

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

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

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

**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2017**

		Group		Bank	
	Note	30 September 2017	31 March 2017	30 September 2017	31 March 2017
		RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
Cash and short-term funds		675,896	584,391	577,574	471,568
Financial assets held-for-trading	8	1,068	955	1,068	955
Financial investments available-for-sale	9	11,720	11,720	11,720	11,720
Financial investments held-to-maturity	10	135,825	104,643	135,825	104,643
Loans and advances	11	295,100	291,825	295,100	291,825
Statutory deposit with Bank Negara Malaysia		4,618	5,330	4,618	5,330
Deferred tax assets		4,231	8,868	2,359	6,863
Investment in subsidiaries		-	-	68,927	68,927
Other assets	12	619,622	514,363	595,348	485,083
Property and equipment		20,819	21,446	19,702	20,338
Intangible assets		39,770	40,612	2,190	2,513
<b>TOTAL ASSETS</b>		<b>1,808,669</b>	<b>1,584,153</b>	<b>1,714,431</b>	<b>1,469,765</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits and placements of banks and other financial institutions	13	625,000	550,000	625,000	550,000
Derivative financial liabilities		13	12	13	12
Other liabilities	14	588,330	448,124	574,898	428,010
<b>TOTAL LIABILITIES</b>		<b>1,213,343</b>	<b>998,136</b>	<b>1,199,911</b>	<b>978,022</b>
Share capital		200,000	200,000	200,000	200,000
Reserves		395,326	386,017	314,520	291,743
Equity attributable to equity holder of the Bank		595,326	586,017	514,520	491,743
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,808,669</b>	<b>1,584,153</b>	<b>1,714,431</b>	<b>1,469,765</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	22	<b>196,333</b>	<b>207,844</b>	<b>196,333</b>	<b>207,844</b>
<b>NET ASSETS PER ORDINARY SHARE (RM)</b>		<b>2.98</b>	<b>2.93</b>	<b>2.57</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)**  
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**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2017**

Group	Note	Individual Quarter		Cumulative Quarter	
		30 September 2017	30 September 2016	30 September 2017	30 September 2016
		RM'000	RM'000	RM'000	RM'000
Operating revenue		70,481	68,187	153,623	146,688
Interest income	15	9,134	8,302	17,887	16,692
Interest expense	16	(5,615)	(4,930)	(10,820)	(9,053)
Net interest income		3,519	3,372	7,067	7,639
Net income from Islamic banking		11,354	5,543	20,313	9,979
Other operating income	17	68,290	75,400	158,328	159,273
Direct costs	18	(18,600)	(21,088)	(43,586)	(39,450)
Net income		64,563	63,227	142,122	137,441
Other operating expenses	19	(43,697)	(46,153)	(103,240)	(94,545)
Operating Profit		20,866	17,074	38,882	42,896
Net (impairment)/writeback of impairment on:					
Loans and advances	20	(255)	46	(162)	433
Doubtful receivables		(255)	(1,236)	514	(1,088)
Allowance for provision for commitments and contingencies		(134)	(29)	(121)	(6,254)
<b>Profit before taxation</b>		20,222	15,855	39,113	35,987
Taxation		(6,526)	(4,732)	(8,819)	(13,367)
<b>Profit for the financial period</b>		13,696	11,123	30,294	22,620
<b>Basic earnings per share (sen)</b>		6.85	5.56	15.15	11.31

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 30 SEPTEMBER 2017**

Group	Individual Quarter		Cumulative Quarter	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	13,696	11,123	30,294	22,620
<b>Other comprehensive income/(loss):</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Currency translation on foreign operations	(53)	130	(127)	460
Other comprehensive (loss)/ income for the financial period	(53)	130	(127)	460
<b>Total comprehensive income for the period attributable to equity holder of the Bank</b>	<b>13,643</b>	<b>11,253</b>	<b>30,167</b>	<b>23,080</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 30 SEPTEMBER 2017**

Bank	Note	Individual Quarter		Cumulative Quarter	
		30 September 2017	30 September 2016	30 September 2017	30 September 2016
		RM'000	RM'000	RM'000	RM'000
Operating revenue		79,137	37,011	125,435	87,050
Interest income	15	8,599	7,733	16,739	15,530
Interest expense	16	(5,521)	(4,893)	(10,635)	(9,016)
Net interest income		3,078	2,840	6,104	6,514
Net income from Islamic banking		11,354	5,543	20,313	9,979
Other operating income	17	66,993	30,825	108,278	75,264
Direct costs	18	(8,112)	(7,120)	(20,576)	(13,917)
Net income		73,313	32,088	114,119	77,840
Other operating expenses	19	(25,833)	(29,352)	(65,473)	(58,962)
Operating Profit		47,480	2,736	48,646	18,878
Net (impairment)/writeback of impairment on:					
Loans and advances	20	(255)	46	(162)	433
Doubtful receivables		(292)	(41)	(295)	107
Allowance for provision for commitments and contingencies		(134)	(29)	(121)	(6,254)
<b>Profit before taxation</b>		46,799	2,712	48,068	13,164
Taxation		(4,570)	(720)	(4,553)	(7,125)
<b>Profit for the financial period representing total comprehensive income</b>		42,229	1,992	43,515	6,039
<b>Basic earnings per share (sen)</b>		21.11	1.00	21.76	3.02

