,398	610,842	-	1,823	-	-	-	1,672,902
Total deposits	50,595,911	5,994,351	9,734,664	45,781,402	821,771	-	-	(948,163)	111,979,936
Additions to:									
Property and equipment	3,316	138	221	-	99	38	779	1,192	5,783
Intangible assets	5,654	14	108	545	7	65	2,432	9,232	18,057

A28. BUSINESS SEGMENT ANALYSIS (CONT'D.)

Group

For the financial period ended 30 June 2018 (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	Insurance RM'000		
External revenue	813,707	139,668	517,940	254,943	56,381	24,808	370,769	(6,925)	2,171,291
Revenue from other segments	(45,612)	(36,165)	(257,727)	174,619	(8,400)	-	-	173,285	-
Total operating revenue	<u>768,095</u>	<u>103,503</u>	<u>260,213</u>	<u>429,562</u>	<u>47,981</u>	<u>24,808</u>	<u>370,769</u>	<u>166,360</u>	<u>2,171,291</u>
Net interest income	292,870	56,100	161,290	28,276	11,224	293	35,438	56,697	642,188
Other income	70,044	18,497	62,625	10,895	33,102	24,425	132,856	3,123	355,567
Share in results of associates and joint ventures	453	-	-	-	-	-	13,623	1,850	15,926
Net income	<u>363,367</u>	<u>74,597</u>	<u>223,915</u>	<u>39,171</u>	<u>44,326</u>	<u>24,718</u>	<u>181,917</u>	<u>61,670</u>	<u>1,013,681</u>
Other operating expenses of which:	<u>(221,813)</u>	<u>(29,133)</u>	<u>(48,387)</u>	<u>(18,348)</u>	<u>(30,260)</u>	<u>(14,802)</u>	<u>(80,800)</u>	<u>(69,310)</u>	<u>(512,853)</u>
<i>Depreciation of property and equipment</i>	(5,708)	(114)	(202)	(92)	(276)	(95)	(3,052)	(4,077)	(13,616)
<i>Amortisation of intangible assets</i>	(4,781)	(12)	(433)	(805)	(174)	(57)	(4,755)	(17,447)	(28,464)
Profit/(Loss) before impairment losses Impairment on loans, advances and financing-writeback/(charge)	<u>141,554</u>	<u>45,464</u>	<u>175,528</u>	<u>20,823</u>	<u>14,066</u>	<u>9,916</u>	<u>101,117</u>	<u>(7,640)</u>	<u>500,828</u>
Net impairment on other assets -(loss)/writeback	(42,497)	(1,862)	52,562	-	5,576	-	-	(3,418)	10,361
Provision for commitments and contingencies -writeback/(charge)	841	-	630	(2,595)	41	(170)	1,425	(1,926)	(1,754)
Other recoveries/(write-offs), net	(689)	72	(11,912)	-	-	-	-	1	(12,528)
Profit/(loss) before taxation and zakat	<u>21</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,328)</u>	<u>241</u>	<u>(3,066)</u>
Taxation and zakat	99,230	43,674	216,808	18,228	19,683	9,746	99,214	(12,742)	493,841
Profit/(loss) for the financial period	<u>(23,697)</u>	<u>(9,611)</u>	<u>(50,372)</u>	<u>(4,087)</u>	<u>(4,290)</u>	<u>(1,838)</u>	<u>(13,100)</u>	<u>(3,590)</u>	<u>(110,585)</u>
Profit/(loss) for the financial period	<u>75,533</u>	<u>34,063</u>	<u>166,436</u>	<u>14,141</u>	<u>15,393</u>	<u>7,908</u>	<u>86,114</u>	<u>(16,332)</u>	<u>383,256</u>
Other information									
Total segment assets	56,038,693	7,945,198	34,595,778	33,429,748	2,677,383	109,169	5,930,171	4,262,924	144,989,064
Total segment liabilities	53,990,714	4,524,044	9,035,936	45,144,270	1,335,604	17,453	3,512,482	9,374,293	126,934,796
Cost to income ratio	61.0%	39.1%	21.6%	46.8%	68.3%	59.9%	44.4%	112.4%	50.6%
Gross loans, advances and financing	55,726,088	7,994,035	33,106,725	-	1,654,527	-	1,519	(88,643)	98,394,251
Net loans, advances and financing	54,962,304	7,940,207	32,629,867	-	1,652,484	-	1,449	(126,144)	97,060,167
Impaired loans, advances and financing	703,952	192,604	842,110	-	2,043	-	-	-	1,740,709
Total deposits	53,184,981	4,446,815	8,710,371	42,767,335	808,675	-	-	(3,560,715)	106,357,462
Additions to:									
Property and equipment	3,197	406	128	4	62	11	635	1,275	5,718
Intangible assets	2,477	3	4,585	-	131	74	3,994	15,378	26,642

A29. VALUATION OF PROPERTY AND EQUIPMENT

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

A30. EVENTS SUBSEQUENT TO REPORTING DATE

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 quarter.

A31. CHANGES IN THE COMPOSITION OF THE GROUP AND THE COMPANY

Dissolution of subsidiary

AMBB Capital (L) Ltd which commenced Members' voluntary liquidation on 17 March 2017 was dissolved on 8 April 2019.

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

A32. ASSETS HELD FOR SALE

	Group	
	30.06.19	31.03.19
	RM'000	RM'000
<u>Assets held for sale</u>		
Proposed disposal of property and equipment	5,029	5,029

A33. 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 principal amounts of commitments and contingencies and notional contracted amounts of derivatives are as follows:

	Group	
	30.06.19	31.03.19
	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	17,533,677	16,558,502
over one year	2,682,001	2,910,184
Unutilised credit card lines	4,955,860	5,174,605
Forward asset purchases	670,934	1,593,203
	<u>25,842,472</u>	<u>26,236,494</u>
Contingent Liabilities		
Direct credit substitutes	2,822,075	2,590,041
Transaction related contingent items	5,266,820	5,392,151
Obligations under underwriting agreements	-	100,000
Short term self liquidating trade related contingencies	967,439	900,886
	<u>9,056,334</u>	<u>8,983,078</u>
Derivative Financial Instruments		
Interest/Profit rate related contracts:	50,964,160	53,030,833
One year or less	6,432,490	7,320,942
Over one year to five years	36,033,331	35,609,670
Over five years	8,498,339	10,100,221
Foreign exchange related contracts:	38,040,863	41,370,547
One year or less	32,457,358	35,768,559
Over one year to five years	4,191,566	4,214,120
Over five years	1,391,939	1,387,868
Credit related contracts:	347,448	345,108
Over one year to five years	347,448	345,108
Equity and commodity related contracts:	1,729,299	1,050,698
One year or less	857,208	860,041
Over one year to five years	872,091	190,657
	<u>91,081,770</u>	<u>95,797,186</u>
	<u>125,980,576</u>	<u>131,016,758</u>

