

Company No. 8515-D

**AmBank (M) Berhad**  
(Incorporated in Malaysia)  
**And Its Subsidiaries**

**Condensed Interim Financial Statements**  
**For the Financial Period**  
**1 April 2018 to**  
**31 December 2018**  
(In Ringgit Malaysia)

**AmBank (M) Berhad**  
(Incorporated in Malaysia)  
And Its Subsidiaries

**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	Note	Group		Bank	
		31 December 2018 RM'000	31 March 2018 (Restated) (Note A10) RM'000	31 December 2018 RM'000	31 March 2018 (Restated) (Note A10) RM'000
<b>ASSETS</b>					
Cash and short-term funds	A8	5,824,493	3,716,029	5,819,734	3,711,118
Deposits and placements with banks and other financial institutions	A9	1,028,753	450,000	1,028,753	450,000
Investment account placement	A10	1,849,011	2,856,370	1,849,011	2,856,370
Derivative financial assets		777,872	1,134,053	777,872	1,134,053
Financial assets at fair value through profit or loss	A11	8,677,366	-	8,677,317	-
Financial assets held-for-trading	A12	-	8,041,941	-	8,041,941
Financial investments at fair value through other comprehensive income	A13	12,338,813	-	12,363,409	-
Financial investments available-for-sale	A14	-	4,794,991	-	4,829,412
Financial investments at amortised cost	A15	3,306,506	-	3,306,506	-
Financial investments held-to-maturity	A16	-	1,802,605	-	1,802,605
Loans and advances	A17	69,881,994	67,324,490	69,819,873	67,254,479
Receivables: Investments not quoted in active markets	A18	-	1,149,600	-	1,149,600
Statutory deposit with Bank Negara Malaysia		1,974,361	2,012,837	1,974,361	2,012,837
Deferred tax assets		62	42,835	-	42,813
Investment in subsidiaries		-	-	31,535	31,535
Investment in associate		-	-	22	22
Other assets	A19	1,369,096	1,277,958	1,360,433	1,270,856
Property and equipment		117,667	129,524	97,713	108,754
Intangible assets		377,356	400,376	377,356	400,376
<b>TOTAL ASSETS</b>		<b>107,523,350</b>	<b>95,133,609</b>	<b>107,483,895</b>	<b>95,096,771</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	A20	77,808,611	69,753,528	77,813,541	69,757,231
Deposits and placements of banks and other financial institutions	A21	4,316,038	2,921,511	4,327,546	2,933,610
Securities sold under resale agreements		2,217,695	-	2,217,695	-
Recourse obligation on loans sold to Cagamas Berhad		4,140,003	3,753,216	4,140,003	3,753,216
Derivative financial liabilities		722,031	1,281,688	722,031	1,281,688
Term funding		3,155,809	2,748,820	3,155,809	2,748,820
Debt capital		3,580,000	3,579,871	3,580,000	3,579,871
Deferred tax liabilities		6,818	-	6,818	-
Other liabilities	A22	2,324,340	2,185,028	2,312,242	2,173,781
<b>TOTAL LIABILITIES</b>		<b>98,271,345</b>	<b>86,223,662</b>	<b>98,275,685</b>	<b>86,228,217</b>
Share capital		1,940,465	1,763,208	1,940,465	1,763,208
Reserves		7,311,367	7,146,675	7,267,745	7,105,346
<b>Equity attributable to equity holder of the Bank</b>		<b>9,251,832</b>	<b>8,909,883</b>	<b>9,208,210</b>	<b>8,868,554</b>
Non-controlling interests		173	64	-	-
<b>TOTAL EQUITY</b>		<b>9,252,005</b>	<b>8,909,947</b>	<b>9,208,210</b>	<b>8,868,554</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>107,523,350</b>	<b>95,133,609</b>	<b>107,483,895</b>	<b>95,096,771</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	A38	<b>119,137,201</b>	<b>135,900,849</b>	<b>119,199,625</b>	<b>135,962,738</b>
<b>NET ASSETS PER SHARE (RM)</b>		<b>11.06</b>	<b>10.86</b>	<b>11.00</b>	<b>10.81</b>

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2018.

**AmBank (M) Berhad**  
(Incorporated in Malaysia)  
**And Its Subsidiaries**

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

Group	Note	Individual Quarter		Cumulative Quarter	
		31 December 2018 RM'000	31 December 2017 (Restated) (Note A41(v)(b)) RM'000	31 December 2018 RM'000	31 December 2017 (Restated) (Note A41(v)(b)) RM'000
Operating revenue		1,387,744	1,246,057	4,034,870	3,616,474
Interest income	A23	1,252,514	1,074,889	3,595,213	3,139,432
Interest expense	A24	(820,584)	(671,914)	(2,317,301)	(1,920,840)
Net interest income		431,930	402,975	1,277,912	1,218,592
Other operating income	A25	135,230	171,168	439,657	477,042
Net income		567,160	574,143	1,717,569	1,695,634
Other operating expenses	A26	(292,529)	(343,423)	(888,264)	(948,320)
Operating profit		274,631	230,720	829,305	747,314
Writeback of allowance/(provision) for impairment on loans and advances	A27	87,826	(41,899)	140,176	28,871
Writeback of provision/(provision) for commitments and contingencies		2,988	(3,535)	11,495	4,416
Impairment (loss)/writeback on:					
Financial investments	A28	(6,859)	(7,340)	(6,918)	(13,762)
Other financial assets	A29	(4,306)	765	(7,496)	(8,471)
Foreclosed properties		-	(5)	-	(35)
Property and equipment		-	-	-	369
Other recoveries		1	241	5,951	769
<b>Profit before taxation</b>		<b>354,281</b>	<b>178,947</b>	<b>972,513</b>	<b>759,471</b>
Taxation		(85,887)	(44,279)	(234,617)	(151,435)
<b>Profit for the financial period</b>		<b>268,394</b>	<b>134,668</b>	<b>737,896</b>	<b>608,036</b>
Attributable to:					
Equity holder of the Bank		268,285	134,668	737,787	608,036
Non-controlling interests		109	-	109	-
Profit for the financial period		<b>268,394</b>	<b>134,668</b>	<b>737,896</b>	<b>608,036</b>
<b>Earnings per share (sen)</b>					
Basic/Diluted	A30	32.06	16.42	88.72	74.12

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2018.

**AmBank (M) Berhad**  
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**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2018**

Group	Individual Quarter		Cumulative Quarter	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	268,394	134,668	737,896	608,036
<b>Other comprehensive income/(loss)</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Currency translation on foreign operations	30	(29,160)	37,158	(55,831)
Cash flow hedge				
- losses arising during the financial period	(5,148)	520	(8,091)	(1,645)
- reclassification adjustments for losses/(gain) included in profit or loss	8	(931)	(128)	(760)
Tax effect	1,234	99	1,973	577
Financial assets at fair value through other comprehensive income				
- net unrealised loss on changes in fair value	6,124	-	2,088	-
- net gain reclassified to profit or loss	(2,572)	-	(4,758)	-
- expected credit loss	-	-	(817)	-
- foreign exchange differences	-	-	341	-
Tax effect	744	-	2,233	-
Financial investments available-for-sale				
- net unrealised gain on changes in fair value	-	(8,446)	-	6,475
- net gain reclassified to profit or loss	-	2,959	-	(13,380)
Tax effect	-	1,316	-	1,655
Other comprehensive income/(loss), net of tax	420	(33,643)	29,999	(62,909)
<b>Total comprehensive income for the financial period, net of tax</b>	<b>268,814</b>	<b>101,025</b>	<b>767,895</b>	<b>545,127</b>
Attributable to:				
Equity holder of the Bank	268,705	101,025	767,786	545,127
Non-controlling interests	109	-	109	-
	<b>268,814</b>	<b>101,025</b>	<b>767,895</b>	<b>545,127</b>

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2018.

**AmBank (M) Berhad**  
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**UNAUDITED STATEMENT OF PROFIT OR LOSS**  
**FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2018**

	Note	Individual Quarter		Cumulative Quarter	
		31 December 2018 RM'000	31 December 2017 (Restated) (Note A41(v)(b)) RM'000	31 December 2018 RM'000	31 December 2017 (Restated) (Note A41(v)(b)) RM'000
<b>Bank</b>					
Operating revenue		1,385,725	1,586,246	4,030,736	3,995,501
Interest income	A23	1,251,395	1,073,273	3,591,826	3,132,281
Interest expense	A24	(820,655)	(672,171)	(2,317,439)	(1,922,980)
Net interest income		430,740	401,102	1,274,387	1,209,301
Other operating income	A25	134,330	512,973	438,910	863,220
Net income		565,070	914,075	1,713,297	2,072,521
Other operating expenses	A26	(292,376)	(343,366)	(887,883)	(948,946)
Operating profit		272,694	570,709	825,414	1,123,575
Writeback of allowance/(provision) for impairment on loans and advances	A27	87,721	(41,896)	140,220	28,827
Writeback of provision/(provision) for commitments and contingencies		2,988	(3,534)	11,495	4,418
Impairment (loss)/writeback on:					
Financial investments	A28	(6,859)	(7,340)	(6,918)	(13,762)
Other financial assets	A29	(4,306)	765	(7,496)	(8,471)
Foreclosed properties		-	(5)	-	(35)
Property and equipment		-	-	-	369
Subsidiaries		-	(42,742)	-	(42,742)
Other recoveries		1	241	5,951	769
<b>Profit before taxation</b>		<b>352,239</b>	<b>476,198</b>	<b>968,666</b>	<b>1,092,948</b>
Taxation		(85,404)	(42,877)	(233,363)	(145,973)
<b>Profit for the financial period</b>		<b>266,835</b>	<b>433,321</b>	<b>735,303</b>	<b>946,975</b>
<b>Earnings per share (sen)</b>					
Basic/Diluted	A30	31.89	52.82	88.42	115.43

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2018.

**AmBank (M) Berhad**  
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**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2018**

	Individual Quarter		Cumulative Quarter	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Profit for the financial period	266,835	433,321	735,303	946,975
<b>Other comprehensive income/(loss)</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Currency translation on foreign operations	31	(19,925)	37,113	(44,517)
Cash flow hedge				
- losses arising during the financial period	(5,148)	520	(8,091)	(1,645)
- reclassification adjustments for loss/(gain) included in profit or loss	8	(931)	(128)	(760)
Tax effect	1,234	99	1,973	577
Financial assets at fair value through other comprehensive income				
- net unrealised loss on changes in fair value	6,170	-	2,335	-
- net gain reclassified to profit or loss	(2,572)	-	(4,758)	-
- expected credit loss	-	-	(817)	-
- foreign exchange differences	-	-	341	-
Tax effect	732	-	2,173	-
Financial investments available-for-sale				
- net unrealised gain on changes in fair value	-	(8,412)	-	6,307
- net loss reclassified to profit or loss	-	2,959	-	(13,380)
Tax effect	-	1,308	-	1,697
Other comprehensive income/(loss), net of tax	455	(24,382)	30,141	(51,721)
<b>Total comprehensive income for the financial period, net of tax</b>	<b>267,290</b>	<b>408,939</b>	<b>765,444</b>	<b>895,254</b>

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2018.

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

Group	Attributable to equity holder of the Bank										
	Non-distributable							Distributable			
	Share capital RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Merger reserve RM'000	Available-for-sale deficit RM'000	Cash flow hedging reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total attributable to equity holder RM'000	Non-controlling interests RM'000	Total equity RM'000
<b>At 1 April 2017</b>	1,763,208	980,969	163,820	104,149	(12,232)	3,010	127,243	5,657,191	8,787,358	63	8,787,421
Profit for the financial period	-	-	-	-	-	-	-	608,036	608,036	-	608,036
Other comprehensive loss	-	-	-	-	(5,250)	(1,828)	(55,831)	-	(62,909)	-	(62,909)
Total comprehensive income/(loss) for the financial period	-	-	-	-	(5,250)	(1,828)	(55,831)	608,036	545,127	-	545,127
Transfer of AMMB Holdings Berhad ("AMMB") Executives' Share Scheme ("ESS") shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	-	(1,203)	(1,203)	-	(1,203)
Transfer to retained earnings	-	(980,969)	-	-	-	-	-	980,969	-	-	-
Transfer to regulatory reserve	-	-	214,313	-	-	-	-	(214,313)	-	-	-
Dividend on ordinary shares:											
- final, financial year ended 31 March 2017	-	-	-	-	-	-	-	(324,044)	(324,044)	-	(324,044)
- interim, financial year ended 31 March 2018	-	-	-	-	-	-	-	(172,276)	(172,276)	-	(172,276)
Transaction with owner and other equity movements	-	(980,969)	214,313	-	-	-	-	269,133	(497,523)	-	(497,523)
<b>At 31 December 2017</b>	1,763,208	-	378,133	104,149	(17,482)	1,182	71,412	6,534,360	8,834,962	63	8,835,025

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2018.

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D.)  
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2018

Group	Attributable to equity holder of the Bank										
	Non-distributable						Distributable				
	Share capital RM'000	Regulatory reserve RM'000	Merger reserve RM'000	Available-for-sale deficit RM'000	Fair value reserve RM'000	Cash flow hedging reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total attributable to equity holder RM'000	Non-controlling interests RM'000	Total equity RM'000
<b>At 1 April 2018</b>	1,763,208	372,133	104,149	(23,387)	-	3,174	49,075	6,641,531	8,909,883	64	8,909,947
Impact of adopting MFRS 9 at 1 April 2018	-	(245,968)	-	23,387	214,333	-	-	(32,924)	(41,172)	-	(41,172)
As restated	1,763,208	126,165	104,149	-	214,333	3,174	49,075	6,608,607	8,868,711	64	8,868,775
Profit for the financial period	-	-	-	-	-	-	-	737,787	737,787	109	737,896
Other comprehensive (loss)/income	-	-	-	-	(913)	(6,246)	37,158	-	29,999	-	29,999
Total comprehensive (loss)/income for the financial period	-	-	-	-	(913)	(6,246)	37,158	737,787	767,786	109	767,895
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	-	(2,075)	(2,075)	-	(2,075)
Transfer to regulatory reserve	-	184,669	-	-	-	-	-	(184,669)	-	-	-
Dividend on ordinary shares:											
- final, financial year ended 31 March 2018	-	-	-	-	-	-	-	(250,211)	(250,211)	-	(250,211)
- interim, financial year ending 31 March 2019	-	-	-	-	-	-	-	(309,636)	(309,636)	-	(309,636)
Issuance of ordinary shares	177,257	-	-	-	-	-	-	-	177,257	-	177,257
Transaction with owner and other equity movements	177,257	184,669	-	-	-	-	-	(746,591)	(384,665)	-	(384,665)
<b>At 31 December 2018</b>	<b>1,940,465</b>	<b>310,834</b>	<b>104,149</b>	<b>-</b>	<b>213,420</b>	<b>(3,072)</b>	<b>86,233</b>	<b>6,599,803</b>	<b>9,251,832</b>	<b>173</b>	<b>9,252,005</b>

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2018.

