

Company No. 8515-D

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

Condensed Interim Financial Statements
For the Financial Period
1 April 2017 to
31 December 2017
(In Ringgit Malaysia)

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

UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

		Group			Bank		
	Note	31 December 2017	31 March 2017	1 April 2016	31 December 2017	31 March 2017	1 April 2016
		RM'000	(Restated) RM'000	(Restated) RM'000	RM'000	(Restated) RM'000	(Restated) RM'000
ASSETS							
Cash and short-term funds		9,270,909	5,989,301	7,605,681	9,265,787	5,758,942	7,380,187
Securities purchased under resale agreements		-	10,369	-	-	10,369	-
Deposits and placements with banks and other financial institutions		814,275	450,000	850,000	814,275	450,000	850,000
Investment account		2,959,806	1,600,000	1,000,000	2,959,806	1,600,000	1,000,000
Derivative financial assets		1,195,268	1,172,132	1,894,819	1,195,268	1,172,132	1,894,819
Financial assets held-for-trading	A8	5,029,914	5,862,496	1,870,427	5,029,914	5,862,496	1,870,427
Financial investments available-for-sale	A9	6,402,115	5,658,713	7,476,200	6,440,690	5,709,466	7,545,237
Financial investments held-to-maturity	A10	1,797,756	2,077,505	2,828,754	1,797,756	2,077,505	2,828,754
Loans and advances	A11	66,012,472	62,331,446	58,814,740	65,939,079	62,248,620	58,717,201
Receivables: Investments not quoted in active markets	A12	1,149,106	1,172,157	97,181	1,149,106	1,172,157	97,181
Statutory deposit with Bank Negara Malaysia		1,826,537	1,760,114	1,745,554	1,826,537	1,760,114	1,745,554
Deferred tax assets		15,291	995	76,485	15,073	-	75,430
Investment in subsidiaries and other investment		-	-	-	31,535	74,277	104,277
Investment in associate		-	-	-	22	22	22
Other assets	A13	1,350,910	1,900,830	2,032,171	1,336,894	1,883,134	2,034,781
Property and equipment		146,446	161,459	165,900	125,420	139,987	143,987
Intangible assets		407,524	406,506	350,753	407,524	406,504	350,750
Asset held for sale	A14	-	2,091	3,167	-	2,091	100
TOTAL ASSETS		98,378,329	90,556,114	86,811,832	98,334,686	90,327,816	86,638,707
LIABILITIES AND EQUITY							
Deposits from customers	A15	71,622,993	67,409,164	62,047,283	71,626,797	67,485,479	62,146,342
Deposits and placements of banks and other financial institutions	A16	3,667,100	970,458	871,138	3,680,142	1,072,737	950,888
Securities sold under resale agreements		-	9,464	-	-	9,464	-
Recourse obligation on loans sold to Cagamas Berhad		3,791,344	2,663,105	2,807,951	3,791,344	2,663,105	2,807,951
Derivative financial liabilities		1,293,243	958,894	2,023,211	1,293,243	958,894	2,023,211
Term funding		3,602,249	4,229,942	5,730,633	3,602,249	4,229,942	5,730,633
Debt capital		3,054,829	3,194,706	2,694,550	3,054,829	3,194,706	2,694,550
Deferred tax liabilities		-	97,832	-	-	97,828	-
Other liabilities	A17	2,511,546	2,235,128	2,374,240	2,497,841	2,225,151	2,370,392
TOTAL LIABILITIES		89,543,304	81,768,693	78,549,006	89,546,445	81,937,306	78,723,967
Share capital		1,763,208	1,763,208	820,364	1,763,208	1,763,208	820,364
Reserves		7,071,754	7,024,150	7,442,400	7,025,033	6,627,302	7,094,376
Equity attributable to equity holder of the Bank		8,834,962	8,787,358	8,262,764	8,788,241	8,390,510	7,914,740
Non-controlling interests		63	63	62	-	-	-
TOTAL EQUITY		8,835,025	8,787,421	8,262,826	8,788,241	8,390,510	7,914,740
TOTAL LIABILITIES AND EQUITY		98,378,329	90,556,114	86,811,832	98,334,686	90,327,816	86,638,707
COMMITMENTS AND CONTINGENCIES	A32	128,478,710	129,008,488	121,028,342	128,538,081	129,095,390	121,066,632
NET ASSETS PER SHARE (RM)		10.77	10.71	10.07	10.71	10.23	9.65

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 2017.

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

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2017**

Group	Note	Individual Quarter		Cumulative Quarter	
		31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Operating revenue		1,246,057	1,095,444	3,616,474	3,368,858
Interest income	A18	1,074,889	971,036	3,139,432	2,897,501
Interest expense	A19	(671,914)	(587,136)	(1,920,840)	(1,771,193)
Net interest income		402,975	383,900	1,218,592	1,126,308
Other operating income	A20	171,168	124,408	477,042	471,357
Net income		574,143	508,308	1,695,634	1,597,665
Other operating expenses	A21	(343,423)	(286,499)	(948,320)	(855,280)
Operating profit		230,720	221,809	747,314	742,385
(Provision)/Writeback of allowance for impairment on loans and advances	A22	(42,991)	95,396	28,359	179,733
(Provision)/Writeback of provision for commitments and contingencies		(3,535)	5,934	4,416	12,106
Impairment (loss)/writeback on:					
Doubtful sundry receivables, net		1,857	(11,431)	(7,959)	(11,480)
Financial investments	A23	(7,340)	-	(13,762)	-
Foreclosed properties		(5)	(71)	(35)	(359)
Property and equipment		-	-	369	-
Other recoveries		241	237	769	12,808
Profit before taxation		178,947	311,874	759,471	935,193
Taxation		(44,279)	(69,117)	(151,435)	(212,265)
Profit for the financial period		134,668	242,757	608,036	722,928
Attributable to:					
Equity holder of the Bank		134,668	242,756	608,036	722,927
Non-controlling interests		-	1	-	1
Profit for the financial period		134,668	242,757	608,036	722,928
Earnings per share (sen)	A24				
Basic		16.42	29.59	74.12	88.12

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

AmBank (M) Berhad
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**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2017**

	Individual Quarter		Cumulative Quarter	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Group				
Profit for the financial period	134,668	242,757	608,036	722,928
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss				
Currency translation on foreign operations	(29,160)	44,162	(55,831)	72,067
Cash flow hedge				
- Gain/(losses) arising during the financial period	520	5,965	(1,645)	697
- reclassification adjustments for gain included in the profit or loss	(931)	(2,306)	(760)	(1,493)
Tax effect	99	(878)	577	7
Financial investments available-for-sale				
- net unrealised (loss)/gain on changes in fair value	(8,446)	(113,065)	6,475	(36,517)
- net (gain)/loss reclassified to profit or loss	2,959	322	(13,380)	(21,304)
Tax effect	1,316	27,058	1,655	13,875
Other comprehensive (loss)/income, net of tax	(33,643)	(38,742)	(62,909)	27,332
Total comprehensive income for the financial period, net of tax	101,025	204,015	545,127	750,260
Attributable to:				
Equity holder of the Bank	101,025	204,014	545,127	750,259
Non-controlling interests	-	1	-	1
	101,025	204,015	545,127	750,260

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 2017.

AmBank (M) Berhad
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UNAUDITED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2017

	Note	Individual Quarter		Cumulative Quarter	
		31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Bank					
Operating revenue		1,586,246	1,092,411	3,995,501	3,359,828
Interest income	A18	1,073,273	968,107	3,132,281	2,887,606
Interest expense	A19	(672,171)	(588,061)	(1,922,980)	(1,773,924)
Net interest income		401,102	380,046	1,209,301	1,113,682
Other operating income	A20	512,973	124,304	863,220	472,222
Net income		914,075	504,350	2,072,521	1,585,904
Other operating expenses	A21	(343,366)	(291,906)	(948,946)	(859,426)
Operating profit		570,709	212,444	1,123,575	726,478
(Provision)/Writeback of allowance for impairment on loans and advances	A22	(42,988)	95,410	28,315	179,609
(Provision)/Writeback of provision for commitments and contingencies		(3,534)	5,933	4,418	18,112
Impairment (loss)/writeback on:					
Doubtful sundry receivables, net		1,857	(11,431)	(7,959)	(11,470)
Financial investments	A23	(7,340)	-	(13,762)	-
Foreclosed properties		(5)	(71)	(35)	(359)
Property and equipment		-	-	369	-
Subsidiaries		(42,742)	-	(42,742)	-
Other recoveries		241	237	769	12,808
Profit before taxation		476,198	302,522	1,092,948	925,178
Taxation		(42,877)	(68,015)	(145,973)	(209,837)
Profit for the financial period		433,321	234,507	946,975	715,341
Earnings per share (sen)	A24				
Basic		52.82	28.59	115.43	87.20

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 2017.

AmBank (M) Berhad
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**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2017**

	Individual Quarter		Cumulative Quarter	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Bank				
Profit for the financial period	433,321	234,507	946,975	715,341
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss				
Currency translation on foreign operations	(19,925)	40,505	(44,517)	65,974
Cash flow hedge				
- Gain/(losses) arising during the financial period	520	5,965	(1,645)	697
- reclassification adjustments for gain included in profit or loss	(931)	(2,306)	(760)	(1,493)
Tax effect	99	(878)	577	7
Financial investments available-for-sale				
- net unrealised (loss)/gain on changes in fair value	(8,412)	(113,786)	6,307	(36,781)
- net (gain)/loss reclassified to profit or loss	2,959	322	(13,380)	(21,301)
Tax effect	1,308	27,232	1,697	13,940
Other comprehensive (loss)/income, net of tax	(24,382)	(42,946)	(51,721)	21,043
Total comprehensive income for the financial period, net of tax	408,939	191,561	895,254	736,384

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 2017.

