

Registration No. 199401009897 (295576-U)

**AmBank Islamic Berhad**

(Incorporated in Malaysia)

**Condensed Interim Financial Statements**

**For the Financial Period**

**1 April 2020 to**

**30 September 2020**

(In Ringgit Malaysia)

**UNAUDITED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2020**

		<b>30 September 2020</b>	<b>31 March 2020</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>			
Cash and short-term funds	A8	1,282,958	5,923,761
Derivative financial assets		54,099	59,653
Financial assets at fair value through profit or loss	A9	2,585,176	1,750,250
Financial investments at fair value through other comprehensive income	A10	5,318,298	4,896,694
Financial investments at amortised cost	A11	1,693,615	1,689,082
Financing and advances	A12	33,522,882	31,906,797
Statutory deposit with Bank Negara Malaysia		130,000	147,000
Deferred tax asset		628	-
Other assets	A13	265,996	255,124
Property and equipment		439	481
Right-of-use assets		2,605	2,759
Intangible assets		851	1,034
<b>TOTAL ASSETS</b>		<b>44,857,547</b>	<b>46,632,635</b>
<b>LIABILITIES AND EQUITY</b>			
Deposits from customers	A14	35,041,247	34,672,130
Investment accounts of customers	A15	439,261	208,726
Deposits and placements of banks and other financial institutions	A16	1,883,188	3,541,575
Investment account due to a licensed bank	A17	718,418	718,005
Recourse obligation on financing sold to Cagamas Berhad		400,000	1,000,000
Derivative financial liabilities		80,491	83,865
Term funding		1,034,732	1,034,697
Subordinated Sukuk		1,150,000	1,150,000
Deferred tax liability		-	7,884
Other liabilities	A18	267,522	549,734
Provision for zakat		3,739	2,641
<b>TOTAL LIABILITIES</b>		<b>41,018,598</b>	<b>42,969,257</b>
Share capital		1,387,107	1,387,107
Reserves		2,451,842	2,276,271
<b>Equity attributable to equity holder of the Bank</b>		<b>3,838,949</b>	<b>3,663,378</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>44,857,547</b>	<b>46,632,635</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	A35	<b>13,823,439</b>	<b>13,487,792</b>
<b>NET ASSETS PER SHARE (RM)</b>		<b>7.77</b>	<b>7.41</b>

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 2020.

**UNAUDITED STATEMENT OF PROFIT OR LOSS  
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2020**

	Note	Individual Quarter		Cumulative Quarter	
		30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Income derived from investment of depositors' funds	A19	393,401	437,663	806,076	890,719
Income derived from investment of investment account funds	A20	7,659	19,690	16,608	39,762
Income derived from investment of shareholder's funds	A21	42,316	48,296	83,656	94,951
Allowance for impairment on financing and advances - net	A22	(138,831)	(25,600)	(168,706)	(56,969)
Impairment writeback on financial investments	A23	6,355	2,012	5,941	2,683
Impairment writeback on other financial assets	A24	1	-	12	3
Writeback of provision for commitments and contingencies	A25	4,433	2,309	2,341	1,831
<b>Total distributable income</b>		<b>315,334</b>	<b>484,370</b>	<b>745,928</b>	<b>972,980</b>
Income attributable to the depositors and others	A26	(188,865)	(245,749)	(424,198)	(506,572)
Income attributable to the investment account holders	A27	(6,500)	(16,948)	(14,177)	(35,741)
<b>Total net income</b>		<b>119,969</b>	<b>221,673</b>	<b>307,553</b>	<b>430,667</b>
Other operating expenses	A28	(74,125)	(74,627)	(146,995)	(149,780)
Finance cost		(24,822)	(25,986)	(49,479)	(51,690)
<b>Profit before zakat and taxation</b>		<b>21,022</b>	<b>121,060</b>	<b>111,079</b>	<b>229,197</b>
Zakat		(464)	(707)	(1,098)	(1,424)
Taxation		20,534	(25,477)	1,238	(48,770)
<b>Profit for the financial period</b>		<b>41,092</b>	<b>94,876</b>	<b>111,219</b>	<b>179,003</b>
<b>Basic/Diluted earnings per share (sen)</b>	A29	<b>8.31</b>	<b>19.19</b>	<b>22.50</b>	<b>36.21</b>

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 2020.

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2020**

	Individual Quarter		Cumulative Quarter	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Profit for the financial period	41,092	94,876	111,219	179,003
Other comprehensive income/(loss):				
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Financial investments at fair value through other comprehensive income:				
Net unrealised gain on changes in fair value	30,584	24,426	93,611	50,226
Expected credit loss	(5,956)	(1,966)	(5,855)	(2,606)
Net gain reclassified to statement of profit or loss	(1,197)	(4,669)	(1,233)	(7,665)
Income tax effect	(7,053)	(4,742)	(22,171)	(10,215)
Other comprehensive income for the period, net of tax	16,378	13,049	64,352	29,740
Total comprehensive income for the financial period	57,470	107,925	175,571	208,743

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 2020.

**UNAUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2020**

	Attributable to Equity Holder of the Bank				Total equity RM'000
	Non-distributable		Distributable		
	Share capital RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
<b>At 1 April 2019</b>	1,387,107	164,928	39,151	1,933,885	3,525,071
Profit for the financial period	-	-	-	179,003	179,003
Other comprehensive income, net of tax	-	-	29,740	-	29,740
Total comprehensive income for the financial period	-	-	29,740	179,003	208,743
Transfer to regulatory reserve	-	63,512	-	(63,512)	-
Dividend on ordinary shares:					
- interim, financial year ended 31 March 2020	-	-	-	(163,142)	(163,142)
Transactions with owner and other equity movements	-	63,512	-	(226,654)	(163,142)
<b>At 30 September 2019</b>	<b>1,387,107</b>	<b>228,440</b>	<b>68,891</b>	<b>1,886,234</b>	<b>3,570,672</b>
<b>At 1 April 2020</b>	<b>1,387,107</b>	<b>71,612</b>	<b>56,249</b>	<b>2,148,410</b>	<b>3,663,378</b>
Profit for the financial period	-	-	-	111,219	111,219
Other comprehensive income, net of tax	-	-	64,352	-	64,352
Total comprehensive income for the financial period	-	-	64,352	111,219	175,571
Transfer from regulatory reserve*	-	(71,612)	-	71,612	-
Transactions with owner and other equity movements	-	(71,612)	-	71,612	-
<b>At 30 September 2020</b>	<b>1,387,107</b>	<b>-</b>	<b>120,601</b>	<b>2,331,241</b>	<b>3,838,949</b>

\* Bank Negara Malaysia (“BNM”) had in March 2020 implemented additional measures in response to COVID-19 pandemic. These measures, amongst others, aim to ensure that the financial intermediation function of the financial sector remains intact and banking institutions remain focused on supporting the economy during these exceptional circumstances. As at 30 September 2020, no regulatory reserve was held against expected losses, one of the drawdown of prudential buffers as allowed by BNM.

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 2020.

**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2020**

	<b>30 September 2020 RM'000</b>	<b>30 September 2019 RM'000</b>
Profit before zakat and taxation	111,079	229,197
Adjustments for non-operating and non-cash items	195,491	52,808
Operating profit before working capital changes	<u>306,570</u>	<u>282,005</u>
Changes in working capital:		
Net change in operating assets	(2,664,531)	2,143,981
Net change in operating liabilities	(1,929,391)	(2,739,486)
Taxation paid	<u>(35,142)</u>	<u>(44,412)</u>
Net cash used in operating activities	(4,322,494)	(357,912)
Net cash generated from/(used in) investing activities	(318,152)	(814,186)
Net cash used in financing activities	<u>(169)</u>	<u>(163,183)</u>
Net decrease in cash and cash equivalents	(4,640,815)	(1,335,281)
Cash and cash equivalents at beginning of the financial year	5,923,787	1,568,649
Cash and cash equivalents at end of the financial period	<u>1,282,972</u>	<u>233,368</u>
Cash and cash equivalents comprise:		
Cash and short-term funds	1,282,958	233,365
	<u>1,282,958</u>	<u>233,365</u>
Allowances for expected credit loss for cash and cash equivalents at end of the financial period	14	3
	<u>1,282,972</u>	<u>233,368</u>

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 2020.

## **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.

Under the government support measures to assist customers adversely impacted by the COVID-19 pandemic, the moratorium on repayment/payment of financing and advances does not automatically result in stage transfer under MFRS9 *Financial Instruments* in the absence of other factors relevant to the assessment.

