Company No. 295576–U

AmBank Islamic Berhad

(Incorporated in Malaysia)

Interim Financial Statements
For the Financial Period
1 April 2018 to
31 December 2018

(In Ringgit Malaysia)

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

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	31 December 2018 RM'000	31 March 2018 RM'000
ASSETS			
Cash and short-term funds	A8	4,222,832	1,588,429
Deposits and placements with banks and other financial institutions		-	200,000
Derivative financial assets		52,001	87,408
Financial assets at fair value through profit or loss	A9	1,864,659	-
Financial assets held-for-trading	A10	-	1,584,632
Financial investments at fair value through other comprehensive income	A11	3,608,197	-
Financial investments available-for-sale	A12	-	2,838,566
Financial investments at amortised cost	A13	1,703,452	-
Financial investments held-to-maturity	A14	-	1,090,010
Financing and advances	A15	28,856,469	27,775,836
Receivables: Investments not quoted in active markets	A16	-	790,833
Statutory deposit with Bank Negara Malaysia		787,000	821,000
Other assets	A17	304,359	270,731
Property and equipment		700	426
Intangible assets		1,441	1,207
TOTAL ASSETS		41,401,110	37,049,078
LIABILITIES AND EQUITY			
Deposits from customers	A18	29,319,608	26,493,802
Investment accounts of customers	A19	158,022	138,956
Deposits and placements of banks and other financial institutions	A20	3,179,572	1,223,524
Investment account due to a licensed bank	A21	1,859,816	2,859,110
Recourse obligation on financing sold to Cagamas Berhad		518,887	520,405
Derivative financial liabilities		59,285	92,939
Term funding		1,080,000	1,080,000
Subordinated Sukuk		1,499,964	999,839
Deferred tax liability		9,371	2,947
Other liabilities	A22	308,407	294,273
Provision for zakat		1,651	1,513
TOTAL LIABILITIES		37,994,583	33,707,308
Share capital		1,387,107	1,387,107
Reserves		2,019,420	1,954,663
Equity attributable to equity holder of the Bank		3,406,527	3,341,770
TOTAL LIABILITIES AND EQUITY		41,401,110	37,049,078
COMMITMENTS AND CONTINGENCIES	A39	11,975,031	11,346,899
NET ASSETS PER SHARE (RM)		6.89	6.76

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 2018.

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

UNAUDITED STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2018

		Individual Quarter		Cumulative Quarter	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
	Note	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	A23	455,642	433,394	1,309,487	1,275,147
Income derived from investment of investment account funds	A24	25,891	27,971	83,360	66,986
Income derived from investment of shareholder's funds	A25	44,426	30,527	133,735	87,084
Provision for impairment on financing and advances	A26	(28,336)	(32,907)	(103,960)	(56,136)
Impairment losses on financial investments	A27	(4,252)	-	(6,158)	-
Impairment gain/(losses) on other financial assets	A28	30	-	(2)	-
Provision for commitments and contingencies - (allowance)/ writeback	A29	1,733	(496)	(277)	(251)
Total distributable income		495,134	458,489	1,416,185	1,372,830
Income attributable to the depositors and others	A30	(266,393)	(242,622)	(766,812)	(699,110)
Income attributable to the investment account holders	A31	(23,036)	(25,031)	(71,520)	(59,831)
Total net income		205,705	190,836	577,853	613,889
Other operating expenses	A32	(76,055)	(101,578)	(230,526)	(323,354)
Finance cost		(29,359)	(23,728)	(77,781)	(87,776)
Profit before zakat and taxation		**100,291**	**65,530**	**269,546**	**202,759**
Zakat		(713)	(400)	(1,993)	(1,567)
Taxation		(23,238)	(13,378)	(59,226)	(40,544)
Profit for the financial period		**76,340**	**51,752**	**208,327**	**160,648**
Basic/Diluted earnings per share (sen)	A33	**15.44**	**10.47**	**42.14**	**33.92**

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 2018.

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

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2018

	Individual Quarter		Cumulative Quarter	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	76,340	51,752	208,327	160,648
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	1,446	-	5,065	-
Expected credit loss	4,230	-	6,052	-
Net gain reclassified to profit or loss	(1,785)	-	(1,784)	-
Income tax effect	82	-	(787)	-
Financial investments available-for-sale:				
Net unrealised gain on changes in fair value	-	(1,220)	-	3,366
Net gain reclassified to profit or loss	-	(676)	-	(2,408)
Income tax effect	-	455	-	(230)
Other comprehensive (loss)/income for the period, net of tax	3,973	(1,441)	8,546	728
Total comprehensive income for the financial period	80,313	50,311	216,873	161,376

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 2018.

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

UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2018

		Attributable to Equity Holder of the Bank						
			Non-distributable				Distributable	
	Note	Share capital RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Available-for-sale reserve/deficit RM'000	Fair value reserve	Retained earnings RM'000	Total equity RM'000
At 1 April 2017		1,187,107	483,345	58,430	(5,149)	-	1,179,283	2,903,016
Profit for the financial period		-	-	-	-	-	160,648	160,648
Other comprehensive income, net of tax		-	-	-	728	-	-	728
Total comprehensive income for the financial period		-	-	-	728	-	160,648	161,376
Issuance of ordinary shares		200,000						200,000
Transfer to retained earnings		-	(483,345)	-	-	-	483,345	-
Transfer to regulatory reserve				264,753	-	-	(264,753)	-
Transfer of AMMB Holdings Berhad ("AMMB") Executives' Share Scheme ("ESS") shares recharged - difference on purchase price of shares vested		-	-	-	-	-	(32)	(32)
Transactions with owner and other equity movements		200,000	(483,345)	264,753	-	-	218,560	199,968
At 31 December 2017		1,387,107	-	323,183	(4,421)	-	1,558,491	3,264,360
Balance at 1 April 2018								
- as previously stated		1,387,107	-	327,683	(5,492)	-	1,632,472	3,341,770
- Impact of adopting MFRS 9 at 1 April 2018	A42	-	-	(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 loss, net of tax		-	-	-	-	8,546	-	8,546
Total comprehensive income/(loss) for the financial period		-	-	-	-	8,546	208,327	216,873
Transfer from regulatory reserve		-	-	(16,673)	-	-	16,673	-
Transfer of AMMB Holdings Berhad ("AMMB") Excecutive 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

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 2018.

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

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2018

	31 December 2018	31 December 2017
	RM'000	RM'000
Profit before zakat and taxation	269,546	202,759
Adjustments for non-operating and non-cash items	90,055	61,203
Operating profit before working capital changes	359,601	263,962
Changes in working capital:		
Net change in operating assets	(1,619,451)	(779,523)
Net change in operating liabilities	3,806,850	2,987,188
Zakat paid	(1,855)	-
Taxation paid	(17,976)	(53,084)
Net cash generated from operating activities	2,527,169	2,418,543
Net cash generated used in investing activities	(543,324)	(1,470,073)
Net cash generated from financing activities	450,563	70,000
Net decrease in cash and cash equivalents	2,434,408	1,018,470
Cash and cash equivalents at beginning of the financial year	1,788,429	2,921,658
Cash and cash equivalents at end of the financial period	4,222,837	3,940,128
Cash and cash equivalents comprise:		
Cash and short-term funds	4,222,832	3,790,128
Deposits and placements with banks and other financial institutions with original maturity of less than 3 months	-	150,000
	4,222,832	3,940,128
Changes in expected credit losses for cash and cash equivalent:		
Impact of adopting MFRS 9	3	-
Movement for the financial period	2	-
Closing balance	5	-
	4,222,837	3,940,128

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 2018.

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 2018.

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 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 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 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 and new interpretation relevant to 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 is as follows:

A1. BASIS OF PREPARATION (CONT'D.)

A1.1 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.

Financing and advances, which form a substantial portion of the Bank'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 sukuk classified as held-to-maturity under MFRS 139 also met the conditions for classification at amortised cost under MFRS 9.

Certain investments in sukuk that were classified as available-for-sale under MFRS 139 qualified for classification at amortised cost under MFRS 9. The reclassification has been effected by way of a retrospective application of the effective profit method and accordingly, the related cumulative fair value loss has been reversed on 1 April 2018. Other investments in sukuk that were classified as available-for-sale satisfies the conditions for classification at FVOCI and hence there is no change to the accounting of these assets.

The majority of the Bank's sukuk not quoted in active market that were measured at amortised cost under MFRS 139 satisfied the conditions for classification at FVOCI and the related fair value gains have be recognised in fair value reserve on 1 April 2018. However, certain sukuk did not meet the cash flow characteristics criterion to be classified either at FVOCI or at amortised cost and have been accordingly classified at FVTPL with related fair value loss recognised in retained earnings on 1 April 2018.

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

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

A1. BASIS OF PREPARATION (CONT'D.)

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

MFRS 9 Financial Instruments (Cont'd.)

(ii) Impairment

The financing 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 financing and other debt financial assets not held at FVTPL, as well as financing commitments and financial guarantee contracts. The allowances 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.

