

**AmlInvestment Bank Berhad**  
(23742-V)(Incorporated in Malaysia)  
**And Its Subsidiaries**

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

**AmlInvestment Bank Berhad**  
**(23742-V)(Incorporated in Malaysia)**  
**and its subsidiaries**

**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

|  |      | Group               |                  | Bank                |                  |
|--|------|---------------------|------------------|---------------------|------------------|
|  | Note | 31 December<br>2017 | 31 March<br>2017 | 31 December<br>2017 | 31 March<br>2017 |
|  |      | RM'000              | RM'000           | RM'000              | RM'000           |
| <b>ASSETS</b>  |      |                     |                  |                     |                  |
| Cash and short-term funds  |      | 655,154             | 584,391          | 558,638             | 471,568          |
| Financial assets held-for-trading                                    | 8    | 900                 | 955              | 900                 | 955              |
| Financial investments available-for-sale                             | 9    | 11,720              | 11,720           | 11,720              | 11,720           |
| Financial investments held-to-maturity                               | 10   | 135,770             | 104,643          | 135,770             | 104,643          |
| Loans and advances   | 11   | 292,305             | 291,825          | 292,305             | 291,825          |
| Statutory deposit with Bank Negara Malaysia                          |      | 4,899               | 5,330            | 4,899               | 5,330            |
| Deferred tax assets  |      | 4,921               | 8,868            | 2,960               | 6,863            |
| Investment in subsidiaries   |      | -                   | -                | 68,927              | 68,927           |
| Other assets   | 12   | 358,176             | 514,363          | 335,915             | 485,083          |
| Property and equipment   |      | 20,020              | 21,446           | 18,984              | 20,338           |
| Intangible assets  |      | 39,370              | 40,612           | 2,110               | 2,513            |
| <b>TOTAL ASSETS</b>  |      | <b>1,523,235</b>    | <b>1,584,153</b> | <b>1,433,128</b>    | <b>1,469,765</b> |
| <b>LIABILITIES AND EQUITY</b>  |      |                     |                  |                     |                  |
| Deposits and placements of banks<br>and other financial institutions | 13   | 600,000             | 550,000          | 600,000             | 550,000          |
| Derivative financial liabilities                                     |      | 12                  | 12               | 12                  | 12               |
| Other liabilities  | 14   | 335,797             | 448,124          | 322,964             | 428,010          |
| <b>TOTAL LIABILITIES</b>   |      | <b>935,809</b>      | <b>998,136</b>   | <b>922,976</b>      | <b>978,022</b>   |
| Share capital  |      | 200,000             | 200,000          | 200,000             | 200,000          |
| Reserves   |      | 387,426             | 386,017          | 310,152             | 291,743          |
| Equity attributable to equity holder of the Bank                     |      | 587,426             | 586,017          | 510,152             | 491,743          |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                  |      | <b>1,523,235</b>    | <b>1,584,153</b> | <b>1,433,128</b>    | <b>1,469,765</b> |
| <b>COMMITMENTS AND CONTINGENCIES</b>                                 | 22   | <b>186,763</b>      | <b>207,844</b>   | <b>186,763</b>      | <b>207,844</b>   |
| <b>NET ASSETS PER ORDINARY SHARE (RM)</b>                            |      | <b>2.94</b>         | <b>2.93</b>      | <b>2.55</b>         | <b>2.46</b>      |

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

**AmlInvestment Bank Berhad**  
**(23742-V)(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<br>2017 | 31 December<br>2016 | 31 December<br>2017 | 31 December<br>2016 |
|   |      | RM'000              | RM'000              | RM'000              | RM'000              |
| Operating revenue   |      | 75,614              | 74,748              | 229,238             | 221,436             |
| Interest income   | 15   | 8,700               | 8,325               | 26,587              | 25,017              |
| Interest expense  | 16   | (5,476)             | (5,129)             | (16,296)            | (14,182)            |
| Net interest income   |      | 3,224               | 3,196               | 10,291              | 10,835              |
| Net income from Islamic banking   | 25   | 9,609               | 6,841               | 29,922              | 16,820              |
| Other operating income  | 17   | 79,019              | 76,713              | 237,346             | 235,985             |
| Direct costs  | 18   | (21,868)            | (17,190)            | (65,453)            | (56,639)            |
| Net income  |      | 69,984              | 69,560              | 212,106             | 207,001             |
| Other operating expenses  | 19   | (48,837)            | (52,846)            | (152,077)           | (147,391)           |
| Operating Profit  |      | 21,147              | 16,714              | 60,029              | 59,610              |
| Net (impairment)/writeback of impairment on:                              |      |                     |                     |                     |                     |
| Loans and advances  | 20   | (24)                | (934)               | (186)               | (501)               |
| Doubtful receivables  |      | (55)                | (70)                | 459                 | (1,158)             |
| Writeback of /(allowance for) provision for commitments and contingencies |      | 213                 | (3)                 | 92                  | (6,257)             |
| <b>Profit before taxation</b>   |      | 21,281              | 15,707              | 60,394              | 51,694              |
| Taxation  |      | (6,980)             | (4,502)             | (15,799)            | (17,869)            |
| <b>Profit for the financial period</b>                                    |      | 14,301              | 11,205              | 44,595              | 33,825              |
| <b>Basic earnings per share (sen)</b>                                     |      | 7.15                | 5.60                | 22.30               | 16.91               |

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.

**AmlInvestment Bank Berhad**  
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**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2017**

| Group  | Individual Quarter  |                     | Cumulative Quarter  |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | 31 December<br>2017 | 31 December<br>2016 | 31 December<br>2017 | 31 December<br>2016 |
|  | RM'000              | RM'000              | RM'000              | RM'000              |
| Profit for the financial period  | 14,301              | 11,205              | 44,595              | 33,825              |
| <b>Other comprehensive income/(loss):</b>  |                     |                     |                     |                     |
| <b>Items that may be reclassified subsequently<br/>to profit or loss</b>                       |                     |                     |                     |                     |
| Currency translation on foreign operations   | (401)               | 223                 | (528)               | 683                 |
| Other comprehensive (loss)/ income for the<br>financial period                                 | (401)               | 223                 | (528)               | 683                 |
| <b>Total comprehensive income for the period<br/>attributable to equity holder of the Bank</b> | <b>13,900</b>       | <b>11,428</b>       | <b>44,067</b>       | <b>34,508</b>       |

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

**AmlInvestment Bank Berhad**  
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**UNAUDITED STATEMENT OF PROFIT OR LOSS**  
**FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2017**

| Bank   | Note | Individual Quarter  |                     | Cumulative Quarter  |                     |
|--|------|---------------------|---------------------|---------------------|---------------------|
|  |      | 31 December<br>2017 | 31 December<br>2016 | 31 December<br>2017 | 31 December<br>2016 |
|  |      | RM'000              | RM'000              | RM'000              | RM'000              |
| Operating revenue  |      | 59,946              | 64,025              | 185,382             | 151,075             |
| Interest income  | 15   | 8,238               | 7,689               | 24,977              | 23,219              |
| Interest expense   | 16   | (5,387)             | (5,041)             | (16,022)            | (14,057)            |
| Net interest income  |      | 2,851               | 2,648               | 8,955               | 9,162               |
| Net income from Islamic banking  | 25   | 9,609               | 6,841               | 29,922              | 16,820              |
| Other operating income   | 17   | 52,115              | 55,394              | 160,392             | 130,658             |
| Direct costs   | 18   | (10,170)            | (5,958)             | (30,745)            | (19,875)            |
| Net income   |      | 54,405              | 58,925              | 168,524             | 136,765             |
| Other operating expenses   | 19   | (33,214)            | (32,823)            | (98,687)            | (91,785)            |
| Operating Profit   |      | 21,191              | 26,102              | 69,837              | 44,980              |
| Net (impairment)/writeback of impairment on:   |      |                     |                     |                     |                     |
| Loans and advances   | 20   | (24)                | (934)               | (186)               | (501)               |
| Doubtful receivables   |      | (55)                | (70)                | (349)               | 37                  |
| Writeback of /(allowance for) provision for<br>commitments and contingencies           |      | 213                 | (3)                 | 92                  | (6,257)             |
| <b>Profit before taxation</b>  |      | 21,325              | 25,095              | 69,394              | 38,259              |
| Taxation   |      | (3,894)             | (1,398)             | (8,447)             | (8,523)             |
| <b>Profit for the financial period representing<br/>    total comprehensive income</b> |      | 17,431              | 23,697              | 60,947              | 29,736              |
| <b>Basic earnings per share (sen)</b>  |      | 8.72                | 11.85               | 30.47               | 14.87               |

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.