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 30 SEPTEMBER 2017**

Group	Attributable to equity holder of the Bank							Total equity RM'000
	Non-distributable					Distributable		
	Share capital RM'000	Capital reserve RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Merger reserve RM'000	Exchange fluctuation reserve RM'000	Retained earnings 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	-	-	-	-	-	-	22,620	22,620
Other comprehensive income	-	-	-	-	-	460	-	460
Total comprehensive income for the period	-	-	-	-	-	460	22,620	23,080
Transfer of AMMB Holdings Berhad ("AMMB") Executives' Share Scheme ("ESS") shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	(122)	(122)
Effect arising from the pooling of interests	-	-	-	-	(67,522)	-	(13,328)	(80,850)
Dividends paid	-	-	-	-	-	-	(34,000)	(34,000)
Transactions with owner and other equity movements	-	-	-	-	(67,522)	-	(47,450)	(114,972)
<b>At 30 September 2016</b>	<b>200,000</b>	<b>2,815</b>	<b>200,000</b>	<b>2,800</b>	<b>82,115</b>	<b>2,625</b>	<b>78,869</b>	<b>569,224</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	-	-	-	-	-	-	30,294	30,294
Other comprehensive income	-	-	-	-	-	(127)	-	(127)
Total comprehensive income for the period	-	-	-	-	-	(127)	30,294	30,167
Transfer of AMMB ESS shares recharged - 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	-	-	-	-	-	-	(20,300)	(20,300)
Transactions with owner and other equity movements	-	-	(200,000)	118	-	-	179,024	(20,858)
<b>At 30 September 2017</b>	<b>200,000</b>	<b>2,815</b>	<b>-</b>	<b>2,918</b>	<b>82,115</b>	<b>2,908</b>	<b>304,570</b>	<b>595,326</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**  
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**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2017**

	<-----Attributable to equity holder of the Bank----->					
	Non-distributable			Distributable		
	Share capital RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Merger reserve RM'000	Retained earnings RM'000	Total equity 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	-	-	-	-	6,039	6,039
Total comprehensive income for the period	-	-	-	-	6,039	6,039
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	(121)	(121)
Effect arising from the pooling of interests	-	-	-	(22,621)	(546)	(23,167)
Dividends paid	-	-	-	-	(34,000)	(34,000)
Transactions with owner and other equity movements	-	-	-	(22,621)	(34,667)	(57,288)
<b>At 30 September 2016</b>	<b>200,000</b>	<b>200,000</b>	<b>2,800</b>	<b>-</b>	<b>70,395</b>	<b>473,195</b>
<b>At 1 April 2017</b>	200,000	200,000	2,800	-	88,943	491,743
Profit for the financial period	-	-	-	-	43,515	43,515
Total comprehensive income for the period	-	-	-	-	43,515	43,515
Transfer of AMMB ESS shares recharged - 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	-	-	-	-	(20,300)	(20,300)
Transactions with owner and other equity movements	-	(200,000)	118	-	179,144	(20,738)
<b>At 30 September 2017</b>	<b>200,000</b>	<b>-</b>	<b>2,918</b>	<b>-</b>	<b>311,602</b>	<b>514,520</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 CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

	Group		Bank	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	39,113	35,987	48,068	13,164
Adjustments for non-operating and non cash items	3,635	13,162	(34,977)	7,778
Operating profit before working capital changes	42,748	49,149	13,091	20,942
(Increase)/decrease in operating assets	(112,669)	245,866	(115,432)	223,869
Increase/(decrease) in operating liabilities	214,400	(143,236)	221,329	(140,589)
Cash generated from operations	144,479	151,779	118,988	104,222
Tax paid, net	(2,068)	(9,727)	-	(3,496)
Net cash generated from operating activities	142,411	142,052	118,988	100,726
Net cash (used in)/generated from investing activities	(30,472)	(48,092)	7,318	(47,757)
Dividend paid by the Bank	(20,300)	(34,000)	(20,300)	(34,000)
Dividend paid by the fund management entities	-	(31,000)	-	-
Net cash used in financing activities	(20,300)	(65,000)	(20,300)	(34,000)
	(50,772)	(113,092)	(12,982)	(81,757)
Net increase in cash and cash equivalents	91,639	28,960	106,006	18,969
Cash and cash equivalents at beginning of the financial year	584,391	560,305	471,568	458,535
Effect of exchange rate changes	(134)	173	-	-
Cash and cash equivalents at end of the financial period	675,896	589,438	577,574	477,504

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**

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
- 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
- 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 are expected to be measured at FVTPL 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 performing 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.