A33. 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 2019: RM70.0 million) on behalf of AmInvestment Bank Berhad ("AmInvestment 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 AmInvestment Bank.
- (b) As of reporting date, AmMetLife Insurance Berhad ("AmMetLife") had received complaints from 66 policyholders relating to the alleged mis-selling of certain insurance products of AmMetLife. The Company and MetLife International Holdings, Inc. ("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 Insurance Berhad, a subsidiary)**

On 13 May 2019, AmGeneral Insurance Berhad's legal counsel delivered its third oral representations to MyCC and followed up with Members of Commissioner ("MOC") on the proposed undertakings which is, reiterating its position that it has not infringed Section 4(2)(a) of the CA 2010 and that no infringement penalties should be imposed. Although MOC has not reached a decision, AmGeneral Insurance Berhad will continue to follow up on this matter. There is no final finding on infringement or non-infringement by MyCC as at 30 June 2019.

A34. 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	30.06.19			31.03.19		
	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:	48,509,160	367,813	401,545	50,375,833	271,496	282,274
- One year or less	6,302,490	9,133	9,876	6,990,942	5,238	5,625
- Over one year to three years	20,201,455	72,848	79,502	19,781,143	57,841	62,843
- Over three years	22,005,215	285,832	312,167	23,603,748	208,417	213,806
Foreign exchange related contracts:	38,040,863	486,599	426,238	41,370,547	471,135	487,177
- One year or less	32,457,358	143,318	134,611	35,768,559	133,011	188,279
- Over one year to three years	3,511,025	125,175	135,487	3,471,372	69,209	109,736
- Over three years	2,072,480	218,106	156,140	2,130,616	268,915	189,162
Credit related contracts:	347,448	5,064	882	345,108	5,417	768
- Over one year to three years	347,448	5,064	882	345,108	5,417	768
Equity and commodity related contracts:	1,729,299	16,073	15,290	1,050,698	15,875	16,692
- One year or less	828,708	11,875	10,880	860,041	12,886	13,703
- Over one year to three years	900,591	4,198	4,410	190,657	2,989	2,989
	88,626,770	875,549	843,955	93,142,186	763,923	786,911
Hedging derivatives						
Interest rate related contracts:						
Interest rate swaps:						
Cash flow hedge	2,105,000	-	33,517	2,305,000	-	27,240
- One year or less	130,000	-	360	330,000	-	484
- Over one year to three years	1,095,000	-	13,773	1,095,000	-	12,660
- Over three years	880,000	-	19,384	880,000	-	14,096
Fair value hedge	350,000	-	13,442	350,000	-	11,341
- Over three years	350,000	-	13,442	350,000	-	11,341
Total	91,081,770	875,549	890,914	95,797,186	763,923	825,492

A35. 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 1.5% (31 March 2019: 1.5%) 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
30.06.19	RM'000	RM'000	RM'000	RM'000
Derivative financial assets	-	875,549	-	875,549
Financial assets at fair value through profit or loss				
- Money market securities	-	11,433,693	-	11,433,693
- Shares	446,068	-	2,813	448,881
- Unit trusts	33,206	192,324	-	225,530
- Quoted corporate bonds and sukuk	-	38,064	-	38,064
- Unquoted corporate bonds and sukuk	-	4,457,986	-	4,457,986
Financial investments at fair value through other comprehensive income				
- Money market securities	-	8,223,959	-	8,223,959
- Shares	-	-	524,228	524,228
- Unquoted corporate bonds and sukuk	-	9,904,527	-	9,904,527
	<u>479,274</u>	<u>35,126,102</u>	<u>527,041</u>	<u>36,132,417</u>
Derivative financial liabilities	<u>2,784</u>	<u>888,130</u>	<u>-</u>	<u>890,914</u>

A35. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONT'D.)

Company 30.06.19	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets at fair value through profit or loss				
- Unit trusts	-	1,053	-	1,053
	<u>-</u>	<u>1,053</u>	<u>-</u>	<u>1,053</u>
Group 31.03.19	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Derivative financial assets	655	763,268	-	763,923
Financial assets at fair value through profit or loss				
- Money market securities	-	14,445,321	-	14,445,321
- Shares	487,692	-	2,813	490,505
- Unit trusts	33,563	160,813	-	194,376
- Quoted corporate bonds and sukuk	-	37,937	-	37,937
- Unquoted corporate bonds and sukuk	-	4,197,456	-	4,197,456
Financial investments at fair value through other comprehensive income				
- Money market securities	-	5,917,665	-	5,917,665
- Shares	-	-	524,213	524,213
- Unquoted corporate bonds and sukuk	-	9,267,995	-	9,267,995
	<u>521,910</u>	<u>34,790,455</u>	<u>527,026</u>	<u>35,839,391</u>
Derivative financial liabilities	1,300	824,192	-	825,492
Company 31.03.19				
Financial assets at fair value through profit or loss				
- Unit trusts	-	1,044	-	1,044
	<u>-</u>	<u>1,044</u>	<u>-</u>	<u>1,044</u>

A35. 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	Financial investments at fair value through other comprehensive income RM'000	Financial investments available -for-sale RM'000	Total RM'000
30.06.19				
Balance at beginning of the financial year	2,813	524,213	-	527,026
Exchange fluctuation taken up in statement of profit or loss	-	15	-	15
Balance at end of the financial period	<u>2,813</u>	<u>524,228</u>	<u>-</u>	<u>527,041</u>
31.03.19				
Balance at beginning of the financial year	-	-	46,677	46,677
Effect of adopting MFRS 9	2,785	523,947	(46,677)	480,055
Adjusted at beginning of the financial year	<u>2,785</u>	<u>523,947</u>	<u>-</u>	<u>526,732</u>
Addition during the financial year	28	288	-	316
Exchange fluctuation taken up in statement of profit or loss	-	(22)	-	(22)
Balance at end of the financial year	<u>2,813</u>	<u>524,213</u>	<u>-</u>	<u>527,026</u>

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

Total gains or 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	30.06.19 RM'000	31.03.19 RM'000
Financial investments at fair value through other comprehensive income:		
Total gains/(losses) included in:		
- profit or loss	15	(22)
	<u>15</u>	<u>(22)</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.