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 2020.

#### **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 amendments to published standards:

- Amendments to References to the Conceptual Framework in MFRS Standards
- Definition of a Business (Amendments to MFRS 3)
- Definition of Material (Amendments to MFRS 101 and MFRS 108)
- Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7)
- Extension of the Temporary Exemption from Applying MFRS 9 (Amendments to MFRS 4)
- Early adoption of Covid-19-Related Rent Concessions (Amendment of MFRS 16)

The adoption of these amendments to published standards did not have any material impact on the financial statements of the Bank. 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.

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

##### **(a) 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"). 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 adoption of these amendments did not result in any impact to the financial statements of the Bank.

**A1. BASIS OF PREPARATION (CONT'D.)**

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

**(b) Definition of a Business (Amendments to MFRS 3)**

The amendments revised the definition of a business, whereby the term "outputs" is narrowed to focus on goods and services provided to customers, as well as generation of investment income and other income from ordinary activities; returns in the form of lower costs and other economic benefits are no longer considered. In addition, a new framework is added to help evaluate when an input and a substantive process are present. The adoption of these amendments did not result in any impact as there was no business combination or asset acquisition that occurred during the financial quarter ended 30 September 2020.

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

The amendments clarified the definition of material and how it should be applied through the addition of definition guidance. In addition, the explanations accompanying the definition have been improved and aligned across all MFRS standards to make it easier for entities to make materiality judgments. The adoption of these amendments did not result in any impact to the financial statements of the Bank.

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

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

The relief provided by the amendments requires the Bank to assume that the profit rate on which the hedged cash flows are based does not change as a result of the reform. Accordingly, the Bank now assumes that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform in its hedge effectiveness assessments.

**(e) Early adoption of Covid-19-Related Rent Concessions (Amendment of MFRS 16)**

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to Covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021. The amendment is effective 1 June 2020 but early application is permitted in financial statements not yet authorised for issue as at 28 May 2020.

While the amendment does not have to be applied until the financial year ending 31 March 2022, the Bank adopted the amendment early as the Bank has received rent concessions from the lessors of certain premises as a direct consequence of the Covid-19 pandemic and the ensuing Movement Control Order that was imposed by the Government of Malaysia.

The Bank has applied the practical expedient to all of the rent concessions received. Accordingly, the rent concessions were not accounted for as lease modifications. The benefit from the rent concessions received, which amounted to RM19,000, had been credited to statement of profit or loss during the financial period ended 30 September 2020.



**A1. BASIS OF PREPARATION (CONT'D.)**

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

**Standards issued but not yet effective**

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
- Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to MFRS 116)	1 January 2022
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to MFRS 137)	1 January 2022
- Reference to the Conceptual Framework (Amendments to MFRS 3)	1 January 2022
- Annual Improvements to MFRS Standards 2018-2020	1 January 2022
- MFRS 17 <i>Insurance Contracts</i>	1 January 2023
- Amendments to MFRS 17	1 January 2023
- Classification of Liabilities as Current or Non-Current (Amendments to MFRS 101)	1 January 2023
- 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 amendments to published standards 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 except for MFRS 17 which is not relevant to the Bank as the Bank does not issue any insurance contract or investment contract with discretionary participation features. The Bank also does not have any association or joint venture as at reporting date.

**(a) Amendments to published standards effective for financial year ending 31 March 2022**

**Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)**

The amendments address issues that arise from the implementation of interest rate benchmark reforms, focusing on issues that affect financial reporting when an existing interest rate benchmark is replaced with an alternative nearly risk-free rate.

## A1. BASIS OF PREPARATION (CONT'D.)

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

#### (a) Amendments to published standards effective for financial year ending 31 March 2022 (Cont'd.)

##### **Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16) (Cont'd.)**

The amendments, among others, include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. In applying the practical expedient, an entity is required to first identify and account for modifications to the instrument by updating the effective interest rate without adjusting the carrying amount. As a result, no immediate gain or loss is recognised.

The amendments are mandatory and effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

#### (b) Amendments to published standards effective for financial year ending 31 March 2023

##### **Property, Plant and Equipment: Proceeds before Intended Use (Amendments to MFRS 116)**

The amendments clarify that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset, and prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such samples, together with the costs of producing them, shall be recognised in profit or loss.

The amendments are applied retrospectively from annual reporting period beginning on or after 1 January 2022 but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Early adoption is permitted.

##### **Onerous Contracts - Cost of Fulfilling a Contract (Amendments to MFRS 137)**

The amendments explain that the direct cost of fulfilling a contract for the purpose of determining the unavoidable costs of meeting the entity's contractual obligations comprises the incremental costs of fulfilling that contract (e.g. direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g. an allocation of the depreciation charge for an asset used to fulfil the contract). The amendments also clarify that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

The amendments are applied from annual reporting period beginning on or after 1 January 2022 to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments without restatement of comparative information. The cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. Early adoption is permitted.

## A1. BASIS OF PREPARATION (CONT'D.)

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

#### (b) Amendments to published standards effective for financial year ending 31 March 2023 (Cont'd.)

##### Reference to the Conceptual Framework (Amendments to MFRS 3)

The amendments updated MFRS 3 *Business Combinations* to refer to the revised *Conceptual Framework for Financial Reporting* ("Conceptual Framework") in order to determine what constitutes an asset or a liability in a business combination. In addition, a new exception is added in MFRS 3 in connection with liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying MFRS 3 should instead refer to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets* or IC Interpretation 21 *Levies*, rather than the Conceptual Framework.

The amendments are applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted. Earlier application is permitted.

##### Annual Improvements to MFRS Standards 2018-2020

The Annual Improvements to MFRS Standards 2018-2020 include minor amendments affecting 4 MFRSs, as summarised below:

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

When a subsidiary adopts MFRS at a later date than its parent, MFRS 1 permits the subsidiary to measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to MFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. The amendment expanded the above by allowing the subsidiary to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to MFRS.

The MASB has amended MFRS 1 to allow entities that have taken this MFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to MFRS. The amendment to MFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same MFRS 1 exemption.

#### (ii) MFRS 9 *Financial Instruments*

The amendment clarified that costs or fees paid to third parties shall not be included in the 10% test for derecognition of financial liabilities.

#### (iii) MFRS 16 *Leases*

An illustrative example that accompanies MFRS 16 has been amended to remove the illustration of payments from the lessor relating to leasehold improvements to overcome any potential confusion about the treatment of lease incentives.

## **A1. BASIS OF PREPARATION (CONT'D.)**

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

#### **(b) Amendments to published standards effective for financial year ending 31 March 2023 (Cont'd.)**

##### **Annual Improvements to MFRS Standards 2018-2020 (Cont'd.)**

#### **(iv) MFRS 141 *Agriculture***

The amendment removed the requirement for entities to exclude cash flows for taxation when measuring fair value to align with the requirement in the standard to discount cash flows on a post-tax basis.

#### **(c) Standards and amendments to published standards effective for financial year ending 31 March 2024**

##### **Classification of Liabilities as Current or Non-Current (Amendments to MFRS 101)**

The amendments clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. Classification is unaffected by the expectations or intentions of the entity, as well as events after the reporting date. The amendments are applied retrospectively from annual reporting period beginning on or after 1 January 2023. Early adoption is permitted. The amendments are not expected to result in any impact as the Bank present all assets and liabilities in the statements of financial position in order of liquidity.

### **A1.2 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 the past experience, reasonable expectations of future events and other factors. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Bank's accounting policies, the significant 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 2020.

## **A2. AUDIT QUALIFICATION**

The auditors' report on the audited annual financial statements for the financial year ended 31 March 2020 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**

On 25 March 2020, Bank Negara Malaysia ("BNM") announced that with effect from 1 April 2020, banking institutions are required to provide an automatic deferment of all financing repayments (except for credit card balances) for a period of 6 months. This is one of the measures implemented by BNM to assist individuals, small and medium enterprises (SME) and corporations to manage the impact of the COVID-19 pandemic. The 6 months moratorium granted to eligible customers is applicable to performing financing, denominated in Ringgit Malaysia, that have not been in arrears for more than 90 days as at 1 April 2020. Upon expiry of the automatic financing moratorium on 30 September 2020, the banking industry had introduced targeted repayment assistance to assist customers impacted by the COVID-19 pandemic. This includes targeted extension of the moratorium and repayment flexibility options to help customers based on their specific financial situation. The AMMB Group has under *AmBank Assist*, extended weekend banking at selected branches to assist customers who are facing financial constraints to apply for post-moratorium repayment assistance.

