

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

Condensed Interim Financial Statements
For the Financial Period
1 April 2018 to
30 June 2018
(In Ringgit Malaysia)

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

UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	Group		Bank	
		30 June 2018	31 March 2018	30 June 2018	31 March 2018
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	8	651,721	858,503	537,709	752,000
Financial assets at fair value through profit or loss	9	632	-	632	-
Financial assets held-for-trading	10	-	1,020	-	1,020
Financial assets at fair value through other comprehensive income	11	2,889	-	2,889	-
Financial investments available-for-sale	12	-	1,457	-	1,457
Financial investments at amortised cost	13	135,631	-	135,631	-
Financial investments held-to-maturity	14	-	135,701	-	135,701
Loans and advances	15	305,285	279,074	305,285	279,074
Statutory deposit with Bank Negara Malaysia		2,723	3,003	2,723	3,003
Deferred tax assets		4,026	6,357	1,618	3,919
Investment in subsidiaries		-	-	68,927	68,927
Other assets	16	604,135	675,636	587,793	655,106
Property and equipment		18,989	19,540	18,109	18,576
Intangible assets		39,034	39,084	2,069	2,137
TOTAL ASSETS		1,765,065	2,019,375	1,663,385	1,920,920
LIABILITIES AND EQUITY					
Deposits and placements of banks and other financial institutions	17	600,000	600,000	600,000	600,000
Derivative financial liabilities		21	9	21	9
Other liabilities	18	565,335	659,388	553,925	643,191
TOTAL LIABILITIES		1,165,356	1,259,397	1,153,946	1,243,200
Share capital		200,000	200,000	200,000	200,000
Reserves		399,709	559,978	309,439	477,720
Equity attributable to equity holder of the Bank		599,709	759,978	509,439	677,720
TOTAL LIABILITIES AND EQUITY		1,765,065	2,019,375	1,663,385	1,920,920
COMMITMENTS AND CONTINGENCIES	26	201,166	256,582	201,166	256,582
NET ASSETS PER ORDINARY SHARE (RM)		3.00	3.80	2.55	3.39

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

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 JUNE 2018

Group	Note	Individual Quarter		Cumulative Quarter	
		30 June 2018	30 June 2017	30 June 2018	30 June 2017
		RM'000	RM'000	RM'000	RM'000
Operating revenue		67,117	83,142	67,117	83,142
Interest income	19	9,148	8,753	9,148	8,753
Interest expense	20	(5,292)	(5,205)	(5,292)	(5,205)
Net interest income		3,856	3,548	3,856	3,548
Net income from Islamic banking	29	6,894	8,959	6,894	8,959
Other operating income	21	65,843	90,038	65,843	90,038
Direct costs	22	(14,768)	(24,986)	(14,768)	(24,986)
Net income		61,825	77,559	61,825	77,559
Other operating expenses	23	(42,545)	(59,542)	(42,545)	(59,542)
Operating Profit		19,280	18,017	19,280	18,017
Net (impairment)/writeback of impairment on:					
Loans and advances	24	25	93	25	93
Doubtful receivables		(128)	770	(128)	770
Writeback of provision for commitments and contingencies		-	13	-	13
Profit before taxation		19,177	18,893	19,177	18,893
Taxation		(3,646)	(2,293)	(3,646)	(2,293)
Profit for the financial period		15,531	16,600	15,531	16,600
Basic earnings per share (sen)		7.77	8.30	7.77	8.30

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

AmInvestment Bank Berhad
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UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2018

Group	Individual Quarter		Cumulative Quarter	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	15,531	16,600	15,531	16,600
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss				
Currency translation on foreign operations	63	(74)	63	(74)
Other comprehensive income/(loss) for the financial period	63	(74)	63	(74)
Total comprehensive income for the period attributable to equity holder of the Bank	15,594	16,526	15,594	16,526

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

AmlInvestment Bank Berhad
(23742-V)(Incorporated in Malaysia)
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UNAUDITED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2018

Bank	Note	Individual Quarter		Cumulative Quarter	
		30 June 2018	30 June 2017	30 June 2018	30 June 2017
		RM'000	RM'000	RM'000	RM'000
Operating revenue		42,021	46,298	42,021	46,298
Interest income	19	8,600	8,140	8,600	8,140
Interest expense	20	(5,202)	(5,114)	(5,202)	(5,114)
Net interest income		3,398	3,026	3,398	3,026
Net income from Islamic banking	29	6,894	8,959	6,894	8,959
Other operating income	21	34,389	41,285	34,389	41,285
Direct costs	22	(7,862)	(12,464)	(7,862)	(12,464)
Net income		36,819	40,806	36,819	40,806
Other operating expenses	23	(27,722)	(39,639)	(27,722)	(39,639)
Operating Profit		9,097	1,167	9,097	1,167
Net (impairment)/writeback of impairment on:					
Loans and advances	24	25	93	25	93
Doubtful receivables		41	(3)	41	(3)
Writeback of provision for commitments and contingencies		-	13	-	13
Profit before taxation		9,163	1,270	9,163	1,270
Taxation		(1,730)	17	(1,730)	17
Profit for the financial period representing total comprehensive income		7,433	1,287	7,433	1,287
Basic earnings per share (sen)		3.72	0.64	3.72	0.64

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

AmInvestment Bank Berhad
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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2018

Group	Note	Attributable to equity holder of the Bank							Retained earnings	Total equity
		Non-distributable					Exchange fluctuation	Fair value reserve		
		Share capital	Capital reserve	Statutory reserve	Regulatory reserve	Merger reserve	reserve	reserve	RM'000	RM'000
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2017		200,000	2,815	200,000	2,800	82,115	3,035	-	95,252	586,017
Profit for the financial period		-	-	-	-	-	-	-	16,600	16,600
Other comprehensive loss		-	-	-	-	-	(74)	-	-	(74)
Total comprehensive (loss)/income for the period		-	-	-	-	-	(74)	-	16,600	16,526
Transfer of AMMB Holdings Berhad ("AMMB") Executives' Share Scheme ("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	-
Transactions with owner and other equity movements		-	-	(200,000)	118	-	-	-	199,324	(558)
At 30 June 2017		200,000	2,815	-	2,918	82,115	2,961	-	311,176	601,985
At 1 April 2018										
As previously reported		200,000	2,815	-	2,918	82,115	2,124	-	470,006	759,978
Effect of adoption of MFRS 9	34(a)(iii)	-	-	-	1,985	-	-	1,089	(833)	2,241
As restated		200,000	2,815	-	4,903	82,115	2,124	1,089	469,173	762,219
Profit for the financial period		-	-	-	-	-	-	-	15,531	15,531
Other comprehensive income		-	-	-	-	-	63	-	-	63
Total comprehensive income/(loss) for the period		-	-	-	-	-	63	-	15,531	15,594
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested		-	-	-	-	-	-	-	(847)	(847)
Transfer from regulatory reserve		-	-	-	58	-	-	-	(58)	-
Dividends paid		-	-	-	-	-	-	-	(177,257)	(177,257)
Transactions with owner and other equity movements		-	-	-	58	-	-	-	(178,162)	(178,104)
At 30 June 2018		200,000	2,815	-	4,961	82,115	2,187	1,089	306,542	599,709

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

AmInvestment Bank Berhad
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UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2018

		←-----Attributable to equity holder of the Bank-----→					
		Non-distributable			Distributable		
Bank	Note	Share capital RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 April 2017		200,000	200,000	2,800	-	88,943	491,743
Profit for the financial period		-	-	-	-	1,287	1,287
Total comprehensive income for the period		-	-	-	-	1,287	1,287
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	-
Transactions with owner and other equity movements		-	(200,000)	118	-	199,444	(438)
At 30 June 2017		200,000	-	2,918	-	289,674	492,592
At 1 April 2018							
As previously reported		200,000	-	2,918	-	474,802	677,720
Effect of adoption of MFRS 9	34(a)(iii)	-	-	1,985	1,089	(833)	2,241
As restated		200,000	-	4,903	1,089	473,969	679,961
Profit for the financial period		-	-	-	-	7,433	7,433
Total comprehensive income for the period		-	-	-	-	7,433	7,433
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested		-	-	-	-	(698)	(698)
Transfer from regulatory reserve		-	-	58	-	(58)	-
Dividends paid		-	-	-	-	(177,257)	(177,257)
Transactions with owner and other equity movements		-	-	58	-	(178,013)	(177,955)
At 30 June 2018		200,000	-	4,961	1,089	303,389	509,439