A36. CAPITAL ADEQUACY

(a) The capital adequacy ratios of the Group and banking subsidiaries are as follows:

	30.06.19			
	AmBank	AmBank Islamic	AmInvestment Bank	Group
Common Equity Tier 1 ("CET1") Capital ratio	11.272%	11.039%	49.778%	11.855%
Tier 1 Capital ratio	11.923%	11.039%	49.778%	11.856%
Total Capital ratio	16.533%	16.296%	50.331%	15.408%
 31.03.19				
	AmBank	AmBank Islamic	AmInvestment Bank	Group
Before deducting proposed dividend:				
CET1 Capital ratio	11.752%	11.654%	43.711%	12.328%
Tier 1 Capital ratio	12.406%	11.654%	43.711%	12.328%
Total Capital ratio	17.038%	16.836%	44.174%	15.864%
After deducting proposed dividend:				
CET1 Capital ratio	11.323%	11.084%	41.539%	11.890%
Tier 1 Capital ratio	11.977%	11.084%	41.539%	11.890%
Total Capital ratio	16.609%	16.267%	42.001%	15.426%

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) 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, has complied 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.

- (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.

A36. CAPITAL ADEQUACY (CONT'D.)

The CCB requirements under transitional arrangements were phased-in starting from 1 January 2016 and for calendar year 2019 onwards, the CCB 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.

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

	30.06.19			
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	Group RM'000
<u>CET1 Capital</u>				
Ordinary share capital	1,940,465	1,387,107	200,000	5,551,557
Retained earnings	6,606,170	1,693,970	274,685	10,153,665
Fair value reserve	306,532	55,842	1,089	543,921
Foreign exchange translation reserve	88,241	-	-	97,428
Regulatory reserve	371,222	241,701	4,685	617,608
Cash flow hedge deficit	(17,956)	-	-	(17,956)
Other remaining disclosed reserves	-	-	-	(23,687)
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(2,092,645)
Other intangible assets	(358,854)	(1,280)	(1,553)	(375,110)
Deferred tax assets	(6,741)	-	(1,430)	-
Cash flow hedge deficit	17,956	-	-	17,956
55% of cumulative fair value gains in				
Fair value reserve	(168,593)	(30,713)	(599)	(299,157)
Regulatory reserve	(371,222)	(241,701)	(4,685)	(617,608)
Investment in capital instruments of unconsolidated financial and insurance/ takaful entities	(8,488)	-	(49,809)	(1,334,000)
CET1 Capital	8,398,732	3,104,926	422,383	12,221,972
<u>Additional Tier 1 Capital</u>				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	485,000	-	-	-
Qualifying CET1, Additional Tier 1 capital instruments held by third parties	-	-	-	439
Tier 1 Capital	8,883,732	3,104,926	422,383	12,222,411
<u>Tier 2 Capital</u>				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	2,595,000	1,150,000	-	-
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	-	-	-	2,492,310
General provisions*	839,831	328,692	4,696	1,170,185
Tier 2 Capital	3,434,831	1,478,692	4,696	3,662,495
Total Capital	12,318,563	4,583,618	427,079	15,884,906

*Consists of Stage 1 and Stage 2 loss allowances and regulatory reserve.

A36. CAPITAL ADEQUACY (CONT'D.)

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

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

	30.06.19			Group RM'000
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	
Credit RWA	67,186,517	28,079,537	574,172	93,856,306
Less: Credit RWA absorbed by Profit Sharing Investment Account	-	(1,784,207)	-	(241,468)
Total Credit RWA	67,186,517	26,295,330	574,172	93,614,838
Market RWA	2,710,345	372,305	28,571	3,003,562
Operational RWA	4,074,833	1,460,214	245,795	5,939,850
Large exposure risk RWA for equity holdings	535,978	-	-	536,368
Total RWA	74,507,673	28,127,849	848,538	103,094,618

	31.03.19			Group RM'000
	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	5,551,557
Retained earnings	7,014,840	1,933,885	296,696	10,773,243
Fair value reserve	245,836	39,151	1,089	460,863
Foreign exchange translation reserve	85,109	-	-	94,089
Regulatory reserve	280,556	164,928	4,674	450,158
Cash flow hedge deficit	(12,074)	-	-	(12,074)
Other remaining disclosed reserves	-	-	-	(26,188)
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(2,092,645)
Other intangible assets	(368,654)	(1,351)	(1,750)	(386,109)
Deferred tax assets	(57,589)	-	(3,051)	(53,957)
Cash flow hedge deficit	12,074	-	-	12,074
55% of cumulative fair value gains in Fair value reserve	(135,210)	(21,533)	(599)	(253,475)
Regulatory reserve	(280,556)	(164,928)	(4,674)	(450,158)
Investment in capital instruments of unconsolidated financial and insurance/ takaful entities	(8,488)	-	(49,809)	(1,334,000)
CET1 Capital	8,716,309	3,337,259	442,576	12,733,378
<u>Additional Tier 1 Capital</u>				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	485,000	-	-	-
Qualifying CET1, Additional Tier 1 capital instruments held by third parties	-	-	-	439
Tier 1 Capital	9,201,309	3,337,259	442,576	12,733,817

A36. CAPITAL ADEQUACY (CONT'D.)

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

	31.03.19			Group RM'000
	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	2,595,000	1,150,000	-	-
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	-	-	-	2,476,745
General provisions*	840,495	334,015	4,684	1,175,912
Tier 2 Capital	3,435,495	1,484,015	4,684	3,652,657
Total Capital	12,636,804	4,821,274	447,260	16,386,474

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

Credit RWA	67,239,575	28,526,091	732,342	94,407,762
Less: Credit RWA absorbed by Profit Sharing Investment Account	-	(1,804,893)	-	(334,809)
Total Credit RWA	67,239,575	26,721,198	732,342	94,072,953
Market RWA	2,358,358	475,926	28,644	2,807,287
Operational RWA	4,037,878	1,439,025	251,510	5,880,399
Large exposure risk RWA for equity holdings	531,402	-	-	531,792
Total RWA	74,167,213	28,636,149	1,012,496	103,292,431