**AmInvestment Bank Berhad**  
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**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2017**

| Group  | Attributable to equity holder of the Bank |                           |                             |                              |                          |  |                             | Total equity<br>RM'000 |
|--|---|---------------------------|-----------------------------|------------------------------|--------------------------|--|-----------------------------|------------------------|
|  | Non-distributable                         |                           |                             |                              |                          | Distributable                          |                             |                        |
|  | Share capital<br>RM'000                   | Capital reserve<br>RM'000 | Statutory reserve<br>RM'000 | Regulatory reserve<br>RM'000 | Merger reserve<br>RM'000 | Exchange fluctuation reserve<br>RM'000 | Retained earnings<br>RM'000 |                        |
| <b>At 1 April 2016</b>   | 200,000                                   | 2,815                     | 200,000                     | 2,800                        | 149,637                  | 2,165                                  | 103,699                     | 661,116                |
| Profit for the financial period  | -   | -                         | -                           | -                            | -                        | -                                      | 33,825                      | 33,825                 |
| Other comprehensive income   | -   | -                         | -                           | -                            | -                        | 683                                    | -                           | 683                    |
| Total comprehensive income for the period  | -   | -                         | -                           | -                            | -                        | 683                                    | 33,825                      | 34,508                 |
| Transfer of AMMB Holdings Berhad ("AMMB")<br>Executives' Share Scheme ("ESS") shares recharged -<br>difference on purchase price for shares vested | -   | -                         | -                           | -                            | -                        | -                                      | (122)                       | (122)                  |
| Effect arising from the pooling of interests   | -   | -                         | -                           | -                            | (67,522)                 | -                                      | (13,328)                    | (80,850)               |
| Dividends paid   | -   | -                         | -                           | -                            | -                        | -                                      | (36,000)                    | (36,000)               |
| Transactions with owner and other equity movements   | -   | -                         | -                           | -                            | (67,522)                 | -                                      | (49,450)                    | (116,972)              |
| <b>At 31 December 2016</b>   | <b>200,000</b>                            | <b>2,815</b>              | <b>200,000</b>              | <b>2,800</b>                 | <b>82,115</b>            | <b>2,848</b>                           | <b>88,074</b>               | <b>578,652</b>         |
| <b>At 1 April 2017</b>   | 200,000                                   | 2,815                     | 200,000                     | 2,800                        | 82,115                   | 3,035                                  | 95,252                      | 586,017                |
| Profit for the financial period  | -   | -                         | -                           | -                            | -                        | -                                      | 44,595                      | 44,595                 |
| Other comprehensive loss   | -   | -                         | -                           | -                            | -                        | (528)                                  | -                           | (528)                  |
| Total comprehensive income/(loss) for the period   | -   | -                         | -                           | -                            | -                        | (528)                                  | 44,595                      | 44,067                 |
| Transfer of AMMB ESS shares recharged -<br>difference on purchase price for shares vested  | -   | -                         | -                           | -                            | -                        | -                                      | (558)                       | (558)                  |
| Transfer to regulatory reserve   | -   | -                         | -                           | 118                          | -                        | -                                      | (118)                       | -                      |
| Transfer to retained earnings  | -   | -                         | (200,000)                   | -                            | -                        | -                                      | 200,000                     | -                      |
| Dividends paid   | -   | -                         | -                           | -                            | -                        | -                                      | (42,100)                    | (42,100)               |
| Transactions with owner and other equity movements   | -   | -                         | (200,000)                   | 118                          | -                        | -                                      | 157,224                     | (42,658)               |
| <b>At 31 December 2017</b>   | <b>200,000</b>                            | <b>2,815</b>              | <b>-</b>                    | <b>2,918</b>                 | <b>82,115</b>            | <b>2,507</b>                           | <b>297,071</b>              | <b>587,426</b>         |

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

**AmInvestment Bank Berhad**  
**(23742-V)(Incorporated in Malaysia)**  
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**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2017**

|   | <-----Attributable to equity holder of the Bank-----> |                                |                                 |                             |                                |                           |
|---|---|--------------------------------|---------------------------------|-----------------------------|--------------------------------|---------------------------|
|   | Non-distributable                                     |                                |                                 | Distributable               |                                |                           |
|   | Share<br>capital<br>RM'000                            | Statutory<br>reserve<br>RM'000 | Regulatory<br>reserve<br>RM'000 | Merger<br>reserve<br>RM'000 | Retained<br>earnings<br>RM'000 | Total<br>equity<br>RM'000 |
| <b>Bank</b>   |   |                                |                                 |                             |                                |                           |
| <b>At 1 April 2016</b>  | 200,000   | 200,000                        | 2,800                           | 22,621                      | 99,023                         | 524,444                   |
| Profit for the financial period   | -   | -                              | -                               | -                           | 29,736                         | 29,736                    |
| Total comprehensive income for the period   | -   | -                              | -                               | -                           | 29,736                         | 29,736                    |
| Transfer of AMMB ESS shares recharged -<br>difference on purchase price for shares vested | -   | -                              | -                               | -                           | (122)                          | (122)                     |
| Effect arising from the pooling of interests  | -   | -                              | -                               | (22,621)                    | (546)                          | (23,167)                  |
| Dividends paid  | -   | -                              | -                               | -                           | (36,000)                       | (36,000)                  |
| Transactions with owner and other equity movements  | -   | -                              | -                               | (22,621)                    | (36,668)                       | (59,289)                  |
| <b>At 31 December 2016</b>  | <b>200,000</b>  | <b>200,000</b>                 | <b>2,800</b>                    | <b>-</b>                    | <b>92,091</b>                  | <b>494,891</b>            |
| <b>At 1 April 2017</b>  | 200,000   | 200,000                        | 2,800                           | -                           | 88,943                         | 491,743                   |
| Profit for the financial period   | -   | -                              | -                               | -                           | 60,947                         | 60,947                    |
| Total comprehensive income for the period   | -   | -                              | -                               | -                           | 60,947                         | 60,947                    |
| Transfer of AMMB ESS shares recharged -<br>difference on purchase price for shares vested | -   | -                              | -                               | -                           | (438)                          | (438)                     |
| Transfer to regulatory reserve  | -   | -                              | 118                             | -                           | (118)                          | -                         |
| Transfer to retained earnings   | -   | (200,000)                      | -                               | -                           | 200,000                        | -                         |
| Dividends paid  | -   | -                              | -                               | -                           | (42,100)                       | (42,100)                  |
| Transactions with owner and other equity movements  | -   | (200,000)                      | 118                             | -                           | 157,344                        | (42,538)                  |
| <b>At 31 December 2017</b>  | <b>200,000</b>  | <b>-</b>                       | <b>2,918</b>                    | <b>-</b>                    | <b>307,234</b>                 | <b>510,152</b>            |

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

**AmInvestment Bank Berhad**  
**(23742-V)(Incorporated in Malaysia)**  
**and its subsidiaries**

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

|  | Group               |                     | Bank                |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | 31 December<br>2017 | 31 December<br>2016 | 31 December<br>2017 | 31 December<br>2016 |
|  | RM'000              | RM'000              | RM'000              | RM'000              |
| Profit before taxation                                       | 60,394              | 51,694              | 69,394              | 38,259              |
| Adjustments for non-operating and non cash items             | (1,439)             | 13,242              | (52,897)            | (17,076)            |
| Operating profit before working capital changes              | 58,955              | 64,936              | 16,497              | 21,183              |
| Decrease in operating assets                                 | 129,609             | 270,424             | 123,556             | 246,293             |
| Decrease in operating liabilities                            | (63,322)            | (159,912)           | (55,393)            | (157,214)           |
| Cash generated from operations                               | 125,242             | 175,448             | 84,660              | 110,262             |
| Tax refunded/(paid), net                                     | 18,243              | (12,980)            | 22,885              | (3,496)             |
| Net cash generated from operating activities                 | 143,485             | 162,468             | 107,545             | 106,766             |
| Net cash (used in)/generated from investing activities       | (30,298)            | (77,508)            | 21,625              | (52,127)            |
| Dividend paid by the Bank                                    | (42,100)            | (36,000)            | (42,100)            | (36,000)            |
| Dividend paid by the fund management entities                | -                   | (31,000)            | -                   | -                   |
| Net cash used in financing activities                        | (42,100)            | (67,000)            | (42,100)            | (36,000)            |
| Net increase in cash and cash equivalents                    | 71,087              | 17,960              | 87,070              | 18,639              |
| Cash and cash equivalents at beginning of the financial year | 584,391             | 560,305             | 471,568             | 458,535             |
| Effect of exchange rate changes                              | (324)               | 387                 | -                   | -                   |
| Cash and cash equivalents at end of the financial period     | 655,154             | 578,652             | 558,638             | 477,174             |

Note 1 This represents payment of dividend by the fund management entities (AmFund Management and AmIslamic Funds Management), to its previous shareholder, AmInvestment Group Berhad. The fund management entities were acquired on 21 July 2016 by the Bank.

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 :**

**1. 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"). These financial statements also comply with IAS 34, Interim Financial Reporting issued by the International Accounting Standards Board.

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

The condensed interim financial statements incorporate those activities relating to Islamic banking which have been undertaken by the Bank. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic securities under Shariah principles.

**1.1 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 and the Group and the Bank do not have any liabilities arising from financing activities, the adoption of these amendments did not have any impact on the Group and the Bank.

## 1. BASIS OF PREPARATION (CONT'D.)

### 1.1 Significant Accounting Policies (Cont'd.)

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

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

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

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

##### (i) MFRS 12 Disclosure of Interests in Other Entities

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

### 1.2 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 <i>Revenue from Contracts with Customers</i>   | 1 January 2018                                     |
| - MFRS 9 <i>Financial Instruments</i>  | 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 <i>Leases</i>  | 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                           |

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

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

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 2 of them is effective for annual periods beginning on or after 1 January 2018, as summarised below:

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

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

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

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

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

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

The core principle of MFRS 15 is that an entity should recognise revenue which 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 Company is not expected to be material.

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

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

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

**MFRS 9 *Financial Instruments***

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

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

MFRS 9 will fundamentally change the 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.

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 Bank has also engaged its external auditor to independently verify and validate the accounting policies and solution tools to be developed under the Programme and to report on whether they comply with the requirements of MFRS 9.

