

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
30 June 2018
(In Ringgit Malaysia)

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

UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	Group		Bank	
		30 June 2018	31 March 2018 (Restated) (Note A10)	30 June 2018	31 March 2018 (Restated) (Note A10)
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	A8	3,405,846	3,716,029	3,400,963	3,711,118
Deposits and placements with banks and other financial institutions	A9	1,055,293	450,000	1,055,293	450,000
Investment account placement	A10	1,843,492	2,856,370	1,843,492	2,856,370
Derivative financial assets		1,045,209	1,134,053	1,045,209	1,134,053
Financial assets at fair value through profit or loss	A11	8,116,497	-	8,116,447	-
Financial assets held-for-trading	A12	-	8,041,941	-	8,041,941
Financial investments at fair value through other comprehensive income	A13	7,476,045	-	7,507,153	-
Financial investments available-for-sale	A14	-	4,794,991	-	4,829,412
Financial investments at amortised cost	A15	3,287,760	-	3,287,760	-
Financial investments held-to-maturity	A16	-	1,802,605	-	1,802,605
Loans and advances	A17	68,700,025	67,324,490	68,632,489	67,254,479
Receivables: Investments not quoted in active markets	A18	-	1,149,600	-	1,149,600
Statutory deposit with Bank Negara Malaysia		2,079,610	2,012,837	2,079,610	2,012,837
Deferred tax assets		76,299	42,835	76,320	42,813
Investment in subsidiaries and other investment		-	-	31,535	31,535
Investment in associate		-	-	22	22
Other assets	A19	1,076,997	1,277,958	1,068,247	1,270,856
Property and equipment		125,594	129,524	104,946	108,754
Intangible assets		390,195	400,376	390,195	400,376
TOTAL ASSETS		98,678,862	95,133,609	98,639,681	95,096,771
LIABILITIES AND EQUITY					
Deposits from customers	A20	70,770,230	69,753,528	70,775,612	69,757,231
Deposits and placements of banks and other financial institutions	A21	5,904,458	2,921,511	5,915,408	2,933,610
Securities sold under resale agreements		294,961	-	294,961	-
Recourse obligation on loans sold to Cagamas Berhad		3,753,216	3,753,216	3,753,216	3,753,216
Derivative financial liabilities		875,922	1,281,688	875,922	1,281,688
Term funding		3,138,039	2,748,820	3,138,039	2,748,820
Debt capital		2,979,913	3,579,871	2,979,913	3,579,871
Other liabilities	A22	1,947,422	2,185,028	1,934,175	2,173,781
TOTAL LIABILITIES		89,664,161	86,223,662	89,667,246	86,228,217
Share capital		1,940,465	1,763,208	1,940,465	1,763,208
Reserves		7,074,172	7,146,675	7,031,970	7,105,346
Equity attributable to equity holder of the Bank		9,014,637	8,909,883	8,972,435	8,868,554
Non-controlling interests		64	64	-	-
TOTAL EQUITY		9,014,701	8,909,947	8,972,435	8,868,554
TOTAL LIABILITIES AND EQUITY		98,678,862	95,133,609	98,639,681	95,096,771
COMMITMENTS AND CONTINGENCIES	A36	124,566,403	135,900,849	124,627,430	135,962,738
NET ASSETS PER SHARE (RM)		10.77	10.86	10.72	10.81

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 30 JUNE 2018**

Group	Note	Individual Quarter		Cumulative Quarter	
		30 June 2018	30 June 2017 (Restated) (Note A39(ii))	30 June 2018	30 June 2017 (Restated) (Note A39(ii))
		RM'000	RM'000	RM'000	RM'000
Operating revenue		1,279,744	1,158,274	1,279,744	1,158,274
Interest income	A23	1,131,398	1,015,343	1,131,398	1,015,343
Interest expense	A24	(708,060)	(606,079)	(708,060)	(606,079)
Net interest income		423,338	409,264	423,338	409,264
Other operating income	A25	148,346	142,931	148,346	142,931
Net income		571,684	552,195	571,684	552,195
Other operating expenses	A26	(299,046)	(285,738)	(299,046)	(285,738)
Operating profit		272,638	266,457	272,638	266,457
Writeback of allowance for impairment on loans and advances	A27	32,999	41,526	32,999	41,526
Provision for commitments and contingencies - (charge)/writeback		(10,240)	6,401	(10,240)	6,401
Impairment (loss)/writeback on:					
Financial investments	A28	(4,321)	-	(4,321)	-
Other financial assets	A29	2,790	1,638	2,790	1,638
Foreclosed properties		-	(13)	-	(13)
Other recoveries		262	282	262	282
Profit before taxation		294,128	316,291	294,128	316,291
Taxation		(74,286)	(70,523)	(74,286)	(70,523)
Profit for the financial period		219,842	245,768	219,842	245,768
Attributable to:					
Equity holder of the Bank		219,842	245,768	219,842	245,768
Non-controlling interests		-	-	-	-
Profit for the financial period		219,842	245,768	219,842	245,768
Earnings per share (sen)					
Basic/Diluted	A30	26.78	29.96	26.78	29.96

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 30 JUNE 2018**

	Individual Quarter		Cumulative Quarter	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Group				
Profit for the financial period	219,842	245,768	219,842	245,768
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss				
Currency translation on foreign operations	23,483	(17,006)	23,483	(17,006)
Cash flow hedge				
- losses arising during the financial period	(750)	(2,004)	(750)	(2,004)
- reclassification adjustments for (losses)/gain included in the profit or loss	(143)	317	(143)	317
Tax effect	214	405	214	405
Financial assets at fair value through other comprehensive income				
- net unrealised loss on changes in fair value	(34,478)	-	(34,478)	-
- net gain reclassified to profit or loss	(165)	-	(165)	-
- expected credit loss	4,179	-	4,179	-
- foreign exchange differences	463	-	463	-
Tax effect	8,310	-	8,310	-
Financial investments available-for-sale				
- net unrealised gain on changes in fair value	-	8,968	-	8,968
- net gain reclassified to profit or loss	-	(6,586)	-	(6,586)
Tax effect	-	(572)	-	(572)
Other comprehensive income/(loss), net of tax	1,113	(16,478)	1,113	(16,478)
Total comprehensive income for the financial period, net of tax	220,955	229,290	220,955	229,290
Attributable to:				
Equity holder of the Bank	220,955	229,290	220,955	229,290
Non-controlling interests	-	-	-	-
	220,955	229,290	220,955	229,290

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 30 JUNE 2018**

	Note	Individual Quarter		Cumulative Quarter	
		30 June 2018	30 June 2017 (Restated) (Note A39(ii))	30 June 2018	30 June 2017 (Restated) (Note A39(ii))
		RM'000	RM'000	RM'000	RM'000
Bank					
Operating revenue		1,278,415	1,152,560	1,278,415	1,152,560
Interest income	A23	1,130,259	1,012,439	1,130,259	1,012,439
Interest expense	A24	(708,090)	(607,016)	(708,090)	(607,016)
Net interest income		422,169	405,423	422,169	405,423
Other operating income	A25	148,156	140,121	148,156	140,121
Net income		570,325	545,544	570,325	545,544
Other operating expenses	A26	(298,923)	(285,404)	(298,923)	(285,404)
Operating profit		271,402	260,140	271,402	260,140
Writeback of allowance for impairment on loans and advances	A27	33,063	41,508	33,063	41,508
Provision for commitments and contingencies - (charge)/writeback		(10,240)	6,404	(10,240)	6,404
Impairment (loss)/writeback on:					
Financial investments	A28	(4,321)	-	(4,321)	-
Other financial assets	A29	2,790	1,638	2,790	1,638
Foreclosed properties		-	(13)	-	(13)
Other recoveries		262	282	262	282
Profit before taxation		292,956	309,959	292,956	309,959
Taxation		(73,928)	(69,552)	(73,928)	(69,552)
Profit for the financial period		219,028	240,407	219,028	240,407
Earnings per share (sen)					
Basic/Diluted	A30	26.68	29.30	26.68	29.30

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 30 JUNE 2018**

	Individual Quarter		Cumulative Quarter	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Bank				
Profit for the financial period	219,028	240,407	219,028	240,407
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss				
Currency translation on foreign operations	23,453	(15,656)	23,453	(15,656)
Cash flow hedge				
- losses arising during the financial period	(750)	(2,004)	(750)	(2,004)
- reclassification adjustments for loss/(gain) included in profit or loss	(143)	317	(143)	317
Tax effect	214	405	214	405
Financial assets at fair value through other comprehensive income				
- net unrealised loss on changes in fair value	(34,580)	-	(34,580)	-
- net gain reclassified to profit or loss	(165)	-	(165)	-
- expected credit loss	4,179	-	4,179	-
- foreign exchange differences	463	-	463	-
Tax effect	8,334	-	8,334	-
Financial investments available-for-sale				
- net unrealised gain on changes in fair value	-	8,985	-	8,985
- net loss reclassified to profit or loss	-	(6,586)	-	(6,586)
Tax effect	-	(576)	-	(576)
Other comprehensive income/(loss), net of tax	1,005	(15,115)	1,005	(15,115)
Total comprehensive income for the financial period, net of tax	220,033	225,292	220,033	225,292

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 30 JUNE 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 reserve/ (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
At 1 April 2017	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	-	-	-	-	-	-	-	245,768	245,768	-	245,768
Other comprehensive income/(loss)	-	-	-	-	1,810	(1,282)	(17,006)	-	(16,478)	-	(16,478)
Total comprehensive income/(loss) for the financial period	-	-	-	-	1,810	(1,282)	(17,006)	245,768	229,290	-	229,290
Transfer of AMMB Holdings Berhad ("AMMB") Executives' Share Scheme ("ESS") shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	-	(1,191)	(1,191)	-	(1,191)
Transfer to retained earnings	-	(980,969)	-	-	-	-	-	980,969	-	-	-
Transfer to regulatory reserve	-	-	49,966	-	-	-	-	(49,966)	-	-	-
Transaction with owner and other equity movements	-	(980,969)	49,966	-	-	-	-	929,812	(1,191)	-	(1,191)
At 30 June 2017	1,763,208	-	213,786	104,149	(10,422)	1,728	110,237	6,832,771	9,015,457	63	9,015,520

