Company No. 295576–U

AmBank Islamic Berhad

(Incorporated in Malaysia)

Interim Financial Statements
For the Financial Period
1 April 2017 to
30 September 2017

(In Ringgit Malaysia)

Company No. 295576–U
AmBank Islamic Berhad
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

	Note	30 September 2017 RM'000	31 March 2017 (Restated) RM'000	1 April 2016 (Restated) RM'000
ASSETS				
Cash and short-term funds		2,281,140	2,286,658	4,098,552
Deposits and placements with banks and other financial institutions		440,000	635,000	500,000
Derivative financial assets		49,653	42,381	57,273
Financial assets held-for-trading	A8	522,717	681,465	174,550
Financial investments available-for-sale	A9	4,025,333	2,435,724	3,177,516
Financial investments held-to-maturity	A10	1,285,730	1,278,221	1,263,639
Financing and advances	A11	27,064,676	27,239,756	27,391,553
Receivables: Investments not quoted in active markets	A12	793,452	814,720	468,141
Statutory deposit with Bank Negara Malaysia		774,000	810,000	842,000
Other assets	A13	193,015	311,664	329,821
Property and equipment		422	320	351
Intangible assets		704	448	14
TOTAL ASSETS		37,430,842	36,536,357	38,303,410
LIABILITIES AND EQUITY				
Deposits from customers	A14	27,527,997	26,836,697	28,383,783
Investment accounts of customers	A15	21,815	24,374	18,411
Deposits and placements of banks and other financial institutions	A16	1,312,374	1,266,337	993,510
Investment account due to a licensed bank	A17	2,129,428	1,600,000	1,000,000
Recourse obligation on financing sold to Cagamas Berhad		612,292	617,713	1,127,824
Derivative financial liabilities		58,377	47,870	67,685
Term funding		1,180,000	1,985,000	2,300,000
Subordinated Sukuk		979,758	979,679	1,399,528
Deferred tax liability		398	89	5,883
Other liabilities	A18	391,902	274,296	354,525
Provision for zakat		2,452	1,286	1,343
TOTAL LIABILITIES		34,216,793	33,633,341	35,652,492
Share capital		1,387,107	1,187,107	462,922
Reserves		1,826,942	1,715,909	2,187,996
Equity attributable to equity holder of the Bank		3,214,049	2,903,016	2,650,918
TOTAL LIABILITIES AND EQUITY		37,430,842	36,536,357	38,303,410
COMMITMENTS AND CONTINGENCIES	A31	10,847,740	9,860,517	8,365,766
NET ASSETS PER SHARE (RM)		6.50	6.27	5.73

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2017.

Company No. 295576–U
AmBank Islamic Berhad
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2017

		Individual Quarter		Cumulative Quarter	
		30 September 2017	30 September 2016	30 September 2017	30 September 2016
	Note	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	A19	425,439	426,907	841,753	865,260
Income derived from investment of investment account funds	A20	20,007	14,427	39,015	29,076
Income derived from investment of shareholder's funds	A21	31,506	22,804	56,557	51,588
Writeback of/(Allowance for) impairment on financing and advances	A22	9,136	(2,366)	(23,229)	(11,692)
Provision for commitments and contingencies - (charge)/ writeback		(1,679)	(2,959)	245	987
Total distributable income		484,409	458,813	914,341	935,219
Income attributable to the depositors and others	A23	(236,540)	(233,470)	(456,488)	(486,860)
Income attributable to the investment account holders	A24	(17,854)	(12,850)	(34,800)	(25,897)
Total net income		230,015	212,493	423,053	422,462
Other operating expenses	A25	(110,703)	(102,915)	(221,776)	(208,574)
Finance cost		(31,410)	(37,035)	(64,048)	(73,727)
Profit before zakat and taxation		**87,902**	**72,543**	**137,229**	**140,161**
Zakat		(432)	(406)	(1,167)	(878)
Taxation		(17,170)	(14,695)	(27,166)	(29,776)
Profit for the financial period		**70,300**	**57,442**	**108,896**	**109,507**
Basic earnings per share (sen)	A26	**15.16**	**12.41**	**23.51**	**23.66**

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2017.

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2017

	Individual Quarter		Cumulative Quarter	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	70,300	57,442	108,896	109,507
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Financial investments available-for-sale:				
Net change in revaluation	558	11,689	4,586	16,942
Transfer to profit or loss upon disposal	(1,724)	(1,132)	(1,732)	(2,226)
Income tax relating to the components of other comprehensive income	280	(2,534)	(685)	(3,532)
Other comprehensive income for the period, net of tax	(886)	8,023	2,169	11,184
Total comprehensive income for the financial period	69,414	65,465	111,065	120,691

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2017.

Company No. 295576–U
AmBank Islamic Berhad
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2017

	Attributable to Equity Holder of the Bank						
		Non-distributable				Distributable	
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Available-for-sale reserve/(deficit) RM'000	Retained earnings RM'000	Total equity RM'000
At 1 April 2016	462,922	724,185	483,345	-	(1,589)	982,055	2,650,918
Profit for the financial period	-	-	-	-	-	109,507	109,507
Other comprehensive income	-	-	-	-	11,184	-	11,184
Total comprehensive income for the financial period	-	-	-	-	11,184	109,507	120,691
At 30 September 2016	462,922	724,185	483,345	-	9,595	1,091,562	2,771,609
At 1 April 2017	1,187,107	-	483,345	58,430	(5,149)	1,179,283	2,903,016
Profit for the financial period	-	-	-	-	-	108,896	108,896
Other comprehensive income	-	-	-	-	2,169	-	2,169
Total comprehensive income for the financial period	-	-	-	-	2,169	108,896	111,065
Issuance of ordinary shares	200,000						200,000
Transfer to retained earnings	-	-	(483,345)	-	-	483,345	-
Transfer to regulatory reserve				277,753		(277,753)	-
Transfer of AMMB Holdings Berhad ("AMMB") Excecutive Share Scheme ("ESS") shares recharged - difference on purchase price of shares vested	-	-	-	-	-	(32)	(32)
Transactions with owner and other equity movements	200,000	-	(483,345)	277,753	-	205,560	199,968
At 30 September 2017	1,387,107	-	-	336,183	(2,980)	1,493,739	3,214,049

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2017.

Company No. 295576–U
AmBank Islamic Berhad
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2017

	30 September 2017	30 September 2016 (Restated)
	RM'000	RM'000
Profit before zakat and taxation	137,229	140,161
Adjustments for non-operating and non-cash items	43,969	25,675
Operating profit before working capital changes	181,198	165,836
Changes in working capital:		
Net change in operating assets	411,170	1,006,975
Net change in operating liabilities	577,875	(4,150,470)
Taxation paid	(33,781)	(11,591)
Net cash generated from/(used in) operating activities	1,136,462	(2,989,250)
Net cash generated (used in)/from investing activities	(1,536,980)	1,567,672
Net cash from/(used in) financing activities	200,000	(480,000)
Net increase in cash and cash equivalents	(200,518)	(1,901,578)
Cash and cash equivalents at beginning of the financial year	2,921,658	4,598,552
Cash and cash equivalents at end of the financial period	2,721,140	2,696,974
Cash and cash equivalents comprise:		
Cash and short-term funds	2,281,140	2,301,974
Deposits and placements with banks and other financial institutions with original maturity of less than 3 months	440,000	395,000
	2,721,140	2,696,974

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2017.