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

AmlInvestment Bank Berhad
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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	Group		Bank	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	19,177	18,893	9,163	1,270
Adjustments for non-operating and non cash items	(1,341)	2,851	(1,199)	2,307
Operating profit before working capital changes	17,836	21,744	7,964	3,577
Decrease/(increase) in operating assets	49,021	(201,385)	45,573	(195,019)
(Decrease)/increase in operating liabilities	(94,247)	327,692	(89,373)	328,145
Cash generated from operations	(27,390)	148,051	(35,836)	136,703
Tax paid	(1,905)	(1,119)	(993)	-
Net cash (used in)/generated from operating activities	(29,295)	146,932	(36,829)	136,703
Net cash used in investing activities	(283)	(29,524)	(198)	(29,385)
Net cash used in financing activities	(177,257)	-	(177,257)	-
	(177,540)	(29,524)	(177,455)	(29,385)
Net (decrease)/increase in cash and cash equivalents	(206,835)	117,408	(214,284)	107,318
Cash and cash equivalents at beginning of the financial year	858,503	584,391	752,000	471,568
Effect of exchange rate changes	60	(110)	-	-
Expected credit loss provisions	(7)	-	(7)	-
Cash and cash equivalents at end of the financial period	651,721	701,689	537,709	578,886

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

EXPLANATORY NOTES :

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 2018.

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 accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new standards, amendments to published standards, and new interpretation which became effective for the first time for the Group and the Bank on 1 April 2018:

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

The adoption of these new standards, amendments to published standards and new interpretation did not have any material impact on the financial statements of the Group and the Bank except for those arising from the adoption of MFRS 9 as disclosed below. Other than the adoption of new accounting policies as disclosed in Note 1.3, 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 standards and new interpretation.

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

MFRS 9 Financial Instruments

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

1. BASIS OF PREPARATION (CONT'D.)

1.1 Significant Accounting Policies (Cont'd.)

MFRS 9 Financial Instruments (Cont'd.)

(i) Classification and measurement

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

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

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

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

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

(ii) Impairment

The loan loss impairment methodology is fundamentally changed under MFRS 9 as it replaces MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. The impairment requirements based on ECL approach is applicable for all loans and other debt financial assets not held at FVTPL, as well as loan commitments and financial guarantee contracts. The allowance for expected losses are 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.

1. BASIS OF PREPARATION (CONT'D.)

1.1 Significant Accounting Policies (Cont'd.)

MFRS 9 Financial Instruments (Cont'd.)

(ii) Impairment (Cont'd.)

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

Following the adoption of MFRS 9, the Group recorded a writeback of loss allowance in respect of loans, advances and financing, which has been adjusted to retained earnings on 1 April 2018.

(iii) Hedge accounting

All existing hedge relationships that were designated in effective hedging relationships under MFRS 139 continued to qualify for hedge accounting under MFRS 9. This is because MFRS 9 did not change the general principles of how an entity accounts for effective hedges. No impact to the Group's financial statements as there are no hedge accounting during the period.

The financial impact of the adoption of MFRS 9 on the financial statements of the Group are as disclosed in Note 34.

MFRS 15 Revenue from Contracts with Customers

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

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

Annual Improvements to MFRSs 2014-2016 Cycle

The Annual Improvements to MFRSs 2014-2016 Cycle include minor amendments affecting 3 MFRSs, in which one of them is effective to the Group for annual periods beginning on or after 1 January 2018, as summarised below:

MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards

The amendments deleted short-term exemptions covering transition provisions of MFRS 7, MFRS 10, and MFRS 119. These transition provisions were available to entities for past reporting periods and are therefore no longer applicable. The deletion has no impact as the Group has transitioned into MFRS in the past.

1. BASIS OF PREPARATION (CONT'D.)

1.1 Significant Accounting Policies (Cont'd.)

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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

1.2 Standards issued but not yet effective

Description	Effective for annual periods beginning on or after
- 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
- Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
- MFRS 17 Insurance Contracts	1 January 2021
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	To be determined by MASB

The nature of the new standards, amendments to published standards and new interpretation that are issued but not yet effective are described below. The Group and the Bank are assessing the financial effects of their adoption.

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

MFRS 16 Leases

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

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

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

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 *Property, Plant and Equipment* and the lease liability is accreted over time with interest expense recognised in the 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. At this stage, the Group and the Bank do not intend to adopt the standard before its effective date. The Group and the Bank intends to apply the simplified transition approach and will not restate comparative amounts.

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 2020 (Cont'd.)

MFRS 16 Leases (Cont'd.)

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

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.)

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

Annual Improvements to MFRSs 2015-2017 Cycle

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

(i) *MFRS 3 Business Combinations*

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

(ii) *MFRS 11 Joint Arrangements*

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

(iii) *MFRS 112 Income Taxes*

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

(iv) *MFRS 123 Borrowing Costs*

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

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

Amendments to References to the Conceptual Framework in MFRS Standards

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

(c) Standard effective on a date to be determined by MASB

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and
- gains and losses resulting from transactions involving the sale or contribution to an associate of a joint venture of assets that constitute a business is recognised in full.

1. BASIS OF PREPARATION (CONT'D.)

1.3 Summary of Significant Accounting Policies Applied from 1 April 2018

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

(a) Financial instruments – initial recognition and measurement

(i) Initial recognition

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

(ii) Initial measurement

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

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

(iii) “Day 1” profit or loss

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

(b) Financial assets – classification and subsequent measurement

The Group and the Bank classifies its financial assets in the following measurement categories:

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

1. BASIS OF PREPARATION (CONT'D.)

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

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

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

(i) Debt instruments

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

Business model

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

Cash flow characteristics

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

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

Amortised cost

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

FVOCI

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

1. BASIS OF PREPARATION (CONT'D.)

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

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

(i) Debt instruments (Cont'd.)

FVTPL

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

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

(ii) Reclassification of debt investments

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

(iii) Equity instruments

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

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

(c) Financial liabilities – classification and subsequent measurement

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

- financial liabilities at FVTPL; and
- loan commitments (see Note 1.3(h)).

(i) Amortised cost

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

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

1. BASIS OF PREPARATION (CONT'D.)

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

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

(i) Amortised cost (Cont'd.)

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

(ii) FVTPL

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

(d) Derecognition of financial instruments

(i) Derecognition of financial assets

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

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

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

(ii) Modification of loans

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

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

1. BASIS OF PREPARATION (CONT'D.)

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

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

(ii) Modification of loans (Cont'd.)

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

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

(iii) Derecognition of financial liabilities

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

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

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

(e) Financial instruments - expected credit losses

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

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

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

1. BASIS OF PREPARATION (CONT'D.)

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

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

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

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

(i) Rescheduled and restructured loans

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

(ii) Collateral valuation

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

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

(iii) Collateral repossessed

The Group's and the Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Repossessed financial assets determined to be useful for the internal operations are classified based on their characteristics, business model and the cash flow characteristics, and are measured at their fair value in the same manner as described in Note 2.5(j)(ii). Repossessed non-financial assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value and the carrying value of the original secured asset. Repossessed assets that are determined better to be sold are immediately transferred to assets held for sale if the sale is deemed highly probable within a short period following the repossession, whereby financial assets are measured at their fair value whereas non-financial assets are measured at the lower of fair value less cost to sell at the repossession date and the carrying value of the original secured asset.

1. BASIS OF PREPARATION (CONT'D.)

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

(f) Hedge accounting

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

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

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

(i) Fair value hedges

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

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

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

(ii) Cash flow hedges

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

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

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

(g) Offsetting financial instruments

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

1. BASIS OF PREPARATION (CONT'D.)

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

(h) Loan commitments

Loan commitments provided by the Group and the Bank are measured at the amount of the loss allowance (calculated as described in Note 1.3(e)).