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 30 JUNE 2018

Group	Attributable to equity holder of the Bank							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
At 1 April 2018	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)
Restated balance at 1 April 2018	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	-	-	-	-	-	-	-	219,842	219,842	-	219,842
Other comprehensive (loss)/income	-	-	-	-	(21,691)	(679)	23,483	-	1,113	-	1,113
Total comprehensive (loss)/income for the financial period	-	-	-	-	(21,691)	(679)	23,483	219,842	220,955	-	220,955
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	-	(2,075)	(2,075)	-	(2,075)
Transfer to regulatory reserve	-	103,624	-	-	-	-	-	(103,624)	-	-	-
Dividend on ordinary shares:											
- final, financial year ended 31 March 2018	-	-	-	-	-	-	-	(250,211)	(250,211)	-	(250,211)
Issuance of ordinary shares	177,257	-	-	-	-	-	-	-	177,257	-	177,257
Transaction with owner and other equity movements	177,257	103,624	-	-	-	-	-	(355,910)	(75,029)	-	(75,029)
At 30 June 2018	1,940,465	229,789	104,149	-	192,642	2,495	72,558	6,472,539	9,014,637	64	9,014,701

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Company No. 8515-D

AmBank (M) Berhad
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**UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 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	
At 1 April 2017	1,763,208	980,969	163,820	(12,233)	3,010	119,797	5,371,939	8,390,510
Profit for the financial period	-	-	-	-	-	-	240,407	240,407
Other comprehensive income/(loss)	-	-	-	1,823	(1,282)	(15,656)	-	(15,115)
Total comprehensive income/(loss) for the financial period	-	-	-	1,823	(1,282)	(15,656)	240,407	225,292
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	(1,191)	(1,191)
Transfer to retained earnings	-	(980,969)	-	-	-	-	980,969	-
Transfer to regulatory reserve	-	-	49,966	-	-	-	(49,966)	-
Transaction with owner and other equity movements	-	(980,969)	49,966	-	-	-	929,812	(1,191)
At 30 June 2017	1,763,208	-	213,786	(10,410)	1,728	104,141	6,542,158	8,614,611

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.

Company No. 8515-D

AmBank (M) Berhad
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**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D.)
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 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	
At 1 April 2018	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	-	-	-	-	-	-	219,028	219,028
Other comprehensive (loss)/income	-	-	-	(21,769)	(679)	23,453	-	1,005
Total comprehensive (loss)/income for the financial period	-	-	-	(21,769)	(679)	23,453	219,028	220,033
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	(2,075)	(2,075)
Transfer to regulatory reserve	-	103,624	-	-	-	-	(103,624)	-
Dividend on ordinary shares:								
- final, financial year ended 31 March 2018	-	-	-	-	-	-	(250,211)	(250,211)
Issuance of ordinary shares	177,257	-	-	-	-	-	-	177,257
Transaction with owner and other equity movements	177,257	103,624	-	-	-	-	(355,910)	(75,029)
At 30 June 2018	1,940,465	229,789	-	192,465	2,495	76,427	6,530,794	8,972,435

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 CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2018**

	Group		Bank	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Profit before taxation	294,128	316,291	292,956	309,959
Adjustments for non-operating and non-cash items	(209,100)	194,935	(209,298)	196,784
Operating profit before working capital changes	85,028	511,226	83,658	506,743
Changes in working capital:				
Net change in operating assets	23,869	(2,121,002)	23,117	(2,124,198)
Net change in operating liabilities	4,368,717	188,206	4,367,406	190,578
Tax refunded	18,142	4,665	18,314	5,000
Net cash generated from/(used in) operating activities	4,495,756	(1,416,905)	4,492,495	(1,421,877)
Net cash (used in)/generated from investing activities	(2,927,035)	435,325	(2,923,746)	437,648
Net cash used in financing activities	(672,954)	-	(672,954)	-
Net increase/(decrease) in cash and cash equivalents	895,767	(981,580)	895,795	(984,229)
Cash and cash equivalents at beginning of the financial year	3,566,029	5,889,301	3,561,118	5,658,942
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	310	-	310	-
Foreign exchange differences	22	-	22	-
Closing balance	(641)	-	(641)	-
Effect of exchange rate changes	(16)	(981)	(16)	(976)
Cash and cash equivalents at end of financial period	4,461,139	4,906,740	4,456,256	4,673,737
Cash and cash equivalents comprise:				
Cash and short-term funds	3,405,846	5,001,740	3,400,963	4,768,737
Deposits and placements with banks and other financial institutions	1,055,293	580,000	1,055,293	580,000
	4,461,139	5,581,740	4,456,256	5,348,737
Less: Deposits and placements with original maturity of more than 3 months	-	(675,000)	-	(675,000)
	4,461,139	4,906,740	4,456,256	4,673,737

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.

(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 financial impacts of the adoption of MFRS 9 on the financial statements of the Group and the Bank are as disclosed in Note A39.

EXPLANATORY NOTES (CONT'D.)

A1. BASIS OF PREPARATION (CONT'D.)

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

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 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

Description	Effective for annual periods beginning on or after
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 MFRS 119)	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
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 Leases supersedes *MFRS 117 Leases* and the related interpretations.

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

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

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

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

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

- (i) *MFRS 3 Business Combinations*
The amendments clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. The acquirer shall remeasure its previously held interest in the joint operation at fair value at the acquisition date.
- (ii) *MFRS 11 Joint Arrangements*
The amendments clarified that the party obtaining joint control of a business that is a joint operation shall not remeasure any previously held interest in the joint operation.
- (iii) *MFRS 112 Income Taxes*
The amendments clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated the distributable amounts were recognised. Hence the tax consequences are recognised in profit or loss only when an entity determines payments on such instruments are distributions of profits.
- (iv) *MFRS 123 Borrowing Costs*
The amendments clarified that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

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

Amendments to References to the Conceptual Framework in MFRS Standards

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

(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.

EXPLANATORY NOTES (CONT'D.)

A1. BASIS OF PREPARATION (CONT'D.)

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

The significant accounting policies adopted in preparing these condensed interim financial statements are consistent with those as disclosed in the annual financial statements of the Group and the 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.

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.

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.)

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.

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.

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.)

(i) Fee and commission income (Cont'd.)

Fee income from providing transaction services

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

(ii) Customer loyalty programmes

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

A1.3 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. BASIS OF PREPARATION (CONT'D.)

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.

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.

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

There were no unusual items during the current financial quarter.

A5. CHANGES IN ESTIMATES

There was no material change in estimates of amounts reported in prior financial years that have a material effect on the financial quarter ended 30 June 2018 other than impact of adoption of MFRS9 as disclosed in Note A39.

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

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 4.5% payable half-yearly and is for a tenor of 2 years.

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.

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.

A7. DIVIDENDS

During the financial period, 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.

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A8. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	30 June 2018 RM'000	31 March 2018 RM'000	30 June 2018 RM'000	31 March 2018 RM'000
Cash and bank balances	1,227,710	1,605,992	1,226,786	1,603,614
Deposit placements maturing within one month:				
Licensed banks	1,858,489	2,040,037	1,854,530	2,037,504
Bank Negara Malaysia	320,000	70,000	320,000	70,000
	<u>2,178,489</u>	<u>2,110,037</u>	<u>2,174,530</u>	<u>2,107,504</u>
Total cash and bank balances and deposit placements	3,406,199	3,716,029	3,401,316	3,711,118
Less: Expected credit losses	(353)	-	(353)	-
	<u>3,405,846</u>	<u>3,716,029</u>	<u>3,400,963</u>	<u>3,711,118</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	973
Balance at beginning of the financial period, as restated	973
Movement in allowance due to changes in credit risk	(642)
Exchange difference	22
Balance at end of the financial period	<u>353</u>

A9. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	30 June 2018 RM'000	31 March 2018 RM'000
Licensed banks	605,625	-
Licensed investment banks	450,000	450,000
	<u>1,055,625</u>	<u>450,000</u>
Less: Expected credit losses	(332)	-
	<u>1,055,293</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	332
Balance at end of the financial period	<u>332</u>

A10. INVESTMENT ACCOUNT PLACEMENT

	Group and Bank	
	30 June 2018	31 March 2018 (Restated) (Note A17(i) and A39)
	RM'000	RM'000
Licensed Islamic bank	1,846,698	2,859,110
Less: Impairment allowance	(3,206)	(2,740)
	1,843,492	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 is 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 A39.

As at 30 June 2018, the gross exposure relating to the RIA financing for the Group and the Bank amounted to RM1,852.2 million (31 March 2018: RM2,869.6 million). No individual allowance is provided for the RIA financing as at 30 June 2018 and 31 March 2018.