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 complies with the International Accounting Standard ("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 Bank for the financial year ended 31 March 2017.

A1.1 Significant Accounting Policies

The significant accounting policies and methods of computation applied in these condensed interim financial statements are consistent with those of the most recent audited annual financial statements for the financial year ended 31 March 2017 except for the adoption of the following amendments to published standards which became effective for the first time for the Bank on 1 April 2017:

- Disclosure Initiative (Amendments to MFRS 107)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)
- Annual Improvements to MFRSs 2014-2016 Cycle - amendments to MFRS 12

The adoption of these amendments to published standards did not have any material impact on the financial statements of the Bank. The Bank did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments to published standards.

The nature of the amendments to published standards relavant to the Bank are described below:

Disclosure Initiative (Amendments to MFRS 107)

The amendments to MFRS 107 introduce an additional disclosure on changes in liabilities arising from financing activities. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Since the amendments only affect disclosures, the adoption of these amendments did not have any financial impact on the Bank.

A1. BASIS OF PREPARATION (CONT'D.)

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

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)

The amendments clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value. In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences. The existing policy applied by the Bank in respect of the recognition of deferred tax assets comply with these requirements.

Annual Improvements to MFRSs 2014-2016 Cycle

The Annual Improvements to MFRSs 2014-2016 Cycle include minor amendments affecting 3 MFRSs, in which 1 of them is effective for annual periods beginning on or after 1 January 2017, as summarised below:

(i) MFRS 12 Disclosure of Interests in Other Entities

The amendment clarified that the disclosure requirements of MFRS 12 are applicable to interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities classified as held for sale except for summarised financial information. Previously, it was unclear whether all other MFRS 12 requirements were applicable for these interests. The adoption of these amendments did not have any financial impact on the Bank as the Bank does not have interests in other entities.

Standards issued but not yet effective

Description	**Effective for annual periods beginning on or after**
- Annual Improvements to MFRSs 2014-2016 Cycle - amendments to MFRS 1 and MFRS 128	1 January 2018
- MFRS 15 Revenue from Contracts with Customers	1 January 2018
- MFRS 9 Financial Instruments	1 January 2018
- Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4)	1 January 2018
- Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
- Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
- MFRS 16 Leases	1 January 2019
- IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
- MFRS 17 Insurance Contracts	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

A1. BASIS OF PREPARATION (CONT'D.)

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

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

The nature of the standards that are issued and relevant to the Bank but not yet effective are described below. The Bank is assessing the financial effects of their adoption.

(a) Standards effective for financial year ending 31 March 2019

Annual Improvements to MFRSs 2014-2016 Cycle

The Annual Improvements to MFRSs 2014-2016 Cycle include minor amendments affecting 3 MFRSs, in which 2 of them is effective for annual periods beginning on or after 1 January 2018, as summarised below:

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

The amendments deleted short-term exemptions covering transition provisions of MFRS 7, MFRS 10, and MFRS 119. These transition provisions were available to entities for past reporting periods and are therefore no longer applicable.

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

MFRS 128 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss. The amendments clarified that this election should be made separately for each associate or joint venture at initial recognition.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

The assessment on the financial implication for adopting MFRS 15 is currently ongoing. Based on the assessment to date, the profile of revenue recognition is expected to change as a result of the new guidance in connection with the allocation of revenue to the distinct elements in the contract, as well as the specific requirements on the recognition of variable or uncertain revenues. In addition, certain sales commissions will have to be capitalised due to the new requirement to capitalise costs associated with obtaining a contract. Nevertheless, the financial impact to the Bank is not expected to be material.

A1. BASIS OF PREPARATION (CONT'D.)

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

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

(a) Standards effective for financial year ending 31 March 2019 (Cont'd.)

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018. Retrospective application is required, but comparative information is not compulsory.

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

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

A1. BASIS OF PREPARATION (CONT'D.)

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

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

(a) Standards effective for financial year ending 31 March 2019 (Cont'd.)

MFRS 9 Financial Instruments (Cont'd.)

The AmBank Group has set up a multidisciplinary Programme Working Group ("PWG") to prepare for MFRS 9 Implementation with the involvement from Risk, Finance and Operations personnel, as well as the assistance from external consultants. The PWG regularly reports to the Programme Steering Committee ("PSC") chaired by the Group Chief Financial Officer. The Programme has clear individual work streams for classification and measurement, impairment, hedge accounting and disclosures. The Bank has also engaged its external auditor to independently verify and validate the accounting policies and solution tools to be developed under the Programme and to report on whether they comply with the requirements of MFRS 9.

The initial assessment and analysis stage was completed during the previous financial year. As the initial assessment was based on available information then, the outcome is subject to changes arising from further analysis or additional information being made available currently.

Having completed its initial assessment, the Bank expects that:

- the majority of financing and advances that are classified as financing and receivables under MFRS 139 are expected to be measured at amortised cost under MFRS 9
- investments in sukuk held for liquidity management purposes, some of which are currently classified as held to maturity under MFRS 139, are expected to be measured at FVOCI under MFRS 9
- the majority of investments in sukuk classified as available-for-sale under MFRS 139 are expected to be measured at FVOCI. Some sukuk, however, will be classified as FVTPL
- financial assets and liabilities held for trading (if any) are expected to be continue to be measured at FVTPL.

The impairment requirements are expected to result in a higher allowance for impairment losses. The Bank is currently performing a detailed assessment to determine and quantify the extent of the impact.

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

The amendments clarify the measurement basis and the effects of vesting conditions on the measurement of cash-settled share-based payments, as well as the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in MFRS 2 that will require an award to be treated as if it was wholly equity-settled when an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.

A1. BASIS OF PREPARATION (CONT'D.)

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

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

(a) Standards effective for financial year ending 31 March 2019 (Cont'd.)

Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2) (Cont'd.)

The amendments are effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The transition provisions specify that the amendments apply to awards that are not settled as at the date of first application or to modifications that happen after the date of first application, without restatement of prior periods. Notwithstanding this, the amendments can be applied retrospectively provided that this is possible without hindsight.

IC Interpretation 22 Foreign Currency Transactions and Advance

The Interpretation provides guidance on how to determine the date of the transaction when applying MFRS 121 in situations where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. For the purpose of determining the exchange rate to use on initial recognition of the related item, the Interpretation states that the date of the transaction shall be the date on which an entity initially recognises the non-monetary asset or liability arising from the advance consideration.

The Interpretaion is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. Entities can choose to apply the Interpretation retrospectively, prospectively to items that are initially recognised on or after the beginning of the reporting period in which the Interpretation is first applied, or prospectively from the beginning of a prior reporting period presented as comparative information.

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

MFRS 16 Leases

MFRS 16 'Leases' supersedes MFRS 117 *Leases* and the related interpretations.

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

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

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

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

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 2020 (Cont'd.)

MFRS 16 Leases (Cont'd.)

MFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early application permitted provided MFRS 15 is also applied. The Bank is in the process of assessing the financial implications for adopting MFRS 16.

IC Interpretation 23 Uncertainty over Income Tax Treatments

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

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

A1.2 Significant Changes in Regulatory Requirements

A1.2a Bank Negara Malaysia ("BNM") Policy Document on Capital Funds

On 3 May 2017, BNM issued revised policy document, Capital Funds for Islamic Banks which is applicable for licensed Islamic banks. The key change in the revised policy document is the removal of the requirement for banking institutions to maintain a reserve fund. The Bank had previously maintained the reserve fund via transfer from retained earnings to Statutory Reserve. Arising from this change, during the current financial quarter, the Bank had reclassified the balance in Statutory Reserve to Retained earnings.