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

	Attributable to equity holder of the Bank							Total equity RM'000
	Non-distributable					Distributable		
Bank	Share capital RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Available-for-sale deficit RM'000	Cash flow hedging reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	
<b>At 1 April 2017</b>	1,763,208	980,969	163,820	(12,233)	3,010	119,797	5,371,939	8,390,510
Profit for the financial period	-	-	-	-	-	-	946,975	946,975
Other comprehensive loss	-	-	-	(5,376)	(1,828)	(44,517)	-	(51,721)
Total comprehensive income/(loss) for the financial period	-	-	-	(5,376)	(1,828)	(44,517)	946,975	895,254
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	(1,203)	(1,203)
Transfer to retained earnings	-	(980,969)	-	-	-	-	980,969	-
Transfer to regulatory reserve	-	-	214,313	-	-	-	(214,313)	-
Dividend on ordinary shares:								
- final, financial year ended 31 March 2017	-	-	-	-	-	-	(324,044)	(324,044)
- interim, financial year ended 31 March 2018	-	-	-	-	-	-	(172,276)	(172,276)
Transaction with owner and other equity movements	-	(980,969)	214,313	-	-	-	269,133	(497,523)
<b>At 31 December 2017</b>	<b>1,763,208</b>	<b>-</b>	<b>378,133</b>	<b>(17,609)</b>	<b>1,182</b>	<b>75,280</b>	<b>6,588,047</b>	<b>8,788,241</b>

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Company No. 8515-D

**AmBank (M) Berhad**  
(Incorporated in Malaysia)  
And Its Subsidiaries

**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D.)  
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2018**

	Attributable to equity holder of the Bank							Total equity RM'000
	Non-distributable				Distributable			
Bank	Share capital RM'000	Regulatory reserve RM'000	Available-for-sale deficit RM'000	Fair value reserve RM'000	Cash flow hedging reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	
<b>At 1 April 2018</b>	1,763,208	372,133	(23,518)	-	3,174	52,974	6,700,583	8,868,554
Impact of adopting MFRS 9 at 1 April 2018	-	(245,968)	23,518	214,234	-	-	(32,907)	(41,123)
As restated	1,763,208	126,165	-	214,234	3,174	52,974	6,667,676	8,827,431
Profit for the financial period	-	-	-	-	-	-	735,303	735,303
Other comprehensive (loss)/income	-	-	-	(726)	(6,246)	37,113	-	30,141
Total comprehensive (loss)/income for the financial period	-	-	-	(726)	(6,246)	37,113	735,303	765,444
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	(2,075)	(2,075)
Transfer to regulatory reserve	-	184,669	-	-	-	-	(184,669)	-
Dividend on ordinary shares:								
- final, financial year ended 31 March 2018	-	-	-	-	-	-	(250,211)	(250,211)
- interim, financial year ending 31 March 2019	-	-	-	-	-	-	(309,636)	(309,636)
Issuance of ordinary shares	177,257	-	-	-	-	-	-	177,257
Transaction with owner and other equity movements	177,257	184,669	-	-	-	-	(746,591)	(384,665)
<b>At 31 December 2018</b>	<b>1,940,465</b>	<b>310,834</b>	<b>-</b>	<b>213,508</b>	<b>(3,072)</b>	<b>90,087</b>	<b>6,656,388</b>	<b>9,208,210</b>

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**Company No. 8515-D**

**AmBank (M) Berhad**  
(Incorporated in Malaysia)  
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**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2018**

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Profit before taxation	972,513	759,471	968,666	1,092,948
Adjustments for non-operating and non-cash items	77,138	430,562	76,774	(71,150)
Operating profit before working capital changes	<u>1,049,651</u>	<u>1,190,033</u>	<u>1,045,440</u>	<u>1,021,798</u>
Changes in working capital:				
Net change in operating assets	(2,700,798)	(5,687,659)	(2,707,004)	(5,697,200)
Net change in operating liabilities	12,484,855	9,144,940	12,484,524	9,139,977
Tax refunded	44,941	38,939	45,897	40,000
Net cash generated from operating activities	<u>10,878,649</u>	<u>4,686,253</u>	<u>10,868,857</u>	<u>4,504,575</u>
Net cash used in investing activities	(7,806,459)	(451,194)	(7,796,515)	(44,293)
Net cash used in financing activities	<u>(382,589)</u>	<u>(636,320)</u>	<u>(382,589)</u>	<u>(636,320)</u>
Net increase in cash and cash equivalents	2,689,601	3,598,739	2,689,753	3,823,962
Cash and cash equivalents at beginning of the financial year	3,566,029	5,889,301	3,561,118	5,658,942
Effect of exchange rate changes	(51)	(2,856)	(51)	(2,842)
Cash and cash equivalents at end of financial period	<u>6,255,579</u>	<u>9,485,184</u>	<u>6,250,820</u>	<u>9,480,062</u>
Cash and cash equivalents comprise:				
Cash and short-term funds	5,824,493	9,270,909	5,819,734	9,265,787
Deposits and placements with banks and other financial institutions	<u>1,028,753</u>	<u>814,275</u>	<u>1,028,753</u>	<u>814,275</u>
	6,853,246	10,085,184	6,848,487	10,080,062
Less: Deposits and placements with original maturity of more than 3 months	<u>(600,000)</u>	<u>(600,000)</u>	<u>(600,000)</u>	<u>(600,000)</u>
	6,253,246	9,485,184	6,248,487	9,480,062
Add:				
Changes in expected credit loss for cash and cash equivalents:				
Impact of adopting MFRS 9 at 1 April 2018	973	-	973	-
Movement for the financial period	1,344	-	1,344	-
Foreign exchange differences	16	-	16	-
Closing balance	<u>2,333</u>	<u>-</u>	<u>2,333</u>	<u>-</u>
	<u>6,255,579</u>	<u>9,485,184</u>	<u>6,250,820</u>	<u>9,480,062</u>

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2018.

## 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 Group and the Bank for the financial year ended 31 March 2018.

#### 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 Bank on 1 April 2018:

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

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

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

#### **MFRS 9 *Financial Instruments***

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

##### **(i) Classification and measurement**

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

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

**EXPLANATORY NOTES (CONT'D.)**

**A1. BASIS OF PREPARATION (CONT'D.)**

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

**MFRS 9 *Financial Instruments* (Cont'd.)**

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

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

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

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

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

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

**(ii) Impairment**

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

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

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

**EXPLANATORY NOTES (CONT'D.)**

**A1. BASIS OF PREPARATION (CONT'D.)**

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

**MFRS 9 *Financial Instruments* (Cont'd.)**

**(iii) Hedge accounting**

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

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

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

**MFRS 15 *Revenue from Contracts with Customers***

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

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

**Annual Improvements to MFRSs 2014-2016 Cycle**

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

- (i) **MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards***  
The amendments deleted short-term exemptions covering transition provisions of MFRS 7, MFRS 10, and MFRS 119. These transition provisions were available to entities for past reporting periods and are therefore no longer applicable. The deletion has no impact as the Group and the Bank have transitioned into MFRS in the past.
- (ii) **MFRS 128 *Investments in Associates and Joint Ventures***  
MFRS 128 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss. The amendments clarified that this election should be made separately for each associate or joint venture at initial recognition. The amendment has no impact as such election is not applicable to the Group and the Bank.

**IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration***

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

**EXPLANATORY NOTES (CONT'D.)**

**A1. BASIS OF PREPARATION (CONT'D.)**

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

**Standards issued but not yet effective**

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
MFRS 16 Leases	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Plan Amendment, Curtailment or Settlement (Amendments to MFRS119)	1 January 2019
Annual Improvements to MFRSs 2015-2017 Cycle	1 January 2019
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 and relevant to the Group and the Bank but not yet effective are described below. The Group and the Bank are assessing the financial effects of their adoption.

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

**MFRS 16 Leases**

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

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

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

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

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

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

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

**EXPLANATORY NOTES (CONT'D.)**

**A1. BASIS OF PREPARATION (CONT'D.)**

**A1.1 Standards issued but not yet effective (Cont'd.)**

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

**IC Interpretation 23 *Uncertainty over Income Tax Treatments***

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

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

**Prepayment Features with Negative Compensation (Amendments to MFRS 9)**

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

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

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

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

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

**Annual Improvements to MFRSs 2015-2017 Cycle**

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

**(i) MFRS 3 *Business Combinations***

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

**EXPLANATORY NOTES (CONT'D.)**

**A1. BASIS OF PREPARATION (CONT'D.)**

**A1.1 Standards issued but not yet effective (Cont'd.)**

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

**Annual Improvements to MFRSs 2015-2017 Cycle (Cont'd.)**

(ii) *MFRS 11 Joint Arrangements*

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

(iii) *MFRS 112 Income Taxes*

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

(iv) *MFRS 123 Borrowing Costs*

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

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

**Amendments to References to the Conceptual Framework in MFRS Standards**

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

**Definition of a Business (Amendments to MFRS 3)**

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

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

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

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

**EXPLANATORY NOTES (CONT'D.)**

**A1. BASIS OF PREPARATION (CONT'D.)**

**A1.1 Standards issued but not yet effective (Cont'd.)**

**(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.

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

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

**(a) Financial instruments – initial recognition and measurement**

**(i) Initial recognition**

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

**(ii) Initial measurement**

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

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

**(iii) "Day 1" profit or loss**

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

**(b) Financial assets – classification and subsequent measurement**

The Group and the Bank classify their financial assets in the following measurement categories:

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

**EXPLANATORY NOTES (CONT'D.)**

**A1. BASIS OF PREPARATION (CONT'D.)**

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

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

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

**(i) Debt instruments**

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

**Business model**

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

**Cash flow characteristics**

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

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

**Amortised cost**

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

**FVOCI**

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

**EXPLANATORY NOTES (CONT'D.)**

**A1. BASIS OF PREPARATION (CONT'D.)**

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

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

**(i) Debt instruments (Cont'd.)**

**FVTPL**

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

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

**(ii) Reclassification of debt investments**

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

**(iii) Equity instruments**

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

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

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

**(c) Financial liabilities – classification and subsequent measurement**

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

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

**(i) Amortised cost**

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

**EXPLANATORY NOTES (CONT'D.)**

**A1. BASIS OF PREPARATION (CONT'D.)**

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

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

**(i) Amortised cost (Cont'd.)**

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

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

**(ii) FVTPL**

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

**(d) Derecognition of financial instruments**

**(i) Derecognition of financial assets**

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

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

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

**A1. BASIS OF PREPARATION (CONT'D.)**

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

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

**(ii) Modification of loans**

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

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

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

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

**(iii) Derecognition of financial liabilities**

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

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

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

**A1. BASIS OF PREPARATION (CONT'D.)**

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

**(e) Repurchase and reverse repurchase agreements**

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

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

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

**(f) Securities lending and borrowing**

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

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

**(g) Financial instruments - expected credit losses**

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

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

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

**A1. BASIS OF PREPARATION (CONT'D.)**

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

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

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

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

**(i) Rescheduled and restructured loans**

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

**(ii) Collateral valuation**

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

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

**(iii) Collateral repossessed**

The Group's and the Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Repossessed financial assets determined to be useful for the internal operations are classified based on their characteristics, business model and the cash flow characteristics, and are measured at their fair value in the same manner as described in Note A.1.2(a)(ii). Repossessed non-financial assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value and the carrying value of the original secured asset. Repossessed assets that are determined better to be sold are immediately transferred to assets held for sale if the sale is deemed highly probable within a short period following the repossession, whereby financial assets are measured at their fair value whereas non-financial assets are measured at the lower of fair value less cost to sell at the repossession date and the carrying value of the original secured asset.

**A1. BASIS OF PREPARATION (CONT'D.)**

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

**(h) Hedge accounting**

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

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

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

**(i) Fair value hedges**

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

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

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

**(ii) Cash flow hedges**

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

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

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

**(iii) Hedges of a net investment**

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

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**A1. BASIS OF PREPARATION (CONT'D.)**

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

**(i) Offsetting financial instruments**

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

**(j) Financial guarantee contracts and loan commitments**

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

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

**(k) Investment in associates and joint ventures**

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

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

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

The Group's investment in associate is accounted for using the equity method.

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

The statement of profit or loss reflects the Group's share of the results of operations of the associate. The Bank's associate is classified as investment in subsidiary at Group level through additional equity interest held by two of its wholly-owned subsidiaries.

In the Bank's separate financial statements, investment in an associate is stated at cost less accumulated impairment losses. On disposal of such investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

**A1. BASIS OF PREPARATION (CONT'D.)**

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

**(I) Recognition of income and expenses relating to financial instruments**

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

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

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

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

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

**(ii) Dividend income**

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

**(iii) Investment and trading income**

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

**A1. BASIS OF PREPARATION (CONT'D.)**

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

**(m) Recognition of revenue from contracts with customers**

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

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

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

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

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

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

**(i) Fee and commission income**

The Group and the Bank earn fee and commission income from a diverse range of services provided to their customers. Fee income can be divided into the following two categories:

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

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

**Fee income from providing transaction services**

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

**A1. BASIS OF PREPARATION (CONT'D.)**

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

**(m) Recognition of revenue from contracts with customers (Cont'd.)**

**(ii) Customer loyalty programmes**

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

**A1.3 Significant changes in Regulatory Requirements**

**BNM policy documents on Financial Reporting**

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

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

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

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

- (i) a movement schedule of financial instruments classified as credit-impaired with a breakdown by class of financial instrument;
- (ii) a movement schedule of loss allowance with a breakdown by class of financial instrument and showing separately the loss allowance measured by different stages of expected credit loss;
- (iii) intercompany charges with a breakdown by type of services received and geographical distribution; and
- (iv) nature of the underlying assets in connection with placement of funds in an investment account with an Islamic banking institution. (refer Note A10 Investment Account Placement)

**A1.4 Significant Accounting Judgements, Estimates and Assumptions**

The preparation of the condensed interim financial statements in accordance with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of revenue, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Judgements, estimates and assumptions are continually evaluated and are based on 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 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 2018 except for the measurement of expected credit losses under MFRS 9 which involves increased complexity and judgements.

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**A2. AUDIT QUALIFICATION**

The auditors' report on the audited annual financial statements for the financial year ended 31 March 2018 was not qualified.

**A3. SEASONALITY OR CYCLICALITY OF OPERATIONS**

The operations of the Group and the Bank are not subject to 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 ended 31 December 2018 other than impact of adoption of MFRS9 as disclosed in Note A41.

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

**Issuance of equity securities**

On 28 June 2018, the Bank increased its issued and paid-up ordinary share capital by RM177.3 million through the issuance of 16,489,024 new ordinary shares at an issue price of RM10.75 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.

**Issuance of debt securities**

- a) On 26 June 2018, the Bank issued Tranche 7 of Senior Notes with nominal amount of RM700.0 million under its Senior Notes programme of RM7.0 billion. This tranche bears interest at 4.50% payable half-yearly and is for a tenor of 2 years.
- b) On 15 November 2018, the Bank issued Tranche 6 of Subordinated Notes with nominal amount of RM1.0 billion under its Subordinated Notes programme of RM4.0 billion. This tranche bears interest at 4.98% payable half-yearly and is for a tenure of 10 years Callable in 5th year.

**Repayment of debt securities**

- a) On its first call date on 9 April 2018, the Bank fully redeemed Tranche 6 of Medium Term Notes with nominal amount of RM600.0 million issued under its Medium Term Notes Programme of up to RM2.0 billion.
- b) On 21 May 2018, the Bank fully redeemed Tranche 5 of Senior Notes with nominal amount of RM400.0 million issued under its Senior Notes programme of RM7.0 billion.
- c) On its first call date on 31 December 2018, the Bank fully redeemed Tranche 1 of Subordinated Notes with nominal amount of RM400.0 million issued under its Subordinated Notes programme of RM4.0 billion.

Other than disclosed above, there were no share buy-backs, share cancellations, shares held as treasury shares, resale of treasury shares and repayment of debt and equity securities by the Group and the Bank during the financial quarter and period.

**A7. DIVIDENDS**

During the financial period:

- a) The final single-tier cash dividend of 30.50 sen per ordinary share on 820,363,762 ordinary shares amounting to approximately RM250,210,947 in respect of the financial year ended 31 March 2018 was paid on 27 June 2018.
- b) an interim single-tier cash dividend of 37.00 sen per ordinary share on 836,852,786 ordinary shares amounting to approximately RM309,635,531 in respect of current financial year was paid on 30 November 2018.