Movements in allowances for impairment are as follows:

Group and Bank	30 June 2018 12-Month ECL Stage 1 RM'000	31 March 2018 (Restated) (Note A17(i) and A39) RM'000
Balance at beginning of the financial period/year		
- as previously stated	-	-
- reclassification (Note A17(i))	2,740	2,299
- effects of adoption of MFRS 9	1,519	-
Balance at beginning of the financial period/year, as restated (Writeback)/allowance made due to changes in credit risk	4,259 (1,053)	2,299 441
Balance at end of the financial period/year	3,206	2,740

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

	Group		Bank	
	30 June 2018 RM'000	31 March 2018 RM'000	30 June 2018 RM'000	31 March 2018 RM'000
At fair value				
Money market instruments:				
Bank Negara Monetary Notes	2,607,384	-	2,607,384	-
Islamic Treasury Bills	642,956	-	642,956	-
Malaysian Government Investment Issues	300,432	-	300,432	-
Malaysian Government Securities	2,787,307	-	2,787,307	-
Malaysian Treasury Bills	357,330	-	357,330	-
	<u>6,695,409</u>	<u>-</u>	<u>6,695,409</u>	<u>-</u>
Quoted securities:				
<i>In Malaysia:</i>				
Shares	263,267	-	263,267	-
Unit trusts	60,612	-	60,612	-
Sukuk	37,345	-	37,345	-
	<u>361,224</u>	<u>-</u>	<u>361,224</u>	<u>-</u>
<i>Outside Malaysia:</i>				
Shares	117,734	-	117,729	-
Unquoted securities:				
<i>In Malaysia:</i>				
Shares	45	-	-	-
Corporate bonds and sukuk	942,085	-	942,085	-
	<u>942,130</u>	<u>-</u>	<u>942,085</u>	<u>-</u>
	<u>8,116,497</u>	<u>-</u>	<u>8,116,447</u>	<u>-</u>

A12. FINANCIAL ASSETS HELD-FOR-TRADING

	Group and Bank	
	30 June 2018 (Note A39) RM'000	31 March 2018 RM'000
At fair value		
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	
	30 June 2018 RM'000	31 March 2018 RM'000	30 June 2018 RM'000	31 March 2018 RM'000
At fair value				
Money market instruments:				
Malaysian Government Investment Issues	571,326	-	571,326	-
Foreign Government Investment Issues	51,438	-	51,438	-
Malaysian Government Securities	393,817	-	393,817	-
Negotiable Instruments of Deposit	1,148,871	-	1,148,871	-
	<u>2,165,452</u>	<u>-</u>	<u>2,165,452</u>	<u>-</u>
Quoted securities:				
<i>In Malaysia:</i>				
Unit trusts	111,011	-	111,011	-
Unquoted securities:				
<i>In Malaysia:</i>				
Corporate bonds and sukuk	4,458,948	-	4,490,056	-
Shares	518,533	-	518,533	-
	<u>4,977,481</u>	<u>-</u>	<u>5,008,589</u>	<u>-</u>
<i>Outside Malaysia:</i>				
Corporate bonds and sukuk	221,839	-	221,839	-
Shares	262	-	262	-
	<u>222,101</u>	<u>-</u>	<u>222,101</u>	<u>-</u>
	<u>7,476,045</u>	<u>-</u>	<u>7,507,153</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:

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Group				
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
Allowance made due to changes in credit risk	3,762	417	-	4,179
Write-off during the financial period	-	-	(5,000)	(5,000)
Exchange difference	463	-	-	463
Balance at end of the financial period	<u>12,933</u>	<u>3,549</u>	<u>-</u>	<u>16,482</u>
Bank				
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
Allowance made due to changes in credit risk	3,762	417	-	4,179
Write-off during the financial period	-	-	(5,000)	(5,000)
Exchange difference	462	-	-	462
Balance at end of the financial period	<u>12,964</u>	<u>3,549</u>	<u>-</u>	<u>16,513</u>

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A14. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Bank	
	30 June 2018 (Note A39) RM'000	31 March 2018 RM'000	30 June 2018 (Note A39) RM'000	31 March 2018 RM'000
At fair value				
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
At cost				
Unquoted securities:				
<i>In Malaysia:</i>				
Shares	-	270,830	-	270,785
<i>Outside Malaysia:</i>				
Shares	-	188	-	188
	-	4,794,991	-	4,829,412

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A15. FINANCIAL INVESTMENTS AT AMORTISED COST

	Group and Bank	
	30 June 2018 RM'000	31 March 2018 RM'000
At amortised cost		
Money market instruments:		
Malaysian Government Investment Issues	141,357	-
Unquoted securities:		
<i>In Malaysia:</i>		
Corporate bonds and sukuk	3,152,297	-
Less: Expected credit loss	(5,894)	-
	3,287,760	-

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

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Group and Bank				
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	142	-	-	142
Balance at end of the financial period	3,344	-	2,550	5,894

A16. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group and Bank	
	30 June 2018 (Note A39) RM'000	31 March 2018 RM'000
At amortised cost		
Unquoted securities:		
<i>In Malaysia:</i>		
Corporate bonds and sukuk	-	1,805,155
Less: Accumulated impairment losses	-	(2,550)
	-	1,802,605

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A17. LOANS AND ADVANCES

	Group		Bank	
	30 June 2018	31 March 2018 (Restated) (Note A10)	30 June 2018	31 March 2018 (Restated) (Note A10)
	RM'000	RM'000	RM'000	RM'000
At amortised cost:				
Overdraft	2,547,233	2,546,703	2,547,233	2,546,703
Term loans	15,072,966	14,532,383	15,072,966	14,532,383
Housing loan receivables	22,877,048	22,009,341	22,719,912	21,850,682
Hire purchase receivables	12,997,492	13,173,584	12,997,492	13,173,584
Bills receivables	1,061,532	1,064,506	1,061,532	1,064,506
Trust receipts	1,621,593	1,634,359	1,621,593	1,634,359
Claims on customers under acceptance credits	3,263,865	3,237,968	3,263,865	3,237,968
Card receivables	1,608,739	1,560,226	1,608,739	1,560,226
Revolving credits	8,143,368	7,866,973	8,232,832	7,955,585
Staff loans	98,260	100,637	98,260	100,637
Others	353,332	276,722	353,332	276,722
	<hr/>	<hr/>	<hr/>	<hr/>
Gross loans and advances	69,645,428	68,003,402	69,577,756	67,933,355
Allowance for impairment on loans and advances:				
- Individual allowance	(198,999)	(181,100)	(198,999)	(181,100)
- Collective allowance	(746,404)	(497,812)	(746,268)	(497,776)
Net loans and advances	<hr/>	<hr/>	<hr/>	<hr/>
	68,700,025	67,324,490	68,632,489	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	
	30 June 2018 RM'000	31 March 2018 RM'000	30 June 2018 RM'000	31 March 2018 RM'000
Domestic banking institutions	44,783	216	44,783	216
Domestic non-bank financial institutions	1,475,008	1,544,384	1,564,471	1,632,996
Domestic business enterprises				
- Small medium enterprises	11,897,714	11,396,083	11,897,714	11,396,083
- Others	14,820,557	14,783,349	14,820,557	14,783,349
Government and statutory bodies	-	3	-	3
Individuals	40,230,267	39,089,885	40,073,132	38,931,226
Other domestic entities	7,445	7,521	7,445	7,521
Foreign individuals and entities	1,169,654	1,181,961	1,169,654	1,181,961
	<u>69,645,428</u>	<u>68,003,402</u>	<u>69,577,756</u>	<u>67,933,355</u>

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

	Group		Bank	
	30 June 2018 RM'000	31 March 2018 RM'000	30 June 2018 RM'000	31 March 2018 RM'000
In Malaysia	69,445,373	67,775,699	69,377,701	67,705,652
Outside Malaysia	200,055	227,703	200,055	227,703
	<u>69,645,428</u>	<u>68,003,402</u>	<u>69,577,756</u>	<u>67,933,355</u>

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

	Group		Bank	
	30 June 2018 RM'000	31 March 2018 RM'000	30 June 2018 RM'000	31 March 2018 RM'000
Fixed rate				
- Housing loans	275,195	279,506	118,060	120,847
- Hire purchase receivables	12,015,538	12,137,937	12,015,538	12,137,937
- Other fixed rate loans	5,539,459	5,411,233	5,539,459	5,411,233
Variable rate				
- Base rate and base lending rate plus	33,225,213	31,853,878	33,225,213	31,853,878
- Cost plus	13,786,385	13,788,707	13,875,848	13,877,319
- Other variable rates	4,803,638	4,532,141	4,803,638	4,532,141
	<u>69,645,428</u>	<u>68,003,402</u>	<u>69,577,756</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	
	30 June 2018 RM'000	31 March 2018 RM'000	30 June 2018 RM'000	31 March 2018 RM'000
Agriculture	1,576,934	1,602,895	1,576,934	1,602,895
Mining and quarrying	940,942	864,688	940,942	864,688
Manufacturing	6,960,876	6,502,898	6,960,876	6,502,898
Electricity, gas and water	868,200	847,981	868,200	847,981
Construction	2,990,981	2,860,344	2,990,981	2,860,344
Wholesale and retail trade and hotel and restaurants	4,545,387	4,635,523	4,545,387	4,635,523
Transport, storage and communication	1,174,333	1,145,419	1,174,333	1,145,419
Finance and insurance	1,541,074	1,563,370	1,630,537	1,651,982
Real estate	5,852,873	6,025,534	5,852,873	6,025,534
Business activities	1,293,726	1,232,608	1,293,726	1,232,608
Education and health	652,669	627,112	652,669	627,112
Household of which:	41,155,784	39,997,162	40,998,649	39,838,503
- purchase of residential properties	22,364,635	21,523,361	22,207,500	21,364,702
- purchase of transport vehicles	12,097,620	12,327,254	12,097,620	12,327,254
- others	6,693,529	6,146,547	6,693,529	6,146,547
Others	91,649	97,868	91,649	97,868
	<u>69,645,428</u>	<u>68,003,402</u>	<u>69,577,756</u>	<u>67,933,355</u>

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

	Group		Bank	
	30 June 2018 RM'000	31 March 2018 RM'000	30 June 2018 RM'000	31 March 2018 RM'000
Maturing within one year	14,905,953	14,601,773	14,994,879	14,689,847
Over one year to three years	5,211,512	5,125,625	5,207,834	5,121,947
Over three years to five years	7,311,997	7,356,814	7,303,573	7,348,390
Over five years	42,215,966	40,919,190	42,071,470	40,773,171
	<u>69,645,428</u>	<u>68,003,402</u>	<u>69,577,756</u>	<u>67,933,355</u>

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

	Group		Bank	
	30 June 2018 RM'000	31 March 2018 RM'000	30 June 2018 RM'000	31 March 2018 RM'000
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	340,090	802,564	339,307	802,048
Reclassified as non-impaired	(88,089)	(74,898)	(88,089)	(74,833)
Recoveries	(27,997)	(413,904)	(27,990)	(413,227)
Amount written off	(108,621)	(441,873)	(108,621)	(441,873)
Foreign exchange differences	4,033	(16,551)	4,033	(16,551)
Balance at end of the financial period/year	<u>1,173,216</u>	<u>1,053,800</u>	<u>1,172,256</u>	<u>1,053,616</u>
Gross impaired loans and advances as % of gross loans and advances	<u>1.68%</u>	<u>1.55%</u>	<u>1.68%</u>	<u>1.55%</u>
Loan loss coverage (Including regulatory reserve)*	<u>109%</u>	<u>100%</u>	<u>109%</u>	<u>100%</u>

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

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A17. LOANS AND ADVANCES (CONT'D.)