A1.2b BNM circular on Classification and Regulatory Treatment for Structured Products under the Financial Services Act ("FSA") and Islamic Financial Services Act ("IFSA")

On 21 June 2017, BNM issued a circular to clarify that structured products that do not guarantee the full repayment of the principal amount on demand do not fulfil the definition of deposits under Section 2 of the FSA and IFSA and must not be classified as deposits.

The Bank had previously classified structured products issued to customers and other financial institutions which are principal protected if held to maturity as Deposits from customers and Deposits and placement of banks and other financial institutions. Accordingly, during the current financial quarter, the Bank had reclassified all structured products that do not fulfill the definition of the deposits under Section 2 of the IFSA to Term Funding. The comparatives were also restated as per Note A35b.

A1. BASIS OF PREPARATION (CONT'D.)

A1.3 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the condensed interim financial statements in accordance with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of revenue, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Judgements, estimates and assumptions are continually evaluated and are based on 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 Bank's accounting policies, the significant judgements, estimates and assumptions made by management were the same as those applied to the annual financial statements for the financial year ended 31 March 2017.

A2. AUDIT QUALIFICATION

The auditors' report on the audited annual financial statements for the financial year ended 31 March 2017 was not qualified.

A3. SEASONALITY OR CYCLICALITY OF OPERATIONS

The operations of the Bank were not materially affected by any seasonal or cyclical fluctuation in the current financial quarter and period.

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

There were no unusual items during the current financial quarter and period.

A5. CHANGES IN ESTIMATES

There was no material change in estimates of amounts reported in prior financial years that have a material effect on the financial quarter and period.

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

Repayment of Sukuk

On 6 September 2017, the Bank redeemed the third tranche of the Senior Islamic securities issuance ("Senior Sukuk") with nominal value amounting to RM300.0 million.

On 20 September 2017, the Bank redeemed the first tranche of the Senior Sukuk with nominal value amounting to RM550.0 million.

These two tranches of Senior Sukuk were issued under the Senior Sukuk Musharakah programme with nominal value of up to RM3.0 billion.

Issuance of equity securities

On 29 September 2017, the Bank increased its issued and paid-up ordinary share capital by RM200.0 million from RM1,187,107,330 to RM1,387,107,331 by way of issuance of 31,446,541 new ordinary shares at an issue price of RM6.36 per ordinary share. The new ordinary shares issued during the current financial period rank pari passu in all respects with the existing ordinary shares of the Bank.

Other than as disclosed, there were no share buy-backs, share cancellations, shares held as treasury shares nor resale of treasury shares by the Bank during the financial quarter and period.

A7. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the financial quarter ended 30 September 2017 and no dividends were paid in the current financial quarter and period.

A8. FINANCIAL ASSETS HELD-FOR-TRADING

	30 September 2017 RM'000	31 March 2017 RM'000
At fair value:		
Money Market Instruments:		
Malaysian Islamic Treasury bills	80,703	47,509
Malaysian Government Investment Issues	377,014	494,074
	457,717	541,583
Unquoted Securities:		
In Malaysia:		
Sukuk	65,000	139,882
	522,717	681,465

A9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	30 September 2017 RM'000	31 March 2017 RM'000
At fair value:		
Money Market Instruments:		
Malaysian Government Investment Issues	395,074	422,300
Islamic Negotiable instruments of deposit	2,679,671	1,096,546
	3,074,745	1,518,846
Unquoted Securities:		
In Malaysia:		
Sukuk	950,588	916,878
	4,025,333	2,435,724

A9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (CONT'D.)

The Bank had previously reclassified securities amounting to RM7.6 million out of financial investments available-for-sale category to the financing and receivables category as the Bank has the intention to hold the securities until maturity.

As at 30 September 2017, the fair value gain that would have been recognised in other comprehensive income for the current financial period if the securities had not been reclassified amounted to RM278,000 (31 March 2017: RM533,000).

The Bank was appointed as Islamic Principal Dealer ("iPD") for specified securities issued by the Government, BNM and BNM Sukuk Berhad for the period 1 January 2017 to 31 December 2018.

As iPD, the Bank is required to undertake certain obligations and was also accorded incentives. One of the incentives accorded was the eligibility to maintain specified amounts of the Statutory Reserve Requirement ("SRR") balances in the form of Malaysian Government Securities ("MGS") and/or Malaysian Government Investment Issues ("MGII") instead of cash. As at 30 September 2017, the Bank maintained a total carrying amount of RM79,736,000 (31 March 2017: RM79,743,000) in the form of MGII for SRR purposes.

A10. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	30 September 2017 RM'000	31 March 2017 RM'000
At amortised cost:		
Unquoted Securities:		
In Malaysia:		
Sukuk	1,285,730	1,278,221

A11. FINANCING AND ADVANCES

A11a. Financing and advances by type and Shariah contracts are as follows:

30 September 2017

	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Musharakah Mutanaqisah RM'000	Al-Ijarah Thummah Al -Bai' ("AITAB") RM'000	Bai' Inah RM'000	Others RM'000	Total RM'000
At amortised cost:							
Cash lines	-	133,996	-	-	1,086,478	-	1,220,474
Term financing	1,420,045	3,414,484	10,792	-	3,255,070	68,756	8,169,147
Revolving credit	72,062	2,812,729	-	-	2,272,508	-	5,157,299
Housing financing	2,997,323	1,017,719	51,609	-	-	-	4,066,651
Hire purchase receivables	4	-	-	6,960,069	-	-	6,960,073
Bills receivables	-	-	-	-	-	1,680	1,680
Credit card receivables	-	-	-	-	-	334,126	334,126
Trust receipts	-	94,135	-	-	-	-	94,135
Claims on customers under acceptance credits	-	1,156,550	-	-	-	169,705	1,326,255
Gross financing and advances*	4,489,434	8,629,613	62,401	6,960,069	6,614,056	574,267	27,329,840
Allowance for impairment on financing and advances							
- Individual allowance							(21,691)
- Collective allowance							(243,473)
Net financing and advances							27,064,676

A11. FINANCING AND ADVANCES (CONT'D.)

A11a. Financing and advances by type and Shariah contracts are as follows (Cont'd.):

31 March 2017

	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Musharakah Mutanaqisah RM'000	Al-Ijarah Thummah Al -Bai' ("AITAB") RM'000	Bai' Inah RM'000	Others RM'000	Total RM'000
At amortised cost:							
Cash lines	-	12,471	-	-	1,054,583	-	1,067,054
Term financing	2,022,144	2,917,793	11,005	-	3,491,124	72,791	8,514,857
Revolving credit	72,161	2,704,642	-	-	2,494,580	-	5,271,383
Housing financing	2,917,596	379,211	52,052	-	-	-	3,348,859
Hire purchase receivables	4	-	-	7,595,444	-	-	7,595,448
Bills receivables	-	-	-	-	-	9,293	9,293
Credit card receivables	-	-	-	-	-	297,225	297,225
Trust receipts	-	93,655	-	-	-	-	93,655
Claims on customers under acceptance credits	-	1,160,474	-	-	-	149,829	1,310,303
Gross financing and advances*	5,011,905	7,268,246	63,057	7,595,444	7,040,287	529,138	27,508,077
Allowance for impairment on financing and advances							
- Individual allowance							(16,041)
- Collective allowance							(252,280)
Net financing and advances							27,239,756

* Included in financing and advances are exposures to the Restricted Investment Account ("RIA") arrangement between the Bank and AmBank (M) Berhad ("AmBank") amounting to RM2,136.0 million (31 March 2017: RM1,604.4 million). Under the RIA contract, the profit is shared based on a pre-agreed ratio. AmBank is exposed to the risks and rewards on the RIA financing and it shall account for all allowance for impairment arising from the RIA financing. Further details of the RIA are disclosed in Note A17.