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2017

Group	Attributable to equity holder of the Bank											Total equity RM'000
	Non-distributable							Distributable				
	Share capital RM'000	Share premium 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	
At 1 April 2016	820,364	942,844	980,969	-	104,149	11,751	3,635	63,306	5,335,746	8,262,764	62	8,262,826
Profit for the financial period	-	-	-	-	-	-	-	-	722,927	722,927	1	722,928
Other comprehensive income/(loss)	-	-	-	-	-	(43,946)	(789)	72,067	-	27,332	-	27,332
Total comprehensive income/(loss) for the financial period	-	-	-	-	-	(43,946)	(789)	72,067	722,927	750,259	1	750,260
Transfer of AMMB Holdings Berhad ("AMMB") Executives' Share Scheme ("ESS") shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	-	-	(513)	(513)	-	(513)
Transfer to regulatory reserve	-	-	-	69,000	-	-	-	-	(69,000)	-	-	-
Dividend on ordinary shares:												
- final, financial year ended 31 March 2016	-	-	-	-	-	-	-	-	(295,331)	(295,331)	-	(295,331)
- interim, financial year ended 31 March 2017	-	-	-	-	-	-	-	-	(172,276)	(172,276)	-	(172,276)
Transaction with owner and other equity movements	-	-	-	69,000	-	-	-	-	(537,120)	(468,120)	-	(468,120)
At 31 December 2016	820,364	942,844	980,969	69,000	104,149	(32,195)	2,846	135,373	5,521,553	8,544,903	63	8,544,966

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 2017.

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D.)
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2017

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

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

UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2017

	Attributable to equity holder of the Bank									Total equity RM'000
	Non-distributable						Distributable			
Bank	Share capital RM'000	Share premium 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	
At 1 April 2016	820,364	942,844	980,969	-	13,181	11,951	3,635	61,296	5,080,500	7,914,740
Profit for the financial period	-	-	-	-	-	-	-	-	715,341	715,341
Other comprehensive income/(loss)	-	-	-	-	-	(44,142)	(789)	65,974	-	21,043
Total comprehensive income/(loss) for the financial period	-	-	-	-	-	(44,142)	(789)	65,974	715,341	736,384
Effect arising from the pooling of interests	-	-	-	-	(13,181)	-	-	-	(18,800)	(31,981)
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	-	-	(513)	(513)
Transfer to regulatory reserve	-	-	-	69,000	-	-	-	-	(69,000)	-
Dividend on ordinary shares:										
- final, financial year ended 31 March 2016	-	-	-	-	-	-	-	-	(295,331)	(295,331)
- interim, financial year ended 31 March 2017	-	-	-	-	-	-	-	-	(172,276)	(172,276)
Transaction with owner and other equity movements	-	-	-	69,000	(13,181)	-	-	-	(555,920)	(500,101)
At 31 December 2016	820,364	942,844	980,969	69,000	-	(32,191)	2,846	127,270	5,239,921	8,151,023

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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 31 DECEMBER 2017**

	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	-	-	-	-	-	-	946,975	946,975
Other comprehensive loss	-	-	-	(5,376)	(1,828)	(44,517)	-	(51,721)
Total comprehensive income/(loss) for the financial period	-	-	-	(5,376)	(1,828)	(44,517)	946,975	895,254
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	(1,203)	(1,203)
Transfer to retained earning	-	(980,969)	-	-	-	-	980,969	-
Transfer to regulatory reserve	-	-	214,313	-	-	-	(214,313)	-
Dividend on ordinary shares:								
- final, financial year ended 31 March 2017	-	-	-	-	-	-	(324,044)	(324,044)
- interim, financial year ending 31 March 2018	-	-	-	-	-	-	(172,276)	(172,276)
Transaction with owner and other equity movements	-	(980,969)	214,313	-	-	-	269,133	(497,523)
At 31 December 2017	1,763,208	-	378,133	(17,609)	1,182	75,280	6,588,047	8,788,241

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 2017.

AmBank (M) Berhad
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**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2017**

	Group		Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Profit before taxation	759,471	935,193	1,092,948	925,178
Adjustments for non-operating and non-cash items	430,562	160,417	(71,150)	153,518
Operating profit before working capital changes	1,190,033	1,095,610	1,021,798	1,078,696
Changes in working capital:				
Net change in operating assets	(5,687,659)	(6,445,625)	(5,697,200)	(6,445,803)
Net change in operating liabilities	9,144,940	617,008	9,139,977	602,778
Tax refunded/(paid)	38,939	(94,327)	40,000	(76,967)
Net cash generated from/(used in) operating activities	4,686,253	(4,827,334)	4,504,575	(4,841,296)
Net cash (used in)/generated from investing activities	(451,194)	389,503	(44,293)	399,266
Net cash used in from financing activities	(636,320)	(467,607)	(636,320)	(467,607)
Net increase/(decrease) in cash and cash equivalents	3,598,739	(4,905,438)	3,823,962	(4,909,637)
Cash and cash equivalents at beginning of the financial year	5,889,301	8,455,681	5,658,942	8,230,187
Effect of exchange rate changes	(2,856)	3,291	(2,842)	3,291
Cash and cash equivalents at end of financial period	9,485,184	3,553,534	9,480,062	3,323,841
Cash and cash equivalents comprise:				
Cash and short-term funds	9,270,909	3,703,534	9,265,787	3,473,841
Deposits and placements with banks and other financial institutions	814,275	400,000	814,275	400,000
	10,085,184	4,103,534	10,080,062	3,873,841
Less: Deposits and placements with original maturity of more than 3 months	(600,000)	(550,000)	(600,000)	(550,000)
	9,485,184	3,553,534	9,480,062	3,323,841

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 2017.

EXPLANATORY NOTES

A1. BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with MFRS 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and complies with the International Accounting Standard ("IAS") 34, Interim Financial Reporting issued by the International Accounting Standards Board.

These condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial statements of the Group and the Bank for the financial year ended 31 March 2017.

A1.1 Significant Accounting Policies

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

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

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

The nature of the amendments to published standards relevant to the Group and the Bank are described below:

Disclosure Initiative (Amendments to MFRS 107)

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

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

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

Annual Improvements to MFRSs 2014-2016 Cycle

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

(i) MFRS 12 Disclosure of Interests in Other Entities

The amendment clarified that the disclosure requirements of MFRS 12 are applicable to interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities classified as held for sale except for summarised financial information. Previously, it was unclear whether all other MFRS 12 requirements were applicable for these interests. Since the amendments only affect disclosures, the adoption of these amendments did not have any financial impact on 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
Annual Improvements to MFRSs 2014-2016 Cycle - amendments to MFRS 1 and MFRS 128	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4)	1 January 2018
Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16 Leases	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
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
Annual Improvements to MFRSs 2015-2017 Cycle	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	To be determined by MASB

The nature of the standards 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 2019

Annual Improvements to MFRSs 2014-2016 Cycle

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

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

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

(ii) MFRS 128 Investments in Associates and Joint Ventures

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

EXPLANATORY NOTES (CONT'D.)

A1. BASIS OF PREPARATION (CONT'D.)

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

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

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

MFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

MFRS 9 Financial Instruments

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

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

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

EXPLANATORY NOTES (CONT'D.)

A1. BASIS OF PREPARATION (CONT'D.)

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

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

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

MFRS 9 Financial Instruments (Cont'd.)

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

The initial assessment and analysis stage was completed during the financial year ended 31 March 2017. As the initial assessment was based on available information then, the outcome is subject to changes arising from further analysis or additional information being made available in the currently.

Having completed its initial assessment, the Group and the Bank expects that:

- the majority of loans and advances that are classified as loans and receivables under MFRS 139 are expected to be measured at amortised cost under MFRS 9;
- investments in corporate bonds and sukuk held for liquidity management purposes, some of which are currently classified as held to maturity under MFRS 139, are expected to be measured at FVOCI under MFRS 9;
- the majority of investments in corporate bonds and sukuk classified as available for sale under MFRS 139 are expected to be measured at FVOCI. Some securities, however, will be classified as FVTPL;
- the majority of investments in equity instruments not held for trading which are classified as available for sale under MFRS 139 will be measured at FVTPL by default under MFRS 9.
- financial assets and liabilities held for trading are expected to be continue to be measured at FVTPL.

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

Transfers of Investment Property (Amendments to MFRS 140)

The amendments clarified that to transfer to, or from, investment properties, there must be a change in use. To conclude if a property has a change in use, there should be an assessment of whether the property meets, or has ceased to meet, the definition of investment property. This change must be supported by evidence; a change in intention in isolation is not enough to support a transfer.

The amendments are effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The amendments shall be applied prospectively and any impact from the reclassification of properties at the date of initial application would be treated as an adjustment to opening retained earnings. Notwithstanding, the amendments can be applied retrospectively provided that this is possible without hindsight.

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

EXPLANATORY NOTES (CONT'D.)

A1. BASIS OF PREPARATION (CONT'D.)

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

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

MFRS 16 Leases

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

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

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

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 Property, Plant and Equipment and the lease liability is accreted over time with interest 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. The Group and the Bank are in the process of assessing the financial implication for adopting MFRS 16.

IC Interpretation 23 Uncertainty over Income Tax Treatments

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

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

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.

EXPLANATORY NOTES (CONT'D.)

A1. BASIS OF PREPARATION (CONT'D.)

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

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

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

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

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

Annual Improvements to MFRSs 2015-2017 Cycle

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

- (i) **MFRS 3 Business Combinations**
The amendments clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. The acquirer shall remeasure its previously held interest in the joint operation at fair value at the acquisition date.
- (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.