The Bank 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 Bank 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 Bank under the contract and the cash flows that the Bank expects to receive, discounted at the effective profit rate of the financial asset.

Following the adoption of MFRS 9, the Bank recorded an additional loss allowance in respect of financing and advances, as well as investments in sukuk that are not classified at FVTPL and other financial assets, 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. As MFRS 9 did not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of MFRS 9 did not result in any significant impact on the Bank's financial statements.

The tax treatment on the transition from MFRS 139 to MFRS 9 is in accordance with clarification provided by the Ministry of Finance in a letter dated 27 December 2018.

The financial impacts of the adoption of MFRS 9 on the financial statements of the Bank are as disclosed in Note A42.

A1. BASIS OF PREPARATION (CONT'D.)

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

MFRS 15 Revenue from Contracts with Customers (Cont'd.)

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 Bank 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 Bank'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 Bank has been recognising its revenue 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 three MFRSs, in which two of them are effective for annual periods beginning on or after 1 January 2018, as summarised below:

(i) MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards
The amendments deleted short-term exemptions covering transition provisions of MFRS 7, MFRS 10, and MFRS 119. These transition provisions were available to entities for past reporting periods and are therefore no longer applicable. The deletion has no impact as the Bank has transitioned into MFRS in the past.

(ii) MFRS 128 Investments in Associates and Joint Ventures
MFRS 128 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss. The amendments clarified that this election should be made separately for each associate or joint venture at initial recognition. The amendment has no impact as the Bank does not have any investment in associates and/or joint ventures.

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 The Effects of Changes in Foreign Exchange Rates 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 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
- MFRS 16 Leases	1 January 2019
- IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
- Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
- Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
- Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	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
- Definition of a Business (Amendments to MFRS 3)	1 January 2020
- Definition of Material (Amendments to MFRS 101 and MFRS 108)	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 and relevant to the Bank but not yet effective are described below. The Bank is 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/profit expense recognised in the statement of profit or loss.

A1. BASIS OF PREPARATION (CONT'D.)

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

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

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

MFRS 16 Leases (Cont'd.)

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 Bank do not intend to adopt the standard before its effective date. The Bank intends to apply the simplified transition approach and will not restate comparative amounts.

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

A1. BASIS OF PREPARATION (CONT'D.)

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

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

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

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.

A1. BASIS OF PREPARATION (CONT'D.)

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

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

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

Definition of a Business (Amendments to MFRS 3) (Cont'd.)

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.

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 judgements. The amendments are applied prospectively from annual reporting period beginning on or after 1 January 2020. Early adoption is permitted.

A1.2 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 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 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 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.

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2018 (Cont'd.)

(a) Financial instruments – initial recognition and measurement (Cont'd.)

(iii) "Day 1" profit or loss

At initial measurement, if the transaction price differs from the fair value, the Bank immediately recognise 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 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").

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 Bank manage the financial assets in order to generate cash flows. That is, whether 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 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.

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 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.)

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 Bank assess whether the financial assets' contractual cash flows represent solely payment of principal and interest ("SPPI"). In making this assessment, the Bank consider whether the contractual cash flows are consistent with a basic financing arrangement, i.e. interest includes only consideration for time value of money, credit risk, other basic financing risks and a profit margin that is consistent with a basic financing arrangement. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

Based on these factors, 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 profit 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 effective profit rate ("EPR"). The EPR amortisation is included in “profit 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 sukuk, “impairment losses on financing and advances” for financing and advances or “doubtful receivables” for losses other than sukuk, financing and advances.

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)), profit income and foreign exchange gains or losses on the assets' amortised cost which are recognised in profit or loss. Profit earned whilst holding the assets are reported as "profit income" using the effective profit 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".

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 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 "other operating income". Profit earned whilst holding the assets are reported as "profit income" using the effective profit 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". Profit earned are recognised in "profit income" using the effective profit method.

(ii) Reclassification of debt investments

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.

(c) Financial liabilities – classification and subsequent measurement

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

- financial liabilities at FVTPL; and
- financial guarantee contracts and financing commitments (see Note A1.2(j)).

(i) Amortised cost

Financial liabilities issued by 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 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.

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 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.)

After initial measurement, term funding, debt capital and other borrowings are subsequently measured at amortised cost using the effective profit 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 EPR.

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 Bank has transferred rights to receive cash flows from the asset or 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 Bank has transferred substantially all the risks and rewards of the asset, or
  - the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2018 (Cont'd.)

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

(i) Derecognition of financial assets (Cont'd.)

When the Bank has transferred rights to receive cash flows from an asset or has entered into a pass-through arrangement, and have 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 Bank's continuing involvement in the asset. In that case, 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 Bank has retained.

(ii) Modification of financing

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

- If the customer is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the customer 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 financing
- Significant extension of the financing term when the customer is not in financial difficulty
- Significant change in the profit rate
- Change in the currency the financing is denominated in
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the financing

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a "new" asset at fair value and recalculate a new effective profit 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 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 customer 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 Bank 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 profit rate.

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2018 (Cont'd.)

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

(iii) Derecognition of financial liabilities

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

When an existing financial liability is replaced by another from the same financier 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 profit 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 profit 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) Repurchase and reverse repurchase agreements

Securities sold under repurchase agreements at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued profit, as a liability within “securities sold under repurchase agreements”, reflecting the transaction’s economic substance as a financing to the Bank. The difference between the sale and repurchase prices is treated as profit expense and is accrued over the life of the agreement using the EPR. When the counterparty has the right to sell or repledge the securities, the Bank reclassifies those securities in its statement of financial position to “financial assets at FVTPL pledged as collateral” or to “financial investments at FVOCI pledged as collateral”, as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued profit, is recorded in the statement of financial position, within “securities purchased under reverse repurchase agreements”, reflecting the transaction’s economic substance as a financing by the Bank. The difference between the purchase and resale prices is recorded in “net profit income” and is accrued over the life of the agreement using the EPR.

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2018 (Cont'd.)

(e) Repurchase and reverse repurchase agreements (Cont'd.)

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within “financial liabilities at FVTPL” and measured at fair value with any gains or losses included in “other operating income”.

(f) Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in “other operating income”.

(g) Financial instruments - expected credit losses

The Bank assesses on a forward-looking basis the expected credit losses ("ECL") associated with debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from financing commitments and financial guarantee contracts. 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. Profit income continues to be accrued in profit or loss on the reduced carrying amount and is accrued using the rate of profit 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.

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

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2018 (Cont'd.)

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

Financing together with the associated allowance are written off when the Bank 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 Bank. 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 financing

Where possible, the Bank seeks to reschedule or restructure financing rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new financing conditions. Once the terms have been rescheduled or restructured, any impairment is measured using the original EPR as calculated before the modification of terms. Management continually review impaired rescheduled or restructured financing 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 Bank 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 Bank’s quarterly reporting schedule, however, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank 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.

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2018 (Cont'd.)

(h) Hedge accounting

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

At inception of the hedge relationship, the Bank formally document 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 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 "other operating 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 "other operating 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 profit method. EPR 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.

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2018 (Cont'd.)

(i) 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.

(j) Financial guarantee contracts and financing commitments

Financial guarantee contracts issued by the Bank are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified customer fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance (calculated as described in Note A1.2(g)) and the premium received on initial recognition less income recognised in accordance with the principles of MFRS 15.

Financing commitments provided by the Bank are measured at the amount of the loss allowance (calculated as described in Note A1.2(g)).

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

(i) financing income and similar income and expense

For all profit-bearing financial assets and financial liabilities measured at amortised cost, profit bearing financial investments classified at FVOCI and financial assets and financial liabilities at fair value through profit or loss, financing income or expense is calculated using the effective profit method. EPR 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 EPR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EPR and the change in carrying amount is recorded in profit or loss. However, for a reclassified financial asset for which the Bank 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 EPR from the date of the change in estimate.

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2018 (Cont'd.)

(k) Recognition of income and expenses relating to financial instruments (Cont'd.)

(i) financing income and similar income and expense (Cont'd.)

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

Financing commitment fees for financing 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 EPR on the financing.

(ii) Investment and trading income disclosed as other operating income

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

(l) 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 Bank 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 Bank and its customer has approved the contract and intend to perform their respective obligations, the Bank'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 Bank 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 Bank 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.

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2018 (Cont'd.)

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

Revenue is measured at the amount of consideration to which the Bank 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 Bank 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 Bank 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:

(i) Fee and commission income

The Bank earns fee and commission income from a diverse range of services provided 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 financing arrangement, commission income, asset management, custody and other management and advisory fees. Financing commitment fees for financing 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.

A1. BASIS OF PREPARATION (CONT'D.)

A1.2 Summary of Significant Accounting Policies Applied from 1 April 2018 (Cont'd.)

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

(ii) Customer loyalty programmes

Award credits under customer loyalty programmes are accounted for as a separate performance obligation of the transaction in which the award credits are granted (i.e. a material right). The fair value of the consideration received in respect of the transaction is allocated between the award credits and the other components of the transaction on a relative stand-alone selling price basis. Revenue from the award credits is recognised when the award credits are redeemed or expired. The amount of revenue recognised when the award credits are redeemed is based on the number of award credits redeemed relative to the total number expected to be redeemed.