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A11. FINANCING AND ADVANCES (CONT'D.)

A11b. Gross financing and advances analysed by type of customer are as follows:

	30 September 2017 RM'000	31 March 2017 RM'000
Domestic non-bank financial institutions	1,143,111	1,544,039
Domestic business enterprises		
- Small medium enterprises ("SME")	4,641,352	4,582,846
- Others	8,484,712	8,582,585
Government and statutory bodies	300,613	300,962
Individuals	12,673,150	12,409,237
Other domestic entities	1,659	13,137
Foreign individuals and entities	85,243	75,271
	27,329,840	27,508,077

A11c. All financing and advances reside in Malaysia.

A11d. Gross financing and advances analysed by profit rate sensitivity are as follows:

	30 September 2017 RM'000	31 March 2017 RM'000
Fixed rate		
- Housing financing	212,866	223,038
- Hire purchase receivables	6,536,223	7,106,297
- Other financing	2,580,997	2,654,145
Variable rate		
- Base rate and base financing rate plus	7,084,677	6,122,200
- Cost plus	9,218,564	9,878,868
- Other variable rates	1,696,513	1,523,529
	27,329,840	27,508,077

A11. FINANCING AND ADVANCES (CONT'D.)

A11e. Gross financing and advances analysed by sector are as follows:

	30 September 2017 RM'000	**31 March 2017 RM'000**
Agriculture	1,918,175	2,027,331
Mining and quarrying	1,110,369	894,872
Manufacturing	3,054,249	3,022,927
Electricity, gas and water	118,260	105,722
Construction	942,738	1,121,287
Wholesale and retail trade and hotel and restaurants	1,208,905	1,238,007
Transport, storage and communication	1,508,079	1,578,905
Finance and insurance	1,143,111	1,544,039
Real estate	2,385,318	2,391,868
Business activities	448,301	385,129
Education and health	730,086	707,017
Household of which:	12,758,393	12,473,022
- Purchase of residential properties	4,029,367	3,326,314
- Purchase of transport vehicles	6,680,169	7,292,033
- Others	2,048,857	1,854,675
Others	3,856	17,951
	27,329,840	27,508,077

A11f. Gross financing and advances analysed by residual contractual maturity are as follows:

	30 September 2017 RM'000	**31 March 2017 RM'000**
Maturing within one year	10,343,062	10,819,946
Over one year to three years	2,552,048	2,403,919
Over three years to five years	5,062,893	5,210,480
Over five years	9,371,837	9,073,732
	27,329,840	27,508,077

A11. FINANCING AND ADVANCES (CONT'D.)

A11g. Movements in impaired financing and advances are as follows:

	30 September 2017 RM'000	31 March 2017 RM'000
Balance at beginning of the financial year	488,700	605,200
Impaired during the period/year	239,876	265,280
Reclassified as non-impaired	(17,995)	(92,536)
Recoveries	(39,335)	(70,415)
Amount written off	(75,666)	(218,829)
Balance at end of the financial period/year	595,580	488,700
Gross impaired financing and advances as % of gross financing and advances	2.18%	1.78%
Financing loss coverage (including regulatory reserve)	101.0%	66.9%

A11h. All impaired financing and advances reside in Malaysia.

A11i. Impaired financing and advances by sector are as follows:

	30 September 2017 RM'000	31 March 2017 RM'000
Agriculture	235	206
Mining and quarrying	3,751	3,873
Manufacturing	5,321	6,137
Electricity, gas and water	7,827	7,863
Construction	9,479	10,550
Wholesale and retail trade and hotel and restaurants	16,064	13,820
Transport, storage and communication	80,179	5,302
Finance and insurance	20	-
Real estate	309,045	307,959
Business activities	1,747	2,064
Education and health	5,751	5,715
Household of which :	156,080	125,210
- Purchase of residential properties	38,659	28,549
- Purchase of transport vehicles	86,823	80,919
- Others	30,598	15,742
Others	81	1
	595,580	488,700

A11. FINANCING AND ADVANCES (CONT'D.)

A11j. Movements in the allowances for impaired financing and advances are as follows:

	30 September 2017 RM'000	31 March 2017 RM'000
Individual allowance		
Balance at beginning of the financial year	16,041	63,715
Allowance during the period/year, net	13,193	16,108
Amount written off	(7,543)	(63,782)
Balance at end of the financial period/year	21,691	16,041
Collective allowance		
Balance at beginning of the financial year	252,280	329,392
Allowance made during the period/year, net	66,861	78,288
Transferred to AmBank *	(904)	-
Foreign exchange differences	(2)	9
Amount written off	(74,762)	(155,409)
Balance at end of the financial period/year**	243,473	252,280
Collective allowance (including regulatory reserve) as % of gross financing and advances excluding RIA financing less individual allowance	2.30%	1.20%

* On 29 September 2017, the Bank entered into a RIA contract for the sum of RM529.4 million with AmBank. Arising from this contract, the Bank transferred collective allowance of approximately RM0.9 million for the financing funded to AmBank.

** As at 30 September 2017, the gross exposure and collective allowance relating to the RIA financing amounted to RM2,136.0 million and RM1.7 million respectively (31 March 2017: RM1,604.4 million and RM2.3 million respectively).

There was no individual allowance provided for the RIA financing. Further details of the RIA are disclosed in Note A17.

A12. RECEIVABLES: INVESTMENTS NOT QUOTED IN ACTIVE MARKETS

	30 September 2017 RM'000	31 March 2017 RM'000
Unquoted sukuk in Malaysia	782,502	806,649
Fair value changes arising from fair value hedge	10,950	8,071
	793,452	814,720

The Bank had undertaken a fair value hedge on the profit rate risk of unquoted sukuk of RM350.0 million using profit rate swaps with AmBank (M) Berhad ("AmBank"). The gain/(loss) arising from the fair value hedge during the current financial period is as follows:

	30 September 2017 RM'000	31 March 2017 RM'000
Relating to hedged item	2,879	(3,421)
Relating to hedging instrument	(2,857)	3,322
	22	(99)

A13. OTHER ASSETS

	30 September 2017 RM'000	31 March 2017 RM'000
Other receivables, deposits and prepayments	15,273	5,667
Amount due from related companies	-	116,749
Amount due from originators	112,289	117,712
Profit receivable	34,199	35,683
Deferred charges	31,254	35,853
	193,015	311,664

A14. DEPOSITS FROM CUSTOMERS

	30 September 2017 RM'000	31 March 2017 (Restated) RM'000
(i) By type of deposit:		
Savings deposit		
Wadiah	-	2,119,573
Commodity Murabahah	2,021,531	-
Qard	13,812	-
Demand deposit		
Wadiah	-	4,245,545
Commodity Murabahah	4,340,743	-
Qard	11,349	-
Term Deposits:		
Commodity Murabahah	20,873,154	20,008,971
Qard	267,408	462,608
Total	27,527,997	26,836,697

(ii) The deposits are sourced from the following types of customers:

	30 September 2017 RM'000	31 March 2017 (Restated) RM'000
Government and statutory bodies	4,961,320	5,505,230
Business enterprises	10,978,624	11,000,848
Individuals	10,851,983	9,634,498
Others	736,070	696,121
	27,527,997	26,836,697

(iii) The maturity structure of all term deposits is as follows:

	30 September 2017 RM'000	31 March 2017 (Restated) RM'000
Due within six months	16,976,176	13,020,116
Over six months to one year	2,723,721	6,293,829
Over one year to three years	529,426	645,709
Over three years to five years	911,239	511,925
	21,140,562	20,471,579

A15. INVESTMENT ACCOUNTS OF CUSTOMERS

	30 September 2017 RM'000	31 March 2017 RM'000
Unrestricted investment account without maturity		
- Wakalah	21,815	24,374

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

	30 September 2017 RM'000	31 March 2017 RM'000
Business enterprises	560	443
Individuals	21,255	23,931
	21,815	24,374

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

	Investment account holder			
	30 September 2017		31 March 2017	
	Average rate of return (%)	Average Performance incentive fee (%)	Average rate of return (%)	Average Performance incentive fee (%)
Maturity: less than 3 months	0.05	2.98	0.05	3.03

A16. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 September 2017 RM'000	31 March 2017 (Restated) RM'000
<u>Non-Mudarabah</u>		
Licensed Islamic banks	-	397,889
Licensed investment bank	321,123	350,022
Other financial institutions	976,317	500,679
Bank Negara Malaysia	14,934	17,747
Total	1,312,374	1,266,337

A17. INVESTMENT ACCOUNT DUE TO A LICENSED BANK

	30 September 2017 RM'000	31 March 2017 RM'000
Restricted investment account		
- Mudarabah Muqayyadah	2,129,428	1,600,000
Investment asset:		
Financing	2,129,428	1,600,000
Total investment	2,129,428	1,600,000

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

	Investment account holder		
		30 September 2017	31 March 2017
	Profit sharing ratio (%)	Average rate of return (%)	Average rate of return (%)
Maturity:			
between 1 year to 2 years	90	4.47	-
over 2 years to 5 years	90	4.32	4.78

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

On 29 September 2017, the Bank entered into a new contract with AmBank for the sum of RM529.4 million. This contract is for a period of 367 days.

As at 30 September 2017, the tenure of the RIA contracts is for a period of 1 year to 4 years (31 March 2017: 2 years to 4 years).

A18. OTHER LIABILITIES

	30 September 2017 RM'000	31 March 2017 RM'000
Profit payable	241,005	195,442
Other creditors and accruals	52,050	49,749
Advance rental	1,885	1,934
Amount due to related companies	77,665	1,384
Provision for commitments and contingencies	11,269	11,521
Provision for taxation	8,028	14,266
	391,902	274,296

A19. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	Individual Quarter		Cumulative Quarter	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Finance income and hibah:				
Financing and advances				
- Financing income	350,297	349,688	695,611	710,104
- Financing income on impaired financing	90	3,236	165	6,544
Financial assets held-for-trading	7,988	2,002	15,810	4,191
Financial investments available-for-sale	4,023	321	4,023	3,668
Financial investments held-to-maturity	14,159	14,024	28,218	27,952
Deposits and placements with banks and other financial institutions	21,530	25,448	39,931	57,071
Receivables: Investments not quoted in active markets	12,453	7,052	25,064	14,027
Total finance income and hibah	410,540	401,771	808,822	823,557
Other operating income:				
Fee and commission income:				
- Brokerage fees, commission and rebates	2	19	2	23
- Fees on financing, advances and securities	7,447	6,768	13,491	11,617
- Guarantee fees	2,511	2,725	5,316	5,278
- Remittances	20	21	42	42
- Service charges and fees	667	772	1,365	1,470
- Others	1,081	1,060	2,150	2,211
Foreign exchange	3,858	1,406	8,541	9,458
Gain/(Loss) from disposal of financial assets held-for-trading	(82)	4,518	1,784	5,433
Gain on revaluation of financial assets held-for-trading	915	2,282	187	1,857
Gain from disposal of financial investments available-for-sale	204	27	204	66
Net gain/(loss) on derivatives	(1,726)	5,754	(173)	4,197
Others	2	(216)	22	51
Total other operating income	14,899	25,136	32,931	41,703
Total	425,439	426,907	841,753	865,260

A20. INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	Individual Quarter		Cumulative Quarter	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Income derived from investment of:				
- Restricted investment account	19,834	14,274	38,660	28,768
- Unrestricted investment accounts	173	153	355	308
	20,007	14,427	39,015	29,076

Income derived from investment of restricted investment account

	Individual Quarter		Cumulative Quarter	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Finance income and hibah:				
Financing and advances				
- Financing income	19,834	14,274	38,660	28,768
Total finance income and hibah	19,834	14,274	38,660	28,768

Income derived from investment of unrestricted investment accounts

	Individual Quarter		Cumulative Quarter	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Finance income and hibah:				
Deposits and placements with banks and other financial institutions	173	153	355	308
Total finance income and hibah	173	153	355	308

A21. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS

	Individual Quarter		Cumulative Quarter	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Finance income and hibah:				
Financial investments available-for-sale	28,457	20,872	49,500	46,503
Total finance income and hibah	28,457	20,872	49,500	46,503
Other operating income:				
Fee and commission income:				
- Bancassurance commission	697	346	4,032	1,623
- Remittances	873	633	1,593	1,314
- Service charges and fees	633	304	1,338	1,006
- Others	(1)	-	-	-
Gain from disposal of financial investments available-for-sale	1,520	1,104	1,528	2,160
Unrealised gain on fair value hedge	57	97	22	7
Net loss on derivatives	(730)	(552)	(1,456)	(1,025)
Total other operating income	3,049	1,932	7,057	5,085
Total	31,506	22,804	56,557	51,588

A22. ALLOWANCE FOR IMPAIRMENT ON FINANCING AND ADVANCES

	Individual Quarter		Cumulative Quarter	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Allowance for impairment on financing and advances:				
Individual allowance, net	9,847	(5,690)	13,193	3,407
Collective allowance	9,792	36,886	66,861	68,267
Impaired financing and advances recovered, net	(28,775)	(28,830)	(56,825)	(59,982)
Total	(9,136)	2,366	23,229	11,692

A23. INCOME ATTRIBUTABLE TO THE DEPOSITORS AND OTHERS

	Individual Quarter		Cumulative Quarter	
	30 September 2017	30 September 2016 (Restated)	30 September 2017	30 September 2016 (Restated)
	RM'000	RM'000	RM'000	RM'000
Non-Mudarabah fund				
Deposit from customers	223,778	201,340	426,684	430,042
Deposits and placements of banks and other financial institutions	7,168	12,192	15,116	22,827
	230,946	213,532	441,800	452,869
Others	5,594	19,938	14,688	33,991
Total	236,540	233,470	456,488	486,860

A24. INCOME ATTRIBUTABLE TO THE INVESTMENT ACCOUNT HOLDERS

	Individual Quarter		Cumulative Quarter	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Unrestricted				
Customers - transactional investment accounts	3	3	6	5
Restricted				
Licensed bank - investment account	17,851	12,847	34,794	25,892
	17,854	12,850	34,800	25,897