(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 Significant changes in regulatory requirements

A1.2a BNM Policy Document on capital funds

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

A1.2b BNM circular on Classification and Regulatory Treatment for Structured Products under the Financial Services Act 2013 ("FSA") and Islamic Financial Services Act ("IFSA") 2013

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

The Group and the Bank had previously classified structured products issued to customers and other financial institutions which are principal protected if held to maturity as Deposits from customers and Deposits and placements of banks and other financial institutions respectively. Accordingly, during the current financial period, the Group and the Bank had reclassified all structured products that do not fulfil the definition of the deposits under Section 2 of the FSA to Term Funding. The comparatives were also restated as per Note A35.

A1.3 Significant Accounting Judgements, Estimates and Assumptions

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

In the process of applying the Group's accounting policies, the significant judgements, estimates and assumptions made by management were the same as those applied to the annual financial statements for the financial year ended 31 March 2017.

A2. AUDIT QUALIFICATION

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

A3. SEASONALITY OR CYCLICALITY OF OPERATIONS

The operations of the Group and the Bank are not subject to seasonal or cyclical fluctuation in the current financial quarter and period.

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

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

A5. CHANGES IN ESTIMATES

There was no material change in estimates of amounts reported in prior financial years that have a material effect on the financial quarter and period ended 31 December 2017.

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

During the financial period, the Bank repaid Senior Notes with nominal value of RM225.0 million issued under its Senior Notes programme of up to RM7.0 billion on its first call date of 28 April 2017.

On the first call date on 16 October 2017, the Bank had redeemed Medium Term Notes with the nominal amount of RM710.0 million issued under its Medium Term Notes Programme of up to RM2.0 billion.

On 16 October 2017, the Bank issued the third tranche of the Subordinated Notes amounting to RM570.0 million under its Subordinated Notes programme of RM4.0 billion. The interest rate of this tranche which has a tenure of 10 years is 4.90%, payable on a half-yearly basis.

The Bank has not issued any new shares and debentures during the financial quarter and period.

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

A7. DIVIDENDS

During the financial period:

- i) the final single-tier cash dividend of 39.50 sen per ordinary share on 820,363,762 ordinary shares amounting to approximately RM324,043,686 in respect of the financial year ended 31 March 2017 was paid on 14 August 2017.
- ii) an interim single-tier cash dividend of 21.00 sen per ordinary share on 820,363,762 ordinary shares amounting to approximately RM172,276,390 in respect of the current financial year was paid on 15 December 2017.

A8. FINANCIAL ASSETS HELD-FOR-TRADING

	Group and Bank	
	31 December 2017 RM'000	31 March 2017 RM'000
At fair value		
Money market instruments:		
Bank Negara Monetary Notes	1,323,608	333,562
Islamic Treasury Bills	-	118,689
Malaysian Government Investment Issues	671,215	562,691
Malaysian Government Securities	649,868	1,997,251
Malaysian Treasury Bills	-	1,148,116
	<u>2,644,691</u>	<u>4,160,309</u>
Quoted securities:		
<i>In Malaysia:</i>		
Shares	199,713	115,600
Unit trusts	59,879	57,923
Sukuk	38,099	38,207
	<u>297,691</u>	<u>211,730</u>
<i>Outside Malaysia:</i>		
Shares	132,842	114,596
Unquoted securities:		
<i>In Malaysia:</i>		
Corporate bonds and sukuk	1,954,690	1,365,863
<i>Outside Malaysia:</i>		
Corporate bonds	-	9,998
	<u>5,029,914</u>	<u>5,862,496</u>

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A9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Bank	
	31 December 2017 RM'000	31 March 2017 RM'000	31 December 2017 RM'000	31 March 2017 RM'000
At fair value				
Money market instruments:				
Islamic Negotiable Instruments of Deposit	199,874	-	199,874	-
Malaysian Government Investment Issues	362,725	585,381	362,725	585,381
Foreign Government Investment Issues	-	8,887	-	8,887
Malaysian Government Securities	489,787	629,737	489,787	629,737
Negotiable Instruments of Deposit	1,649,282	-	1,649,282	-
	<u>2,701,668</u>	<u>1,224,005</u>	<u>2,701,668</u>	<u>1,224,005</u>
Quoted securities:				
<i>In Malaysia:</i>				
Shares	109	568	109	568
Unit trusts	123,855	148,626	123,855	148,626
	<u>123,964</u>	<u>149,194</u>	<u>123,964</u>	<u>149,194</u>
<i>Outside Malaysia:</i>				
Shares	43	52	8	8
Unquoted securities:				
<i>In Malaysia:</i>				
Corporate bonds and sukuk	3,311,203	4,002,718	3,349,858	4,053,560
Shares	46,677	-	46,677	-
	<u>3,357,880</u>	<u>4,002,718</u>	<u>3,396,535</u>	<u>4,053,560</u>
<i>Outside Malaysia:</i>				
Corporate bonds and sukuk	135,060	195,183	135,060	195,183
At cost				
Unquoted securities:				
<i>In Malaysia:</i>				
Shares	83,309	87,375	83,264	87,330
<i>Outside Malaysia:</i>				
Shares	191	186	191	186
	<u>6,402,115</u>	<u>5,658,713</u>	<u>6,440,690</u>	<u>5,709,466</u>

As at 31 December 2017, the Bank owns 26.7% (31 March 2017: 26.7%) of AmFirst Real Estate Investment Trust ("REIT"). However, the Bank has restriction in exercising its influence in the financial and operating decisions of the REIT. As such, the Bank has no significant influence and the investment is recognised as financial investments available-for-sale ("AFS").

The Bank had previously reclassified securities amounting to RM62,181,000 that are not quoted in an active market out of the AFS category to the loans and receivables category as the Bank has the intention to hold the securities until maturity.

As at 31 December 2017, the fair value gain that would have been recognised in other comprehensive income for the current period if the securities had not been reclassified amounted to RM3,413,000 (31 March 2017: RM4,336,000).

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

As PD, the Bank is required to undertake certain obligations and is also accorded incentives. One of the incentives accorded was the eligibility to maintain a specified amount of the Statutory Reserve Requirements ("SRR") balances in the form of Malaysian Government Securities ("MGS") and /or Malaysian Government Investment Issues ("MGII") instead of cash. As at 31 December 2017, the Group and the Bank maintained a total carrying amount of RM181,481,000 (31 March 2017: RM179,798,000) in the form of MGS and MGII for SRR purposes.

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A10. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group and Bank	
	31 December 2017 RM'000	31 March 2017 RM'000
At amortised cost		
Unquoted securities:		
<i>In Malaysia:</i>		
Corporate bonds and sukuk	1,800,306	2,080,055
Less: Accumulated impairment losses	(2,550)	(2,550)
	<u>1,797,756</u>	<u>2,077,505</u>

A11. LOANS AND ADVANCES

	Group		Bank	
	31 December 2017 RM'000	31 March 2017 RM'000	31 December 2017 RM'000	31 March 2017 RM'000
At amortised cost:				
Overdraft	2,538,657	2,491,874	2,538,657	2,491,874
Term loans	14,111,675	13,618,641	14,111,675	13,618,641
Housing loan receivables	21,053,132	18,565,189	20,888,585	18,396,587
Hire purchase receivables	13,110,970	12,895,977	13,110,970	12,895,977
Bills receivables	1,005,586	1,279,990	1,005,586	1,279,990
Trust receipts	1,686,136	1,478,562	1,686,136	1,478,562
Claims on customers under acceptance credits	3,030,805	3,038,682	3,030,805	3,038,682
Card receivables	1,528,444	1,389,985	1,528,444	1,389,985
Revolving credits	8,273,299	8,093,653	8,364,378	8,179,310
Staff loans	108,559	107,517	108,559	107,517
Others	295,726	220,964	295,726	220,964
	<u>66,742,989</u>	<u>63,181,034</u>	<u>66,669,521</u>	<u>63,098,089</u>
Gross loans and advances				
Allowance for impairment on loans and advances:				
- Individual allowance	(207,176)	(240,793)	(207,176)	(240,793)
- Collective allowance	(523,341)	(608,795)	(523,266)	(608,676)
Net loans and advances	<u>66,012,472</u>	<u>62,331,446</u>	<u>65,939,079</u>	<u>62,248,620</u>

Note:

As part of Restricted Investment Account arrangement with AmBank Islamic Berhad ("AmBank Islamic"), the Bank records the amount it provides as financing under the arrangement as investment account. The financing to external parties made by AmBank Islamic is recorded by AmBank Islamic as financing and advances. As losses from the business venture is borne solely by the Bank, the related collective allowance is recorded by the Bank.

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A11. LOANS AND ADVANCES (CONT'D.)

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

	Group		Bank	
	31 December 2017 RM'000	31 March 2017 RM'000	31 December 2017 RM'000	31 March 2017 RM'000
Domestic banking institutions	1,874	5,861	1,874	5,861
Domestic non-bank financial institutions	1,450,751	1,527,443	1,541,830	1,613,101
Domestic business enterprises				
- Small medium enterprises	10,940,186	9,423,770	10,940,186	9,423,770
- Others	14,996,011	15,583,404	14,996,011	15,583,404
Government and statutory bodies	12	36	12	36
Individuals	38,098,604	35,358,171	37,934,057	35,189,568
Other domestic entities	6,870	94,563	6,870	94,563
Foreign individuals and entities	1,248,681	1,187,786	1,248,681	1,187,786
	<u>66,742,989</u>	<u>63,181,034</u>	<u>66,669,521</u>	<u>63,098,089</u>

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

	Group		Bank	
	31 December 2017 RM'000	31 March 2017 RM'000	31 December 2017 RM'000	31 March 2017 RM'000
In Malaysia	66,425,068	62,692,237	66,351,600	62,609,292
Outside Malaysia	317,921	488,797	317,921	488,797
	<u>66,742,989</u>	<u>63,181,034</u>	<u>66,669,521</u>	<u>63,098,089</u>

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

	Group		Bank	
	31 December 2017 RM'000	31 March 2017 RM'000	31 December 2017 RM'000	31 March 2017 RM'000
Fixed rate				
- Housing loans	288,234	301,579	123,687	132,977
- Hire purchase receivables	12,091,233	11,984,134	12,091,233	11,984,134
- Other fixed rate loans	5,158,627	5,271,011	5,158,627	5,271,011
Variable rate				
- Base rate and base lending rate plus	30,501,553	27,306,952	30,501,553	27,306,952
- Cost plus	14,595,709	14,858,061	14,686,788	14,943,718
- Other variable rates	4,107,633	3,459,297	4,107,633	3,459,297
	<u>66,742,989</u>	<u>63,181,034</u>	<u>66,669,521</u>	<u>63,098,089</u>

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A11. LOANS AND ADVANCES (CONT'D.)