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

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

- the majority of loans and advances that are classified as loans and receivables under MFRS139 are expected to be measured at amortised cost under MFRS 9;
- investments in money market instruments and corporate bonds 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 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 held for trading are expected to continue to be measured at FVTPL.

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

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

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

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

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

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

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

**MFRS 16 *Leases***

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

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

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

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

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

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

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

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

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.

**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.

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

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

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

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

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

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

**(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.

**1.3 Significant change in regulatory requirement**

**BNM Policy Document on capital funds**

On 3 May 2017, BNM issued a revised policy document, Capital Funds. The key change in the revised policy document 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.

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

**1.4 Significant Accounting Judgements, Estimates and Assumptions**

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

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

**2. AUDIT QUALIFICATION**

There was no audit qualification in the audited annual financial statements for the year ended 31 March 2017.

**3. SEASONALITY OR CYCLICALITY OF OPERATIONS**

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

**4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE**

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

**5. CHANGES IN ESTIMATES**

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

**6. ISSUANCE AND REPAYMENT OF DEBT AND EQUITY SECURITIES**

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

There were no share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares by the Bank during the financial quarter and period.

**7. DIVIDENDS**

During the financial period, the final single-tier cash dividend of 10.15 sen per ordinary share on 200,000,000 ordinary shares amounting to RM20,300,000 in respect of financial year ended 31 March 2017 was paid on 14 August 2017.

In respect of the current financial period, the Board of Directors had declared an interim single-tier cash dividend of 10.9 sen per ordinary share on 200,000,000 ordinary shares amounting to RM21,800,000 which was paid on 15 December 2017.



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

|                                | <b>Group and Bank</b> |                 |
|--------------------------------|-----------------------|-----------------|
|                                | <b>31 December</b>    | <b>31 March</b> |
|                                | <b>2017</b>           | <b>2017</b>     |
|                                | <b>RM'000</b>         | <b>RM'000</b>   |
| <b>At Fair Value</b>           |                       |                 |
| Quoted Securities in Malaysia: |                       |                 |
| Unit trusts                    | 900                   | 955             |

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

|                      | <b>Group and Bank</b> |                 |
|----------------------|-----------------------|-----------------|
|                      | <b>31 December</b>    | <b>31 March</b> |
|                      | <b>2017</b>           | <b>2017</b>     |
|                      | <b>RM'000</b>         | <b>RM'000</b>   |
| <b>At Cost</b>       |                       |                 |
| Unquoted Securities: |                       |                 |
| In Malaysia:         |                       |                 |
| Shares               | 11,714                | 11,714          |
| Outside Malaysia:    |                       |                 |
| Shares               | 6                     | 6               |
|                      | <u>11,720</u>         | <u>11,720</u>   |

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

|                                  | <b>Group and Bank</b> |                 |
|----------------------------------|-----------------------|-----------------|
|                                  | <b>31 December</b>    | <b>31 March</b> |
|                                  | <b>2017</b>           | <b>2017</b>     |
|                                  | <b>RM'000</b>         | <b>RM'000</b>   |
| <b>At Amortised Cost:</b>        |                       |                 |
| Money Market Instruments:        |                       |                 |
| Malaysian Government securities  | 60,670                | -               |
| Islamic Treasury Bills           | -                     | 29,543          |
|                                  | <u>60,670</u>         | <u>29,543</u>   |
| Unquoted Securities in Malaysia: |                       |                 |
| Corporate Bonds                  | 75,100                | 75,100          |
|                                  | <u>135,770</u>        | <u>104,643</u>  |

**11. LOANS AND ADVANCES**

|  | <b>Group and Bank</b> |                 |
|--|-----------------------|-----------------|
|  | <b>31 December</b>    | <b>31 March</b> |
|  | <b>2017</b>           | <b>2017</b>     |
|  | <b>RM'000</b>         | <b>RM'000</b>   |
| <b>At Amortised Cost</b>                       |                       |                 |
| Share margin financing                         | 257,492               | 239,865         |
| Revolving credits                              | 36,066                | 52,694          |
| Staff loans                                    | 1,801                 | 2,134           |
| Gross loans and advances                       | <u>295,359</u>        | <u>294,693</u>  |
| Less:  |                       |                 |
| Allowance for impairment on loans and advances |                       |                 |
| Individual allowance                           | (2,091)               | (2,163)         |
| Collective allowance                           | (963)                 | (705)           |
|  | <u>(3,054)</u>        | <u>(2,868)</u>  |
| Net loans and advances                         | <u>292,305</u>        | <u>291,825</u>  |

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

|                                | <b>Group and Bank</b> |                 |
|--------------------------------|-----------------------|-----------------|
|                                | <b>31 December</b>    | <b>31 March</b> |
|                                | <b>2017</b>           | <b>2017</b>     |
|                                | <b>RM'000</b>         | <b>RM'000</b>   |
| Domestic business enterprises: |                       |                 |
| Small medium enterprises       | 3,457                 | 3,455           |
| Others                         | 55,018                | 51,764          |
| Individuals                    | <u>236,884</u>        | <u>239,474</u>  |
|                                | <u>295,359</u>        | <u>294,693</u>  |

(b) All loans and advances reside in Malaysia.

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

|                                 | <b>Group and Bank</b> |                 |
|---------------------------------|-----------------------|-----------------|
|                                 | <b>31 December</b>    | <b>31 March</b> |
|                                 | <b>2017</b>           | <b>2017</b>     |
|                                 | <b>RM'000</b>         | <b>RM'000</b>   |
| Fixed rate                      |                       |                 |
| Staff housing loans             | 1,624                 | 1,785           |
| Staff hire purchase receivables | 177                   | 349             |
| Other fixed rate loans          | <u>257,492</u>        | <u>239,865</u>  |
|                                 | 259,293               | 241,999         |
| Variable rate:                  |                       |                 |
| Cost-plus                       | 36,066                | 52,694          |
|                                 | <u>295,359</u>        | <u>294,693</u>  |

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

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

|                                    | <b>Group and Bank</b> |                 |
|------------------------------------|-----------------------|-----------------|
|                                    | <b>31 December</b>    | <b>31 March</b> |
|                                    | <b>2017</b>           | <b>2017</b>     |
|                                    | <b>RM'000</b>         | <b>RM'000</b>   |
| Agriculture                        | 862                   | 861             |
| Real estate                        | 3,808                 | 3,806           |
| Business activities                | 53,806                | 50,552          |
| Household, of which:               |                       |                 |
| Purchase of residential properties | 1,624                 | 1,785           |
| Purchase of transport vehicles     | 178                   | 349             |
| Purchase of securities             | 235,081               | 237,340         |
|                                    | <u>295,359</u>        | <u>294,693</u>  |

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

|                                | <b>Group and Bank</b> |                 |
|--------------------------------|-----------------------|-----------------|
|                                | <b>31 December</b>    | <b>31 March</b> |
|                                | <b>2017</b>           | <b>2017</b>     |
|                                | <b>RM'000</b>         | <b>RM'000</b>   |
| Maturing within one year       | 293,638               | 292,606         |
| Over one year to three years   | 100                   | 248             |
| Over three years to five years | 87                    | 154             |
| Over five years                | 1,534                 | 1,685           |
|                                | <u>295,359</u>        | <u>294,693</u>  |

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

|   | <b>Group and Bank</b> |                 |
|---|-----------------------|-----------------|
|   | <b>31 December</b>    | <b>31 March</b> |
|   | <b>2017</b>           | <b>2017</b>     |
|   | <b>RM'000</b>         | <b>RM'000</b>   |
| Balance at beginning of the financial year                            | 2,163                 | 2,251           |
| Recoveries  | (72)                  | (88)            |
| Balance at end of the financial period/year                           | <u>2,091</u>          | <u>2,163</u>    |
| Gross impaired loans and advances<br>as % of gross loans and advances | <u>0.71%</u>          | <u>0.73%</u>    |
| Loan loss coverage (including Regulatory<br>Reserve)                  | <u>285.6%</u>         | <u>262.0%</u>   |

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

- (g) All impaired loans and advances reside in Malaysia.
- (h) All impaired loans and advances are in the business activities sector.
- (i) Movements in allowances for impaired loans and advances are as follows:

|  | <b>Group and Bank</b> |                 |
|--|-----------------------|-----------------|
|  | <b>31 December</b>    | <b>31 March</b> |
|  | <b>2017</b>           | <b>2017</b>     |
|  | <b>RM'000</b>         | <b>RM'000</b>   |
| <b>Individual allowance</b>  |                       |                 |
| Balance at beginning of the financial year   | 2,163                 | 2,251           |
| Allowance written back during the financial period/year  | (72)                  | (88)            |
| Balance at end of the financial period/year  | 2,091                 | 2,163           |
| <b>Collective allowance</b>  |                       |                 |
| Balance at beginning of the financial year   | 705                   | 1,272           |
| Charge/(written back ) during the financial period/y   | 258                   | (567)           |
| Balance at end of the financial period/year  | 963                   | 705             |
| Collective allowance (including regulatory reserve)<br>as % of gross loans and advances<br>less individual allowance | 1.32%                 | 1.20%           |

**12. OTHER ASSETS**

|   | Group                         |                            | Bank                          |                            |
|---|-------------------------------|----------------------------|-------------------------------|----------------------------|
|   | 31 December<br>2017<br>RM'000 | 31 March<br>2017<br>RM'000 | 31 December<br>2017<br>RM'000 | 31 March<br>2017<br>RM'000 |
| Trade receivables                           | 277,793                       | 392,311                    | 277,696                       | 391,575                    |
| Other receivables, deposits and prepayments | 17,626                        | 24,718                     | 10,043                        | 12,876                     |
| Fee receivable                              | 31,741                        | 32,398                     | 11,860                        | 11,755                     |
| Interest receivable                         | 2,312                         | 721                        | 2,306                         | 719                        |
| Tax recoverable                             | 21,495                        | 51,550                     | 18,906                        | 46,359                     |
| Margin deposits                             | 14,842                        | 21,330                     | 14,842                        | 21,330                     |
| Amount due from:                            |                               |                            |                               |                            |
| Holding company                             | 83                            | 76                         | 83                            | -                          |
| Subsidiaries                                | -                             | -                          | 2,960                         | 3,226                      |
| Other related companies                     | 563                           | 1,032                      | 561                           | 1,032                      |
|   | <u>366,455</u>                | <u>524,136</u>             | <u>339,257</u>                | <u>488,872</u>             |
| Less:                                       |                               |                            |                               |                            |
| Accumulated impairment loss                 | (8,279)                       | (9,773)                    | (3,342)                       | (3,789)                    |
|   | <u>358,176</u>                | <u>514,363</u>             | <u>335,915</u>                | <u>485,083</u>             |

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

Deposits and placement of banks and other financial institutions represent deposit from a related licensed bank.