A1.3 Significant changes in Regulatory Requirements

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

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 financing 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 (commnly 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.

A1. BASIS OF PREPARATION (CONT'D.)

A1.3 Significant changes in Regulatory Requirements (Cont'd.)

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 which are not disclosed in these condensed interim financial statements, will be presented in the Bank'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.

A1.4 Significant Accounting Judgements, Estimates and Assumptions

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

In the process of applying 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.

A2. AUDIT QUALIFICATION

The auditors' report on the audited annual financial statements for the financial year ended 31 March 2018 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 2018 other than as disclosed in note A42 Financial impact arising from adoption of MFRS 9 Financial Instruments.

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

On 18 October 2018, the Bank issued Tranche 7 of Subordinated Sukuk Murabahah with nominal amount of RM500.0 million under its Subordinated Sukuk Murabahah Programme of RM3.0 billion. This tranche bears profit at 4.88% payable half-yearly and is for a tenor of 10 years.

There were no share buy-backs, share cancellations, shares held as treasury shares nor resale of treasury shares by the Bank during the financial period.

A7. DIVIDENDS

In respect of the current financial year, the Board of Directors declared an interim single-tier cash dividend of 10 sen per ordinary share on 494,368,541 ordinary shares amounting to approximately RM49,436,854.

A8. CASH AND SHORT-TERM FUNDS

	Note	31 December 2018 RM'000	31 March 2018 RM'000
Cash and bank balances		122,837	41,149
Less: Expected credit losses	(a)	(5)	-
		122,832	41,149
Deposits and placements maturing within one month:			
Licensed banks		-	100,000
Bank Negara Malaysia		4,100,000	1,447,280
		4,100,000	1,547,280
Total		4,222,832	1,588,429

(a) The movements in expected credit losses are as follow:

	12-Month ECL Stage 1 RM'000
Balance at beginning of the financial year	
- as previously stated	-
- impact of adopting MFRS 9	3
Balance at beginning of the financial year, as restated	3
Allowance made due to changes in credit risk	2
Balance at end of the financial period	5

A9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2018 RM'000	31 March 2018 RM'000
At fair value:		
Money Market Instruments:		
Malaysian Government Investment Issues	538,340	-
Bank Negara Monetary Notes	1,049,256	-
	1,587,596	-
Unquoted Securities in Malaysia:		
Sukuk	277,063	-
	1,864,659	-

A10. FINANCIAL ASSETS HELD-FOR-TRADING

	31 December 2018 RM'000 (Note A42)	31 March 2018 RM'000
At fair value:		
Money Market Instruments:		
Malaysian Islamic Treasury bills	-	486,655
Malaysian Government Investment Issues	-	241,988
Bank Negara Monetary Notes	-	199,560
	-	928,203
Unquoted Securities in Malaysia:		
Sukuk	-	656,429
	-	1,584,632

A11. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2018 RM'000	31 March 2018 RM'000
At fair value:		
Money Market Instruments:		
Malaysian Government Investment Issues	594,831	-
Islamic Negotiable instruments of deposit	298,909	-
	893,740	-
Unquoted Securities:		
In Malaysia:		
Sukuk	2,714,457	-
	3,608,197	-

The Bank had undertaken a fair value hedge on the profit rate risk of unquoted sukuk of RM350.0 million (previously classified as Receivables: Investment not quoted in active markets) using profit rate swap with AmBank (M) Berhad ("AmBank"). The gain/(loss) arising from the fair value hedge during the current financial period is as follows:

	31 December 2018 RM'000	31 March 2018 RM'000
Relating to hedged item	397	260
Relating to hedging instrument	(273)	338
	124	598

With the adoption of MFRS 9, 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.

A11. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONT'D.)

Movements in allowances for impairment 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	Total RM'000
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
New financial asset originated	5,395	-	5,395
Financial asset derecognised	(4,353)	(4,244)	(8,597)
Allowance made due to changes in credit risk	(3,296)	12,550	9,254
Balance at end of the financial period	3,834	12,438	16,272

A12. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	31 December 2018 RM'000 (Note A42)	31 March 2018 RM'000
At fair value:		
Money Market Instruments:		
Malaysian Government Investment Issues	-	223,813
Islamic Negotiable instruments of deposit	-	1,510,068
	-	1,733,881
Unquoted Securities:		
In Malaysia:		
Sukuk	-	1,104,685
	-	2,838,566

A13. FINANCIAL INVESTMENTS AT AMORTISED COST

	Note	31 December 2018 RM'000	31 March 2018 RM'000
At amortised cost:			
Money Market Instruments:			
Malaysian Government Investment Issues		260,525	-
Unquoted Securities:			
In Malaysia:			
Sukuk		1,443,234	-
Less: Expected credit losses	(a)	(307)	-
		1,703,452	-

(a) The movements in expected credit losses are as follow:

	12-Month ECL Stage 1 RM'000
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
Allowance made due to changes in credit risk	106
Balance at end of the financial period	307

A14. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	31 December 2018 RM'000 (Note A42)	31 March 2018 RM'000
At amortised cost:		
Unquoted Securities:		
In Malaysia:		
Sukuk	-	1,090,010

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(Incorporated in Malaysia)

A15. FINANCING AND ADVANCES

A15a. Financing and advances by type and Shariah contracts are as follows:

31 December 2018

	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	-	349,236	-	-	1,014,424	-	1,363,660
Term financing	1,168,965	6,053,310	10,261	-	2,556,084	58,677	9,847,297
Revolving credit	42,081	3,112,131	-	-	1,543,932	-	4,698,144
Housing financing	2,999,177	2,947,466	49,401	-	-	-	5,996,044
Hire purchase receivables	4	-	-	4,860,042	-	-	4,860,046
Bills receivables	-	53,715	-	-	-	4,966	58,681
Credit card receivables	-	-	-	-	-	525,464	525,464
Trust receipts	-	244,618	-	-	-	-	244,618
Claims on customers under acceptance credits	-	1,464,758	-	-	-	191,167	1,655,925
Staff financing	-	286	-	-	-	-	286
Gross financing and advances*	4,210,227	14,225,520	59,662	4,860,042	5,114,440	780,274	29,250,165
Allowance for impairment on financing and advances							
- Individual allowance							(47,915)
- Collective allowance							(345,781)
Net financing and advances							28,856,469

A15. FINANCING AND ADVANCES (CONT'D.)

A15a. Financing and advances by type and Shariah contracts are as follows (Cont'd.):

31 March 2018

	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	-	243,060	-	-	1,146,215	-	1,389,275
Term financing	1,327,945	4,731,464	10,579	-	2,920,051	64,707	9,054,746
Revolving credit	62,100	2,859,554	-	-	1,692,374	-	4,614,028
Housing financing	3,047,080	1,819,335	50,636	-	-	-	4,917,051
Hire purchase receivables	4	-	-	6,051,229	-	-	6,051,233
Bills receivables	-	27,086	-	-	-	271	27,357
Credit card receivables	-	-	-	-	-	423,920	423,920
Trust receipts	-	130,910	-	-	-	-	130,910
Claims on customers under acceptance credits	-	1,241,342	-	-	-	184,560	1,425,902
Gross financing and advances*	4,437,129	11,052,751	61,215	6,051,229	5,758,640	673,458	28,034,422
Allowance for impairment on financing and advances							
- Individual allowance							(25,314)
- Collective allowance							(233,272)
Net financing and advances							27,775,836

* Included in financing and advances are exposures to the Restricted Investment Account ("RIA") arrangement between the Bank and AmBank (M) Berhad ("AmBank") amounting to RM1,866.2 million (31 March 2018: RM2,869.6 million). Under the RIA contract, the profit is shared based on a pre-agreed ratio. AmBank is exposed to the risks and rewards on the RIA financing and it shall account for all allowance for impairment arising from the RIA financing. Further details of the RIA are disclosed in Note A21.

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A15. FINANCING AND ADVANCES (CONT'D.)

A15b. Gross financing and advances analysed by type of customer are as follows:

	31 December 2018 RM'000	31 March 2018 RM'000
Domestic banking institution	1,002	-
Domestic non-bank financial institutions	1,144,900	1,192,612
Domestic business enterprises		
- Small medium enterprises ("SME")	5,644,438	5,294,379
- Others	7,604,814	7,357,710
Government and statutory bodies	809,866	716,111
Individuals	13,946,082	13,384,249
Other domestic entities	6,062	1,344
Foreign individuals and entities	93,001	88,017
	29,250,165	28,034,422

A15c. All financing and advances reside in Malaysia.

A15d. Gross financing and advances analysed by profit rate sensitivity are as follows:

	31 December 2018 RM'000	31 March 2018 RM'000
Fixed rate		
- Housing financing	194,702	205,376
- Hire purchase receivables	4,606,985	5,686,447
- Other financing	3,067,115	2,703,476
Variable rate		
- Base rate and base financing rate plus	10,418,489	8,726,336
- Cost plus	8,970,710	8,817,540
- Other variable rates	1,992,164	1,895,247
	29,250,165	28,034,422

A15. FINANCING AND ADVANCES (CONT'D.)