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

	Group		Bank	
	30 June 2018 RM'000	31 March 2018 RM'000	30 June 2018 RM'000	31 March 2018 RM'000
In Malaysia	1,114,233	994,850	1,113,273	994,666
Outside Malaysia	58,983	58,950	58,983	58,950
	<u>1,173,216</u>	<u>1,053,800</u>	<u>1,172,256</u>	<u>1,053,616</u>

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

	Group		Bank	
	30 June 2018 RM'000	31 March 2018 RM'000	30 June 2018 RM'000	31 March 2018 RM'000
Agriculture	144	265	144	265
Mining and quarrying	76,242	82,711	76,242	82,711
Manufacturing	182,599	81,147	182,599	81,147
Electricity, gas and water	113	110	113	110
Construction	23,301	37,226	23,301	37,226
Wholesale and retail trade and hotel and restaurants	46,901	28,054	46,901	28,054
Transport, storage and communication	7,989	8,966	7,989	8,966
Real estate	298,912	291,255	298,912	291,255
Business activities	8,028	8,097	8,028	8,097
Education and health	13,336	18,333	13,336	18,333
Household of which:	513,779	495,401	512,819	495,217
- purchase of residential properties	292,922	282,769	291,962	282,585
- purchase of transport vehicles	132,953	132,187	132,953	132,187
- others	87,904	80,445	87,904	80,445
Others	1,872	2,235	1,872	2,235
	<u>1,173,216</u>	<u>1,053,800</u>	<u>1,172,256</u>	<u>1,053,616</u>

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

	Group and Bank	
	30 June 2018 RM'000	31 March 2018 RM'000
Individual allowance		
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	41,488	76,158
Amount written-off	(21,701)	(128,355)
Foreign exchange differences	(395)	(7,496)
Balance at end of the financial period/year	<u>198,999</u>	<u>181,100</u>

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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:

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
30 June 2018				
Collective assessment allowance				
Group				
Balance at beginning of the financial period				
- as previously stated				500,552
- reclassification to Investment account placement (Note A10)				(2,740)
				<u>497,812</u>
- effects of adoption of MFRS 9				312,851
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)	8,770	(61,164)	(2,498)	(54,892)
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(9,049)	70,000	(14,560)	46,391
- Transfer to Lifetime ECL credit impaired (Stage 3)	(267)	(20,590)	44,751	23,894
New financial assets originated	22,848	10,592	94	33,534
Changes in credit risk	(4,719)	(66,530)	76,119	4,870
Modification of contractual cash flows of financial assets	(47)	-	(193)	(240)
Financial assets derecognised	(15,886)	(5,242)	(10,057)	(31,185)
Foreign exchange difference	230	51	8	289
Amount written-off	-	-	(86,920)	(86,920)
Balance at end of the financial period	<u>193,847</u>	<u>411,440</u>	<u>141,117</u>	<u>746,404</u>
Bank				
Balance at beginning of the financial period				
- as previously stated				500,516
- reclassification to Investment account placement (Note A10)				(2,740)
				<u>497,776</u>
- effects of adoption of MFRS 9				312,815
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)	8,770	(61,164)	(2,498)	(54,892)
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(9,049)	70,000	(14,560)	46,391
- Transfer to Lifetime ECL credit impaired (Stage 3)	(267)	(20,590)	44,751	23,894
New financial assets originated	22,848	10,592	94	33,534
Changes in credit risk	(4,783)	(66,530)	76,119	4,806
Modification of contractual cash flows of financial assets	(47)	-	(193)	(240)
Financial assets derecognised	(15,886)	(5,242)	(10,057)	(31,185)
Foreign exchange difference	230	51	8	289
Amount written-off	-	-	(86,920)	(86,920)
Balance at end of the financial period	<u>193,783</u>	<u>411,409</u>	<u>141,076</u>	<u>746,268</u>

A17. LOANS AND ADVANCES (CONT'D.)

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

	Group	Bank
	31 March	31 March
	2018	2018
	(Restated)	(Restated)
	(Note A10)	(Note A10)
	RM'000	RM'000
Collective allowance		
Balance at beginning of the financial period/year		
- as previously stated	608,795	608,676
- reclassification to Investment account placement	(2,299)	(2,299)
Balance at beginning of the financial period/year, as restated	606,496	606,377
Charge to profit or loss, net	206,681	206,764
Amount written-off	(313,518)	(313,518)
Foreign exchange differences	(1,847)	(1,847)
Balance at end of the financial period/year	<u>497,812</u>	<u>497,776</u>

A18. RECEIVABLES: INVESTMENTS NOT QUOTED IN ACTIVE MARKETS

	Group and Bank	
	30 June	31 March
	2018	2018
	(Note A39)	
	RM'000	RM'000
At amortised cost:		
Unquoted corporate bonds and sukuk in Malaysia	-	1,149,600

A19. OTHER ASSETS

	Group		Bank	
	30 June	31 March	30 June	31 March
	2018	2018	2018	2018
	RM'000	RM'000	RM'000	RM'000
Other receivables, deposits and prepayments	269,924	525,519	268,222	523,806
Interest receivable	235,466	237,745	235,473	237,754
Amount due from related companies	109,167	31,959	110,635	35,087
Collateral pledged for derivative transactions	241,110	247,839	241,110	247,839
Foreclosed properties	4,509	4,497	4,201	4,190
Deferred charges	122,851	116,234	122,851	116,234
Tax recoverable *	96,425	133,852	87,664	125,087
	<u>1,079,452</u>	<u>1,297,645</u>	<u>1,070,156</u>	<u>1,289,997</u>
Less: Accumulated impairment losses	(2,455)	(19,687)	(1,909)	(19,141)
	<u>1,076,997</u>	<u>1,277,958</u>	<u>1,068,247</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 Notice of Reduced Assessment for years of assessment 2008 and 2009 and progressive cash refund.

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A20. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	30 June 2018 RM'000	31 March 2018 RM'000	30 June 2018 RM'000	31 March 2018 RM'000
Demand deposits	10,665,118	10,433,073	10,669,017	10,435,202
Savings deposits	3,311,634	3,304,968	3,311,634	3,304,968
Term/Investment deposits	56,193,478	55,115,487	56,194,961	55,117,061
Negotiable instruments of deposits	600,000	900,000	600,000	900,000
	<u>70,770,230</u>	<u>69,753,528</u>	<u>70,775,612</u>	<u>69,757,231</u>

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

	Group		Bank	
	30 June 2018 RM'000	31 March 2018 RM'000	30 June 2018 RM'000	31 March 2018 RM'000
Government and other statutory bodies	1,414,782	1,928,246	1,414,782	1,928,246
Business enterprises	32,178,426	32,553,376	32,183,808	32,557,079
Individuals	35,105,016	32,110,042	35,105,016	32,110,042
Others	2,072,006	3,161,864	2,072,006	3,161,864
	<u>70,770,230</u>	<u>69,753,528</u>	<u>70,775,612</u>	<u>69,757,231</u>

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

	Group		Bank	
	30 June 2018 RM'000	31 March 2018 RM'000	30 June 2018 RM'000	31 March 2018 RM'000
Due within six months	42,332,125	37,958,354	42,333,607	37,959,927
Over six months to one year	12,273,750	16,058,089	12,273,750	16,058,089
Over one year to three years	1,417,693	1,214,097	1,417,694	1,214,097
Over three years to five years	769,910	784,947	769,910	784,948
	<u>56,793,478</u>	<u>56,015,487</u>	<u>56,794,961</u>	<u>56,017,061</u>

A21. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	30 June 2018 RM'000	31 March 2018 RM'000	30 June 2018 RM'000	31 March 2018 RM'000
Licensed banks	4,660,373	1,260,015	4,660,373	1,260,015
Licensed investment banks	220,005	541,513	220,005	541,513
Other financial institutions	1,005,318	1,099,410	1,016,268	1,111,509
Bank Negara Malaysia	18,762	20,573	18,762	20,573
	<u>5,904,458</u>	<u>2,921,511</u>	<u>5,915,408</u>	<u>2,933,610</u>

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A22. OTHER LIABILITIES

	Group		Bank	
	30 June 2018 RM'000	31 March 2018 RM'000	30 June 2018 RM'000	31 March 2018 RM'000
Other payables and accruals	824,896	987,218	811,640	975,931
Interest payable	683,874	643,071	683,876	643,076
Amount due to related companies	-	139,204	-	139,204
Collateral received for derivative transactions	244,906	270,412	244,906	270,412
Lease deposits and advance rentals	19,822	16,262	19,822	16,262
Provision for commitments and contingencies:				
- loan commitments and financial guarantees	100,013	61,434	100,048	61,480
- others	133	280	133	280
Provision for taxation	53	31	25	20
Deferred income	73,725	67,116	73,725	67,116
	<u>1,947,422</u>	<u>2,185,028</u>	<u>1,934,175</u>	<u>2,173,781</u>

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

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
	Group			
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)	542	(5,236)	-	(4,694)
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,150)	6,013	-	4,863
- Transfer to Lifetime ECL credit impaired (Stage 3)	(48)	(675)	10,391	9,668
New financial instruments originated	6,222	2,554	-	8,776
Changes in credit risk	(746)	669	23	(54)
Financial assets derecognised	(6,578)	(1,593)	-	(8,171)
Foreign exchange difference	314	(189)	-	125
Balance at end of the financial period	<u>47,809</u>	<u>41,582</u>	<u>10,622</u>	<u>100,013</u>
Bank				
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)	542	(5,236)	-	(4,694)
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,150)	6,013	-	4,863
- Transfer to Lifetime ECL credit impaired (Stage 3)	(48)	(675)	10,391	9,668
New financial instruments originated	6,222	2,554	-	8,776
Changes in credit risk	(746)	669	23	(54)
Financial assets derecognised	(6,578)	(1,593)	-	(8,171)
Foreign exchange difference	316	(189)	-	127
Balance at end of the financial period	<u>47,844</u>	<u>41,582</u>	<u>10,622</u>	<u>100,048</u>