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

	Group		Bank	
	31 December	31 March	31 December	31 March
	2017	2017	2017	2017
	RM'000	RM'000	RM'000	RM'000
Agriculture	1,560,225	1,832,710	1,560,225	1,832,710
Mining and quarrying	983,810	1,163,224	983,810	1,163,224
Manufacturing	6,196,933	6,287,455	6,196,933	6,287,455
Electricity, gas and water	922,530	375,880	922,530	375,880
Construction	2,716,572	2,709,295	2,716,572	2,709,295
Wholesale and retail trade and hotel and restaurants	4,346,054	4,089,255	4,346,054	4,089,255
Transport, storage and communication	1,632,966	1,307,985	1,632,966	1,307,985
Finance and insurance	1,469,759	1,533,305	1,560,838	1,618,962
Real estate	6,084,874	5,992,973	6,084,874	5,992,973
Business activities	1,147,593	1,074,761	1,147,593	1,074,761
Education and health	620,556	670,566	620,556	670,566
Household of which:	38,974,639	36,043,441	38,810,092	35,874,839
- purchase of residential properties	20,590,097	18,274,251	20,425,550	18,105,649
- purchase of transport vehicles	12,317,043	12,274,723	12,317,043	12,274,723
- others	6,067,499	5,494,467	6,067,499	5,494,467
Others	86,478	100,184	86,478	100,184
	<u>66,742,989</u>	<u>63,181,034</u>	<u>66,669,521</u>	<u>63,098,089</u>

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

	Group		Bank	
	31 December	31 March	31 December	31 March
	2017	2017	2017	2017
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	14,785,600	15,404,747	14,876,142	15,489,867
Over one year to three years	5,180,824	4,858,788	5,177,145	4,855,109
Over three years to five years	7,821,602	8,341,104	7,813,178	8,332,680
Over five years	38,954,963	34,576,395	38,803,056	34,420,433
	<u>66,742,989</u>	<u>63,181,034</u>	<u>66,669,521</u>	<u>63,098,089</u>

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

	Group		Bank	
	31 December	31 March	31 December	31 March
	2017	2017	2017	2017
	RM'000	RM'000	RM'000	RM'000
Balance at beginning of the financial year	1,198,462	1,093,403	1,198,052	1,093,064
Impaired during the period/year	664,345	1,064,566	663,636	1,063,984
Reclassified as non-impaired	(61,388)	(39,530)	(61,323)	(39,530)
Recoveries	(350,182)	(392,810)	(349,498)	(392,299)
Amount written off	(348,758)	(540,945)	(348,758)	(540,945)
Foreign exchange differences	(10,478)	13,778	(10,478)	13,778
Balance at end of the financial period/year	<u>1,092,001</u>	<u>1,198,462</u>	<u>1,091,631</u>	<u>1,198,052</u>
Gross impaired loans and advances as % of gross loans and advances	<u>1.64%</u>	<u>1.90%</u>	<u>1.64%</u>	<u>1.90%</u>
Loan loss coverage (Including regulatory reserve)	<u>101.5%</u>	<u>84.6%</u>	<u>101.6%</u>	<u>84.6%</u>

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A11. LOANS AND ADVANCES (CONT'D.)

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

	Group		Bank	
	31 December 2017 RM'000	31 March 2017 RM'000	31 December 2017 RM'000	31 March 2017 RM'000
In Malaysia	982,872	1,116,969	982,502	1,116,559
Outside Malaysia	109,129	81,493	109,129	81,493
	<u>1,092,001</u>	<u>1,198,462</u>	<u>1,091,631</u>	<u>1,198,052</u>

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

	Group		Bank	
	31 December 2017 RM'000	31 March 2017 RM'000	31 December 2017 RM'000	31 March 2017 RM'000
Agriculture	256	636	256	636
Mining and quarrying	126,772	150,058	126,772	150,058
Manufacturing	77,342	88,773	77,342	88,773
Electricity, gas and water	113	100	113	100
Construction	25,932	5,799	25,932	5,799
Wholesale and retail trade and hotel and restaurants	26,826	32,629	26,826	32,629
Transport, storage and communication	16,815	4,567	16,815	4,567
Finance and insurance	11	1	11	1
Real estate	293,677	399,114	293,677	399,114
Business activities	12,582	5,824	12,582	5,824
Education and health	17,019	2,847	17,019	2,847
Household of which:	492,450	503,827	492,080	503,417
- purchase of residential properties	282,548	288,132	282,178	287,722
- purchase of transport vehicles	130,259	121,365	130,259	121,365
- others	79,643	94,330	79,643	94,330
Others	2,206	4,287	2,206	4,287
	<u>1,092,001</u>	<u>1,198,462</u>	<u>1,091,631</u>	<u>1,198,052</u>

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

	Group and Bank	
	31 December 2017 RM'000	31 March 2017 RM'000
Individual allowance		
Balance at beginning of the financial year	240,793	251,303
Charge to statement of profit or loss, net	96,342	236,032
Amount written-off	(124,968)	(248,244)
Foreign exchange differences	(4,991)	1,702
Balance at end of the financial period/year	<u>207,176</u>	<u>240,793</u>

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A11. LOANS AND ADVANCES (CONT'D.)

	Group		Bank	
	31 December 2017 RM'000	31 March 2017 RM'000	31 December 2017 RM'000	31 March 2017 RM'000
Collective allowance				
Balance at beginning of the financial year	608,795	730,849	608,676	730,576
Charge to statement of profit or loss, net	141,296	178,539	141,340	178,694
Amount transfer from AmBank Islamic*	1,856	-	1,856	-
Amount written-off	(227,185)	(302,840)	(227,185)	(302,841)
Foreign exchange differences	(1,421)	2,247	(1,421)	2,247
Balance at end of the financial period/year**	<u>523,341</u>	<u>608,795</u>	<u>523,266</u>	<u>608,676</u>
Collective allowance (including regulatory reserve) as % of gross loans and advances (including RIA financing) less individual allowance	<u>1.32%</u>	<u>1.20%</u>	<u>1.31%</u>	<u>1.20%</u>

* On 29 September 2017 and 19 December 2017, the Bank entered into RIA contracts for the sum of RM529.4 million and RM857.6 million respectively, with AmBank Islamic. Arising from this contract, AmBank Islamic transferred collective allowance of RM0.9 million and RM1.0 million for the financing funded to the Bank.

** As at 31 December 2017, the gross exposure and collective allowance relating to the RIA financing for the Group and the Bank amounted to RM2,970.2 million and RM2.8 million (31 March 2017: RM1,604.4 million and RM2.3 million) respectively.

There was no individual allowance provided for the RIA financing as at 31 December 2017 and 31 March 2017.

A12. RECEIVABLES: INVESTMENTS NOT QUOTED IN ACTIVE MARKETS

	Group and Bank	
	31 December 2017 RM'000	31 March 2017 RM'000
At amortised cost:		
Unquoted corporate bonds and sukuk in Malaysia	<u>1,149,106</u>	<u>1,172,157</u>

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A13. OTHER ASSETS

	Group		Bank	
	31 December 2017 RM'000	31 March 2017 RM'000	31 December 2017 RM'000	31 March 2017 RM'000
Other receivables, deposits and prepayments	423,107	500,868	421,407	487,127
Interest receivable	203,559	255,420	203,576	255,433
Amount due from originators	38,128	161,812	38,128	161,812
Amount due from related companies	51,885	28,958	47,529	24,558
Collateral pledged for derivative transactions	342,023	487,751	342,023	487,751
Foreclosed properties	4,471	40,943	4,163	40,636
Deferred charges	126,810	91,181	126,810	91,181
Tax recoverable *	188,649	382,511	180,435	370,683
	<u>1,378,632</u>	<u>1,949,444</u>	<u>1,364,071</u>	<u>1,919,181</u>
Less: Accumulated impairment losses	(27,722)	(48,614)	(27,177)	(36,047)
	<u>1,350,910</u>	<u>1,900,830</u>	<u>1,336,894</u>	<u>1,883,134</u>

* In financial year ended 31 March 2015, the Inland Revenue Board ("IRB") had issued notice of income tax assessments for the year of assessment 2008 and 2009 to 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 is tax paid of approximately RM203,500,700 in financial year ended 31 March 2015 as the Bank is of the opinion that it has 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.