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**A8. CASH AND SHORT-TERM FUNDS**

	Group		Bank	
	31 December 2018 RM'000	31 March 2018 RM'000	31 December 2018 RM'000	31 March 2018 RM'000
Cash and bank balances	1,797,994	1,605,992	1,797,103	1,603,614
Deposit placements maturing within one month:				
Licensed banks	2,038,545	2,040,037	2,034,677	2,037,504
Bank Negara Malaysia	1,990,000	70,000	1,990,000	70,000
	<u>4,028,545</u>	<u>2,110,037</u>	<u>4,024,677</u>	<u>2,107,504</u>
Total cash and bank balances and deposit placements	5,826,539	3,716,029	5,821,780	3,711,118
Less: Expected credit losses	(2,046)	-	(2,046)	-
	<u>5,824,493</u>	<u>3,716,029</u>	<u>5,819,734</u>	<u>3,711,118</u>

Movements in allowances for impairment are as follows:

Group and Bank	12-Month ECL Stage 1 RM'000	12-Month ECL Stage 2 RM'000	Total RM'000
	Balance at beginning of the financial period		
- as previously stated	-	-	-
- effects of adoption of MFRS 9	973	-	973
Balance at beginning of the financial period, as restated	973	-	973
Movement in allowance due to changes in credit risk	1,039	19	1,058
Exchange difference	15	-	15
Balance at end of the financial period	<u>2,027</u>	<u>19</u>	<u>2,046</u>

**A9. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**

	Group and Bank	
	31 December 2018 RM'000	31 March 2018 RM'000
Licensed banks	579,040	-
Licensed investment banks	450,000	450,000
Less: Expected credit losses	(287)	-
	<u>1,028,753</u>	<u>450,000</u>

Movements in allowances for impairment are as follows:

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

**A10. INVESTMENT ACCOUNT PLACEMENT**

	<b>Group and Bank</b>	
	<b>31 December 2018</b>	<b>31 March 2018 (Restated) (Note A17(i) and A41)</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed Islamic bank	1,859,816	2,859,110
Less: Impairment allowance	(10,805)	(2,740)
	1,849,011	2,856,370

This represent investment placed under Restricted Investment Account ("RIA") arrangement with AmBank Islamic Berhad ("AmBank Islamic"). The contract is based on the Shariah concept of Mudarabah Muqayyadah between two parties, that is, the investor ("the Bank") and the entrepreneur ("AmBank Islamic") to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratio. Losses shall be borne solely by the investor. The investment assets financed under this arrangement are financing and advances extended by AmBank Islamic to external customers.

During the current financial period on 30 April 2018 and 14 May 2018, AmBank early redeemed placements which amounted to RM517.4 million and RM480.7 million respectively.

As losses are borne solely by the investor, the related impairment allowance for financing and advances is recorded by the Bank. Previously, the collective allowance for financing and advances for the investment assets was presented under collective allowance for loans and advances of the Bank. During the current financial period, the impairment allowance is presented as impairment allowance for the investment account placement to better reflect the nature of the impairment allowance. Accordingly, the comparatives have been restated to conform with the current period's presentation as disclosed in Note A41.

As at 31 December 2018, the gross exposure relating to the RIA financing for the Group and the Bank amounted to RM1,866.1 million (31 March 2018: RM2,869.6 million). No individual allowance is provided for the RIA financing as at 31 December 2018 and 31 March 2018.

Movements in allowances for impairment are as follows:

**Group and Bank**

	<b>31 December 2018</b>		
	<b>12-Month ECL Stage 1 RM'000</b>	<b>12-Month ECL Stage 2 RM'000</b>	<b>Total RM'000</b>
Balance at beginning of the financial period			
- as previously stated	-	-	-
- reclassification (Note A17(i))	2,740	-	2,740
- effects of adoption of MFRS 9	1,519	-	1,519
Balance at beginning of the financial period, as restated	4,259	-	4,259
Changes due to investment account placement movements:			
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(2,372)	13,632	11,260
Changes in credit risk	(5)	(4,709)	(4,714)
Balance at end of the financial period	1,882	8,923	10,805

**A10. INVESTMENT ACCOUNT PLACEMENT (CONT'D.)**

	<b>31 March 2018 (Restated) (Note A17(i) and A41) RM'000</b>
Balance at beginning of the financial year	
- as previously stated	-
- reclassification (Note A17(i))	2,299
Balance at beginning of the financial year, as restated	<u>2,299</u>
(Writeback)/allowance made due to changes in credit risk	441
Balance at end of the financial year	<u><u>2,740</u></u>

**A11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")**

	<b>Group</b>		<b>Bank</b>	
	<b>31 December 2018 RM'000</b>	<b>31 March 2018 RM'000</b>	<b>31 December 2018 RM'000</b>	<b>31 March 2018 RM'000</b>
<b>At fair value</b>				
Money market instruments:				
Bank Negara Monetary Notes	4,306,433	-	4,306,433	-
Malaysian Government Investment Issues	813,676	-	813,676	-
Malaysian Government Securities	2,154,198	-	2,154,198	-
Malaysian Treasury Bills	321,727	-	321,727	-
	<u>7,596,034</u>	<u>-</u>	<u>7,596,034</u>	<u>-</u>
Quoted securities:				
<i>In Malaysia:</i>				
Shares	230,082	-	230,082	-
Unit trusts	45,100	-	45,100	-
Sukuk	37,806	-	37,806	-
	<u>312,988</u>	<u>-</u>	<u>312,988</u>	<u>-</u>
<i>Outside Malaysia:</i>				
Shares	110,213	-	110,209	-
	<u>110,213</u>	<u>-</u>	<u>110,209</u>	<u>-</u>
Unquoted securities:				
<i>In Malaysia:</i>				
Shares	45	-	-	-
Corporate bonds and sukuk	658,086	-	658,086	-
	<u>658,131</u>	<u>-</u>	<u>658,086</u>	<u>-</u>
	<u>8,677,366</u>	<u>-</u>	<u>8,677,317</u>	<u>-</u>

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**A12. FINANCIAL ASSETS HELD-FOR-TRADING**

	<b>Group and Bank</b>	
	<b>31 December 2018 (Note A41) RM'000</b>	<b>31 March 2018 RM'000</b>
<b>At fair value</b>		
Money market instruments:		
Bank Negara Monetary Notes	-	4,808,484
Government Investment Issues	-	428,254
Islamic Treasury Bills	-	327,942
Malaysian Government Securities	-	311,458
Malaysian Treasury Bills	-	52,540
	<u>-</u>	<u>5,928,678</u>
Quoted securities:		
<i>In Malaysia:</i>		
Shares	-	268,992
Unit trusts	-	60,573
Sukuk	-	37,962
	<u>-</u>	<u>367,527</u>
<i>Outside Malaysia:</i>		
Shares	-	120,095
Unquoted securities:		
<i>In Malaysia:</i>		
Corporate bonds and sukuk	-	1,625,641
	<u>-</u>	<u>8,041,941</u>

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**A13. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")**

	Group		Bank	
	31 December 2018 RM'000	31 March 2018 RM'000	31 December 2018 RM'000	31 March 2018 RM'000
<b>At fair value</b>				
Money market instruments:				
Malaysian Government Investment Issues	1,205,738	-	1,205,738	-
Malaysian Government Securities	3,167,236	-	3,167,236	-
Islamic Negotiable Instruments of Deposit	946,526	-	946,526	-
	<u>5,319,500</u>	<u>-</u>	<u>5,319,500</u>	<u>-</u>
Quoted securities:				
<i>In Malaysia:</i>				
Unit trusts	96,332	-	96,332	-
Unquoted securities:				
<i>In Malaysia:</i>				
Corporate bonds and sukuk	6,177,768	-	6,202,364	-
Shares	518,533	-	518,533	-
	<u>6,696,301</u>	<u>-</u>	<u>6,720,897</u>	<u>-</u>
<i>Outside Malaysia:</i>				
Corporate bonds and sukuk	226,133	-	226,133	-
Shares	547	-	547	-
	<u>226,680</u>	<u>-</u>	<u>226,680</u>	<u>-</u>
	<u>12,338,813</u>	<u>-</u>	<u>12,363,409</u>	<u>-</u>

**A13. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")(CONT'D.)**

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

	<b>12-Month ECL Stage 1 RM'000</b>	<b>Lifetime ECL not credit impaired Stage 2 RM'000</b>	<b>Lifetime ECL credit impaired Stage 3 RM'000</b>	<b>Total RM'000</b>
<b>Group</b>				
Balance at beginning of the financial period	-	-	7,318	7,318
Effects of adoption of MFRS 9	8,708	3,132	-	11,840
Write-off against gross carrying amount upon adoption of MFRS9	-	-	(2,318)	(2,318)
Balance at beginning of the financial period, as restated	8,708	3,132	5,000	16,840
New financial assets originated	4,383	-	-	4,383
Financial assets derecognised	(2,278)	-	-	(2,278)
Allowance made due to changes in credit risk	3,425	304	-	3,729
Write-off during the financial period	-	-	(5,000)	(5,000)
Exchange difference	341	-	-	341
Balance at end of the financial period	<u>14,579</u>	<u>3,436</u>	<u>-</u>	<u>18,015</u>
<b>Bank</b>				
Balance at beginning of the financial period	-	-	7,318	7,318
Effects of adoption of MFRS 9	8,740	3,132	-	11,872
Write-off against gross carrying amount upon adoption of MFRS9	-	-	(2,318)	(2,318)
Balance at beginning of the financial period, as restated	8,740	3,132	5,000	16,872
New financial assets originated	4,383	-	-	4,383
Financial assets derecognised	(2,278)	-	-	(2,278)
Allowance made due to changes in credit risk	3,425	304	-	3,729
Write-off during the financial period	-	-	(5,000)	(5,000)
Exchange difference	341	-	-	341
Balance at end of the financial period	<u>14,611</u>	<u>3,436</u>	<u>-</u>	<u>18,047</u>

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**A14. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE**

	Group		Bank	
	31 December 2018 (Note A41) RM'000	31 March 2018 RM'000	31 December 2018 (Note A41) RM'000	31 March 2018 RM'000
<b>At fair value</b>				
Money market instruments:				
Malaysian Government Investment Issues	-	314,152	-	314,152
Foreign Government Investment Issues	-	11,493	-	11,493
Malaysian Government Securities	-	232,917	-	232,917
	-	558,562	-	558,562
Quoted securities:				
<i>In Malaysia:</i>				
Shares	-	98	-	98
Unit trusts	-	110,093	-	110,093
	-	110,191	-	110,191
<i>Outside Malaysia:</i>				
Shares	-	40	-	7
Unquoted securities:				
<i>In Malaysia:</i>				
Corporate bonds and sukuk	-	3,556,154	-	3,590,653
Shares	-	46,677	-	46,677
	-	3,602,831	-	3,637,330
<i>Outside Malaysia:</i>				
Corporate bonds and sukuk	-	252,349	-	252,349
<b>At cost</b>				
Unquoted securities:				
<i>In Malaysia:</i>				
Shares *	-	270,830	-	270,785
<i>Outside Malaysia:</i>				
Shares	-	188	-	188
	-	4,794,991	-	4,829,412

\* In the previous financial year, the Bank had purchased unquoted shares from a related company, AmInvestment Bank Berhad for cash consideration of RM187.5 million.

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**A15. FINANCIAL INVESTMENTS AT AMORTISED COST**

	<b>Group and Bank</b>	
	<b>31 December 2018 RM'000</b>	<b>31 March 2018 RM'000</b>
<b>At amortised cost</b>		
Money market instruments:		
Malaysian Government Investment Issues	151,327	-
Unquoted securities:		
<i>In Malaysia:</i>		
Corporate bonds and sukuk	3,162,015	-
Less: Expected credit loss	(6,836)	-
	<b>3,306,506</b>	<b>-</b>

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

	<b>12-Month ECL Stage 1 RM'000</b>	<b>Lifetime ECL not credit impaired Stage 2 RM'000</b>	<b>Lifetime ECL credit impaired Stage 3 RM'000</b>	<b>Total RM'000</b>
<b>Group and Bank</b>				
Balance at beginning of the financial period				
- as previously stated	-	-	2,550	2,550
- effects of adoption of MFRS 9	3,202	-	-	3,202
Balance at beginning of the financial period, as restated	3,202	-	2,550	5,752
Allowance made due to changes in credit risk	1,084	-	-	1,084
Balance at end of the financial period	4,286	-	2,550	6,836

**A16. FINANCIAL INVESTMENTS HELD-TO-MATURITY**

	<b>Group and Bank</b>	
	<b>31 December 2018 (Note A41) RM'000</b>	<b>31 March 2018 RM'000</b>
<b>At amortised cost</b>		
Unquoted securities:		
<i>In Malaysia:</i>		
Corporate bonds and sukuk	-	1,805,155
Less: Accumulated impairment losses	-	(2,550)
	<b>-</b>	<b>1,802,605</b>

**A17. LOANS AND ADVANCES**

	Group		Bank	
	31 December 2018	31 March 2018 (Restated) (Note A10)	31 December 2018	31 March 2018 (Restated) (Note A10)
	RM'000	RM'000	RM'000	RM'000
<b>At amortised cost:</b>				
Overdraft	2,636,610	2,546,703	2,636,610	2,546,703
Term loans	15,868,096	14,532,383	15,868,096	14,532,383
Housing loan receivables	23,833,774	22,009,341	23,683,493	21,850,682
Hire purchase receivables	12,349,625	13,173,584	12,349,625	13,173,584
Bills receivables	1,208,493	1,064,506	1,208,493	1,064,506
Trust receipts	1,550,254	1,634,359	1,550,254	1,634,359
Claims on customers under acceptance credits	3,508,730	3,237,968	3,508,730	3,237,968
Card receivables	1,704,784	1,560,226	1,704,784	1,560,226
Revolving credits	7,721,670	7,866,973	7,809,714	7,955,585
Staff loans	96,711	100,637	96,711	100,637
Others	335,000	276,722	335,000	276,722
Gross loans and advances	70,813,747	68,003,402	70,751,510	67,933,355
Allowance for impairment on loans and advances:				
- Individual allowance	(160,396)	(181,100)	(160,396)	(181,100)
- Collective allowance	(771,357)	(497,812)	(771,241)	(497,776)
Net loans and advances	69,881,994	67,324,490	69,819,873	67,254,479

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**A17. LOANS AND ADVANCES (CONT'D.)**

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

	Group		Bank	
	31 December 2018 RM'000	31 March 2018 RM'000	31 December 2018 RM'000	31 March 2018 RM'000
Domestic banking institutions	124,867	216	124,867	216
Domestic non-bank financial institutions	1,438,336	1,544,384	1,526,381	1,632,996
Domestic business enterprises				
- Small medium enterprises	13,259,044	11,396,083	13,259,044	11,396,083
- Others	14,163,425	14,783,349	14,163,425	14,783,349
Government and statutory bodies	-	3	-	3
Individuals	40,622,266	39,089,885	40,471,984	38,931,226
Other domestic entities	6,981	7,521	6,981	7,521
Foreign individuals and entities	1,198,828	1,181,961	1,198,828	1,181,961
	<u>70,813,747</u>	<u>68,003,402</u>	<u>70,751,510</u>	<u>67,933,355</u>

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

	Group		Bank	
	31 December 2018 RM'000	31 March 2018 RM'000	31 December 2018 RM'000	31 March 2018 RM'000
In Malaysia	70,581,890	67,775,699	70,519,653	67,705,652
Outside Malaysia	231,857	227,703	231,857	227,703
	<u>70,813,747</u>	<u>68,003,402</u>	<u>70,751,510</u>	<u>67,933,355</u>

(c) Gross loans and advances analysed by interest rate sensitivity are as follows:

	Group		Bank	
	31 December 2018 RM'000	31 March 2018 RM'000	31 December 2018 RM'000	31 March 2018 RM'000
Fixed rate				
- Housing loans	262,379	279,506	112,097	120,847
- Hire purchase receivables	11,482,960	12,137,937	11,482,960	12,137,937
- Other fixed rate loans	5,892,747	5,411,233	5,892,747	5,411,233
Variable rate				
- Base rate and base lending rate plus	35,074,391	31,853,878	35,074,391	31,853,878
- Cost plus	13,148,264	13,788,707	13,236,309	13,877,319
- Other variable rates	4,953,006	4,532,141	4,953,006	4,532,141
	<u>70,813,747</u>	<u>68,003,402</u>	<u>70,751,510</u>	<u>67,933,355</u>

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**A17. LOANS AND ADVANCES (CONT'D.)**

