Company No. 295576–U

AmBank Islamic Berhad

(Incorporated in Malaysia)

Condensed Interim Financial Statements
For the Financial Period
1 April 2019 to
31 December 2019

(In Ringgit Malaysia)

Company No. 295576–U
AmBank Islamic Berhad
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	31 December 2019 RM'000	31 March 2019 RM'000
ASSETS			
Cash and short-term funds	A8	5,072,209	1,568,643
Derivative financial assets		51,054	43,136
Financial assets at fair value through profit or loss	A9	1,180,953	5,113,974
Financial investments at fair value through other comprehensive income	A10	4,236,180	3,492,140
Financial investments at amortised cost	A11	1,686,996	1,705,455
Financing and advances	A12	29,971,976	28,922,449
Statutory deposit with Bank Negara Malaysia		878,000	970,000
Other assets	A13	263,575	406,985
Right-of-use assets		205	-
Property and equipment		505	576
Intangible assets		1,109	1,351
TOTAL ASSETS		43,342,762	42,224,709
LIABILITIES AND EQUITY			
Deposits from customers	A14	30,835,986	31,139,936
Investment accounts of customers	A15	154,592	353,451
Deposits and placements of banks and other financial institutions	A16	3,715,093	2,598,550
Investment account due to a licensed bank	A17	1,556,682	1,465,539
Recourse obligation on financing sold to Cagamas Berhad		1,000,000	518,350
Derivative financial liabilities		67,584	55,519
Term funding		934,679	1,080,000
Subordinated Sukuk		1,150,000	1,150,000
Deferred tax liability		19,275	5,360
Other liabilities	A18	288,921	330,874
Provision for zakat		4,276	2,059
TOTAL LIABILITIES		39,727,088	38,699,638
Share capital		1,387,107	1,387,107
Reserves		2,228,567	2,137,964
Equity attributable to equity holder of the Bank		3,615,674	3,525,071
TOTAL LIABILITIES AND EQUITY		43,342,762	42,224,709
COMMITMENTS AND CONTINGENCIES	A34	13,535,283	11,593,921
NET ASSETS PER SHARE (RM)		7.31	7.13

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2019.

Company No. 295576–U
AmBank Islamic Berhad
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2019

		Individual Quarter		Cumulative Quarter	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
	Note	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	A19	444,867	455,642	1,335,586	1,309,487
Income derived from investment of investment account funds	A20	18,591	25,891	58,353	83,360
Income derived from investment of shareholder's funds	A21	48,542	44,426	143,493	133,735
Allowance for impairment on financing and advances - net	A22	(20,249)	(28,336)	(77,218)	(103,960)
Impairment writeback/(losses) on financial investments	A23	(237)	(4,252)	2,446	(6,158)
Impairment (losses)/writeback on other financial assets	A24	3	30	6	(2)
Provision for commitments and contingencies - writeback/ (allowance)	A25	1,855	1,733	3,686	(277)
Total distributable income		493,372	495,134	1,466,352	1,416,185
Income attributable to the depositors and others	A26	(252,538)	(266,393)	(759,110)	(766,812)
Income attributable to the investment account holders	A27	(16,873)	(23,036)	(52,614)	(71,520)
Total net income		223,961	205,705	654,628	577,853
Other operating expenses	A28	(76,628)	(76,055)	(226,408)	(230,526)
Finance cost		(25,291)	(29,359)	(76,981)	(77,781)
Profit before zakat and taxation		**122,042**	**100,291**	**351,239**	**269,546**
Zakat		(794)	(713)	(2,218)	(1,993)
Taxation		(26,285)	(23,238)	(75,055)	(59,226)
Profit for the financial period		**94,963**	**76,340**	**273,966**	**208,327**
Basic/Diluted earnings per share (sen)	A29	**19.21**	**15.44**	**55.42**	**42.14**

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2019.

Company No. 295576–U
AmBank Islamic Berhad
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2019

	Individual Quarter		Cumulative Quarter	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Profit for the financial period	94,963	76,340	273,966	208,327
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Financial investments at fair value through other comprehensive income:				
Net unrealised gain on changes in fair value	876	1,446	51,102	5,065
Expected credit loss ("ECL")	229	4,230	(2,377)	6,052
Net gain reclassified to statement of profit or loss	(1,868)	(1,785)	(9,533)	(1,784)
Income tax effect	238	82	(9,977)	(787)
Other comprehensive (loss)/income for the period, net of tax	(525)	3,973	29,215	8,546
Total comprehensive income for the financial period	94,438	80,313	303,181	216,873

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2019.

Company No. 295576–U
AmBank Islamic Berhad
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2019

	Attributable to Equity Holder of the Bank					
		Non-distributable			Distributable	
	Share capital RM'000	Regulatory reserve RM'000	Available-for-sale reserve/deficit RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000
Balance at 1 April 2018						
- as previously stated	1,387,107	327,683	(5,492)	-	1,632,472	3,341,770
- Effects of adoption of MFRS 9 at 1 April 2018	-	(162,530)	5,492	15,535	38,894	(102,609)
Restated balance at 1 April 2018	1,387,107	165,153	-	15,535	1,671,366	3,239,161
Profit for the financial period	-	-	-	-	208,327	208,327
Other comprehensive income, net of tax	-	-	-	8,546	-	8,546
Total comprehensive income for the financial period	-	-	-	8,546	208,327	216,873
Transfer from regulatory reserve	-	(16,673)	-	-	16,673	-
Transfer of AMMB Holdings Berhad ("AMMB") Executives' Share Scheme ("ESS") shares recharged - difference on purchase price of shares vested	-	-	-	-	(70)	(70)
Dividend on ordinary shares:						
- interim, financial year ended 31 March 2019	-	-	-	-	(49,437)	(49,437)
Transactions with owner and other equity movements	-	(16,673)	-	-	(32,834)	(49,507)
At 31 December 2018	1,387,107	148,480	-	24,081	1,846,859	3,406,527
At 1 April 2019	1,387,107	164,928	-	39,151	1,933,885	3,525,071
Profit for the financial period	-	-	-	-	273,966	273,966
Other comprehensive income, net of tax	-	-	-	29,215	-	29,215
Total comprehensive income/(loss) for the financial period	-	-	-	29,215	273,966	303,181
Transfer to regulatory reserve	-	114,299	-	-	(114,299)	-
Dividend on ordinary shares:						
- final, financial year ended 31 March 2019	-	-	-	-	(163,141)	(163,141)
- interim, financial year ending 31 March 2020	-	-	-	-	(49,437)	(49,437)
Transactions with owner and other equity movements	-	114,299	-	-	(326,877)	(212,578)
At 31 December 2019	1,387,107	279,227	-	68,366	1,880,974	3,615,674

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2019.

Company No. 295576–U
AmBank Islamic Berhad
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2019

	31 December 2019 RM'000	31 December 2018 RM'000
Profit before zakat and taxation	351,239	269,546
Adjustments for non-operating and non-cash items	82,097	90,055
Operating profit before working capital changes	433,336	359,601
Changes in working capital:		
Net change in operating assets	2,984,138	(1,619,451)
Net change in operating liabilities	1,002,723	3,806,850
Zakat paid	-	(1,855)
Taxation paid	(44,412)	(17,976)
Net cash generated from operating activities	4,375,785	2,527,169
Net cash used in investing activities	(659,585)	(543,324)
Net cash (used in)/generated from financing activities	(212,640)	450,563
Net increase in cash and cash equivalents	3,503,560	2,434,408
Cash and cash equivalents at beginning of the financial year	1,568,649	1,788,429
Cash and cash equivalents at end of the financial period	5,072,209	4,222,837
Cash and cash equivalents comprise:		
Cash and short-term funds	5,072,209	4,222,832
Allowances for expected credit loss ("ECL") for cash and cash equivalents at end of the financial period	-	5
	5,072,209	4,222,837

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2019.

Explanatory Notes

A1. BASIS OF PREPARATION

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

These condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial statements of the Bank for the financial year ended 31 March 2019.

A1.1 Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new standards, amendments to published standards, and new interpretation which became effective for the first time for the Bank on 1 April 2019:

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Prepayment Features with Negative Compensation (Amendments to MFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)
- Plan Amendment, Curtailment or Settlement (Amendments to MFRS119)
- Annual Improvements to MFRSs 2015-2017 Cycle

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 Bank. Other than the adoption of new accounting policies as disclosed in Note A1.2, the Bank did not have to change its accounting policies or make retrospective adjustments as a result of adopting the other amendments to published standards and new interpretation.