A15e. Gross financing and advances analysed by sector are as follows:

	31 December 2018 RM'000	31 March 2018 RM'000
Agriculture	1,730,714	1,696,977
Mining and quarrying	1,082,924	1,041,439
Manufacturing	3,627,524	3,322,092
Electricity, gas and water	309,402	313,429
Construction	1,014,086	883,579
Wholesale and retail trade and hotel and restaurants	1,432,859	1,320,133
Transport, storage and communication	1,038,770	939,582
Finance and insurance	1,145,903	1,192,616
Real estate	2,189,444	2,288,154
Business activities	566,864	432,013
Education and health	1,027,793	1,127,642
Household of which:	14,039,510	13,471,899
- Purchase of residential properties	5,945,081	4,874,534
- Purchase of transport vehicles	4,533,139	5,759,757
- Others	3,561,290	2,837,608
Others	44,372	4,867
	29,250,165	28,034,422

A15f. Gross financing and advances analysed by residual contractual maturity are as follows:

	31 December 2018 RM'000	31 March 2018 RM'000
Maturing within one year	9,811,593	9,900,413
Over one year to three years	3,317,724	3,124,095
Over three years to five years	3,916,501	4,182,047
Over five years	12,204,347	10,827,867
	29,250,165	28,034,422

A15. FINANCING AND ADVANCES (CONT'D.)

A15g. Movements in impaired financing and advances are as follows:

	31 December 2018 RM'000	31 March 2018 RM'000
Balance at beginning of the financial year	582,538	488,700
Impaired during the period/year	385,178	359,171
Reclassified as non-impaired	(34,599)	(25,231)
Recoveries	(206,346)	(63,456)
Amount written off	(184,720)	(176,646)
Balance at end of the financial period/year	542,051	582,538
Gross impaired financing and advances as % of gross financing and advances	1.85%	2.08%
Financing loss coverage (including regulatory reserve) *	102.8%	100.6%

* Effective 1 April 2018, financing loss coverage includes provision for commitment and contingencies for financing commitments and financial guarantees.

A15h. All impaired financing and advances reside in Malaysia.

A15i. Impaired financing and advances by sector are as follows:

	31 December 2018 RM'000	31 March 2018 RM'000
Agriculture	6	571
Mining and quarrying	2,756	3,806
Manufacturing	4,417	1,863
Electricity, gas and water	-	7,030
Construction	4,995	8,807
Wholesale and retail trade and hotel and restaurants	11,841	15,890
Transport, storage and communication	59,813	76,990
Real estate	289,536	308,100
Business activities	788	1,659
Education and health	4,191	5,859
Household of which :	163,708	151,832
- Purchase of residential properties	68,338	48,899
- Purchase of transport vehicles	62,065	75,209
- Others	33,305	27,724
Others	-	131
	542,051	582,538

A15. FINANCING AND ADVANCES (CONT'D.)

A15j. Movements in the allowances for financing and advances are as follows:

	31 December 2018 RM'000	31 March 2018 RM'000
Individual allowance		
Balance at beginning of the financial year		
- as previously stated	25,314	16,041
- impact of adopting MFRS 9	43,219	-
Balance at beginning of the financial year, as restated	68,533	16,041
Allowance during the period/year, net	39,638	29,090
Amount written off	(60,256)	(19,817)
Balance at end of the financial period/year	47,915	25,314
Collective allowance		
Balance at beginning of the financial year		
- as previously stated	233,272	252,280
- effects of adoption of MFRS 9	100,745	-
Balance at beginning of the financial year, as restated	334,017	252,280
Allowance made during the period/year, net	136,223	137,829
Amount written off	(124,464)	(156,829)
Foreign exchange differences	5	(8)
Balance at end of the financial period/year	345,781	233,272

A15. FINANCING AND ADVANCES (CONT'D.)

A15j. Movements in the allowances for financing and advances are as follows (Cont'd.):

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
31 December 2018				
Collective assesment allowance				
Balance at beginning of the financial period, as restated	72,384	204,922	56,711	334,017
Changes due to financing and advances movements:	(4,898)	10,446	30,332	35,880
- Transfer to 12 month ECL (Stage 1)	3,077	(30,919)	(1,665)	(29,507)
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(7,000)	49,634	(8,489)	34,145
- Transfer to Lifetime ECL credit impaired (Stage 3)	(975)	(8,269)	40,486	31,242
New financial assets originated	16,272	59,340	6,319	81,931
Changes in credit risk	2,871	(52,593)	67,625	17,903
Modification of contractual cash flows of financial assets	13	-	-	13
Financial assets derecognised	(7,962)	(14,970)	23,428	496
Foreign exchange difference	5	-	-	5
Amount written-off	-	-	(124,464)	(124,464)
Balance at end of the financial period	78,685	207,145	59,951	345,781

A16. RECEIVABLES: INVESTMENTS NOT QUOTED IN ACTIVE MARKETS

	31 December 2018 RM'000 (Note A42)	31 March 2018 RM'000
Unquoted sukuk in Malaysia	-	782,502
Fair value changes arising from fair value hedge	-	8,331
	-	790,833

A17. OTHER ASSETS

	31 December 2018 RM'000	31 March 2018 RM'000
Other receivables, deposits and prepayments	113,312	21,927
Amount due from related companies	41,271	140,755
Amount due from originators	18,888	20,398
Profit receivable	71,590	34,411
Deferred charges	59,298	53,240
	304,359	270,731

A18. DEPOSITS FROM CUSTOMERS

	31 December 2018 RM'000	31 March 2018 RM'000
(i) By type of deposit:		
Savings deposit		
Commodity Murabahah	1,927,954	2,005,599
Qard	59,756	14,279
Demand deposit		
Commodity Murabahah	4,640,971	4,841,876
Qard	673,602	22,777
Term Deposits:		
Commodity Murabahah	21,655,405	19,373,738
Qard	361,920	235,533
Total	29,319,608	26,493,802
(ii) The deposits are sourced from the following types of customers:		
Government and statutory bodies	4,371,480	4,614,846
Business enterprises	15,340,872	10,150,411
Individuals	8,950,889	11,051,343
Others	656,367	677,202
	29,319,608	26,493,802
(iii) The maturity structure of all term deposits is as follows:		
Due within six months	17,507,908	12,235,496
Over six months to one year	3,233,449	6,006,987
Over one year to three years	321,317	369,329
Over three years to five years	954,651	997,459
	22,017,325	19,609,271

A19. INVESTMENT ACCOUNTS OF CUSTOMERS

	31 December 2018 RM'000	31 March 2018 RM'000
Unrestricted investment account:		
Without maturity		
- Wakalah	17,992	20,387
With maturity		
- Mudarabah	140,030	118,569
	158,022	138,956

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

	31 December 2018 RM'000	31 March 2018 RM'000
Business enterprises	140,348	118,793
Individuals	17,674	20,163
	158,022	138,956

	Wakalah RM'000	Mudarabah RM'000
Investment asset:		
31 December 2018		
Interbank placement	17,992	-
House financing	-	140,030
Total investment	17,992	140,030
31 March 2018		
Interbank placement	20,387	-
House financing	-	118,569
Total investment	20,387	118,569

A19. 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 2018			
Maturity :			
less than 3 months	77.87	2.68	3.25
over 3 months to 1 year	87.60	4.04	-
31 March 2018			
Maturity :			
less than 3 months	83.98	0.20	3.01

A20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2018 RM'000	31 March 2018 RM'000
Non-Mudarabah		
Licensed Islamic banks	646,852	399,256
Licensed banks	946,921	-
Licensed investment bank	797,777	339,430
Other financial institutions	784,556	479,050
Bank Negara Malaysia	3,466	5,788
Total	3,179,572	1,223,524

A21. INVESTMENT ACCOUNT DUE TO A LICENSED BANK

	31 December 2018 RM'000	31 March 2018 RM'000
Restricted investment account		
- Mudarabah Muqayyadah	1,859,816	2,859,110
Investment asset:		
Financing	1,859,816	2,859,110
Total investment	1,859,816	2,859,110

A21. INVESTMENT ACCOUNT DUE TO A LICENSED BANK (CONT'D.)

Profit Sharing Ratio and Average Rate of Return for the investment account are as follows:

	Investment account holder		
		31 December 2018	31 March 2018
	Profit sharing ratio (%)	Average rate of return (%)	Average rate of return (%)
Maturity:			
up to 1 year	90	-	4.50
between 1 year to 2 years	46	2.35	4.55
over 2 years to 5 years	90	4.62	4.40
more than 5 years	75	3.82	4.77

The RIA 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 RIA contracts is AmBank, a related company.

During the current financial period on 30 April 2018 and 14 May 2018, AmBank early redeemed a placement which amounted to RM517.4 million and RM480.7 million respectively.

As at 31 December 2018, collective allowance for the investment asset borne by AmBank amounted to RM10.8 million (31 March 2018: RM2.7 million).