**14. OTHER LIABILITIES**

|   | Group                         |                            | Bank                          |                            |
|---|-------------------------------|----------------------------|-------------------------------|----------------------------|
|   | 31 December<br>2017<br>RM'000 | 31 March<br>2017<br>RM'000 | 31 December<br>2017<br>RM'000 | 31 March<br>2017<br>RM'000 |
| Trade payables                              | 263,862                       | 376,535                    | 263,862                       | 376,535                    |
| Other payables and accruals                 | 56,833                        | 53,979                     | 46,263                        | 39,670                     |
| Interest payable                            | 4,372                         | 3,773                      | 4,372                         | 3,773                      |
| Provision for commitments and contingencies | 481                           | 573                        | 481                           | 573                        |
| Amount due to:                              |                               |                            |                               |                            |
| Holding company                             | -                             | 22                         | -                             | 22                         |
| Other related companies                     | 10,249                        | 13,242                     | 7,986                         | 7,437                      |
|   | <u>335,797</u>                | <u>448,124</u>             | <u>322,964</u>                | <u>428,010</u>             |

**15. INTEREST INCOME**

| 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        |
| Cash and short-term funds              | 2,174              | 2,372        | 7,347              | 6,902         |
| Financial investments held-to-maturity | 1,409              | 788          | 3,122              | 2,356         |
| Loans and advances                     | 5,026              | 5,036        | 15,076             | 15,214        |
| Others                                 | 91                 | 129          | 1,042              | 545           |
|  | <u>8,700</u>       | <u>8,325</u> | <u>26,587</u>      | <u>25,017</u> |

| 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        |
| Cash and short-term funds              | 1,711              | 1,735        | 5,737              | 5,104         |
| Financial investments held-to-maturity | 1,409              | 788          | 3,122              | 2,356         |
| Loans and advances                     | 5,026              | 5,036        | 15,076             | 15,214        |
| Others                                 | 92                 | 130          | 1,042              | 545           |
|  | <u>8,238</u>       | <u>7,689</u> | <u>24,977</u>      | <u>23,219</u> |

**16. INTEREST EXPENSE**

| 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        |
| Deposits and placements of banks<br>and other financial institutions | 5,304              | 4,926        | 15,746             | 13,728        |
| Others   | 172                | 203          | 550                | 454           |
|  | <u>5,476</u>       | <u>5,129</u> | <u>16,296</u>      | <u>14,182</u> |

| 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        |
| Deposits and placements of banks<br>and other financial institutions | 5,304              | 4,926        | 15,746             | 13,728        |
| Others   | 83                 | 115          | 276                | 329           |
|  | <u>5,387</u>       | <u>5,041</u> | <u>16,022</u>      | <u>14,057</u> |

**17. OTHER OPERATING INCOME**

| Group   | Individual Quarter |                    | Cumulative Quarter |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | 31 December        | 31 December        | 31 December        | 31 December        |
|   | 2017               | 2016<br>(Restated) | 2017               | 2016<br>(Restated) |
|   | RM'000             | RM'000             | RM'000             | RM'000             |
| Fee and commission income:  |                    |                    |                    |                    |
| Brokerage fees and commission                                       | 18,254             | 13,790             | 56,306             | 45,713             |
| Corporate advisory  | 2,966              | 3,485              | 7,624              | 7,630              |
| Fees on loans and securities  | 7,694              | 2,649              | 11,642             | 10,121             |
| Guarantee fees  | -                  | 21                 | 13                 | 78                 |
| Portfolio management fees   | 3,865              | 8,951              | 21,198             | 25,473             |
| Underwriting commission   | -                  | 267                | 151                | 3,334              |
| Unit trust management fees  | 32,693             | 30,226             | 83,201             | 83,546             |
| Unit trust service charges  | 5,930              | 7,431              | 21,258             | 25,002             |
| Wealth management fees  | 5,920              | 6,167              | 21,573             | 24,602             |
| Other fee and commission income                                     | 802                | 235                | 2,966              | 601                |
|   | <u>78,124</u>      | <u>73,222</u>      | <u>225,932</u>     | <u>226,100</u>     |
| Investment and trading income:                                      |                    |                    |                    |                    |
| Gross dividend income from:   |                    |                    |                    |                    |
| Financial assets held-for-trading                                   | -                  | -                  | 3                  | -                  |
| Financial investments available-for-sale                            | 294                | 295                | 1,447              | 1,388              |
| Net foreign exchange (loss)/gain                                    | (1,091)            | 1,678              | (2,132)            | 3,302              |
| Net gain/(loss) from sale of financial assets held-for-trading      | 18                 | (1)                | 31                 | (10)               |
| Net gain from sale of financial investments available-for-sale      | -                  | -                  | -                  | 295                |
| Net gain/(loss) on revaluation of derivatives                       | -                  | 1                  | (12)               | (27)               |
| Net gain/(loss) on revaluation of financial assets held-for-trading | (10)               | 1                  | (16)               | (4)                |
| Gain on disposal of an associate                                    | -                  | -                  | -                  | 560                |
|   | <u>(789)</u>       | <u>1,974</u>       | <u>(679)</u>       | <u>5,504</u>       |
| Other income:   |                    |                    |                    |                    |
| Net gain/(loss) on disposal of property and equipment               | (89)               | 2                  | (87)               | (70)               |
| Non-trading foreign exchange gain/(loss)                            | (7)                | (308)              | 4                  | (321)              |
| Rental income   | 575                | 573                | 1,726              | 1,745              |
| Others  | 1,205              | 1,250              | 10,450             | 3,027              |
|   | <u>1,684</u>       | <u>1,517</u>       | <u>12,093</u>      | <u>4,381</u>       |
|   | <u>79,019</u>      | <u>76,713</u>      | <u>237,346</u>     | <u>235,985</u>     |

**17. OTHER OPERATING INCOME (CONTD.)**

| Bank  | Individual Quarter  |                     | Cumulative Quarter  |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 31 December<br>2017 | 31 December<br>2016 | 31 December<br>2017 | 31 December<br>2016 |
|   | RM'000              | RM'000              | RM'000              | RM'000              |
| Fee and commission income:  |                     |                     |                     |                     |
| Brokerage fees and commission                                       | 18,254              | 13,791              | 56,306              | 45,713              |
| Corporate advisory  | 2,966               | 3,485               | 7,624               | 7,630               |
| Fees on loans and securities  | 7,694               | 2,649               | 11,642              | 10,121              |
| Guarantee fees  | -                   | 21                  | 13                  | 78                  |
| Portfolio management fees   | 181                 | 135                 | 599                 | 380                 |
| Underwriting commission   | -                   | 267                 | 151                 | 3,334               |
| Wealth management fees  | 7,987               | 6,167               | 27,898              | 24,602              |
| Other fee and commission income                                     | 838                 | 2,133               | 2,074               | 6,147               |
|   | <u>37,920</u>       | <u>28,648</u>       | <u>106,307</u>      | <u>98,005</u>       |
| Investment and trading income:                                      |                     |                     |                     |                     |
| Gross dividend income from:   |                     |                     |                     |                     |
| Unquoted subsidiaries   | 14,103              | 24,500              | 51,553              | 24,500              |
| Financial assets held-for-trading                                   | -                   | -                   | 3                   | -                   |
| Financial investments available-for-sale                            | 294                 | 295                 | 1,447               | 1,388               |
| Net foreign exchange (loss)/gain                                    | (718)               | 1,250               | (1,359)             | 2,428               |
| Net gain/(loss) from sale of financial assets held-for-trading      | 18                  | (1)                 | 31                  | (10)                |
| Net gain from sale of financial investments available-for-sale      | -                   | -                   | -                   | 295                 |
| Net gain/(loss) on revaluation of derivatives                       | -                   | 1                   | (12)                | (27)                |
| Net gain/(loss) on revaluation of financial assets held-for-trading | (10)                | 1                   | (16)                | (4)                 |
| Gain on disposal of an associate                                    | -                   | -                   | -                   | 2,179               |
|   | <u>13,687</u>       | <u>26,046</u>       | <u>51,647</u>       | <u>30,749</u>       |
| Other income:   |                     |                     |                     |                     |
| Net gain/(loss) on disposal of property and equipment               | (89)                | 1                   | (88)                | (71)                |
| Non-trading foreign exchange loss                                   | (1)                 | 1                   | (2)                 | 1                   |
| Rental income   | 575                 | 573                 | 1,726               | 1,745               |
| Others  | 23                  | 125                 | 802                 | 229                 |
|   | <u>508</u>          | <u>700</u>          | <u>2,438</u>        | <u>1,904</u>        |
|   | <u>52,115</u>       | <u>55,394</u>       | <u>160,392</u>      | <u>130,658</u>      |

