

AmlInvestment Bank Berhad

Registration No. 197501002220 (23742-V)

(Incorporated in Malaysia)

And Its Subsidiaries

Condensed Interim Financial Statements

For the Financial Period

1 April 2020 to

30 June 2020

(In Ringgit Malaysia)

AmlInvestment Bank Berhad
Registration No. 197501002220 (23742-V)
(Incorporated in Malaysia)
and its subsidiaries

UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2020

| | Note | Group | | Bank | |
|---|------|---------------------------|----------------------------|---------------------------|----------------------------|
| | | 30 June 2020 RM'000 | 31 March 2020 RM'000 | 30 June 2020 RM'000 | 31 March 2020 RM'000 |
| ASSETS | | | | | |
| Cash and short-term funds | 8 | 203,875 | 285,606 | 110,569 | 211,715 |
| Financial assets at fair value through profit or loss | 9 | 18 | 48 | 18 | 48 |
| Financial assets at fair value through other comprehensive income | 10 | 2,771 | 2,771 | 2,771 | 2,771 |
| Financial investments at amortised cost | 11 | 105,010 | 135,032 | 105,010 | 135,032 |
| Loans and advances | 12 | 341,421 | 310,408 | 341,421 | 310,408 |
| Statutory deposit with Bank Negara Malaysia | | 3,073 | 2,650 | 3,073 | 2,650 |
| Deferred tax assets | | 8,658 | 10,086 | 5,790 | 7,131 |
| Investment in subsidiaries | | - | - | 56,256 | 56,256 |
| Other assets | 13 | 485,622 | 620,216 | 469,293 | 591,277 |
| Property and equipment | | 17,503 | 17,670 | 17,040 | 17,176 |
| Right-of-use assets | | 4,397 | 4,659 | 4,397 | 4,659 |
| Intangible assets | | 38,349 | 37,971 | 1,520 | 1,116 |
| TOTAL ASSETS | | 1,210,697 | 1,427,117 | 1,117,158 | 1,340,239 |
| LIABILITIES AND EQUITY | | | | | |
| Deposits and placements of a bank | 14 | 170,000 | 240,000 | 170,000 | 240,000 |
| Derivative financial liabilities | | 2 | 6 | 2 | 6 |
| Other liabilities | 15 | 421,695 | 588,138 | 422,004 | 580,777 |
| TOTAL LIABILITIES | | 591,697 | 828,144 | 592,006 | 820,783 |
| Share capital | | 200,000 | 200,000 | 200,000 | 200,000 |
| Reserves | | 419,000 | 398,973 | 325,152 | 319,456 |
| Equity attributable to equity holder of the Bank | | 619,000 | 598,973 | 525,152 | 519,456 |
| TOTAL LIABILITIES AND EQUITY | | 1,210,697 | 1,427,117 | 1,117,158 | 1,340,239 |
| COMMITMENTS AND CONTINGENCIES | 25 | 211,719 | 149,807 | 211,719 | 149,807 |
| NET ASSETS PER ORDINARY SHARE (RM) | | 3.10 | 2.99 | 2.63 | 2.60 |

The unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2020.

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

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2020

| Group | Note | Individual Quarter | | Cumulative Quarter | |
|--|------|---------------------------|---------------------------|---------------------------|---------------------------|
| | | 30 June 2020 RM'000 | 30 June 2019 RM'000 | 30 June 2020 RM'000 | 30 June 2019 RM'000 |
| Operating revenue | | 68,042 | 64,676 | 68,042 | 64,676 |
| Interest income | 16 | 7,176 | 8,287 | 7,176 | 8,287 |
| Interest expense | 17 | (1,190) | (2,821) | (1,190) | (2,821) |
| Net interest income | | 5,986 | 5,466 | 5,986 | 5,466 |
| Net income from operations of Islamic banking | | 2,392 | 1,660 | 2,392 | 1,660 |
| Other operating income | 18 | 81,500 | 71,293 | 81,500 | 71,293 |
| Direct costs | 19 | (23,026) | (16,564) | (23,026) | (16,564) |
| Net income | | 66,852 | 61,855 | 66,852 | 61,855 |
| Other operating expenses | 20 | (41,610) | (43,978) | (41,610) | (43,978) |
| Operating Profit | | 25,242 | 17,877 | 25,242 | 17,877 |
| Net impairment (charge)/writeback for loans and advances | 21 | 99 | (151) | 99 | (151) |
| Allowance for impairment loss on other financial assets | 22 | (86) | (99) | (86) | (99) |
| Provision for commitments and contingencies | | (222) | - | (222) | - |
| Profit before taxation | | 25,033 | 17,627 | 25,033 | 17,627 |
| Taxation | | (5,199) | (4,081) | (5,199) | (4,081) |
| Profit for the financial period | | 19,834 | 13,546 | 19,834 | 13,546 |
| Basic/diluted earnings per share (sen) | 23 | 9.9 | 6.8 | 9.9 | 6.8 |

The unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2020.