**(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 30 September 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 declare an interim single-tier cash dividend of 10.9 sen per ordinary share on 200,000,000 ordinary shares amounting to RM21,800,000.

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

	<b>Group and Bank</b>	
	<b>30 September</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	1,068	955

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

	<b>Group and Bank</b>	
	<b>30 September</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>30 September</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	60,725	-
Islamic Treasury Bills	-	29,543
	<u>60,725</u>	<u>29,543</u>
Unquoted Securities in Malaysia:		
Corporate Bonds	75,100	75,100
	<u>135,825</u>	<u>104,643</u>

**11. LOANS AND ADVANCES**

	<b>Group and Bank</b>	
	<b>30 September</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	260,193	239,865
Revolving credits	36,054	52,694
Staff loans	1,883	2,134
Gross loans and advances	<u>298,130</u>	<u>294,693</u>
Less:		
Allowance for impairment on loans and advances		
Individual allowance	(2,115)	(2,163)
Collective allowance	(915)	(705)
	<u>(3,030)</u>	<u>(2,868)</u>
Net loans and advances	<u>295,100</u>	<u>291,825</u>

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

	<b>Group and Bank</b>	
	<b>30 September</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	3,454	3,455
Others	53,768	51,764
Individuals	240,908	239,474
	<u>298,130</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>30 September</b>	<b>31 March</b>
	<b>2017</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate		
Staff housing loans	1,664	1,785
Staff hire purchase receivables	220	349
Other fixed rate loans	260,192	239,865
	<u>262,076</u>	<u>241,999</u>
Variable rate:		
Cost-plus	36,054	52,694
	<u>298,130</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>30 September</b>	<b>31 March</b>
	<b>2017</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Agriculture	861	861
Real estate	3,804	3,806
Business activities	52,557	50,552
Household, of which:		
Purchase of residential properties	1,664	1,785
Purchase of transport vehicles	220	349
Purchase of securities	239,024	237,340
	<u>298,130</u>	<u>294,693</u>

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

	<b>Group and Bank</b>	
	<b>30 September</b>	<b>31 March</b>
	<b>2017</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturing within one year	296,285	292,606
Over one year to three years	121	248
Over three years to five years	154	154
Over five years	1,570	1,685
	<u>298,130</u>	<u>294,693</u>

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

	<b>Group and Bank</b>	
	<b>30 September</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	(48)	(88)
Balance at end of the financial period/year	<u>2,115</u>	<u>2,163</u>
Gross impaired loans and advances as % of gross loans and advances	<u>0.71%</u>	<u>0.73%</u>
Loan loss coverage (including Regulatory Reserve)	<u>281.2%</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>30 September</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	(48)	(88)
Balance at end of the financial period/year	<u>2,115</u>	<u>2,163</u>
<b>Collective allowance</b>		
Balance at beginning of the financial year	705	1,272
Charge/(written back ) during the financial period/y	210	(567)
Balance at end of the financial period/year	<u>915</u>	<u>705</u>
Collective allowance (including regulatory reserve) as % of gross loans and advances less individual allowance	<u>1.29%</u>	<u>1.20%</u>

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

**12. OTHER ASSETS**

	Group		Bank	
	30 September 2017 RM'000	31 March 2017 RM'000	30 September 2017 RM'000	31 March 2017 RM'000
Trade receivables	516,187	392,311	515,788	391,575
Other receivables, deposits and prepayments	21,285	24,718	11,402	12,876
Fee receivable	32,120	32,398	12,810	11,755
Interest receivable	1,495	721	1,493	719
Tax recoverable	26,552	51,550	23,426	46,359
Margin deposits	29,480	21,330	29,480	21,330
Amount due from:				
Holding company	110	76	110	-
Subsidiaries	-	-	3,381	3,226
Other related companies	755	1,032	755	1,032
	<u>627,984</u>	<u>524,136</u>	<u>598,645</u>	<u>488,872</u>
Less:				
Accumulated impairment loss	(8,362)	(9,773)	(3,297)	(3,789)
	<u>619,622</u>	<u>514,363</u>	<u>595,348</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	
	30 September 2017 RM'000	31 March 2017 RM'000	30 September 2017 RM'000	31 March 2017 RM'000
Trade payables	518,031	376,535	518,031	376,535
Other payables and accruals	51,401	53,979	41,221	39,670
Interest payable	4,555	3,773	4,555	3,773
Provision for commitments and contingencies	694	573	694	573
Amount due to:				
Holding company	-	22	-	22
Other related companies	13,649	13,242	10,397	7,437
	<u>588,330</u>	<u>448,124</u>	<u>574,898</u>	<u>428,010</u>