**18. DIRECT COSTS**

| Group                 | Individual Quarter  |                                   | Cumulative Quarter  |                                   |
|-----------------------|---------------------|-----------------------------------|---------------------|-----------------------------------|
|                       | 31 December<br>2017 | 31 December<br>2016<br>(Restated) | 31 December<br>2017 | 31 December<br>2016<br>(Restated) |
|                       | RM'000              | RM'000                            | RM'000              | RM'000                            |
| Dealers' incentive    | 988                 | 178                               | 2,489               | 1,805                             |
| Brokerage commission  | 4,606               | 2,973                             | 15,256              | 9,484                             |
| Unit trust commission | 11,698              | 11,237                            | 34,708              | 36,769                            |
| Others                | 4,576               | 2,802                             | 13,000              | 8,581                             |
|                       | <u>21,868</u>       | <u>17,190</u>                     | <u>65,453</u>       | <u>56,639</u>                     |
| <b>Bank</b>           |                     |                                   |                     |                                   |
| Dealers' incentive    | 988                 | 178                               | 2,489               | 1,805                             |
| Brokerage commission  | 4,606               | 2,978                             | 15,256              | 9,489                             |
| Others                | 4,576               | 2,802                             | 13,000              | 8,581                             |
|                       | <u>10,170</u>       | <u>5,958</u>                      | <u>30,745</u>       | <u>19,875</u>                     |



**19. OTHER OPERATING EXPENSES**

| Group  | Individual Quarter  |                     | Cumulative Quarter  |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | 31 December<br>2017 | 31 December<br>2016 | 31 December<br>2017 | 31 December<br>2016 |
|  | RM'000              | RM'000              | RM'000              | RM'000              |
| Personnel costs  |                     |                     |                     |                     |
| - Contributions to EPF/Private Retirement Scheme                 | 3,472               | 4,118               | 11,453              | 11,681              |
| - Salaries, allowances and bonuses                               | 21,668              | 24,755              | 68,891              | 72,099              |
| - Shares and options granted under AMMB ESS - charge/(writeback) | 157                 | 2,272               | (2,921)             | (3,133)             |
| - Social security costs  | 124                 | 141                 | 390                 | 405                 |
| - Others   | 1,910               | 2,502               | 7,733               | 7,681               |
|  | <u>27,331</u>       | <u>33,788</u>       | <u>85,546</u>       | <u>88,733</u>       |
| Establishment costs  |                     |                     |                     |                     |
| - Amortisation of intangible assets                              | 546                 | 566                 | 1,639               | 1,679               |
| - Cleaning, maintenance and security                             | 229                 | 400                 | 957                 | 1,153               |
| - Computerisation costs  | 2,357               | 3,374               | 8,288               | 9,151               |
| - Depreciation of property and equipment                         | 676                 | 777                 | 2,078               | 2,334               |
| - Rental of premises   | 2,445               | 2,541               | 7,505               | 7,552               |
| - Others   | 562                 | 805                 | 1,336               | 2,703               |
|  | <u>6,815</u>        | <u>8,463</u>        | <u>21,803</u>       | <u>24,572</u>       |
| Marketing and communication expenses                             |                     |                     |                     |                     |
| - Advertising, promotional and other marketing activities        | 135                 | 94                  | 488                 | 671                 |
| - Sales commission   | 117                 | 365                 | 620                 | 648                 |
| - Travelling and entertainment                                   | 370                 | 549                 | 1,277               | 1,565               |
| - Communication expenses   | 976                 | 1,197               | 1,814               | 3,041               |
| - Others   | 144                 | 758                 | 384                 | 1,729               |
|  | <u>1,742</u>        | <u>2,963</u>        | <u>4,583</u>        | <u>7,654</u>        |
| Administration and general expenses                              |                     |                     |                     |                     |
| - Professional fees  | 3,951               | 5,259               | 12,247              | 13,581              |
| - Travelling   | 96                  | 154                 | 395                 | 633                 |
| - Others   | 4,515               | 6,510               | 19,294              | 15,643              |
|  | <u>8,562</u>        | <u>11,923</u>       | <u>31,936</u>       | <u>29,857</u>       |
| Service transfer pricing - expense/(income), net                 | 4,387               | (4,291)             | 8,209               | (3,425)             |
|  | <u>48,837</u>       | <u>52,846</u>       | <u>152,077</u>      | <u>147,391</u>      |

**19. OTHER OPERATING EXPENSES (CONTD.)**

| 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        |
| Personnel costs  |                    |               |                    |               |
| - Contributions to EPF/Private Retirement Scheme                 | 2,658              | 2,989         | 8,293              | 8,338         |
| - Salaries, allowances and bonuses                               | 16,620             | 17,955        | 50,710             | 51,508        |
| - Shares and options granted under AMMB ESS - charge/(writeback) | 256                | 1,895         | (2,002)            | (1,827)       |
| - Social security costs  | 85                 | 97            | 268                | 278           |
| - Others   | 905                | 1,442         | 3,393              | 4,953         |
|  | <u>20,524</u>      | <u>24,378</u> | <u>60,662</u>      | <u>63,250</u> |
| Establishment costs  |                    |               |                    |               |
| - Amortisation of intangible assets                              | 216                | 237           | 649                | 701           |
| - Cleaning, maintenance and security                             | 206                | 391           | 894                | 1,111         |
| - Computerisation costs  | 2,280              | 2,924         | 8,067              | 8,567         |
| - Depreciation of property and equipment                         | 574                | 681           | 1,784              | 2,062         |
| - Rental of premises   | 1,966              | 1,988         | 5,942              | 5,984         |
| - Others   | 470                | 698           | 1,031              | 2,328         |
|  | <u>5,712</u>       | <u>6,919</u>  | <u>18,367</u>      | <u>20,753</u> |
| Marketing and communication expenses                             |                    |               |                    |               |
| - Advertising, promotional and other marketing activities        | 161                | (224)         | 467                | (64)          |
| - Sales commission   | 90                 | 282           | 511                | 549           |
| - Travelling and entertainment                                   | 330                | 394           | 1,037              | 1,142         |
| - Communication expenses   | 523                | 608           | 850                | 1,802         |
| - Others   | 102                | 625           | 187                | 1,391         |
|  | <u>1,206</u>       | <u>1,685</u>  | <u>3,052</u>       | <u>4,820</u>  |
| Administration and general expenses                              |                    |               |                    |               |
| - Professional fees  | 478                | 1,507         | 1,471              | 3,472         |
| - Travelling   | 67                 | 110           | 281                | 346           |
| - Others   | 1,845              | 3,728         | 10,013             | 6,345         |
|  | <u>2,390</u>       | <u>5,345</u>  | <u>11,765</u>      | <u>10,163</u> |
| Service transfer pricing - (income)/expense, net                 | 3,382              | (5,504)       | 4,841              | (7,201)       |
|  | <u>33,214</u>      | <u>32,823</u> | <u>98,687</u>      | <u>91,785</u> |

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

| 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       |
| Impairment on loans and advances: |                    |              |                    |              |
| Individual allowance              | 24                 | 24           | 72                 | 64           |
| Collective allowance              | (48)               | (958)        | (258)              | (565)        |
|                                   | <u>(24)</u>        | <u>(934)</u> | <u>(186)</u>       | <u>(501)</u> |

## **21. BUSINESS SEGMENT ANALYSIS**

Segment information is presented in respect of the Group's business segments. The business segment information is prepared based on internal management reports, which are regularly reviewed by the chief operating decision-maker in order to allocate resources to segment and to assess its performance. The division forms the basis on which the Group reports its segment information. The Group comprises the following main business segments.

The Group comprises the following main business segments:

### **(a) Wholesale banking**

Wholesale banking division of the Group which mainly comprise Investment banking, offers a full range of investment banking solutions and services, encompassing the following business segments:

- (i) Equity Markets - provides clients an investment avenue to participate in the equity markets through its multiple distribution channels, including remisiers, Bank Branch Broking, salaried dealers, and the internet trading platform, offering clients the flexibility to trade equities, futures and equity derivatives both online and offline.
- (ii) Fund Management – comprises the asset and fund management services, offering a variety of investment solutions for various asset classes to retail, corporate and institutional clients.
- (iii) Private Banking – manages the private wealth of high net worth individuals, family groups and companies by offering comprehensive wealth management solutions and integrated access to expertise and resources of AmBank Group.
- (iv) Corporate Finance – provides an extensive range of corporate finance and advisory services which include mergers and acquisitions, divestitures, take-overs, initial public offerings, restructuring, privatisations, issuance of equity and equity-linked instruments as well as valuation support.
- (v) Capital Markets – provides debt financing solutions to clients through a wide array of products which include conventional corporate bonds and Islamic sukuk, loan syndication, capital and project advisory as well as structured finance and securitization deals.
- (vi) Others – include other non-core Wholesale Banking activities within the Group which includes Markets and Corporate and Commercial Banking.