As at 31 December 2018, the tenure of the RIA contracts is for a period of 11 months to 11 years (31 March 2018: 6 months to 13 years).

A22. OTHER LIABILITIES

	Note	31 December 2018 RM'000	31 March 2018 RM'000
Profit payable		226,749	217,072
Other creditors and accruals		36,892	42,458
Deferred income		16,123	15,165
Advance rental		4,259	2,568
Amount due to related companies		157	179
Provision for commitments and contingencies	(a)	15,044	10,698
Provision for taxation		9,183	6,133
		308,407	294,273

A22. OTHER LIABILITIES (CONT'D.)

(a) The movements in provision for commitments and contingencies are as follow:

	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
Balance at beginning of the financial period				
- as previously stated	-	-	-	10,698
- impact of adopting MFRS 9	-	-	-	4,065
Balance at beginning of the financial period, as restated	8,817	5,911	35	14,763
Changes due to financing and advances recognised as at beginning of the financial year:	(240)	360	-	120
- Transfer to 12 month ECL (Stage 1)	136	(1,665)	-	(1,529)
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(321)	2,126	-	1,805
- Transfer to Lifetime ECL credit impaired (Stage 3)	(55)	(101)	-	(156)
New financial instruments originated	4,449	1,206	-	5,655
Changes in credit risk	(1,288)	(950)	(35)	(2,273)
Financial instruments derecognised	(2,144)	(1,081)	-	(3,225)
Exchange difference	1	3	-	4
Balance at end of the financial period	9,595	5,449	-	15,044

A23. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	Individual Quarter		Cumulative Quarter	
	31 December 2018 RM'000	**31 December 2017 RM'000**	**31 December 2018 RM'000**	**31 December 2017 RM'000**
Finance income and hibah:				
Financing and advances				
- Financing income	343,122	338,649	990,696	1,034,260
- Financing income on impaired financing	640	814	2,107	979
Financial assets at fair value through profit or loss	24,126	-	70,194	-
Financial assets held-for-trading	-	7,328	-	23,138
Financial investments at fair value through other comprehensive income	36,846	-	111,865	-
Financial investments available-for-sale	-	17,189	-	21,212
Financial investments at amortised cost	17,724	-	49,789	-
Financial investments held-to-maturity	-	12,712	-	40,930
Deposits and placements with banks and other financial institutions	17,121	20,721	41,648	60,652
Receivables: Investments not quoted in active markets	-	12,508	-	37,572
Total finance income and hibah	439,579	409,921	1,266,299	1,218,743

A23. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (CONT'D.)

	Individual Quarter		Cumulative Quarter	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Other operating income:				
Fee and commission income:				
- Brokerage fees, commission and rebates	1	-	1	2
- Fees on financing, advances and securities	7,367	7,412	22,656	20,903
- Guarantee fees	3,374	3,136	9,877	8,452
- Remittances	36	23	95	65
- Service charges and fees	631	585	1,695	1,950
- Others	1,005	1,226	3,082	3,376
Foreign exchange	(1,118)	5,610	1,764	14,151
Gain from disposal of financial assets at fair value through profit or loss	1,217	-	2,789	-
Gain from disposal of financial assets held-for-trading	-	765	-	2,549
Gain/(loss) on revaluation of financial assets at fair value through profit or loss	(141)	-	(244)	-
Gain on revaluation of financial assets held-for-trading	-	976	-	1,163
Gain from disposal of financial investments at fair value through other comprehensive income	1,632	-	1,631	-
Gain from disposal of financial investments available-for-sale	-	268	-	472
Net gain/(loss) on derivatives	2,061	3,760	(157)	3,587
Others	(2)	(288)	(1)	(266)
Total other operating income	16,063	23,473	43,188	56,404
Total	455,642	433,394	1,309,487	1,275,147

A24. INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	Individual Quarter		Cumulative Quarter	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Income derived from investment of:				
- Restricted investment account	23,930	27,809	77,128	66,469
- Unrestricted investment accounts	1,961	162	6,232	517
	25,891	27,971	83,360	66,986

Income derived from investment of restricted investment account

	Individual Quarter		Cumulative Quarter	
Finance income and hibah:				
Financing and advances				
- Financing income	23,930	27,809	77,128	66,469
Total finance income and hibah	23,930	27,809	77,128	66,469

Income derived from investment of unrestricted investment accounts

	Individual Quarter		Cumulative Quarter	
Finance income and hibah:				
Financing and advances				
- Financing income	1,808	-	5,750	-
Deposits and placements with banks and other financial institutions	153	162	482	517
Total finance income and hibah	1,961	162	6,232	517

A25. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS

	Individual Quarter		Cumulative Quarter	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Finance income and hibah:				
Financing and advances				
- Financing income	31,325	-	92,954	-
- Financing income on impaired financing	58	-	198	-
Financial assets at fair value through profit or loss	2,202	-	6,586	-
Financial investments at fair value through other comprehensive income	3,357	-	10,496	-
Financial investments available-for-sale	-	27,860	-	77,360
Financial investments at amortised cost	1,619	-	4,671	-
Deposits and placements with banks and other financial institutions	1,574	-	3,908	-
Total finance income and hibah	40,135	27,860	118,813	77,360
Other operating income:				
Fee and commission income:				
- Bancassurance commission	1,171	1,615	5,591	5,647
- Fees on financing, advances and securities	688	17	2,170	17
- Guarantee fees	308	-	927	-
- Remittances	303	439	1,517	2,032
- Service charges and fees	818	964	2,153	2,302
- Others	664	-	2,022	-
Foreign exchange	(109)	-	165	-
Gain from disposal of financial assets at fair value through profit or loss	112	-	262	-
Gain/(loss) on revaluation of financial assets at fair value through profit or loss	(13)	-	(23)	-
Gain from disposal of financial investments at fair value through other comprehensive income	153	-	153	-
Gain from disposal of financial investments available-for-sale	-	408	-	1,936
Net gain/(loss) on derivatives	196	(776)	(15)	(2,210)
Total other operating income	4,291	2,667	14,922	9,724
Total	44,426	30,527	133,735	87,084

A26. IMPAIRMENT ON FINANCING AND ADVANCES

	Individual Quarter		Cumulative Quarter	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Allowance for impairment on financing and advances:				
Individual allowance, net	4,839	12,200	39,638	25,393
Collective allowance	50,286	42,593	136,223	109,454
Impaired financing and advances recovered, net	(26,789)	(21,886)	(71,901)	(78,711)
Total	28,336	32,907	103,960	56,136

A27. IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS

	Individual Quarter		Cumulative Quarter	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Financial investments at amortised cost - sukuk	22	-	106	-
Financial investments at fair value through other comprehensive income - sukuk	4,230	-	6,052	-
Total	4,252	-	6,158	-

A28. IMPAIRMENT LOSSES ON OTHER ASSETS

	Individual Quarter		Cumulative Quarter	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Cash and short-term funds	(30)	-	2	-

A29. PROVISION FOR COMMITMENTS AND CONTINGENCIES

	Individual Quarter		Cumulative Quarter	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Provision for commitments and contingencies - financial commitments and financial guarantee contracts	(1,733)	496	277	251

A30. INCOME ATTRIBUTABLE TO THE DEPOSITORS AND OTHERS

	Individual Quarter		Cumulative Quarter	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Non-Mudarabah fund				
Deposit from customers	231,311	221,922	678,098	648,606
Deposits and placements of banks and other financial institutions	24,970	10,468	65,444	25,584
	256,281	232,390	743,542	674,190
Others	10,112	10,232	23,270	24,920
Total	266,393	242,622	766,812	699,110

A31. INCOME ATTRIBUTABLE TO THE INVESTMENT ACCOUNT HOLDERS

	Individual Quarter		Cumulative Quarter	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Unrestricted				
Customers - investment accounts	1,498	3	4,788	9
Restricted				
Licensed bank - investment account	21,538	25,028	66,732	59,822
	23,036	25,031	71,520	59,831

A32. OTHER OPERATING EXPENSES

	Individual Quarter		Cumulative Quarter	
	31 December 2018 RM'000	**31 December 2017 RM'000**	**31 December 2018 RM'000**	**31 December 2017 RM'000**
Personnel costs:				
- Salaries, allowances and bonuses	3,653	2,874	10,312	9,319
- Amortisation for share and options granted under AMMB ESS - charge/(write back)	70	35	(99)	(120)
- Contributions to EPF/Private Retirement Scheme	636	453	1,933	1,479
- Social security cost	19	19	57	56
- Staff incentive	348	4	1,792	4
- Others	542	430	1,687	1,574
	5,268	3,815	15,682	12,312
Establishment costs:				
- Amortisation of intangible assets	104	27	264	59
- Cleaning, maintenance and security	4	13	23	31
- Computerisation costs	515	49	1,061	179
- Depreciation of property and equipment	40	28	110	71
- Rental of premises	209	186	636	558
- Others	6	12	17	40
	878	315	2,111	938
Marketing and communication expenses:				
- Communication, advertising and marketing	1,236	2,181	4,130	4,117
- Others	21	33	69	120
	1,257	2,214	4,199	4,237
Administration and general expenses:				
- Professional services	1,428	1,593	3,425	18,036
- Others	4,710	9,423	13,547	25,071
	6,138	11,016	16,972	43,107
Service transfer pricing expense, net	62,514	84,218	191,562	262,760
	76,055	101,578	230,526	323,354

A33. BASIC EARNINGS PER SHARE

Basic/Diluted

Basic earnings per share is calculated by dividing the net profit attributable to the equity holder of the Bank by the number of ordinary shares at beginning of the financial year and end of the financial period.