**15. INTEREST INCOME**

Group	Individual Quarter		Cumulative Quarter	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	2,606	2,311	5,173	4,530
Financial investments held-to-maturity	934	788	1,713	1,568
Loans and advances	5,064	5,044	10,050	10,178
Others	530	159	951	416
	<u>9,134</u>	<u>8,302</u>	<u>17,887</u>	<u>16,692</u>

Bank	Individual Quarter		Cumulative Quarter	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	2,071	1,744	4,026	3,369
Financial investments held-to-maturity	934	788	1,713	1,568
Loans and advances	5,064	5,044	10,050	10,178
Others	530	157	950	415
	<u>8,599</u>	<u>7,733</u>	<u>16,739</u>	<u>15,530</u>

**16. INTEREST EXPENSE**

Group	Individual Quarter		Cumulative Quarter	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	5,432	4,792	10,442	8,802
Others	183	138	378	251
	<u>5,615</u>	<u>4,930</u>	<u>10,820</u>	<u>9,053</u>

Bank	Individual Quarter		Cumulative Quarter	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	5,432	4,792	10,442	8,802
Others	89	101	193	214
	<u>5,521</u>	<u>4,893</u>	<u>10,635</u>	<u>9,016</u>

**17. OTHER OPERATING INCOME**

Group	Individual Quarter		Cumulative Quarter	
	30 September 2017	30 September 2016 (Restated)	30 September 2017	30 September 2016 (Restated)
	RM'000	RM'000	RM'000	RM'000
Fee and commission income:				
Brokerage fees and commission	16,140	15,218	38,052	31,923
Corporate advisory	1,678	1,495	4,658	4,145
Fees on loans and securities	1,474	1,663	3,948	7,472
Guarantee fees	3	25	13	57
Portfolio management fees	11,819	8,195	17,333	16,522
Underwriting commission	-	-	151	3,067
Unit trust management fees	21,775	27,127	50,508	53,320
Unit trust service charges	6,342	10,060	15,329	17,570
Wealth management fees	6,775	10,616	15,653	18,435
Other fee and commission income	479	(1,228)	2,166	368
	<u>66,485</u>	<u>73,171</u>	<u>147,811</u>	<u>152,879</u>
Investment and trading income:				
Gross dividend income from:				
Financial assets held-for-trading	3	1	3	1
Financial investments available-for-sale	269	210	1,152	1,093
Net foreign exchange (loss)/gain	(387)	572	(1,042)	1,624
Net gain/(loss) from sale of financial assets held-for-trading	10	(7)	14	(9)
Net gain from sale of financial investments available-for-sale	-	-	-	295
Net gain/(loss) on revaluation of derivatives	9	(20)	(12)	(28)
Net gain/(loss) on revaluation of financial assets held-for-trading	(18)	19	(6)	(5)
Gain on disposal of an associate	-	-	-	560
	<u>(114)</u>	<u>775</u>	<u>109</u>	<u>3,531</u>
Other income:				
Net gain/(loss) on disposal of property and equipment	1	(46)	2	(72)
Non-trading foreign exchange gain/(loss)	(14)	(10)	11	(13)
Rental income	594	578	1,151	1,172
Others	1,338	932	9,244	1,776
	<u>1,919</u>	<u>1,454</u>	<u>10,408</u>	<u>2,863</u>
	<u>68,290</u>	<u>75,400</u>	<u>158,328</u>	<u>159,273</u>

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

Bank	Individual Quarter		Cumulative Quarter	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Fee and commission income:				
Brokerage fees and commission	16,140	15,217	38,052	31,922
Corporate advisory	1,678	1,495	4,658	4,145
Fees on loans and securities	1,474	1,663	3,948	7,472
Guarantee fees	3	25	13	57
Portfolio management fees	185	126	418	245
Underwriting commission	-	-	151	3,067
Wealth management fees	8,905	10,616	19,911	18,435
Other fee and commission income	445	481	1,236	4,014
	<u>28,830</u>	<u>29,623</u>	<u>68,387</u>	<u>69,357</u>
Investment and trading income:				
Gross dividend income from:				
Unquoted subsidiaries	37,450	-	37,450	-
Financial assets held-for-trading	3	1	3	1
Financial investments available-for-sale	269	210	1,152	1,093
Net foreign exchange (loss)/gain	(189)	438	(642)	1,178
Net gain/(loss) from sale of financial assets held-for-trading	10	(7)	14	(9)
Net gain from sale of financial investments available-for-sale	-	-	-	295
Net gain/(loss) on revaluation of derivatives	9	(20)	(12)	(28)
Net gain/(loss) on revaluation of financial assets held-for-trading	(18)	19	(6)	(5)
Gain on disposal of an associate	-	-	-	2,179
	<u>37,534</u>	<u>641</u>	<u>37,959</u>	<u>4,704</u>
Other income:				
Net gain/(loss) on disposal of property and equipment	1	(46)	1	(72)
Non-trading foreign exchange loss	-	-	(1)	-
Rental income	594	578	1,151	1,172
Others	34	29	781	103
	<u>629</u>	<u>561</u>	<u>1,932</u>	<u>1,203</u>
	<u>66,993</u>	<u>30,825</u>	<u>108,278</u>	<u>75,264</u>