A37. INSURANCE BUSINESS

AmGeneral Holdings Berhad and its subsidiary

(I) CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	General insurance fund		Shareholders' fund and Others		Total*	
	30.6.19 RM'000	31.3.19 RM'000	30.6.19 RM'000	31.3.19 RM'000	30.6.19 RM'000	31.3.19 RM'000
ASSETS						
Cash and short-term funds	179,178	245,368	226,304	70,496	405,482	315,865
Deposits and placements with banks and other financial institutions	15,830	15,241	-	-	15,830	15,241
Financial assets at fair value through profit or loss	2,445,576	2,405,241	4,546,340	4,547,707	3,505,557	3,602,272
Loans and advances	837	904	-	-	837	904
Deferred tax assets	25,177	25,778	-	-	25,177	25,778
Investment in a subsidiary	-	-	1,908,733	1,908,733	-	-
Other assets	784,010	791,058	101,955	63,436	163,658	134,223
Reinsurance assets and other insurance receivables	478,102	525,547	-	-	478,102	525,547
Property and equipment	23,755	25,535	978	978	24,733	26,513
Right-of-use assets	25,272	-	-	-	25,272	-
Intangible assets	54,020	55,180	65,862	66,867	898,808	900,973
Assets held for sale	5,029	5,029	-	-	5,029	5,029
TOTAL ASSETS	4,036,786	4,094,881	6,850,172	6,658,217	5,548,485	5,552,345
LIABILITIES AND EQUITY						
Redeemable cumulative convertible preference share	-	-	462,723	457,609	462,723	457,609
Deferred tax liabilities	-	-	67,650	70,187	67,650	70,186
Other liabilities	273,476	277,646	755,201	736,742	306,810	294,558
Insurance contract liabilities and other insurance payables	2,592,903	2,693,249	-	-	2,592,903	2,693,249
Total Liabilities	2,866,379	2,970,895	1,285,574	1,264,538	3,430,086	3,515,602
Share capital**	-	-	5,903,141	5,795,760	1,599,148	1,599,148
Reserves	1,170,407	1,123,986	(338,543)	(402,081)	519,251	437,595
Equity attributable to equity holders of the Company	1,170,407	1,123,986	5,564,598	5,393,679	2,118,399	2,036,743
TOTAL LIABILITIES AND EQUITY	4,036,786	4,094,881	6,850,172	6,658,217	5,548,485	5,552,345

* 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	200,000
	1,599,148	1,599,148

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

A37. INSURANCE BUSINESS (CONT'D.)

AmGeneral Holdings Berhad and its subsidiary

(II) CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2019

Group	General insurance fund		Shareholders' fund and Others		Total*	
	30.06.19	30.6.18	30.06.19	30.6.18	30.06.19	30.6.18
Interest income	573	1,004	38,020	39,392	38,593	40,396
Interest expense	-	-	(5,114)	(4,958)	(5,114)	(4,958)
Net interest income	573	1,004	32,906	34,434	33,479	35,438
Income from insurance business	349,172	335,993	-	-	349,172	335,993
Insurance claims and commissions**	(231,989)	(183,894)	-	-	(231,989)	(183,894)
Net income from insurance business	117,183	152,099	-	-	117,183	152,099
Other operating income	42,073	26,273	60,344	(17,123)	36,321	(19,243)
Net income	159,829	179,376	93,250	17,311	186,983	168,294
Other operating expenses	(82,064)	(77,880)	(2,761)	(2,920)	(84,825)	(80,800)
Operating profit	77,765	101,496	90,489	14,391	102,158	87,494
Net impairment writeback/(charge) on:						
Reinsurance assets and insurance receivables	(1,008)	1,425	-	-	(1,008)	1,425
Other recoveries/(write-offs), net	(1,238)	(3,328)	-	-	(1,238)	(3,328)
Profit before taxation	75,519	99,593	90,489	14,391	99,912	85,591
Taxation	(29,098)	(15,840)	10,843	2,739	(18,255)	(13,100)
Profit for the financial period	46,421	83,753	101,332	17,130	81,657	72,491
Attributable to:						
Equity holders of the Company					81,657	72,491
Non-controlling interests					-	-
Profit for the financial period					81,657	72,491

* after elimination on consolidation

** Includes commission paid/payable to related companies of the Group of RM 3,980,000 (30 June 2018: RM3,007,000)

A38. CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT OF COMPARATIVE INFORMATION

Adoption of MFRS 16 Leases

1. The adoption of MFRS 16 resulted in the following financial effects:

(a) Impacted line items in the statement of financial position of the financial statements of the Group:

	31.03.19	Effects of adoption of MFRS 16	01.04.19
	RM'000	RM'000	RM'000
ASSETS			
Right-of-use assets	-	303,547	303,547
LIABILITIES AND EQUITY			
Other liabilities*	3,476,588	303,547	3,780,135

* includes provision for reinstatement costs

(b) Capital Adequacy Ratios

	31.03.19	Effects of adoption of MFRS 16	01.04.19
	RM'000		
CET1 capital	12,733,378	-	12,733,378
Tier 1 capital	12,733,817	-	12,733,817
Total capital	16,386,474	3,449	16,389,923
Risk-weighted assets	103,292,431	275,940	103,568,371
Before deducting proposed dividend			
CET1 capital ratio (%)	12.328%	-0.033%	12.295%
Tier 1 capital ratio (%)	12.328%	-0.033%	12.295%
Total capital ratio (%)	15.864%	-0.039%	15.825%
After deducting proposed dividend			
CET1 capital ratio (%)	11.890%	-0.032%	11.858%
Tier 1 capital ratio (%)	11.890%	-0.031%	11.859%
Total capital ratio (%)	15.426%	-0.037%	15.389%

2. During the current financial quarter, the Group conducted a review of the reporting of its impaired loans, advances and financing portfolio. The review did not result in any changes to impaired loans, advances and financing balances or impairment allowances for loans, advances and financing except for certain amendments in disclosure of impaired loans, advances and financing by sector as at 31 March 2019 as reflected in the restated disclosure in Note A13(h).

A39. OPERATIONS OF ISLAMIC BANKING

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	Note	Group	
		30.06.19 RM'000	31.03.19 RM'000
ASSETS			
Cash and short-term funds		420,532	1,568,699
Derivative financial assets		32,220	43,136
Financial assets at fair value through profit or loss		2,867,498	5,113,974
Financial investments at fair value through other comprehensive income		4,359,757	3,492,140
Financial investments at amortised cost		1,682,474	1,705,455
Financing and advances	(a)	28,461,221	28,922,092
Statutory deposit with Bank Negara Malaysia		982,000	970,000
Deferred tax assets		267	240
Other assets		281,821	443,210
Property and equipment		548	580
Intangible assets		1,280	1,351
TOTAL ASSETS		39,089,618	42,260,877
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(b)	28,459,706	31,139,936
Investment accounts of customers	(c)	260,098	353,451
Deposits and placements of banks and other financial institutions		2,330,178	2,536,724
Investment account due to a licensed bank	(d)	1,538,203	1,465,539
Recourse obligation on financing sold to Cagamas Berhad		417,805	518,350
Derivative financial liabilities		47,776	55,519
Term funding		1,000,000	1,080,000
Subordinated Sukuk		1,150,000	1,150,000
Deferred tax liabilities		14,311	7,511
Other liabilities	(e)	309,228	330,069
TOTAL LIABILITIES		35,527,305	38,637,099
Share capital/Capital funds		1,417,107	1,417,107
Reserves		2,145,206	2,206,671
TOTAL ISLAMIC BANKING FUNDS		3,562,313	3,623,778
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		39,089,618	42,260,877
COMMITMENTS AND CONTINGENCIES		11,991,178	11,593,921