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A23. INTEREST INCOME

	Individual Quarter		Cumulative Quarter	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Group				
Short-term funds and deposits and placements with financial institutions	17,685	18,817	17,685	18,817
Financial assets at fair value through profit or loss	71,320	-	71,320	-
Financial assets held-for-trading	-	55,110	-	55,110
Financial investments at fair value through other comprehensive income	57,348	-	57,348	-
Financial investments available-for-sale	-	59,536	-	59,536
Financial investments at amortised cost	32,111	-	32,111	-
Financial investments held-to-maturity	-	20,560	-	20,560
Loans and advances	920,029	816,147	920,029	816,147
Investment account placement	23,552	16,943	23,552	16,943
Impaired loans and advances	3,354	6,804	3,354	6,804
Others	5,999	21,426	5,999	21,426
	<u>1,131,398</u>	<u>1,015,343</u>	<u>1,131,398</u>	<u>1,015,343</u>
Bank				
Short-term funds and deposits and placements with financial institutions	17,653	17,197	17,653	17,197
Financial assets at fair value through profit or loss	71,320	-	71,320	-
Financial assets held-for-trading	-	55,110	-	55,110
Financial investments at fair value through other comprehensive income	57,773	-	57,773	-
Financial investments available-for-sale	-	60,165	-	60,165
Financial investments at amortised cost	32,111	-	32,111	-
Financial investments held-to-maturity	-	20,560	-	20,560
Loans and advances	918,497	814,234	918,497	814,234
Investment account placement	23,552	16,943	23,552	16,943
Impaired loans and advances	3,354	6,804	3,354	6,804
Others	5,999	21,426	5,999	21,426
	<u>1,130,259</u>	<u>1,012,439</u>	<u>1,130,259</u>	<u>1,012,439</u>

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A24. INTEREST EXPENSE

	Individual Quarter		Cumulative Quarter	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Group				
Deposits from customers	562,608	467,928	562,608	467,928
Deposits and placements of banks and other financial institutions	28,758	20,203	28,758	20,203
Recourse obligation on loans sold to Cagamas Berhad	39,854	28,415	39,854	28,415
Term funding	26,114	37,806	26,114	37,806
Debt capital	47,536	50,129	47,536	50,129
Others	3,190	1,598	3,190	1,598
	<u>708,060</u>	<u>606,079</u>	<u>708,060</u>	<u>606,079</u>
Bank				
Deposits from customers	562,620	468,207	562,620	468,207
Deposits and placements of banks and other financial institutions	28,776	20,861	28,776	20,861
Recourse obligation on loans sold to Cagamas Berhad	39,854	28,415	39,854	28,415
Term funding	26,114	37,806	26,114	37,806
Debt capital	47,536	50,129	47,536	50,129
Others	3,190	1,598	3,190	1,598
	<u>708,090</u>	<u>607,016</u>	<u>708,090</u>	<u>607,016</u>

A25. OTHER OPERATING INCOME

Group	Individual Quarter		Cumulative Quarter	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Fee and commission income:				
Bancassurance commission	5,956	5,411	5,956	5,411
Brokerage fees, commission and rebates	529	600	529	600
Fees on loans, advances and securities	43,347	44,847	43,347	44,847
Fees, service and commission charges	7,392	9,693	7,392	9,693
Guarantee fees	15,300	16,274	15,300	16,274
Remittances	5,374	4,677	5,374	4,677
Other fee and commission	12,515	9,784	12,515	9,784
	<u>90,413</u>	<u>91,286</u>	<u>90,413</u>	<u>91,286</u>
Investment and trading income:				
Foreign exchange gain *	45,409	5,890	45,409	5,890
Gross dividend income from:				
Financial assets held-for-trading	-	1,166	-	1,166
Financial assets at fair value through profit or loss	1,535	-	1,535	-
Financial investments available-for-sale	-	927	-	927
Financial investments at fair value through other comprehensive income	1,810	-	1,810	-
Net (loss)/gain on sale/redemption of:				
Financial assets held-for-trading	-	19,130	-	19,130
Financial assets at fair value through profit or loss	(6,940)	-	(6,940)	-
Financial investments available-for-sale	-	6,586	-	6,586
Financial investments at fair value through other comprehensive income	165	-	165	-
Net gain on revaluation of financial assets held-for-trading	-	6,189	-	6,189
Net loss on revaluation of financial assets at fair value through profit or loss	(16,969)	-	(16,969)	-
Net loss on derivatives	(4,217)	(5,561)	(4,217)	(5,561)
Others	6,318	3,985	6,318	3,985
	<u>27,111</u>	<u>38,312</u>	<u>27,111</u>	<u>38,312</u>
Other income:				
Gain on disposal of foreclosed property	21,653	-	21,653	-
Net gain on disposal of property and equipment	48	2,187	48	2,187
Net non trading foreign exchange gain	163	210	163	210
Profit/(loss) from sale of goods and services	5,013	(491)	5,013	(491)
Rental income	1,301	1,152	1,301	1,152
Others	2,644	10,275	2,644	10,275
	<u>30,822</u>	<u>13,333</u>	<u>30,822</u>	<u>13,333</u>
	<u>148,346</u>	<u>142,931</u>	<u>148,346</u>	<u>142,931</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	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Bank				
Fee and commission income:				
Bancassurance commission	5,956	5,411	5,956	5,411
Brokerage fees, commission and rebates	529	600	529	600
Fees on loans, advances and securities	43,347	44,799	43,347	44,799
Fees, service and commission charges	7,276	9,703	7,276	9,703
Guarantee fees	15,300	16,274	15,300	16,274
Remittances	5,374	4,677	5,374	4,677
Other fee and commission	12,515	9,784	12,515	9,784
	<u>90,297</u>	<u>91,248</u>	<u>90,297</u>	<u>91,248</u>
Investment and trading income:				
Foreign exchange gain*	45,409	5,890	45,409	5,890
Gross dividend income/distribution from:				
Financial assets held-for-trading	-	1,166	-	1,166
Financial assets at fair value through profit or loss	1,535	-	1,535	-
Financial investments available-for-sale	-	927	-	927
Financial investments at fair value through other comprehensive income	1,810	-	1,810	-
Net (loss)/gain on sale/redemption of:				
Financial assets held-for-trading	-	19,130	-	19,130
Financial assets at fair value through profit or loss	(6,940)	-	(6,940)	-
Financial investments available-for-sale	-	6,586	-	6,586
Financial investments at fair value through other comprehensive income	165	-	165	-
Net gain on revaluation of financial assets held-for-trading	-	6,189	-	6,189
Net loss on revaluation of financial assets at fair value through profit or loss	(16,939)	-	(16,939)	-
Net loss on derivatives	(4,217)	(5,561)	(4,217)	(5,561)
Others	6,318	3,985	6,318	3,985
	<u>27,141</u>	<u>38,312</u>	<u>27,141</u>	<u>38,312</u>
Other income:				
Gain on disposal of foreclosed property	21,653	-	21,653	-
Net gain on disposal of property and equipment	48	220	48	220
Net non trading foreign exchange gain	169	208	169	208
Profit/(loss) from sale of goods and services	5,013	(491)	5,013	(491)
Rental income	1,198	1,036	1,198	1,036
Others	2,637	9,588	2,637	9,588
	<u>30,718</u>	<u>10,561</u>	<u>30,718</u>	<u>10,561</u>
	<u>148,156</u>	<u>140,121</u>	<u>148,156</u>	<u>140,121</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	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Personnel costs:				
Medical	7,087	6,668	7,087	6,668
Insurance	5,986	5,897	5,986	5,897
Contributions to Employees' Provident Fund/ Private Retirement Schemes ("PRS")	29,357	29,937	29,357	29,937
Salaries, bonuses, allowances and incentives	192,522	161,071	192,522	161,071
Share and options granted under ESS - writeback	(6,190)	(8,845)	(6,190)	(8,845)
Social security costs	1,720	1,662	1,720	1,662
Recruitment costs	1,591	12,084	1,591	12,084
Training	2,057	2,721	2,057	2,721
Others	2,539	2,431	2,539	2,431
Expenses capitalised	(343)	(2,360)	(343)	(2,360)
	<u>236,326</u>	<u>211,266</u>	<u>236,326</u>	<u>211,266</u>
Establishment costs:				
Amortisation of intangible assets	22,425	20,194	22,425	20,194
Cleaning, maintenance and security	4,144	6,261	4,144	6,261
Computerisation cost	36,297	34,515	36,297	34,515
Depreciation of property and equipment	9,794	10,535	9,794	10,535
Rental of premises	19,583	20,888	19,583	20,888
Others	8,178	6,372	8,178	6,372
Expenses capitalised	(95)	(47)	(95)	(47)
	<u>100,326</u>	<u>98,718</u>	<u>100,326</u>	<u>98,718</u>
Marketing and communication expenses:				
Advertising, marketing and communication	5,234	5,414	5,234	5,414
Commission	2,163	140	2,163	140
Others	1,660	1,803	1,660	1,803
	<u>9,057</u>	<u>7,357</u>	<u>9,057</u>	<u>7,357</u>
Administration and general expenses:				
Bank charges	1,984	2,158	1,984	2,158
Insurance	837	891	837	891
Professional services	14,480	21,003	14,480	21,003
Travelling	1,162	920	1,162	920
Subscriptions and periodicals	60	72	60	72
Others	10,803	35,269	10,803	35,269
	<u>29,326</u>	<u>60,313</u>	<u>29,326</u>	<u>60,313</u>
Service transfer pricing recovery - net	(75,989)	(91,916)	(75,989)	(91,916)
	<u>299,046</u>	<u>285,738</u>	<u>299,046</u>	<u>285,738</u>

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A26. OTHER OPERATING EXPENSES (CONT'D.)