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

	Group		Bank	
	31 December 2018 RM'000	31 March 2018 RM'000	31 December 2018 RM'000	31 March 2018 RM'000
Agriculture	1,595,901	1,602,895	1,595,901	1,602,895
Mining and quarrying	1,088,093	864,688	1,088,093	864,688
Manufacturing	7,050,415	6,502,898	7,050,415	6,502,898
Electricity, gas and water	445,704	847,981	445,704	847,981
Construction	3,148,864	2,860,344	3,148,864	2,860,344
Wholesale and retail trade and hotel and restaurants	4,776,874	4,635,523	4,776,874	4,635,523
Transport, storage and communication	1,224,171	1,145,419	1,224,171	1,145,419
Finance and insurance	1,578,296	1,563,370	1,666,341	1,651,982
Real estate	6,053,032	6,025,534	6,053,032	6,025,534
Business activities	1,401,354	1,232,608	1,401,354	1,232,608
Education and health	632,305	627,112	632,305	627,112
Household of which:	41,555,546	39,997,162	41,405,264	39,838,503
- purchase of residential properties	23,304,011	21,523,361	23,153,729	21,364,702
- purchase of transport vehicles	11,349,698	12,327,254	11,349,698	12,327,254
- others	6,901,837	6,146,547	6,901,837	6,146,547
Others	263,192	97,868	263,192	97,868
	<u>70,813,747</u>	<u>68,003,402</u>	<u>70,751,510</u>	<u>67,933,355</u>

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

	Group		Bank	
	31 December 2018 RM'000	31 March 2018 RM'000	31 December 2018 RM'000	31 March 2018 RM'000
Maturing within one year	15,131,077	14,601,773	15,218,585	14,689,847
Over one year to three years	5,407,229	5,125,625	5,403,550	5,121,947
Over three years to five years	6,370,288	7,356,814	6,361,864	7,348,390
Over five years	43,905,153	40,919,190	43,767,511	40,773,171
	<u>70,813,747</u>	<u>68,003,402</u>	<u>70,751,510</u>	<u>67,933,355</u>

**A17. LOANS AND ADVANCES (CONT'D.)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>31 December 2018 RM'000</b>	<b>31 March 2018 RM'000</b>	<b>31 December 2018 RM'000</b>	<b>31 March 2018 RM'000</b>
Balance at beginning of the financial period/year	1,053,800	1,198,462	1,053,616	1,198,052
Impaired during the financial period/year	757,015	802,564	756,438	802,048
Reclassified as non-impaired	(308,282)	(74,898)	(308,282)	(74,833)
Recoveries	(119,033)	(413,904)	(118,968)	(413,227)
Amount written off	(311,046)	(441,873)	(311,046)	(441,873)
Foreign exchange differences	6,277	(16,551)	6,277	(16,551)
Balance at end of the financial period/year	<u>1,078,731</u>	<u>1,053,800</u>	<u>1,078,035</u>	<u>1,053,616</u>
Gross impaired loans and advances as % of gross loans and advances	<u>1.52%</u>	<u>1.55%</u>	<u>1.52%</u>	<u>1.55%</u>
Loan loss coverage (Including regulatory reserve)*	<u>122%</u>	<u>100%</u>	<u>123%</u>	<u>100%</u>

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

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

	<b>Group</b>		<b>Bank</b>	
	<b>31 December 2018 RM'000</b>	<b>31 March 2018 RM'000</b>	<b>31 December 2018 RM'000</b>	<b>31 March 2018 RM'000</b>
In Malaysia	1,019,604	994,850	1,018,908	994,666
Outside Malaysia	59,127	58,950	59,127	58,950
	<u>1,078,731</u>	<u>1,053,800</u>	<u>1,078,035</u>	<u>1,053,616</u>

**A17. LOANS AND ADVANCES (CONT'D.)**

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

	Group		Bank	
	31 December 2018 RM'000	31 March 2018 RM'000	31 December 2018 RM'000	31 March 2018 RM'000
Agriculture	72	265	72	265
Mining and quarrying	76,971	82,711	76,971	82,711
Manufacturing	147,166	81,147	147,166	81,147
Electricity, gas and water	120	110	120	110
Construction	13,848	37,226	13,848	37,226
Wholesale and retail trade and hotel and restaurants	49,458	28,054	49,458	28,054
Transport, storage and communication	7,454	8,966	7,454	8,966
Real estate	257,212	291,255	257,212	291,255
Business activities	7,889	8,097	7,889	8,097
Education and health	12,096	18,333	12,096	18,333
Household of which:	503,524	495,401	502,828	495,217
- purchase of residential properties	307,224	282,769	306,528	282,585
- purchase of transport vehicles	104,471	132,187	104,471	132,187
- others	91,829	80,445	91,829	80,445
Others	2,921	2,235	2,921	2,235
	<u>1,078,731</u>	<u>1,053,800</u>	<u>1,078,035</u>	<u>1,053,616</u>

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

	Group and Bank	
	31 December 2018 RM'000	31 March 2018 RM'000
<b>Individual allowance</b>		
Balance at beginning of the financial period/year		
- as previously stated	181,100	240,793
- effects of adoption of MFRS 9	(1,493)	-
Balance at beginning of the financial period/year, as restated	<u>179,607</u>	<u>240,793</u>
Charge to profit or loss, net	23,325	76,158
Amount written-off	(40,469)	(128,355)
Foreign exchange differences	(2,067)	(7,496)
Balance at end of the financial period/year	<u>160,396</u>	<u>181,100</u>

**A17. LOANS AND ADVANCES (CONT'D.)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>31 December 2018 RM'000</b>	<b>31 March 2018 (Restated) (Note A10) RM'000</b>	<b>31 December 2018 RM'000</b>	<b>31 March 2018 (Restated) (Note A10) RM'000</b>
<b>Collective allowance</b>				
Balance at beginning of the financial period/year				
- as previously stated	500,552	608,795	500,516	608,676
- reclassification to Investment account placement	(2,740)	(2,299)	(2,740)	(2,299)
- effects of adoption of MFRS 9	312,851	-	312,815	-
Balance at beginning of the financial period/year, as restated	810,663	606,496	810,591	606,377
Charge to profit or loss, net	230,881	206,681	230,837	206,764
Amount written-off	(270,577)	(313,518)	(270,577)	(313,518)
Foreign exchange differences	390	(1,847)	390	(1,847)
Balance at end of the financial period/year	<u>771,357</u>	<u>497,812</u>	<u>771,241</u>	<u>497,776</u>

**A17. LOANS AND ADVANCES (CONT'D.)**

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

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

	<b>12-Month ECL Stage 1 RM'000</b>	<b>Lifetime ECL not credit impaired Stage 2 RM'000</b>	<b>Lifetime ECL credit impaired Stage 3 RM'000</b>	<b>Total RM'000</b>
<b>31 December 2018</b>				
<b>Collective assessment allowance</b>				
<b>Group</b>				
Balance at beginning of the financial period, as restated	191,967	484,323	134,373	810,663
Changes due to loans and advances movements:				
- Transfer to 12 month ECL (Stage 1)	9,784	(95,024)	(3,230)	(88,470)
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(13,784)	124,357	(16,992)	93,581
- Transfer to Lifetime ECL credit impaired (Stage 3)	(1,794)	(21,668)	87,621	64,159
New financial assets originated	48,464	93,556	2,817	144,837
Changes in credit risk	(6,075)	(138,209)	58,652	(85,632)
Modification of contractual cash flows of financial assets	81	(732)	127	(524)
Financial assets derecognised	(30,362)	(28,116)	161,408	102,930
Foreign exchange difference	293	86	11	390
Amount written-off	-	-	(270,577)	(270,577)
Balance at end of the financial period	<u>198,574</u>	<u>418,573</u>	<u>154,210</u>	<u>771,357</u>
<b>Bank</b>				
Balance at beginning of the financial period, as restated	191,967	484,292	134,332	810,591
Changes due to loans and advances movements:				
- Transfer to 12 month ECL (Stage 1)	9,784	(95,024)	(3,230)	(88,470)
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(13,784)	124,341	(16,992)	93,565
- Transfer to Lifetime ECL credit impaired (Stage 3)	(1,793)	(21,651)	87,560	64,116
New financial assets originated	48,450	93,556	2,817	144,823
Changes in credit risk	(6,070)	(138,210)	58,651	(85,629)
Modification of contractual cash flows of financial assets	81	(732)	127	(524)
Financial assets derecognised	(30,360)	(28,106)	161,422	102,956
Foreign exchange difference	293	86	11	390
Amount written-off	-	-	(270,577)	(270,577)
Balance at end of the financial period	<u>198,568</u>	<u>418,552</u>	<u>154,121</u>	<u>771,241</u>

**A18. RECEIVABLES: INVESTMENTS NOT QUOTED IN ACTIVE MARKETS**

	<b>Group and Bank</b>	
	<b>31 December</b>	<b>31 March</b>
	<b>2018</b>	<b>2018</b>
	<b>(Note A41)</b>	
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost:</b>		
Unquoted corporate bonds and sukuk in Malaysia	-	1,149,600

**A19. OTHER ASSETS**

	<b>Group</b>		<b>Bank</b>	
	<b>31 December</b>	<b>31 March</b>	<b>31 December</b>	<b>31 March</b>
	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other receivables, deposits and prepayments	554,502	525,519	552,929	523,806
Interest receivable	270,097	237,745	270,093	237,754
Amount due from related companies	28,764	31,959	30,163	35,087
Collateral pledged for derivative transactions	390,728	247,839	390,728	247,839
Foreclosed properties	4,397	4,497	4,089	4,190
Deferred charges	115,512	116,234	115,512	116,234
Tax recoverable *	8,722	133,852	-	125,087
	<u>1,372,722</u>	<u>1,297,645</u>	<u>1,363,514</u>	<u>1,289,997</u>
Less: Accumulated impairment losses	(3,626)	(19,687)	(3,081)	(19,141)
	<u>1,369,096</u>	<u>1,277,958</u>	<u>1,360,433</u>	<u>1,270,856</u>

\* In financial year ended 31 March 2015, the Inland Revenue Board ("IRB") had issued notice of income tax assessments for the years of assessment 2008 and 2009 to the Bank. The Bank had appealed against the said notices by filing an application to the High Court for judicial review of the notice of assessment for the year of assessment 2008 and to the Special Commissioners of Income Tax for the notice of assessment for the year of assessment 2009. Included in tax recoverable of the Bank was tax paid of approximately RM203,500,700 in financial year ended 31 March 2015 as the Bank was of the opinion that it had strong grounds to succeed in its appeals. The Bank was successful in its appeals for the majority of the tax matters under dispute. The Bank had since received full refund for years of assessment 2008 and 2009.

**A20. DEPOSITS FROM CUSTOMERS**

	<b>Group</b>		<b>Bank</b>	
	<b>31 December</b>	<b>31 March</b>	<b>31 December</b>	<b>31 March</b>
	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Demand deposits	11,652,773	10,433,073	11,655,770	10,435,202
Savings deposits	3,309,912	3,304,968	3,309,912	3,304,968
Term/Investment deposits	58,382,757	55,115,487	58,384,690	55,117,061
Negotiable instruments of deposits	4,463,169	900,000	4,463,169	900,000
	<u>77,808,611</u>	<u>69,753,528</u>	<u>77,813,541</u>	<u>69,757,231</u>

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**A20. DEPOSITS FROM CUSTOMERS (CONT'D.)**

(i) The deposits are sourced from the following type of customers:

	Group		Bank	
	31 December	31 March	31 December	31 March
	2018	2018	2018	2018
	RM'000	RM'000	RM'000	RM'000
Government and other statutory bodies	850,391	1,928,246	850,391	1,928,246
Business enterprises	34,434,749	32,553,376	34,439,679	32,557,079
Individuals	36,424,028	32,110,042	36,424,028	32,110,042
Others	6,099,443	3,161,864	6,099,443	3,161,864
	<u>77,808,611</u>	<u>69,753,528</u>	<u>77,813,541</u>	<u>69,757,231</u>

(ii) The maturity structure of term/investment deposits and negotiable instruments of deposits is as follows:

	Group		Bank	
	31 December	31 March	31 December	31 March
	2018	2018	2018	2018
	RM'000	RM'000	RM'000	RM'000
Due within six months	44,178,537	37,958,354	44,180,470	37,959,927
Over six months to one year	16,665,017	16,058,089	16,665,017	16,058,089
Over one year to three years	1,290,268	1,214,097	1,290,268	1,214,097
Over three years to five years	712,104	784,947	712,104	784,948
	<u>62,845,926</u>	<u>56,015,487</u>	<u>62,847,859</u>	<u>56,017,061</u>

**A21. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	Group		Bank	
	31 December	31 March	31 December	31 March
	2018	2018	2018	2018
	RM'000	RM'000	RM'000	RM'000
Licensed banks	2,341,247	1,260,015	2,341,247	1,260,015
Licensed investment banks	188,552	541,513	188,552	541,513
Other financial institutions	1,770,596	1,099,410	1,782,104	1,111,509
Bank Negara Malaysia	15,643	20,573	15,643	20,573
	<u>4,316,038</u>	<u>2,921,511</u>	<u>4,327,546</u>	<u>2,933,610</u>

**A22. OTHER LIABILITIES**

	Group		Bank	
	31 December	31 March	31 December	31 March
	2018	2018	2018	2018
	RM'000	RM'000	RM'000	RM'000
Other payables and accruals	1,233,397	987,218	1,221,510	975,931
Interest payable	697,435	643,071	697,437	643,076
Amount due to related companies	41,271	139,204	41,272	139,204
Collateral received for derivative transactions	147,730	270,412	147,730	270,412
Lease deposits and advance rentals	25,661	16,262	25,661	16,262
Provision for commitments and contingencies:				
- loan commitments and financial guarantees	78,452	61,434	78,485	61,480
- others	-	280	-	280
Provision for taxation	33,946	31	33,699	20
Deferred income	66,448	67,116	66,448	67,116
	<u>2,324,340</u>	<u>2,185,028</u>	<u>2,312,242</u>	<u>2,173,781</u>

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**A22. OTHER LIABILITIES (CONT'D.)**

Movements in provision for loan commitments and financial guarantees which reflect the ECL model on impairment are as follows

	<b>12-Month ECL Stage 1 RM'000</b>	<b>Lifetime ECL not credit impaired Stage 2 RM'000</b>	<b>Lifetime ECL credit impaired Stage 3 RM'000</b>	<b>Total RM'000</b>
<b>Group</b>				
Balance at beginning of the financial period				
- as previously stated				61,434
- effects of adoption of MFRS 9				28,066
Balance at beginning of the financial period, as restated	49,253	40,039	208	89,500
Changes due to loans and advances movements:				
- Transfer to 12 month ECL (Stage 1)	784	(11,941)	-	(11,157)
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,156)	7,630	-	6,474
- Transfer to Lifetime ECL credit impaired (Stage 3)	(92)	(233)	10,391	10,066
New financial instruments originated	14,637	7,686	-	22,323
Changes in credit risk	(8,739)	(11,777)	292	(20,224)
Financial assets derecognised	(13,033)	(5,664)	-	(18,697)
Foreign exchange difference	150	16	1	167
Balance at end of the financial period	41,804	25,756	10,892	78,452
	<b>12-Month ECL Stage 1 RM'000</b>	<b>Lifetime ECL not credit impaired Stage 2 RM'000</b>	<b>Lifetime ECL credit impaired Stage 3 RM'000</b>	<b>Total RM'000</b>
<b>Bank</b>				
Balance at beginning of the financial period				
- as previously stated				61,480
- effects of adoption of MFRS 9				28,053
Balance at beginning of the financial period, as restated	49,286	40,039	208	89,533
Changes due to loans and advances movements:				
- Transfer to 12 month ECL (Stage 1)	784	(11,941)	-	(11,157)
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,156)	7,630	-	6,474
- Transfer to Lifetime ECL credit impaired (Stage 3)	(92)	(233)	10,391	10,066
New financial instruments originated	14,637	7,686	-	22,323
Changes in credit risk	(8,739)	(11,777)	292	(20,224)
Financial assets derecognised	(13,033)	(5,664)	-	(18,697)
Foreign exchange difference	150	16	1	167
Balance at end of the financial period	41,837	25,756	10,892	78,485