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

(a) MFRS 16 *Leases*

As a lessee, the Bank previously classified each of its leases as operating leases (off balance sheet) in accordance with MFRS 117 Leases. If the arrangements do not transfer substantially all the risks and rewards incidental to ownership of the leased assets to the Bank; otherwise, they were classified as finance leases (on balance sheet).

MFRS 16, which supersedes MFRS 117 *Leases*, eliminates the classification of leases by the lessee as either finance leases or operating leases. MFRS 16 requires a lessee to account for all leases under a single on balance sheet model similar to the accounting for a finance lease under MFRS 117 which involves the recognition of a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments.

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 profit expense recognised in the statement of profit or loss.

A1. BASIS OF PREPARATION (CONT'D.)

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

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

The Bank has adopted MFRS 16 for the first time since 1 April 2019. In its transition to MFRS 16, the Bank has elected to apply the simplified transition approach whereby the comparative amounts were not restated. For leases previously classified as operating leases with remaining lease term greater than 12 months from the date of initial application, the Bank recognised the lease liabilities at the date of initial application which were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. Correspondingly, the Bank recognised the right-of-use assets at an amount equal to the lease liabilities and hence the Bank did not make any adjustment to the opening retained earnings. In addition, the Bank has made use of the following transitional practical expedients for recognition and measurement purposes at the date of initial application:

(i) The Bank has elected not to reassess whether an agreement is, or contains a lease at the date of initial application. Instead, for agreements entered into before the transition date the Bank relied on its previous assessments made in accordance with MFRS 117 and IC Interpretation 4 *Determining whether an Arrangement contains a Lease* .

(ii) Lease agreements for which the remaining lease term ends within 12 months from the date of initial application are accounted as short-term leases whereby the Bank has elected not to recognise the associated right-of-use assets and lease liabilities.

(iii) A single discount rate was applied for those portfolio of leases with reasonably similar characteristics, such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment.

(iv) Initial direct costs were excluded from the measurement of the right-of-use assets at the date of initial application.

The Bank has elected not to recognise a right-of-use asset and a lease liability for short-term leases, i.e. leases without purchase option with a lease term of 12 months or less from the commencement date. Similarly, the Bank will not recognise a right-of-use asset and a lease liability on leases for which the underlying asset is of low value.

The financial impact of the adoption of MFRS 16 on the financial statements of the Bank are as disclosed in Note A37(a).

(b) 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 adoption of this Interpretation did not have any material financial impact to the Bank.

A1. BASIS OF PREPARATION (CONT'D.)

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

(c) Prepayment Features with Negative Compensation (Amendments to MFRS 9)

Under the current MFRS 9 requirements, the "solely payments of principal and profit on the principal amount outstanding" ("SPPP") condition is not met if the entity has to make a settlement payment in the event of early termination by the customer. 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 profit 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 adoption of these amendments did not result in any impact as the Bank do not hold any prepayable financial asset with negative compensation.

(d) Annual Improvements to MFRSs 2015-2017 Cycle

The Annual Improvements to MFRSs 2015-2017 Cycle include minor amendments affecting 4 MFRSs 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. The amendment has no impact as the Bank does not hold interest in any joint operation.

(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. The amendment has no impact as the Bank does not hold interest in any 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. The amendment did not have any material financial impact to the Bank.

(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. The amendment did not have any material financial impact to the Bank.

A1. BASIS OF PREPARATION (CONT'D.)

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

Standards issued but not yet effective

Description	Effective for annual periods beginning on or after
- Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
- Definition of a Business (Amendments to MFRS 3)	1 January 2020
- Definition of Material (Amendments to MFRS 101 and MFRS 108)	1 January 2020
- Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7)	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 Bank is assessing the financial effects of their adoption except for MFRS 17 which is not relevant as the Bank does not issue any insurance contract or investment contract with discretionary participation features.

(a) 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.

Definition of a Business (Amendments to MFRS 3)

The amendments revised the definition of a business, whereby the term "outputs" is narrowed to focus on goods and services provided to customers, as well as generation of investment income and other income from ordinary activities; returns in the form of lower costs and other economic benefits are no longer considered. In addition, a new framework is added to help evaluate when an input and a substantive process are present.

The amendments are applied prospectively to business combinations and asset acquisitions that occur on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Early adoption is permitted.

A1. BASIS OF PREPARATION (CONT'D.)

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

(a) Standards effective for financial year ending 31 March 2021 (Cont'd.)

Definition of Material (Amendments to MFRS 101 and MFRS 108)

The amendments clarified the definition of material and how it should be applied through the addition of definition guidance. In addition, the explanations accompanying the definition have been improved and aligned across all MFRS standards to make it easier for entities to make materiality judgments. The amendments are applied prospectively from annual reporting period beginning on or after 1 January 2020. Early adoption is permitted.

Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7)

The amendments, issued to address the pre-replacement issues arising from the interest rate benchmark reform recommendations by Financial Stability Board, provides temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the interest rate benchmark reform until the uncertainty arising from this reform is longer present.

The interest rate benchmark reform may affect the application of cash flow hedge accounting because at some point in time, forecast cash flows based on interbank offered rates may no longer meet the highly probable requirement due to uncertainties arising from interest rate benchmark reform. The relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Similarly, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform when performing hedge effectiveness assessments. The amendments are applied prospectively from annual reporting period beginning on or after 1 January 2020. Early adoption is permitted.

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2019

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 Bank for the financial year ended 31 March 2019 except for the following new accounting policies which has been applied from 1 April 2019 following the adoption of MFRS 16:

(a) Leases

The determination of whether an arrangement is, or contains, a lease is based on whether the arrangement conveys a right to control the use the asset, even if that right is not explicitly specified in an arrangement.

(i) The Bank as a lessee (before 1 April 2019)

Leases that transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased item are classified as finance leases, and are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. The corresponding lease obligations, net of finance charges, are included in other short-term and long-term payables. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of profit on the remaining balance of the liability. Finance charges are recognised in “profit expense” in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Bank will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases that do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term. The aggregate benefits of incentives provided by the lessor are recognised as a reduction of rental expenses over the lease term on a straight-line basis.

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2019 (Cont'd.)

(a) Leases (Cont'd.)

(ii) The Bank as a lessee (from 1 April 2019)

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Bank.

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental financing rate at the lease commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the underlying asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. If the Bank is reasonably certain to obtain ownership of the underlying asset at the end of the lease term, the right-of-use asset is depreciated over the underlying asset’s useful life. Right-of-use assets are assessed for impairment whenever there is an indication that the right-of-use assets may be impaired.

The Bank applies the short-term lease recognition exemption to its short-term leases, i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value, i.e. those with a value of RM20,000 or less when new. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2019 (Cont'd.)

(a) Leases (Cont'd.)

(iii) The Bank as a lessor

Leases in which the Bank does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income is recognised over the term of the lease on a straight-line basis. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

A1.3 Significant Accounting judgments, Estimates and Assumptions

The preparation of the condensed interim financial statements in accordance with MFRS requires management to make judgments, 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. judgments, estimates and assumptions are continually evaluated and are based on the past experience, reasonable expectations of future events and other factors. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Bank's accounting policies, the significant judgments, estimates and assumptions made by management were the same as those applied to the annual financial statements for the financial year ended 31 March 2019, as well as the following:

(a) Lease term of agreements with renewal options

The Bank determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Bank have the option, under some of its leases to lease the assets for additional terms of three years. The extension options held are exercisable only by the Bank and not by the respective lessor. In determining the lease term, the Bank consider all facts and circumstances that create an economic incentive to exercise an extension option. Factors considered include historical lease durations and the costs and business disruption required to replace the leased asset. After the commencement date, the Bank reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew. The Bank included the renewal period as part of the lease term for most of its leases of premises due to the significance of these assets to its operations.

A2. AUDIT QUALIFICATION

The auditors' report on the audited annual financial statements for the financial year ended 31 March 2019 was not qualified.