**18. DIRECT COSTS**

Group	Individual Quarter		Cumulative Quarter	
	30 September 2017	30 September 2016 (Restated)	30 September 2017	30 September 2016 (Restated)
	RM'000	RM'000	RM'000	RM'000
Dealers' incentive	452	681	1,501	1,627
Brokerage commission	4,275	3,091	10,650	6,511
Unit trust commission	10,488	13,968	23,010	25,533
Others	3,385	3,348	8,425	5,779
	<u>18,600</u>	<u>21,088</u>	<u>43,586</u>	<u>39,450</u>
<b>Bank</b>				
Dealers' incentive	452	681	1,501	1,627
Brokerage commission	4,275	3,091	10,650	6,511
Others	3,385	3,348	8,425	5,779
	<u>8,112</u>	<u>7,120</u>	<u>20,576</u>	<u>13,917</u>

**19. OTHER OPERATING EXPENSES**

Group	Individual Quarter		Cumulative Quarter	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Contributions to EPF/Private Retirement Scheme	3,804	3,856	7,981	7,563
- Salaries, allowances and bonuses	22,237	24,214	47,224	47,344
- Shares and options granted under AMMB ESS - charge/(writeback)	535	(5,335)	(3,078)	(5,405)
- Social security costs	129	144	266	264
- Others	(1,405)	2,641	5,822	5,179
	<u>25,300</u>	<u>25,520</u>	<u>58,215</u>	<u>54,945</u>
Establishment costs				
- Amortisation of intangible assets	549	561	1,093	1,113
- Cleaning, maintenance and security	387	352	728	753
- Computerisation costs	3,132	2,977	5,931	5,777
- Depreciation of property and equipment	687	789	1,403	1,557
- Rental of premises	2,478	2,498	5,060	5,011
- Others	561	700	772	1,898
	<u>7,794</u>	<u>7,877</u>	<u>14,987</u>	<u>16,109</u>
Marketing and communication expenses				
- Advertising, promotional and other marketing activities	198	484	353	577
- Sales commission	265	221	503	283
- Travelling and entertainment	434	451	907	1,016
- Communication expenses	(240)	900	838	1,844
- Others	(19)	464	240	971
	<u>638</u>	<u>2,520</u>	<u>2,841</u>	<u>4,691</u>
Administration and general expenses				
- Professional fees	3,905	4,319	8,296	8,322
- Travelling	132	162	299	479
- Others	3,294	4,644	14,780	9,133
	<u>7,331</u>	<u>9,125</u>	<u>23,375</u>	<u>17,934</u>
Service transfer pricing - expense, net	2,634	1,111	3,822	866
	<u>43,697</u>	<u>46,153</u>	<u>103,240</u>	<u>94,545</u>

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

Bank	Individual Quarter		Cumulative Quarter	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Contributions to EPF/Private Retirement Scheme	2,656	2,802	5,634	5,349
- Salaries, allowances and bonuses	16,564	17,641	34,089	33,553
- Shares and options granted under AMMB ESS - charge/(writeback)	432	(3,646)	(2,258)	(3,722)
- Social security costs	88	99	183	181
- Others	(2,162)	1,777	2,490	3,511
	<u>17,578</u>	<u>18,673</u>	<u>40,138</u>	<u>38,872</u>
Establishment costs				
- Amortisation of intangible assets	216	234	433	464
- Cleaning, maintenance and security	361	331	688	720
- Computerisation costs	3,021	2,873	5,786	5,643
- Depreciation of property and equipment	588	699	1,209	1,381
- Rental of premises	1,937	1,963	3,977	3,996
- Others	458	655	562	1,630
	<u>6,581</u>	<u>6,755</u>	<u>12,655</u>	<u>13,834</u>
Marketing and communication expenses				
- Advertising, promotional and other marketing activities	198	131	306	160
- Sales commission	191	216	421	267
- Travelling and entertainment	333	313	707	748
- Communication expenses	(495)	513	327	1,194
- Others	(66)	405	85	764
	<u>161</u>	<u>1,578</u>	<u>1,846</u>	<u>3,133</u>
Administration and general expenses				
- Professional fees	231	1,167	993	1,965
- Travelling	111	112	214	236
- Others	(144)	1,126	8,168	2,619
	<u>198</u>	<u>2,405</u>	<u>9,375</u>	<u>4,820</u>
Service transfer pricing - (income)/expense, net	1,315	(59)	1,459	(1,697)
	<u>25,833</u>	<u>29,352</u>	<u>65,473</u>	<u>58,962</u>

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

Group and Bank	Individual Quarter		Cumulative Quarter	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Impairment on loans and advances:				
Individual allowance	24	24	48	40
Collective allowance	(279)	22	(210)	393
	<u>(255)</u>	<u>46</u>	<u>(162)</u>	<u>433</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.)**