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**A23. INTEREST INCOME**

Group	Individual Quarter		Cumulative Quarter	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Short-term funds and deposits and placements with financial institutions	37,262	37,426	82,072	81,302
Financial assets at fair value through profit or loss	91,243	-	249,553	-
Financial assets held-for-trading	-	46,955	-	161,362
Financial investments at fair value through other comprehensive income	90,130	-	226,689	-
Financial investments available-for-sale	-	57,407	-	169,455
Financial investments at amortised cost	35,232	-	102,469	-
Financial investments held-to-maturity	-	18,530	-	59,933
Loans and advances	963,878	862,866	2,834,800	2,525,173
Investment account placement	21,538	25,028	66,732	59,822
Impaired loans and advances	7,337	4,759	14,636	18,102
Others	5,894	21,918	18,262	64,283
	<u>1,252,514</u>	<u>1,074,889</u>	<u>3,595,213</u>	<u>3,139,432</u>
<b>Bank</b>				
Short-term funds and deposits and placements with financial institutions	37,230	37,036	81,974	77,881
Financial assets at fair value through profit or loss	91,243	-	249,553	-
Financial assets held-for-trading	-	46,955	-	161,362
Financial investments at fair value through other comprehensive income	90,474	-	227,843	-
Financial investments available-for-sale	-	57,940	-	171,200
Financial investments at amortised cost	35,232	-	102,469	-
Financial investments held-to-maturity	-	18,530	-	59,933
Loans and advances	962,447	861,107	2,830,357	2,519,698
Investment account placement	21,538	25,028	66,732	59,822
Impaired loans and advances	7,337	4,759	14,636	18,102
Others	5,894	21,918	18,262	64,283
	<u>1,251,395</u>	<u>1,073,273</u>	<u>3,591,826</u>	<u>3,132,281</u>

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**A24. INTEREST EXPENSE**

Group	Individual Quarter		Cumulative Quarter	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	604,191	523,293	1,783,348	1,491,021
Deposits and placements of banks and other financial institutions	75,384	27,472	141,497	73,120
Recourse obligation on loans sold to Cagamas Berhad	40,223	33,923	126,341	91,873
Term funding	31,415	35,069	88,798	108,365
Debt capital	53,584	49,908	148,348	150,718
Others	15,787	2,249	28,969	5,743
	<b>820,584</b>	<b>671,914</b>	<b>2,317,301</b>	<b>1,920,840</b>
<b>Bank</b>				
Deposits from customers	604,207	523,330	1,783,387	1,491,605
Deposits and placements of banks and other financial institutions	75,439	27,692	141,596	74,676
Recourse obligation on loans sold to Cagamas Berhad	40,223	33,923	126,341	91,873
Term funding	31,415	35,069	88,798	108,365
Debt capital	53,584	49,908	148,348	150,718
Others	15,787	2,249	28,969	5,743
	<b>820,655</b>	<b>672,171</b>	<b>2,317,439</b>	<b>1,922,980</b>

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**A25. OTHER OPERATING INCOME**

Group	Individual Quarter		Cumulative Quarter	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fee and commission income:				
Bancassurance commission	6,268	7,597	18,535	23,298
Brokerage fees, commission and rebates	534	1,129	1,646	2,661
Fees on loans, advances and securities	36,200	36,591	114,263	114,924
Fees, service and commission charges	8,212	8,501	24,420	26,203
Guarantee fees	14,496	15,008	44,542	46,225
Remittances	5,781	5,290	16,392	15,064
Other fee and commission	21,075	17,440	45,811	38,177
	<u>92,566</u>	<u>91,556</u>	<u>265,609</u>	<u>266,552</u>
Investment and trading income:				
Foreign exchange gain/(loss) *	41,124	(12,485)	133,342	5,879
Gross dividend income from:				
Financial assets held-for-trading	-	5,048	-	6,638
Financial assets at fair value through profit or loss	6,822	-	10,799	-
Financial investments available-for-sale	-	314	-	1,356
Financial investments at fair value through other comprehensive income	726	-	2,651	-
Net gain/(loss) on sale/redemption of:				
Financial assets held-for-trading	-	(1,023)	-	24,592
Financial assets at fair value through profit or loss	27,895	-	36,657	-
Financial investments available-for-sale	-	(2,959)	-	55,991
Financial investments at fair value through other comprehensive income	2,572	-	4,758	-
Net gain on revaluation of financial assets held-for-trading	-	5,934	-	31,647
Net loss on revaluation of financial assets at fair value through profit or loss	(52,385)	-	(58,713)	-
Net gain/(loss) on derivatives	3,463	35,266	(15,063)	9,657
Others	4,765	3,198	11,133	7,707
	<u>34,982</u>	<u>33,293</u>	<u>125,564</u>	<u>143,467</u>
Other income:				
Gain on disposal of foreclosed property	-	30,680	21,653	30,680
Gain on repayment of capital by a subsidiary	-	7,679	-	7,679
Net gain/(loss) on disposal of property and equipment	790	(151)	2,181	3,078
Net non trading foreign exchange gain	433	352	957	786
Profit from sale of goods and services	4,099	4,621	14,069	7,184
Rental income	1,164	966	3,998	3,379
Others	1,196	2,172	5,626	14,237
	<u>7,682</u>	<u>46,319</u>	<u>48,484</u>	<u>67,023</u>
	<u>135,230</u>	<u>171,168</u>	<u>439,657</u>	<u>477,042</u>

\* Foreign exchange income includes gains and losses from spot and forward contracts and other currency derivatives.

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**A25. OTHER OPERATING INCOME (CONT'D.)**

	Individual Quarter		Cumulative Quarter	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Fee and commission income:				
Bancassurance commission	6,268	7,597	18,535	23,297
Brokerage fees, commission and rebates	534	1,129	1,646	2,661
Fees on loans, advances and securities	36,192	36,591	114,255	114,841
Fees, service and commission charges	8,211	8,479	24,211	26,187
Guarantee fees	14,496	15,008	44,542	46,225
Remittances	5,781	5,290	16,392	15,064
Other fee and commission	21,075	17,432	45,811	38,169
	<u>92,557</u>	<u>91,526</u>	<u>265,392</u>	<u>266,444</u>
Investment and trading income:				
Foreign exchange gain/(loss)*	41,124	(12,485)	133,342	5,879
Gross dividend income/distribution from:				
Financial assets held-for-trading	-	5,048	-	6,638
Financial assets at fair value through profit or loss	6,822	-	10,799	-
Financial investments available-for-sale	-	314	-	1,356
Financial investments at fair value through other comprehensive income	726	-	2,651	-
Subsidiary	-	349,636	2,000	397,080
Net gain/(loss) on sale/redemption of:				
Financial assets held-for-trading	-	(1,023)	-	24,592
Financial assets at fair value through profit or loss	27,895	-	36,657	-
Financial investments available-for-sale	-	(2,959)	-	55,991
Financial investments at fair value through other comprehensive income	2,572	-	4,758	-
Net gain on revaluation of financial assets held-for-trading	-	5,934	-	31,647
Net loss on revaluation of financial assets at fair value through profit or loss	(52,385)	-	(58,682)	-
Net gain/(loss) on derivatives	3,463	35,266	(15,063)	9,657
Others	4,765	3,198	11,133	7,707
	<u>34,982</u>	<u>382,929</u>	<u>127,595</u>	<u>540,547</u>
Other income:				
Gain on disposal of foreclosed property	-	30,680	21,653	30,680
Net gain/(loss) on disposal of property and equipment	1	(152)	67	914
Net non trading foreign exchange gain	435	351	969	782
Profit from sale of goods and services	4,099	4,621	14,069	7,184
Rental income	1,066	865	3,701	3,066
Others	1,190	2,153	5,464	13,603
	<u>6,791</u>	<u>38,518</u>	<u>45,923</u>	<u>56,229</u>
	<u>134,330</u>	<u>512,973</u>	<u>438,910</u>	<u>863,220</u>

\* Foreign exchange income includes gains and losses from spot and forward contracts and other currency derivatives.

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**A26. OTHER OPERATING EXPENSES**

Group	Individual Quarter		Cumulative Quarter	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Personnel costs:</b>				
Medical	5,888	7,716	17,258	23,818
Insurance	5,309	5,823	15,566	18,977
Contributions to Employees' Provident Fund/ Private Retirement Schemes ("PRS")	25,288	29,488	82,815	89,870
Salaries, bonuses, allowances and incentives	167,335	197,555	537,514	551,176
Share and options granted under ESS - charge/(writeback)	1,564	780	(4,626)	(6,926)
Social security costs	1,597	1,732	4,922	5,112
Recruitment costs	752	3,710	3,180	24,274
Training	2,193	4,589	6,873	9,498
Others	1,304	343	4,046	(1,675)
	<u>211,230</u>	<u>251,736</u>	<u>667,548</u>	<u>714,124</u>
<b>Establishment costs:</b>				
Amortisation of intangible assets	21,613	19,249	66,291	56,673
Cleaning, maintenance and security	5,942	4,814	15,153	15,348
Computerisation cost	41,184	39,777	115,842	107,339
Depreciation of property and equipment	8,923	10,582	28,114	31,558
Rental of premises	18,137	19,809	56,159	61,142
Others	7,871	8,882	24,333	23,481
	<u>103,670</u>	<u>103,113</u>	<u>305,892</u>	<u>295,541</u>
<b>Marketing and communication expenses:</b>				
Advertising, marketing and communication	12,993	16,920	28,146	30,839
Commission	2,954	1,783	7,454	2,318
Others	1,984	1,884	5,197	4,953
	<u>17,931</u>	<u>20,587</u>	<u>40,797</u>	<u>38,110</u>
<b>Administration and general expenses:</b>				
Bank charges	2,108	2,067	5,962	5,916
Insurance	796	506	2,639	2,125
Professional services	13,361	28,523	40,017	69,270
Travelling	1,125	1,235	2,963	3,172
Subscriptions and periodicals	360	115	720	674
Others	12,456	24,307	33,569	92,959
	<u>30,206</u>	<u>56,753</u>	<u>85,870</u>	<u>174,116</u>
Service transfer pricing recovery - net	(70,508)	(88,766)	(211,843)	(273,571)
	<u>292,529</u>	<u>343,423</u>	<u>888,264</u>	<u>948,320</u>

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**A26. OTHER OPERATING EXPENSES (CONT'D.)**

	Individual Quarter		Cumulative Quarter	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Personnel costs:				
Medical	5,888	7,714	17,258	23,803
Insurance	5,312	5,825	15,570	18,959
Contributions to Employees' Provident Fund/ PRS	25,288	29,491	82,815	89,979
Salaries, bonuses, allowances and incentives	167,335	197,575	537,514	551,859
Share and options granted under ESS - charge/(writeback)	1,564	780	(4,626)	(6,926)
Social security costs	1,597	1,732	4,922	5,110
Recruitment costs	752	3,710	3,180	24,274
Training	2,193	4,589	6,873	9,498
Others	1,284	343	4,026	(1,678)
	<u>211,213</u>	<u>251,759</u>	<u>667,532</u>	<u>714,878</u>
Establishment costs:				
Amortisation of intangible assets	21,613	19,250	66,291	56,673
Cleaning, maintenance and security	5,763	4,706	14,577	14,872
Computerisation cost	41,184	39,777	115,842	107,339
Depreciation of property and equipment	8,790	10,436	27,711	31,132
Rental of premises	18,617	20,269	57,618	62,690
Others	7,744	8,741	23,930	23,073
	<u>103,711</u>	<u>103,179</u>	<u>305,969</u>	<u>295,779</u>
Marketing and communication expenses:				
Advertising, marketing and communication	12,993	16,918	28,036	30,831
Commission	2,954	1,783	7,454	2,318
Others	1,984	1,885	5,197	4,953
	<u>17,931</u>	<u>20,586</u>	<u>40,687</u>	<u>38,102</u>
Administration and general expenses:				
Bank charges	2,107	2,065	5,961	5,914
Insurance	806	507	2,576	2,120
Professional services	13,183	28,396	39,804	68,959
Travelling	1,125	1,235	2,963	3,170
Subscriptions and periodicals	360	115	720	674
Others	12,448	24,291	33,514	92,930
	<u>30,029</u>	<u>56,609</u>	<u>85,538</u>	<u>173,767</u>
Service transfer pricing recovery - net	(70,508)	(88,767)	(211,843)	(273,580)
	<u>292,376</u>	<u>343,366</u>	<u>887,883</u>	<u>948,946</u>

**A27. (WRITEBACK OF ALLOWANCE)/PROVISION FOR IMPAIRMENT ON LOANS AND ADVANCES**

	Individual Quarter		Cumulative Quarter	
	31 December 2018	31 December 2017 (Restated) (Note A41(v)(b))	31 December 2018	31 December 2017 (Restated) (Note A41(v)(b))
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Allowance for loans and advances:				
Individual allowance, net	(21,562)	44,360	23,325	96,342
Collective allowance, net	122,324	73,047	230,881	140,784
Impaired loans and advances recovered, net	(188,588)	(75,508)	(394,382)	(265,997)
	<u>(87,826)</u>	<u>41,899</u>	<u>(140,176)</u>	<u>(28,871)</u>
<b>Bank</b>				
Allowance for loans and advances:				
Individual allowance, net	(21,562)	44,360	23,325	96,342
Collective allowance, net	122,429	73,044	230,837	140,828
Impaired loans and advances recovered, net	(188,588)	(75,508)	(394,382)	(265,997)
	<u>(87,721)</u>	<u>41,896</u>	<u>(140,220)</u>	<u>(28,827)</u>

**A28. IMPAIRMENT ON FINANCIAL INVESTMENTS - LOSS**

	Individual Quarter		Cumulative Quarter	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
<b>Group and Bank</b>				
Financial investments available-for-sale	-	7,340	-	13,762
Financial investments at fair value through other comprehensive income	6,651	-	5,834	-
Financial investments at amortised cost	208	-	1,084	-
	<u>6,859</u>	<u>7,340</u>	<u>6,918</u>	<u>13,762</u>

**A29. IMPAIRMENT LOSS/(WRITEBACK) ON OTHER FINANCIAL ASSETS**

	Individual Quarter		Cumulative Quarter	
	31 December 2018	31 December 2017 (Restated) (Note A41(v)(b))	31 December 2018	31 December 2017 (Restated) (Note A41(v)(b))
	RM'000	RM'000	RM'000	RM'000
<b>Group and Bank</b>				
Cash and short-term funds	(297)	-	1,058	-
	<u>(297)</u>	<u>-</u>	<u>1,058</u>	<u>-</u>
Deposits and placements with banks and other financial institutions	56	-	287	-
	<u>56</u>	<u>-</u>	<u>287</u>	<u>-</u>
Investment account placement	4,614	1,092	6,546	512
	<u>4,614</u>	<u>1,092</u>	<u>6,546</u>	<u>512</u>
Other assets	(67)	(1,857)	(395)	7,959
	<u>(67)</u>	<u>(1,857)</u>	<u>(395)</u>	<u>7,959</u>
	<u>4,306</u>	<u>(765)</u>	<u>7,496</u>	<u>8,471</u>

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**A30. EARNINGS PER SHARE ("EPS")****Basic/Diluted**

The basic earning per share is calculated by dividing the net profit attributable to equity holder of the Bank by the weighted average number of ordinary shares in issue during the period.