	Individual Quarter		Cumulative Quarter	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Bank				
Personnel costs:				
Medical	7,087	6,661	7,087	6,661
Insurance	5,986	5,879	5,986	5,879
Contributions to Employees' Provident Fund/ PRS	29,357	29,921	29,357	29,921
Salaries, bonuses, allowances and incentives	192,522	160,974	192,522	160,974
Share and options granted under ESS - writeback	(6,190)	(8,845)	(6,190)	(8,845)
Social security costs	1,720	1,661	1,720	1,661
Recruitment costs	1,591	12,084	1,591	12,084
Training	2,057	2,721	2,057	2,721
Others	2,539	2,428	2,539	2,428
Expenses capitalised	(343)	(2,360)	(343)	(2,360)
	<u>236,326</u>	<u>211,124</u>	<u>236,326</u>	<u>211,124</u>
Establishment costs:				
Amortisation of intangible assets	22,425	20,194	22,425	20,194
Cleaning, maintenance and security	3,949	6,096	3,949	6,096
Computerisation cost	36,297	34,515	36,297	34,515
Depreciation of property and equipment	9,658	10,402	9,658	10,402
Rental of premises	20,082	21,432	20,082	21,432
Others	8,044	6,220	8,044	6,220
Expenses capitalised	(95)	(47)	(95)	(47)
	<u>100,360</u>	<u>98,812</u>	<u>100,360</u>	<u>98,812</u>
Marketing and communication expenses:				
Advertising, marketing and communication	5,125	5,412	5,125	5,412
Commission	2,163	140	2,163	140
Others	1,660	1,802	1,660	1,802
	<u>8,948</u>	<u>7,354</u>	<u>8,948</u>	<u>7,354</u>
Administration and general expenses:				
Bank charges	1,983	2,157	1,983	2,157
Insurance	840	894	840	894
Professional services	14,464	20,908	14,464	20,908
Travelling	1,162	919	1,162	919
Subscriptions and periodicals	60	72	60	72
Others	10,769	35,090	10,769	35,090
	<u>29,278</u>	<u>60,040</u>	<u>29,278</u>	<u>60,040</u>
Service transfer pricing recovery - net	(75,989)	(91,926)	(75,989)	(91,926)
	<u>298,923</u>	<u>285,404</u>	<u>298,923</u>	<u>285,404</u>

A27. WRITEBACK OF ALLOWANCE FOR IMPAIRMENT ON LOANS AND ADVANCES

	Individual Quarter		Cumulative Quarter	
	30 June 2018	30 June 2017 (Restated) (Note A39(ii))	30 June 2018	30 June 2017 (Restated) (Note A39(ii))
	RM'000	RM'000	RM'000	RM'000
Group				
Allowance/(Writeback of allowance) for loans and advances:				
Individual allowance, net	41,488	6,937	41,488	6,937
Collective allowance, net	22,372	43,199	22,372	43,199
Impaired loans and advances recovered, net	(96,859)	(91,662)	(96,859)	(91,662)
	<u>(32,999)</u>	<u>(41,526)</u>	<u>(32,999)</u>	<u>(41,526)</u>
Bank				
Allowance/(Writeback of allowance) for loans and advances:				
Individual allowance, net	41,488	6,937	41,488	6,937
Collective allowance, net	22,308	43,217	22,308	43,217
Impaired loans and advances recovered, net	(96,859)	(91,662)	(96,859)	(91,662)
	<u>(33,063)</u>	<u>(41,508)</u>	<u>(33,063)</u>	<u>(41,508)</u>

A28. IMPAIRMENT LOSS ON FINANCIAL INVESTMENTS

	Individual Quarter		Cumulative Quarter	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Group and Bank				
Financial investments at fair value through other comprehensive income	4,179	-	4,179	-
	<u>4,179</u>	<u>-</u>	<u>4,179</u>	<u>-</u>
Financial investments at amortised cost	142	-	142	-
	<u>142</u>	<u>-</u>	<u>142</u>	<u>-</u>
	<u>4,321</u>	<u>-</u>	<u>4,321</u>	<u>-</u>

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

	Individual Quarter		Cumulative Quarter	
	30 June 2018	30 June 2017 (Restated) (Note A39(ii))	30 June 2018	30 June 2017 (Restated) (Note A39(ii))
	RM'000	RM'000	RM'000	RM'000
Group and Bank				
Cash and short-term funds	(642)	-	(642)	-
	<u>(642)</u>	<u>-</u>	<u>(642)</u>	<u>-</u>
Deposits and placements with banks and other financial institutions	332	-	332	-
	<u>332</u>	<u>-</u>	<u>332</u>	<u>-</u>
Investment account placement	(1,053)	(1,484)	(1,053)	(1,484)
	<u>(1,053)</u>	<u>(1,484)</u>	<u>(1,053)</u>	<u>(1,484)</u>
Other assets	(1,427)	(154)	(1,427)	(154)
	<u>(1,427)</u>	<u>(154)</u>	<u>(1,427)</u>	<u>(154)</u>
	<u>(2,790)</u>	<u>(1,638)</u>	<u>(2,790)</u>	<u>(1,638)</u>

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholder of the Bank by the weighted average number of ordinary shares in issue during the period.

	Individual Quarter		Cumulative Quarter	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Group				
Net profit attributable to shareholder of the Bank (RM'000)	219,842	245,768	219,842	245,768
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)	545	-	545	-
Weighted average number of ordinary shares in issue at the end of the financial period ('000)	820,909	820,364	820,909	820,364
Basic/diluted earnings per share (sen)	26.78	29.96	26.78	29.96
Bank				
Net profit attributable to shareholder of the Bank (RM'000)	219,028	240,407	219,028	240,407
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)	545	-	545	-
Weighted average number of ordinary shares in issue at the end of the financial period ('000)	820,909	820,364	820,909	820,364
Basic/diluted earnings per share (sen)	26.68	29.30	26.68	29.30

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) Wholesale Banking

Wholesale Banking comprises Corporate and Commercial Banking, Global Markets and Capital Markets and Private Banking.

(i) Corporate and Commercial Banking

Corporate and Commercial 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) Global Markets

Global 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.

(iii) Capital Markets and Private Banking

The Capital Markets is 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 includes 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.

(c) 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.

(d) 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 30 June 2018	Wholesale Banking						Group Funding and Others RM'000	Total RM'000
	Retail Banking RM'000	Business Banking RM'000	Corporate and Commercial Banking RM'000	Global Markets RM'000	Capital Markets and Private Banking RM'000			
External revenue	617,362	69,708	359,489	144,453	18,651	70,081	1,279,744	
Revenue from other segments	(51,472)	(21,907)	(149,032)	104,271	(7,901)	126,041	-	
Total operating revenue	565,890	47,801	210,457	248,724	10,750	196,122	1,279,744	
Net interest income	208,809	42,378	104,456	17,891	6,417	43,387	423,338	
Other operating income	60,632	16,259	55,720	3,176	867	11,692	148,346	
Income	269,441	58,637	160,176	21,067	7,284	55,079	571,684	
Other operating expenses	(167,056)	(21,022)	(38,517)	(17,101)	(2,517)	(52,833)	(299,046)	
<i>of which:</i>								
<i>Depreciation of property and equipment</i>	(5,692)	(114)	(165)	(88)	(8)	(3,727)	(9,794)	
<i>Amortisation of intangible assets</i>	(3,828)	(12)	(432)	(805)	-	(17,348)	(22,425)	
Profit before impairment losses	102,385	37,615	121,659	3,966	4,767	2,246	272,638	
(Provision)/writeback of impairment losses on loans and advances	(23,056)	(2,580)	56,126	-	5,553	(3,044)	32,999	
Writeback/(provision) of impairment losses on other assets	840	-	583	(3,497)	-	543	(1,531)	
Provision for commitments and contingencies - (charge)/writeback	(233)	239	(10,246)	-	-	-	(10,240)	
Other recoveries	22	-	-	-	-	240	262	
Profit/(loss) before taxation	79,958	35,274	168,122	469	10,320	(15)	294,128	
Taxation	(19,190)	(7,595)	(38,687)	(226)	(2,131)	(6,457)	(74,286)	
Profit/(loss) for the financial period	60,768	27,679	129,435	243	8,189	(6,472)	219,842	
Other information								
Total segment assets	42,202,695	5,573,022	21,145,644	14,186,745	1,753,295	13,817,461	98,678,862	
Total segment liabilities	38,954,592	3,515,607	6,045,269	24,637,021	801,580	15,710,092	89,664,161	
Cost to income ratio	62.0%	35.9%	24.0%	81.2%	34.6%	95.9%	52.3%	
Gross loans and advances	41,731,365	5,610,050	20,955,825	-	1,348,188	-	69,645,428	
Net loans and advances	41,197,994	5,568,509	20,611,147	-	1,348,188	(25,813)	68,700,025	
Impaired loans and advances	534,528	122,815	515,873	-	-	-	1,173,216	
Total deposits	38,316,008	3,462,759	5,790,238	23,059,020	796,674	5,249,989	76,674,688	
Additions to:								
Property and equipment	3,197	406	128	-	4	877	4,612	
Intangible assets	2,735	916	4,576	-	10	14,006	22,243	

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A31. BUSINESS SEGMENT ANALYSIS (CONT'D.)