A14. ASSET HELD FOR SALE

	Group		Bank	
	31 December 2017 RM'000	31 March 2017 RM'000	31 December 2017 RM'000	31 March 2017 RM'000
Proposed disposal of properties obtained from garnishee proceedings initiated by the Bank	-	2,091	-	2,091
	<u>-</u>	<u>2,091</u>	<u>-</u>	<u>2,091</u>

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A15. DEPOSIT FROM CUSTOMERS

	Group		Bank	
	31 December 2017	31 March 2017 (Restated)	31 December 2017	31 March 2017 (Restated)
	RM'000	RM'000	RM'000	RM'000
Demand deposits	10,218,467	10,154,966	10,220,709	10,157,583
Savings deposits	3,284,799	3,449,818	3,284,799	3,449,818
Term/Investment deposits	54,037,459	53,804,123	54,039,021	53,877,821
Negotiable instruments of deposits	4,082,268	257	4,082,268	257
	<u>71,622,993</u>	<u>67,409,164</u>	<u>71,626,797</u>	<u>67,485,479</u>

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

	Group		Bank	
	31 December 2017	31 March 2017 (Restated)	31 December 2017	31 March 2017 (Restated)
	RM'000	RM'000	RM'000	RM'000
Government and other statutory bodies	1,677,872	2,648,964	1,677,873	2,648,964
Business enterprises	33,832,659	35,540,006	33,836,462	35,616,321
Individuals	29,940,111	24,828,308	29,940,111	24,828,308
Others	6,172,351	4,391,886	6,172,351	4,391,886
	<u>71,622,993</u>	<u>67,409,164</u>	<u>71,626,797</u>	<u>67,485,479</u>

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

	Group		Bank	
	31 December 2017	31 March 2017 (Restated)	31 December 2017	31 March 2017 (Restated)
	RM'000	RM'000	RM'000	RM'000
Due within six months	41,851,515	38,849,559	41,853,077	38,923,257
Over six months to one year	14,308,216	12,879,144	14,308,216	12,879,144
Over one year to three years	1,121,449	1,379,869	1,121,449	1,379,869
Over three years to five years	838,547	695,808	838,547	695,808
	<u>58,119,727</u>	<u>53,804,380</u>	<u>58,121,289</u>	<u>53,878,078</u>

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A16. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	31 December 2017 RM'000	31 March 2017 RM'000	31 December 2017 RM'000	31 March 2017 RM'000
Licensed banks	2,170,692	299,994	2,170,692	299,994
Licensed investment banks	498,654	153,141	498,654	153,141
Other financial Institutions	976,697	492,061	989,739	594,340
Bank Negara Malaysia	21,057	25,262	21,057	25,262
	<u>3,667,100</u>	<u>970,458</u>	<u>3,680,142</u>	<u>1,072,737</u>

A17. OTHER LIABILITIES

	Group		Bank	
	31 December 2017 RM'000	31 March 2017 RM'000	31 December 2017 RM'000	31 March 2017 RM'000
Other payables and accruals	1,121,130	1,184,260	1,107,562	1,174,307
Interest payable	644,528	655,372	644,532	655,399
Amount due to related companies	346,673	126,844	346,673	126,877
Collateral received for derivative transactions	222,850	196,769	222,850	196,769
Lease deposits and advance rentals	13,319	9,159	13,319	9,159
Provision for commitments and contingencies	56,501	62,585	56,533	62,620
Provision for taxation	106,545	139	106,372	20
	<u>2,511,546</u>	<u>2,235,128</u>	<u>2,497,841</u>	<u>2,225,151</u>

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A18. INTEREST INCOME

Group	Individual Quarter		Cumulative Quarter	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Short-term funds and deposits and placements with financial institutions	37,426	18,979	81,302	64,416
Financial assets held-for-trading	46,955	23,789	161,362	69,516
Financial investments available-for-sale	57,407	65,682	169,455	209,425
Financial investments held-to-maturity	18,530	20,781	59,933	62,089
Loans and advances	862,866	809,425	2,525,173	2,403,907
Investment account	25,028	14,598	59,822	40,490
Impaired loans and advances	4,759	1,850	18,102	5,664
Others	21,918	15,932	64,283	41,994
	<u>1,074,889</u>	<u>971,036</u>	<u>3,139,432</u>	<u>2,897,501</u>
Bank				
Short-term funds and deposits and placements with financial institutions	37,036	17,366	77,881	58,425
Financial assets held-for-trading	46,955	23,789	161,362	69,516
Financial investments available-for-sale	57,940	66,426	171,200	211,831
Financial investments held-to-maturity	18,530	20,781	59,933	62,089
Loans and advances	861,107	807,365	2,519,698	2,397,597
Investment account	25,028	14,598	59,822	40,490
Impaired loans and advances	4,759	1,850	18,102	5,664
Others	21,918	15,932	64,283	41,994
	<u>1,073,273</u>	<u>968,107</u>	<u>3,132,281</u>	<u>2,887,606</u>

A19. INTEREST EXPENSE

Group	Individual Quarter		Cumulative Quarter	
	31 December 2017	31 December 2016 (Restated)	31 December 2017	31 December 2016 (Restated)
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	523,293	452,376	1,491,021	1,375,909
Deposits and placements of banks and other financial institutions	27,472	12,830	73,120	31,516
Recourse obligation of loans sold to Cagamas Berhad	33,923	27,059	91,873	80,927
Term funding	35,069	49,420	108,365	146,416
Debt capital	49,908	44,097	150,718	131,839
Others	2,249	1,354	5,743	4,586
	<u>671,914</u>	<u>587,136</u>	<u>1,920,840</u>	<u>1,771,193</u>
Bank				
Deposits from customers	523,330	453,300	1,491,605	1,378,637
Deposits and placements of banks and other financial institutions	27,692	12,831	74,676	31,519
Recourse obligation of loans sold to Cagamas Berhad	33,923	27,059	91,873	80,927
Term funding	35,069	49,420	108,365	146,416
Debt capital	49,908	44,097	150,718	131,839
Others	2,249	1,354	5,743	4,586
	<u>672,171</u>	<u>588,061</u>	<u>1,922,980</u>	<u>1,773,924</u>

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A20. OTHER OPERATING INCOME

Group	Individual Quarter		Cumulative Quarter	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Fee and commission income:				
Bancassurance commission	7,597	8,451	23,298	21,381
Brokerage fees, commission and rebates	1,129	452	2,661	1,485
Card operation charges	-	-	-	3,821
Fees on loans, advances and securities	36,591	51,723	114,924	132,689
Fees, service and commission charges	8,501	10,933	26,203	26,331
Guarantee fees	15,008	16,599	46,225	46,988
Remittances	5,290	5,151	15,064	15,274
Other fee and commission	17,440	4,490	38,177	17,389
	<u>91,556</u>	<u>97,799</u>	<u>266,552</u>	<u>265,358</u>
Investment and trading income:				
Foreign exchange gain/(loss) *	(12,485)	45,030	5,879	43,795
Gross dividend income from:				
Financial assets held-for-trading	5,048	5,995	6,638	6,944
Financial investments available-for-sale	314	309	1,356	3,045
Net gain/(loss) on sale/redemption of:				
Financial assets held-for-trading	(1,023)	(21,597)	24,592	84,059
Financial investments available-for-sale	(2,959)	(322)	55,991	21,304
Financial investments held-to-maturity	-	-	-	47
Net gain/(loss) on revaluation of financial assets held-for-trading	5,934	(28,665)	31,647	(24,441)
Net gain on derivatives	35,266	22,308	9,657	34,703
Gain on disposal of an associate	-	-	-	1,399
Others	3,198	(1,806)	7,707	9,223
	<u>33,293</u>	<u>21,252</u>	<u>143,467</u>	<u>180,078</u>
Other income:				
Gain on disposal of foreclosed property	30,680	-	30,680	-
Gain on repayment of capital by a subsidiary	7,679	-	7,679	-
Net (loss)/gain on disposal of property and equipment	(151)	4	3,078	62
Net non trading foreign exchange gain	352	106	786	847
Profit from sale of goods and services	4,621	2,481	7,184	16,329
Rental income	966	810	3,379	2,598
Others	2,172	1,956	14,237	6,085
	<u>46,319</u>	<u>5,357</u>	<u>67,023</u>	<u>25,921</u>
	<u>171,168</u>	<u>124,408</u>	<u>477,042</u>	<u>471,357</u>

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

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A20. OTHER OPERATING INCOME (CONT'D.)

	Individual Quarter		Cumulative Quarter	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Bank				
Fee and commission income:				
Bancassurance commission	7,597	8,449	23,297	21,372
Brokerage fees, commission and rebates	1,129	452	2,661	1,485
Card operation charges	-	-	-	3,821
Fees on loans, advances and securities	36,591	51,632	114,841	132,424
Fees, service and commission charges	8,479	10,971	26,187	26,487
Guarantee fees	15,008	16,599	46,225	46,988
Remittances	5,290	5,151	15,064	15,274
Other fee and commission	17,432	4,479	38,169	17,379
	<u>91,526</u>	<u>97,733</u>	<u>266,444</u>	<u>265,230</u>
Investment and trading income:				
Foreign exchange gain/(loss) *	(12,485)	45,030	5,879	43,795
Gross dividend income/distribution from:				
Financial assets held-for-trading	5,048	5,995	6,638	6,944
Financial investments available-for-sale	314	309	1,356	3,045
Subsidiaries	349,636	-	397,080	-
Net (loss)/gain on sale/redemption of:				
Financial assets held-for-trading	(1,023)	(21,597)	24,592	84,059
Financial investments available-for-sale	(2,959)	(322)	55,991	21,301
Financial investments held-to-maturity	-	-	-	47
Net gain/(loss) on revaluation of financial assets held-for-trading	5,934	(28,665)	31,647	(24,441)
Net gain on derivatives	35,266	22,308	9,657	34,703
Gain on disposal of an associate	-	-	-	2,179
Others	3,198	(1,807)	7,707	9,540
	<u>382,929</u>	<u>21,251</u>	<u>540,547</u>	<u>181,172</u>
Other income:				
Gain on disposal of foreclosed property	30,680	-	30,680	-
Net (loss)/gain on disposal of property and equipment	(152)	4	914	61
Net non trading foreign exchange gain	351	111	782	857
Profit from sale of goods and services	4,621	2,481	7,184	16,329
Rental income	865	688	3,066	2,238
Others	2,153	2,036	13,603	6,335
	<u>38,518</u>	<u>5,320</u>	<u>56,229</u>	<u>25,820</u>
	<u>512,973</u>	<u>124,304</u>	<u>863,220</u>	<u>472,222</u>