A39. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2019**

Group	Individual Quarter		Cumulative Quarter	
	30.06.19 RM'000	30.06.18 RM'000	30.06.19 RM'000	30.06.18 RM'000
Income derived from investment of depositors' funds	452,466	415,318	452,466	415,318
Income derived from investment of investment account funds	20,072	31,271	20,072	31,271
Income derived from Islamic Banking Funds	47,825	49,123	47,825	49,123
Impairment on financing and advances	(31,369)	(23,716)	(31,369)	(23,716)
Impairment losses on financial investments				
- (charge)/writeback	671	(466)	671	(466)
Impairment losses on other financial assets	3	-	3	-
Provision for commitments and contingencies-charge	(478)	(2,288)	(478)	(2,288)
Total distributable income	489,190	469,242	489,190	469,242
Income attributable to the depositors and others	(259,937)	(239,765)	(259,937)	(239,765)
Income attributable to the investment account holders	(18,793)	(25,186)	(18,793)	(25,186)
Total net income	210,460	204,291	210,460	204,291
Operating expenses	(75,488)	(86,530)	(75,488)	(86,530)
Finance costs	(25,704)	(24,079)	(25,704)	(24,079)
Profit before zakat and taxation	109,268	93,682	109,268	93,682
Zakat and taxation	(24,282)	(20,426)	(24,282)	(20,426)
Profit for the financial period	84,986	73,256	84,986	73,256

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2019**

Group	Individual Quarter		Cumulative Quarter	
	30.06.19 RM'000	30.06.18 RM'000	30.06.19 RM'000	30.06.18 RM'000
Profit for the financial period	84,986	73,256	84,986	73,256
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	25,800	(13,522)	25,800	(13,522)
- expected credit loss	(640)	455	(640)	455
- net (gain)/loss reclassified to profit or loss	(2,996)	1	(2,996)	1
- income tax effect	(5,473)	3,245	(5,473)	3,245
Other comprehensive income for the financial period, net of tax	16,691	(9,821)	16,691	(9,821)
Total comprehensive income for the financial period	101,677	63,435	101,677	63,435

A39. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 June 2019**

Group	Share capital/ Capital funds RM'000	Non-Distributable			Distributable	
		Regulatory reserve RM'000	Available- for sale deficit RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total Equity RM'000
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)
Restated balance at 1 April 2018	1,417,107	165,153	-	15,535	1,877,628	3,475,423
Profit for the financial period	-	-	-	-	73,256	73,256
Other comprehensive loss, net	-	-	-	(9,821)	-	(9,821)
Total comprehensive income/(loss) for the financial period	-	-	-	(9,821)	73,256	63,435
Transfer to retained earnings	-	(116)	-	-	116	-
Transfer of ESS shares recharged	-	-	-	-	(69)	(69)
- difference on purchase price of shares vested	-	(116)	-	-	47	(69)
At 30 June 2018	1,417,107	165,037	-	5,714	1,950,931	3,538,789
At 1 April 2019	1,417,107	164,928	-	39,151	2,002,592	3,623,778
Profit for the financial period	-	-	-	-	84,986	84,986
Other comprehensive income, net	-	-	-	16,691	-	16,691
Total comprehensive income for the financial period	-	-	-	16,691	84,986	101,677
Transfer to regulatory reserve	-	76,773	-	-	(76,773)	-
Dividend on ordinary shares	-	-	-	-	(163,142)	(163,142)
	-	76,773	-	-	(239,915)	(163,142)
At 30 June 2019	1,417,107	241,701	-	55,842	1,847,663	3,562,313

A39. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(a) Financing and Advances

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

Group	Bai' Bithaman Ajil	Murabahah	Musharakah Mutanaqisah	AI-Ijarah Thummah AI-Bai' (AITAB)	Bai' AI-Inah	Others	Total
30.06.19	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At amortised cost:							
Cash lines	-	455,968	-	-	988,874	-	1,444,842
Term financing	744,135	6,202,681	10,025	-	2,148,870	54,622	9,160,333
Revolving credit	42,084	3,103,472	-	-	1,508,290	-	4,653,846
Housing financing	2,934,495	3,537,532	48,134	-	-	-	6,520,161
Hire purchase receivables	4	-	-	4,443,742	-	-	4,443,746
Bills receivables	-	113,858	-	-	-	19,975	133,833
Credit card receivables	-	-	-	-	-	539,682	539,682
Trust receipts	-	175,213	-	-	-	-	175,213
Claims on customers under acceptance credits	-	1,520,952	-	-	-	232,237	1,753,189
Staff financing	-	1,488	-	-	-	-	1,488
Gross financing and advances*	<u>3,720,718</u>	<u>15,111,164</u>	<u>58,159</u>	<u>4,443,742</u>	<u>4,646,034</u>	<u>846,516</u>	<u>28,826,333</u>
Allowance for impairment on financing and advances							
- Stage 1 - 12 months ECL							(79,763)
- Stage 2 - Lifetime ECL not credit impaired							(170,313)
- Stage 3 - Lifetime ECL credit impaired							(115,036)
Net financing and advances							<u>28,461,221</u>

A39. 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		Musharakah	AI-Ijarah Thummah			Total
31.03.19	Ajil	Murabahah	Mutanaqisah	AI-Bai' (AITAB)	Bai' AI-Inah	Others	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At amortised cost:							
Cash lines	-	426,594	-	-	1,050,183	-	1,476,777
Term financing	805,258	5,816,040	10,130	-	2,419,348	56,637	9,107,413
Revolving credit	42,075	3,478,539	-	-	1,592,275	-	5,112,889
Housing financing	2,970,696	3,235,311	49,022	-	-	-	6,255,029
Hire purchase receivables	4	-	-	4,618,823	-	-	4,618,827
Bills receivables	-	88,416	-	-	-	15,992	104,408
Credit card receivables	-	-	-	-	-	533,122	533,122
Trust receipts	-	324,347	-	-	-	-	324,347
Claims on customers under acceptance credits	-	1,558,829	-	-	-	236,875	1,795,704
Staff financing	-	1,197	-	-	-	-	1,197
Gross financing and advances*	3,818,033	14,929,273	59,152	4,618,823	5,061,806	842,626	29,329,713
Allowance for impairment on financing and advances							
- Stage 1 - 12 months ECL							(80,362)
- Stage 2 - Lifetime ECL not credit impaired							(204,632)
- Stage 3 - Lifetime ECL credit impaired							(122,627)
Net financing and advances							28,922,092

* Included in financing and advances are exposures to the Restricted Investment Account ("RA") arrangements between AmBank Islamic and AmBank. Under the RA 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 RA financing.