A3. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

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

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

A5. CHANGES IN ESTIMATES

There was no material change in estimates of amounts reported in prior financial years that have a material effect on the financial period ended 31 December 2019 except for for the reversal of approximately RM10.2 million relating to the provision for estimated expenditure in respect of the Bank's obligations to repurchase financing. The Bank had entered into Supplemental Sales and Purchase Agreement ("Supplemental SPA") with the purchaser of non-performing financing, Aiqon Islamic Sdn Bhd on 30 August 2019. The Supplemental SPA for variation of term and conditions of the original Sales and Purchase Agreement had included a limit of RM5.5 million to the Bank's liabilities for repurchase of financing.

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

On 5 November 2019, the Bank redeemed the second tranche of the RM3.0 billion nominal amount of Senior Sukuk Musyarakah Programme ("Senior Sukuk") with nominal value amounting to RM100.0 million.

Other than disclosed above, there were no new share issuance, share buy-backs, share cancellations, shares held as treasury shares nor resale of treasury shares and repayment of debt securities by the Bank during the financial quarter and period.

A7. DIVIDENDS

During the financial period:

(a) the final single-tier cash dividend of 33.0 sen per ordinary share on 494,368,541 ordinary shares amounting to approximately RM163,141,619 in respect of the financial year ended 31 March 2019 was paid on 21 June 2019.

(b) an interim single-tier cash dividend of 10.0 sen per ordinary share on 494,368,541 ordinary shares amounting to approximately RM49,436,854 in respect of current financial year was paid on 19 December 2019.

A8. CASH AND SHORT-TERM FUNDS

	Note	31 December 2019 RM'000	31 March 2019 RM'000
Cash and bank balances		140,209	17,649
Less: Allowances for ECL	(a)	-	(6)
		140,209	17,643
Deposits and placements maturing within one month:			
Licensed banks		-	435,000
Bank Negara Malaysia		4,932,000	1,116,000
		4,932,000	1,551,000
		5,072,209	1,568,643

(a) The movements in allowances for ECL are as follow:

	Stage 1 12-Month ECL RM'000
31 December 2019	
Balance at beginning of the financial period	6
Financial assets derecognised	(6)
Balance at end of the financial period	-
31 March 2019	
Balance at beginning of the financial year	
- as previously stated	-
- effects of adoption of MFRS 9	3
Balance at beginning of the financial year, as restated	3
Net remeasurement of allowances	3
Balance at end of the financial year	6

A9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019 RM'000	31 March 2019 RM'000
At fair value:		
Money Market Instruments:		
Malaysian Islamic Treasury bills	740,457	121,253
Malaysian Government Investment Issues	347,645	2,563,893
Bank Negara Monetary Notes	-	2,291,775
	1,088,102	4,976,921
Unquoted Securities:		
In Malaysia:		
Sukuk	92,851	137,053
	1,180,953	5,113,974

A10. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2019 RM'000	31 March 2019 RM'000
At fair value:		
Money Market Instruments:		
Malaysian Government Investment Issues	1,171,935	449,619
Unquoted Securities:		
In Malaysia:		
Sukuk	3,064,245	3,042,521
	4,236,180	3,492,140

The Bank had undertaken a fair value hedge on the profit rate risk of unquoted sukuk of RM350.0 million using profit rate swap with AmBank (M) Berhad ("AmBank"). The gain/(loss) arising from the fair value hedge during the current financial period/year is as follows:

	31 December 2019 RM'000	31 March 2019 RM'000
Relating to hedged item	2,422	3,812
Relating to hedging instrument	(3,241)	(3,715)
	(819)	97

The fair value changes on the hedge item is taken up under fair value reserve and the hedging gain or loss on the hedged item is reclassified to profit or loss.

A10. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONT'D.)

Movements in allowances for ECL are as follows:

	Stage 1 12-Month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Total RM'000
31 December 2019			
Balance at beginning of the financial period	2,383	18,636	21,019
Allowances for/(writeback of allowances for) ECL:	625	(3,002)	(2,377)
- Transfer to Stage 1	561	(689)	(128)
- Transfer to Stage 2	(261)	334	73
New financial assets originated	3,549	3,400	6,949
Financial assets derecognised	(3,351)	-	(3,351)
Net remeasurement of allowances	127	(6,047)	(5,920)
Balance at end of the financial period	3,008	15,634	18,642
31 March 2019			
Balance at beginning of the financial year			
- as previously stated	-	-	-
- impact of adopting MFRS 9	6,088	4,132	10,220
Balance at beginning of the financial year, as restated	6,088	4,132	10,220
(Writeback) of/allowances for ECL:	(3,705)	14,504	10,799
- Transfer to Stage 2	(2,929)	16,379	13,450
New financial assets originated	8,404	1,691	10,095
Financial assets derecognised	(4,698)	(4,244)	(8,942)
Net remeasurement of allowances	(4,482)	678	(3,804)
Balance at end of the financial year	2,383	18,636	21,019

A11. FINANCIAL INVESTMENTS AT AMORTISED COST

	Note	31 December 2019 RM'000	31 March 2019 RM'000
At amortised cost:			
Money Market Instruments:			
Malaysian Government Investment Issues		260,703	260,530
Unquoted Securities:			
In Malaysia:			
Sukuk		1,426,531	1,445,232
Less: Allowances for ECL	(a)	(238)	(307)
		1,686,996	1,705,455

(a) The movements in allowances for ECL are as follows:

	Stage 1 12-Month ECL RM'000
31 December 2019	
Balance at beginning of the financial period	307
Net remeasurement of allowances	(69)
Balance at end of the financial period	238
31 March 2019	
Balance at beginning of the financial year	
- as previously stated	-
- impact of adopting MFRS 9	201
Balance at beginning of the financial year, as restated	201
Net remeasurement of allowances	106
Balance at end of the financial year	307

A12. FINANCING AND ADVANCES

A12a. Financing and advances by type and Shariah contracts are as follows:

31 December 2019

	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Musharakah Mutanaqisah RM'000	Al-Ijarah Thummah Al -Bai' ("AITAB") RM'000	Bai' Inah RM'000	Others RM'000	Total RM'000
At amortised cost:							
Cash lines	-	530,445	-	-	822,323	-	1,352,768
Term financing	634,844	7,791,696	9,783	-	1,889,681	49,536	10,375,540
Revolving credit	42,083	3,344,493	-	-	1,224,684	-	4,611,260
Housing financing	2,852,602	4,214,731	47,371	-	-	-	7,114,704
Hire purchase receivables	4	-	-	4,077,656	-	-	4,077,660
Bills receivables	-	163,885	-	-	-	18,356	182,241
Credit card receivables	-	-	-	-	-	531,428	531,428
Trust receipts	-	164,324	-	-	-	-	164,324
Staff financing	-	1,769	-	-	-	-	1,769
Claims on customers under acceptance credits	-	1,615,089	-	-	-	254,173	1,869,262
Gross financing and advances*	3,529,533	17,826,432	57,154	4,077,656	3,936,688	853,493	30,280,956
Less: Allowance for impairment on financing and advances (Note 12(j))							
- Stage 1 - 12 months ECL							(73,322)
- Stage 2 - Lifetime ECL not credit impaired							(149,785)
- Stage 3 - Lifetime ECL credit impaired							(85,873)
Net financing and advances							29,971,976

A12. FINANCING AND ADVANCES (CONT'D.)

A12a. Financing and advances by type and Shariah contracts are as follows (Cont'd.):

31 March 2019

	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Musharakah Mutanaqisah RM'000	Al-Ijarah Thummah Al -Bai' ("AITAB") RM'000	Bai' Inah RM'000	Others RM'000	Total RM'000
At amortised cost:							
Cash lines	-	426,594	-	-	1,050,183	-	1,476,777
Term financing	805,258	5,816,397	10,130	-	2,419,348	56,637	9,107,770
Revolving credit	42,075	3,478,539	-	-	1,592,275	-	5,112,889
Housing financing	2,970,696	3,235,311	49,022	-	-	-	6,255,029
Hire purchase receivables	4	-	-	4,618,823	-	-	4,618,827
Bills receivables	-	88,416	-	-	-	15,992	104,408
Credit card receivables	-	-	-	-	-	533,122	533,122
Trust receipts	-	324,347	-	-	-	-	324,347
Staff financing	-	1,197	-	-	-	-	1,197
Claims on customers under acceptance credits	-	1,558,829	-	-	-	236,875	1,795,704
Gross financing and advances*	3,818,033	14,929,630	59,152	4,618,823	5,061,806	842,626	29,330,070
Less: Allowance for impairment on financing and advances (Note 12(j))							
- Stage 1 - 12 months ECL							(80,362)
- Stage 2 - Lifetime ECL not credit impaired							(204,632)
- Stage 3 - Lifetime ECL credit impaired							(122,627)
Net financing and advances							28,922,449

* Included in financing and advances are exposures to the Restricted Investment Account ("RA") arrangement between the Bank and AmBank amounting to RM1,561.3 million (31 March 2019: RM1,470.1 million). Under the RA contract, the profit is shared based on a pre-agreed ratio. AmBank is exposed to the risks and rewards on the RA financing and it shall account for all allowance for impairment arising from the RA financing. Further details of the RA are disclosed in Note A17.