30 September 2017 Group	Wholesale Banking						Group Funding and Others RM'000	Total RM'000
	Equity Markets RM'000	Fund Management RM'000	Private Banking RM'000	Corporate Finance RM'000	Capital Markets RM'000	Others RM'000		
External revenue	40,598	58,955	17,500	5,118	18,938	13	12,501	153,623
Revenue from other segments	247	-	(809)	(1)	(56)	7	612	-
Revenue	40,845	58,955	16,691	5,117	18,882	20	13,113	153,623
Net interest income/(expense)	10,472	626	273	(1)	(56)	6	(545)	10,775
Other operating income, net of direct costs	30,179	58,144	16,418	5,118	18,938	14	2,536	131,347
Net income	40,651	58,770	16,691	5,117	18,882	20	1,991	142,122
Other operating expenses	(29,089)	(37,514)	(9,176)	(7,987)	(7,658)	(2,259)	(9,557)	(103,240)
of which:								
<i>Depreciation of property and equipment</i>	(405)	(193)	(115)	(31)	(19)	(142)	(498)	(1,403)
<i>Amortisation of intangible assets</i>	(317)	(660)	(57)	(2)	(5)	(11)	(41)	(1,093)
Operating profit/(loss)	11,562	21,256	7,515	(2,870)	11,224	(2,239)	(7,566)	38,882
(Allowance for)/Writeback of impairment on loans and advances	(213)	-	65	-	-	-	(14)	(162)
(Allowance for)/Writeback of doubtful receivables, net	413	(24)	1	124	-	-	-	514
(Allowance for)/Writeback of provision for commitments and contingencies	(107)	-	5	-	-	(19)	-	(121)
Profit/(loss) before taxation	11,655	21,232	7,586	(2,746)	11,224	(2,258)	(7,580)	39,113
Taxation	(1,233)	(4,084)	(1,821)	659	(2,694)	543	(189)	(8,819)
Profit/(loss) for the period	10,422	17,148	5,765	(2,087)	8,530	(1,715)	(7,769)	30,294
<b>Other information:</b>								
Total segment assets	875,468	134,091	40,927	1,404	7,137	2,126	747,516	1,808,669
Total segment liabilities	538,807	17,644	5,164	1,161	3,164	345	647,058	1,213,343
Cost to income ratio	71.6%	63.8%	55.0%	>100%	40.6%	>100%	>100%	72.6%
Gross loans and advances	260,193	-	36,054	-	-	-	1,883	298,130
Net loans and advances	257,336	-	35,992	-	-	-	1,772	295,100
Impaired loans and advances	2,115	-	-	-	-	-	-	2,115
Total deposits and placements	-	-	-	-	-	-	625,000	625,000
Additions to:								
Property and equipment	223	200	10	92	-	137	104	766
Intangible assets	18	141	36	-	-	24	32	251

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

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

30 September 2016 (Restated) Group	Wholesale Banking						Group Funding and Others RM'000	Total RM'000
	Equity Markets RM'000	Fund Management RM'000	Private Banking RM'000	Corporate Finance RM'000	Capital Markets RM'000	Others RM'000		
External revenue	32,908	61,007	18,648	10,102	11,292	(34)	12,765	146,688
Revenue from other segments	315	-	(1,013)	(12)	(21)	(13)	744	-
Revenue	33,223	61,007	17,635	10,090	11,271	(47)	13,509	146,688
Net interest income/(expense)	10,159	1,043	349	(12)	(22)	(11)	163	11,669
Other operating income/(expense), net of direct costs	22,849	59,927	17,286	10,102	11,293	(36)	3,791	125,212
Gain on disposal of an associate	-	-	-	-	-	-	560	560
Net income	33,008	60,970	17,635	10,090	11,271	(47)	4,514	137,441
Other operating expenses	(30,967)	(35,173)	(9,198)	(9,324)	(5,753)	(3,208)	(922)	(94,545)
<i>of which:</i>								
<i>Depreciation of property and equipment</i>	(443)	(177)	(120)	(29)	(17)	(239)	(532)	(1,557)
<i>Amortisation of intangible assets</i>	(376)	(650)	(11)	(4)	-	(43)	(29)	(1,113)
Operating profit/(loss)	2,041	25,797	8,437	766	5,518	(3,255)	3,592	42,896
(Allowance for)/Writeback of impairment on loans and advances	434	-	29	-	-	5	(35)	433
(Allowance for)/Writeback of doubtful receivables, net	(1,175)	-	-	87	-	-	-	(1,088)
Allowance for commitments and contingencies	(202)	-	(48)	-	-	3	(6,007)	(6,254)
Profit/(loss) before taxation	1,098	25,797	8,418	853	5,518	(3,247)	(2,450)	35,987
Taxation	(630)	(6,195)	(2,020)	(205)	(1,324)	779	(3,772)	(13,367)
Profit/(loss) for the period	468	19,602	6,398	648	4,194	(2,468)	(6,222)	22,620
<b>Other information:</b>								
Total segment assets	899,120	150,585	61,730	1,186	7,470	1,836	427,580	1,549,507
Total segment liabilities	594,288	20,046	3,359	1,412	2,754	1,448	356,976	980,283
Cost to income ratio	93.8%	57.7%	52.2%	92.4%	51.0%	>-100%	20.4%	68.8%
Gross loans and advances	235,936	-	57,624	-	-	1	2,359	295,920
Net loans and advances	233,084	-	57,489	-	-	-	2,257	292,830
Impaired loans and advances	2,211	-	-	-	-	-	-	2,211
Total deposits and placements	-	-	-	-	-	-	550,000	550,000
Additions to:								
Property and equipment	484	222	15	12	-	709	33	1,475
Intangible assets	160	95	-	-	-	185	-	440