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

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A21. OTHER OPERATING EXPENSES

Group	Individual Quarter		Cumulative Quarter	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Personnel costs:				
Medical	7,716	5,871	23,818	11,981
Insurance	5,823	6,908	18,977	17,938
Contributions to Employees' Provident Fund/ Private Retirement Schemes ("PRS")	29,488	26,898	89,870	80,661
Salaries, bonuses, allowances and incentives	197,555	168,436	551,176	516,537
Share and options granted under ESS - charge/(writeback)	780	4,572	(6,926)	(8,819)
Social security costs	1,732	1,585	5,112	4,568
Recruitment costs	3,710	3,338	24,274	7,834
Training	4,589	1,047	9,498	2,988
Others	1,973	1,084	4,268	5,338
Expenses capitalised	(1,630)	(3,055)	(5,943)	(3,055)
	<u>251,736</u>	<u>216,684</u>	<u>714,124</u>	<u>635,971</u>
Establishment costs:				
Amortisation of intangible assets	19,249	20,655	56,673	60,738
Cleaning, maintenance and security	4,814	5,137	15,348	16,908
Computerisation cost	39,777	30,513	107,339	109,775
Depreciation of property and equipment	10,582	9,820	31,558	30,117
Rental of premises	19,809	19,662	61,142	62,085
Others	8,948	8,636	23,693	27,501
Expenses capitalised	(66)	-	(212)	(24)
	<u>103,113</u>	<u>94,423</u>	<u>295,541</u>	<u>307,100</u>
Marketing and communication expenses:				
Advertising and marketing	5,820	5,459	3,799	16,977
Commission	1,783	2,216	2,318	8,441
Communication	11,100	8,699	27,040	27,647
Others	1,884	1,698	4,953	5,032
	<u>20,587</u>	<u>18,072</u>	<u>38,110</u>	<u>58,097</u>
Administration and general expenses:				
Bank charges	2,067	1,606	5,916	4,822
Insurance	506	868	2,125	3,730
Professional services	28,523	18,492	69,270	51,731
Travelling	1,235	1,030	3,172	3,311
Subscriptions and periodicals	115	47	674	1,978
Others	24,307	16,778	92,959	51,050
	<u>56,753</u>	<u>38,821</u>	<u>174,116</u>	<u>116,622</u>
Service transfer pricing recovery - net	(88,766)	(81,501)	(273,571)	(262,510)
	<u>343,423</u>	<u>286,499</u>	<u>948,320</u>	<u>855,280</u>

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A21. OTHER OPERATING EXPENSES (CONT'D.)

	Individual Quarter		Cumulative Quarter	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Bank				
Personnel costs:				
Medical	7,714	5,867	23,803	11,972
Insurance	5,825	6,908	18,959	17,918
Contributions to Employees' Provident Fund/ PRS	29,491	27,634	89,979	81,376
Salaries, bonuses, allowances and incentives	197,575	173,034	551,859	520,082
Share and options granted under ESS - charge/(writeback)	780	4,572	(6,926)	(8,743)
Social security costs	1,732	1,584	5,110	4,563
Recruitment costs	3,710	3,338	24,274	7,834
Training	4,589	1,046	9,498	2,987
Others	1,973	1,083	4,265	5,339
Expenses capitalised	(1,630)	(3,055)	(5,943)	(3,055)
	<u>251,759</u>	<u>222,011</u>	<u>714,878</u>	<u>640,273</u>
Establishment costs:				
Amortisation of intangible assets	19,250	20,655	56,673	60,737
Cleaning, maintenance and security	4,706	4,912	14,872	16,355
Computerisation cost	39,777	30,513	107,339	109,775
Depreciation of property and equipment	10,436	9,698	31,132	29,747
Rental of premises	20,269	20,207	62,690	63,708
Others	8,807	8,531	23,285	27,072
Expenses capitalised	(66)	-	(212)	(24)
	<u>103,179</u>	<u>94,516</u>	<u>295,779</u>	<u>307,370</u>
Marketing and communication expenses:				
Advertising and marketing	5,819	5,458	3,798	16,976
Commission	1,783	2,215	2,318	8,439
Communication	11,099	8,696	27,033	27,643
Others	1,885	1,698	4,953	5,026
	<u>20,586</u>	<u>18,067</u>	<u>38,102</u>	<u>58,084</u>
Administration and general expenses:				
Bank Charges	2,065	1,606	5,914	4,821
Insurance	507	823	2,120	3,675
Professional services	28,396	18,455	68,959	51,512
Travelling	1,235	1,028	3,170	3,308
Subscriptions and periodicals	115	47	674	1,978
Others	24,291	16,862	92,930	50,935
	<u>56,609</u>	<u>38,821</u>	<u>173,767</u>	<u>116,229</u>
Service transfer pricing recovery - net	(88,767)	(81,509)	(273,580)	(262,530)
	<u>343,366</u>	<u>291,906</u>	<u>948,946</u>	<u>859,426</u>

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A22. PROVISION/(WRITEBACK OF ALLOWANCE) FOR IMPAIRMENT ON LOANS AND ADVANCES

Group	Individual Quarter		Cumulative Quarter	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Allowance/(Writeback of allowance) for impaired loans and advances:				
Individual allowance, net	44,360	473	96,342	(2,517)
Collective allowance, net	74,139	44,574	141,296	202,140
Impaired loans and advances recovered, net	(75,508)	(140,443)	(265,997)	(379,356)
	<u>42,991</u>	<u>(95,396)</u>	<u>(28,359)</u>	<u>(179,733)</u>
Bank				
Allowance/(Writeback of allowance) for impaired loans and advances:				
Individual allowance, net	44,360	473	96,342	(2,517)
Collective allowance, net	74,136	44,561	141,340	202,290
Impaired loans and advances recovered, net	(75,508)	(140,444)	(265,997)	(379,382)
	<u>42,988</u>	<u>(95,410)</u>	<u>(28,315)</u>	<u>(179,609)</u>

A23. IMPAIRMENT LOSS ON FINANCIAL INVESTMENTS

Group and Bank	Individual Quarter		Cumulative Quarter	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Financial investments available-for-sale	<u>7,340</u>	<u>-</u>	<u>13,762</u>	<u>-</u>

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A24. 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	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Group				
Net profit attributable to shareholder of the Bank (RM'000)	134,668	242,756	608,036	722,927
Number of ordinary shares at beginning of the financial year and end of period representing weighted average number of ordinary shares in issue ('000)	820,364	820,364	820,364	820,364
Basic earnings per share (sen)	16.42	29.59	74.12	88.12
Bank				
Net profit attributable to shareholder of the Bank (RM'000)	433,321	234,507	946,975	715,341
Number of ordinary shares at beginning of the financial year and end of period representing weighted average number of ordinary shares in issue ('000)	820,364	820,364	820,364	820,364
Basic earnings per share (sen)	52.82	28.59	115.43	87.20

A25. 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.

A25. BUSINESS SEGMENT ANALYSIS (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) 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 comprise finance income. The Chief Operating Decision Maker relies primarily on the net finance income information to assess the performance of, and to make decisions about resources to be allocated to these operating segments.
- (ii) The comparatives have been restated to conform with current business realignment and restatement as per note A35.
- (iii) The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia.

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A25. BUSINESS SEGMENT ANALYSIS (CONT'D.)

Group For the financial period ended 31 December 2017	Wholesale Banking				Group Funding and Others RM'000	Total RM'000
	Retail Banking RM'000	Corporate and Commercial Banking RM'000	Global Markets RM'000	Capital Markets and Private Banking RM'000		
External revenue	1,720,366	1,183,397	459,684	44,196	208,831	3,616,474
Revenue from other segments	(261,351)	(532,168)	475,559	(9,090)	327,050	-
Total operating revenue	1,459,015	651,229	935,243	35,106	535,881	3,616,474
Net interest income	607,217	418,686	41,253	14,318	137,118	1,218,592
Other operating income	211,003	151,764	114,852	10,505	(11,082)	477,042
Income	818,220	570,450	156,105	24,823	126,036	1,695,634
Other operating expenses	(530,756)	(195,011)	(54,021)	(8,275)	(160,257)	(948,320)
of which:						
<i>Depreciation of Property and Equipment</i>	(18,599)	(698)	(404)	(24)	(11,833)	(31,558)
<i>Amortisation of Intangible Assets</i>	(6,406)	(1,344)	(2,980)	-	(45,943)	(56,673)
Profit/(loss) before impairment losses	287,464	375,439	102,084	16,548	(34,221)	747,314
(Provision)/Writeback of impairment losses on loans and advances	10,214	(58,915)	-	1,456	75,604	28,359
Allowance for impairment losses on other assets	(8,549)	(35)	-	-	(12,803)	(21,387)
(Provision)/Writeback of provision for commitments and contingencies	(1,417)	5,975	-	(139)	(3)	4,416
Other recoveries	5	-	56	-	708	769
Profit before taxation	287,717	322,464	102,140	17,865	29,285	759,471
Taxation	(69,052)	(83,427)	(23,095)	(2,526)	26,665	(151,435)
Profit for the financial period	218,665	239,037	79,045	15,339	55,950	608,036
Other information						
Total segment assets	40,408,145	26,339,819	11,222,610	1,714,506	18,693,249	98,378,329
Total segment liabilities	33,782,369	7,121,644	32,143,627	811,088	15,684,576	89,543,304
Cost to income ratio	64.9%	34.2%	34.6%	33.3%	127.2%	55.9%
Gross loans and advances	39,540,167	25,893,917	-	1,308,905	-	66,742,989
Net loans and advances	39,208,504	25,597,365	-	1,303,607	(97,004)	66,012,472
Impaired loans and advances	507,993	584,008	-	-	-	1,092,001
Total deposits	33,168,416	6,756,005	28,353,785	802,800	6,209,087	75,290,093
Additions to:						
Property and equipment	8,087	1,797	-	30	5,546	15,460
Intangible assets	19,212	4,543	-	171	39,884	63,810

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A25. BUSINESS SEGMENT ANALYSIS (CONT'D.)