(i) Investment in associates and joint ventures

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

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

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

The Group's investment in associates and joint ventures are accounted for using the equity method.

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

The statement of profit or loss reflects the Group's share of the results of operations of the associates or joint ventures. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associates or joint ventures, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses

The aggregate of the Group's share of profit or loss of the associates and joint ventures is shown on the face of the statement of profit or loss and represents profit or loss after tax and non-controlling interests in the associates or joint ventures.

When the Group's share of losses in an associate or a joint venture equals or exceeds its interests in the investee, including any long-term interests that, in substance, form part of the Group's net investment in the investee, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The financial statements of the associates or joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. Nevertheless, no adjustment is made to the accounting policies relating to financial instruments of any associate or joint venture with activities that are predominantly connected with insurance if the associate or joint venture concerned applies the temporary exemption from MFRS 9.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investments in associates or joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investments in associates or joint ventures are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amounts of the associates or joint ventures and their carrying values, then recognises the loss as "impairment loss on associates or joint ventures" in profit or loss.

Upon loss of significant influence or joint control over the associate or joint venture respectively, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

1. BASIS OF PREPARATION (CONT'D.)

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

(i) Investment in associates and joint ventures (Cont'd.)

In the Bank' separate financial statements, investments in associates or joint ventures are stated at cost less accumulated impairment losses. On disposal of such investment, the difference between net disposal proceeds and its carrying amounts are recognised in profit or loss.

(j) Recognition of income and expenses relating to financial instruments

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

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

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

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

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

(ii) Dividend income

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

(iii) Investment and trading income

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

(k) Recognition of revenue from contracts with customers

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

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

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

1. BASIS OF PREPARATION (CONT'D.)

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

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

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

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

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

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

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

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

Fee income from providing transaction services

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

1.4 Significant change in regulatory requirements

BNM policy documents on Financial Reporting and Financial Reporting for Islamic Banking

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

- (a) Financial Reporting
- (b) Financial Reporting for Islamic Banking Institutions

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

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

1. BASIS OF PREPARATION (CONT'D.)

1.4 Significant change in regulatory requirements

BNM policy documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions (Cont'd)

The revised policy documents also introduced the following new disclosure requirements in the annual financial statements. These information will be presented in the Group's annual financial statements for the financial year ending 31 March 2019:

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

1.5 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 2018 except for the measurement of expected credit losses under MFRS 9 which involves increased complexity and judgements.

2. AUDIT QUALIFICATION

There was no audit qualification in the audited annual financial statements for the year ended 31 March 2018.

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 June 2018.

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, a special single-tier cash dividend of 88.63 sen per ordinary share on 200,000,000 ordinary shares amounting to RM177,257,008 in respect of financial year ended 31 March 2018 was paid on 11 June 2018.

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8. CASH AND SHORT TERM FUNDS

	Group		Bank	
	30 June 2018 RM'000	31 March 2018 RM'000	30 June 2018 RM'000	31 March 2018 RM'000
Cash and bank balances	443,148	432,378	342,578	339,212
Deposit placements maturing within one month:				
Licensed banks	195,842	413,487	182,400	400,150
Other financial institutions	12,738	12,638	12,738	12,638
	<u>651,728</u>	<u>858,503</u>	<u>537,716</u>	<u>752,000</u>
Less: Expected credit losses				
- 12 months ECL (Stage 1)	(7)	-	(7)	-
	<u>651,721</u>	<u>858,503</u>	<u>537,709</u>	<u>752,000</u>

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

Group and Bank	12-Month ECL Stage 1 RM'000
Balance at beginning of the financial year	-
- as previously stated	-
- effects of adoption of MFRS 9	7
Balance at beginning of the financial year, as restated	<u>7</u>
Allowance made due to changes in credit risk	-
Balance at end of the financial period	<u>7</u>

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Bank	
	30 June 2018 RM'000	31 March 2018 RM'000
At Fair Value		
Quoted Securities in Malaysia:		
Unit trusts	<u>632</u>	<u>-</u>

10. FINANCIAL ASSETS HELD-FOR-TRADING

	Group and Bank	
	30 June 2018 RM'000	31 March 2018 RM'000
At Fair Value		
Quoted Securities in Malaysia:		
Unit trusts	<u>-</u>	<u>1,020</u>

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11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group and Bank	
	30 June	31 March
	2018	2018
	RM'000	RM'000
At Fair value		
Unquoted Securities:		
In Malaysia:		
Shares	2,872	-
Outside Malaysia:		
Shares	17	-
	<u>2,889</u>	<u>-</u>

12. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group and Bank	
	30 June	31 March
	2018	2018
	RM'000	RM'000
At Cost		
Unquoted Securities:		
In Malaysia:		
Shares	-	1,450
Outside Malaysia:		
Shares	-	7
	<u>-</u>	<u>1,457</u>

13. FINANCIAL INVESTMENTS AT AMORTISED COST

	Group and Bank	
	30 June	31 March
	2018	2018
	RM'000	RM'000
At Amortised Cost:		
Money Market Instruments:		
Malaysian Government securities	60,531	-
Unquoted Securities in Malaysia:		
Corporate Bonds	75,100	-
	<u>135,631</u>	<u>-</u>

14. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group and Bank	
	30 June	31 March
	2018	2018
	RM'000	RM'000
At Amortised Cost:		
Money Market Instruments:		
Malaysian Government securities	-	60,601
Unquoted Securities in Malaysia:		
Corporate Bonds	-	75,100
	<u>-</u>	<u>135,701</u>

15. LOANS AND ADVANCES

	Group and Bank	
	30 June	31 March
	2018	2018
	RM'000	RM'000
At Amortised Cost		
Share margin financing	268,672	242,880
Revolving credits	37,479	37,695
Staff loans	1,182	1,520
Gross loans and advances	<u>307,333</u>	<u>282,095</u>
Less:		
Allowance for impairment on loans and advances		
Individual allowance	(2,043)	(2,067)
Collective allowance	(5)	(954)
	<u>(2,048)</u>	<u>(3,021)</u>
Net loans and advances	<u>305,285</u>	<u>279,074</u>

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

	Group and Bank	
	30 June	31 March
	2018	2018
	RM'000	RM'000
Domestic business enterprises:		
Small medium enterprises	3,459	3,458
Others	45,939	50,867
Individuals	257,935	227,770
	<u>307,333</u>	<u>282,095</u>

(b) All loans and advances reside in Malaysia.

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

	Group and Bank	
	30 June	31 March
	2018	2018
	RM'000	RM'000
Fixed rate		
Staff housing loans	1,097	1,381
Staff hire purchase receivables	85	139
Other fixed rate loans	268,672	242,880
	<u>269,854</u>	<u>244,400</u>
Variable rate:		
Cost-plus	37,479	37,695
	<u>307,333</u>	<u>282,095</u>

15. LOANS AND ADVANCES (CONT'D.)

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

	Group and Bank	
	30 June	31 March
	2018	2018
	RM'000	RM'000
Agriculture	862	862
Real estate	3,809	3,809
Business activities	44,726	49,654
Household, of which:		
Purchase of residential properties	1,097	1,381
Purchase of transport vehicles	85	139
Purchase of securities	256,754	226,250
	<u>307,333</u>	<u>282,095</u>

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

	Group and Bank	
	30 June	31 March
	2018	2018
	RM'000	RM'000
Maturing within one year	306,178	280,627
Over one year to three years	99	130
Over three years to five years	151	81
Over five years	905	1,257
	<u>307,333</u>	<u>282,095</u>

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

	Group and Bank	
	30 June	31 March
	2018	2018
	RM'000	RM'000
Balance at beginning of the financial year	2,067	2,163
Recoveries	(24)	(96)
Balance at end of the financial period/year	<u>2,043</u>	<u>2,067</u>
Gross impaired loans and advances as % of gross loans and advances	<u>0.66%</u>	<u>0.73%</u>
Loan loss coverage (including Regulatory Reserve)	<u>343.3%</u>	<u>287.3%</u>

15. 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:

	Group and Bank	
	30 June	31 March
	2018	2018
	RM'000	RM'000
Individual allowance		
Balance at beginning of the financial year	2,067	2,163
Allowance written back during the financial period/year	(24)	(96)
Balance at end of the financial period/year	2,043	2,067
Collective allowance		
Balance at beginning of year		
As previously stated	954	705
Effect of adoption of MFRS 9	(948)	-
Restated balance at beginning of financial year	6	705
Charge/(written back) during the financial period/year	(1)	249
Balance at end of the financial period/year	5	954

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

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Collective assessment allowance				
Group and Bank				
Balance at beginning of the financial year				
- as previously stated				954
- effects of adoption of MFRS 9				(948)
Balance at beginning of the financial year, as restated	5	-	1	6
Changes due to loan and advances				
Movements:				
Financial assets derecognised	(1)	-	-	(1)
Balance at the end of the financial period	4	-	1	5

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16. OTHER ASSETS

	Group		Bank	
	30 June 2018 RM'000	31 March 2018 RM'000	30 June 2018 RM'000	31 March 2018 RM'000
Trade receivables	502,013	587,698	501,858	587,644
Other receivables, deposits and prepayments	18,256	16,236	10,213	9,568
Fee receivable	34,276	32,781	16,215	14,246
Interest receivable	2,187	1,526	2,181	1,520
Tax recoverable	17,929	18,604	16,431	15,575
Margin deposits	35,166	26,416	35,166	26,416
Amount due from:				
Holding company	1,931	70	1,609	70
Subsidiaries	-	-	6,745	2,954
Other related companies	679	460	679	460
	<u>612,437</u>	<u>683,791</u>	<u>591,097</u>	<u>658,453</u>
Less:				
Accumulated impairment loss	(8,302)	(8,155)	(3,304)	(3,347)
	<u>604,135</u>	<u>675,636</u>	<u>587,793</u>	<u>655,106</u>

17. 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.

18. OTHER LIABILITIES

	Group		Bank	
	30 June 2018 RM'000	31 March 2018 RM'000	30 June 2018 RM'000	31 March 2018 RM'000
Trade payables	507,701	589,590	507,701	589,590
Other payables and accruals	41,605	48,571	33,256	35,247
Interest payable	4,174	4,444	4,174	4,444
Provision for commitments and contingencies	600	1,178	600	1,178
Amount due to other related companies	11,255	15,605	8,194	12,732
	<u>565,335</u>	<u>659,388</u>	<u>553,925</u>	<u>643,191</u>

19. INTEREST INCOME

Group	Individual Quarter		Cumulative Quarter	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	2,750	2,568	2,750	2,568
Financial investments at amortised cost	1,398	-	1,398	-
Financial investments held-to-maturity	-	780	-	780
Loans and advances	4,697	4,986	4,697	4,986
Others	303	419	303	419
	<u>9,148</u>	<u>8,753</u>	<u>9,148</u>	<u>8,753</u>

Bank	Individual Quarter		Cumulative Quarter	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	2,202	1,955	2,202	1,955
Financial investments at amortised cost	1,398	-	1,398	-
Financial investments held-to-maturity	-	780	-	780
Loans and advances	4,697	4,986	4,697	4,986
Others	303	419	303	419
	<u>8,600</u>	<u>8,140</u>	<u>8,600</u>	<u>8,140</u>

20. INTEREST EXPENSE

Group	Individual Quarter		Cumulative Quarter	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	5,145	5,010	5,145	5,010
Others	147	195	147	195
	<u>5,292</u>	<u>5,205</u>	<u>5,292</u>	<u>5,205</u>

Bank	Individual Quarter		Cumulative Quarter	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	5,145	5,010	5,145	5,010
Others	57	104	57	104
	<u>5,202</u>	<u>5,114</u>	<u>5,202</u>	<u>5,114</u>

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21. OTHER OPERATING INCOME

Group	Individual Quarter		Cumulative Quarter	
	30 June 2018	30 June 2017 (Restated)	30 June 2018	30 June 2017 (Restated)
	RM'000	RM'000	RM'000	RM'000
Fee and commission income:				
Brokerage fees and commission	18,149	21,913	18,149	21,914
Corporate advisory	4,096	2,980	4,096	2,980
Fees on loans and securities	3,527	2,477	3,527	2,476
Guarantee fees	-	10	-	10
Portfolio management fees	8,793	5,513	8,793	5,513
Underwriting commission	525	151	525	151
Unit trust management fees	21,017	28,733	21,017	28,733
Unit trust service charges	2,774	8,986	2,774	8,986
Wealth management fees	3,037	8,878	3,037	8,878
Other fee and commission income	897	1,684	897	1,684
	<u>62,815</u>	<u>81,325</u>	<u>62,815</u>	<u>81,325</u>
Investment and trading income:				
Gross dividend income from financial investments available-for-sale	-	883	-	883
Net foreign exchange gain/(loss)	1,149	(655)	1,149	(655)
Net gain from sale of financial assets designated at FVTPL	18	-	18	-
Net gain from sale of financial assets held-for-trading	-	4	-	4
Net loss on revaluation of derivatives	(6)	(21)	(6)	(21)
Net loss on revaluation of financial assets designated at FVTPL	(86)	-	(86)	-
Net gain on revaluation of financial assets held-for-trading	-	12	-	12
	<u>1,075</u>	<u>223</u>	<u>1,075</u>	<u>223</u>
Other income:				
Net gain on disposal of property and equipment	-	1	-	1
Non-trading foreign exchange gain	-	25	-	25
Rental income	577	559	577	558
Others	1,376	7,905	1,376	7,906
	<u>1,953</u>	<u>8,490</u>	<u>1,953</u>	<u>8,490</u>
	<u>65,843</u>	<u>90,038</u>	<u>65,843</u>	<u>90,038</u>

21. OTHER OPERATING INCOME (CONTD.)

Bank	Individual Quarter		Cumulative Quarter	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Fee and commission income:				
Brokerage fees and commission	18,149	21,913	18,149	21,914
Corporate advisory	4,096	2,980	4,096	2,980
Fees on loans and securities	3,527	2,477	3,527	2,476
Guarantee fees	-	10	-	10
Portfolio management fees	167	233	167	233
Underwriting commission	525	151	525	151
Wealth management fees	5,203	11,006	5,203	11,006
Other fee and commission income	936	791	936	791
	<u>32,603</u>	<u>39,561</u>	<u>32,603</u>	<u>39,561</u>
Investment and trading income:				
Gross dividend income from financial investments available-for-sale	-	883	-	883
Net foreign exchange gain/(loss)	1,002	(452)	1,002	(452)
Net gain from sale of financial assets designated at FVTPL	18	-	18	-
Net gain from sale of financial assets held-for-trading	-	4	-	4
Net loss on revaluation of derivatives	(6)	(21)	(6)	(21)
Net loss on revaluation of financial assets designated at FVTPL	(86)	-	(86)	-
Net gain on revaluation of financial assets held-for-trading	-	12	-	12
	<u>928</u>	<u>426</u>	<u>928</u>	<u>426</u>
Other income:				
Non-trading foreign exchange loss	-	(1)	-	(1)
Rental income	577	558	577	558
Others	281	741	281	741
	<u>858</u>	<u>1,298</u>	<u>858</u>	<u>1,298</u>
	<u>34,389</u>	<u>41,285</u>	<u>34,389</u>	<u>41,285</u>

22. DIRECT COSTS

Group	Individual Quarter		Cumulative Quarter	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Dealers' incentive	532	1,049	532	1,049
Brokerage commission	4,675	6,375	4,675	6,375
Unit trust commission	6,906	12,522	6,906	12,522
Others	2,655	5,040	2,655	5,040
	<u>14,768</u>	<u>24,986</u>	<u>14,768</u>	<u>24,986</u>
Bank				
Dealers' incentive	532	1,049	532	1,049
Brokerage commission	4,675	6,375	4,675	6,375
Others	2,655	5,040	2,655	5,040
	<u>7,862</u>	<u>12,464</u>	<u>7,862</u>	<u>12,464</u>