	Individual Quarter		Cumulative Quarter	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Net profit attributable to equity holder of the Bank (RM'000)	76,340	51,752	208,327	160,648
Number of ordinary shares at beginning of the financial year and end of the financial period ('000)	494,369	462,922	494,369	462,922
Effect of issuance of shares ('000)	-	31,447	-	10,749
Weighted average number of ordinary shares in issue at the end of the financial period ('000)	494,369	494,369	494,369	473,671
Basic/Diluted earnings per share (sen)	**15.44**	**10.47**	**42.14**	**33.92**

A34. 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. Previously, BB was not disclosed as a reputable segment and included in Wholesale Banking division in review of its contribution to the Group in terms of revenue, profit and total assets. Accordingly, the comparatives have been restated to conform with current presentation.

(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 Terasury 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.

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A34. 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	149,483	1,997	114,604	1,526,582
Revenue from other segments	10,584	(45,622)	(303,170)	201,642	197	136,369	-
Total operating revenue	610,106	73,677	238,507	351,125	2,194	250,973	1,526,582
Net finance income	263,162	44,643	170,364	17,707	23	57,186	553,085
Other income	23,936	6,994	22,342	2,536	1970	(394)	57,384
Net income	287,098	51,637	192,706	20,243	1,993	56,792	610,469
Other operating expenses of which:	(143,897)	(5,828)	(38,998)	(3,948)	11	(37,866)	(230,526)
Depreciation of Property and Equipment	(1)	-	-	-	-	(109)	(110)
Amortisation of Intangible Assets	(8)	-	-	-	-	(256)	(264)
Profit before impairment losses	143,201	45,809	153,708	16,295	2,004	18,926	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)	1,719	-	(915)	(6,158)
Impairment losses on other assets	-	-	-	-	-	(2)	(2)
Provision for commitments and contingencies - charge	1,262	(828)	(711)	-	-	-	(277)
Profit before zakat and taxation	90,666	21,756	130,883	18,014	2,004	6,223	269,546
Zakat and taxation	(21,760)	(5,221)	(31,412)	(4,323)	(481)	1,978	(61,219)
Profit for the financial period	68,906	16,535	99,471	13,691	1,523	8,201	208,327
Other information							
Total segment assets	14,082,103	2,775,149	12,978,480	5,102,571	59	6,462,748	41,401,110
Total segment liabilities	12,665,672	1,122,175	2,727,191	14,470,819	1,362	7,007,364	37,994,583
Cost to income ratio	50.1%	11.3%	20.2%	19.5%	-0.6%	66.7%	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	12,538,550	1,099,357	2,669,141	14,110,040	-	2,082,092	32,499,180
Additions to :							
Property and Equipment	-	-	-	-	-	383	383
Intangible assets	-	-	-	-	-	498	498

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A34. BUSINESS SEGMENT ANALYSIS (CONT'D.)

For the financial period ended 31 December 2017 (Restated)

	Retail Banking RM'000	Business Banking RM'000	Wholesale banking: Corporate Banking RM'000	Wholesale banking: Group Treasury and Market RM'000	Investment Banking RM'000	Group Funding and Others RM'000	Total RM'000
External revenue	564,708	85,219	530,533	65,133	3,692	179,932	1,429,217
Revenue from other segments	3,841	(29,752)	(308,920)	280,840	586	53,405	-
Total operating revenue	568,549	55,467	221,613	345,973	4,278	233,337	1,429,217
Net finance income	264,459	34,541	167,102	6,662	285	45,251	518,300
Other income	20,709	5,053	18,438	1,840	2609	15,551	64,200
Net income	285,168	39,594	185,540	8,502	2,894	60,802	582,500
Other operating expenses of which:	(205,833)	(7,152)	(41,575)	(5,634)	(1,330)	(61,830)	(323,354)
Depreciation of Property and Equipment	(1)	-	-	-	-	(70)	(71)
Amortisation of Intangible Assets	(10)	-	-	-	-	(49)	(59)
Profit before impairment losses and provision	79,335	32,442	143,965	2,868	1,564	(1,028)	259,146
(Allowance)/Writeback for impairment on financing and advances	(41,283)	(5,464)	(18,763)	-	3	9,371	(56,136)
Provision for commitments and contingencies - (charge)/writeback	(612)	(341)	701	-	1	-	(251)
Profit/(loss) before zakat and taxation	37,440	26,637	125,903	2,868	1,568	8,343	202,759
Zakat and taxation	(6,378)	(6,393)	(30,217)	(688)	(376)	1,941	(42,111)
Profit/(loss) for the financial period	31,062	20,244	95,686	2,180	1,192	10,284	160,648
Other information							
Total segment assets	13,216,513	2,102,846	13,027,718	2,297,444	17,576	9,135,376	39,797,473
Total segment liabilities	13,859,542	890,224	2,507,658	12,996,035	25,217	6,254,437	36,533,113
Cost to income ratio	72.2%	18.1%	22.4%	66.3%	46.0%	>100%	55.5%
Gross financing and advances	13,339,369	2,114,876	12,159,720	-	17,419	-	27,631,384
Net financing and advances	13,183,880	2,101,760	12,114,120	-	17,396	(54,916)	27,362,240
Impaired financing and advances	164,568	81,605	339,071	-	-	-	585,244
Total deposits	13,757,118	877,388	2,356,124	12,723,425	25,100	894,218	30,633,373
Additions to :							
Property and Equipment	-	-	-	-	-	198	198
Intangible assets	-	-	-	-	-	739	739

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

A35a. PERFORMANCE REVIEW FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018

The Bank reported a higher profit before zakat and taxation of RM269.5 million for the financial period ended 31 December 2018 which was RM66.8 million or 24.8% higher as compared to the corresponding period ended 31 December 2017 of RM202.8 million. The higher profit was mainly due to lower other operating expenses of RM92.8 million and higher net finance income of RM34.8 million offset by higher allowance for impairment on financing and advances of RM47.8 million (mainly from higher individual and collective impairment for financing and advances), higher impairment losses of financial investments of RM6.2 million and lower other operating income of RM6.8 million.

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.

A35b. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2019

In 2018, Gross Domestic Product ("GDP") grew 4.7% year-on-year supported by private sector activities and complemented by exports. Going forward, private sector demand is expected to remain the main driver of growth amid continuing fiscal rationalisation while the external sector is likely to soften with moderating global demand.The economy in 2019 is projected to grow at 4.5%-4.8%.

Headline inflation penciled at 1.0% year-on-year in 2018 owing to the tax holiday period and replacing Goods and Service Tax ("GST") tax to Sales and Service Tax ("SST"). Going forward, headline inflation is expected to average moderately higher. The impact of the consumption tax policy on headline inflation in 2019 will start to lapse towards the end of the year. Underlying inflation, which excludes the impact of the changes in consumption tax policy, is expected to be broadly stable in 2019 in the absence of strong demand pressure . As such, we project the inflation to come in 1.5% in 2019.

In 2018, the banking system's loans/financing expanded by 5.6% . For 2019, we project loans/financing growth to come in at 4.9% based on our view that GDP will continue to expand by 4.5% in 2019.

Banks have sufficient liquid assets with an industry liquidity coverage ratio of 143% as at end of December 2018, well above the regulatory requirement of 100.0%. Funding profiles of banks have been well diversified with the industry's loan-to-fund/financing-to-fund ratio and loan-to-fund/financing-to-fund and equity ratio standing at 82.7% and 72.4% respectively as at December 2018.

The Overnight Policy Rate while is expected to stay at 3.25% in 2019, there is an increasing possibilities for a 25bps rate cut to be instituted in 2019 in a move to support growth while inflation remains stable supported by firmer ringgit.

A35b. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2019 (CONT'D.)

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

- Revenue growth: We will continue to focus on driving our income growth momentum, in line with our key segments and products strategies. CASA growth is one of our key priorities this year.

- 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.

- 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.

A36. VALUATION OF PROPERTY AND EQUIPMENT

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

A37. SIGNIFICANT EVENT

On 11 December 2018, at two Extraordinary General Meetings ("EGM") of the holding company, AMMB Holdings Berhad ("AMMB"):

(i) the holders of Senior Notes issued under the AMMB's Senior and/or Subordinated Medium Term Notes programme of up to RM2.0 billion in nominal value approved the early redemption of the outstanding RM500.0 million Senior Notes due to mature on 8 August 2019. As at 18 December 2018, AMMB had fully settled the outstanding Senior Notes with nominal value of RM500.0 million;

(ii) the holders of AMMB's Subordinated Notes issued under a Tier 2 Subordinated Notes programme of up to RM10.0 billion approved a bond swap of the outstanding RM1.425 billion in nominal value of Subordinated Notes in exchange for AMMB's:

- RM1.025 billion in nominal value of Subordinated Notes issued by AmBank under a Subordinated Notes programme of up to RM4.0 billion; and
- RM400.0 million in nominal value of Subordinated Sukuk issued by the Bank, under a Subordinated Sukuk Murabahah programme of up to RM3.0 billion.