Group For the financial period ended 31 December 2016 (Restated)	Wholesale Banking				Group Funding and Others RM'000	Total RM'000
	Retail Banking RM'000	Corporate and Commercial Banking RM'000	Global Markets RM'000	Capital Markets and Private Banking RM'000		
External revenue	1,578,196	1,107,697	328,870	95,752	258,343	3,368,858
Revenue from other segments	(143,261)	(520,239)	455,344	(5,840)	213,996	-
Total operating revenue	1,434,935	587,458	784,214	89,912	472,339	3,368,858
Net interest income	601,922	388,753	44,345	13,998	77,290	1,126,308
Other operating income	161,110	120,978	91,641	62,511	33,718	469,958
Gain on disposal of associate	-	-	-	-	1,399	1,399
Income	763,032	509,731	135,986	76,509	112,407	1,597,665
Other operating expenses	(489,779)	(127,587)	(56,570)	(9,608)	(171,736)	(855,280)
<i>of which:</i>						
<i>Depreciation of Property and Equipment</i>	(17,896)	(717)	(593)	(38)	(10,873)	(30,117)
<i>Amortisation of Intangible Assets</i>	(8,021)	(1,729)	(4,620)	(1)	(46,367)	(60,738)
Profit/(loss) before impairment losses	273,253	382,144	79,416	66,901	(59,329)	742,385
Writeback of impairment losses on loans and advances	47,518	85,342	-	2,737	44,136	179,733
Allowance for impairment losses on other assets (Provision)/Writeback of provision for commitments and contingencies	(11,427)	(359)	-	-	(53)	(11,839)
Other recoveries	4,190	16,631	-	(1,936)	(6,779)	12,106
Other recoveries	3	12,068	-	-	737	12,808
Profit/(loss) before taxation	313,537	495,826	79,416	67,702	(21,288)	935,193
Taxation	(75,143)	(112,605)	(17,898)	(15,586)	8,967	(212,265)
Profit/(loss) for the financial period	238,394	383,221	61,518	52,116	(12,321)	722,928
Other information						
Total segment assets	35,930,506	27,079,839	9,246,732	1,357,161	13,790,665	87,404,903
Total segment liabilities	29,064,118	6,742,070	29,630,072	827,611	12,596,066	78,859,937
Cost to income ratio	64.2%	25.0%	41.6%	12.6%	152.8%	53.5%
Gross loans and advances	35,060,685	26,348,741	-	1,141,637	67,115	62,618,178
Net loans and advances	34,713,381	26,176,152	-	1,135,116	(189,554)	61,835,095
Impaired loans and advances	543,288	297,483	-	-	-	840,771
Total deposits	28,407,860	6,285,202	27,642,566	818,546	1,295,757	64,449,931
Additions to:						
Property and equipment	15,999	496	-	69	18,089	34,653
Intangible assets	22,347	8,043	-	2	45,455	75,847

A26. PERFORMANCE REVIEW FOR THE PERIOD ENDED 31 DECEMBER 2017

The Group reported a profit before taxation of RM759.5 million for the period ended 31 December 2017 as compared to RM935.2 million in the previous period ended 31 December 2016.

The reduction in Group's profit before taxation for the period is mainly attributable to lower bad debt recoveries, higher allowances for impairment on loans and advances and higher expenses for business growth and compliance costs, partly offset by higher net interest income from assets growth and other operating income.

The increase in other operating income was mainly contributed by gain on disposal of foreclosed properties and higher gain from securities, offset by lower foreign exchange gain and net gain on derivatives.

The Group registered further improvement in asset quality with the ratio of impaired loans and advances improving to 1.64% at end December 2017 from 1.90% as at end March 2017. Loan loss coverage improved to 101.6% from 84.6% as at end March 2017.

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.

A27. PROSPECTS FOR FINANCIAL YEAR ENDING 31 MARCH 2018

Malaysia's Gross Domestic Product ("GDP") is projected to grow strongly in 2017 by 5.9% (2016: 4.2%) supported by private consumption benefitting from healthy wages and income support measures, infrastructure spending, strong exports on the back of improving global demand, firm commodity prices and private investment. The economy is poised to continue expanding favorably in 2018 by 5.5% aided by private expenditure, infrastructure spending, more business-friendly regulatory environment and exports.

Meanwhile, inflation is expected to rise by 2.5%-2.8% in 2018 (2017: 3.8%) on the back of firmer Malaysian Ringgit against the US Dollar, stable oil and commodity prices, fading cost-push pressures and base effect.

In the meantime, the banking system is poised to register decent growth in 2017 coming from the retail segment namely the mortgage loans from affordable homes and business loans in particular infrastructure and exports that is benefitting from improving global growth and firmer commodity prices. We anticipate loans to grow between 5% and 6% in 2017 on the back of 5.9% GDP growth. For 2018, we project loans to grow circa 5% based on our view that GDP will continue to expand by 5.5% in 2018.

Furthermore, banks have sufficient liquid assets with an industry liquidity coverage ratio of 134% as at end December 2017, 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 84.0% and 73.7% respectively as at December 2017.

We foresee the banks' NIM to improve modestly in 2018 as a result of the banks' repricing their loans to compensate for higher provisioning under MFRS 9 and milder pressure on banks' funding cost from deposit competition. The latter is due to the delay in implementation of net stable funding ratio requirement to no earlier than 1 January 2019 but to a lesser extent in terms of intensity.

Following Bank Negara's 25bps rate hike in January, we believe the central bank will adopt the 'wait-and-see' attitude to determine the need to further reprice the policy rate which is at 3.25%. A key point highlighted in the Bank Negara's MPC is that the economy is on a firm growth path and the need to normalise the current monetary accommodation. We believe the normalisation rate is around 3.50%.

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

Wholesale Banking's strategic priorities for FY2018 are:

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

A27. PROSPECTS FOR FINANCIAL YEAR ENDING 31 MARCH 2018 (CONT'D.)

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

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

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

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

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

A28. 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.

A29. OTHER EVENTS

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

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

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

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

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

2. Capital reduction of subsidiaries

On 9 October 2017 and 23 October 2017, AmCard Services Berhad ("AmCard"), MBF Information Sdn. Bhd. ("MBF Information") and AmLabuan Holdings (L) Ltd ("AmLabuan") respectively, being wholly-owned subsidiaries of the Bank, had obtained the Capital Reduction Order from the High Court pursuant to Section 116 of the Companies Act 2016. On 26 October 2017, 7 November 2017 and 28 December 2017, AmCard, MBF Information and AmLabuan respectively, had returned paid-up share capital in excess of the subsidiaries' needs which amounted to a total equivalent to approximately RM343.7 million to the Bank. The capital repayment did not have any effect on the reported cashflows from operations, financial position and performance of the Group for the current financial period.

A30. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 31 December 2017, AMMB Holdings Berhad (AMMB Group) has offered its eligible employees in the Banking group a Mutual Separation Scheme ("MSS"). The MSS exercise is fully voluntary and is aimed to right size the AMMB Group whilst providing employees the opportunity to pursue personal goals as an option.

Other than disclosed above, there has not arisen in the interval between the end of the financial period and the date of this report any items, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group for the current period.

A31. CHANGES IN THE COMPOSITION OF THE GROUP

Dissolution of a wholly-owned dormant subsidiaries

The Bank's wholly-owned dormant subsidiary, AmTrade Services Limited (incorporated in Hong Kong) ("AmTrade"), has been dissolved by way of member's voluntary liquidation ("MVL") pursuant to Section 548 of the Companies Ordinance (Chapter 622) of Hong Kong on 3 January 2018.

There has been no other significant changes in the composition of the Group for the financial quarter and period ended 31 December 2017.

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A32. 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	
	31 December 2017 RM'000	31 March 2017 RM'000	31 December 2017 RM'000	31 March 2017 RM'000
Contingent Liabilities				
Direct credit substitutes	2,149,484	1,817,399	2,149,484	1,817,399
Transaction related contingent items	4,879,182	5,101,771	4,879,182	5,123,886
Short term self liquidating trade related contingencies	953,814	785,111	953,814	785,111
Obligations under on-going underwriting agreements	415,000	85,000	415,000	85,000
	<u>8,397,480</u>	<u>7,789,281</u>	<u>8,397,480</u>	<u>7,811,396</u>
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	13,734,753	13,559,443	13,794,074	13,624,180
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	3,754,588	3,067,133	3,754,588	3,067,133
Unutilised credit card lines	3,737,560	2,847,424	3,737,560	2,847,424
Forward asset purchase	162,098	670,621	162,098	670,621
Others	-	-	50	50
	<u>21,388,999</u>	<u>20,144,621</u>	<u>21,448,370</u>	<u>20,209,408</u>
Derivative Financial Instruments				
Foreign exchange related contracts				
- One year or less	41,595,304	46,187,005	41,595,304	46,187,005
- Over one year to five years	2,757,251	1,828,562	2,757,251	1,828,562
- Over five years	1,550,073	2,140,212	1,550,073	2,140,212
Interest rate related contracts				
- One year or less	11,177,093	9,810,942	11,177,093	9,810,942
- Over one year to five years	30,991,407	30,835,847	30,991,407	30,835,847
- Over five years	9,649,067	9,598,780	9,649,067	9,598,780
Credit related contracts				
- Over one year to five years	343,317	361,251	343,317	361,251
Equity and commodity related contracts				
- One year or less	488,655	228,591	488,655	228,591
- Over one year to five years	140,064	83,396	140,064	83,396
	<u>98,692,231</u>	<u>101,074,586</u>	<u>98,692,231</u>	<u>101,074,586</u>
Total	<u>128,478,710</u>	<u>129,008,488</u>	<u>128,538,081</u>	<u>129,095,390</u>

A33. 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 0.4% and 0.7% of the Group's and the Bank's (31 March 2017 : 0.6% of 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.