23. OTHER OPERATING EXPENSES

Group	Individual Quarter		Cumulative Quarter	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Contributions to EPF/Private Retirement Scheme	3,428	4,176	3,428	4,176
- Salaries, allowances and bonuses	21,335	24,988	21,335	24,987
- Shares and options granted under AMMB ESS - writeback	(2,473)	(3,613)	(2,473)	(3,613)
- Social security costs	133	137	133	137
- Others	2,049	7,226	2,049	7,228
	<u>24,472</u>	<u>32,914</u>	<u>24,472</u>	<u>32,915</u>
Establishment costs				
- Amortisation of intangible assets	256	543	256	544
- Cleaning, maintenance and security	336	341	336	341
- Computerisation costs	1,923	2,797	1,923	2,798
- Depreciation of property and equipment	629	716	629	716
- Rental of premises	2,357	2,582	2,357	2,582
- Others	299	214	299	212
	<u>5,800</u>	<u>7,193</u>	<u>5,800</u>	<u>7,193</u>
Marketing and communication expenses				
- Advertising, promotional and other marketing activities	95	155	95	154
- Sales commission	82	238	82	238
- Travelling and entertainment	415	474	415	473
- Communication expenses	670	1,078	670	1,078
- Others	236	257	236	259
	<u>1,498</u>	<u>2,202</u>	<u>1,498</u>	<u>2,202</u>
Administration and general expenses				
- Professional fees	2,844	4,392	2,844	4,392
- Travelling	94	168	94	167
- Others	3,838	11,485	3,838	11,485
	<u>6,776</u>	<u>16,045</u>	<u>6,776</u>	<u>16,044</u>
Service transfer pricing - expense, net				
	3,999	1,188	3,999	1,188
	<u>42,545</u>	<u>59,542</u>	<u>42,545</u>	<u>59,542</u>

23. OTHER OPERATING EXPENSES (CONTD.)

Bank	Individual Quarter		Cumulative Quarter	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Contributions to EPF/Private Retirement Scheme	2,415	2,978	2,415	2,978
- Salaries, allowances and bonuses	15,060	17,526	15,060	17,526
- Shares and options granted under AMMB ESS - writeback	(2,011)	(2,690)	(2,011)	(2,690)
- Social security costs	92	95	92	95
- Others	1,330	4,652	1,330	4,652
	<u>16,886</u>	<u>22,561</u>	<u>16,886</u>	<u>22,561</u>
Establishment costs				
- Amortisation of intangible assets	199	217	199	217
- Cleaning, maintenance and security	321	327	321	327
- Computerisation costs	1,901	2,765	1,901	2,765
- Depreciation of property and equipment	534	621	534	621
- Rental of premises	1,897	2,039	1,897	2,039
- Others	269	105	269	105
	<u>5,121</u>	<u>6,074</u>	<u>5,121</u>	<u>6,074</u>
Marketing and communication expenses				
- Advertising, promotional and other marketing activities	87	108	87	108
- Sales commission	6	230	6	230
- Travelling and entertainment	349	373	349	373
- Communication expenses	489	822	489	822
- Others	194	152	194	152
	<u>1,125</u>	<u>1,685</u>	<u>1,125</u>	<u>1,685</u>
Administration and general expenses				
- Professional fees	451	762	451	762
- Travelling	55	103	55	103
- Others	1,197	8,309	1,197	8,309
	<u>1,703</u>	<u>9,174</u>	<u>1,703</u>	<u>9,174</u>
Service transfer pricing - expense, net	2,887	145	2,887	145
	<u>27,722</u>	<u>39,639</u>	<u>27,722</u>	<u>39,639</u>

24. WRITEBACK OF IMPAIRMENT ON LOANS AND ADVANCES

Group and Bank	Individual Quarter		Cumulative Quarter	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Writeback of impairment on loans and advances:				
Individual allowance	24	24	24	24
Collective allowance	1	69	1	69
	<u>25</u>	<u>93</u>	<u>25</u>	<u>93</u>

25. 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.

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25. BUSINESS SEGMENT ANALYSIS (CONT'D.)

30 June 2018 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	16,393	24,808	6,129	4,904	7,383	(62)	7,546	67,101
Revenue from other segments	(59)	-	(364)	(23)	(186)	(3)	635	-
Revenue	16,334	24,808	5,765	4,881	7,197	(65)	8,181	67,101
Net interest income/(expense)	4,902	292	96	(24)	(186)	(1)	1,254	6,333
Other operating income, net of direct costs	11,375	24,426	5,669	4,905	7,383	(64)	1,798	55,492
Net income/(loss)	16,277	24,718	5,765	4,881	7,197	(65)	3,052	61,825
Other operating expenses	(13,632)	(14,802)	(4,965)	(3,422)	(2,999)	(1,537)	(1,188)	(42,545)
<i>of which:</i>								
<i>Depreciation of property and equipment</i>	(164)	(95)	(56)	(15)	(10)	(44)	(245)	(629)
<i>Amortisation of intangible assets</i>	(132)	(56)	(33)	(1)	(3)	(1)	(28)	(254)
Operating profit/(loss)	2,645	9,916	800	1,459	4,198	(1,602)	1,864	19,280
Writeback of impairment on loans and advances	25	-	-	-	-	-	-	25
(Allowance for)/Writeback of doubtful receivables, net	1	(169)	-	39	-	-	1	(128)
Profit/(loss) before taxation	2,671	9,747	800	1,498	4,198	(1,602)	1,865	19,177
Taxation	(632)	(1,838)	(192)	(360)	(1,007)	384	(1)	(3,646)
Profit/(loss) for the period	2,039	7,909	608	1,138	3,191	(1,218)	1,864	15,531
Other information:								
Total segment assets	866,238	109,632	39,455	5,910	8,587	1,292	733,951	1,765,065
Total segment liabilities	512,966	18,162	2,189	776	4,109	373	626,781	1,165,356
Cost to income ratio	83.8%	59.9%	86.1%	70.1%	41.7%	>-100%	38.9%	68.8%
Gross loans and advances	268,672	-	37,479	-	-	1	1,181	307,333
Net loans and advances	266,629	-	37,479	-	-	-	1,177	305,285
Impaired loans and advances	2,043	-	-	-	-	-	-	2,043
Total deposits and placements	-	-	-	-	-	-	600,000	600,000
Additions to:								
Property and equipment	30	11	3	18	-	7	9	78
Intangible assets	55	74	55	-	-	16	5	205

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25. BUSINESS SEGMENT ANALYSIS (CONT'D.)

30 June 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	24,019	30,510	9,758	3,404	8,944	6	6,501	83,142
Revenue from other segments	76	-	(440)	3	(26)	9	378	-
Revenue	24,095	30,510	9,318	3,407	8,918	15	6,879	83,142
Net interest income/(expense)	5,128	329	162	3	(27)	9	(287)	5,317
Other operating income, net of direct costs	18,862	30,089	9,156	3,404	8,945	7	1,779	72,242
Net income	23,990	30,418	9,318	3,407	8,918	16	1,492	77,559
Other operating expenses	(16,363)	(19,722)	(4,612)	(4,019)	(3,974)	(2,105)	(8,747)	(59,542)
<i>of which:</i>								
<i>Depreciation of property and equipment</i>	(204)	(95)	(58)	(15)	(9)	(89)	(246)	(716)
<i>Amortisation of intangible assets</i>	(160)	(328)	(28)	(1)	(2)	(6)	(19)	(544)
Operating profit/(loss)	7,627	10,696	4,706	(612)	4,944	(2,089)	(7,255)	18,017
Writeback of impairment on loans and advances	52	-	32	-	-	-	9	93
(Allowance for)/Writeback of doubtful receivables, net	771	-	-	-	-	(1)	-	770
(Allowance for)/Writeback of provision for commitments and contingencies	19	-	(6)	-	-	-	-	13
Profit/(loss) before taxation	8,469	10,696	4,732	(612)	4,944	(2,090)	(7,246)	18,893
Taxation	(497)	(2,177)	(1,136)	147	(1,187)	502	2,055	(2,293)
Profit/(loss) for the period	7,972	8,519	3,596	(465)	3,757	(1,588)	(5,191)	16,600
Other information:								
Total segment assets	922,529	125,294	53,680	2,379	6,286	2,027	816,126	1,928,321
Total segment liabilities	594,680	24,420	6,209	1,858	5,073	4,128	689,968	1,326,336
Cost to income ratio	68.2%	64.8%	49.5%	>100%	44.6%	>100%	>100%	76.8%
Gross loans and advances	247,860	-	48,441	-	-	-	2,032	298,333
Net loans and advances	245,269	-	48,345	-	-	-	1,944	295,558
Impaired loans and advances	2,139	-	-	-	-	-	-	2,139
Total deposits and placements	-	-	-	-	-	-	650,000	650,000
Additions to:								
Property and equipment	59	33	4	92	-	132	40	360
Intangible assets	58	107	-	-	-	8	14	187