A12. FINANCING AND ADVANCES (CONT'D.)

A12b. Gross financing and advances analysed by type of customer are as follows:

	31 December 2019 RM'000	31 March 2019 RM'000
Domestic banking institution	-	415
Domestic non-bank financial institutions	1,061,433	1,296,857
Domestic business enterprises		
- Small medium enterprises ("SME")	5,841,309	5,802,022
- Others	7,949,076	7,656,095
Government and statutory bodies	507,013	506,738
Individuals	14,819,121	13,962,248
Other domestic entities	15,483	11,939
Foreign individuals and entities	87,521	93,756
	30,280,956	29,330,070

A12c. All financing and advances reside in Malaysia.

A12d. Gross financing and advances analysed by profit rate sensitivity are as follows:

	31 December 2019 RM'000	31 March 2019 RM'000
Fixed rate		
- Housing financing	183,664	188,642
- Hire purchase receivables	3,960,673	4,402,401
- Other financing	3,308,656	3,305,821
Variable rate		
- Base rate and base financing rate plus	12,415,238	10,826,666
- Cost plus	8,404,364	8,509,615
- Other variable rates	2,008,361	2,096,925
	30,280,956	29,330,070

A12. FINANCING AND ADVANCES (CONT'D.)

A12e. Gross financing and advances analysed by sector are as follows:

	31 December 2019 RM'000	31 March 2019 RM'000
Agriculture	1,518,101	1,648,017
Mining and quarrying	472,320	666,823
Manufacturing	4,319,091	3,969,234
Electricity, gas and water	143,126	135,928
Construction	1,028,291	1,006,587
Wholesale and retail trade and hotel and restaurants	1,711,473	1,578,778
Transport, storage and communication	1,743,948	1,431,629
Finance and insurance	1,061,433	1,297,273
Real estate	1,892,045	2,135,224
Business activities	725,812	650,398
Education and health	758,709	733,635
Household of which:	14,906,607	14,056,509
- Purchase of residential properties	7,056,403	6,202,262
- Purchase of transport vehicles	3,726,296	4,272,070
- Others	4,123,908	3,582,177
Others	-	20,035
	30,280,956	29,330,070

A12f. Gross financing and advances analysed by residual contractual maturity are as follows:

	31 December 2019 RM'000	31 March 2019 RM'000
Maturing within one year	9,553,434	10,226,890
Over one year to three years	2,719,377	2,967,834
Over three years to five years	3,189,447	3,765,533
Over five years	14,818,698	12,369,813
	30,280,956	29,330,070

A12. FINANCING AND ADVANCES (CONT'D.)

A12g. Movements in impaired financing and advances are as follows:

	31 December 2019 RM'000	31 March 2019 RM'000
Balance at beginning of the financial period/year	572,549	582,538
Additions during the period/year	354,576	376,962
Reclassified as non-impaired	(45,121)	(131,055)
Recoveries	(54,848)	(27,839)
Amount written off	(241,304)	(228,057)
Balance at end of the financial period/year	585,852	572,549
Gross impaired financing and advances as % of gross financing and advances	1.93%	1.95%
Financing loss coverage (including regulatory reserve)	102.9%	103.2%

A12h. All impaired financing and advances reside in Malaysia.

A12i. Impaired financing and advances by sector are as follows:

	31 December 2019 RM'000	31 March 2019 (Restated) (Note A37b) RM'000
Agriculture	2	2
Mining and quarrying	2,502	2,638
Manufacturing	28,446	22,165
Construction	23,732	3,521
Wholesale and retail trade and hotel and restaurants	56,153	11,353
Transport, storage and communication	57,377	66,608
Real estate	242,621	290,231
Business activities	10,327	904
Education and health	2,616	3,422
Household of which:	162,076	171,705
- Purchase of residential properties	77,435	71,902
- Purchase of transport vehicles	41,169	62,885
- Others	43,472	36,918
	585,852	572,549

A12. FINANCING AND ADVANCES (CONT'D.)

A12j. The movements in the allowances for ECL are as follows:

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL Not Credit Impaired RM'000	Stage 3 Lifetime ECL Credit Impaired RM'000	Total RM'000
31 December 2019				
Balance at beginning of the financial period	80,362	204,632	122,627	407,621
(Writeback) of/allowances for ECL:	(7,040)	(54,847)	204,550	142,663
- Transfer to Stage 1	3,703	(31,978)	(1,291)	(29,566)
- Transfer to Stage 2	(9,058)	58,912	7,215	57,069
- Transfer to Stage 3	(544)	(6,361)	34,068	27,163
New financial assets originated	21,533	16,189	1,584	39,306
Net remeasurement of allowances*	(10,899)	(33,050)	202,230	158,281
Changes to model assumptions and methodologies	2,067	(2,197)	(3,035)	(3,165)
Modification of contractual cash flows of financial assets	(35)	(397)	-	(432)
Financial assets derecognised	(13,807)	(55,965)	(36,221)	(105,993)
Amount written-off	-	-	(241,304)	(241,304)
Balance at end of the financial period	73,322	149,785	85,873	308,980
31 March 2019				
Balance at beginning of the financial year				
- as previously stated	-	-	-	258,586
- effects of adoption of MFRS 9	-	-	-	143,964
Balance at beginning of the financial year, as restated	72,384	204,922	125,244	402,550
Allowances for/(writeback of allowances for) ECL:	7,974	(290)	225,440	233,124
- Transfer to Stage 1	3,319	(33,489)	(2,064)	(32,234)
- Transfer to Stage 2	(7,165)	55,244	(8,080)	39,999
- Transfer to Stage 3	(939)	(8,674)	85,704	76,091
New financial assets originated	22,540	67,790	5,309	95,639
Net remeasurement of allowances*	(27)	(61,345)	172,865	111,493
Modification of contractual cash flows of financial assets	(30)	37	-	7
Financial assets derecognised	(9,724)	(19,853)	(28,294)	(57,871)
Foreign exchange differences	4	-	-	4
Amount written-off	-	-	(228,057)	(228,057)
Balance at end of the financial year	80,362	204,632	122,627	407,621

* Included an ECL amount transferred from AmBank of RM2.5 million due to early redemption of RA. (31 March 2019: RM3.7 million) as disclosed in Note A17.

A13. OTHER ASSETS

	31 December 2019 RM'000	31 March 2019 RM'000
Other receivables, deposits and prepayments	44,295	46,658
Amount due from related companies	87,023	213,340
Amount due from originators	-	18,350
Profit receivable	72,691	64,143
Tax recoverable	-	8,038
Deferred charges	59,566	56,456
	263,575	406,985

A14. DEPOSITS FROM CUSTOMERS

	31 December 2019 RM'000	31 March 2019 RM'000
(i) By type of deposit:		
Savings deposit:		
Commodity Murabahah	2,150,768	2,002,816
Qard	63,028	15,041
Demand deposit:		
Commodity Murabahah	5,899,011	6,935,337
Qard	345,307	15,375
Term deposits:		
Commodity Murabahah	20,874,162	20,771,281
Qard	310,385	402,099
Negotiable instruments of deposits:		
Bai' Bithaman Ajil	1,193,325	997,987
Total	30,835,986	31,139,936
(ii) The deposits are sourced from the following types of customers:		
Government and statutory bodies	2,707,360	4,030,053
Business enterprises	17,557,606	15,833,377
Individuals	9,681,963	10,223,309
Others	889,057	1,053,197
	30,835,986	31,139,936
(iii) The maturity structure of all term deposits and negotiable instruments of deposits are as follows:		
Due within six months	19,853,274	16,032,555
Over six months to one year	1,441,593	4,994,369
Over one year to three years	1,030,686	602,241
Over three years to five years	52,319	542,202
	22,377,872	22,171,367

A15. INVESTMENT ACCOUNTS OF CUSTOMERS

	31 December 2019 RM'000	31 March 2019 RM'000
Unrestricted investment account:		
Without maturity		
- Wakalah	17,259	18,643
With maturity		
- Mudarabah	137,333	334,808
	154,592	353,451

The investments accounts are sourced from the following types of customers:

	31 December 2019 RM'000	31 March 2019 RM'000
Business enterprises	99,683	335,052
Individuals	54,909	18,399
	154,592	353,451

	Wakalah RM'000	Mudarabah RM'000
Investment assets:		
31 December 2019		
Interbank placement	17,259	-
House financing	-	137,333
Total investment	17,259	137,333
31 March 2019		
Interbank placement	18,643	-
House financing	-	334,808
Total investment	18,643	334,808

A15. INVESTMENT ACCOUNTS OF CUSTOMERS (CONT'D.)