The Bank had participated in government support measures in response to COVID-19 pandemic which includes providing financing at concessionary rate to assist SME businesses adversely impacted by the COVID-19 pandemic. The financial impact arising from the measures implemented in response to COVID-19 is disclosed in Note A19 and A21.

Other than the impact of COVID-19 pandemic to business and moratorium and targeted repayment assistance granted to customers, 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 30 September 2020.

#### **A6. ISSUANCE, REPURCHASE AND REPAYMENT OF DEBT AND EQUITY**

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

#### **A7. DIVIDENDS**

The Directors did not declare any interim dividend during the financial period for the current financial year ending 31 March 2021.

**A8. CASH AND SHORT-TERM FUNDS**

	Note	30 September 2020 RM'000	31 March 2020 RM'000
Cash and bank balances		144,972	457,567
Less: Allowances for Expected Credit Loss ("ECL")	(a)	(14)	(26)
		<u>144,958</u>	<u>457,541</u>
Deposits and placements maturing within one month:			
Other financial institutions		-	350,000
Bank Negara Malaysia		1,138,000	5,116,220
		<u>1,138,000</u>	<u>5,466,220</u>
		<u>1,282,958</u>	<u>5,923,761</u>

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

	Stage 1 12-Month ECL RM'000
<b>30 September 2020</b>	
Balance at beginning of the financial period	26
Writeback of allowances for ECL:	(12)
Changes in model assumptions and methodologies	(8)
Net remeasurement of allowances	(4)
Balance at end of the financial period	<u>14</u>
<b>31 March 2020</b>	
Balance at beginning of the financial year	6
Allowances for ECL:	19
Changes in model assumptions and methodologies	8
Net remeasurement of allowances	11
Foreign exchange differences	1
Balance at end of the financial year	<u>26</u>

**A9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>30 September 2020 RM'000</b>	<b>31 March 2020 RM'000</b>
<b>At fair value:</b>		
Money Market Instruments:		
Malaysian Islamic Treasury bills	2,509,236	468,011
Malaysian Government Investment Issues	63,006	870,243
Bank Negara Monetary Notes	-	299,187
	<u>2,572,242</u>	<u>1,637,441</u>
Unquoted Securities:		
In Malaysia:		
Sukuk	12,934	112,809
	<u>2,585,176</u>	<u>1,750,250</u>

**A10. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<b>30 September 2020 RM'000</b>	<b>31 March 2020 RM'000</b>
<b>At fair value:</b>		
Money Market Instruments:		
Malaysian Government Investment Issues	1,240,267	1,301,151
Islamic Negotiable Instruments of Deposit	848,257	299,544
	<u>2,088,524</u>	<u>1,600,695</u>
Unquoted Securities:		
In Malaysia:		
Sukuk	3,229,774	3,295,999
	<u>5,318,298</u>	<u>4,896,694</u>

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

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

	<b>30 September 2020 RM'000</b>	<b>31 March 2020 RM'000</b>
Relating to hedged item	2,037	14,479
Relating to hedging instrument	(1,962)	(15,347)
	<u>75</u>	<u>(868)</u>

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.

Movements in allowances for ECL are as follows:

	<b>Stage 1 12-Month ECL RM'000</b>	<b>Stage 2 Lifetime ECL not credit impaired RM'000</b>	<b>Total RM'000</b>
<b>30 September 2020</b>			
Balance at beginning of the financial period	3,958	15,675	19,633
(Writeback of allowances for)/allowances for ECL:	(1,532)	(4,323)	(5,855)
- Transfer to Stage 2	(72)	133	61
New financial assets originated	595	-	595
Financial assets derecognised	(564)	-	(564)
Changes in model assumptions and methodologies	(1,149)	(2,199)	(3,348)
Net remeasurement of allowances	(342)	(2,257)	(2,599)
Balance at end of the financial period	<u>2,426</u>	<u>11,352</u>	<u>13,778</u>
<b>31 March 2020</b>			
Balance at beginning of the financial year	2,383	18,636	21,019
Allowances for/(writeback of allowances for) ECL:	1,575	(2,961)	(1,386)
- Transfer to Stage 1	561	(689)	(128)
- Transfer to Stage 2	(260)	334	74
New financial assets originated	4,546	2,759	7,305
Financial assets derecognised	(4,100)	(2,722)	(6,822)
Changes in model assumptions and methodologies	1,149	2,199	3,348
Net remeasurement of allowances	(321)	(4,842)	(5,163)
Balance at end of the financial year	<u>3,958</u>	<u>15,675</u>	<u>19,633</u>



**A11. FINANCIAL INVESTMENTS AT AMORTISED COST**

	Note	30 September 2020 RM'000	31 March 2020 RM'000
<b>At amortised cost:</b>			
Money Market Instruments:			
Malaysian Government Investment Issues		260,793	260,733
Unquoted Securities:			
In Malaysia:			
Sukuk		1,433,019	1,428,632
Less: Allowances for ECL	(a)	<u>(197)</u>	<u>(283)</u>
		<u>1,693,615</u>	<u>1,689,082</u>

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

	<b>Stage 1 12-Month ECL RM'000</b>
<b>30 September 2020</b>	
Balance at beginning of the financial period	283
Writeback of allowances for ECL:	(86)
Financial asset derecognised	(15)
Changes in model assumptions and methodologies	(71)
Balance at end of the financial period	<u>197</u>
<b>31 March 2020</b>	
Balance at beginning of the financial year	307
Writeback of allowances for ECL:	(24)
Financial asset derecognised	(32)
Changes in model assumptions and methodologies	71
Net remeasurement of allowances	(63)
Balance at end of the financial year	<u>283</u>

**A12. FINANCING AND ADVANCES**

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

**30 September 2020**

	Bai' Bithaman Ajl 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
<b>At amortised cost:</b>							
Cash lines	-	497,641	-	-	650,318	-	1,147,959
Term financing	568,507	10,550,314	9,318	-	1,649,982	40,315	12,818,436
Revolving credit	42,120	3,814,517	-	-	1,169,702	-	5,026,339
Housing financing	2,818,609	5,323,891	45,916	-	-	-	8,188,416
Hire purchase receivables	4	-	-	3,805,907	-	-	3,805,911
Bills receivables	-	310,865	-	-	-	28,237	339,102
Credit card receivables	-	-	-	-	-	469,705	469,705
Trust receipts	-	246,439	-	-	-	-	246,439
Staff financing	-	5,419	-	-	-	-	5,419
Claims on customers under acceptance credits	-	1,499,721	-	-	-	218,440	1,718,161
Others	-	263,385	-	-	-	25,485	288,870
Gross financing and advances*	<u>3,429,240</u>	<u>22,512,192</u>	<u>55,234</u>	<u>3,805,907</u>	<u>3,470,002</u>	<u>782,182</u>	<u>34,054,757</u>
Less: Allowance for ECL (Note A12(j))							
- Stage 1 - 12 months ECL							(75,813)
- Stage 2 - Lifetime ECL not credit impaired							(295,959)
- Stage 3 - Lifetime ECL credit impaired							(160,103)
Net financing and advances							<u>33,522,882</u>

**A12. FINANCING AND ADVANCES (CONT'D.)**

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

**31 March 2020**

	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
<b>At amortised cost:</b>							
Cash lines	-	590,232	-	-	852,540	-	1,442,772
Term financing	592,256	8,977,666	9,683	-	1,768,433	46,485	11,394,523
Revolving credit	42,097	3,611,362	-	-	1,438,189	-	5,091,648
Housing financing	2,818,376	4,608,763	46,279	-	-	-	7,473,418
Hire purchase receivables	4	-	-	3,769,943	-	-	3,769,947
Bills receivables	-	188,629	-	-	-	19,886	208,515
Credit card receivables	-	-	-	-	-	504,532	504,532
Trust receipts	-	231,520	-	-	-	-	231,520
Staff financing	-	2,443	-	-	-	-	2,443
Claims on customers under acceptance credits	-	1,638,191	-	-	-	295,391	1,933,582
Others	-	220,375	-	-	-	-	220,375
Gross financing and advances*	<u>3,452,733</u>	<u>20,069,181</u>	<u>55,962</u>	<u>3,769,943</u>	<u>4,059,162</u>	<u>866,294</u>	<u>32,273,275</u>
Less: Allowance for ECL (Note A12(j))							
- Stage 1 - 12 months ECL							(101,638)
- Stage 2 - Lifetime ECL not credit impaired							(167,791)
- Stage 3 - Lifetime ECL credit impaired							(97,049)
Net financing and advances							<u>31,906,797</u>

\* Included in financing and advances are exposures to the Restricted Investment Account ("RA") arrangement between the Bank and AmBank (M) Berhad ("AmBank") amounting to RM720.0 million (31 March 2020: RM719.9 million). Under the RA contract, the profit is shared based on a pre-agreed ratio. AmBank is exposed to the risks and rewards on the RA financing and it shall account for all allowance for impairment arising from the RA financing. Further details of the RA are disclosed in Note A17.