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26. 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:

	Group and Bank	
	30 June	31 March
	2018	2018
	RM'000	RM'000
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	176,907	197,249
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	19	19
	<u>176,926</u>	<u>197,268</u>
Contingent Liabilities		
Obligations under an on-going underwriting agreement	15,000	55,903
	<u>15,000</u>	<u>55,903</u>
Derivative Financial Instruments		
Foreign exchange related contracts:		
- One year or less	9,240	3,411
	<u>9,240</u>	<u>3,411</u>
	<u>201,166</u>	<u>256,582</u>

27. 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.

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

Movements In Level 3 financial instruments measured at fair value

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

	Equity instruments at fair value through other comprehensive income RM'000
Group and Bank	
At the beginning of financial year	-
Effect of adopting MFRS 9	2,889
Adjusted 1 April 2018	<u>2,889</u>
Total gain/(losses) recognised in Other Comprehensive Income	-
At the end of the financial period	<u>2,889</u>

There are no gains or losses included in the statement of profit or loss and statement of comprehensive income for financial instruments held at the end of reporting period.

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

Impact on fair value of Level 3 financial instruments measured at fair value arising from changes to key assumptions.

Changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

28. CAPITAL ADEQUACY

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

As at 30 June 2018	Group	Bank
Common Equity Tier 1 ("CET 1") Capital Ratio	36.240%	30.931%
Tier 1 Capital Ratio	36.240%	30.931%
Total Capital Ratio	36.590%	31.295%
As at 31 March 2018	Group	Bank
Before deducting proposed dividends:		
CET 1 Capital Ratio	45.466%	41.194%
Tier 1 Capital Ratio	45.466%	41.194%
Total Capital Ratio	45.713%	41.452%
After deducting proposed dividends:		
CET 1 Capital Ratio	32.349%	27.529%
Tier 1 Capital Ratio	32.349%	27.529%
Total Capital Ratio	32.596%	27.787%

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 2 February 2018 (replacing the same guidelines issued previously on 13 October 2015), which is based on the Basel III capital accord. The Group and the Bank have adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM's Guidelines on Capital Adequacy Framework (Basel II - Risk Weighted Assets).
- (ii) Pursuant to the revised BNM's guidelines on Capital Adequacy Framework (Capital Components) issued, the minimum capital adequacy ratio maintained under the guidelines remain consistent at 4.5% for CET1 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:
- (a) a Capital Conservation Buffer ("CCB") of 2.5%; and
- (b) a Countercyclical Capital Buffer ("CCyB") determined as the weighted-average of the prevailing CCyB rates applied in the jurisdictions in which the Bank has credit exposures

The CCB requirements under transitional arrangements shall be phased-in starting from 1 January 2016 as follows:

	CCB
Calendar year 2016	0.625%
Calendar year 2017	1.25%
Calendar year 2018	1.875%
Calendar year 2019 onwards	2.50%

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28. 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:

	Group		Bank	
	30 June 2018 RM'000	31 March 2018 RM'000	30 June 2018 RM'000	31 March 2018 RM'000
CET 1 Capital				
Share capital	200,000	200,000	200,000	200,000
Retained earnings	270,444	470,006	275,389	474,802
Fair value reserve	1,089	-	1,089	-
Exchange fluctuation reserve	2,187	2,124	-	-
Statutory reserve	-	-	-	-
Regulatory reserve	4,961	2,918	4,961	2,918
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	(2,592)	(2,642)	(2,069)	(2,137)
Deferred tax assets	(4,238)	(6,523)	(1,830)	(4,085)
55% of AFS reserve	(599)	-	(599)	-
Regulatory reserve	(4,961)	(2,918)	(4,961)	(2,918)
Investments in capital instruments of unconsolidated financial entities	-	-	(49,809)	(49,809)
CET 1 capital/Tier 1 Capital	514,779	711,453	422,171	618,771
Tier 2 capital				
Collective impairment provisions and regulatory reserve	4,972	3,871	4,972	3,871
Tier 2 capital	4,972	3,871	4,972	3,871
Total Capital	519,751	715,324	427,143	622,642

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

	Group		Bank	
	30 June 2018 RM'000	31 March 2018 RM'000	30 June 2018 RM'000	31 March 2018 RM'000
Credit risk	832,156	924,371	1,032,605	1,123,584
Market risk	79,880	126,151	58,746	105,011
Operational risk	508,433	514,296	273,534	273,498
	1,420,469	1,564,818	1,364,885	1,502,093

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29. OPERATIONS OF ISLAMIC BANKING

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	Group and Bank	
		30 June 2018 RM'000	31 March 2018 RM'000
ASSETS			
Cash and short-term funds		347,786	339,499
Other receivables, deposits and prepayments		5,851	6,621
Deferred tax assets		243	306
Property and equipment		5	6
TOTAL ASSETS		353,885	346,432
LIABILITIES AND ISLAMIC BANKING FUNDS			
Other liabilities	29a	119,177	116,682
TOTAL LIABILITIES		119,177	116,682
ISLAMIC BANKING FUNDS			
Capital funds		30,000	30,000
Reserves		204,708	199,750
Islamic Banking Funds		234,708	229,750
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		353,885	346,432

Note :

There are no outstanding commitments and contingencies of the Group and the Bank as at 30 June 2018 and 31 March 2018.

29. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

UNAUDITED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2018

Group and Bank	Individual Quarter		Cumulative Quarter	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Income derived from investment of depositors' funds and others	829	728	829	728
Income attributable to depositors	-	(378)	-	(378)
Profit attributable to the Group and the Bank	829	350	829	350
Income derived from investment of Islamic banking funds	6,083	8,674	6,083	8,674
Direct costs	(18)	(65)	(18)	(65)
Total net income	6,894	8,959	6,894	8,959
Other operating expenses	(369)	(742)	(369)	(742)
Profit before taxation	6,525	8,217	6,525	8,217
Taxation	(1,567)	(1,973)	(1,567)	(1,973)
Profit for the financial period	4,958	6,244	4,958	6,244

29. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

**UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2018**

	<u>Non-distributable</u>	<u>Distributable</u>	
	Capital Funds RM'000	Retained Earnings RM'000	Total RM'000
Group and Bank			
At 1 April 2017	30,000	174,362	204,362
Profit for the financial period	-	6,244	6,244
At 30 June 2017	<u>30,000</u>	<u>180,606</u>	<u>210,606</u>
At 1 April 2018	30,000	199,750	229,750
Profit for the financial period	-	4,958	4,958
At 30 June 2018	<u>30,000</u>	<u>204,708</u>	<u>234,708</u>

29a. OTHER LIABILITIES

	Group and Bank	
	30 June 2018 RM'000	31 March 2018 RM'000
Trade payables	-	17
Other payables and accruals	999	994
Amount due to head office	108,613	107,680
Provision for taxation	9,565	7,991
	<u>119,177</u>	<u>116,682</u>

29. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

29b. CAPITAL ADEQUACY

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

	30 June 2018	31 March 2018
CET 1 capital ratio	180.540%	189.278%
Tier 1 capital ratio	180.540%	189.278%
Total capital ratio	180.540%	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 2 February 2018 (replacing the same guidelines issued previously 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).