Average Rate of Return and Average Performance Incentive Fee for the investment accounts are as follows:

	Investment account holder		
	Average profit sharing sharing ratio (%)	Average rate of return (%)	Average performance incentive fee (%)
31 December 2019			
Maturity :			
- less than 3 months	75.76	3.19	3.04
- between 3 to 12 months	84.06	3.89	-
31 March 2019			
Maturity :			
- less than 3 months	79.16	2.98	3.25
- between 3 to 12 months	87.59	4.04	-

A16. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2019 RM'000	31 March 2019 RM'000
Non-Mudarabah		
Licensed Islamic banks	1,946,989	848,278
Licensed banks	299,863	328,566
Licensed investment bank	240,566	820,181
Other financial institutions	1,222,621	596,499
Bank Negara Malaysia	5,054	5,026
Total	3,715,093	2,598,550

A17. INVESTMENT ACCOUNT DUE TO A LICENSED BANK

	31 December 2019 RM'000	31 March 2019 RM'000
Restricted investment account ("RA")		
- Mudarabah Muqayyadah	1,556,682	1,465,539
Investment asset:		
Financing	1,556,682	1,465,539
Total investment	1,556,682	1,465,539

A17. INVESTMENT ACCOUNT DUE TO A LICENSED BANK (CONT'D.)

Profit Sharing Ratio and Average Rate of Return for the investment account based on original contractual maturity are as follows:

	Investment account holder			
	31 December 2019	31 March 2019	31 December 2019	31 March 2019
	Profit sharing ratio (%)	Profit sharing ratio (%)	Average rate of return (%)	Average rate of return (%)
Maturity:				
between 1 year to 2 years	-	46	-	2.36
over 2 years to 5 years	89	90	4.15	4.62
more than 5 years	90	77	4.58	3.86

The RA is a contract based on the Shariah concept of Mudarabah between two parties, that is, capital provider and entrepreneur to finance a business venture where the business venture is managed solely by the Bank as the entrepreneur. The profit of the business venture is shared between both parties based on a pre-agreed ratio. The capital provider for the RA contracts is AmBank, a related company.

On 27 August 2019, AmBank early redeemed a placement which amounted to RM188.2 million.

On 16 December 2019, AmBank entered into a new contract with the Bank which amounted to RM210.0 million.

As at 31 December 2019, ECL allowance for the investment asset borne by AmBank amounted to RM2.5 million (31 March 2019: RM3.7 million).

As at 31 December 2019, the tenure of the RA contracts is for a period of 6 days to 10 years (31 March 2019: 8 months to 11 years).

A18. OTHER LIABILITIES

	Note	31 December 2019 RM'000	31 March 2019 RM'000
Profit payable		188,481	228,715
Other creditors and accruals		37,467	48,184
Lease liabilities		185	-
Provision for reinstatement for leased properties		31	-
Deferred income		14,927	14,566
Advance rental		9,100	5,350
Amount due to related companies		29	105
Provision for commitments and contingencies		5,500	15,724
Allowances for ECL on financing commitments and financial guarantees	(a)	14,536	18,230
Provision for taxation		18,665	-
		288,921	330,874

A18. OTHER LIABILITIES (CONT'D.)

(a) The movements in allowances for ECL are as follows:

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL Not Credit Impaired RM'000	Stage 3 Lifetime ECL Credit Impaired RM'000	Total RM'000
31 December 2019				
Balance at beginning of the financial period	10,135	8,083	12	18,230
Allowances for/(writeback of allowances for) ECL:	(1,511)	(2,163)	(12)	(3,686)
- Transfer to Stage 1	261	(2,105)	2	(1,842)
- Transfer to Stage 2	(215)	2,259	2	2,046
- Transfer to Stage 3	(57)	(112)	-	(169)
New exposures originated	3,393	2,125	-	5,518
Net remeasurement of allowances	(1,569)	8	(12)	(1,573)
Changes to model assumptions and methodologies	(269)	(193)	(4)	(466)
Exposure derecognised	(3,055)	(4,145)	-	(7,200)
Foreign exchange differences	(7)	(1)	-	(8)
Balance at end of the financial period	8,617	5,919	-	14,536
31 March 2019				
Balance at beginning of the financial year				
- as previously stated	-	-	-	10,698
- impact of adopting MFRS 9	-	-	-	4,065
Balance at beginning of the financial year, as restated	8,817	5,911	35	14,763
Allowances for/(writeback of allowances for) ECL:	1,319	2,168	(23)	3,464
- Transfer to Stage 1	190	(2,100)	-	(1,910)
- Transfer to Stage 2	(327)	1,879	-	1,552
- Transfer to Stage 3	(45)	(84)	-	(129)
New exposures originated	3,587	4,001	-	7,588
Net remeasurement of allowances	623	(506)	(23)	94
Exposure derecognised	(2,709)	(1,022)	-	(3,731)
Foreign exchange differences	(1)	4	-	3
Balance at end of the financial year	10,135	8,083	12	18,230

A19. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	Individual Quarter		Cumulative Quarter	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Finance income and hibah:				
Financing and advances				
- Financing income	340,383	343,122	993,703	990,696
- Financing income on impaired financing	277	640	1,188	2,107
Financial assets at fair value through profit or loss	13,859	24,126	62,285	70,194
Financial investments at fair value through other comprehensive income	41,957	36,846	126,196	111,865
Financial investments at amortised cost	17,454	17,724	52,137	49,789
Deposits and placements with banks and other financial institutions	16,394	17,121	33,420	41,648
Total finance income and hibah	430,324	439,579	1,268,929	1,266,299
Other operating income:				
Fee and commission income:				
- Brokerage fees, commission and rebates	-	1	-	1
- Fees on financing, advances and securities	9,877	7,367	34,111	22,656
- Guarantee fees	2,847	3,374	9,962	9,877
- Remittances	39	36	115	95
- Service charges and fees	574	631	1,658	1,695
- Others	2,630	1,005	4,798	3,082
Foreign exchange	(1,535)	(1,118)	2,809	1,764
Gain from disposal of financial assets at fair value through profit or loss	655	1,217	7,915	2,789
Gain/(loss) on revaluation of financial assets at fair value through profit or loss	(320)	(141)	11	(244)
Gain from disposal of financial investments at fair value through other comprehensive income	1,693	1,632	8,664	1,631
Net gain/(loss) on derivatives	(1,874)	2,061	(3,487)	(157)
Others	(43)	(2)	101	(1)
Total other operating income	14,543	16,063	66,657	43,188
Total	444,867	455,642	1,335,586	1,309,487

A20. INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	Individual Quarter		Cumulative Quarter	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Income derived from investment of:				
- Restricted investment account	15,849	23,930	50,678	77,128
- Unrestricted investment accounts	2,742	1,961	7,675	6,232
	18,591	25,891	58,353	83,360

Income derived from investment of restricted investment account

	Individual Quarter		Cumulative Quarter	
Finance income and hibah:				
Financing and advances				
- Financing income	15,849	23,930	50,678	77,128
Total finance income and hibah	15,849	23,930	50,678	77,128

Income derived from investment of unrestricted investment accounts

	Individual Quarter		Cumulative Quarter	
Finance income and hibah:				
Financing and advances				
- Financing income	2,607	1,808	7,256	5,750
Deposits and placements with banks and other financial institutions	135	153	419	482
Total finance income and hibah	2,742	1,961	7,675	6,232