**A12. FINANCING AND ADVANCES (CONT'D.)**

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

	<b>30 September 2020</b>	<b>31 March 2020 (Restated) (Note A39)</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic non-bank financial institutions	1,716,654	1,352,561
Domestic business enterprises		
- Small medium enterprises ("SME")	6,578,838	6,620,988
- Others	8,415,390	8,459,134
Government and statutory bodies	304,555	506,602
Individuals	16,982,619	15,284,425
Other domestic entities	678	665
Foreign individuals and entities	56,023	48,900
	<u>34,054,757</u>	<u>32,273,275</u>

A12c. All financing and advances reside in Malaysia.

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

	<b>30 September 2020</b>	<b>31 March 2020 (Restated) (Note A39)</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate		
- Housing financing	149,467	130,452
- Hire purchase receivables	3,724,581	3,677,033
- Other financing	3,088,861	3,189,147
Variable rate		
- Base rate and base financing rate plus	16,600,916	15,143,124
- Cost plus	10,233,018	9,786,808
- Other variable rates	257,914	346,711
	<u>34,054,757</u>	<u>32,273,275</u>

**A12. FINANCING AND ADVANCES (CONT'D.)**

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

	<b>30 September 2020</b>	<b>31 March 2020 (Restated) (Note A39)</b>
	<b>RM'000</b>	<b>RM'000</b>
Agriculture	1,189,901	1,383,594
Mining and quarrying	1,077,139	1,097,635
Manufacturing	4,061,620	3,885,960
Electricity, gas and water	231,552	222,289
Construction	1,231,887	1,296,182
Wholesale and retail trade and hotel and restaurants	1,794,428	1,823,695
Transport, storage and communication	1,736,648	1,713,395
Finance and insurance	1,975,732	1,511,840
Real estate	2,448,162	2,489,982
Business activities	1,003,126	1,217,301
Education and health	265,940	298,077
Household of which:	17,038,622	15,333,325
- Purchase of residential properties	8,236,156	7,518,591
- Purchase of transport vehicles	3,433,613	3,419,349
- Others	5,368,853	4,395,385
	<u>34,054,757</u>	<u>32,273,275</u>

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

	<b>30 September 2020</b>	<b>31 March 2020 (Restated) (Note A39)</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturing within one year	10,062,756	10,176,391
Over one year to three years	2,224,935	2,215,750
Over three years to five years	3,006,363	3,566,338
Over five years	18,760,703	16,314,796
	<u>34,054,757</u>	<u>32,273,275</u>

**A12. FINANCING AND ADVANCES (CONT'D.)**

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

	<b>30 September 2020 RM'000</b>	<b>31 March 2020 RM'000</b>
Balance at beginning of the financial period/year	615,350	572,549
Additions during the period/year	87,754	455,618
Reclassified as non-impaired	(21,857)	(46,370)
Recoveries	(42,987)	(88,965)
Amount written off	(57,537)	(277,482)
Balance at end of the financial period/year	<u>580,723</u>	<u>615,350</u>
Gross impaired financing and advances as % of gross financing and advances	<u>1.71%</u>	<u>1.91%</u>
Financing loss coverage (including regulatory reserve)	<u>94.3%</u>	<u>74.2%</u>

A12h. All impaired financing and advances reside in Malaysia.

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

	<b>30 September 2020 RM'000</b>	<b>31 March 2020 (Restated) (Note A39) RM'000</b>
Agriculture	46,895	47,758
Mining and quarrying	2,430	2,371
Manufacturing	54,269	29,403
Construction	4,108	3,259
Wholesale and retail trade and hotel and restaurants	55,058	55,245
Transport, storage and communication	48,267	49,179
Real estate	243,248	243,083
Business activities	10,798	11,198
Education and health	1,483	1,453
Household of which:	114,167	172,401
- Purchase of residential properties	81,461	89,370
- Purchase of transport vehicles	7,125	43,072
- Others	25,581	39,959
	<u>580,723</u>	<u>615,350</u>

**A12. FINANCING AND ADVANCES (CONT'D.)**

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

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL Not Credit Impaired RM'000	Stage 3 Lifetime ECL Credit Impaired RM'000	Total RM'000
<b>30 September 2020</b>				
Balance at beginning of the financial period	101,638	167,791	97,049	366,478
(Writeback) of/allowances for ECL:	(25,843)	128,168	120,591	222,916
- Transfer to Stage 1	624	(4,299)	(175)	(3,850)
- Transfer to Stage 2	(4,298)	28,586	(4,404)	19,884
- Transfer to Stage 3	(116)	(966)	273	(809)
New financial assets originated	11,728	117,603	233	129,564
Net remeasurement of allowances	(6,348)	16,342	63,642	73,636
Changes to model assumptions and methodologies	(28,373)	(22,687)	77,791	26,731
Modification of contractual cash flows of financial assets	7,985	(134)	897	8,748
Financial assets derecognised	(7,045)	(6,277)	(17,666)	(30,988)
Foreign exchange differences	18	-	-	18
Amount written-off	-	-	(57,537)	(57,537)
Balance at end of the financial period	<u>75,813</u>	<u>295,959</u>	<u>160,103</u>	<u>531,875</u>
<b>31 March 2020</b>				
Balance at beginning of the financial year	80,362	204,632	122,627	407,621
Allowances for/(writeback of) ECL:	21,299	(36,841)	251,904	236,362
- Transfer to Stage 1	3,659	(35,197)	(1,531)	(33,069)
- Transfer to Stage 2	(7,841)	60,718	(9,447)	43,430
- Transfer to Stage 3	(883)	(6,440)	34,238	26,915
New financial assets originated	27,824	18,218	2,134	48,176
Net remeasurement of allowances*	(8,935)	(66,765)	260,423	184,723
Changes to model assumptions and methodologies	22,825	20,731	(312)	43,244
Modification of contractual cash flows of financial assets	410	(179)	-	231
Financial assets derecognised	(15,760)	(27,927)	(33,601)	(77,288)
Foreign exchange differences	(23)	-	-	(23)
Amount written-off	-	-	(277,482)	(277,482)
Balance at end of the financial year	<u>101,638</u>	<u>167,791</u>	<u>97,049</u>	<u>366,478</u>

\* Included an ECL amount transferred from AmBank of RM3.3 million due to early redemption of RA.

**A13. OTHER ASSETS**

	<b>30 September 2020 RM'000</b>	<b>31 March 2020 RM'000</b>
Other receivables, deposits and prepayments	116,727	29,322
Amount due from related companies	-	77,114
Profit receivable	50,068	62,910
Tax recoverable	30,546	24,848
Deferred charges	68,655	60,930
	<u>265,996</u>	<u>255,124</u>

**A14. DEPOSITS FROM CUSTOMERS**

	<b>30 September 2020 RM'000</b>	<b>31 March 2020 RM'000</b>
(i) By type of deposit:		
Savings deposit:		
Commodity Murabahah	2,800,764	2,365,009
Qard	71,761	61,836
Demand deposit:		
Commodity Murabahah	9,352,701	7,812,982
Qard	451,455	337,707
Term deposits:		
Commodity Murabahah	22,301,933	23,517,738
Qard	62,633	278,734
Negotiable instruments of deposits:		
Bai' Bithaman Ajil	-	298,124
Total	<u>35,041,247</u>	<u>34,672,130</u>

(ii) The deposits are sourced from the following types of customers:

Government and statutory bodies	3,839,200	3,024,183
Business enterprises	21,166,491	21,496,027
Individuals	9,391,239	9,110,214
Others	644,317	1,041,706
	<u>35,041,247</u>	<u>34,672,130</u>

(iii) The maturity structure of all term deposits and negotiable instruments of deposits are as follows:

Due within six months	19,439,618	19,728,247
Over six months to one year	1,901,567	3,207,927
Over one year to three years	1,010,836	1,141,416
Over three years to five years	12,545	17,006
	<u>22,364,566</u>	<u>24,094,596</u>