On the same day, the Bank and AmBank held two separate EGM to obtain consent from Noteholders and Sukukholders respectively to revise the terms and conditions of the Subordinated Notes/Sukuk for outstanding tranches and new issuances. The revision was made to incorporate a non-viability trigger event in relation to the financial group ("Group-level Trigger") as the two programmes were structured previously with loss absorption at point of non-viability referenced to the entity only, without Group-level Trigger. The above revisions were approved by Bank Negara Malaysia via letters dated 24 July 2018 and the Noteholders and Sukukholders at the EGM for AmBank and the Bank respectively. The bond swap transaction was completed on 18 December 2018. Arising from this corporate exercise, AMMB incurred general expenses in the form of redemption premium expense of RM1.54 million for the early redemption of Senior Notes and hardship fees of RM0.67 million for the bond swap.

The early redemption of Senior Notes and bond swap transaction undertaken was part of AMMB's debt restructuring programme to maintain the Group's Tier 2 debt rating at AA3.

A38. EVENT SUBSEQUENT TO REPORTING DATE

On 3 January 2019, the Bank entered into sale and purchase agreements (“SPA”) to dispose non-performing financing to Aiqon Islamic Sdn Bhd (“Aiqon Islamic”). Aiqon Islamic is a wholly-owned subsidiary of Aiqon Capital Sdn Bhd, whereby its Group Executive Chairman/Chief Executive Officer and major shareholder is a closed member of family of a director and major shareholder of AMMB.

The proposed disposal as approved by BNM, involves an outright sale of portfolio of accounts (“Portfolio”) which includes Industrial hire-purchase, small & medium industry financing, auto financing, mortgage, personal financing under cooperative and credit cards previously fully written-off from the books of the Bank.

For a period of 2 years from the completion of the proposed disposal, the purchasers are entitled to put-back to or require the repurchase by the Bank for such financing that are not conforming to the representations made under the respective SPA. The headline purchase price for the above proposed disposal by the Bank amounted to RM125.8 million, contributing a positive impact to the Bank’s and AMMB Group’s financial results. This proposal is part of the debt recovery strategy of the AMMB Group to strengthen financing management, resolution processes and to monetise the Portfolio.

Currently, the proposed disposal is pending the High Court’s approval for the vesting of the Portfolio. The proposed disposal is expected to be completed by 31 March 2019.

A39. COMMITMENTS AND CONTINGENCIES

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/notional amounts of the commitments and contingencies of the Bank are as follows:

	31 December 2018 RM'000	31 March 2018 RM'000
Contingencies		
Direct credit substitutes	543,705	327,186
Transaction related contingent items	896,808	821,035
Short-term self liquidating trade-related contingencies	95,372	54,608
	1,535,885	1,202,829
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	4,715,465	4,991,310
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	512,508	809,748
Unutilised credit card lines	1,448,855	1,289,967
Forward asset purchase	61,005	213,975
	6,737,833	7,305,000
Derivative Financial Instruments		
Foreign exchange related contracts:		
- One year or less	1,976,006	1,539,601
- Over one year to five years	1,015,307	689,469
Profit rate related contracts		
- Over one year to five years	360,000	260,000
- Over five years	350,000	350,000
	3,701,313	2,839,070
Total	11,975,031	11,346,899

A40. 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.

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.

A40. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONT'D.)

a) The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities.

	Valuation techniques			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
31 December 2018				
Assets measured at fair value				
Derivative financial assets	-	52,001	-	52,001
Financial assets at fair value through profit or loss				
- Money market securities	-	1,587,596	-	1,587,596
- Unquoted sukuk	-	277,063	-	277,063
Financial investments at fair value through other comprehensive income				
- Money market securities	-	893,740	-	893,740
- Unquoted sukuk	-	2,714,457	-	2,714,457
	-	5,524,857	-	5,524,857
Liabilities measured at fair value				
Derivative financial liabilities	-	59,285	-	59,285
31 March 2018				
Assets measured at fair value				
Derivative financial assets	-	87,408	-	87,408
Financial assets held-for-trading				
- Money market securities	-	928,203	-	928,203
- Unquoted sukuk	-	656,429	-	656,429
Financial investments available-for-sale				
- Money market securities	-	1,733,881	-	1,733,881
- Unquoted sukuk	-	1,104,685	-	1,104,685
	-	4,510,606	-	4,510,606
Liabilities measured at fair value				
Derivative financial liabilities	-	92,939	-	92,939

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

A41. CAPITAL ADEQUACY

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

	31 December 2018	31 March 2018
Common Equity Tier 1 ("CET 1") Capital ratio	11.643%	11.561%
Tier 1 Capital ratio	11.643%	11.561%
Total Capital ratio	18.195%	16.569%

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, which is based on the Basel III capital accord. The Bank has adopted the Standardised Approach for Credit and Market Risks, and the Basic Indicator Approach for Operational Risk, based on the BNM's Guidelines on Capital Adequacy Framework for Islamic Banks (Basel II - Risk-Weighted Assets).

(ii) Pursuant to the revised BNM's guidelines on Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 2 February 2018, the minimum capital adequacy ratio maintained under the guidelines remain consistant 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	2.5%

A41. CAPITAL ADEQUACY (CONT'D.)

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

	31 December 2018 RM'000	31 March 2018 RM'000
Common Equity Tier 1 Capital		
Ordinary shares	1,387,107	1,387,107
Retained earnings	1,846,859	1,632,472
Fair value reserve	24,081	-
Available for sale deficit	-	(5,492)
Regulatory reserve	148,480	327,683
Less : Regulatory adjustments applied on CET1 Capital		
- Intangible assets	(1,441)	(1,207)
- Regulatory reserve attributable to financing and advances	(148,480)	(327,683)
- 55% of cumulative gains of financial instruments at FVOCI	(13,244)	-
CET 1 Capital/ Tier 1 Capital	3,243,362	3,012,880
Tier 2 Capital		
Tier 2 Capital instruments meeting all relevent criteria for inclusion	1,500,000	1,000,000
Collective allowance and regulatory reserve	325,287	305,028
Tier 2 Capital	1,825,287	1,305,028
Total Capital	5,068,649	4,317,908

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

	31 December 2018 RM'000	31 March 2018 RM'000
Credit RWA	28,029,172	27,390,400
Less : Credit RWA absorbed by Investment Account	(2,006,180)	(2,988,135)
Total Credit RWA	26,022,992	24,402,265
Market RWA	414,910	277,093
Operational RWA	1,419,540	1,380,469
Total Risk Weighted Assets	27,857,442	26,059,827

A42. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS

Adoption of MFRS 9 Financial Instruments

i. Classification and measurement of financial instruments

On 1 April 2018, the Bank management has assessed which business models apply to the financial assets held by the Bank 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:

	Measurement category		Carrying amount		
	Under MFRS 139	Under MFRS 9	Under MFRS 139 RM'000	Remeasurement and Impairment RM'000	Under MFRS 9 RM'000
Financial assets					
Cash and short-term funds	Amortised cost (Financing and receivables)	Amortised cost	1,588,429	(3)	1,588,426
Financial assets held-for-trading	FVTPL (HFT)	FVTPL	1,584,632	-	1,584,632
Financial investments available-for-sale	FVOCI (AFS)	Amortised cost	341,935	5,167	347,102
Financial investments available-for-sale	FVOCI (AFS)	FVOCI (Debt)	2,496,631	-	2,496,631
Financial investments held-to-maturity	Amortised Cost (HTM)	Amortised cost	1,090,010	(201)	1,089,809
Financing and advances	Amortised cost (Financing and receivables)	Amortised cost	27,775,836	(143,964)	27,631,872
Receivables: Investments not quoted in active markets	Amortised cost (Financing and receivables)	FVTPL	7,649	(1,160)	6,489
Receivables: Investments not quoted in active markets	Amortised cost (Financing and receivables)	FVOCI	783,184	9,053	792,237

A42. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS (CONT'D.)

Adoption of MFRS 9 Financial Instruments (Cont'd.)

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

	Amount RM'000
Cash and short-term funds	
Closing balance under MFRS 139 as at 31 March 2018	1,588,429
Allowance for ECL	(3)
Opening balance under MFRS 9 as at 1 April 2018	1,588,426
Financial investments held-to-maturity	
Closing balance under MFRS 139 as at 31 March 2018	1,090,010
Reclassification to Financial Investments at amortised cost	(1,090,010)
Opening balance under MFRS 9 as at 1 April 2018	-
Financing and advances	
Closing balance under MFRS 139 as at 31 March 2018	27,775,836
Allowance for ECL	(143,964)
Opening balance under MFRS 9 as at 1 April 2018	27,631,872
Receivables: Investments not quoted in active markets	
Closing balance under MFRS 139 as at 31 March 2018	790,833
Reclassification to Financial assets at FVTPL	(7,649)
Reclassification to Financial investments at FVOCI (debt)	(783,184)
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	1,090,010
Reclassification from Financial investments available-for-sale	341,935
Remeasurement from FV to amortised cost	5,167
Allowance for ECL	(201)
Opening balance under MFRS 9 as at 1 April 2018	1,436,911
	30,657,209

A42. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS (CONT'D.)