A25. OTHER OPERATING EXPENSES

	Individual Quarter		Cumulative Quarter	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Personnel costs:				
- Salaries, allowances and bonuses	3,315	2,769	6,445	5,150
- Amortisation for share and options granted under AMMB ESS - (written back)/charge	34	(229)	(155)	(366)
- Contributions to EPF/Private Retirement Scheme	533	441	1,026	822
- Social security cost	19	15	37	28
- Others	(51)	381	1,144	789
	3,850	3,377	8,497	6,423
Establishment costs:				
- Amortisation of intangible assets	17	11	32	17
- Cleaning, maintenance and security	7	15	18	24
- Computerisation costs	73	144	130	205
- Depreciation of property and equipment	23	20	43	40
- Rental of premises	203	165	372	331
- Others	17	5	28	15
	340	360	623	632
Marketing and communication expenses:				
- Communication, advertising and marketing	1,583	2,096	1,936	3,460
- Others	52	38	87	68
	1,635	2,134	2,023	3,528
Administration and general expenses:				
- Card operation charges from a related company	-	-	-	3,821
- Professional services	8,091	2,207	16,443	3,282
- Others	6,622	6,345	15,648	18,109
	14,713	8,552	32,091	25,212
Service transfer pricing expense, net	90,165	88,492	178,542	172,779
	110,703	102,915	221,776	208,574

A26. BASIC EARNINGS PER SHARE

Basic/Diluted

Basic earnings per share is calculated by dividing the net profit attributable to the equity holder of the Bank by the number of ordinary shares at beginning of the financial year and end of the financial period.

Diluted earnings per share is calculated by dividing the adjusted net profit attributable

	Individual Quarter		Cumulative Quarter	
	30 September 2017	**30 September 2016**	**30 September 2017**	**30 September 2016**
Net profit attributable to equity holder of the Bank (RM'000)	70,300	57,442	108,896	109,507
Number of ordinary shares at beginning of the financial year ('000)	462,922	462,922	462,922	462,922
Effect of issuance of shares ('000)	684	-	344	-
Weighted average number of ordinary shares in issue at the end of the financial period ('000)	463,606	462,922	463,266	462,922
Basic earnings per share (sen)	**15.16**	**12.41**	**23.51**	**23.66**

A27. BUSINESS SEGMENT ANALYSIS

Segment information is presented in respect of the Bank'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 a segment and to assess its performance.

The Bank 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) Wholesale Banking

Wholesale Banking comprises Corporate and Commercial Banking and Markets:

(i) Corporate and Commercial Banking

Corporate and Commercial Banking offers a full range of products and services of corporate lending, trade finance, and cash management solutions to wholesale banking clients.

(ii) Global Markets

Global Markets includes proprietary trading as well as providing full range of Shariah compliant products and services relating to treasury activities, including foreign exchange, derivatives and fixed income. It also offers Shariah compliant customised investment solutions for customers.

(iii) Islamic Capital Markets

Islamic Capital Markets offer Islamic advisory services and a wide range of Shariah-compliant financial and investment solutions that include sukuk origination, Islamic equity or equity related capital markets offerings, Islamic structured finance and Islamic syndicated financing.

(c) Group Funding and Others

Group Funding and Others comprise activities to maintain the liquidity of the Bank as well as support operations of its main business units and non-core operations of the Bank.

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 comparatives have been restated to conform with current business realignment and restatement as per note A35.

A27. BUSINESS SEGMENT ANALYSIS (CONT'D.)

For the financial period ended 30 September 2017

		Wholesale banking				
	Retail Banking RM'000	Corporate and Commercial Banking RM'000	Global Markets RM'000	Islamic Capital Markets RM'000	Group Funding and Others RM'000	Total RM'000
External revenue	364,257	402,261	53,471	575	116,761	937,325
Revenue from other segments	3,860	(228,033)	179,020	(130)	45,283	-
Total operating revenue	368,117	174,228	232,491	445	162,044	937,325
Net finance income	164,487	130,802	7,347	64	37,994	340,694
Other income	13,753	15,195	1,627	381	10,339	41,295
Net income	178,240	145,997	8,974	445	48,333	381,989
Other operating expenses of which:	(145,763)	(27,554)	(3,451)	(2)	(45,006)	(221,776)
Depreciation of Property and Equipment	(1)	-	-	-	(42)	(43)
Amortisation of Intangible Assets	(3)	-	-	-	(29)	(32)
Profit before impairment losses	32,477	118,443	5,523	443	3,327	160,213
(Allowance)/Writeback for impairment on financing and advances	(25,092)	(12,608)	-	-	14,471	(23,229)
Provision for commitments and contingencies - (charge)/writeback	(171)	416	-	-	-	245
Profit before zakat and taxation	7,214	106,251	5,523	443	17,798	137,229
Zakat and taxation	(1,731)	(25,500)	(1,326)	(106)	330	(28,333)
Profit for the financial period	5,483	80,751	4,197	337	18,128	108,896
Other information						
Total segment assets	12,920,272	14,725,624	2,237,478	180	7,547,288	37,430,842
Total segment liabilities	14,065,227	2,636,839	12,685,680	63,669	4,765,378	34,216,793
Cost to income ratio	81.8%	18.9%	38.5%	0.4%	93.1%	58.1%
Gross financing and advances	13,044,317	14,316,634	-	-	(31,111)	27,329,840
Net financing and advances	12,884,593	14,260,960	-	-	(80,877)	27,064,676
Impaired financing and advances	169,105	426,475	-	-	-	595,580
Total deposits	13,923,230	2,476,739	12,405,002	-	35,400	28,840,371
Additions to :						
Property and Equipment	-	-	-	-	145	145
Intangible assets	-	-	-	-	288	288

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A27. BUSINESS SEGMENT ANALYSIS (CONT'D.)

For the financial period ended 30 September 2016 (Restated)

		Wholesale banking				
	Retail Banking RM'000	Corporate and Commercial Banking RM'000	Global Markets RM'000	Islamic Capital Markets RM'000	Group Funding and Others RM'000	Total RM'000
External revenue	383,370	382,180	47,043	3,951	129,380	945,924
Revenue from other segments	(84,783)	(223,317)	273,329	(24)	34,795	-
Total operating revenue	298,587	158,863	320,372	3,927	164,175	945,924
Net finance income	160,827	114,722	5,476	1	34,418	315,444
Other income	10,151	14,001	7,615	3,926	8,303	43,996
Net income	170,978	128,723	13,091	3,927	42,721	359,440
Other operating expenses of which:	(134,132)	(35,256)	(4,195)	(94)	(34,897)	(208,574)
Depreciation of Property and Equipment	(1)	-	-	-	(39)	(40)
Amortisation of Intangible Assets	-	-	-	-	(17)	(17)
Profit before impairment losses and provision	36,846	93,467	8,896	3,833	7,824	150,866
(Allowance)/Writeback for impairment on financing and advances	(19,515)	13,929	-	-	(6,106)	(11,692)
Provision for commitments and contingencies - (charge)/writeback	(343)	1,330	-	-	-	987
Profit before zakat and taxation	16,988	108,726	8,896	3,833	1,718	140,161
Zakat and taxation	(4,077)	(26,094)	(2,135)	(920)	2,572	(30,654)
Profit for the financial period	12,911	82,632	6,761	2,913	4,290	109,507
Other information						
Total segment assets	12,801,704	13,868,427	1,521,372	67,215	5,521,357	33,780,075
Total segment liabilities	9,438,445	2,497,056	14,064,602	63,669	4,944,694	31,008,466
Cost to income ratio	78.4%	27.4%	32.0%	2.4%	81.7%	58.0%
Gross financing and advances	12,895,104	13,841,584	-	-	(48,747)	26,687,941
Net financing and advances	12,758,810	13,744,180	-	-	(190,167)	26,312,823
Impaired financing and advances	155,474	418,774	-	-	-	574,248
Total deposits	9,344,776	2,344,499	13,725,858	-	13,300	25,428,433
Additions to :						
Property and Equipment	-	-	-	-	17	17
Intangible assets	-	-	-	-	205	205

Notes:
1. The financial information by geographical segment is not presented as the Bank's activities are principally conducted in Malaysia.
2 Operating revenue of the Bank comprise financing income and hibah and other operating income.