**A15. INVESTMENT ACCOUNTS OF CUSTOMERS**

	<b>30 September 2020 RM'000</b>	<b>31 March 2020 RM'000</b>
Unrestricted investment account:		
Without maturity		
- Wakalah	17,365	16,087
With maturity		
- Mudarabah	421,896	192,639
	<u>439,261</u>	<u>208,726</u>

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

Business enterprises	408,865	170,926
Individuals	30,396	37,800
	<u>439,261</u>	<u>208,726</u>

	<b>Wakalah RM'000</b>	<b>Mudarabah RM'000</b>
Investment assets:		
<b>30 September 2020</b>		
Interbank placement	17,365	-
House financing	-	421,896
Total investment	<u>17,365</u>	<u>421,896</u>
<b>31 March 2020</b>		
Interbank placement	16,087	-
House financing	-	192,639
Total investment	<u>16,087</u>	<u>192,639</u>

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

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

	Investment account holder		
	Average profit sharing ratio (%)	Average rate of return (%)	Average performance incentive fee (%)
<b>30 September 2020</b>			
Maturity :			
- less than 3 months	55.81	1.71	2.04
- between 3 months to 12 months	73.26	3.03	-
<b>31 March 2020</b>			
Maturity :			
- less than 3 months	75.03	3.12	2.99
- between 3 months to 12 months	82.09	3.77	-

**A16. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	30 September 2020 RM'000	31 March 2020 RM'000
<u>Non-Mudarabah</u>		
Licensed Islamic banks	398,943	399,390
Licensed banks	236,484	921,876
Licensed investment bank	135,391	480,845
Other financial institutions	1,097,578	1,729,954
Bank Negara Malaysia	14,792	9,510
Total	1,883,188	3,541,575

**A17. INVESTMENT ACCOUNT DUE TO A LICENSED BANK**

	30 September 2020 RM'000	31 March 2020 RM'000
<u>Restricted investment account ("RA")</u>		
- Mudarabah Muqayyadah	718,418	718,005
Investment asset:		
Financing	718,418	718,005
Total investment	718,418	718,005

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

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

	Investment account holder			
	30 September 2020	31 March 2020	30 September 2020	31 March 2020
	Average profit sharing ratio (%)	Average profit sharing ratio (%)	Average rate of return (%)	Average rate of return (%)
Maturity:				
- over 2 years to 5 years	90	89	3.16	4.04
- more than 5 years	90	90	4.11	3.76

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

As at 30 September 2020, ECL allowance for the investment asset borne by AmBank amounted to RM1.2 million (31 March 2020: RM2.3 million).

As at 30 September 2020, the tenure of the RA contracts is for a period of 2 years to 10 years (31 March 2020: 2 years to 10 years).

**A18. OTHER LIABILITIES**

	Note	30 September 2020 RM'000	31 March 2020 RM'000
Profit payable		148,518	153,819
Other creditors and accruals		59,646	346,511
Lease liabilities		2,574	2,704
Provision for reinstatement for leased properties		80	79
Deferred income		15,799	13,344
Advance rental		10,303	9,508
Amount due to related companies		9,178	-
Provision for commitments and contingencies		5,500	5,500
Allowances for ECL on financing commitments and financial guarantees	(a)	15,924	18,269
		<u>267,522</u>	<u>549,734</u>

**A18. OTHER LIABILITIES (CONT'D.)**

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

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL Not Credit Impaired RM'000	Stage 3 Lifetime ECL Credit Impaired RM'000	Total RM'000
<b>30 September 2020</b>				
Balance at beginning of the financial period	11,681	6,581	7	18,269
Allowances for/(writeback of allowances for) ECL:	(2,869)	528	-	(2,341)
- Transfer to Stage 1	360	(2,465)	-	(2,105)
- Transfer to Stage 2	(540)	3,055	-	2,515
- Transfer to Stage 3	(25)	(50)	75	-
New exposures originated	2,177	1,717	-	3,894
Net remeasurement of allowances	1,366	13	-	1,379
Changes to model assumptions and methodologies	(2,968)	(892)	-	(3,860)
Exposures derecognised/withdrawn	(3,239)	(850)	(75)	(4,164)
Foreign exchange differences	(2)	(2)	-	(4)
Balance at end of the financial period	<u>8,810</u>	<u>7,107</u>	<u>7</u>	<u>15,924</u>
<b>31 March 2020</b>				
Balance at beginning of the financial year	10,135	8,083	12	18,230
Allowances for/(writeback of) ECL:	1,539	(1,502)	(5)	32
- Transfer to Stage 1	234	(2,022)	-	(1,788)
- Transfer to Stage 2	(396)	2,384	-	1,988
- Transfer to Stage 3	(43)	(90)	-	(133)
New exposures originated	3,015	1,843	-	4,858
Net remeasurement of allowances	(1,065)	(3,167)	15	(4,217)
Changes in model assumptions and methodologies	3,160	714	(20)	3,854
Exposures derecognised	(3,366)	(1,164)	-	(4,530)
Foreign exchange differences	7	-	-	7
Balance at end of the financial year	<u>11,681</u>	<u>6,581</u>	<u>7</u>	<u>18,269</u>

**A19. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS**

	Individual Quarter		Cumulative Quarter	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
<u>Finance income and hibah:</u>				
Financing and advances				
- Financing income*	293,597	325,350	586,229	653,320
- Financing income on impaired financing	1,567	309	1,877	911
Financial assets at fair value through profit or loss	15,834	18,392	31,024	48,426
Financial investments at fair value through other comprehensive income	44,233	44,229	90,646	84,239
Financial investments at amortised cost	17,509	17,459	34,952	34,683
Deposits and placements with banks and other financial institutions	5,629	8,216	26,673	17,026
Others	7	-	7	-
Total finance income and hibah	<u>378,376</u>	<u>413,955</u>	<u>771,408</u>	<u>838,605</u>
<u>Other operating income:</u>				
Fee and commission income:				
- Fees on financing, advances and securities	7,132	10,312	13,016	24,234
- Guarantee fees	3,457	3,021	6,640	7,115
- Remittances	29	38	47	76
- Service charges and fees	633	561	1,181	1,084
- Others	821	785	1,595	2,168
Foreign exchange	(1,384)	3,496	(2,042)	4,344
Gain from disposal of financial assets at fair value through profit or loss	6,169	2,671	16,736	7,260
(Loss)/Gain on revaluation of financial assets at fair value through profit or loss	(1,448)	(330)	(670)	331
Gain from disposal of financial investments at fair value through other comprehensive income	1,094	4,237	1,127	6,971
Net loss on derivatives	(1,444)	(1,111)	(2,976)	(1,613)
Others	(34)	28	14	144
Total other operating income	<u>15,025</u>	<u>23,708</u>	<u>34,668</u>	<u>52,114</u>
Total	<u>393,401</u>	<u>437,663</u>	<u>806,076</u>	<u>890,719</u>

\* Included the net loss of RM48,903,000 from measures implemented in response to COVID-19 pandemic.

**A20. INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS**

	Individual Quarter		Cumulative Quarter	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Income derived from investment of:				
- Restricted investment account	6,483	17,032	13,811	34,829
- Unrestricted investment accounts	1,176	2,658	2,797	4,933
	<u>7,659</u>	<u>19,690</u>	<u>16,608</u>	<u>39,762</u>

**Income derived from investment of restricted investment account**

Finance income and hibah:

Financing and advances				
- Financing income	6,483	17,032	13,811	34,829
Total finance income and hibah	<u>6,483</u>	<u>17,032</u>	<u>13,811</u>	<u>34,829</u>

**Income derived from investment of unrestricted investment accounts**

Finance income and hibah:

Financing and advances				
- Financing income	1,098	2,520	2,622	4,649
Deposits and placements with banks and other financial institutions	78	138	175	284
Total finance income and hibah	<u>1,176</u>	<u>2,658</u>	<u>2,797</u>	<u>4,933</u>