	Individual Quarter		Cumulative Quarter	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
<b>Group</b>				
Net profit attributable to shareholder of the Bank (RM'000)	268,285	134,668	737,787	608,036
Number of ordinary shares at beginning of the financial period ('000)	820,364	820,364	820,364	820,364
Effect of issuance of new ordinary shares ('000)	16,489	-	11,213	-
Weighted average number of ordinary shares in issue at the end of the financial period ("000)	836,853	820,364	831,577	820,364
Basic/diluted earnings per share (sen)	32.06	16.42	88.72	74.12
<b>Bank</b>				
Net profit attributable to shareholder of the Bank (RM'000)	266,835	433,321	735,303	946,975
Number of ordinary shares at beginning of the financial period ('000)	820,364	820,364	820,364	820,364
Effect of issuance of new ordinary shares ('000)	16,489	-	11,213	-
Weighted average number of ordinary shares in issue at the end of the financial period ("000)	836,853	820,364	831,577	820,364
Basic/diluted earnings per share (sen)	31.89	52.82	88.42	115.43

**A31. BUSINESS SEGMENT ANALYSIS**

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

**A31. BUSINESS SEGMENT ANALYSIS (CONT'D.)**

The Group comprises the following main business segments (Cont'd.):

(b) Business Banking

Business Banking ("BB") focuses on the small and medium sized enterprises segment, which comprises Enterprise Banking and Commercial Banking. Solutions offered to Enterprise Banking customers encompass Capital Expenditure ("CAPEX") financing, Working Capital financing and Cash Management, and while Commercial Banking offers the same suite of products, it also provides more sophisticated structures such as Contract Financing, Development Loans, and Project Financing. Previously, Business Banking was not included as a reportable segment and included in Wholesale Banking division in view of its contribution to the Group in terms of revenue, profit and total assets. Accordingly, the comparative have been restated to conform with the current period's presentation.

(c) Wholesale Banking

Wholesale Banking comprises Corporate Banking and Group Treasury and Markets.

(i) Corporate Banking

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 and Markets

Group Treasury and 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. It also offers customised investment solutions for customers.

(d) Investment Banking

Under the Investment Banking division of AmBank, the core products are capital markets group, private banking and equity markets.

Capital Markets focused on providing integrated financing solutions to our corporate and institutional clients. It offers a full suite of customised debt and capital financing solutions which include corporate bond issuances, loan syndication, structured finance, capital and project advisory services and primary syndication and underwriting services. Private Banking primarily services high net worth clients and offers financing and deposit products. Equity markets offers margin financing to retail and corporate clients.

(e) Group Funding and Others

Group Funding and Others comprise 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 comprises of 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.

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**A31. BUSINESS SEGMENT ANALYSIS (CONT'D.)**

Group For the financial period ended 31 December 2018	Wholesale Banking							Total RM'000
	Retail Banking RM'000	Business Banking RM'000	Corporate Banking RM'000	Group Treasury and Markets RM'000	Investment Banking RM'000	Group Funding and Others RM'000		
External revenue	1,888,127	325,237	997,105	532,753	50,296	241,352	4,034,870	
Revenue from other segments	(96,218)	(65,379)	(471,095)	257,539	(22,137)	397,290	-	
Total operating revenue	1,791,909	259,858	526,010	790,292	28,159	638,642	4,034,870	
Net interest income	645,656	133,501	326,871	53,976	20,447	97,461	1,277,912	
Other operating income	177,306	50,897	125,382	53,305	(3,596)	36,363	439,657	
Income	822,962	184,398	452,253	107,281	16,851	133,824	1,717,569	
Other operating expenses	(472,789)	(81,834)	(120,562)	(42,079)	(6,907)	(164,093)	(888,264)	
<i>of which:</i>								
<i>Depreciation of property and equipment</i>	(16,123)	(426)	(457)	(251)	(14)	(10,843)	(28,114)	
<i>Amortisation of intangible assets</i>	(11,934)	(38)	(1,346)	(1,932)	-	(51,041)	(66,291)	
Profit/(Loss) before impairment losses	350,173	102,564	331,691	65,202	9,944	(30,269)	829,305	
Writeback of allowance/(provision) for impairment on loans and advances	(73,059)	9,337	219,702	-	6,073	(21,877)	140,176	
Impairment (loss)/writeback on other assets	1,189	-	(5,854)	(5,001)	-	(4,748)	(14,414)	
Writeback of provision/(provision) for commitments and contingencies	12,573	(432)	(646)	-	-	-	11,495	
Other recoveries	28	-	5,683	-	-	240	5,951	
Profit/(loss) before taxation	290,904	111,469	550,576	60,201	16,017	(56,654)	972,513	
Taxation	(69,817)	(26,095)	(129,577)	(15,265)	(2,726)	8,863	(234,617)	
Profit/(loss) for the financial period	221,087	85,374	420,999	44,936	13,291	(47,791)	737,896	
<b>Other information</b>								
Total segment assets	42,994,544	6,231,834	21,640,444	21,058,121	1,591,281	14,007,126	107,523,350	
Total segment liabilities	41,142,917	4,295,196	6,481,604	27,000,976	822,334	18,528,318	98,271,345	
Cost to income ratio	57.4%	44.4%	26.7%	39.2%	41.0%	>100.0%	51.7%	
Gross loans and advances	42,521,065	6,269,529	20,736,128	-	1,287,025	-	70,813,747	
Net loans and advances	41,965,551	6,229,016	20,445,123	-	1,287,025	(44,721)	69,881,994	
Impaired loans and advances	567,853	88,172	422,706	-	-	-	1,078,731	
Total deposits	40,300,440	4,214,897	6,144,476	23,816,607	818,238	6,829,991	82,124,649	
Additions to:								
Property and equipment	7,428	1,252	1,700	115	-	5,205	15,700	
Intangible assets	12,090	23	14,181	8	-	28,641	54,943	

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**A31. BUSINESS SEGMENT ANALYSIS (CONT'D.)**

Group For the financial period ended 31 December 2017 (Restated) (Note A41(v)(b))	Wholesale Banking						Total RM'000
	Retail Banking RM'000	Business Banking RM'000	Corporate Banking RM'000	Group Treasury and Markets RM'000	Investment Banking RM'000	Group Funding and Others RM'000	
External revenue	1,736,470	251,538	969,421	405,449	44,196	209,400	3,616,474
Revenue from other segments	(263,541)	(46,593)	(451,074)	443,248	(9,090)	327,050	-
Total operating revenue	<u>1,472,929</u>	<u>204,945</u>	<u>518,347</u>	<u>848,697</u>	<u>35,106</u>	<u>536,450</u>	<u>3,616,474</u>
Net interest income	605,266	110,991	323,073	27,257	14,318	137,687	1,218,592
Other operating income	227,677	40,908	123,120	85,914	10,505	(11,082)	477,042
Income	832,943	151,899	446,193	113,171	24,823	126,605	1,695,634
Other operating expenses	(532,199)	(76,587)	(123,666)	(45,839)	(8,275)	(161,754)	(948,320)
<i>of which:</i>							
<i>Depreciation of property and equipment</i>	(18,599)	(166)	(532)	(404)	(24)	(11,833)	(31,558)
<i>Amortisation of intangible assets</i>	(6,406)	(20)	(1,324)	(2,980)	-	(45,943)	(56,673)
Profit before impairment losses	300,744	75,312	322,527	67,332	16,548	(35,149)	747,314
Writeback of allowance/(provision) for impairment on loans and advances	10,214	(25,343)	(33,572)	-	1,456	76,116	28,871
Impairment (loss)/writeback on other assets	(8,549)	-	(35)	-	-	(13,315)	(21,899)
Writeback of provision/(provision) for commitments and contingencies	(1,417)	(1,362)	7,337	-	(139)	(3)	4,416
Other recoveries	5	-	-	56	-	708	769
Profit before taxation	300,997	48,607	296,257	67,388	17,865	28,357	759,471
Taxation	(72,376)	(13,467)	(75,335)	(14,756)	(2,526)	27,025	(151,435)
Profit for the financial period	<u>228,621</u>	<u>35,140</u>	<u>220,922</u>	<u>52,632</u>	<u>15,339</u>	<u>55,382</u>	<u>608,036</u>
<b>Other information</b>							
Total segment assets	40,408,145	4,923,255	22,080,752	10,558,422	1,714,506	18,693,249	98,378,329
Total segment liabilities	33,759,902	3,203,147	5,963,683	30,120,908	811,088	15,684,576	89,543,304
Cost to income ratio	63.9%	50.4%	27.7%	40.5%	33.3%	>100.0%	55.9%
Gross loans and advances	39,540,167	4,977,493	20,916,424	-	1,308,905	-	66,742,989
Net loans and advances	39,208,504	4,920,724	20,676,710	-	1,303,608	(97,074)	66,012,472
Impaired loans and advances	507,993	135,383	448,625	-	-	-	1,092,001
Total deposits	33,145,949	3,154,403	5,618,608	26,359,246	802,800	6,209,087	75,290,093
Additions to:							
Property and equipment	8,084	1,433	364	4	26	5,549	15,460
Intangible assets	19,202	162	4,381	171	-	39,894	63,810

### **A32. PERFORMANCE REVIEW FOR THE PERIOD ENDED 31 DECEMBER 2018**

The Group reported a profit before taxation of RM972.5 million for the financial quarter ended 31 December 2018 compared to RM759.5 million in the corresponding period in the previous financial year.

The increase in Group's profit before taxation for the period is attributable to higher recovery for impaired loans and advances and lower other operating expenses mainly driven by business efficiency initiatives. Net interest income improved from assets growth despite higher interest expense from deposits placed from customers.

The increase had partially offset by decrease in other operating income mainly from investment and trading income and lower gain on disposal of foreclosed properties.

The Group's ratio of impaired loans and advances reduced to 1.52% from 1.55% as at 31 March 2018. Loan loss coverage remained consistently above 100.0%.

The Group and the Bank remained well capitalised with risk weighted capital adequacy ratios of 16.977% and 16.853% respectively.

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

### **A33. PROSPECTS FOR FINANCIAL YEAR ENDING 31 MARCH 2019**

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

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

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

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

### **A33. PROSPECTS FOR FINANCIAL YEAR ENDING 31 MARCH 2019**

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

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

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

### **A34. VALUATION OF PROPERTY AND EQUIPMENT**

The Group's and the Bank's property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

### **A35. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no significant changes in the composition of the Group for the financial quarter and period ended 31 December 2018.

### **A36. SIGNIFICANT EVENT**

On 11 December 2018, at two Extraordinary General Meetings ("EGM") of the holding company, AMMB Holdings Berhad ("AMMB"):

- (i) the holders of Senior Notes issued under the AMMB's Senior and/or Subordinated Medium Term Notes programme of up to RM2.0 billion in nominal value approved the early redemption of the outstanding RM500.0 million Senior Notes due to mature on 8 August 2019. As at 18 December 2018, AMMB had fully settled the outstanding Senior Notes with nominal value of RM500.0 million;
- (ii) the holders of AMMB's Subordinated Notes issued under a Tier 2 Subordinated Notes programme of up to RM10.0 billion approved a bond swap of the outstanding RM1.425 billion in nominal value of Subordinated Notes in exchange for AMMB's:
  - RM1.025 billion in nominal value of Subordinated Notes issued by the Bank under a Subordinated Notes programme of up to RM4.0 billion; and
  - RM400.0 million in nominal value of Subordinated Sukuk issued by AmBank Islamic, under a Subordinated Sukuk Murabahah programme of up to RM3.0 billion.

On the same day, the Bank and AmBank Islamic held two separate EGM to obtain consent from Noteholders and Sukukholders respectively to revise the terms and conditions of the Subordinated Notes/Sukuk for outstanding tranches and new issuances. The revision was made to incorporate a non-viability trigger event in relation to the financial group ("Group-level Trigger") as the two programmes were structured previously with loss absorption at point of non-viability referenced to the entity only, without Group-level Trigger. The above revisions were approved by Bank Negara Malaysia via letters dated 24 July 2018 and the Noteholders and Sukukholders at the EGM for the Bank and AmBank Islamic respectively. The bond swap transaction was completed on 18 December 2018. Arising from this corporate exercise, AMMB incurred general expenses in the form of redemption premium expense of RM1.54 million for the early redemption of Senior Notes and hardship fees of RM0.67 million for the bond swap.

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

### **A37. EVENT SUBSEQUENT TO REPORTING DATE**

On 3 January 2019, the Bank entered into a sale and purchase agreement ("SPA") to dispose non-performing loans to Aiqon Amanah Sdn Bhd ("Aiqon Amanah"). Aiqon Amanah is a wholly-owned subsidiary of Aiqon Capital Sdn Bhd, whereby its Group Executive Chairman/Chief Executive Officer and major shareholder is a close member of family of a director and major shareholder of AMMB.

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

For a period of 2 years from the completion of the proposed disposal, the purchasers are entitled to put-back to or require the repurchase by the Bank for such loans that are not conforming to the representations made under the respective SPA. The headline purchase price for the above proposed disposal by the Bank amounted to RM428.11m, contributing a positive impact to the Bank's and AMMB Group's financial results. This proposal is part of the debt recovery strategy of the AMMB Group to strengthen loans management, resolution processes and to monetise the Portfolio.

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

**A38. COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Group and the Bank make various commitments and incur 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 Group's and the Bank's assets.

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

	<b>Group</b>		<b>Bank</b>	
	<b>31 December 2018 RM'000</b>	<b>31 March 2018 RM'000</b>	<b>31 December 2018 RM'000</b>	<b>31 March 2018 RM'000</b>
<b>Contingencies</b>				
Direct credit substitutes	1,900,040	1,832,161	1,900,040	1,832,161
Transaction related contingent items	4,791,985	5,033,552	4,791,985	5,033,552
Short term self liquidating trade related contingencies	754,336	638,415	754,336	638,415
Obligations under on-going underwriting agreements	55,000	50,000	55,000	50,000
	<u>7,501,361</u>	<u>7,554,128</u>	<u>7,501,361</u>	<u>7,554,128</u>
<b>Commitments</b>				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	13,973,532	13,522,423	14,035,906	13,584,262
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,569,654	3,294,066	2,569,654	3,294,066
Unutilised credit card lines	4,038,545	3,918,163	4,038,545	3,918,163
Forward asset purchase	204,979	138,023	204,979	138,023
Others	-	-	50	50
	<u>20,786,710</u>	<u>20,872,675</u>	<u>20,849,134</u>	<u>20,934,564</u>
<b>Derivative Financial Instruments</b>				
<b>Foreign exchange related contracts</b>				
- One year or less	32,084,910	47,702,318	32,084,910	47,702,318
- Over one year to five years	3,534,938	2,574,260	3,534,938	2,574,260
- Over five years	1,404,665	1,475,917	1,404,665	1,475,917
<b>Interest rate related contracts</b>				
- One year or less	7,571,004	10,715,515	7,571,004	10,715,515
- Over one year to five years	34,806,134	32,408,108	34,806,134	32,408,108
- Over five years	10,022,425	11,047,618	10,022,425	11,047,618
<b>Credit related contracts</b>				
- Over one year to five years	347,544	334,505	347,544	334,505
<b>Equity and commodity related contracts</b>				
- One year or less	898,078	797,179	898,078	797,179
- Over one year to five years	179,432	418,626	179,432	418,626
	<u>90,849,130</u>	<u>107,474,046</u>	<u>90,849,130</u>	<u>107,474,046</u>
<b>Total</b>	<u>119,137,201</u>	<u>135,900,849</u>	<u>119,199,625</u>	<u>135,962,738</u>

### **A39. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS**

#### **Determination of fair value and fair value hierarchy**

The Group and the Bank use 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 valuation techniques 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 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 Bank. Therefore, unobservable inputs reflect the Group's and 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 Group's and the Bank's own data.

About 2.4% and 2.5% of the Group's and the Bank's (31 March 2018: 0.3% and 0.6% of the Group's and the Bank'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.

**A39. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONT'D.)**

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

	Group				Bank			
	Valuation technique			Total RM'000	Valuation technique			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<b>31 December 2018</b>								
<b>Financial assets measured at fair value</b>								
Derivative financial assets	365	777,507	-	777,872	365	777,507	-	777,872
Financial assets at fair value through profit or loss								
- Money market securities	-	7,596,034	-	7,596,034	-	7,596,034	-	7,596,034
- Equities	385,395	45	-	385,440	385,391	-	-	385,391
- Quoted sukuk	-	37,806	-	37,806	-	37,806	-	37,806
- Unquoted corporate bonds and sukuk	-	658,086	-	658,086	-	658,086	-	658,086
Financial investments at fair value through other comprehensive income								
- Money market securities	-	5,319,500	-	5,319,500	-	5,319,500	-	5,319,500
- Equities	96,332	-	519,080	615,412	96,332	-	519,080	615,412
- Unquoted corporate bonds and sukuk	-	6,403,901	-	6,403,901	-	6,403,901	24,596	6,428,497
	<u>482,092</u>	<u>20,792,879</u>	<u>519,080</u>	<u>21,794,051</u>	<u>482,088</u>	<u>20,792,834</u>	<u>543,676</u>	<u>21,818,598</u>
<b>Financial liabilities measured at fair value</b>								
Derivative financial liabilities	<u>2,819</u>	<u>719,212</u>	<u>-</u>	<u>722,031</u>	<u>2,819</u>	<u>719,212</u>	<u>-</u>	<u>722,031</u>

**A39. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONT'D.)**

(a) The following tables show the Group's and the Bank's financial instruments that are measured at fair value at the reporting date analysed by levels within the fair value hierarchy (Cont'd.).