Group For the financial period ended 30 June 2017 (Restated) (Note A39(ii))	Wholesale Banking						Group Funding and Others RM'000	Total RM'000
	Retail Banking RM'000	Business Banking RM'000	Corporate and Commercial Banking RM'000	Global Markets RM'000	Capital Markets and Private Banking RM'000			
External revenue	550,974	53,449	324,886	160,085	13,910		54,970	1,158,274
Revenue from other segments	(95,202)	(12,606)	(143,718)	137,127	(2,304)		116,703	-
Total operating revenue	<u>455,772</u>	<u>40,843</u>	<u>181,168</u>	<u>297,212</u>	<u>11,606</u>		<u>171,673</u>	<u>1,158,274</u>
Net interest income	201,585	34,636	103,453	12,977	4,512		52,101	409,264
Other operating income	63,693	12,933	32,659	37,725	3,881		(7,960)	142,931
Income	265,278	47,569	136,112	50,702	8,393		44,141	552,195
Other operating expenses	(165,228)	(16,192)	(46,720)	(16,998)	(2,678)		(37,922)	(285,738)
of which:								
Depreciation of property and equipment	(6,282)	(23)	(186)	(149)	(9)		(3,886)	(10,535)
Amortisation of intangible assets	(3,206)	(3)	(457)	(1,070)	-		(15,458)	(20,194)
Profit before impairment losses	100,050	31,377	89,392	33,704	5,715		6,219	266,457
(Provision)/writeback of impairment losses on loans and advances	(1,061)	(2,839)	7,863	-	767		36,796	41,526
Writeback/(provision) of impairment losses on other assets	3	-	(13)	-	-		1,635	1,625
Provision for commitments and contingencies - (charge)/writeback	(92)	1,397	5,396	-	(297)		(3)	6,401
Other recoveries	1	-	-	56	-		225	282
Profit before taxation	98,901	29,935	102,638	33,760	6,185		44,872	316,291
Taxation	(23,736)	(7,074)	(22,889)	(7,286)	(812)		(8,726)	(70,523)
Profit for the financial period	<u>75,165</u>	<u>22,861</u>	<u>79,749</u>	<u>26,474</u>	<u>5,373</u>		<u>36,146</u>	<u>245,768</u>
Other information								
Total segment assets	37,655,160	4,379,645	22,809,428	12,716,743	1,310,804		12,001,233	90,873,013
Total segment liabilities	28,208,826	2,823,939	6,317,371	33,122,190	862,026		10,523,141	81,857,493
Cost to income ratio	62.3%	34.0%	34.3%	33.5%	31.9%		85.9%	51.7%
Gross loans and advances	36,995,968	4,413,886	22,106,245	-	1,185,145		63,975	64,765,219
Net loans and advances	36,639,857	4,379,015	21,813,651	-	1,179,764		(68,056)	63,944,231
Impaired loans and advances	541,717	70,297	536,259	-	-		-	1,148,273
Total deposits	27,654,410	2,778,514	5,955,533	29,721,050	854,229		2,130,864	69,094,600
Additions to:								
Property and equipment	4,449	434	172	-	4		2,016	7,075
Intangible assets	4,514	3	1,516	-	1		10,639	16,673

A32. PERFORMANCE REVIEW FOR THE PERIOD ENDED 30 JUNE 2018

The Group reported a profit before taxation of RM294.1 million for the financial quarter ended 30 June 2018 compared to RM316.3 million in the corresponding period in the previous financial year.

The reduction in Group's profit before taxation for the period is mainly attributable to lower writeback in loan loss allowances due to higher allowances for customers individually assessed. Net interest income improved from assets growth and lower interest expense from term funding.

The increase in other operating income was mainly contributed by gain on disposal of foreclosed properties offset by lower gains on disposal and revaluation of securities mitigated by higher foreign exchange gain.

The Group's ratio of impaired loans and advances increased to 1.7% from 1.6% 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 16.0% and 15.9% 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

Following the below-than-expected second quarter 2018 GDP of 4.5% dragged by commodity shocks coming from both mining and agricultural and public investment, growth was supported by private expenditure and exports. Hence the first half 2018 GDP grew 5.0%. For the full year, our revised projection is between 4.8% to 5.0% from our previous projection of 5.3% to 5.6% supported by domestic activities and exports.

Inflation in second quarter 2018 was 1.3%, thus bringing the first half 2018 to average at 1.6% following the introduction of fuel subsidy and removal of GST which is replaced with SST that now covers 38% of Consumer Price Index (CPI) basket of goods versus 60% with the GST. Inflation is projected to average around 1.5% in 2018.

The banking system's loans expanded by 4.1% in 2017 following a stable growth in retail loans while business loans were impacted by repayments. For 2018, loans is projected to grow circa 5% based on our view that GDP will continue to expand by 4.8% to 5.0% in 2018.

Banks have sufficient liquid assets with an industry liquidity coverage ratio of 138.0% as at 30 June 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 83.9% and 73.2% respectively as at 30 June 2018.

We anticipate NIM of banks to taper from first quarter 2018 that was boosted by an OPR hike of 25bps in January 2018. The lagged repricing of banks' deposit rates adjusting to the increase in OPR coupled with keener competition for deposits compared to first half 2018 as the sector moves closer towards the implementation of net stable funding ratio (NSFR) will be the contributing factors.

We expect Bank Negara Malaysia to maintain its current 3.25% OPR for the rest of 2018. The accommodative monetary policy is envisaged to support domestic activities in an environment of low inflation and undervalued ringgit which is seen as one of the best performing currency.

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.

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A34. VALUATION OF PROPERTY AND EQUIPMENT

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

A35. CHANGES IN THE COMPOSITION OF THE GROUP

There has been no other significant changes in the composition of the Group for the financial quarter ended 30 June 2018.

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A36. 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:

	Group		Bank	
	30 June 2018 RM'000	31 March 2018 RM'000	30 June 2018 RM'000	31 March 2018 RM'000
Contingent Liabilities				
Direct credit substitutes	1,868,469	1,832,161	1,868,469	1,832,161
Transaction related contingent items	4,936,628	5,033,552	4,936,628	5,033,552
Short term self liquidating trade related contingencies	550,851	638,415	550,851	638,415
Obligations under on-going underwriting agreements	-	50,000	-	50,000
	<u>7,355,948</u>	<u>7,554,128</u>	<u>7,355,948</u>	<u>7,554,128</u>
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	13,353,026	13,522,423	13,414,003	13,584,262
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,997,166	3,294,066	2,997,166	3,294,066
Unutilised credit card lines	4,145,776	3,918,163	4,145,776	3,918,163
Forward asset purchase	64,756	138,023	64,756	138,023
Others	-	-	50	50
	<u>20,560,724</u>	<u>20,872,675</u>	<u>20,621,751</u>	<u>20,934,564</u>
Derivative Financial Instruments				
Foreign exchange related contracts				
- One year or less	37,601,426	47,702,318	37,601,426	47,702,318
- Over one year to five years	2,918,604	2,574,260	2,918,604	2,574,260
- Over five years	1,412,114	1,475,917	1,412,114	1,475,917
Interest rate related contracts				
- One year or less	7,966,431	10,715,515	7,966,431	10,715,515
- Over one year to five years	33,765,998	32,408,108	33,765,998	32,408,108
- Over five years	11,125,917	11,047,618	11,125,917	11,047,618
Credit related contracts				
- Over one year to five years	342,839	334,505	342,839	334,505
Equity and commodity related contracts				
- One year or less	958,365	797,179	958,365	797,179
- Over one year to five years	558,037	418,626	558,037	418,626
	<u>96,649,731</u>	<u>107,474,046</u>	<u>96,649,731</u>	<u>107,474,046</u>
Total	<u>124,566,403</u>	<u>135,900,849</u>	<u>124,627,430</u>	<u>135,962,738</u>

A37. 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 3.1% and 3.3% 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.

A37. 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	
30 June 2018								
Financial assets measured at fair value								
Derivative financial assets	170	1,045,039	-	1,045,209	170	1,045,039	-	1,045,209
Financial assets at fair value through profit or loss								
- Money market securities	-	6,695,409	-	6,695,409	-	6,695,409	-	6,695,409
- Equities	441,613	45	-	441,658	441,608	-	-	441,608
- Quoted sukuk	-	37,345	-	37,345	-	37,345	-	37,345
- Unquoted corporate bonds and sukuk	-	942,085	-	942,085	-	942,085	-	942,085
Financial investments at fair value through other comprehensive income								
- Money market securities	-	2,165,452	-	2,165,452	-	2,165,452	-	2,165,452
- Equities	111,011	-	518,795	629,806	111,011	-	518,795	629,806
- Unquoted corporate bonds and sukuk	-	4,680,787	-	4,680,787	-	4,680,787	31,108	4,711,895
	<u>552,794</u>	<u>15,566,162</u>	<u>518,795</u>	<u>16,637,751</u>	<u>552,789</u>	<u>15,566,117</u>	<u>549,903</u>	<u>16,668,809</u>
Financial liabilities measured at fair value								
Derivative financial liabilities	3,144	872,778	-	875,922	3,144	872,778	-	875,922

A37. 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	
31 March 2018								
Financial assets measured at fair value								
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>
Financial liabilities measured at fair value								
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.

A37. 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:

Group	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Financial investments available-for-sale	Total
	RM'000	RM'000	RM'000	RM'000
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
Exchange fluctuation taken up in statement of comprehensive income	-	(3)	-	(3)
At 30 June 2018	-	518,795	-	518,795
Bank	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Financial investments available-for-sale	Total
	RM'000	RM'000	RM'000	RM'000
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
Total losses recognised in other comprehensive income	(3,391)	-	-	(3,391)
Exchange fluctuation taken up in statement of comprehensive income	-	(3)	-	(3)
At 30 June 2018	31,108	518,795	-	549,903

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:

Group	30 June 2018 RM'000	31 March 2018 RM'000	Bank	
			30 June 2018 RM'000	31 March 2018 RM'000

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

Total losses included in other comprehensive income	(3)	-	(3,394)	(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.