(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:

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

	30 June 2018 RM'000	31 March 2018 RM'000
<u>CET 1 Capital</u>		
Capital Funds	30,000	30,000
Retained earnings	204,708	174,362
Less : Regulatory adjustments applied on CET1 Capital		
Deferred tax assets	(243)	(333)
CET 1 capital/ Tier 1 capital/ Total capital	234,465	204,029

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:

	30 June 2018 RM'000	31 March 2018 RM'000
Credit risk	75,390	66,446
Operational risk	54,479	41,347
Total risk weighted assets	129,869	107,793

30. PERFORMANCE REVIEW FOR THE PERIOD ENDED 30 JUNE 2018

The Group's profit before taxation for the three months period ended 30 June 2018 of RM19.2 million was mainly due to higher net interest income and lower operating expenses, partly offset by lower fee and commission income.

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 .

31. PROSPECTS FOR FINANCIAL YEAR ENDING 31 MARCH 2019

Following the below-than-expected 2Q2018 Gross Domestic Product ("GDP") of 4.5% dragged by commodity shocks coming from both mining and agricultural and public investment, growth was supported by private expenditure and exports. Hence the 1H2018 GDP grew 5.0%. For the full year, our revised projection is between 4.8% to 5.0% from our previous projection of 5.3% to 5.6% supported by domestic activities and exports.

Inflation in 2Q2018 was 1.3%, thus bringing the 1H2018 to average at 1.6% following the introduction of fuel subsidy and removal of Goods and Service Tax ("GST") which is replaced with Sales and Service Tax ("SST") that now covers 38% of Consumer Price Index (CPI) basket of goods versus 60% with the GST. Inflation is projected to average around 1.5% in 2018.

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

Banks have sufficient liquid assets with an industry liquidity coverage ratio of 138.0% as at end June 2018, well above the regulatory requirement of 100.0%. Funding profiles of banks have been well diversified with the industry's loan-to-fund ratio and loan-to-fund and equity ratio standing at 83.9% and 73.2% respectively as at June 2018.

We anticipate Net Finance Margin ("NFM") of banks to taper from 1Q18 that was boosted by an Overnight Policy Rate ("OPR") hike of 25bps in January 2018. The lagged repricing of banks' deposit rates adjusting to the increase in OPR coupled with keener competition for deposits compared to 1H18 as the sector moves closer towards the implementation of Net Stable Funding Ratio ("NSFR") will be the contributing factors.

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

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

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

32. VALUATION OF PROPERTY AND EQUIPMENT

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

33. SIGNIFICANT EVENTS

There has not arisen during the financial period, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and the Bank for the current financial period.

34. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS

a) Adoption of new standards and amendments to published standards

MFRS 9 Financial Instruments

i. Classification and measurement of financial instruments

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

Group	Measurement category		Carrying amount		
	Under MFRS 139	Under MFRS 9	Under MFRS 139 RM'000	Remeasurements RM'000	Under MFRS 9 RM'000
Financial assets					
Cash and short-term funds	Amortised cost (Loans and receivables)	Amortised cost	858,503	(7)	858,496
Financial assets held-for-trading	FVTPL (HFT)	FVTPL	1,020	-	1,020
Financial investments available-for-sale	FVOCI (AFS)	FVOCI (Equity)	1,457	1,432	2,889
Financial investments held-to-maturity	Amortised Cost (HTM)	Amortised Cost	135,701	-	135,701
Loans, advances and financing	Amortised cost (Loans and receivables)	Amortised cost	279,074	948	280,022
Statutory deposits with Bank Negara Malaysia	Amortised cost (Loans and receivables)	Amortised cost	3,003	-	3,003
Deferred tax assets	Amortised cost (Loans and receivables)	Amortised cost	6,357	(707)	5,650
Other assets	Amortised cost (Loans and receivables)	Amortised cost	675,636	(3)	675,633
Financial liabilities					
Other liabilities	Amortised cost (Loans and receivables)	Amortised cost	659,388	(578)	658,810

Bank	Measurement category		Carrying amount		
	Under MFRS 139	Under MFRS 9	Under MFRS 139 RM'000	Remeasurements RM'000	Under MFRS 9 RM'000
Financial assets					
Cash and short-term funds	Amortised cost (Loans and receivables)	Amortised cost	752,000	(7)	751,993
Financial assets held-for-trading	FVTPL (HFT)	FVTPL	1,020	-	1,020
Financial investments available-for-sale	FVOCI (AFS)	FVOCI (Equity)	1,457	1,432	2,889
Financial investments held-to-maturity	Amortised Cost (HTM)	Amortised Cost	135,701	-	135,701
Loans, advances and financing	Amortised cost (Loans and receivables)	Amortised cost	279,074	948	280,022
Statutory deposits with Bank Negara Malaysia	Amortised cost (Loans and receivables)	Amortised cost	3,003	-	3,003
Deferred tax assets	Amortised cost (Loans and receivables)	Amortised cost	3,919	(707)	3,212
Other assets	Amortised cost (Loans and receivables)	Amortised cost	655,106	(3)	655,103

34. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS (CONT'D.)

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

MFRS 9 Financial Instruments

i. Classification and measurement of financial instruments

Bank	Measurement category		Carrying amount		
	Under MFRS 139	Under MFRS 9	Under MFRS 139 RM'000	Remeasure- ments RM'000	Under MFRS 9 RM'000
Financial liabilities					
Other liabilities	Amortised cost (Loans and receivables)	Amortised cost	643,191	(578)	642,613

ii. Reconciliation of financial instruments from MFRS 139 to MFRS 9

	Group RM'000	Bank RM'000
<u>Amortised costs</u>		
Cash and short-term funds		
Closing balance under MFRS 139 as at 31 March 2018	858,503	752,000
Allowance for ECL	(7)	(7)
Opening balance under MFRS 9 as at 1 April 2018	858,496	751,993
Financial investments held-to-maturity		
Closing balance under MFRS 139 as at 31 March 2018	135,701	135,701
Reclassification to Financial Investments at amortised cost	(135,701)	(135,701)
Opening balance under MFRS 9 as at 1 April 2018	-	-
Financial assets at amortised costs		
Closing balance under MFRS 139 as at 31 March 2018	-	-
Reclassification from Financial investments held-to-maturity	135,701	135,701
Opening balance under MFRS 9 as at 1 April 2018	135,701	135,701
Loans, advances and financing		
Closing balance under MFRS 139 as at 31 March 2018	279,074	279,074
Writeback of allowance under MFRS 139	954	954
Allowance for ECL	(6)	(6)
Opening balance under MFRS 9 as at 1 April 2018	280,022	280,022
Total financial assets measured at amortised cost	1,274,219	1,167,716
<u>Fair value through profit and loss (FVTPL)</u>		
Financial assets held-for-trading		
Closing balance under MFRS 139 as at 31 March 2018	1,020	1,020
Reclassification to Financial assets at FVTPL	(1,020)	(1,020)
Opening balance under MFRS 9 as at 1 April 2018	-	-
Financial assets at FVTPL		
Closing balance under MFRS 139 as at 31 March 2018	-	-
Reclassification from Financial investments held-for-trading	1,020	1,020
Opening balance under MFRS 9 as at 1 April 2018	1,020	1,020
Total financial assets measured at fair value through profit and loss	1,020	1,020

34. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS (CONT'D.)

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

MFRS 9 Financial Instruments (Cont'd.)