	Group				Bank			
	Valuation technique			Total RM'000	Valuation technique			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<b>31 March 2018</b>								
<b>Financial assets measured at fair value</b>								
Derivative financial assets	3	1,134,050	-	1,134,053	3	1,134,050	-	1,134,053
Financial assets held-for-trading								
- Money market securities	-	5,928,678	-	5,928,678	-	5,928,678	-	5,928,678
- Equities	449,660	-	-	449,660	449,660	-	-	449,660
- Quoted sukuk	-	37,962	-	37,962	-	37,962	-	37,962
- Unquoted corporate bonds and sukuk	-	1,625,641	-	1,625,641	-	1,625,641	-	1,625,641
Financial investments available-for-sale								
- Money market securities	-	558,562	-	558,562	-	558,562	-	558,562
- Equities	110,231	-	46,677	156,908	110,198	-	46,677	156,875
- Unquoted corporate bonds and sukuk	-	3,808,503	-	3,808,503	-	3,808,503	34,499	3,843,002
	<u>559,894</u>	<u>13,093,396</u>	<u>46,677</u>	<u>13,699,967</u>	<u>559,861</u>	<u>13,093,396</u>	<u>81,176</u>	<u>13,734,433</u>
<b>Financial liabilities measured at fair value</b>								
Derivative financial liabilities	6,145	1,275,543	-	1,281,688	6,145	1,275,543	-	1,281,688

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

**A39. 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 tables show the reconciliation of the opening and closing amounts of Level 3 financial assets which are recorded at fair value:

<b>Group</b>	<b>Equity instruments at fair value through other comprehensive income RM'000</b>	<b>Financial investments available-for-sale RM'000</b>	<b>Total RM'000</b>
At 31 March 2018	-	46,677	46,677
Effect of adopting MFRS 9	518,798	(46,677)	472,121
Adjusted 1 April 2018	518,798	-	518,798
Addition	288	-	288
Exchange fluctuation taken up in statement of comprehensive income	(6)	-	(6)
At 31 December 2018	519,080	-	519,080

<b>Bank</b>	<b>Debt instruments at fair value through other comprehensive income RM'000</b>	<b>Equity instruments at fair value through other comprehensive income RM'000</b>	<b>Financial investments available-for-sale RM'000</b>	<b>Total RM'000</b>
At 31 March 2018	-	-	81,176	81,176
Effect of adopting MFRS 9	34,499	518,798	(81,176)	472,121
Adjusted 1 April 2018	34,499	518,798	-	553,297
Addition	-	288	-	288
Settlement	247	-	-	247
Total losses recognised in other comprehensive income	(10,150)	-	-	(10,150)
Exchange fluctuation taken up in statement of comprehensive income	-	(6)	-	(6)
At 31 December 2018	24,596	519,080	-	543,676

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

<b>Group</b>	<b>Bank</b>		
<b>31 December 2018 RM'000</b>	<b>31 March 2018 RM'000</b>	<b>31 December 2018 RM'000</b>	<b>31 March 2018 RM'000</b>

**Financial investments fair value through  
other comprehensive income/  
available-for-sale:**

Total losses included in other comprehensive income	(6)	-	(10,156)	(177)
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There were no transfers between Level 2 and Level 3 during the current financial period and previous financial year for the Group and the Bank.

**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.

**A40. CAPITAL ADEQUACY**

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

	<b>Group</b>	<b>Bank</b>
<b>31 December 2018</b>		
Common Equity Tier 1 ("CET 1") Capital Ratio	11.398%	11.290%
Tier 1 Capital Ratio	12.336%	12.225%
Total Capital Ratio	16.977%	16.853%
<b>31 March 2018</b>		
<b>Before deducting proposed dividends</b>		
CET 1 Capital Ratio	11.057%	10.955%
Tier 1 Capital Ratio	12.009%	11.903%
Total Capital Ratio	16.571%	16.451%
<b>After deducting proposed dividends</b>		
Common Equity Tier 1 ("CET 1") Capital Ratio	10.714%	10.613%
Tier 1 Capital Ratio	11.666%	11.561%
Total Capital Ratio	16.228%	16.109%

Notes:

- (i) The capital adequacy ratios are computed in accordance to BNM's guidelines on Capital Adequacy Framework (Capital Components) issued by Bank Negara Malaysia on 2 February 2018, which is based on the Basel III capital accord. The Group and the Bank have 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).
- (ii) Pursuant to the above BNM's guideline on Capital Adequacy Framework (Capital Components), the minimum capital adequacy ratios to be maintained under the guideline are at 4.5% for CET 1 capital, 6% 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 shall be phased-in under transitional arrangements starting from 1 January 2016 as follows:

	<b>CCB</b>
Calendar year 2016	0.625%
Calendar year 2017	1.25%
Calendar year 2018	1.875%
Calendar year 2019 onwards	2.5%

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**A40. CAPITAL ADEQUACY (CONT'D.)**

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

	Group		Bank	
	31 December 2018 RM'000	31 March 2018 RM'000	31 December 2018 RM'000	31 March 2018 RM'000
<b>CET 1 Capital</b>				
Share Capital	1,940,465	1,763,208	1,940,465	1,763,208
Retained earnings	6,595,319	6,641,531	6,656,388	6,700,583
Available-for-sale deficit	-	(23,387)	-	(23,518)
Fair value reserve	213,420	-	213,508	-
Foreign currency translation reserve	86,233	49,075	90,087	52,974
Regulatory reserve	310,834	372,133	310,834	372,133
Merger reserve	104,149	104,149	-	-
Cash flow hedging reserve	(3,072)	3,174	(3,072)	3,174
Less: Regulatory adjustments applied on CET 1 Capital				
- Intangible assets	(377,356)	(400,376)	(377,356)	(400,376)
- Deferred tax assets	(17,227)	(66,659)	(17,164)	(66,637)
- Cash flow hedging reserve	3,072	(3,174)	3,072	(3,174)
- 55% of cumulative fair value gains in Fair value reserve	(117,381)	-	(117,429)	-
- Regulatory reserve	(310,834)	(372,133)	(310,834)	(372,133)
- Investment in ordinary shares of unconsolidated financial entities	-	-	(8,488)	(8,488)
<b>Total CET 1 Capital</b>	<b>8,427,622</b>	<b>8,067,541</b>	<b>8,380,011</b>	<b>8,017,746</b>
<b>Additional Tier 1 Capital</b>				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	694,040	694,040	694,040	694,040
Qualifying CET 1, Additional Tier 1 capital instruments held by third parties	4	2	-	-
<b>Total Tier 1 Capital</b>	<b>9,121,666</b>	<b>8,761,583</b>	<b>9,074,051</b>	<b>8,711,786</b>
<b>Tier 2 Capital</b>				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	2,595,000	1,995,000	2,595,000	1,995,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	-	600,000	-	600,000
Qualifying CET 1, Additional Tier 1 and Tier 2 capital instruments held by third parties	1	1	-	-
Collective allowance and regulatory reserve	836,368	733,999	840,247	734,013
<b>Total Tier 2 capital</b>	<b>3,431,369</b>	<b>3,329,000</b>	<b>3,435,247</b>	<b>3,329,013</b>
<b>Total Capital</b>	<b>12,553,035</b>	<b>12,090,583</b>	<b>12,509,298</b>	<b>12,040,799</b>

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

	Group		Bank	
	31 December 2018 RM'000	31 March 2018 RM'000	31 December 2018 RM'000	31 March 2018 RM'000
Credit RWA	66,909,428	65,724,455	67,219,727	65,981,322
Market RWA	2,440,365	2,861,357	2,439,797	2,861,798
Operational RWA	4,052,386	4,001,549	4,029,410	3,973,753
Large exposure risk RWA for equity holdings	538,802	373,899	538,802	373,899
<b>Total RWA</b>	<b>73,940,981</b>	<b>72,961,260</b>	<b>74,227,736</b>	<b>73,190,772</b>

**A41. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION**

**Adoption of MFRS 9 Financial Instruments**

i. Classification and measurement of financial instruments

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

Group	Measurement category		Carrying amount		
	Under MFRS 139	Under MFRS 9	Under MFRS 139	Remeasurement, Reclassification and Impairment	Under MFRS 9
			RM'000	RM'000	RM'000
<b>Financial assets</b>					
Cash and short-term funds	Amortised cost (Loans and receivables)	Amortised cost	3,716,029	(973)	3,715,056
Investment account placement	Amortised cost	Amortised cost	2,859,110	-	2,859,110
Financial assets held-for-trading	FVTPL (HFT)	FVTPL	8,041,941	-	8,041,941
Financial investments available-for-sale	FVOCI (AFS)	FVOCI (Debt)	3,049,673	-	3,049,673
Financial investments available-for-sale	FVOCI (AFS)	FVOCI (Equity)	427,525	201,366	628,891
Financial investments available-for-sale	FVOCI (AFS)	FVTPL	402	(218)	184
Financial investments available-for-sale	FVOCI (AFS)	Amortised Cost	1,317,391	21,855	1,339,246
Financial investments held-to-maturity	Amortised Cost (HTM)	Amortised Cost	1,802,605	-	1,802,605
Loans and advances	Amortised cost (Loans and receivables)	Amortised cost	67,321,750	(308,618)	67,013,132
Receivables: Investments not quoted in active markets	Amortised cost (Loans and receivables)	FVTPL	87,181	(9,216)	77,965
Receivables: Investments not quoted in active markets	Amortised cost (Loans and receivables)	FVOCI (Debt)	1,062,419	7,189	1,069,608

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**A41. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)**

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

i. Classification and measurement of financial instruments (Cont'd.)

Bank	Measurement category		Carrying amount		
	Under MFRS 139	Under MFRS 9	Under MFRS 139  RM'000	Remeasurement, Reclassification and Impairment RM'000	Under MFRS 9  RM'000
<b>Financial assets</b>					
Cash and short-term funds	Amortised cost (Loans and receivables)	Amortised cost	3,711,118	(973)	3,710,145
Investment account placement	Amortised cost	Amortised cost	2,859,110	(4,259)	2,854,851
Financial assets held-for-trading	FVTPL (HFT)	FVTPL	8,041,941	-	8,041,941
Financial investments available-for-sale	FVOCI (AFS)	FVOCI (Debt)	3,084,173	-	3,084,173
Financial investments available-for-sale	FVOCI (AFS)	FVOCI (Equity)	427,525	201,366	628,891
Financial investments available-for-sale	FVOCI (AFS)	FVTPL	323	(218)	105
Financial investments available-for-sale	FVOCI (AFS)	Amortised Cost	1,317,391	21,855	1,339,246
Financial investments held-to-maturity	Amortised Cost (HTM)	Amortised Cost	1,802,605	-	1,802,605
Loans and advances	Amortised cost (Loans and receivables)	Amortised cost	67,251,739	(308,582)	66,943,157
Receivables: Investments not quoted in active markets	Amortised cost (Loans and receivables)	FVTPL	87,181	(9,216)	77,965
Receivables: Investments not quoted in active markets	Amortised cost (Loans and receivables)	FVOCI (Debt)	1,062,419	7,189	1,069,608

**A41. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)**

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

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

	<b>Group RM'000</b>	<b>Bank RM'000</b>
<b>Cash and short-term funds</b>		
Closing balance under MFRS 139 as at 31 March 2018	3,716,029	3,711,118
Allowance for ECL	(973)	(973)
Opening balance under MFRS 9 as at 1 April 2018	<u>3,715,056</u>	<u>3,710,145</u>
<b>Investment account placement</b>		
Closing balance under MFRS 139 as at 31 March 2018	2,859,110	2,859,110
Reclassification of loss allowance from loans and advances	(2,740)	(2,740)
Allowance for ECL	(1,519)	(1,519)
Opening balance under MFRS 9 as at 1 April 2018	<u>2,854,851</u>	<u>2,854,851</u>
<b>Financial investments held-to-maturity</b>		
Closing balance under MFRS 139 as at 31 March 2018	1,802,605	1,802,605
Reclassification to financial investments at amortised cost	(1,802,605)	(1,802,605)
Opening balance under MFRS 9 as at 1 April 2018	<u>-</u>	<u>-</u>
<b>Loans and advances</b>		
Closing balance under MFRS 139 as at 31 March 2018	67,321,750	67,251,739
Reclassification of loss allowance to investment account placement	2,740	2,740
Allowance for ECL	(311,358)	(311,322)
Opening balance under MFRS 9 as at 1 April 2018	<u>67,013,132</u>	<u>66,943,157</u>
<b>Receivables: Investments not quoted in active markets</b>		
Closing balance under MFRS 139 as at 31 March 2018	1,149,600	1,149,600
Reclassification to financial assets at FVTPL	(87,181)	(87,181)
Reclassification to financial investments at FVOCI (debt)	(1,062,419)	(1,062,419)
Opening balance under MFRS 9 as at 1 April 2018	<u>-</u>	<u>-</u>
<b>Financial assets at amortised cost</b>		
Closing balance under MFRS 139 as at 31 March 2018	-	-
Reclassification from financial investments held-to-maturity	1,802,605	1,802,605
Reclassification from financial investments available-for-sale	1,317,391	1,317,391
Remeasurement from FV to amortised cost	25,057	25,057
Allowance for ECL	(3,202)	(3,202)
Opening balance under MFRS 9 as at 1 April 2018	<u>3,141,851</u>	<u>3,141,851</u>

**A41. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)**

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

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

	Group RM'000	Bank RM'000
Financial assets held-for-trading		
Closing balance under MFRS 139 as at 31 March 2018	8,041,941	8,041,941
Reclassification to financial assets at FVTPL	(8,041,941)	(8,041,941)
Opening balance under MFRS 9 as at 1 April 2018	<u>-</u>	<u>-</u>
Financial assets at FVTPL		
Closing balance under MFRS 139 as at 31 March 2018	-	-
Reclassification from financial investments held-for-trading	8,041,941	8,041,941
Reclassification from financial investments available-for-sale	402	323
Remeasurement for reclassification	(218)	(218)
Reclassification from Receivables: Investments not quoted in active markets	87,181	87,181
Remeasurement for reclassification	(9,216)	(9,216)
Opening balance under MFRS 9 as at 1 April 2018	<u>8,120,090</u>	<u>8,120,011</u>
Financial assets available-for-sale		
Closing balance under MFRS 139 as at 31 March 2018	4,794,991	4,829,412
Reclassification to financial assets at FVTPL	(402)	(323)
Reclassification to financial investments at amortised cost	(1,317,391)	(1,317,391)
Reclassification to financial investments at FVOCI (equity)	(427,525)	(427,525)
Reclassification to financial investments at FVOCI (debt)	(3,049,673)	(3,084,173)
Opening balance under MFRS 9 as at 1 April 2018	<u>-</u>	<u>-</u>
Financial assets at FVOCI (debt)		
Closing balance under MFRS 139 as at 31 March 2018	-	-
Reclassification from financial investments available-for-sale	3,049,673	3,084,173
Reclassification from Receivables: Investments not quoted in active markets	1,062,419	1,062,419
Remeasurement from amortised cost to FV	7,189	7,189
Opening balance under MFRS 9 as at 1 April 2018	<u>4,119,281</u>	<u>4,153,781</u>
Financial assets at FVOCI (equity)		
Closing balance under MFRS 139 as at 31 March 2018	-	-
Reclassification from financial investments available-for-sale	427,525	427,525
Remeasurement from amortised cost to FV	201,366	201,366
Opening balance under MFRS 9 as at 1 April 2018	<u>628,891</u>	<u>628,891</u>
<b>Total financial assets measured at fair value through other comprehensive income</b>	<u>4,748,172</u>	<u>4,782,672</u>