A38. CAPITAL ADEQUACY

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

	Group	Bank
30 June 2018		
Common Equity Tier 1 ("CET 1") Capital Ratio	11.200%	11.089%
Tier 1 Capital Ratio	12.151%	12.036%
Total Capital Ratio	16.011%	15.886%
31 March 2018		
Before deducting proposed dividends		
CET 1 Capital Ratio	11.057%	10.955%
Tier 1 Capital Ratio	12.009%	11.903%
Total Capital Ratio	16.571%	16.451%
After deducting proposed dividends		
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 the Prudential Financial Policy Department on 13 October 2015, 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 under transitional arrangements shall be phased-in starting from 1 January 2016 as follows:

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

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A38. 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	
	30 June 2018 RM'000	31 March 2018 RM'000	30 June 2018 RM'000	31 March 2018 RM'000
CET 1 Capital				
Share Capital	1,940,465	1,763,208	1,940,465	1,763,208
Retained earnings	6,471,725	6,641,531	6,530,794	6,700,583
Available-for-sale deficit	-	(23,387)	-	(23,518)
Fair value reserve	192,642	-	192,465	-
Foreign currency translation reserve	72,558	49,075	76,427	52,974
Regulatory reserve	229,789	372,133	229,789	372,133
Merger reserve	104,149	104,149	-	-
Cash flow hedging reserve	2,495	3,174	2,495	3,174
Less: Regulatory adjustments applied on CET 1 Capital				
- Intangible assets	(390,195)	(400,376)	(390,195)	(400,376)
- Deferred tax assets	(109,771)	(66,659)	(109,792)	(66,637)
- Cash flow hedging reserve	(2,495)	(3,174)	(2,495)	(3,174)
- 55% of cumulative fair value gains in Fair value reserve	(105,953)	-	(105,856)	-
- Regulatory reserve attributable to loans	(229,789)	(372,133)	(229,789)	(372,133)
- Investment in ordinary shares of unconsolidated financial entities	-	-	(8,488)	(8,488)
Total CET 1 Capital	8,175,620	8,067,541	8,125,820	8,017,746
Additional Tier 1 Capital				
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	2	2	-	-
Total Tier 1 Capital	8,869,662	8,761,583	8,819,860	8,711,786
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	1,995,000	1,995,000	1,995,000	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	822,210	733,999	826,052	734,013
Total Tier 2 capital	2,817,211	3,329,000	2,821,052	3,329,013
Total Capital	11,686,873	12,090,583	11,640,912	12,040,799

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

	Group		Bank	
	30 June 2018 RM'000	31 March 2018 RM'000	30 June 2018 RM'000	31 March 2018 RM'000
Credit RWA	65,776,775	65,724,455	66,084,194	65,981,322
Market RWA	2,676,314	2,861,357	2,676,765	2,861,798
Operational RWA	4,004,298	4,001,549	3,978,074	3,973,753
Large exposure risk RWA for equity holdings	536,939	373,899	536,939	373,899
Total RWA	72,994,326	72,961,260	73,275,972	73,190,772

A39. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION

Adoption of new standards and amendments to published standards

(a) 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
Financial assets					
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	(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)	3,049,673	-	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, advances and financing	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

A39. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

Adoption of new standards and amendments to published standards (Cont'd.)

(a) 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	Remeasurement, Reclassification and Impairment	Under MFRS 9
			RM'000	RM'000	RM'000
Financial assets					
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, advances and financing	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

There were no changes to the classification and measurement of financial liabilities of the Group and the Bank.

A39. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

Adoption of new standards and amendments to published standards (Cont'd.)

(a) 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
<u>Amortised cost</u>		
Cash and short-term funds		
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>
Investment account placement		
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>
Financial investments held-to-maturity		
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>
Loans, advances and financing		
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>
Receivables: Investments not quoted in active markets		
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>
Financial assets at amortised cost		
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>

A39. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

Adoption of new standards and amendments to published standards (Cont'd.)

(a) 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
<u>Fair value through profit and loss (FVTPL)</u>		
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	-	-
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	8,120,090	8,120,011
<u>Fair value through other comprehensive income (FVOCI)</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	-	-
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	4,119,281	4,153,781
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	628,891	628,891
Total financial assets measured at fair value through other comprehensive income	4,748,172	4,782,672

A39. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

Adoption of new standards and amendments to published standards (Cont'd.)

(a) 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
Deferred tax assets		
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	85,250	85,250
Opening balance under MFRS 9 as at 1 April 2018	<u>120,334</u>	<u>120,312</u>
Other assets		
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
Opening balance under MFRS 9 as at 1 April 2018	<u>1,280,227</u>	<u>1,273,125</u>
Other liabilities		
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>

A39. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

Adoption of new standards and amendments to published standards (Cont'd.)

(a) 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:

	Group RM'000	Bank RM'000
Retained earnings		
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>
Regulatory reserve		
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>
Available-for-sale deficit		
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>
Fair value reserve		
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:

	Loss allowance under MFRS 139/ Provision under MFRS 137 RM'000	Reclassification and Remeasure- ments RM'000	Loss allowance under MFRS 9 RM'000
Group			
Loans and receivables and held-to-maturity under MFRS 139/Financial assets at amortised cost under MFRS 9			
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>

A39. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

Adoption of new standards and amendments to published standards (Cont'd.)

(a) 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
Group			
Available-for-sale under MFRS 9/Financial assets at FVOCI under MFRS 9			
Financial investments at fair value through other comprehensive income			
- debt	5,000	11,840	16,840
- equity	2,318	(2,318)	-
Total	<u>7,318</u>	<u>9,522</u>	<u>16,840</u>
Loan commitments and financial guarantee contracts issued			
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>
Bank			
Loans and receivables and held-to-maturity under MFRS 139/Financial assets at amortised cost under MFRS 9			
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>
Available-for-sale under MFRS 9/Financial assets at FVOCI under MFRS 9			
Financial investments at fair value through other comprehensive income			
- debt	5,000	11,872	16,872
- equity	2,318	(2,318)	-
Total	<u>7,318</u>	<u>9,554</u>	<u>16,872</u>
Loan commitments and financial guarantee contracts issued			
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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A39. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

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:

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

Group	31 March 2018 RM'000	Reclassification and remeasurement RM'000	Impairment RM'000	1 April 2018 RM'000
ASSETS				
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)	85,250	120,334
Other assets	1,277,958	2,269	-	1,280,227
Property and equipment	129,524	-	-	129,524
Intangible assets	400,376	-	-	400,376
TOTAL ASSETS	95,133,609	218,696	(231,802)	95,120,503
LIABILITIES AND EQUITY				
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
TOTAL LIABILITIES	86,223,662	-	28,066	86,251,728
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
Equity attributable to equity holder of the Bank	8,909,883	218,696	(259,868)	8,868,711
Non-controlling interests	64	-	-	64
TOTAL EQUITY	8,909,947	218,696	(259,868)	8,868,775
TOTAL LIABILITIES AND EQUITY	95,133,609	218,696	(231,802)	95,120,503
NET ASSETS PER SHARE (RM)	10.86			10.81

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A39. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

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.):

(i) **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
Bank				
ASSETS				
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)	85,250	120,312
Investment in subsidiaries and other investment	31,535	-	-	31,535
Investment in associate	22	-	-	22
Other assets	1,270,856	2,269	-	1,273,125
Property and equipment	108,754	-	-	108,754
Intangible assets	400,376	-	-	400,376
TOTAL ASSETS	95,096,771	218,696	(231,766)	95,083,701
LIABILITIES AND EQUITY				
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
TOTAL LIABILITIES	86,228,217	-	28,053	86,256,270
Share capital	1,763,208	-	-	1,763,208
Reserves	7,105,346	218,696	(259,819)	7,064,223
<i>Retained earnings</i>	6,700,583	(7,184)	(25,723)	6,667,676
<i>Regulatory reserve</i>	372,133	-	(245,968)	126,165
<i>AFS reserve/(deficit)</i>	(23,518)	23,518	-	-
<i>Fair value reserve</i>	-	202,362	11,872	214,234
<i>Cash flow hedging reserve</i>	3,174	-	-	3,174
<i>Foreign currency translation reserve</i>	52,974	-	-	52,974
Equity attributable to equity holder of the Bank	8,868,554	218,696	(259,819)	8,827,431
TOTAL EQUITY	8,868,554	218,696	(259,819)	8,827,431
TOTAL LIABILITIES AND EQUITY	95,096,771	218,696	(231,766)	95,083,701
NET ASSETS PER SHARE (RM)	10.81			10.76

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A39. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

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.):

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

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Statement of profit or loss for the cumulative quarter and individual quarter ended 30 June 2017			
Group			
Writeback of allowance for impairment on loans and advances	43,010	(1,484)	41,526
Impairment writeback on:			
Other financial assets	154	1,484	1,638
Bank			
Writeback of allowance for impairment on loans and advances	42,992	(1,484)	41,508
Impairment writeback on:			
Other financial assets	154	1,484	1,638

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

	31 March 2018	Impact of adopting MFRS 9	1 April 2018
Group			
CET 1 Capital (RM'000)	8,067,541	9,414	8,076,955
Tier 1 Capital (RM'000)	8,761,583	9,414	8,770,997
Total Capital (RM'000)	12,090,583	101,244	12,191,827
Risk weighted assets (RM'000)	72,961,260	533,407	73,494,667
Before deducting proposed dividends			
CET 1 Capital Ratio (%)	11.057	(0.067)	10.990
Tier 1 Capital Ratio (%)	12.009	(0.074)	11.935
Total Capital Ratio (%)	16.571	0.018	16.589
After deducting proposed dividends			
CET 1 Capital Ratio (%)	10.714	(0.065)	10.649
Tier 1 Capital Ratio (%)	11.666	(0.072)	11.594
Total Capital Ratio (%)	16.228	0.020	16.248
Bank			
CET 1 Capital (RM'000)	8,017,746	9,517	8,027,263
Tier 1 Capital (RM'000)	8,711,786	9,517	8,721,303
Total Capital (RM'000)	12,040,799	104,544	12,145,343
Risk weighted assets (RM'000)	73,190,772	533,398	73,724,170
Before deducting proposed dividends			
CET 1 Capital Ratio (%)	10.955	(0.066)	10.889
Tier 1 Capital Ratio (%)	11.903	(0.073)	11.830
Total Capital Ratio (%)	16.451	0.023	16.474
After deducting proposed dividends			
CET 1 Capital Ratio (%)	10.613	(0.064)	10.549
Tier 1 Capital Ratio (%)	11.561	(0.071)	11.490
Total Capital Ratio (%)	16.109	0.025	16.134