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

	Group RM'000	Bank RM'000
<u>Fair value through other comprehensive income (FVOCI)</u>		
Financial assets available-for-sale		
Closing balance under MFRS 139 as at 31 March 2018	1,457	1,457
Reclassification to financial investments at FVOCI (equity)	(1,457)	(1,457)
Opening balance under MFRS 9 as at 1 April 2018	-	-
Financial assets at FVOCI (equity)		
Closing balance under MFRS 139 as at 31 March 2018	-	-
Reclassification from financial investments available-for-sale	1,457	1,457
Remeasurement from amortised cost to FV	1,432	1,432
Opening balance under MFRS 9 as at 1 April 2018	2,889	2,889
Total financial assets measured at fair value through other comprehensive income	2,889	2,889
Deferred tax assets		
Closing balance under MFRS 139 as at 31 March 2018	6,357	3,919
Tax impact on unrealised loss on FVOCI reserve	(343)	(343)
Tax impact on impairment	(364)	(364)
Opening balance under MFRS 9 as at 1 April 2018	5,650	3,212
Other assets		
Closing balance under MFRS 139 as at 31 March 2018	675,636	655,106
Tax impact on impairment on other receivables	(3)	(3)
Opening balance under MFRS 9 as at 1 April 2018	675,633	655,103
Other liabilities		
Closing balance under MFRS 139 as at 31 March 2018	659,388	643,191
Writeback of provision for commitment and contingencies under MFRS 139	(578)	(578)
Opening balance under MFRS 9 as at 1 April 2018	658,810	642,613

iii. The following is the reconciliation of prior year's closing equity balances which have impact from the adoption of MFRS 9 arising from the reclassifications and remeasurements to the restated opening balance as at 1 April 2018:

	Group RM'000	Bank RM'000
Retained earnings		
Closing balance under MFRS 139 as at 31 March 2018	470,006	474,802
Recognition of allowance for ECL	1,516	1,516
Tax impact on allowance for ECL	(364)	(364)
Transfer to regulatory reserve	(1,985)	(1,985)
Opening balance under MFRS 9 as at 1 April 2018	469,173	473,969
Regulatory reserve		
Closing balance under MFRS 139 as at 31 March 2018	2,918	2,918
Transfer from retained earnings	1,985	1,985
Opening balance under MFRS 9 as at 1 April 2018	4,903	4,903
Fair value reserve		
Closing balance under MFRS 139 as at 31 March 2018	-	-
Fair value changes on financial investments at FVOCI	1,432	1,432
Tax impact on unrealised fair value changes	(343)	(343)
Opening balance under MFRS 9 as at 1 April 2018	1,089	1,089

34. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS (CONT'D.)

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

MFRS 9 Financial Instruments (Cont'd.)

iv. Reconciliation of impairment allowances balance

The following table reconciles the prior period's closing impairment allowance measured in accordance with the MFRS139 incurred loss model or provision under MFRS137 to the new impairment allowance measured in accordance with the MFRS9 expected loss model at 1 April 2018:

	Loss allowance under MFRS 139/ Provision under MFRS 137 RM'000	Remeasure- ments RM'000	Loss allowance under MFRS 9 RM'000
Group and Bank			
Loans and receivables under MFRS 139/Financial assets at amortised cost under MFRS 9			
Cash and short-term funds	-	7	7
Loans and advances	954	(948)	6
Other assets	-	3	3
Total	<u>954</u>	<u>(938)</u>	<u>16</u>

b) The adoption of MFRS 9 resulted in the following financial effects to the financial statements of the Group and of the Bank:

i) Reconciliation of statement of financial position

Group	31 March 2018 RM'000	Reclassification and remeasurement RM'000	Impairment RM'000	1 April 2018 RM'000
ASSETS				
Cash and short-term funds	858,503	-	(7)	858,496
Financial assets held-for-trading	1,020	(1,020)	-	-
Financial assets at fair value through profit or loss	-	1,020	-	1,020
Financial investments available-for-sale	1,457	(1,457)	-	-
Financial investments at fair value through other comprehensive income	-	2,889	-	2,889
Financial investments held-to-maturity	135,701	(135,701)	-	-
Financial investments at amortised cost	-	135,701	-	135,701
Loans and advances	279,074	-	948	280,022
Statutory deposit with Bank				
Negara Malaysia	3,003	-	-	3,003
Deferred tax assets	6,357	(343)	(364)	5,650
Other assets	675,636	-	(3)	675,633
Property and equipment	19,540	-	-	19,540
Intangible assets	39,084	-	-	39,084
TOTAL ASSETS	<u>2,019,375</u>	<u>1,089</u>	<u>574</u>	<u>2,021,038</u>
LIABILITIES AND EQUITY				
Deposits and placements of banks and other financial institutions	600,000	-	-	600,000
Derivative financial liabilities	9	-	-	9
Other liabilities	659,388	-	(578)	658,810
TOTAL LIABILITIES	<u>1,259,397</u>	<u>-</u>	<u>(578)</u>	<u>1,258,819</u>

34. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS (CONT'D.)

b) The adoption of MFRS 9 resulted in the following financial effects to the financial statements of the Group and of the Bank (Cont'd.)
:

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

Group	31 March	Reclassification		1 April
	2018	and	Impairment	2018
	RM'000	remeasurement	RM'000	RM'000
Share capital	200,000	-	-	200,000
Reserves	559,978	1,089	1,152	562,219
<i>Retained earnings</i>	470,006	-	(833)	469,173
<i>Capital reserve</i>	2,815	-	-	2,815
<i>Regulatory reserve</i>	2,918	-	1,985	4,903
<i>Merger reserve</i>	82,115	-	-	82,115
<i>Fair value reserve</i>	-	1,089	-	1,089
<i>Foreign currency translation reserve</i>	2,124	-	-	2,124
Equity attributable to equity holder of the Bank	759,978	1,089	1,152	762,219
TOTAL EQUITY	759,978	1,089	1,152	762,219
TOTAL LIABILITIES AND EQUITY	2,019,375	1,089	574	2,021,038
NET ASSETS PER SHARE (RM)	3.80			3.81
Bank				
ASSETS				
Cash and short-term funds	752,000	-	(7)	751,993
Financial assets held-for-trading	1,020	(1,020)	-	-
Financial assets at fair value through profit or loss	-	1,020	-	1,020
Financial investments available-for-sale	1,457	(1,457)	-	-
Financial investments at fair value through other comprehensive income	-	2,889	-	2,889
Financial investments held-to-maturity	135,701	(135,701)	-	-
Financial investments at amortised cost	-	135,701	-	135,701
Loans and advances	279,074	-	948	280,022
Statutory deposit with Bank				
Negara Malaysia	3,003	-	-	3,003
Deferred tax assets	3,919	(343)	(364)	3,212
Investments in subsidiaries	68,927	-	-	68,927
Other assets	655,106	-	(3)	655,103
Property and equipment	18,576	-	-	18,576
Intangible assets	2,137	-	-	2,137
TOTAL ASSETS	1,920,920	1,089	574	1,922,583
LIABILITIES AND EQUITY				
Deposits and placements of banks and other financial institutions	600,000	-	-	600,000
Derivative financial liabilities	9	-	-	9
Other liabilities	643,191	-	(578)	642,613
TOTAL LIABILITIES	1,243,200	-	(578)	1,242,622
Share capital	200,000	-	-	200,000
Reserves	477,720	1,089	1,152	479,961
<i>Retained earnings</i>	474,802	-	(833)	473,969
<i>Regulatory reserve</i>	2,918	-	1,985	4,903
<i>Fair value reserve</i>	-	1,089	-	1,089
Equity attributable to equity holder of the Bank	677,720	1,089	1,152	679,961
TOTAL EQUITY	677,720	1,089	1,152	679,961
TOTAL LIABILITIES AND EQUITY	1,920,920	1,089	574	1,922,583
NET ASSETS PER SHARE (RM)	3.39			3.40

34. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS (CONT'D.)

b) The adoption of MFRS 9 resulted in the following financial effects to the financial statements of the Group and of the Bank (Cont'd.)
 :

ii) Impact on the capital ratios

	31 March 2018	Impact of adopting MFRS 9	1 April 2018
Group			
CET 1 Capital (RM'000)	711,453	365	711,819
Tier 1 Capital (RM'000)	711,453	365	711,819
Total Capital (RM'000)	715,324	1,412	716,736
Risk weighted assets (RM'000)	1,564,818	2,149	1,566,967
CET 1 Capital Ratio	32.349%	-0.021%	32.328%
Tier 1 Capital Ratio	32.349%	-0.021%	32.328%
Total Capital Ratio	32.596%	0.045%	32.641%
Bank			
CET 1 Capital (RM'000)	618,771	365	619,136
Tier 1 Capital (RM'000)	618,771	365	619,136
Total Capital (RM'000)	622,642	1,412	624,054
Risk weighted assets (RM'000)	1,502,093	2,149	1,504,242
CET 1 Capital Ratio	27.529%	-0.015%	27.514%
Tier 1 Capital Ratio	27.529%	-0.015%	27.514%
Total Capital Ratio	27.787%	0.054%	27.841%