A39. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

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

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

	Group	
	30.06.19 RM'000	31.03.19 RM'000
Balance at beginning of the financial year	572,549	582,538
Impaired during the financial period/year	165,863	376,962
Reclassified to non-impaired financing	(30,162)	(131,055)
Recoveries	(10,040)	(27,839)
Amount written off	(91,574)	(228,057)
Balance at end of the financial period/year	<u>606,636</u>	<u>572,549</u>
Gross impaired financing and advances as % of total gross financing and advances	<u>2.10%</u>	<u>1.95%</u>
Financing loss coverage (including regulatory reserve)	<u>103.1%</u>	<u>103.2%</u>

(ii) Movements in allowances for ECL are as follows:

Group 30.06.19	Stage 1	Stage 2	Stage 3	Total
	12-month ECL RM'000	Lifetime ECL Not Credit Impaired RM'000	Lifetime ECL Credit Impaired RM'000	
Balance at beginning of the financial year	80,362	204,632	122,627	407,621
(Writeback) of/allowances for ECL during the period:	(599)	(34,319)	83,983	49,065
- Transfer to 12 month ECL (Stage 1)	4,322	(23,919)	(740)	(20,337)
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(6,108)	40,657	(9,658)	24,891
- Transfer to Lifetime ECL credit impaired (Stage 3)	(379)	(10,317)	53,105	42,409
New financial assets originated	10,560	4,479	-	15,039
Net remeasurement of allowances	(2,770)	(41,206)	58,176	14,200
Modification of contractual cash flows of financial assets	2	3	-	5
Financial assets derecognised	(6,226)	(4,016)	(16,900)	(27,142)
Amount written-off	-	-	(91,574)	(91,574)
Balance at end of the financial period*	<u>79,763</u>	<u>170,313</u>	<u>115,036</u>	<u>365,112</u>

* As at 30 June 2019, the gross exposure (including profit receivable) relating to RA financing amounted to RM1,542.7 million (31 March 2019: RM1,470.1 million). ECL allowance which amounted to RM3.8 million (31 March 2019: RM3.7 million) is taken up by AmBank.

A39. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

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

(ii) Movements in allowances for ECL are as follows (Cont'd.):

Group 31.03.19	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL Not Credit Impaired RM'000	Lifetime ECL Credit Impaired RM'000	
Balance at beginning of financial year				
- as previously stated	-	-	-	258,586
- effects of adoption of MFRS 9	-	-	-	143,964
Restated balance at beginning of the financial year (Writeback) of/allowances for ECL	72,384	204,922	125,244	402,550
during the year:	7,974	(290)	225,440	233,124
- Transfer to 12 month ECL (Stage 1)	3,319	(33,489)	(2,064)	(32,234)
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(7,165)	55,244	(8,080)	39,999
- Transfer to Lifetime ECL credit impaired (Stage 3)	(939)	(8,674)	85,704	76,091
New financial assets originated	22,540	67,790	5,309	95,639
Net remeasurement of allowances	(27)	(61,345)	172,865	111,493
Modification of contractual cash flows of financial assets	(30)	37	-	7
Financial assets derecognised	(9,724)	(19,853)	(28,294)	(57,871)
Foreign exchange differences	4	-	-	4
Amount written-off	-	-	(228,057)	(228,057)
Balance at end of the financial year*	80,362	204,632	122,627	407,621

(b) Deposits From Customers

	Group	
	30.06.19 RM'000	31.03.19 RM'000
By type of deposit:		
Savings deposits		
<i>Commodity Murabahah</i>	2,045,005	2,002,816
<i>Qard</i>	16,473	15,041
Demand deposits		
<i>Commodity Murabahah</i>	6,741,031	6,935,337
<i>Qard</i>	15,320	15,375
Term deposits		
<i>Commodity Murabahah</i>	19,487,712	20,771,281
<i>Qard</i>	154,165	402,099
Negotiable instruments of deposits		
<i>Bai' Bithaman Ajil</i>	-	997,987
	28,459,706	31,139,936

The deposits are sourced from the following types of customers:

	Group	
	30.06.19 RM'000	31.03.19 RM'000
Business enterprises	14,512,743	15,833,377
Government and statutory bodies	3,084,707	4,030,053
Individuals	10,167,832	10,223,309
Others	694,424	1,053,197
	28,459,706	31,139,936

A39. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

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

The maturity structure of term deposits and negotiable instruments of deposits are as follows:

	Group	
	30.06.19 RM'000	31.03.19 RM'000
Due within six months	14,195,363	16,032,555
Over six months to one year	4,290,131	4,994,369
Over one year to three years	1,001,670	602,241
Over three years to five years	154,713	542,202
	<u>19,641,877</u>	<u>22,171,367</u>

(c) Investment Accounts Of Customers

	Group	
	30.06.19 RM'000	31.03.19 RM'000
Unrestricted investment accounts:		
Without maturity		
- Wakalah	18,630	18,643
With maturity		
- Mudarabah	241,468	334,808
	<u>260,098</u>	<u>353,451</u>

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

	Group	
	30.06.19 RM'000	31.03.19 RM'000
Business enterprises	238,375	335,052
Individuals	21,723	18,399
	<u>260,098</u>	<u>353,451</u>

	Group	
	30.06.19 RM'000	31.03.19 RM'000
Investment asset:		
Interbank placement (Wakalah)	18,630	18,643
Housing financing (Mudarabah)	241,468	334,808
Total investment	<u>260,098</u>	<u>353,451</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 (%)
30.06.19			
Maturity			
less than 3 months	79.13	2.38	3.12
over 3 months to 1 year	86.19	3.97	-
31.03.19			
Maturity			
less than 3 months	79.16	2.98	3.25
over 3 months to 1 year	87.59	4.04	-

A39. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(d) Investment Account Due to A Licensed Bank

	Group	
	30.06.19	31.03.19
	RM'000	RM'000
<u>Restricted investment account</u>		
- Mudarabah Muqayyadah	1,538,203	1,465,539
Investment asset:		
Financing	1,538,203	1,465,539
Total investment	1,538,203	1,465,539

The RA 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 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 RA contracts is AmBank, a related company.

As at 30 June 2019, the tenure of the RA contracts is for a period ranging between 5 months to 10 years (31 March 2019: 8 months to 11 years).