A28a. PERFORMANCE REVIEW FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

The Bank reported a lower profit before zakat and taxation of RM137.2 million for the financial period ended 30 September 2017 which was RM2.9 million or 2.1% lower as compared to the corresponding period ended 30 September 2016 of RM140.2 million. The lower profit was mainly due to higher other operating expenses of RM13.2 million incurred mainly for regulatory and compliance costs, higher allowance for impairment on financing and advances (mainly for individually assessed customers) and provision for commitment and contingencies of RM12.3 million and lower other operating income of RM2.7 million, mitigated by higher net finance income of RM25.3 million.

In the opinion of the directors, the results of operations of the Bank for the financial period have not been substantially affected by any item, transaction or event of a material and unusual nature.

A28b. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2018 ("FY2018")

Malaysia’s Gross Domestic Product ("GDP") is anticipated to grow at a credible 5.9% in 2017 (2016: 4.2%) underpinned by healthy private consumption benefitting from healthy wages and income support measures, impact from infrastructure spending, strong exports on the back of improving global demand and firm commodity prices as well as improving private investment. The economy is poised to continue with sustainable growth in 2018, projected to grow around 5.5% on the back of improving global growth and solid domestic activities.

The headline inflation which averaged at 4.1% in first half of 2017 is poised to ease in the second half of 2017 ("2H2017"). Supported by firmer Malaysian Ringgit against the US Dollar, stable oil and commodity prices added with fading of the cost-push factors and the low base effect, the overall inflation is envisaged to hover around 4.0% in 2017 (2016: 2.1%). Inflationary pressure will remain contained in 2018 barring no unforeseen circumstances.

In the banking system, we anticipate decent growth in retail financing namely in mortgage financing for affordable homes as well as in business financing especially from infrastructure and exports segment which is benefitting from improving global growth and firmer commodity prices. Based on our 5.9% GDP growth projection for 2017, we project the financing to grow between circa 5.0% in 2017.

In 2H2017, we expect the mild pressure on Banks' net finance margin to continue. However, it will be of a lesser extent since the implementation of net stable funding ratio requirement has been postponed to no earlier than 1 January 2019. Banks have sufficient liquid assets with an industry liquidity coverage ratio of 133.0% as at end August 2017, well above the regulatory requirement of 100.0%. Funding profiles of banks have been well diversified with the industry's financing-to-fund ratio and financing-to-fund & equity ratio standing at 83.4% and 73.2% respectively as at August 2017.

We anticipate the Overnight Policy Rate ("OPR") will likely be maintained at 3.00% and we believe the normalisation rate for OPR is around 3.50%, suggesting there could be 2 rate hikes with the first possibly in first quarter of 2018 and second either in second half of 2018 or first half of 2019. The Gross Impaired Financing ratio for banks is anticipated to be at similar levels in 2H2017. We expect an improvement in credit cost for the sector in 2017 compared to 2016.

A28b. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2018 ("FY2018") (CONT'D.)

For FY2018, AmBank Group will maintain its laser-sharp focus on its Top 4 Strategy. We will be accelerating penetration into our targeted segments and expanding in areas where we are already strong. We will focus on growth of quality assets, our deposit mix, maximising fees and, optimising and improving our risk-adjusted returns.

Wholesale Banking's strategic priorities for FY2018 are:

- Corporate Finance will continue to leverage on our full-fledged advisory services to enhance value for all stakeholders and utilise our underwriting abilities to provide total solutions
- Capital Markets Group will maintain its role as a key player in the bond, sukuk and loan/Islamic financing markets as well as exploring new opportunities
- Global Markets will continue to build on the momentum of our commercial and mid-market segments and focus on growing flow business
- Transaction Banking's trade financing desk is focusing on more trade financing-i related offerings in addition to expanding our JomPAY list to utility companies and welfare agencies.

In line with our Top 4 Strategy, we have created a new division called Business Banking to enhance our focus on the small and medium-sized enterprises ("SME") segment. This is a key growth area for AmBank and is also in line with the government's strategic initiative to encourage entrepreneursip. Our Business Banking division started operations in April 2017 and comprises two focus areas:

- Enterprise Banking: Focuses on companies with a business turnover of less than RM50 million and primarily looks at working capital loans under programme lending which will drive flow business of FX and trade
- Commercial Banking: Focuses on companies with a business turnover of RM50 million to RM150 million and primarily looks at liabilities and discretionary lending.

Retail Banking will continue to focus on growth in our mass affluent, affluent and retail SME segments, while strengthening our market positions in current accounts and savings accounts, cards and wealth management. These propositions are supported by enhanced sales and distribution capabilities, including leveraging on customer data analytics and improved efficiency through process reengineering and digitalisation.

Islamic Banking will intensify focus on SME and mid corp clients via transaction banking solutions, FX, vendor and contract financing. New target areas will include Islamic wealth management which entails the distribution of Islamic unit trusts and bancatakaful products, and term financing-i for investment in Amanah Saham Bumiputera (ASB) and ASB2.

For our people, we will be investing further to nurture our internal talent and attract external talent where necessary. In the digital arena, our transformation initiatives will focus on unrivalled customer experience and internal efficiencies, creating a digitally enabled workforce and embedding innovation into our way of working. In compliance, we will continue to implement programmes to invest in our compliance culture and infrastructure.

With our FY2018 strategic priorities in place, the Bank remains focused on running the bank better and changing the bank in our effort to deliver on our Top 4 aspirations and to progressively deliver optimal returns for our shareholders.

A29. VALUATION OF PROPERTY AND EQUIPMENT

The Bank’s property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (if any).

A30. SIGNIFICANT EVENT

Approval from Bank Negara Malaysia ("BNM") for AMMB Holdings Berhad ("AMMB"), the Bank's holding company, to commence negotiations with RHB Bank Berhad ("RHB") for a possible merger of their business and undertakings

On 1 June 2017, AMMB announced that BNM has, vide its letter dated 1 June 2017, stated that it has no objection for the AMMB to commence negotiations with RHB for a possible merger of their businesses and undertakings ('Proposed Merger'). The approval is valid until 30 November 2017.

(AMMB and RHB, collectively defined as the 'Parties')

Pursuant to BNM's approval, the Parties have on the same day, entered into an exclusivity agreement to negotiate and finalise pricing, structure, and other relevant terms and conditions for the Proposed Merger from and including the date of this announcement until 5.00 p.m. on 30 August 2017 (unless otherwise agreed by the Parties) ("Exclusivity Period"). There will be an automatic extension of the Exclusivity Period upon a submission being made to BNM for an application for the approval of the Minister of Finance for the Proposed Merger by any or both the Parties, until the date of execution of the relevant definitive agreement(s) to effect the Proposed Merger.