**A21. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS**

	Individual Quarter		Cumulative Quarter	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
<u>Finance income and hibah:</u>				
Financing and advances				
- Financing income*	28,381	33,535	55,415	64,990
- Financing income on impaired financing	148	33	177	91
Financial assets at fair value through profit or loss	1,530	1,937	2,933	4,817
Financial investments at fair value through other comprehensive income	4,281	4,543	8,569	8,380
Financial investments at amortised cost	1,693	1,798	3,304	3,450
Deposits and placements with banks and other financial institutions	577	849	2,521	1,694
Others	1	-	1	-
Total finance income and hibah	<u>36,611</u>	<u>42,695</u>	<u>72,920</u>	<u>83,422</u>
<u>Other operating income:</u>				
Fee and commission income:				
- Bancassurance commission	2,514	1,914	4,126	3,432
- Fees on financing, advances and securities	675	1,095	1,231	2,448
- Guarantee fees	334	315	628	708
- Remittances	40	(76)	286	95
- Service charges and fees	577	665	1,435	1,484
- Others	1,265	761	1,878	1,626
Foreign exchange	(132)	351	(193)	432
Gain from disposal of financial assets at fair value through profit or loss	606	282	1,582	722
(Loss)/Gain on revaluation of financial assets at fair value through profit or loss	(135)	(30)	(63)	33
Gain from disposal of financial investments at fair value through other comprehensive income	103	432	106	694
Net loss on derivatives	(139)	(112)	(281)	(160)
Others	(3)	4	1	15
Total other operating income	<u>5,705</u>	<u>5,601</u>	<u>10,736</u>	<u>11,529</u>
Total	<u>42,316</u>	<u>48,296</u>	<u>83,656</u>	<u>94,951</u>

\* Included the net loss of RM4,623,000 from measures implemented in response to COVID-19 pandemic.

**A22. ALLOWANCES FOR IMPAIRMENT ON FINANCING AND ADVANCES - NET**

	Individual Quarter		Cumulative Quarter	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Allowance for impairment on financing and advances	180,608	54,835	222,916	103,900
Impaired financing and advances recovered, net	(41,777)	(29,235)	(54,210)	(46,931)
Total	<u>138,831</u>	<u>25,600</u>	<u>168,706</u>	<u>56,969</u>

**A23. IMPAIRMENT WRITEBACK ON FINANCIAL INVESTMENTS**

	Individual Quarter		Cumulative Quarter	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Financial investments at amortised cost - sukuk	(399)	(46)	(86)	(77)
Financial investments at fair value through other comprehensive income - sukuk	(5,956)	(1,966)	(5,855)	(2,606)
Total	<u>(6,355)</u>	<u>(2,012)</u>	<u>(5,941)</u>	<u>(2,683)</u>

**A24. IMPAIRMENT WRITEBACK ON OTHER FINANCIAL ASSETS**

	Individual Quarter		Cumulative Quarter	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Cash and short-term funds	(1)	-	(12)	(3)



**A25. WRITEBACK OF PROVISION FOR COMMITMENTS AND CONTINGENCIES**

	Individual Quarter		Cumulative Quarter	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Provision for commitments and contingencies - financing commitments and financial guarantee contracts	(4,433)	(2,309)	(2,341)	(1,831)

**A26. INCOME ATTRIBUTABLE TO THE DEPOSITORS AND OTHERS**

	Individual Quarter		Cumulative Quarter	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<u>Non-Mudarabah fund</u>				
Deposit from customers	172,537	219,948	390,717	454,302
Deposits and placements of banks and other financial institutions	12,842	21,605	21,899	40,968
	<u>185,379</u>	<u>241,553</u>	<u>412,616</u>	<u>495,270</u>
Others	3,486	4,196	11,582	11,302
Total	<u>188,865</u>	<u>245,749</u>	<u>424,198</u>	<u>506,572</u>

**A27. INCOME ATTRIBUTABLE TO THE INVESTMENT ACCOUNT HOLDERS**

	Individual Quarter		Cumulative Quarter	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<u>Unrestricted investment accounts</u>				
Customers	665	1,883	1,747	4,653
<u>Restricted investment account</u>				
Licensed bank	5,835	15,065	12,430	31,088
	<u>6,500</u>	<u>16,948</u>	<u>14,177</u>	<u>35,741</u>

**A28. OTHER OPERATING EXPENSES**

	Individual Quarter		Cumulative Quarter	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Personnel costs:				
Salaries, allowances, bonuses and incentives	3,710	4,203	8,034	8,776
Amortisation for share granted under AMMB ESS	956	77	1,084	147
Contributions to Employees' Provident Fund/Private Retirement Scheme	599	698	1,296	1,419
Social security cost	19	20	39	39
Others	253	225	485	872
	<u>5,537</u>	<u>5,223</u>	<u>10,938</u>	<u>11,253</u>
Establishment costs:				
Amortisation of intangible assets	95	92	189	183
Cleaning, maintenance and security	5	20	10	23
Computerisation costs	281	341	640	690
Depreciation of property and equipment	31	31	63	63
Depreciation of right-of-use assets	77	44	154	44
Rental of premises	225	200	426	401
Rental and maintenance of property and equipment	-	1	-	1
Finance cost:				
- Lease liabilities	19	4	39	4
- Provision for reinstatement for leased properties	1	-	1	-
Others	6	6	11	13
	<u>740</u>	<u>739</u>	<u>1,533</u>	<u>1,422</u>
Marketing and communication expenses:				
Advertising, marketing and communication	1,319	1,043	2,846	2,144
Others	25	20	41	57
	<u>1,344</u>	<u>1,063</u>	<u>2,887</u>	<u>2,201</u>
Administration and general expenses:				
Professional services	718	1,281	1,427	2,439
Others	(300)	2,154	1,849	2,227
	<u>418</u>	<u>3,435</u>	<u>3,276</u>	<u>4,666</u>
Service transfer pricing expense, net	66,086	64,167	128,361	130,238
	<u>74,125</u>	<u>74,627</u>	<u>146,995</u>	<u>149,780</u>

**A29. BASIC EARNINGS PER SHARE**

**Basic/Diluted**

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

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30 September 2020</b>	<b>30 September 2019</b>	<b>30 September 2020</b>	<b>30 September 2019</b>
Net profit attributable to equity holder of the Bank (RM'000)	41,092	94,876	111,219	179,003
Number of ordinary shares at beginning of the financial year and end of the financial period representing the weighted average number of ordinary shares in issue ('000)	494,369	494,369	494,369	494,369
Basic/Diluted earnings per share (sen)	<b>8.31</b>	<b>19.19</b>	<b>22.50</b>	<b>36.21</b>

### **A30. BUSINESS SEGMENT ANALYSIS**

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

The Bank comprises the following main business segments:

(a) Retail Banking

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

(b) Business Banking

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

(c) Wholesale Banking

Wholesale Banking comprises Corporate Banking and Group Treasury and Markets:

(i) Corporate Banking

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

(ii) Group Treasury and Markets

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

**A30. BUSINESS SEGMENT ANALYSIS (CONT'D.)**

The Bank comprises the following main business segments (cont'd.):

(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.

(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.

Measurement of Segment Performance

The segment performance is measured on income, expenses and profit basis. These are shown after allocation of certain centralised costs, funding income and expenses directly associated with each segment. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on aggregation.

Note:

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

**A30. BUSINESS SEGMENT ANALYSIS (CONT'D.)**

For the financial period ended 30 September 2020

	Retail Banking RM'000	Business Banking RM'000	Wholesale banking		Investment Banking RM'000	Group Funding and Others RM'000	Total RM'000
			Corporate Banking RM'000	Group Treasury and Market RM'000			
External revenue	372,359	87,406	285,728	213,666	397	(53,216)	906,340
Revenue from other segments	(79,207)	(32,693)	(121,085)	127,247	16	105,722	-
Total operating revenue	293,152	54,713	164,643	340,913	413	52,506	906,340
Net finance income/(loss)	164,987	30,680	111,000	79,427	17	(13,076)	373,035
Other operating income	12,781	4,484	11,971	15,517	397	301	45,451
Net (loss)/income	177,768	35,164	122,971	94,944	414	(12,775)	418,486
Other operating expenses of which:	(94,096)	(4,565)	(25,886)	(4,084)	(75)	(18,289)	(146,995)
<i>Depreciation of property and equipment</i>	-	-	-	-	-	(63)	(63)
<i>Depreciation of right-of-use-assets</i>	-	-	-	-	-	(154)	(154)
<i>Amortisation of intangible assets</i>	(6)	-	-	-	-	(183)	(189)
Profit/(Loss) before impairment losses	83,672	30,599	97,085	90,860	339	(31,064)	271,491
Allowance for impairment on financing and advances	(5,359)	(5,355)	(82,262)	-	-	(75,730)	(168,706)
Impairment writeback on financial investments	-	-	-	2,522	-	3,419	5,941
Impairment writeback other financial assets	-	-	-	3	-	9	12
Provision for commitments and contingencies - (allowance)/writeback	(69)	(133)	(1,318)	-	-	3,861	2,341
Profit/(Loss) before zakat and taxation	78,244	25,111	13,505	93,385	339	(99,505)	111,079
Zakat and taxation	(18,778)	(6,027)	(3,241)	(17,672)	(81)	45,939	140
Profit/(Loss) for the financial period	59,466	19,084	10,264	75,713	258	(53,566)	111,219
<b>Other information</b>							
Total segment assets	17,136,426	3,661,542	12,935,669	11,118,567	-	5,343	44,857,547
Total segment liabilities	12,026,090	2,071,191	6,261,594	17,291,002	1,690	3,367,031	41,018,598
Cost to income ratio	52.9%	13.0%	21.1%	4.3%	18.1%	>-100%	35.1%
Gross financing and advances	17,280,517	3,712,644	13,062,592	-	-	(996)	34,054,757
Net financing and advances	17,067,382	3,660,601	12,922,686	-	-	(127,787)	33,522,882
Impaired financing and advances	129,010	126,071	325,642	-	-	-	580,723
Total deposits	11,915,706	2,039,299	6,229,665	16,702,791	-	36,974	36,924,435
Additions to :							
Property and Equipment	-	-	-	-	-	22	22
Intangible assets	-	-	-	-	-	6	6