A21. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS

	Individual Quarter		Cumulative Quarter	
	31 December 2019 RM'000	**31 December 2018 RM'000**	**31 December 2019 RM'000**	**31 December 2018 RM'000**
<u>Finance income and hibah:</u>				
Financing and advances				
- Financing income	34,564	31,325	99,554	92,954
- Financing income on impaired financing	28	58	119	198
Financial assets at fair value through profit or loss	1,423	2,202	6,240	6,586
Financial investments at fair value through other comprehensive income	4,263	3,357	12,643	10,496
Financial investments at amortised cost	1,774	1,619	5,224	4,671
Deposits and placements with banks and other financial institutions	1,654	1,574	3,348	3,908
Total finance income and hibah	43,706	40,135	127,128	118,813
<u>Other operating income:</u>				
Fee and commission income:				
- Bancassurance commission	2,201	1,171	5,633	5,591
- Fees on financing, advances and securities	1,036	688	3,484	2,170
- Guarantee fees	290	308	998	927
- Remittances	(93)	303	2	1,517
- Service charges and fees	871	818	2,355	2,153
- Others	663	664	2,289	2,022
Foreign exchange	(151)	(109)	281	165
Gain from disposal of financial assets at fair value through profit or loss	71	112	793	262
Gain/(loss) on revaluation of financial assets at fair value through profit or loss	(32)	(13)	1	(23)
Gain from disposal of financial investments at fair value through other comprehensive income	174	153	868	153
Net gain/(loss) on derivatives	(189)	196	(349)	(15)
Others	(5)	-	10	-
Total other operating income	4,836	4,291	16,365	14,922
Total	48,542	44,426	143,493	133,735

A22. ALLOWANCES FOR IMPAIRMENT ON FINANCING AND ADVANCES

	Individual Quarter		Cumulative Quarter	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Allowance for impairment on financing and advances	38,764	55,125	142,663	175,861
Impaired financing and advances recovered, net	(18,515)	(26,789)	(65,445)	(71,901)
Total	20,249	28,336	77,218	103,960

A23. IMPAIRMENT LOSSES/(WRITEBACK) ON FINANCIAL INVESTMENTS

	Individual Quarter		Cumulative Quarter	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Financial investments at amortised cost - sukuk	8	22	(69)	106
Financial investments at fair value through other comprehensive income - sukuk	229	4,230	(2,377)	6,052
Total	237	4,252	(2,446)	6,158

A24. IMPAIRMENT (WRITEBACK)/LOSSES ON OTHER ASSETS

	Individual Quarter		Cumulative Quarter	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Cash and short-term funds	(3)	(30)	(6)	2

A25. PROVISION FOR COMMITMENTS AND CONTINGENCIES - (WRITEBACK)/ALLOWANCE

	Individual Quarter		Cumulative Quarter	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Provision for commitments and contingencies - financing commitments and financial guarantee contracts	(1,855)	(1,733)	(3,686)	277

A26. INCOME ATTRIBUTABLE TO THE DEPOSITORS AND OTHERS

	Individual Quarter		Cumulative Quarter	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
<u>Non-Mudarabah fund</u>				
Deposit from customers	230,111	231,311	684,413	678,098
Deposits and placements of banks and other financial institutions	17,864	24,970	58,832	65,444
	247,975	256,281	743,245	743,542
Others	4,563	10,112	15,865	23,270
Total	252,538	266,393	759,110	766,812

A27. INCOME ATTRIBUTABLE TO THE INVESTMENT ACCOUNT HOLDERS

	Individual Quarter		Cumulative Quarter	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
<u>Unrestricted investment accounts</u>				
Customers	2,610	1,498	7,263	4,788
<u>Restricted investment account</u>				
Licensed bank	14,263	21,538	45,351	66,732
	16,873	23,036	52,614	71,520

A28. OTHER OPERATING EXPENSES

	Individual Quarter 31 December 2019 RM'000	Individual Quarter 31 December 2018 RM'000	Cumulative Quarter 31 December 2019 RM'000	Cumulative Quarter 31 December 2018 RM'000
Personnel costs:				
Salaries, allowances and bonuses	3,978	3,653	11,393	10,312
Amortisation for share granted under AMMB ESS - charge/(write back)	279	70	426	(99)
Contributions to Employees' Provident Fund/Private Retirement Scheme	783	636	2,202	1,933
Social security cost	21	19	60	57
Staff incentive	723	348	2,084	1,792
Others	219	542	1,091	1,687
	6,003	5,268	17,256	15,682
Establishment costs:				
Amortisation of intangible assets	92	104	275	264
Cleaning, maintenance and security	8	4	31	23
Computerisation costs	366	515	1,056	1,061
Depreciation of property and equipment	32	40	95	110
Depreciation of right-of-use assets	22	-	66	-
Rental of premises	201	209	602	636
Rental and maintenance of property and equipment	-	-	1	-
Finance cost:				
- Lease liabilities	2	-	6	-
Others	6	6	19	17
	729	878	2,151	2,111
Marketing and communication expenses:				
Advertising, marketing and communication	1,303	1,236	3,447	4,130
Others	33	21	90	69
	1,336	1,257	3,537	4,199
Administration and general expenses:				
Professional services	707	1,428	3,146	3,425
Others	2,405	4,710	4,632	13,547
	3,112	6,138	7,778	16,972
Service transfer pricing expense, net	65,448	62,514	195,686	191,562
	76,628	76,055	226,408	230,526

A29. BASIC EARNINGS PER SHARE

Basic/Diluted

The basic/diluted earnings per share is calculated by dividing the net profit attributable to the equity holder of the Bank by the weighted average number of ordinary shares in issue during the financial period.

	Individual Quarter		Cumulative Quarter	
	31 December 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**
Net profit attributable to equity holder of the Bank (RM'000)	94,963	76,340	273,966	208,327
Number of ordinary shares at beginning of the financial year and end of the financial period representing the weighted average number of ordinary shares in issue ('000)	494,369	494,369	494,369	494,369
Basic/Diluted earnings per share (sen)	**19.21**	**15.44**	**55.42**	**42.14**

A30. BUSINESS SEGMENT ANALYSIS

Segment information is presented in respect of the Bank’s business segments. The business segment information is prepared based on internal management reports, which are regularly reviewed by the Chief Operating Decision-Maker in order to allocate resources to a segment and to assess its performance.

The Bank comprises the following main business segments:

(a) Retail Banking

Retail Banking continues to focus on building mass affluent, affluent and small business customers. Retail Banking offers products and financial solutions which includes auto finance, mortgages, personal financing, credit cards, small business financing, priority banking services, wealth management, remittance services and deposits.

(b) Business Banking

Business Banking (“BB”) focuses on the small and medium sized enterprises segment, which comprises Enterprise Banking and Commercial Banking. Solutions offered to Enterprise Banking customers encompass Capital Expenditure (“CAPEX”) financing, Working Capital financing and Cash Management and while Commercial Banking offers the same suite of products, it also provides more sophisticated structures such as Contract Financing, Development Financing, and Project Financing.

(c) Wholesale Banking

Wholesale Banking comprises Corporate Banking and Group Treasury and Markets:

(i) Corporate Banking

Corporate Banking offers a full range of products and services of corporate lending, trade finance and cash management solutions to wholesale banking clients.

(ii) Group Treasury and Markets

Group Treasury and Markets includes proprietary trading as well as providing full range of Shariah compliant products and services relating to treasury activities, including foreign exchange, derivatives and fixed income. It also offers Shariah compliant customised investment solutions for customers.

(d) Investment Banking

Investment Banking offer Islamic advisory services and a wide range of Shariah-compliant financial and investment solutions that include sukuk origination, Islamic equity or equity related capital markets offerings, Islamic structured finance and Islamic syndicated financing.

(e) Group Funding and Others

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

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 Bank's activities are principally conducted in Malaysia.

(iii) The comparative have been restated with current business reallignment.

A30. BUSINESS SEGMENT ANALYSIS (CONT'D.)