On 22 August 2017, the Parties had mutually agreed to end the negotiations and not to proceed with the Proposed Merger. The Exclusivity Period pursuant to the exclusivity agreement between the Parties dated 1 June 2017 was lapsed with immediate effect.

A31. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Bank's assets.

The principal/notional amounts of the commitments and contingencies of the Bank are as follows:

	30 September 2017 RM'000	31 March 2017 RM'000
Contingent Liabilities		
Direct credit substitutes	304,355	231,275
Transaction related contingent items	793,090	812,765
Short-term self liquidating trade-related contingencies	71,017	50,029
Obligations under on-going underwriting agreements	65,000	65,000
	1,233,462	1,159,069
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	4,801,824	3,621,122
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	899,016	858,147
Unutilised credit card lines	995,337	715,072
Forward asset purchase	70,529	10,022
	6,766,706	5,204,363
Derivative Financial Instruments		
Foreign exchange related contracts:		
- One year or less	1,372,611	1,880,550
- Over one year to five years	664,961	696,535
Profit rate related contracts		
- Over one year to five years	460,000	370,000
- Over five years	350,000	550,000
	2,847,572	3,497,085
Total	10,847,740	9,860,517

A32. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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.

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 Bank’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 Bank. Therefore, unobservable inputs reflect the Bank'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 Bank's own data.

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A32. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONT'D.)

a) The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities.

	Valuation techniques			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 September 2017				
Assets measured at fair value				
Derivative financial assets	-	49,653	-	49,653
Financial assets held-for-trading				
- Money market securities	-	457,717	-	457,717
- Unquoted sukuk	-	65,000	-	65,000
Financial investments available-for-sale				
- Money market securities	-	3,074,745	-	3,074,745
- Unquoted sukuk	-	950,588	-	950,588
	-	4,597,703	-	4,597,703
Liabilities measured at fair value				
Derivative financial liabilities	-	58,377	-	58,377
31 March 2017				
Assets measured at fair value				
Derivative financial assets	-	42,381	-	42,381
Financial assets held-for-trading				
- Money market securities	-	541,583	-	541,583
- Unquoted sukuk	-	139,882	-	139,882
Financial investments available-for-sale				
- Money market securities	-	1,518,846	-	1,518,846
- Unquoted sukuk	-	916,878	-	916,878
	-	3,159,570	-	3,159,570
Liabilities measured at fair value				
Derivative financial liabilities	-	47,870	-	47,870

There were no transfers between Level 1 and Level 2 during the current financial period and previous financial year for the Bank.

A33. CAPITAL ADEQUACY

(a) The capital adequacy ratios of the Bank are as follows:

	30 September 2017	31 March 2017
Common Equity Tier 1 ("CET 1") Capital ratio	10.689%	10.498%
Tier 1 Capital ratio	10.689%	10.498%
Total Capital ratio	15.506%	15.069%

Notes:

(i) The capital adequacy ratios are computed in accordance to BNM's guidelines on Capital Adequacy Framework for Islamic Banks (Capital Components) issued by the Prudential Financial Policy Department on 13 October 2015, which is based on the Basel III capital accord. The Bank 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 for Islamic Banks (Basel II - Risk Weighted Assets).

(ii) Pursuant to the above BNM's guidelines, the minimum capital adequacy ratio to be maintained under the guidelines are 4.5% for CET1 Capital, 6.0% for Tier 1 Capital and 8% for Total Capital ratio. Banking institutions are also required to maintain capital buffers. 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 Bank has credit exposures.

The CCB requirements under transitional arrangements shall be phased-in starting from 1 January 2016 as follows:

	CCB
Calendar year 2016	0.625%
Calendar year 2017	1.25%
Calendar year 2018	1.875%
Calendar year 2019 onwards	2.5%

A33. CAPITAL ADEQUACY (CONT'D.)

(b) The components of Common Equity Tier 1 Capital, Tier 2 Capital and Total Capital of the Bank are as follows:

	30 September 2017 RM'000	31 March 2017 RM'000
Common Equity Tier 1 Capital		
Ordinary shares	1,387,107	1,187,107
Retained earnings	1,493,739	1,179,283
Available for sale deficit	(2,980)	(5,149)
Statutory reserve	-	483,345
Regulatory reserve	336,183	58,430
Less : Regulatory adjustments applied on CET1 Capital		
- Intangible assets	(704)	(448)
- Regulatory reserve attributable to financing and advances	(336,183)	(58,430)
CET 1 Capital/ Tier 1 Capital	2,877,162	2,844,138
Tier 2 Capital		
Tier 2 Capital instruments meeting all relevent criteria for inclusion	850,000	850,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	130,000	130,000
Collective allowance and regulatory reserve	316,783	258,458
Tier 2 Capital	1,296,783	1,238,458
Total Capital	4,173,945	4,082,596

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

	30 September 2017 RM'000	31 March 2017 RM'000
Credit RWA	27,478,651	27,107,178
Less : Credit RWA absorbed by Restricted Investment Account	(2,136,047)	(1,604,369)
Total Credit RWA	25,342,604	25,502,809
Market RWA	189,145	178,976
Operational RWA	1,386,461	1,410,237
Total Risk Weighted Assets	26,918,210	27,092,022

A34. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	30 September 2017	31 March 2017
Outstanding credit exposures with connected parties (RM'000)	439,114	580,950
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	1.44	1.92
Percentage of outstanding credit exposures with connected parties which is non-performing or in default (%)	0.01	0.01

The credit exposures above are based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

A35. RESTATEMENT OF COMPARATIVE INFORMATION

Certain comparative figures were restated arising from the following:

a. The Bank had included deposits and placements with banks and other financial institutions with original maturity of less than 3 months as part of cash and cash equivalents for purposes of the statement of cash flows.

b. Reclassification of the Bank's structured products that do not guarantee the full repayment of the principal amount on demand as per BNM circular dated 21 June 2017 on Classification and Regulatory Treatment for Structured Products under the FSA and IFSA, from Deposits from customers and Deposits and placement of banks and other financial institutions to Term Funding. These products do not qualify as deposits under Section 2 of the IFSA.

The effect arising from the restatement of comparative information are as follows:

(i) Reconciliation of statement of cash flows

	As previously reported RM'000	Reclassification (Note A35a) RM'000	As restated RM'000
For the financial quarter ended 30 September 2016			
Changes in working capital:			
Net change in operating assets	1,506,975	(500,000)	1,006,975

A35. RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

The effect arising from the restatement of comparative information are as follows (cont'd.):

(ii) Reconciliation of statement of financial position

	As previously reported RM'000	Reclassification (Note A35b) RM'000	As restated RM'000
As at 1 April 2016			
Deposits and placements of banks and other financial institutions	1,443,510	(450,000)	993,510
Term funding	1,850,000	450,000	2,300,000
As at 31 March 2017			
Deposits from customers	26,891,697	(55,000)	26,836,697
Deposits and placements of banks and other financial institutions	1,346,337	(80,000)	1,266,337
Term funding	1,850,000	135,000	1,985,000

(iii) Reconciliation of statement of profit or loss

	As previously reported RM'000	Reclassification (Note A35b) RM'000	As restated RM'000
For the individual quarter ended 30 September 2016			
Income attributable to the depositors and others:			
Deposits and placements of banks and other financial institutions	21,345	(9,153)	12,192
Others	10,785	9,153	19,938
For the cumulative quarter ended 30 September 2016			
Income attributable to the depositors and others:			
Deposits and placements of banks and other financial institutions	35,367	(12,540)	22,827
Others	21,451	12,540	33,991