**A30. BUSINESS SEGMENT ANALYSIS (CONT'D.)**

For the financial period ended 30 September 2019  
(Restated)

	Retail Banking RM'000	Business Banking RM'000	Wholesale banking		Investment Banking RM'000	Group Funding and Others RM'000	Total RM'000
			Corporate Banking RM'000	Group Treasury and Market RM'000			
External revenue	390,390	97,619	314,715	221,802	391	515	1,025,432
Revenue from other segments	(35,150)	(40,082)	(150,408)	103,817	23	121,800	-
Total operating revenue	355,240	57,537	164,307	325,619	414	122,315	1,025,432
Net finance income	163,617	33,829	104,824	41,241	23	29,083	372,617
Other operating income	13,221	5,455	21,104	18,125	391	516	58,812
Net income	176,838	39,284	125,928	59,366	414	29,599	431,429
Other operating expenses of which:	(93,464)	(4,441)	(26,522)	(4,356)	(72)	(20,925)	(149,780)
<i>Depreciation of property and equipment</i>	(1)	-	-	-	-	(62)	(63)
<i>Amortisation of intangible assets</i>	(5)	-	-	-	-	(178)	(183)
Profit before impairment losses and provision Allowance for impairment on financing and advances	83,374	34,843	99,406	55,010	342	8,674	281,649
Impairment writeback on financial investments	(35,116)	(17,579)	(4,247)	(27)	-	-	(56,969)
Impairment writeback on other financial assets	-	-	-	2,683	-	-	2,683
Provision for commitments and contingencies - (allowance)/writeback	-	-	-	3	-	-	3
	(740)	320	2,251	-	-	-	1,831
Profit before zakat and taxation	47,518	17,584	97,410	57,669	342	8,674	229,197
Zakat and taxation	(11,404)	(4,221)	(23,378)	(11,414)	(82)	305	(50,194)
Profit for the financial period	36,114	13,363	74,032	46,255	260	8,979	179,003
<b>Other information</b>							
Total segment assets	14,700,187	3,214,771	11,480,203	9,851,865	-	300,901	39,547,927
Total segment liabilities	12,048,813	1,485,157	3,743,877	14,740,416	1,449	3,957,543	35,977,255
Cost to income ratio	52.9%	11.3%	21.1%	7.3%	17.4%	70.7%	34.7%
Gross financing and advances	14,882,108	3,255,554	11,553,482	-	-	-	29,691,144
Net financing and advances	14,633,134	3,214,008	11,467,166	-	-	-	29,314,308
Impaired financing and advances	184,340	114,522	306,396	-	-	-	605,258
Total deposits	11,895,284	1,456,917	3,712,710	14,402,034	-	-	31,466,945
Additions to:							
Property and Equipment	-	-	-	-	-	6	6
Intangible assets	-	-	-	-	-	22	22

Notes:

- Operating revenue of the Bank comprise financing income and hibah and other operating income.

**A31. PERFORMANCE REVIEW FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

The Bank reported a lower profit before zakat and taxation of RM111.1 million for the financial period ended 30 September 2020 which was RM118.1 million or 51.5% lower compared to the corresponding period ended 30 September 2019 of RM229.2 million. The lower profit was mainly due to higher net allowance for impairment on financing and advances of RM111.7 million and lower other operating income of RM13.4 million, mitigated by higher writeback for ECL of financial investments of RM3.3 million, lower other operating expenses of RM2.8 million, higher writeback for ECL on financing commitments and financial guarantee contracts of RM0.5 million and higher net finance income of RM0.4 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 other than as disclosed in Note A4.

**A32. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2021**

The domestic economy in third quarter improved with a slower contraction of 2.7% year-on-year, after reporting the worst contraction in second quarter by 17.1% year-on-year as a result of the health measures to contain the spread of the pandemic virus via lockdowns and the movement control order ("MCO"). The slower contraction in third quarter was well within expectations. It was partly due to the relaxation of the restrictive measures to contain the spread of the pandemic virus. At the same time, consumer spending gained momentum, supported by pent-up demand. Besides, the RM305 billion stimulus measures also provided support to both the business and consumer spending.

Nevertheless, this improving trend is likely to be short-lived. The rising number of new COVID-19 cases since October has resulted in the imposition of a more restrictive measure i.e. the conditional movement control order ("CMCO"). Such measure is already impacting the domestic economy. Forward-looking indicators are presenting signs of cooling off in the month of October. Should that happen, fourth quarter 2020 Gross Domestic Product ("GDP") is expected to contract more compared to third quarter's -2.7%. This would translate to a full-year contraction of 5.3% to 5.7% from our earlier projection of -3.6% to -5.6%.

Inflation remains in the disinflationary scenario, with the average headline inflation for the first nine months of the year at -1.0%. Weighed down by softer fuel pump prices, added with lackluster demand-pull factors reflecting the poor job market, headline inflation for the full year is poised to hover between -0.9% and -1.1%.

On the back of a weak domestic economic outlook, loan/financing growth from the banking system is poised to grow modestly during the year. Loans/financing in September grew by 4.4%, similar to August. Overall, the banking industry loan/financing growth for the full year is likely to hover between 4% and 5%, primarily supported by the government stimulus measures.

Despite the domestic economy projected to be in recession in 2020, the overall health of the banking system remains intact. Liquidity assets remain ample. Banking industry liquidity coverage ratio stood at 152% at the end of September 2020, above the regulatory requirement of 100%. Besides, funding profiles are well diversified. The industry's financing-to-fund ratio and financing-to-fund-and-equity ratio are at 81.9% and 71.5% respectively at end-September 2020.

In the final Monetary Policy Committee ("MPC") meeting for this year, BNM decided to maintain its OPR at 1.75%. It is the second time in a row BNM left the policy rate unchanged. This brings the cumulative rate cut to a total of 125bps. Despite its neutral stance, BNM cautioned that the balance of risk is still tilted to the downside, citing the risk of a further resurgence of COVID-19 infections which could lead to weaker business, employment and income conditions.



**A32. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2021 (CONT'D.)**

Nonetheless, with the fiscal stimulus worth RM305 billion or 21% of GDP, added with the continued support from monetary measures, BNM is expected to maintain an accommodative policy to support the domestic economy in 2022.

Meanwhile, downside risk remains. A still uncertain external environment underpinned by the COVID-19 pandemic, added with domestic events, could weigh on 2021's stronger growth outlook.

For FY2021, the AMMB Group will be operating under our new strategy roadmap focusing on eight key areas, namely:

- Deliver growth in targeted segments;
- Build capital light business;
- Ramp up digital strategy;
- Explore digital bank option;
- Leverage strategic partnerships;
- Increase Return on Equity (ROE);
- Build sustainability and
- Connecting people.

Meanwhile, the AMMB Group will remain disciplined in managing expenses and continue to drive operational efficiencies through simplification and automation of processes via the second phase of its Business Efficiency Transformation program.