**A41. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)**

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

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

	<b>Group RM'000</b>	<b>Bank RM'000</b>
<b>Deferred tax assets</b>		
Closing balance under MFRS 139 as at 31 March 2018	42,835	42,813
Tax impact on unrealised loss on FVOCI reserve	(7,751)	(7,751)
Tax impact on impairment	(13,585)	(13,585)
Opening balance under MFRS 9 as at 1 April 2018	<u>21,499</u>	<u>21,477</u>
<b>Other assets</b>		
Closing balance under MFRS 139 as at 31 March 2018	1,277,958	1,270,856
Tax impact on remeasurement of investments to FVTPL	2,269	2,269
Tax impact on impairment	98,835	98,835
Opening balance under MFRS 9 as at 1 April 2018	<u>1,379,062</u>	<u>1,371,960</u>
<b>Other liabilities</b>		
Closing balance under MFRS 139 as at 31 March 2018	2,185,028	2,173,781
Allowance for ECL for provision for commitments and contingencies	28,066	28,053
Opening balance under MFRS 9 as at 1 April 2018	<u>2,213,094</u>	<u>2,201,834</u>

**A41. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)**

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

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

	<b>Group RM'000</b>	<b>Bank RM'000</b>
<b>Retained earnings</b>		
Closing balance under MFRS 139 as at 31 March 2018	6,641,531	6,700,583
Recognition of allowance for ECL	(356,958)	(356,941)
Tax impact on allowance for ECL	85,250	85,250
Transfer to regulatory reserve	245,968	245,968
Fair value changes on financial assets at FVTPL	(9,453)	(9,453)
Tax impact on remeasurement of assets to FVTPL	2,269	2,269
Opening balance under MFRS 9 as at 1 April 2018	<u>6,608,607</u>	<u>6,667,676</u>
<b>Regulatory reserve</b>		
Closing balance under MFRS 139 as at 31 March 2018	372,133	372,133
Transfer from retained earnings	(245,968)	(245,968)
Opening balance under MFRS 9 as at 1 April 2018	<u>126,165</u>	<u>126,165</u>
<b>Available-for-sale deficit</b>		
Closing balance under MFRS 139 as at 31 March 2018	(23,387)	(23,518)
Transfer to fair value reserve	23,387	23,518
Opening balance under MFRS 9 as at 1 April 2018	<u>-</u>	<u>-</u>
<b>Fair value reserve</b>		
Closing balance under MFRS 139 as at 31 March 2018	-	-
Transfer from available-for-sale deficit	(23,387)	(23,518)
Fair value changes for financial investments available-for-sale reclassified to financial investments at amortised cost	25,057	25,057
Fair value changes for financial investments available-for-sale reclassified to financial assets at FVTPL	19	19
Fair value changes on financial investments at FVOCI	208,555	208,555
Recognition of allowance for ECL	11,840	11,872
Tax impact on unrealised fair value changes	(7,751)	(7,751)
Opening balance under MFRS 9 as at 1 April 2018	<u>214,333</u>	<u>214,234</u>

- iv. Reconciliation of impairment allowances balance

The following table reconciles the prior period's closing impairment allowance measured in accordance with the MFRS 139 incurred loss model or provision under MFRS 137 to the new impairment allowance measured in accordance with the MFRS 9 expected loss model at 1 April 2018:

<b>Group</b>	<b>Loss allowance under MFRS 139/ Provision under MFRS 137 RM'000</b>	<b>Reclassification and Remeasure- ments RM'000</b>	<b>Loss allowance under MFRS 9 RM'000</b>
<b>Loans and receivables and held-to-maturity under MFRS 139/Financial assets at amortised cost under MFRS 9</b>			
Cash and short-term funds	-	973	973
Investment account placement	-	4,259	4,259
Financial investments at amortised cost	2,550	3,202	5,752
Loans and advances	681,652	308,618	990,270
Total	<u>684,202</u>	<u>317,052</u>	<u>1,001,254</u>

**A41. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)**

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

iv. Reconciliation of impairment allowances balance (Cont'd.)

	Loss allowance under MFRS 139/ Provision under MFRS 137 RM'000	Reclassification and Remeasure- ments RM'000	Loss allowance under MFRS 9 RM'000
<b>Group</b>			
<b>Available-for-sale under MFRS 9/Financial assets at FVOCI under MFRS 9</b>			
Financial investments at fair value through other comprehensive income			
- debt	5,000	11,840	16,840
- equity	2,318	(2,318)	-
Total	<u>7,318</u>	<u>9,522</u>	<u>16,840</u>
<b>Loan commitments and financial guarantee contracts issued</b>			
Loan commitments	51,538	25,817	77,355
Financial guarantee contracts	9,896	2,249	12,145
Total	<u>61,434</u>	<u>28,066</u>	<u>89,500</u>
<b>Bank</b>			
<b>Loans and receivables and held-to-maturity under MFRS 139/Financial assets at amortised cost under MFRS 9</b>			
Cash and short-term funds	-	973	973
Investment account placement	-	4,259	4,259
Financial investments at amortised cost	2,550	3,202	5,752
Loans and advances	681,616	308,582	990,198
Total	<u>684,166</u>	<u>317,016</u>	<u>1,001,182</u>
<b>Available-for-sale under MFRS 9/Financial assets at FVOCI under MFRS 9</b>			
Financial investments at fair value through other comprehensive income			
- debt	5,000	11,872	16,872
- equity	2,318	(2,318)	-
Total	<u>7,318</u>	<u>9,554</u>	<u>16,872</u>
<b>Loan commitments and financial guarantee contracts issued</b>			
Loan commitments	51,584	25,804	77,388
Financial guarantee contracts	9,896	2,249	12,145
Total	<u>61,480</u>	<u>28,053</u>	<u>89,533</u>

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**A41. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)**

- v. The adoption of MFRS 9 and other reclassification (Note A10) resulted in the following financial effects to the statements of the Group and of the Bank:

(a) **Reconciliation of statement of financial position**

**Group**

	<b>31 March 2018 RM'000</b>	<b>Reclassification and remeasurement RM'000</b>	<b>Impairment RM'000</b>	<b>1 April 2018 RM'000</b>
<b>ASSETS</b>				
Cash and short-term funds	3,716,029	-	(973)	3,715,056
Deposits and placements with banks and other financial institutions	450,000	-	-	450,000
Investment account placement	2,859,110	(2,740)	(1,519)	2,854,851
Derivative financial assets	1,134,053	-	-	1,134,053
Financial assets held-for-trading	8,041,941	(8,041,941)	-	-
Financial assets at fair value through profit or loss	-	8,120,090	-	8,120,090
Financial investments available-for-sale	4,794,991	(4,794,991)	-	-
Financial investments at fair value through other comprehensive income	-	4,748,172	-	4,748,172
Financial investments held-to-maturity	1,802,605	(1,802,605)	-	-
Financial investments at amortised cost	-	3,145,053	(3,202)	3,141,851
Loans and advances	67,321,750	2,740	(311,358)	67,013,132
Receivables: Investments not quoted in active markets	1,149,600	(1,149,600)	-	-
Statutory deposit with Bank Negara Malaysia	2,012,837	-	-	2,012,837
Deferred tax assets	42,835	(7,751)	(13,585)	21,499
Other assets	1,277,958	2,269	98,835	1,379,062
Property and equipment	129,524	-	-	129,524
Intangible assets	400,376	-	-	400,376
<b>TOTAL ASSETS</b>	<b>95,133,609</b>	<b>218,696</b>	<b>(231,802)</b>	<b>95,120,503</b>
<b>LIABILITIES AND EQUITY</b>				
Deposits from customers	69,753,528	-	-	69,753,528
Deposits and placements of banks and other financial institutions	2,921,511	-	-	2,921,511
Recourse obligation on loans sold to Cagamas Berhad	3,753,216	-	-	3,753,216
Derivative financial liabilities	1,281,688	-	-	1,281,688
Term funding	2,748,820	-	-	2,748,820
Debt capital	3,579,871	-	-	3,579,871
Other liabilities	2,185,028	-	28,066	2,213,094
<b>TOTAL LIABILITIES</b>	<b>86,223,662</b>	<b>-</b>	<b>28,066</b>	<b>86,251,728</b>
Share capital	1,763,208	-	-	1,763,208
Reserves	7,146,675	218,696	(259,868)	7,105,503
Retained earnings	6,641,531	(7,184)	(25,740)	6,608,607
Regulatory reserve	372,133	-	(245,968)	126,165
Merger reserve	104,149	-	-	104,149
AFS reserve/(deficit)	(23,387)	23,387	-	-
Fair value reserve	-	202,493	11,840	214,333
Cash flow hedging reserve	3,174	-	-	3,174
Foreign currency translation reserve	49,075	-	-	49,075
<b>Equity attributable to equity holder of the Bank</b>	<b>8,909,883</b>	<b>218,696</b>	<b>(259,868)</b>	<b>8,868,711</b>
Non-controlling interests	64	-	-	64
<b>TOTAL EQUITY</b>	<b>8,909,947</b>	<b>218,696</b>	<b>(259,868)</b>	<b>8,868,775</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>95,133,609</b>	<b>218,696</b>	<b>(231,802)</b>	<b>95,120,503</b>
<b>NET ASSETS PER SHARE (RM)</b>	<b>10.86</b>			<b>10.81</b>

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**A41. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)**

- v. The adoption of MFRS 9 and other reclassification (Note A10) resulted in the following financial effects to the statements of the Group and of the Bank (Cont'd.):

(a) Reconciliation of statement of financial position (Cont'd.)

	31 March 2018 RM'000	Reclassification and remeasurement RM'000	Impairment RM'000	1 April 2018 RM'000
<b>Bank</b>				
<b>ASSETS</b>				
Cash and short-term funds	3,711,118	-	(973)	3,710,145
Deposits and placements with banks and other financial institutions	450,000	-	-	450,000
Investment account	2,859,110	(2,740)	(1,519)	2,854,851
Derivative financial assets	1,134,053	-	-	1,134,053
Financial assets at fair value through profit or loss	-	8,120,011	-	8,120,011
Financial assets held-for-trading	8,041,941	(8,041,941)	-	-
Financial investments at fair value through other comprehensive income	-	4,782,672	-	4,782,672
Financial investments available-for-sale	4,829,412	(4,829,412)	-	-
Financial investments at amortised cost	-	3,145,053	(3,202)	3,141,851
Financial investments held-to-maturity	1,802,605	(1,802,605)	-	-
Loans and advances	67,251,739	2,740	(311,322)	66,943,157
Receivables: Investments not quoted in active markets	1,149,600	(1,149,600)	-	-
Statutory deposit with Bank Negara Malaysia	2,012,837	-	-	2,012,837
Deferred tax assets	42,813	(7,751)	(13,585)	21,477
Investment in subsidiaries	31,535	-	-	31,535
Investment in associate	22	-	-	22
Other assets	1,270,856	2,269	98,835	1,371,960
Property and equipment	108,754	-	-	108,754
Intangible assets	400,376	-	-	400,376
<b>TOTAL ASSETS</b>	<b>95,096,771</b>	<b>218,696</b>	<b>(231,766)</b>	<b>95,083,701</b>
<b>LIABILITIES AND EQUITY</b>				
Deposits from customers	69,757,231	-	-	69,757,231
Deposits and placements of banks and other financial institutions	2,933,610	-	-	2,933,610
Recourse obligation on loans sold to Cagamas Berhad	3,753,216	-	-	3,753,216
Derivative financial liabilities	1,281,688	-	-	1,281,688
Term funding	2,748,820	-	-	2,748,820
Debt capital	3,579,871	-	-	3,579,871
Other liabilities	2,173,781	-	28,053	2,201,834
<b>TOTAL LIABILITIES</b>	<b>86,228,217</b>	<b>-</b>	<b>28,053</b>	<b>86,256,270</b>
Share capital	1,763,208	-	-	1,763,208
Reserves	7,105,346	218,696	(259,819)	7,064,223
Retained earnings	6,700,583	(7,184)	(25,723)	6,667,676
Regulatory reserve	372,133	-	(245,968)	126,165
AFS reserve/(deficit)	(23,518)	23,518	-	-
Fair value reserve	-	202,362	11,872	214,234
Cash flow hedging reserve	3,174	-	-	3,174
Foreign currency translation reserve	52,974	-	-	52,974
<b>Equity attributable to equity holder of the Bank</b>	<b>8,868,554</b>	<b>218,696</b>	<b>(259,819)</b>	<b>8,827,431</b>
<b>TOTAL EQUITY</b>	<b>8,868,554</b>	<b>218,696</b>	<b>(259,819)</b>	<b>8,827,431</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>95,096,771</b>	<b>218,696</b>	<b>(231,766)</b>	<b>95,083,701</b>
<b>NET ASSETS PER SHARE (RM)</b>	<b>10.81</b>			<b>10.76</b>

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**A41. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)**

- v. The adoption of MFRS 9 and other reclassification (Note A10) resulted in the following financial effects to the statements of the Group and of the Bank (Cont'd.):

**(b) Reconciliation of statement of profit or loss**

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
<b>Statement of profit or loss for the cumulative quarter ended 31 December 2017</b>			
<b>Group</b>			
Writeback of allowance for impairment on loans and advances	28,359	512	28,871
Impairment loss on:			
Other financial assets	(7,959)	(512)	(8,471)
<b>Bank</b>			
Writeback of allowance for impairment on loans and advances	28,315	512	28,827
Impairment loss on:			
Other financial assets	(7,959)	(512)	(8,471)
<b>Statement of profit or loss for the individual quarter ended 31 December 2017</b>			
<b>Group</b>			
Writeback of allowance for impairment on loans and advances	(42,991)	1,092	(41,899)
Impairment loss on:			
Other financial assets	1,857	(1,092)	765
<b>Bank</b>			
Writeback of allowance for impairment on loans and advances	(42,988)	1,092	(41,896)
Impairment loss on:			
Other financial assets	1,857	(1,092)	765

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**A41. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)**

- v. The adoption of MFRS 9 and other reclassification (Note A10) resulted in the following financial effects to the statements of the Group and of the Bank (Cont'd.):

**(c) The capital adequacy ratios of the Group and the Bank**

	<b>31 March 2018</b>	<b>Impact of adopting MFRS 9</b>	<b>1 April 2018</b>
<b>Group</b>			
CET 1 Capital (RM'000)	8,067,541	108,249	8,175,790
Tier 1 Capital (RM'000)	8,761,583	108,249	8,869,832
Total Capital (RM'000)	12,090,583	200,079	12,290,662
Risk weighted assets (RM'000)	72,961,260	533,407	73,494,667
<b>Before deducting proposed dividends</b>			
CET 1 Capital Ratio (%)	11.057	0.067	11.124
Tier 1 Capital Ratio (%)	12.009	0.060	12.069
Total Capital Ratio (%)	16.571	0.152	16.723
<b>After deducting proposed dividends</b>			
CET 1 Capital Ratio (%)	10.714	0.070	10.784
Tier 1 Capital Ratio (%)	11.666	0.062	11.728
Total Capital Ratio (%)	16.228	0.155	16.383
<b>Bank</b>			
CET 1 Capital (RM'000)	8,017,746	108,352	8,126,098
Tier 1 Capital (RM'000)	8,711,786	108,352	8,820,138
Total Capital (RM'000)	12,040,799	203,379	12,244,178
Risk weighted assets (RM'000)	73,190,772	533,398	73,724,170
<b>Before deducting proposed dividends</b>			
CET 1 Capital Ratio (%)	10.955	0.067	11.022
Tier 1 Capital Ratio (%)	11.903	0.061	11.964
Total Capital Ratio (%)	16.451	0.157	16.608
<b>After deducting proposed dividends</b>			
CET 1 Capital Ratio (%)	10.613	0.070	10.683
Tier 1 Capital Ratio (%)	11.561	0.063	11.624
Total Capital Ratio (%)	16.109	0.160	16.269