Profit Sharing Ratio and Average Rate of Return for the investment account based on original contractual maturity are as follows:

	30.06.19		31.03.19	
	Profit sharing ratio (%)	Average rate of return (%)	Profit sharing ratio (%)	Average rate of return (%)
Maturity:				
over 1 year to 2 years	-	-	46	2.36
over 2 years to 5 years	90	4.29	90	4.62
more than 5 years	90	3.98	77	3.86

(e) Other Liabilities

	Group	
	30.06.19	31.03.19
	RM'000	RM'000
Other payables and accruals	245,771	270,183
Deferred income	15,143	14,566
Provision for zakat and taxation	7,172	6,016
Provision for commitments and contingencies	15,724	15,724
Allowances for expected credit loss on financing commitments and financial guarantees	18,708	18,230
Advance rental	6,710	5,350
	309,228	330,069

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	
	30.06.19 RM'000	30.06.18 RM'000	Amount RM'000	%	30.06.19 RM'000	30.06.18 RM'000	Amount RM'000	%
Operating revenue	2,390,402	2,171,291	219,111	10.1	2,390,402	2,171,291	219,111	10.1
Operating profit before impairment losses	536,005	500,828	35,177	7.0	536,005	500,828	35,177	7.0
Profit before taxation and zakat	568,462	493,841	74,621	15.1	568,462	493,841	74,621	15.1
Profit for the financial period	431,590	383,256	48,334	12.6	431,590	383,256	48,334	12.6
Profit attributable to equity holders of the Company	391,459	347,594	43,865	12.6	391,459	347,594	43,865	12.6

Financial year to date - Cumulative period ended 30 June 2019 compared to 30 June 2018

For the financial period under review, the Group generated revenue of RM2,390.4 million, a growth of RM219.1 million (10.1%) compared to same period last year. Fund based income from interest bearing assets increased mainly from interest on fixed income securities and customer lending. Non-interest income increased by RM60.5 million compared to same period last year.

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

Funding costs namely interest for customer deposits and financial institutions increased due to the increase in average deposit balances. Net interest margin ("NIM") declined to 1.87% compared to 2.02% for the corresponding period last year.

Fee based income recorded a marginal increase. Market based income increased from gains on trading/liquidation of securities and revaluation of trading securities offset by decrease in gain from trading in foreign exchange. Decrease in other income was attributable to a significant gain on disposal of foreclosed property in prior period.

Net income from insurance business decreased mainly due to higher commission and insurance claims despite increase in net earned premium.

The Group's share of profits in the insurance-based joint ventures decreased due to higher reserving mitigated by higher investment and trading income.

Total operating expenses increased by 3.0% compared to same period last year. Personnel expenses increased due to share based payment expenses compared to a writeback same period last year. General and administrative expenses were controlled with lower expenses. Overall, the Group's cost to income ratio improved to 49.7% from 50.6% a year ago.

Credit costs recorded a higher writeback for this financial period, attributable to lower allowance for loans, advances and financing.

Profit before taxation and zakat for the current financial period was higher compared to a year ago at RM568.5 million, an increase of RM74.6 million (15.1%). Profit for the financial period increased by RM48.3 million to RM431.6 million compared to same period last year.

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 decreased by 1.0% from 31 March 2019 to RM100.8 billion. Household consumers from mortgage financing increased by RM477.0 million compared to 31 March 2019. The Group's impaired loans ratio as at 30 June 2019 was 1.7%.

Deposits from customers was lower compared to 31 March 2019 at RM102.8 billion. Low cost deposits constituted 22.5% of total deposits from customers, a decrease compared to 23.3% as at 31 March 2019.

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 capital adequacy ratio is strong at 15.41% at the end of the reporting period.

Divisional performance

Retail Banking (Year to date ("YTD") FY2020: RM93.7 million vs YTD FY2019: RM99.2 million)

Profit before tax ("PBT") decreased by RM5.5 million due to lower income and higher net impairment, offset by lower other operating expenses mainly from lower personnel costs.

Net income dropped mainly due to lower fee income from Cards and Wealth, partially offset by higher net finance income from higher volume impact.

Higher net impairment mainly on loans, advances and financing attributed to lower recoveries post debt sale, offset by improvement in asset quality.

Retail deposits dropped by 4.9% to RM50.6 billion attributed to lower fixed deposits, while gross loans, advances and financing grew RM1.3 billion to close at RM57.1 billion mainly from mortgages.

Business Banking (YTD FY2020: RM38.9 million vs YTD FY2019: RM43.7 million)

PBT decreased by RM4.8 million due higher other operating expense and net impairment, offset by higher net income.

Higher other operating expense mainly due to higher personnel costs. Higher net impairment mainly on loans, advances and financing, partially offset by higher recoveries, while higher net income arising from higher business volume.

Business Banking deposits increased by 34.8% to RM6.0 billion mainly from fixed deposits, while gross loans, advances and financing grew significantly by RM2.1 billion to close at RM10.1 billion.

Corporate Banking (YTD FY2020: RM261.4 million vs YTD FY2019: RM216.8 million)

PBT increased by RM44.6 million driven by higher writeback of impairment and recoveries, offset by lower net income and higher other operating expense.

Net income decreased by 5.7% mainly arising from gain on disposal of foreclosed property in YTD FY2019, partially offset by higher net finance income due to higher margin and volume.

Corporate banking deposits increased by RM1.0 billion to close at RM9.7 billion, while gross loans, advances and financing dropped by 2.9% to close at RM32.2 billion.

Group Treasury and Markets (YTD FY2020: RM75.8 million vs YTD FY2019: 18.2 million)

PBT grew RM57.6 million attributed to higher margin and business volume, lower other operating expenses and writeback of impairment on financial investments.

Investment Banking (YTD FY2020: RM15.9 million vs YTD FY2019: RM19.7 million)

PBT decreased by RM3.8 million from lower writeback of impairment on loans, advances and financing, partially offset by lower other operating expenses.

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

Divisional performance (Cont'd.)

Fund Management (YTD FY2020: RM8.9 million vs YTD FY2019: RM9.7 million)

PBT decreased by RM0.8 million from higher other operating expenses, offset by higher management fee.

Insurance (YTD FY2020: RM110.6 million vs YTD FY2019: RM99.2 million)

Insurance PBT increased by 11.4% mainly driven by higher investment income, partially offset by lower premium and higher other operating expenses.

Group Funding & Others (YTD FY2020: Loss of RM36.6 million vs YTD FY2019: Loss of RM12.7 million)

Higher loss before tax attributed to lower net income and higher other operating expenses, partially offset by higher net writeback of impairment.

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	
	30.06.19	31.03.19	Amount	%
	RM'000	RM'000	RM'000	
Operating revenue	2,390,402	2,333,984	56,418	2.4
Operating profit before impairment losses	536,005	354,637	181,368	51.1
Profit before taxation and zakat	568,462	625,098	(56,636)	(9.1)
Profit for the financial quarter	431,590	475,769	(44,179)	(9.3)
Profit attributable to equity holders of the Company	391,459	459,667	(68,208)	(14.8)

Current quarter compared to immediate preceding quarter

For the financial quarter under review, the Group generated revenue of RM2,390.4 million, an increase of 2.4% over last quarter. Fund based income from interest bearing assets increased mainly from interest on customer lending and interest income on securities. Trading and investment income decreased marginally compared to last quarter.

Funding costs decreased attributable to lower interest on deposits from customers offset by increase in interest for securities sold under repurchase agreements. For this quarter, net interest margin improved to 1.87% compared to 1.78% in the preceding quarter.