With the continuing uncertainties in global economy triggered by the coronavirus COVID-19 outbreak, liquidity and capital management become paramount in preserving the continuity and proper functioning of the banks. At AMMB Group, our liquidity and capital management framework aims to ensure adequate liquidity under adverse market conditions as well as to strengthen our loss absorption capacity. Greater emphasis shall be placed on risk management, stress testing, capital planning and liquidity management in order to safeguard the AMMB Group's financial resilience in the face of heightened market volatility.

Additionally, AmBank Group has implemented a range of financial relief measures to help targeted borrower/customer to weather the impact of COVID-19 post BNM's repayment moratorium which ended on 30 September 2020. Meanwhile, the AMMB Group is closely monitoring its credit portfolio for any potential signs of stress.

**A33. VALUATION OF PROPERTY AND EQUIPMENT**

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

**A34. EVENT SUBSEQUENT TO REPORTING PERIOD**

There were no significant events subsequent to the reporting date that require disclosure or adjustment in the condensed interim financial statements.

**A35. COMMITMENTS AND CONTINGENCIES**

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

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

On 28 September 2020, the High Court delivered a decision in respect of the application filed by AMMB and the Bank to have the Plaintiff's suit struck out. To this end, the High Court had allowed the application and ordered that the Plaintiff's suit be struck out with costs.

- (b) In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Bank's assets.

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

	<b>30 September 2020 RM'000</b>	<b>31 March 2020 RM'000</b>
<b>Commitments</b>		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	5,675,628	4,991,693
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	497,376	408,285
Unutilised credit card lines	1,382,198	1,354,936
Forward asset purchase	22,090	159,934
	<u>7,577,292</u>	<u>6,914,848</u>
<b>Contingencies</b>		
Direct credit substitutes	586,761	570,619
Transaction related contingent items	821,830	751,997
Short-term self liquidating trade-related contingencies	44,766	80,958
	<u>1,453,357</u>	<u>1,403,574</u>
<b>Derivative Financial Instruments:</b>		
Foreign exchange related contracts		
- One year or less	2,266,571	2,200,167
- Over one year to five years	2,105,683	2,545,986
Profit rate related contracts		
- Over one year to five years	350,000	350,000
Commodity related contracts		
- Over one year to five years	70,536	73,217
	<u>4,792,790</u>	<u>5,169,370</u>
<b>Total</b>	<u>13,823,439</u>	<u>13,487,792</u>

### **A36. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS**

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

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

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

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

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Bank's own models whereby the majority of assumptions are market observable.

Non market observable inputs means that fair values are determined, in whole or in part, using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data. The main asset classes in this category are unlisted equity investments and debt instruments. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Bank. Therefore, unobservable inputs reflect the Bank's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Bank's own data. The Bank does not have any financial assets or liabilities measured at level 3 as at the end of the reporting period and 31 March 2020.

**A36. 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.

	<b>Valuation techniques</b>			<b>Total RM'000</b>
	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	
<b>30 September 2020</b>				
<b>Assets measured at fair value</b>				
Derivative financial assets	-	54,099	-	54,099
Financial assets at fair value through profit or loss				
- Money market securities	-	2,572,242	-	2,572,242
- Unquoted sukuk	-	12,934	-	12,934
Financial investments at fair value through other comprehensive income				
- Money market securities	-	2,088,524	-	2,088,524
- Unquoted sukuk	-	3,229,774	-	3,229,774
	<u>-</u>	<u>7,957,573</u>	<u>-</u>	<u>7,957,573</u>
<b>Liabilities measured at fair value</b>				
Derivative financial liabilities	-	80,491	-	80,491
	<u>-</u>	<u>80,491</u>	<u>-</u>	<u>80,491</u>
<b>31 March 2020</b>				
<b>Assets measured at fair value</b>				
Derivative financial assets	-	59,653	-	59,653
Financial assets at fair value through profit or loss				
- Money market securities	-	1,637,441	-	1,637,441
- Unquoted sukuk	-	112,809	-	112,809
Financial investments at fair value through other comprehensive income				
- Money market securities	-	1,600,695	-	1,600,695
- Unquoted sukuk	-	3,295,999	-	3,295,999
	<u>-</u>	<u>6,706,597</u>	<u>-</u>	<u>6,706,597</u>
<b>Liabilities measured at fair value</b>				
Derivative financial liabilities	-	83,865	-	83,865
	<u>-</u>	<u>83,865</u>	<u>-</u>	<u>83,865</u>

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

**A37. CAPITAL ADEQUACY**

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

	<b>30 September 2020</b>	<b>31 March 2020</b>
Common Equity Tier 1 ("CET 1") Capital Ratio	11.727%	11.165%
Tier 1 Capital ratio	11.727%	11.165%
Total Capital ratio	16.483%	15.950%

Notes:

- (i) The capital adequacy ratios of the Bank are computed in accordance with BNM's policy document on Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 5 February 2020 and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) issued on 3 May 2019. The Bank has adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM's Guidelines on Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets).
- (ii) Pursuant to BNM's Capital Adequacy Framework (Capital Components), financial institutions are required to maintain minimum Common Equity Tier 1 ("CET1") Capital Ratio of 4.5%, Tier 1 Capital Ratio of 6.0% and Total Capital Ratio of 8.0% at all times. The Bank is also required to maintain the following capital buffers:
- (a) a Capital Conservation Buffer ("CCB") of 2.5%; and
  - (b) a Countercyclical Capital Buffer ("CCyB") determined as the weighted-average of the prevailing CCyB rates applied in the jurisdictions in which the Bank has credit exposures. BNM will communicate any decision on the CCyB rate by up to 12 months before the date from which the rate applies; and
  - (c) a Higher Loss Absorbency ("HLA") requirement for a financial institution that is designated as a domestic systemically important bank ("DSIB").

**A37. CAPITAL ADEQUACY (CONT'D.)**

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

	<b>30 September 2020 RM'000</b>	<b>31 March 2020 RM'000</b>
<b>CET 1 Capital</b>		
Ordinary shares	1,387,107	1,387,107
Retained earnings	2,331,241	2,148,410
Fair value reserve	120,601	56,249
Regulatory reserve	-	71,612
Less : Regulatory adjustments applied on CET 1 Capital		
- Intangible assets	(851)	(1,034)
- Deferred tax assets	(740)	-
- 55% of cumulative gain of FVOCI financial instruments	(66,330)	(30,937)
- Regulatory reserve	-	(71,612)
- Unrealised fair value gains on financial liabilities due to changes in own credit risk	(166)	(148)
<b>CET 1 Capital/ Tier 1 Capital</b>	<u>3,770,862</u>	<u>3,559,647</u>
<b>Tier 2 Capital</b>		
Tier 2 Capital instruments meeting all relevant criteria for inclusion	1,150,000	1,150,000
General provisions*	379,227	375,600
<b>Tier 2 Capital</b>	<u>1,529,227</u>	<u>1,525,600</u>
<b>Total Capital</b>	<u>5,300,089</u>	<u>5,085,247</u>

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

	<b>30 September 2020 RM'000</b>	<b>31 March 2020 RM'000</b>
Credit RWA	31,480,066	30,960,556
Less : Credit RWA absorbed by Investment Account	(1,141,870)	(912,582)
Total Credit RWA	<u>30,338,196</u>	<u>30,047,974</u>
Market RWA	254,547	294,650
Operational RWA	1,562,874	1,539,751
<b>Total Risk Weighted Assets</b>	<u>32,155,617</u>	<u>31,882,375</u>

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

**A38. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES**

	<b>30 September 2020 RM'000</b>	<b>31 March 2020 RM'000</b>
Outstanding credit exposures with connected parties (RM'000)	1,542,643	1,417,058
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	4.01	3.90
Percentage of outstanding credit exposures with connected parties which is impaired or in default (%)	0.00	0.00

The credit exposures above are based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

**A39. RESTATEMENT OF COMPARATIVE INFORMATION**

The Bank continuously strengthen its regulatory reporting framework. The Bank has in place, a Regulatory Reporting Policy that provides key principles and governance to cultivate an effective and efficient regulatory reporting process across all reporting entities. In the previous financial year, the Bank had implemented a Regulatory Reporting Enhancement Programme ("REP") aimed at amongst others, to improve the functional and data coverage of the regulatory reporting submissions as well as to upgrade infrastructure for and capability of reporting systems. REP had resulted in refinement to the approach in which the Bank makes disclosures pertaining to financing and advances. The comparatives on breakdown of financing and advances in Notes A12 (b), (d), (e), (f) and (i) are now presented on the same basis as current year's presentation. The restatement did not have any effect on reported cashflows from operations, financial position and performance of the Bank.