**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>30 September</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	188,336	203,135
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	19	19
	<u>188,355</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	7,978	262
Equity related contracts:		
- One year or less	-	1,037
	<u>7,978</u>	<u>1,299</u>
	<u>196,333</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.



**24. CAPITAL ADEQUACY**

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

<b>As at 30 September 2017</b>	<b>Group</b>	<b>Bank</b>
Before deducting proposed dividends:		
Common Equity Tier 1 ("CET 1") Capital Ratio	36.896%	34.192%
Tier 1 Capital Ratio	36.896%	34.192%
Total Capital Ratio	37.165%	34.192%
After deducting proposed dividends:		
CET 1 Capital Ratio	35.360%	32.574%
Tier 1 Capital Ratio	35.360%	32.574%
Total Capital Ratio	35.630%	32.574%
<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>30 September 2017 RM'000</b>	<b>31 March 2017 RM'000</b>	<b>30 September 2017 RM'000</b>	<b>31 March 2017 RM'000</b>
<b>CET 1 Capital</b>				
Share capital	200,000	200,000	200,000	200,000
Retained earnings	280,341	95,252	311,602	88,943
Exchange fluctuation reserve	2,908	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 on CET 1 capital:				
Goodwill	(36,442)	(36,442)	-	-
Other intangible assets	(3,328)	(4,170)	(2,190)	(2,513)
Deferred tax assets	(4,501)	(9,158)	(2,630)	(7,153)
Regulatory reserve	(2,918)	(2,800)	(2,918)	(2,800)
Investments in capital instruments of unconsolidated financial entities	-	-	(39,847)	(39,847)
Deduction in excess of Tier 2 *	-	-	(6,130)	(6,458)
<b>CET 1 capital/Tier 1 Capital</b>	<b>523,908</b>	<b>533,447</b>	<b>460,805</b>	<b>432,972</b>
<b>Tier 2 capital</b>				
Collective impairment provisions and regulatory reserve	3,832	3,505	3,832	3,505
Less : Regulatory adjustments applied on Tier 2 capital	-	-	(3,832)	(3,505)
<b>Tier 2 capital</b>	<b>3,832</b>	<b>3,505</b>	<b>-</b>	<b>-</b>
<b>Total Capital</b>	<b>527,740</b>	<b>536,952</b>	<b>460,805</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>30 September 2017 RM'000</b>	<b>31 March 2017 RM'000</b>	<b>30 September 2017 RM'000</b>	<b>31 March 2017 RM'000</b>
Credit risk	847,977	824,747	1,045,023	1,015,958
Market risk	51,197	35,133	29,596	20,158
Operational risk	520,800	531,513	273,087	279,251
	<b>1,419,974</b>	<b>1,391,393</b>	<b>1,347,706</b>	<b>1,315,367</b>

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

**25. OPERATIONS OF ISLAMIC BANKING**

**UNAUDITED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2017**

	Note	Group and Bank	
		30 September 2017 RM'000	31 March 2017 RM'000
<b>ASSETS</b>			
Cash and short-term funds		323,726	301,587
Other receivables, deposits and prepayments		8,765	6,136
Deferred tax assets		336	333
Property and equipment		9	12
<b>TOTAL ASSETS</b>		<b>332,836</b>	<b>308,068</b>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>			
Other liabilities	25a	114,058	103,706
<b>TOTAL LIABILITIES</b>		<b>114,058</b>	<b>103,706</b>
<b>ISLAMIC BANKING FUNDS</b>			
Capital funds		30,000	30,000
Reserves		188,778	174,362
Islamic Banking Funds		218,778	204,362
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>		<b>332,836</b>	<b>308,068</b>

**Note :**

There are no outstanding commitments and contingencies of the Group and the Bank as at 30 September 2017 and 31 March 2017.