Adoption of MFRS 9 Financial Instruments (Cont'd.)

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

	Amount RM'000
Fair value through profit and loss (FVTPL)	
Financial assets held-for-trading	
Closing balance under MFRS 139 as at 31 March 2018	1,584,632
Reclassification to Financial assets at FVTPL	(1,584,632)
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 assets held-for-trading	1,584,632
Reclassification from Receivables: Investments not quoted in active markets	7,649
Remeasurement for reclassification	(1,160)
Opening balance under MFRS 9 as at 1 April 2018	1,591,121
Total financial assets measured at fair value through profit or loss	1,591,121

	Amount RM'000
Fair value through other comprehensive income (FVOCI)	
Financial assets available-for-sale	
Closing balance under MFRS 139 as at 31 March 2018	2,838,566
Reclassification to Financial investments at amortised cost	(341,935)
Reclassification to Financial investments at FVOCI (debt)	(2,496,631)
Opening balance under MFRS 9 as at 1 April 2018	-
Financial assets at FVOCI (debt)	
Closing balance under MFRS 139 as at 31 March 2018	-
Reclassification from Financial investments available-for-sale	2,496,631
Reclassification from Receivables: Investments not quoted in active markets	783,184
Remeasurement from amortised cost to FV	9,053
Opening balance under MFRS 9 as at 1 April 2018	3,288,868
Total financial assets measured at fair value through other comprehensive income	3,288,868

A42. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS (CONT'D.)

Adoption of MFRS 9 Financial Instruments (Cont'd.)

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

	Amount RM'000
Other assets	
Closing balance under MFRS 139 as at 31 March 2018	270,731
Tax impact on impairment	32,412
Opening balance under MFRS 9 as at 1 April 2018	303,143
Deferred tax liabilities	
Closing balance under MFRS 139 as at 31 March 2018	2,947
Tax impact on unrealised gain on FVOCI reserve	3,413
Tax impact on impairment	2,568
Opening balance under MFRS 9 as at 1 April 2018	8,928
Other liabilities	
Closing balance under MFRS 139 as at 31 March 2018	294,273
Allowance for ECL for provision for commitments and contingencies	4,065
Tax impact on impairment	(5,855)
Tax impact on remeasurement of investments to FVTPL	(278)
Opening balance under MFRS 9 as at 1 April 2018	292,205

A42. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS (CONT'D.)

Adoption of MFRS 9 Financial Instruments (Cont'd.)

iii. Reconcilliation 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 MFRS139/ Provision under MFRS137	Remeasure-ments	Loss allowance under MFRS9
	RM'000	RM'000	RM'000
Financing and receivables and held-to-maturity under MFRS 139/ Financial assets at amortised cost under MFRS 9			
Cash and short-term funds	-	3	3
Financial investments at amortised cost	-	201	201
Financing and advances	258,586	143,964	402,550
Total	258,586	144,168	402,754
Available-for-sale under MFRS 9/ Financial assets at FVOCI under MFRS 9			
Financial investments at FVOCI	-	10,220	10,220
Total	-	10,220	10,220
Financing commitments and financial guarantee contracts issued			
Financing commitments	9,466	4,161	13,627
Financial guarantee contracts	1,232	(96)	1,136
Total	10,698	4,065	14,763

A42. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS (CONT'D.)

Adoption of MFRS 9 Financial Instruments (Cont'd.)

iv. The adoption of MFRS 9 resulted in the following financial effects to the statement of financial position of the Bank:

(a) Reconciliation of statement of financial position

	31 March 2018 RM'000	Reclassification and remeasurement RM'000	Impairment RM'000	1 April 2018 RM'000
ASSETS				
Cash and short-term funds	1,588,429	-	(3)	1,588,426
Deposits and placements with banks and other financial institutions	200,000	-	-	200,000
Derivative financial assets	87,408	-	-	87,408
Financial assets at fair value through profit or loss	-	1,591,121	-	1,591,121
Financial assets held-for-trading	1,584,632	(1,584,632)	-	-
Financial investments at fair value through other comprehensive income	-	3,288,868	-	3,288,868
Financial investments available-for-sale	2,838,566	(2,838,566)	-	-
Financial investments at amortised cost	-	1,437,112	(201)	1,436,911
Financial investments held-to-maturity	1,090,010	(1,090,010)	-	-
Financing and advances	27,775,836	-	(143,964)	27,631,872
Receivables: Investments not quoted in active markets	790,833	(790,833)	-	-
Statutory deposit with Bank Negara Malaysia	821,000	-	-	821,000
Deferred tax asset	-	-	-	-
Other assets	270,731	-	32,412	303,143
Property and equipment	426	-	-	426
Intangible assets	1,207	-	-	1,207
TOTAL ASSETS	37,049,078	13,060	(111,756)	36,950,382
LIABILITIES AND EQUITY				
Deposits from customers	26,493,802	-	-	26,493,802
Investment accounts of customers	138,956	-	-	138,956
Deposits and placements of banks and other financial institutions	1,223,524	-	-	1,223,524
Investment account due to a licensed bank	2,859,110	-	-	2,859,110
Recourse obligation on financing sold to Cagamas Berhad	520,405	-	-	520,405
Derivative financial liabilities	92,939	-	-	92,939
Term funding	1,080,000	-	-	1,080,000
Subordinated Sukuk	999,839	-	-	999,839
Deferred tax liability	2,947	3,413	2,568	8,928
Other liabilities	294,273	(278)	(1,790)	292,205
Provision for zakat	1,513	-	-	1,513
TOTAL LIABILITIES	33,707,308	3,135	778	33,711,221
Share capital	1,387,107	-	-	1,387,107
Reserves	1,954,663	9,925	(112,534)	1,852,054
Retained earnings	*1,632,472*	*(882)*	*39,776*	*1,671,366*
Regulatory reserve	*327,683*	-	*(162,530)*	*165,153*
AFS reserve/(deficit)	*(5,492)*	*5,492*	-	-
Fair value reserve	-	*5,315*	*10,220*	*15,535*
Equity attributable to equity holder of the Bank	3,341,770	9,925	(112,534)	3,239,161
TOTAL LIABILITIES AND EQUITY	37,049,078	13,060	(111,756)	36,950,382

A42. FINANCIAL IMPACT ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS (CONT'D.)

Adoption of MFRS 9 Financial Instruments (Cont'd.)

(b) The adoption of MFRS 9 resulted in the following financial effects to reserves of the Bank:

	Impact of adoption of MFRS 9 RM'000
Retained earnings	
Closing balance under MFRS 139 as at 31 March 2018	1,632,472
Recognition of allowance for ECL	(158,452)
Tax impact on allowance for ECL	35,698
Transfer from regulatory reserve	162,530
Fair value changes on financial assets at FVTPL	(1,160)
Tax impact on remeasurement of assets to FVTPL	278
Opening balance under MFRS 9 as at 1 April 2018	1,671,366
Regulatory reserve	
Closing balance under MFRS 139 as at 31 March 2018	327,683
Transfer to retained earnings	(162,530)
Opening balance under MFRS 9 as at 1 April 2018	165,153
Available-for-sale deficit	
Closing balance under MFRS 139 as at 31 March 2018	(5,492)
Transfer to fair value reserve	5,492
Opening balance under MFRS 9 as at 1 April 2018	-
Fair value reserve	
Closing balance under MFRS 139 as at 31 March 2018	-
Transfer from available-for-sale deficit	(5,492)
Fair value changes for financial investments available-for-sale reclassified to financial investments at amortised cost	5,167
Fair value changes for Receivables: Investment not quoted in active markets reclassified to financial investments at FVOCI	9,053
Fair value changes on financial investments at FVOCI	
Recognition of allowance for ECL	10,220
Tax impact on unrealised fair value changes	(3,413)
Opening balance under MFRS 9 as at 1 April 2018	15,535

(c) The adoption of MFRS 9 resulted in the following financial effects to capital adequacy ratios of the Bank:

	31 March 2018	Impact of adoption of MFRS 9	1 April 2018
CET 1 Capital (RM'000)	3,012,880	51,378	3,064,258
Tier 1 Capital (RM'000)	3,012,880	51,378	3,064,258
Total Capital (RM'000)	4,317,908	51,013	4,368,921
Risk weighted assets (RM'000)	26,059,827	(29,148)	26,030,679
CET 1 Capital Ratio	11.561%	0.211%	11.772%
Tier 1 Capital Ratio	11.561%	0.211%	11.772%
Total Capital Ratio	16.569%	0.215%	16.784%