### **(b) Group Funding and Others**

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

#### **Note:**

- (i) The revenue generated by a majority of the operating segments substantially comprise finance income. The Chief Operating Decision Maker relies primarily on the net finance income information to assess the performance of, and to make decisions about resources to be allocated to these operating segments.
- (ii) The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia.

**AmlInvestment Bank Berhad**  
**(23742-V) (Incorporated in Malaysia)**  
**and its subsidiaries**

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

| 31 December 2017<br>Group  | Wholesale Banking           |                              |                              |                                |                              |                  | Group Funding<br>and Others<br>RM'000 | Total<br>RM'000 |
|--|-----------------------------|------------------------------|------------------------------|--------------------------------|------------------------------|------------------|---------------------------------------|-----------------|
|  | Equity<br>Markets<br>RM'000 | Fund<br>Management<br>RM'000 | Private<br>Banking<br>RM'000 | Corporate<br>Finance<br>RM'000 | Capital<br>Markets<br>RM'000 | Others<br>RM'000 |                                       |                 |
| External revenue   | 57,022                      | 88,422                       | 24,559                       | 8,084                          | 33,297                       | (32)             | 17,886                                | 229,238         |
| Revenue from other segments                                      | 359                         | -                            | (1,145)                      | (6)                            | (135)                        | (5)              | 932                                   | -               |
| Revenue  | 57,381                      | 88,422                       | 23,414                       | 8,078                          | 33,162                       | (37)             | 18,818                                | 229,238         |
| Net interest income/(expense)                                    | 15,698                      | 842                          | 361                          | (7)                            | (134)                        | (4)              | (586)                                 | 16,170          |
| Other operating income, net of<br>direct costs                   | 41,405                      | 87,305                       | 23,053                       | 8,085                          | 33,296                       | (33)             | 2,825                                 | 195,936         |
| Net income/(loss)  | 57,103                      | 88,147                       | 23,414                       | 8,078                          | 33,162                       | (37)             | 2,239                                 | 212,106         |
| Other operating expenses   | (40,922)                    | (53,086)                     | (12,994)                     | (12,465)                       | (12,529)                     | (4,254)          | (15,827)                              | (152,077)       |
| of which:  |                             |                              |                              |                                |                              |                  |                                       |                 |
| <i>Depreciation of property and equipment</i>                    | (601)                       | (295)                        | (173)                        | (46)                           | (30)                         | (191)            | (742)                                 | (2,078)         |
| <i>Amortisation of intangible assets</i>                         | (475)                       | (990)                        | (85)                         | (3)                            | (7)                          | (18)             | (61)                                  | (1,639)         |
| Operating profit/(loss)  | 16,181                      | 35,061                       | 10,420                       | (4,387)                        | 20,633                       | (4,291)          | (13,588)                              | 60,029          |
| (Allowance for)/Writeback of impairment<br>on loans and advances | (246)                       | -                            | 57                           | -                              | -                            | 1                | 2                                     | (186)           |
| (Allowance for)/Writeback of doubtful<br>receivables, net        | 404                         | (24)                         | 1                            | 91                             | -                            | (2)              | (11)                                  | 459             |
| Writeback of provision for commitments<br>and contingencies      | 75                          | -                            | 14                           | -                              | -                            | 3                | -                                     | 92              |
| Profit/(loss) before taxation                                    | 16,414                      | 35,037                       | 10,492                       | (4,296)                        | 20,633                       | (4,289)          | (13,597)                              | 60,394          |
| Taxation   | (2,369)                     | (7,112)                      | (2,518)                      | 1,031                          | (4,952)                      | 1,029            | (908)                                 | (15,799)        |
| Profit/(loss) for the period                                     | 14,045                      | 27,925                       | 7,974                        | (3,265)                        | 15,681                       | (3,260)          | (14,505)                              | 44,595          |
| <b>Other information:</b>  |                             |                              |                              |                                |                              |                  |                                       |                 |
| Total segment assets   | 624,348                     | 131,592                      | 39,211                       | 2,454                          | 6,650                        | 1,694            | 717,286                               | 1,523,235       |
| Total segment liabilities  | 285,489                     | 16,371                       | 4,867                        | 1,663                          | 4,877                        | 1,062            | 621,480                               | 935,809         |
| Cost to income ratio   | 71.7%                       | 60.2%                        | 55.5%                        | >100%                          | 37.8%                        | >100%            | >100%                                 | 71.7%           |
| Gross loans and advances   | 257,492                     | -                            | 36,066                       | -                              | -                            | -                | 1,801                                 | 295,359         |
| Net loans and advances   | 254,603                     | -                            | 35,995                       | -                              | -                            | -                | 1,707                                 | 292,305         |
| Impaired loans and advances                                      | 2,091                       | -                            | -                            | -                              | -                            | -                | -                                     | 2,091           |
| Total deposits and placements                                    | -                           | -                            | -                            | -                              | -                            | -                | 600,000                               | 600,000         |
| Additions to:  |                             |                              |                              |                                |                              |                  |                                       |                 |
| Property and equipment   | 223                         | 220                          | 10                           | 92                             | -                            | 185              | 114                                   | 844             |
| Intangible assets  | 18                          | 150                          | 36                           | -                              | -                            | 161              | 32                                    | 397             |

**AmlInvestment Bank Berhad**  
**(23742-V) (Incorporated in Malaysia)**  
**and its subsidiaries**

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

| 31 December 2016<br>(Restated)<br>Group                                     | Wholesale Banking           |                              |                              |                                |                              |                  | Group Funding<br>and Others<br>RM'000 | Total<br>RM'000 |
|---|-----------------------------|------------------------------|------------------------------|--------------------------------|------------------------------|------------------|---------------------------------------|-----------------|
|   | Equity<br>Markets<br>RM'000 | Fund<br>Management<br>RM'000 | Private<br>Banking<br>RM'000 | Corporate<br>Finance<br>RM'000 | Capital<br>Markets<br>RM'000 | Others<br>RM'000 |                                       |                 |
| External revenue  | 47,960                      | 95,938                       | 24,850                       | 15,682                         | 17,797                       | 30               | 19,179                                | 221,436         |
| Revenue from other segments   | 283                         | -                            | (1,493)                      | (12)                           | (40)                         | (19)             | 1,281                                 | -               |
| Revenue   | 48,243                      | 95,938                       | 23,357                       | 15,670                         | 17,757                       | 11               | 20,460                                | 221,436         |
| Net interest income/(expense)   | 15,104                      | 1,362                        | 527                          | (12)                           | (41)                         | (18)             | (42)                                  | 16,880          |
| Other operating income/(expense), net of<br>direct costs                    | 32,809                      | 94,448                       | 22,830                       | 15,682                         | 17,798                       | 29               | 5,965                                 | 189,561         |
| Gain on disposal of an associate  | -                           | -                            | -                            | -                              | -                            | -                | 560                                   | 560             |
| Net income  | 47,913                      | 95,810                       | 23,357                       | 15,670                         | 17,757                       | 11               | 6,483                                 | 207,001         |
| Other operating expenses  | (43,921)                    | (54,981)                     | (13,899)                     | (13,448)                       | (6,313)                      | (3,034)          | (11,795)                              | (147,391)       |
| <i>of which:</i>  |                             |                              |                              |                                |                              |                  |                                       |                 |
| <i>Depreciation of property and equipment</i>                               | (660)                       | (273)                        | (180)                        | (44)                           | (26)                         | (352)            | (799)                                 | (2,334)         |
| <i>Amortisation of intangible assets</i>                                    | (561)                       | (980)                        | (22)                         | (6)                            | -                            | (64)             | (46)                                  | (1,679)         |
| Operating profit/(loss)   | 3,992                       | 40,829                       | 9,458                        | 2,222                          | 11,444                       | (3,023)          | (5,312)                               | 59,610          |
| (Allowance for)/Writeback of impairment<br>on loans and advances            | (446)                       | -                            | 29                           | -                              | -                            | 10               | (94)                                  | (501)           |
| (Allowance for)/Writeback of doubtful<br>receivables, net                   | (1,169)                     | -                            | -                            | 12                             | -                            | (1)              | -                                     | (1,158)         |
| (Allowance for)/Writeback of provision for<br>commitments and contingencies | (214)                       | -                            | (47)                         | -                              | -                            | 11               | (6,007)                               | (6,257)         |
| Profit/(loss) before taxation   | 2,163                       | 40,829                       | 9,440                        | 2,234                          | 11,444                       | (3,003)          | (11,413)                              | 51,694          |
| Taxation  | (957)                       | (9,208)                      | (2,266)                      | (536)                          | (2,747)                      | 721              | (2,876)                               | (17,869)        |
| Profit/(loss) for the period  | 1,206                       | 31,621                       | 7,174                        | 1,698                          | 8,697                        | (2,282)          | (14,289)                              | 33,825          |
| <b>Other information:</b>   |                             |                              |                              |                                |                              |                  |                                       |                 |
| Total segment assets  | 827,418                     | 138,894                      | 57,274                       | 2,897                          | 6,722                        | 1,625            | 507,422                               | 1,542,252       |
| Total segment liabilities   | 526,600                     | 20,837                       | 4,395                        | 1,191                          | 2,364                        | 1,787            | 406,426                               | 963,600         |
| Cost to income ratio  | 91.7%                       | 57.4%                        | 59.5%                        | 85.8%                          | 35.6%                        | >100%            | >100%                                 | 71.2%           |
| Gross loans and advances  | 242,111                     | -                            | 55,578                       | -                              | -                            | -                | 2,227                                 | 299,916         |
| Net loans and advances  | 238,380                     | -                            | 55,442                       | -                              | -                            | 5                | 2,065                                 | 295,892         |
| Impaired loans and advances   | 2,187                       | -                            | -                            | -                              | -                            | -                | -                                     | 2,187           |
| Total deposits and placements   | -                           | -                            | -                            | -                              | -                            | -                | 550,000                               | 550,000         |
| Additions to:   |                             |                              |                              |                                |                              |                  |                                       |                 |
| Property and equipment  | 578                         | 312                          | 45                           | 12                             | -                            | 653              | 35                                    | 1,635           |
| Intangible assets   | 300                         | 195                          | -                            | -                              | -                            | 136              | -                                     | 631             |