Overall other operating income increased for this quarter compared to preceding quarter driven by increase in income from unit trusts, fees for corporate advisory services and fees from loans, advances and financing.

Total operating expenses decreased compared to preceding quarter mainly from salaries, allowances and bonus, computerisation costs and advertising and marketing expenses.

Credit costs recorded lower writeback due to last quarter benefitted from higher recoveries driven by gain on disposal of non-performing loans/financing and higher provision for commitments and contingencies for the current quarter.

Against the preceding quarter, profit before taxation and zakat for the current quarter is lower at RM568.5 million, a decrease of RM56.6 million (9.1%). Profit for the quarter decreased by RM44.2 million to RM431.6 million compared to preceding quarter.

B3. PROSPECTS FOR FINANCIAL YEAR ENDING 31 MARCH 2020

The economy expanded by 4.9% year-on-year during the second quarter of 2019, supported by sustained domestic demand. The economy is projected to grow at 4.5% for the full year of 2019, with an upside of 4.7% while the downside to growth is at 4.0%. Domestic demand will be the mainstay of 2019's growth with private consumption taking the lead. Private consumption will also be supported by steady wage growth plus benign inflation environment and cheap financing cost. Though our base case is 4.5%, the downside risk to growth remains high in view of the current external headwinds, added with domestic noises.

Inflation in the first seven months of 2019 rose 0.3% year-on-year while the core inflation for the same period was at +0.8% year-on-year. With underlying inflation on a soft trend, we believe our 1% inflation target for 2019 could be overestimated. However, the low base in the second half of 2019 may provide some upside pressure to the inflation data.

In 2018, the banking system's loans expanded by 7.7%. For 2019, loans is projected to grow around 4.6% based on our view that GDP will continue to expand by 4.5%.

Banks have sufficient liquid assets with an industry liquidity coverage ratio of 153% as at end of June 2019, 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 82.6% and 72.2% respectively as at June 2019.

The decision to cut the OPR rate by 25bps by BNM to 3.00% fell within expectation. While our broad view suggests the policy rate will remain unchanged at 3.00% for the rest of the year, there is still room for BNM to reduce the OPR further by another 25bps in 2H2019. Much will depend on: (1) how the domestic economy crafts out; (2) outlook of the potential inflation; and (3) dynamics of the global economic scenario.

For FY2020, our financial priorities will be centred on the following:

1. Revenue growth: We will continue to drive our income growth momentum, in line with our key segments and products strategies, especially in the areas of transaction banking, foreign exchange, SME and wealth management.
2. Business efficiency transformation (BET 300): Moving into the third year of our BET300 programme, we will continue to maintain a tight rein on cost and pacing our investments while driving operational efficiencies through digitalisation and streamlining of processes.
3. Capital accretive growth: We aim to further strengthen our capital position and deliver sustainable dividend payout to our shareholders, focusing on managing returns on capital employed and risk-weighted assets.
4. Digital Banking: We aim to provide digital solutions that seamlessly integrate into and improve customers' day-to-day lives. Our digital transformation investment plan in FY2020 will continue to pave way for the digitalisation of our products and solutions, focus on enhancing digital mobile platform, building infrastructure and application programming interface readiness, partnerships with key financial technology players and the use of big data analytics to capture alternative sources of business and drive internal efficiencies.

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	
	30.06.19 RM'000	30.06.18 RM'000	30.06.19 RM'000	30.06.18 RM'000
Estimated current tax payable	92,625	58,496	92,625	58,496
Deferred tax	43,530	57,099	43,530	57,099
	<u>136,155</u>	<u>115,595</u>	<u>136,155</u>	<u>115,595</u>
Over provision of current taxation in respect of prior years	-	(5,650)	-	(5,650)
Taxation	<u>136,155</u>	<u>109,945</u>	<u>136,155</u>	<u>109,945</u>
Zakat	717	640	717	640
Taxation and zakat	<u>136,872</u>	<u>110,585</u>	<u>136,872</u>	<u>110,585</u>

The total tax charge of the Group for the financial period ended 30 June 2018 reflects an effective tax rate which is lower than the statutory tax rate mainly due to income not subject to tax and over provision of income tax.

B6. CORPORATE PROPOSALS

- As at 30 June 2019, 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 RM31,482,900.
- On 8 July 2019, the Board of Directors of the Company announced that the Company intends to seek the approval of its shareholders for the proposed authority for the Company to purchase up to three percent (3%) of the total number of its issued shares at the forthcoming general meeting of the Company scheduled on 31 July 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
30.06.19						
Unsecured						
Term funding	-	847,163 ^	400,000	2,775,328	400,000	3,622,491
Debt capital	-	4,230,000	-	-	-	4,230,000
30.06.18						
Unsecured						
Term funding	400,000	4,170,343 ^	-	648,425	400,000	4,818,768
Debt capital	-	3,979,558	-	-	-	3,979,558

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 RM1,653.6 million and RM1,615.0 million related to the USD400.0 million Medium Term Note issued as at 30 June 2019 and 30 June 2018 respectively, translated at exchange rate of 4.134 (30 June 2018: 4.0375)

* remaining contractual maturity

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/ Sukuk type and tenor	Nominal value RM'000	Weighted average interest / profit rate %	Net interest/ profit savings per annum for redemption RM'000
October 2018 - Issuance	AmBank Islamic	Subordinated Sukuk 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	Subordinated Notes - 10 years	400,000	5.20	20,800
February 2019 - Redemption	AmBank	Non-Innovative Tier 1 capital - 10 years	200,000	9.00	18,000
February 2019 - Redemption	AmBank Islamic	Subordinated Sukuk Tier 2 - 10 years	200,000	5.07	10,140
March 2019 - Redemption	AmBank	Senior Notes - 4 years	600,000	4.30	25,800
March 2019 - Redemption	AmBank	Non-Innovative Tier 1 capital - 10 years	300,000	9.00	27,000
March 2019 - Redemption	AmBank Islamic	Subordinated Sukuk Tier 2 - 10 years	150,000	5.05	7,575

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 A33.

B9. DIVIDENDS

There is no dividend proposed for the current financial quarter.

B10. DERIVATIVE FINANCIAL INSTRUMENTS

Please refer to Note A34.

B11. EARNINGS PER SHARE (SEN)

(a) Basic/Diluted 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 quarter.

	Individual Quarter		Cumulative Quarter	
	30.06.19	30.06.18	30.06.19	30.06.18
Net profit attributable to equity holders of the Company (RM'000)	391,459	347,594	391,459	347,594
Weighted average number of ordinary shares in issue ('000)	3,009,233	3,007,933	3,009,233	3,007,933
Basic/diluted earnings per share (Sen)	13.01	11.56	13.01	11.56