For the financial period ended 31 December 2019

			Wholesale banking				
	Retail Banking RM'000	Business Banking RM'000	Corporate Banking RM'000	Group Treasury and Market RM'000	Investment Banking RM'000	Group Funding and Others RM'000	Total RM'000
External revenue	597,584	149,383	503,694	285,590	430	751	1,537,432
Revenue from other segments	(63,266)	(59,946)	(246,742)	184,203	35	185,716	-
Total operating revenue	534,318	89,437	256,952	469,793	465	186,467	1,537,432
Net finance income	255,520	51,823	170,321	44,900	35	48,610	571,209
Other income	20,094	8,967	27,184	20,092	430	751	77,518
Net income	275,614	60,790	197,505	64,992	465	49,361	648,727
Other operating expenses of which:	(140,532)	(6,855)	(40,073)	(6,418)	(112)	(32,418)	(226,408)
Depreciation of property and equipment	(1)	-	-	-	-	(94)	(95)
Depreciation of right-of-use-assets	-	-	-	-	-	(66)	(66)
Amortisation of intangible assets	(8)	-	-	-	-	(267)	(275)
Profit before impairment losses	135,082	53,935	157,432	58,574	353	16,943	422,319
(Allowance)/writeback of allowance for for impairment on financing and advances	(48,263)	(35,456)	6,501	-	-	-	(77,218)
Impairment writeback on financial investments	-	-	2,259	187	-	-	2,446
Impairment writeback other financial assets	-	-	-	6	-	-	6
Provision for commitments and contingencies - (allowance)/writeback	(78)	413	3,351	-	-	-	3,686
Profit before zakat and taxation	86,741	18,892	169,543	58,767	353	16,943	351,239
Zakat and taxation	(20,818)	(4,534)	(40,690)	(9,213)	(85)	(1,933)	(77,273)
Profit for the financial period	65,923	14,358	128,853	49,554	268	15,010	273,966
Other information							
Total segment assets	15,009,213	3,374,799	12,507,820	12,357,598	-	93,332	43,342,762
Total segment liabilities	12,230,500	1,435,626	3,500,620	17,871,539	1,411	4,687,392	39,727,088
Cost to income ratio	51.0%	11.3%	20.3%	9.9%	24.1%	65.7%	34.9%
Gross financing and advances	15,163,328	3,417,121	11,700,507	-	-	-	30,280,956
Net financing and advances	14,940,574	3,374,071	11,657,331	-	-	-	29,971,976
Impaired financing and advances	175,238	135,897	274,717	-	-	-	585,852
Total deposits	12,054,458	1,406,943	3,454,908	17,634,770	-	-	34,551,079
Additions to :							
Property and Equipment	-	-	-	-	-	25	25
Intangible assets	-	-	-	-	-	34	34

Company No. 295576–U
AmBank Islamic Berhad
(Incorporated in Malaysia)

A30. BUSINESS SEGMENT ANALYSIS (CONT'D.)

For the financial period ended 31 December 2018

			Wholesale banking				
	Retail Banking RM'000	Business Banking RM'000	Corporate Banking RM'000	Group Treasury and Market RM'000	Investment Banking RM'000	Group Funding and Others RM'000	Total RM'000
External revenue	599,522	119,299	541,677	225,968	1,997	38,119	1,526,582
Revenue from other segments	(4,071)	(43,671)	(301,134)	232,010	197	116,669	-
Total operating revenue	595,451	75,628	240,543	457,978	2,194	154,788	1,526,582
Net finance income	261,368	44,964	171,997	16,187	23	58,547	553,086
Other income	23,936	6,994	22,342	1,440	1969	702	57,383
Net income	285,304	51,958	194,339	17,627	1,992	59,249	610,469
Other operating expenses of which:	(143,898)	(5,836)	(38,990)	(5,415)	11	(36,398)	(230,526)
Depreciation of Property and Equipment	(1)	-	-	-	-	(109)	(110)
Amortisation of Intangible Assets	(8)	-	-	-	-	(256)	(264)
Profit before impairment losses and provision	141,406	46,122	155,349	12,212	2,003	22,851	379,943
Allowance for impairment on financing and advances	(53,797)	(23,225)	(15,152)	-	-	(11,786)	(103,960)
Impairment (losses)/writeback on financial investments	-	-	(6,962)	2,790	-	(1,986)	(6,158)
Impairment losses on other financial assets	-	-	-	(2)	-	-	(2)
Provision for commitments and contingencies - (allowance)/writeback	1,262	(828)	(711)	-	-	-	(277)
Profit before zakat and taxation	88,871	22,069	132,524	15,000	2,003	9,079	269,546
Zakat and taxation	(21,329)	(5,296)	(31,806)	(3,600)	(481)	1,293	(61,219)
Profit for the financial period	67,542	16,773	100,718	11,400	1,522	10,372	208,327
Other information							
Total segment assets	14,082,103	2,775,149	12,978,480	10,415,055	59	1,150,264	41,401,110
Total segment liabilities	11,915,633	1,141,380	2,820,404	19,055,815	1,362	3,059,989	37,994,583
Cost to income ratio	50.4%	11.2%	20.1%	30.7%	(0.6%)	61.4%	37.8%
Gross financing and advances	14,245,193	2,785,775	12,219,197	-	-	-	29,250,165
Net financing and advances	14,011,407	2,774,124	12,089,640	-	-	(18,702)	28,856,469
Impaired financing and advances	179,006	64,222	298,823	-	-	-	542,051
Total deposits	11,788,571	1,118,501	2,762,354	16,829,754	-	-	32,499,180
Additions to :							
Property and Equipment	-	-	-	-	-	383	383
Intangible assets	-	-	-	-	-	498	498

Notes:
1. Operating revenue of the Bank comprise financing income and hibah and other operating income.

A31. PERFORMANCE REVIEW FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

The Bank reported a higher profit before zakat and taxation of RM351.2 million for the financial period ended 31 December 2019 which was RM81.7 million or 30.3% higher compared to the corresponding period ended 31 December 2018 of RM269.5 million. The higher profit was mainly due to lower net allowance for impairment on financing and advances of RM26.7 million, higher other operating income of RM20.1 million, higher net finance income of RM18.1 million, lower impairment losses of financial investments of RM8.6 million, lower other operating expenses of RM4.1 million and lower allowances for ECL on financing commitments and financial guarantee

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

A32. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2020

The 3.6% real Gross Domestic Product ("GDP") growth in fourth quarter 2019 was the lowest since third quarter 2009 came below both ours and market expectation. As a result, the full year 2019 GDP came in at 4.3%, well within the official growth target of 4.3% - 4.8%. Growth was supported by domestic activities and complemented by exports. Looking at 2020, with ongoing COVID-19 impacting global businesses including Malaysia, besides the effects from trade war tension in 2019, there will be some downside risk on our growth.

In 2019, headline inflation grew on average by 0.7%, relatively lower than 2018's average of 1%. Core inflation stood averagely at 1.1% for the same period, slightly higher than 2018's 0.8%. For 2020, the headline inflation is likely to remain modest, averaging around 1.2% with much of the pressure coming from the cost side and lesser from the demand side.

In 2019, the banking system's loans/financing slowed down to 3.9%. Year ahead, loans/financing is projected to grow around 4.3% based on our view that GDP will continue to expand moderately by

Banks have sufficient liquid assets with an industry liquidity coverage ratio of 149% as at end-2019, well above the regulatory requirement of 100.0%. Funding profiles of banks have been well diversified with the industry's financing-to-fund ratio and financing-to-fund and equity ratio standing at 83.2% and 72.9% respectively as at December 2019.

Bank Negara Malaysia ("BNM") decided to cut the Overnight Policy Rate ("OPR") by 25 basis points to 2.75% in its first monetary policy for 2020, added with a surprise 50bps cut in Statutory Reserve Requirement to 3.00% in November. A rate cut should provide positive impetus to the economy and the capital market. Another 25bps to 50bps cut from 2.75% is still on our cards and can happen either end first half 2020 or second half 2020, much depends on the potential incoming data. Should there be a 50bps cut, it is unlikely for the economy to experience a “negative real returns”.

A32. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2020 (CONT'D.)

For FY2020, our financial priorities will be centred on the following:

- Revenue growth: We will continue to drive our income growth momentum, in line with our key segments and products strategies, especially in the areas of transaction banking, foreign exchange, SME and wealth management.

- Business efficiency transformation ("BET 300"): Moving into the third year of our BET 300 programme, we will continue to maintain a tight rein on cost and pacing our investments while driving operational efficiencies through digitalisation and streamlining of processes.

- Capital accretive growth: We aim to further strengthen our capital position and deliver sustainable dividend payout to our shareholders, focusing on managing returns on capital employed and risk-weighted assets.