**22. COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Group and 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 notional/principal amounts of the commitments and contingencies of the Group and the Bank are as follows:

|  | <b>Group and Bank</b> |                 |
|--|-----------------------|-----------------|
|  | <b>31 December</b>    | <b>31 March</b> |
|  | <b>2017</b>           | <b>2017</b>     |
|  | <b>RM'000</b>         | <b>RM'000</b>   |
| <b>Commitments</b>   |                       |                 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year | 182,864               | 203,135         |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year  | 19                    | 19              |
|  | <u>182,883</u>        | <u>203,154</u>  |
| <b>Contingent Liabilities</b>  |                       |                 |
| Direct credit substitutes  | -                     | 3,391           |
|  | <u>-</u>              | <u>3,391</u>    |
| <b>Derivative Financial Instruments</b>  |                       |                 |
| Foreign exchange related contracts:  |                       |                 |
| - One year or less   | 3,880                 | 262             |
| Equity related contracts:  |                       |                 |
| - One year or less   | -                     | 1,037           |
|  | <u>3,880</u>          | <u>1,299</u>    |
|  | <u>186,763</u>        | <u>207,844</u>  |

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

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

The Group and the Bank measure fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities measured at fair value that are recognised on a recurring basis, the Group and the Bank determine whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets and liabilities measured using 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.

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

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 (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(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 and Bank ----- > |         |         |        |
|---|--------------------------------|---------|---------|--------|
|   | Level 1                        | Level 2 | Level 3 | Total  |
|   | RM'000                         | RM'000  | RM'000  | RM'000 |
| <b>31 December 2017</b>                 |                                |         |         |        |
| <b>Asset measured at fair value</b>     |                                |         |         |        |
| Financial assets held-for-trading       |                                |         |         |        |
| - Quoted unit trust                     | 900                            | -       | -       | 900    |
|   | <hr/>                          |         |         |        |
| <b>Liability measured at fair value</b> |                                |         |         |        |
| Derivative financial liabilities        | 12                             | -       | -       | 12     |
|   | <hr/>                          |         |         |        |
|   |                                |         |         |        |
|   |                                |         |         |        |
| <b>31 March 2017</b>                    |                                |         |         |        |
| <b>Asset measured at fair value</b>     |                                |         |         |        |
| Financial assets held-for-trading       |                                |         |         |        |
| - Quoted unit trust                     | 955                            | -       | -       | 955    |
|   | <hr/>                          |         |         |        |
| <b>Liability measured at fair value</b> |                                |         |         |        |
| Derivative financial liabilities        | 12                             | -       | -       | 12     |
|   | <hr/>                          |         |         |        |



**24. CAPITAL ADEQUACY**

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

| <b>As at 31 December 2017</b>                | <b>Group</b> | <b>Bank</b> |
|--|--------------|-------------|
| Common Equity Tier 1 ("CET 1") Capital Ratio | 43.665%      | 41.944%     |
| Tier 1 Capital Ratio                         | 43.665%      | 41.944%     |
| Total Capital Ratio                          | 44.001%      | 41.944%     |
| <b>As at 31 March 2017</b>                   | <b>Group</b> | <b>Bank</b> |
| Before deducting proposed dividends:         |              |             |
| CET 1 Capital Ratio                          | 38.339%      | 32.916%     |
| Tier 1 Capital Ratio                         | 38.339%      | 32.916%     |
| Total Capital Ratio                          | 38.591%      | 32.916%     |
| After deducting proposed dividends:          |              |             |
| CET 1 Capital Ratio                          | 36.880%      | 31.373%     |
| Tier 1 Capital Ratio                         | 36.880%      | 31.373%     |
| Total Capital Ratio                          | 37.132%      | 31.373%     |

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 BNM's guideline on Capital Adequacy Framework (Capital Components) issued on 13 October 2015, the minimum capital adequacy ratios to be maintained under the guideline are at 4.5% for CET1 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:

|                                   | <b>CCB</b> |
|-----------------------------------|------------|
| <b>Calendar year 2016</b>         | 0.625%     |
| <b>Calendar year 2017</b>         | 1.25%      |
| <b>Calendar year 2018</b>         | 1.875%     |
| <b>Calendar year 2019 onwards</b> | 2.50%      |

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

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

|  | <b>Group</b>                           |                                     | <b>Bank</b>                            |                                     |
|--|--|-------------------------------------|--|-------------------------------------|
|  | <b>31 December<br/>2017<br/>RM'000</b> | <b>31 March<br/>2017<br/>RM'000</b> | <b>31 December<br/>2017<br/>RM'000</b> | <b>31 March<br/>2017<br/>RM'000</b> |
| <b>CET 1 Capital</b>   |  |                                     |  |                                     |
| Share capital  | 200,000                                | 200,000                             | 200,000                                | 200,000                             |
| Retained earnings  | 261,864                                | 95,252                              | 307,234                                | 88,943                              |
| Exchange fluctuation reserve   | 2,507                                  | 3,035                               | -                                      | -                                   |
| Statutory reserve  | -                                      | 200,000                             | -                                      | 200,000                             |
| Regulatory reserve   | 2,918                                  | 2,800                               | 2,918                                  | 2,800                               |
| Capital reserve  | 2,815                                  | 2,815                               | -                                      | -                                   |
| Merger reserve   | 82,115                                 | 82,115                              | -                                      | -                                   |
| Less : Regulatory adjustments applied<br>on CET 1 capital:                 |  |                                     |  |                                     |
| Goodwill   | (36,442)                               | (36,442)                            | -                                      | -                                   |
| Other intangible assets  | (2,928)                                | (4,170)                             | (2,110)                                | (2,513)                             |
| Deferred tax assets  | (5,112)                                | (9,158)                             | (3,152)                                | (7,153)                             |
| Regulatory reserve   | (2,918)                                | (2,800)                             | (2,918)                                | (2,800)                             |
| Investments in capital instruments<br>of unconsolidated financial entities | -                                      | -                                   | (39,847)                               | (39,847)                            |
| Deduction in excess of Tier 2 *  | -                                      | -                                   | (6,085)                                | (6,458)                             |
| <b>CET 1 capital/Tier 1 Capital</b>  | <b>504,819</b>                         | <b>533,447</b>                      | <b>456,040</b>                         | <b>432,972</b>                      |
| <b>Tier 2 capital</b>  |  |                                     |  |                                     |
| Collective impairment provisions and<br>regulatory reserve                 | 3,877                                  | 3,505                               | 3,877                                  | 3,505                               |
| Less : Regulatory adjustments applied<br>on Tier 2 capital                 | -                                      | -                                   | (3,877)                                | (3,505)                             |
| <b>Tier 2 capital</b>  | <b>3,877</b>                           | <b>3,505</b>                        | <b>-</b>                               | <b>-</b>                            |
| <b>Total Capital</b>   | <b>508,696</b>                         | <b>536,952</b>                      | <b>456,040</b>                         | <b>432,972</b>                      |

\*The portion of regulatory adjustments not deducted from Tier 2 Capital (as the Bank does not have enough Tier 2 to satisfy the deduction) is deducted from the next higher level of capital; as per paragraph 31.1 of the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components).

The breakdown of risk-weighted assets of the Group and the Bank in the various risk categories are as follows:

|                  | <b>Group</b>                           |                                     | <b>Bank</b>                            |                                     |
|------------------|--|-------------------------------------|--|-------------------------------------|
|                  | <b>31 December<br/>2017<br/>RM'000</b> | <b>31 March<br/>2017<br/>RM'000</b> | <b>31 December<br/>2017<br/>RM'000</b> | <b>31 March<br/>2017<br/>RM'000</b> |
| Credit risk      | 587,817                                | 824,747                             | 786,783                                | 1,015,958                           |
| Market risk      | 48,070                                 | 35,133                              | 27,353                                 | 20,158                              |
| Operational risk | 520,226                                | 531,513                             | 273,130                                | 279,251                             |
|                  | <b>1,156,113</b>                       | <b>1,391,393</b>                    | <b>1,087,266</b>                       | <b>1,315,367</b>                    |

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**25. OPERATIONS OF ISLAMIC BANKING**

**UNAUDITED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

|  | Note | Group and Bank                |                            |
|--|------|-------------------------------|----------------------------|
|  |      | 31 December<br>2017<br>RM'000 | 31 March<br>2017<br>RM'000 |
| <b>ASSETS</b>                                      |      |                               |                            |
| Cash and short-term funds                          |      | 335,272                       | 301,587                    |
| Other receivables, deposits and prepayments        |      | 18,828                        | 6,136                      |
| Deferred tax assets                                |      | 325                           | 333                        |
| Property and equipment                             |      | 7                             | 12                         |
| <b>TOTAL ASSETS</b>                                |      | <b>354,432</b>                | <b>308,068</b>             |
| <b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>       |      |                               |                            |
| Other liabilities                                  | 25a  | 128,575                       | 103,706                    |
| <b>TOTAL LIABILITIES</b>                           |      | <b>128,575</b>                | <b>103,706</b>             |
| <b>ISLAMIC BANKING FUNDS</b>                       |      |                               |                            |
| Capital funds                                      |      | 30,000                        | 30,000                     |
| Reserves   |      | 195,857                       | 174,362                    |
| Islamic Banking Funds                              |      | 225,857                       | 204,362                    |
| <b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b> |      | <b>354,432</b>                | <b>308,068</b>             |

**Note :**

There are no outstanding commitments and contingencies of the Group and the Bank as at 31 December 2017 and 31 March 2017.