A33. 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	
31 December 2017								
Assets measured at fair value								
Derivative financial assets	358	1,194,910	-	1,195,268	358	1,194,910	-	1,195,268
Financial assets held-for-trading								
- Money market securities	-	2,644,691	-	2,644,691	-	2,644,691	-	2,644,691
- Equities	392,434	-	-	392,434	392,434	-	-	392,434
- Quoted sukuk	38,099	-	-	38,099	38,099	-	-	38,099
- Unquoted corporate bonds and sukuk	-	1,954,690	-	1,954,690	-	1,954,690	-	1,954,690
Financial investments available-for-sale								
- Money market securities	-	2,701,668	-	2,701,668	-	2,701,668	-	2,701,668
- Equities	124,007	-	46,677	170,684	123,972	-	46,677	170,649
- Unquoted corporate bonds and sukuk	-	3,446,263	-	3,446,263	-	3,446,263	38,655	3,484,918
	<u>554,898</u>	<u>11,942,222</u>	<u>46,677</u>	<u>12,543,797</u>	<u>554,863</u>	<u>11,942,222</u>	<u>85,332</u>	<u>12,582,417</u>
Liabilities measured at fair value								
Derivative financial liabilities	2,971	1,290,272	-	1,293,243	2,971	1,290,272	-	1,293,243

A33. 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	
31 March 2017								
Assets measured at fair value								
Derivative financial assets	91	1,172,041	-	1,172,132	91	1,172,041	-	1,172,132
Financial assets held-for-trading								
- Money market securities	-	4,160,309	-	4,160,309	-	4,160,309	-	4,160,309
- Equities	288,119	-	-	288,119	288,119	-	-	288,119
- Quoted sukuk	38,207	-	-	38,207	38,207	-	-	38,207
- Unquoted corporate bonds and sukuk	-	1,375,861	-	1,375,861	-	1,375,861	-	1,375,861
Financial investments available-for-sale								
- Money market securities	-	1,224,005	-	1,224,005	-	1,224,005	-	1,224,005
- Equities	149,246	-	-	149,246	149,202	-	-	149,202
- Unquoted corporate bonds and sukuk	-	4,197,901	-	4,197,901	-	4,197,901	50,842	4,248,743
	<u>475,663</u>	<u>12,130,117</u>	<u>-</u>	<u>12,605,780</u>	<u>475,619</u>	<u>12,130,117</u>	<u>50,842</u>	<u>12,656,578</u>
Liabilities measured at fair value								
Derivative financial liabilities	<u>3,479</u>	<u>955,415</u>	<u>-</u>	<u>958,894</u>	<u>3,479</u>	<u>955,415</u>	<u>-</u>	<u>958,894</u>

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.

A33. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONT'D.)

Movements In Level 3 financial instruments measured at fair value

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

	Group		Bank	
	31 December	31 March	31 December	31 March
	2017	2017	2017	2017
	RM'000	RM'000	RM'000	RM'000
Financial investments available-for-sale:				
Balance at beginning of the financial year	-	-	50,842	69,123
Addition during the financial period	46,677	-	46,677	-
Total loss recognised in other comprehensive income	-	-	(174)	(267)
Settlements	-	-	(12,013)	(18,014)
Balance at end of the financial period/year	<u>46,677</u>	<u>-</u>	<u>85,332</u>	<u>50,842</u>

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

	Group		Bank	
	31 December	31 March	31 December	31 March
	2017	2017	2017	2017
	RM'000	RM'000	RM'000	RM'000
Financial investments available-for-sale:				
Total loss included in other comprehensive income	<u>-</u>	<u>-</u>	<u>(174)</u>	<u>(267)</u>

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

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.

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A34. CAPITAL ADEQUACY

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

	Group		Bank	
	31 December 2017	31 March 2017	31 December 2017	31 March 2017
Before deducting proposed dividends				
Common Equity Tier 1 ("CET 1")				
Capital Ratio	10.921%	11.942%	10.827%	11.230%
Tier 1 Capital Ratio	12.105%	13.203%	12.008%	12.478%
Total Capital Ratio	15.966%	16.840%	15.855%	16.073%
After deducting proposed dividends				
Common Equity Tier 1 ("CET 1")				
Capital Ratio	10.921%	11.471%	10.827%	10.764%
Tier 1 Capital Ratio	12.105%	12.732%	12.008%	12.012%
Total Capital Ratio	15.966%	16.369%	15.855%	15.607%

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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A34. CAPITAL ADEQUACY (CONT'D.)

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

	Group		Bank	
	31 December 2017 RM'000	31 March 2017 RM'000	31 December 2017 RM'000	31 March 2017 RM'000
CET 1 Capital				
Share Capital	1,763,208	1,763,208	1,763,208	1,763,208
Retained earnings	6,526,615	5,657,191	6,588,047	5,371,939
Available-for-sale deficit	(17,482)	(12,232)	(17,609)	(12,233)
Foreign currency translation reserve	71,412	127,243	75,280	119,797
Statutory reserve	-	980,969	-	980,969
Regulatory reserve	378,133	163,820	378,133	163,820
Merger reserve	104,149	104,149	-	-
Cash flow hedging reserve	1,182	3,010	1,182	3,010
Less: Regulatory adjustments applied on CET 1 Capital				
- Intangible assets	(407,524)	(406,506)	(407,524)	(406,504)
- Deferred tax assets	(42,438)	-	(42,220)	-
- Cash flow hedging reserve	(1,182)	(3,010)	(1,182)	(3,010)
- Regulatory reserve attributable to loans	(378,133)	(163,820)	(378,133)	(163,820)
- Investment in ordinary shares of unconsolidated financial entities	-	-	(6,790)	(6,808)
Total CET 1 Capital	<u>7,997,940</u>	<u>8,214,022</u>	<u>7,952,392</u>	<u>7,810,368</u>
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	867,550	867,550	867,550	867,550
Qualifying CET 1, Additional Tier 1 capital instruments held by third parties	2	2	-	-
Total Tier 1 Capital	<u>8,865,492</u>	<u>9,081,574</u>	<u>8,819,942</u>	<u>8,677,918</u>
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	1,470,000	900,000	1,470,000	900,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	600,000	983,900	600,000	983,900
Qualifying CET 1, Additional Tier 1 and Tier 2 capital instruments held by third parties	1	1	-	-
Collective allowance and regulatory reserve	756,996	618,235	756,970	618,212
Less : Regulatory adjustments applied on Tier 2 Capital	-	-	(1,698)	(1,702)
Total Tier 2 capital	<u>2,826,997</u>	<u>2,502,136</u>	<u>2,825,272</u>	<u>2,500,410</u>
Total Capital	<u>11,692,489</u>	<u>11,583,710</u>	<u>11,645,214</u>	<u>11,178,328</u>

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

	Group		Bank	
	31 December 2017 RM'000	31 March 2017 RM'000	31 December 2017 RM'000	31 March 2017 RM'000
Credit RWA	65,853,419	62,303,235	66,100,893	63,094,846
Market RWA	3,265,519	2,231,862	3,265,145	2,231,439
Operational RWA	4,039,870	4,219,239	4,006,504	4,190,538
Large exposure risk RWA for equity holdings	76,772	30,573	76,772	30,573
Total RWA	<u>73,235,580</u>	<u>68,784,909</u>	<u>73,449,314</u>	<u>69,547,396</u>

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A35. RESTATEMENT OF COMPARATIVE INFORMATION

Certain comparative figures were restated arising from BNM circular on Classification and Regulatory Treatment for Structured Products under the Financial Services Act 2013 ("FSA") and Islamic Financial Services Act ("IFSA") 2013 as per Note A1.2b.

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

(i) Reconciliation of statement of financial position

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
31 March 2017			
Group			
Deposits from customers	67,490,620	(81,456)	67,409,164
Term funding	4,148,486	81,456	4,229,942
Bank			
Deposits from customers	67,566,935	(81,456)	67,485,479
Term funding	4,148,486	81,456	4,229,942
1 April 2016			
Group			
Deposits from customers	62,148,465	(101,182)	62,047,283
Deposits and placements of banks and other financial institutions	951,138	(80,000)	871,138
Term funding	5,549,451	181,182	5,730,633
Bank			
Deposits from customers	62,247,524	(101,182)	62,146,342
Deposits and placements of banks and other financial institutions	1,030,888	(80,000)	950,888
Term funding	5,549,451	181,182	5,730,633

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A35. RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)**(ii) Reconciliation of statement of profit or loss**

	As previously reported	Reclassification	As restated
	RM'000	RM'000	RM'000
Interest expense for cumulative quarter ended 31 December 2016			
Group			
Deposits from customers	1,380,836	(4,927)	1,375,909
Deposits and placements of banks and other financial institutions	32,982	(1,466)	31,516
Term funding	140,023	6,393	146,416
Bank			
Deposits from customers	1,383,564	(4,927)	1,378,637
Deposits and placements of banks and other financial institutions	32,985	(1,466)	31,519
Term funding	140,023	6,393	146,416
Interest expense for individual quarter ended 31 December 2016			
Group			
Deposits from customers	453,749	(1,373)	452,376
Deposits and placements of banks and other financial institutions	12,830	-	12,830
Term funding	48,047	1,373	49,420
Bank			
Deposits from customers	454,673	(1,373)	453,300
Deposits and placements of banks and other financial institutions	12,831	-	12,831
Term funding	48,047	1,373	49,420