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

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

Group and Bank	Individual Quarter		Cumulative Quarter	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Income derived from investment of depositors' funds and others	777	707	1,505	1,427
Income attributable to depositors	(303)	(30)	(681)	(194)
Profit attributable to the Group and the Bank	474	677	824	1,233
Income derived from investment of Islamic banking funds	10,824	4,901	19,610	8,813
Direct costs	56	(35)	(121)	(67)
Total net income	11,354	5,543	20,313	9,979
Other operating expenses	(602)	(843)	(1,345)	(1,608)
Operating profit	10,752	4,700	18,968	8,371
Writeback of allowance for losses on financing	-	4	-	4
Profit before taxation	10,752	4,704	18,968	8,375
Taxation	(2,579)	(1,130)	(4,552)	(2,011)
Profit for the financial period	8,173	3,574	14,416	6,364

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

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

	<u>Non-distributable</u>	<u>Distributable</u>	
	<b>Capital Funds RM'000</b>	<b>Retained Earnings RM'000</b>	<b>Total 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	-	6,364	6,364
<b>At 30 September 2016</b>	<u>30,000</u>	<u>167,507</u>	<u>197,507</u>
<b>At 1 April 2017</b>	30,000	174,362	204,362
Profit for the financial period	-	14,416	14,416
<b>At 30 September 2017</b>	<u>30,000</u>	<u>188,778</u>	<u>218,778</u>

**25a. OTHER LIABILITIES**

	<b>Group and Bank</b>	
	<b>30 September 2017 RM'000</b>	<b>31 March 2017 RM'000</b>
Trade payables	2,210	107
Other payables and accruals	1,119	1,125
Amount due to head office	102,066	98,366
Provision for taxation	8,663	4,108
	<u>114,058</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>30 September 2017</b>	<b>31 March 2017</b>
CET 1 capital ratio	176.916%	189.278%
Tier 1 capital ratio	176.916%	189.278%
Total capital ratio	176.916%	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>30 September 2017 RM'000</b>	<b>31 March 2017 RM'000</b>
<b><u>CET 1 Capital</u></b>		
Capital Funds	30,000	30,000
Retained earnings	188,778	174,362
Less : Regulatory adjustments applied on CET1 Capital		
Deferred tax assets	(336)	(333)
<b>CET 1 capital/ Tier 1 capital/ Total capital</b>	<b>218,442</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>30 September 2017 RM'000</b>	<b>31 March 2017 RM'000</b>
Credit risk	73,504	66,446
Operational risk	49,968	41,347
Total risk weighted assets	<b>123,472</b>	<b>107,793</b>

## **26. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES**

The disclosure on credit transactions and exposures with connected parties is required in accordance with Para 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

There are no outstanding credit transactions and exposures with connected parties as at 30 September 2017 and 31 March 2017.

## **27. PERFORMANCE REVIEW FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

The Group's profit before taxation for the six months period ended 30 September 2017 of RM39.1 million was higher by RM 3.2 million or 9.0% as compared to the corresponding six months period ended 30 September 2016. The higher Group's profit before taxation was mainly due to higher income from Islamic Banking Business and brokerage fees and lower establishment and marketing expenses. This was partly offset by lower unit trust and wealth management fees.

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 .

## **28. PROSPECTS FOR FINANCIAL YEAR ENDING 31 MARCH 2018**

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

The headline inflation which averaged at 4.1% in 1H of 2017 is poised to ease in the 2H2017. Supported by firmer Malaysian Ringgit against the US Dollar, stable oil and commodity prices added with fading of the cost-push factors and base effect, the overall inflation is envisaged to hover around 4.0% in 2017 (2016: 2.1%). Inflationary pressure will remain contained in 2018 barring no unforeseen circumstances.

In 2H2017, we expect mild pressure on banks' NIM to continue. However, it will be of a lesser extent since the implementation of net stable funding ratio requirement has been postponed to no earlier than 1 January 2019. Banks have sufficient liquid assets with an industry liquidity coverage ratio of 133.0% as at end August 2017, well above the regulatory requirement of 100.0%.

We anticipate the OPR will likely be maintained at 3.00% and we maintain our 45% chance for a 25bps rate hike in 4Q2017 only if the GDP continues to beat expectations, thus fueling pressure of potential demand pull inflation driven by firmer wages. The GIL ratio for banks is anticipated to be at similar levels in 2H2017. We expect an improvement in credit cost for the sector in 2017 compared to 2016.

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.

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

**29. VALUATION OF PROPERTY AND EQUIPMENT**

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

**30. 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.

**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 reported RM'000</b>	<b>Reclassification RM'000</b>	<b>As restated RM'000</b>
<b>Group</b>			
<b>For cumulative quarter ended 30 September 2016</b>			
Other operating income	133,740	25,533	159,273
Direct costs	(13,917)	(25,533)	(39,450)
<b>For individual quarter ended 30 September 2016</b>			
Other operating income	61,432	13,968	75,400
Direct costs	(7,120)	(13,968)	(21,088)