**25. OPERATIONS OF ISLAMIC BANKING (CONT'D.)**

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

| Group and Bank   | Individual Quarter            |                               | Cumulative Quarter            |                               |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|  | 31 December<br>2017<br>RM'000 | 31 December<br>2016<br>RM'000 | 31 December<br>2017<br>RM'000 | 31 December<br>2016<br>RM'000 |
| Income derived from investment of depositors' funds and others | 765                           | 703                           | 2,270                         | 2,130                         |
| Income attributable to depositors                              | (154)                         | (59)                          | (836)                         | (253)                         |
| Profit attributable to the Group and the Bank                  | 611                           | 644                           | 1,434                         | 1,877                         |
| Income derived from investment of Islamic banking funds        | 8,959                         | 6,217                         | 28,649                        | 15,030                        |
| Direct costs   | 39                            | (20)                          | (161)                         | (87)                          |
| Total net income   | 9,609                         | 6,841                         | 29,922                        | 16,820                        |
| Other operating expenses                                       | (304)                         | (785)                         | (1,648)                       | (2,393)                       |
| Operating profit   | 9,305                         | 6,056                         | 28,274                        | 14,427                        |
| Writeback of allowance for losses on financing                 | -                             | 7                             | -                             | 11                            |
| Profit before taxation   | 9,305                         | 6,063                         | 28,274                        | 14,438                        |
| Taxation   | (2,226)                       | (1,035)                       | (6,779)                       | (3,046)                       |
| Profit for the financial period                                | 7,079                         | 5,028                         | 21,495                        | 11,392                        |

**25. OPERATIONS OF ISLAMIC BANKING (CONT'D.)**

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

|                                 | <u>Non-distributable</u>            | <u>Distributable</u>                    |                         |
|---------------------------------|-------------------------------------|---|-------------------------|
|                                 | <b>Capital<br/>Funds<br/>RM'000</b> | <b>Retained<br/>Earnings<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
| <b>Group and Bank</b>           |                                     |   |                         |
| <b>At 1 April 2016</b>          | 30,000                              | 161,143                                 | 191,143                 |
| Profit for the financial period | -                                   | 11,392                                  | 11,392                  |
| <b>At 31 December 2016</b>      | <u>30,000</u>                       | <u>172,535</u>                          | <u>202,535</u>          |
| <br>                            |                                     |   |                         |
| <b>At 1 April 2017</b>          | 30,000                              | 174,362                                 | 204,362                 |
| Profit for the financial period | -                                   | 21,495                                  | 21,495                  |
| <b>At 31 December 2017</b>      | <u>30,000</u>                       | <u>195,857</u>                          | <u>225,857</u>          |

**25a. OTHER LIABILITIES**

|                             | <b>Group and Bank</b>                  |                                     |
|-----------------------------|--|-------------------------------------|
|                             | <b>31 December<br/>2017<br/>RM'000</b> | <b>31 March<br/>2017<br/>RM'000</b> |
| Trade payables              | 13,532                                 | 107                                 |
| Other payables and accruals | 1,076                                  | 1,125                               |
| Amount due to head office   | 98,990                                 | 98,366                              |
| Provision for taxation      | 14,977                                 | 4,108                               |
|                             | <u>128,575</u>                         | <u>103,706</u>                      |

**25. OPERATIONS OF ISLAMIC BANKING (CONT'D.)**

**25b. CAPITAL ADEQUACY**

i) The capital adequacy ratios of the operations of Islamic banking of the Group and the Bank are as follows:

|                      | <b>31 December<br/>2017</b> | <b>31 March<br/>2017</b> |
|----------------------|-----------------------------|--------------------------|
| CET 1 capital ratio  | 161.351%                    | 189.278%                 |
| Tier 1 capital ratio | 161.351%                    | 189.278%                 |
| Total capital ratio  | 161.351%                    | 189.278%                 |

Notes:

(a) The capital adequacy ratios are computed in accordance to BNM's guidelines on Capital Adequacy Framework for Islamic Banks (Capital Components) issued by the Prudential Financial Policy Department on 13 October 2015, which is based on the Basel III capital accord. The Bank has adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM's Guidelines on Capital Adequacy Framework for Islamic Banks (Basel II - Risk Weighted Assets).

(b) Pursuant to the above BNM's guidelines, the minimum capital adequacy ratio to be maintained under the guidelines are 4.5% for CET 1 Capital, 6.0% for Tier 1 Capital and 8% for Total Capital ratio. Banking institutions are also required to maintain capital buffers. The capital buffers shall comprise the sum of the following:

- (i) a Capital Conservation Buffer ("CCB") of 2.5%; and
- (ii) 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:

|                                   | <b>CCB</b> |
|-----------------------------------|------------|
| <b>Calendar year 2016</b>         | 0.625%     |
| <b>Calendar year 2017</b>         | 1.25%      |
| <b>Calendar year 2018</b>         | 1.875%     |
| <b>Calendar year 2019 onwards</b> | 2.50%      |

ii) The components of CET 1 capital, Tier 1 capital and total capital of the operations of Islamic banking of the Group and the Bank are as follows:

|   | <b>31 December<br/>2017<br/>RM'000</b> | <b>31 March<br/>2017<br/>RM'000</b> |
|---|--|-------------------------------------|
| <b><u>CET 1 Capital</u></b>                           |  |                                     |
| Capital Funds   | 30,000                                 | 30,000                              |
| Retained earnings                                     | 195,857                                | 174,362                             |
| Less : Regulatory adjustments applied on CET1 Capital |  |                                     |
| Deferred tax assets                                   | (325)                                  | (333)                               |
| <b>CET 1 capital/ Tier 1 capital/ Total capital</b>   | <b>225,532</b>                         | <b>204,029</b>                      |

iii) The breakdown of risk weighted assets of the operations of Islamic banking of the Group and the Bank in the various risk categories are as follows:

|                            | <b>31 December<br/>2017<br/>RM'000</b> | <b>31 March<br/>2017<br/>RM'000</b> |
|----------------------------|--|-------------------------------------|
| Credit risk                | 85,866                                 | 66,446                              |
| Operational risk           | 53,911                                 | 41,347                              |
| Total risk weighted assets | <b>139,777</b>                         | <b>107,793</b>                      |

## **26. PERFORMANCE REVIEW FOR THE PERIOD ENDED 31 DECEMBER 2017**

The Group's profit before taxation for the nine months period ended 31 December 2017 of RM60.4 million was higher by RM 8.7 million or 16.8% as compared to the corresponding nine months period ended 31 December 2016. The higher Group's profit before taxation was mainly due to higher income from Islamic Banking Business and lower provision for commitments and contingencies. This was partly offset by higher service transfer pricing expenses and administration and general expenses.

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

## **27. 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 average around 4% in 2017 (2016: 2.1%) and is anticipated to rise by 2.5% in 2018 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, the Group will maintain its laser-sharp focus on AmBank Group's Top 4 Strategy. We will be accelerating penetration into our targeted segments and expanding in areas where we are already strong. We will focus on growth of quality assets, 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
- Funds Management will continue to develop innovative Shariah compliant products and services and to grow retail business

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.

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

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 AmBank Group's Top 4 aspirations and to progressively deliver optimal returns for our shareholder.

**28. VALUATION OF PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost less accumulated depreciation and impairment losses (if any).

**29. SIGNIFICANT EVENT**

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

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

**30. SUBSEQUENT EVENT**

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.

**31. RESTATEMENT OF COMPARATIVE INFORMATION**

During the last quarter of financial year ended 31 March 2017, the Group changed its presentation of income and direct expenses relating to the unit trust activities of its subsidiaries. The income and direct expenses relating to unit trust activities which were previously presented net under Other Operating Income have now been regressed as income under Other operating income and direct expenses under Direct costs.

The following comparative figures have been restated to better reflect the nature of the items:

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

|  | <b>As previously<br/>reported<br/>RM'000</b> | <b>Reclassification<br/>RM'000</b> | <b>As restated<br/>RM'000</b> |
|--|--|------------------------------------|-------------------------------|
| <b>Group</b>   |  |                                    |                               |
| <b>For cumulative quarter ended 31 December 2016</b> |  |                                    |                               |
| Other operating income                               | 199,216                                      | 36,769                             | 235,985                       |
| Direct costs   | (19,870)                                     | (36,769)                           | (56,639)                      |
| <b>For individual quarter ended 31 December 2016</b> |  |                                    |                               |
| Other operating income                               | 65,476                                       | 11,237                             | 76,713                        |
| Direct costs   | (5,953)                                      | (11,237)                           | (17,190)                      |