- Digital Banking: We aim to provide digital solutions that seamlessly integrate into and improve customers' day-to-day lives. Our digital transformation investment plan in FY2020 will continue to pave way for the digitalisation of our products and solutions, focus on enhancing digital mobile platform, building infrastructure and application programming interface readiness, partnerships with key financial technology players and the use of big data analytics to capture alternative sources of business and drive internal efficiencies.

A33. VALUATION OF PROPERTY AND EQUIPMENT

The Bank's property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (if any).

A34. COMMITMENTS AND CONTINGENCIES

a) Receipt of writ and statement of claim by the Bank and its holding company, AMMB Holdings Berhad ("AMMB").

   On 9 December 2019, the Bank and AMMB were served with a writ and statement of claim by Dato' Sri Mohd Najib bin Hj. Abd. Razak seeking damages in relation to the conduct of his current accounts opened with the Bank.

   The Bank and AMMB have appointed solicitors to defend the suit and have been advised by solicitors that the allegations are not sustainable and both AMMB and the Bank have a strong defense. The Bank and AMMB will vigorously oppose the action. The suit will not have a material impact on the operations of the Bank.

A34. COMMITMENTS AND CONTINGENCIES (CONT'D.)

b) In the normal course of business, the Bank makes various commitments and incurs 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 Bank's assets.

The principal amounts of the commitments and contingencies of the Bank and notional contracted amounts of derivatives are as follows:

	31 December 2019 RM'000	31 March 2019 RM'000
Contingencies		
Direct credit substitutes	553,704	568,350
Transaction related contingent items	822,562	831,509
Short-term self liquidating trade-related contingencies	67,502	90,954
	1,443,768	1,490,813
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	5,143,768	4,333,925
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	547,080	446,645
Unutilised credit card lines	1,301,536	1,334,232
Forward asset purchase	10,759	195,620
	7,003,143	6,310,422
Derivative Financial Instruments		
Foreign exchange related contracts		
- One year or less	1,988,399	1,973,689
- Over one year to five years	2,480,511	1,108,997
Profit rate related contracts		
- Over one year to five years	550,000	360,000
- Over five years	-	350,000
Commodity related contracts		
- Over one year to five years	69,462	-
	5,088,372	3,792,686
Total	13,535,283	11,593,921

A35. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 : other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3 : techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities measured at fair value that are recognised on a recurring basis, 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 a valuation technique 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 Bank’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 Bank. Therefore, unobservable inputs reflect 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 Bank's own data. The Bank does not have any financial assets or liabilities measured at level 3 as at the end of the reporting period and 31 March 2019.

A35. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONT'D.)

a) The following tables show the Bank's financial instruments that are measured at fair value at the reporting date analysed by levels within the fair value hierarchy.

	Valuation techniques			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
31 December 2019				
Assets measured at fair value				
Derivative financial assets	-	51,054	-	51,054
Financial assets at fair value through profit or loss				
- Money market securities	-	1,088,102	-	1,088,102
- Unquoted sukuk	-	92,851	-	92,851
Financial investments at fair value through other comprehensive income				
- Money market securities	-	1,171,935	-	1,171,935
- Unquoted sukuk	-	3,064,245	-	3,064,245
	-	5,468,187	-	5,468,187
Liabilities measured at fair value				
Derivative financial liabilities	-	67,584	-	67,584
	-	67,584	-	67,584
31 March 2019				
Assets measured at fair value				
Derivative financial assets	-	43,136	-	43,136
Financial assets at fair value through profit or loss				
- Money market securities	-	4,976,921	-	4,976,921
- Unquoted sukuk	-	137,053	-	137,053
Financial investments at fair value through other comprehensive income				
- Money market securities	-	449,619	-	449,619
- Unquoted sukuk	-	3,042,521	-	3,042,521
	-	8,649,250	-	8,649,250
Liabilities measured at fair value				
Derivative financial liabilities	-	55,519	-	55,519
	-	55,519	-	55,519

There were no transfers between Level 1 and Level 2 during the current financial period and previous financial year for the Bank.

A36. CAPITAL ADEQUACY

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

	31 December 2019	31 March 2019
Before deducting proposed dividends		
Common Equity Tier 1 ("CET 1") Capital Ratio	10.969%	11.654%
Tier 1 Capital ratio	10.969%	11.654%
Total Capital ratio	16.080%	16.836%
After deducting proposed dividends		
CET 1 Capital Ratio	10.969%	11.084%
Tier 1 Capital ratio	10.969%	11.084%
Total Capital ratio	16.080%	16.267%

Notes:

(i) The capital adequacy ratios are computed in accordance to BNM's guidelines on Capital Adequacy Framework (Capital Components) issued by Bank negara Malaysia on 2 February 2018, which is based on the Basel III capital accord. 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) issued on 2 February 2018.

(ii) Pursuant to the above BNM's guideline on Capital Adequacy Framework (Capital Components), the minimum capital adequacy ratios to be maintained under the guideline are at 4.5% for CET 1 capital, 6.0% for Tier 1 capital and 8.0% for Total Capital Ratio. In addition, banking Institutions is also required to hold and maintain capital buffers in the form of CET1 Capital above the minimum CET1 Capital, Tier 1 Capital and Total Capital adequacy levels. 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. BNM will communicate any decision on the CCyB rate by up to 12 months before the date from which the rate applies.

A36. CAPITAL ADEQUACY (CONT'D.)

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

	31 December 2019 RM'000	31 March 2019 RM'000
CET 1 Capital		
Ordinary shares	1,387,107	1,387,107
Retained earnings	1,786,011	1,933,885
Fair value reserve	68,366	39,151
Regulatory reserve	279,227	164,928
Less : Regulatory adjustments applied on CET 1		
- Intangible assets	(1,109)	(1,351)
- 55% of cumulative fair value gains in fair value reserve	(37,601)	(21,533)
- Regulatory reserve	(279,227)	(164,928)
- Unrealised fair value (gains) and and losses on financial liabilities due to changes in own credit risk	(105)	-
CET 1 Capital/ Tier 1 Capital	3,202,669	3,337,259
Tier 2 Capital		
Tier 2 Capital instruments meeting all relevent criteria for inclusion	1,150,000	1,150,000
General provisions*	342,274	334,015
Tier 2 Capital	1,492,274	1,484,015
Total Capital	4,694,943	4,821,274

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

	31 December 2019 RM'000	31 March 2019 RM'000
Credit RWA	29,080,528	28,526,091
Less : Credit RWA absorbed by Investment Account	(1,698,599)	(1,804,893)
Total Credit RWA	27,381,929	26,721,198
Market RWA	305,438	475,926
Operational RWA	1,509,433	1,439,025
Total Risk Weighted Assets	29,196,800	28,636,149

* Consists of stage 1 and stage 2 loss allowances and regulatory reserve.

A37. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 16 LEASES AND RESTATEMENT OF COMPARATIVE INFORMATION

(a) Adoption of MFRS 16

The adoption of MFRS 16 resulted in the following financial effects as summarised below:

(i) Impacted line items in the statement of financial position of the Bank:

	31 March 2019 RM'000	**Effect of adoption of MFRS 16 RM'000**	**1 April 2019 RM'000**
Right-of-use assets	-	271	271
Other liabilities	330,874	271	331,145

(ii) Capital adequacy ratios of the Bank

Bank	**31 March 2019**	**Effect of adoption of MFRS 16**	**1 April 2019**
CET 1 Capital (RM'000)	3,337,259	-	3,337,259
Tier 1 Capital (RM'000)	3,337,259	-	3,337,259
Total Capital (RM'000)	4,821,274	3	4,821,277
Risk weighted assets (RM'000)	28,636,149	271	28,636,420
Before deducting proposed dividends			
CET 1 Capital Ratio (%)	11.654	-	11.654
Tier 1 Capital Ratio (%)	11.654	-	11.654
Total Capital Ratio (%)	16.836	-	16.836
After deducting proposed dividends			
CET 1 Capital Ratio (%)	11.084	-	11.084
Tier 1 Capital Ratio (%)	11.084	-	11.084
Total Capital Ratio (%)	16.267	(0.001)	16.266

(b) Restatement of comparative information

During the current financial period, the Bank conducted a review of the reporting of its impaired financing portfolio. The review did not result in any changes to impaired financing balances or impairment allowances for financing except for certain amendments in disclosure of impaired financing by sector as at 31 March 2019 as reflected in the restated disclosure in Note A12i.