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

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2020

| Group | Individual Quarter | | Cumulative Quarter | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2020 RM'000 | 30 June 2019 RM'000 | 30 June 2020 RM'000 | 30 June 2019 RM'000 |
| Profit for the financial period | 19,834 | 13,546 | 19,834 | 13,546 |
| Other comprehensive income: | | | | |
| Item that may be reclassified subsequently to profit or loss | | | | |
| Currency translation on foreign operations | 193 | 198 | 193 | 198 |
| Other comprehensive income for the financial period | 193 | 198 | 193 | 198 |
| Total comprehensive income for the period attributable to equity holder of the Bank | 20,027 | 13,744 | 20,027 | 13,744 |

The unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2020.

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

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

| Bank | Note | Individual Quarter | | Cumulative Quarter | |
|--|------|---------------------------|---------------------------|---------------------------|---------------------------|
| | | 30 June 2020 RM'000 | 30 June 2019 RM'000 | 30 June 2020 RM'000 | 30 June 2019 RM'000 |
| Operating revenue | | 35,815 | 38,944 | 35,815 | 38,944 |
| Interest income | 16 | 6,826 | 7,893 | 6,826 | 7,893 |
| Interest expense | 17 | (1,135) | (2,768) | (1,135) | (2,768) |
| Net interest income | | 5,691 | 5,125 | 5,691 | 5,125 |
| Net income from operations of Islamic banking | | 2,392 | 1,660 | 2,392 | 1,660 |
| Other operating income | 18 | 41,388 | 37,566 | 41,388 | 37,566 |
| Direct costs | 19 | (14,791) | (8,175) | (14,791) | (8,175) |
| Net income | | 34,680 | 36,176 | 34,680 | 36,176 |
| Other operating expenses | 20 | (27,322) | (27,249) | (27,322) | (27,249) |
| Operating Profit | | 7,358 | 8,927 | 7,358 | 8,927 |
| Net impairment (charge)/writeback for loans and advances | 21 | 99 | (151) | 99 | (151) |
| Allowance for impairment on other financial assets | 22 | (86) | (99) | (86) | (99) |
| Provision for commitments and contingencies | | (222) | - | (222) | - |
| Profit before taxation | | 7,149 | 8,677 | 7,149 | 8,677 |
| Taxation | | (1,453) | (2,225) | (1,453) | (2,225) |
| Profit for the financial period representing total comprehensive income | | 5,696 | 6,452 | 5,696 | 6,452 |

The unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2020.

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

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2020

| Group | Note | Attributable to equity holder of the Bank | | | | | | | Total equity RM'000 |
|--|------|---|---------------------------|------------------------------|--------------------------|--|------------------------------|-----------------------------|------------------------|
| | | Non-distributable | | | | | Distributable | | |
| | | Share capital RM'000 | Capital reserve RM'000 | Regulatory reserve RM'000 | Merger reserve RM'000 | Foreign currency translation reserve RM'000 | Fair value reserve RM'000 | Retained earnings RM'000 | |
| At 1 April 2019 | | 200,000 | 2,815 | 4,674 | 82,115 | 2,440 | 1,089 | 278,205 | 571,338 |
| Profit for the financial period | | - | - | - | - | - | - | 13,546 | 13,546 |
| Other comprehensive income | | - | - | - | - | 198 | - | - | 198 |
| Total comprehensive income for the period | | - | - | - | - | 198 | - | 13,546 | 13,744 |
| Transfer to regulatory reserve | | - | - | 11 | - | - | - | (11) | - |
| Dividends paid | | - | - | - | - | - | - | (22,000) | (22,000) |
| Transactions with owner and other equity movements | | - | - | 11 | - | - | - | (22,011) | (22,000) |
| At 30 June 2019 | | 200,000 | 2,815 | 4,685 | 82,115 | 2,638 | 1,089 | 269,740 | 563,082 |
| At 1 April 2020 | | 200,000 | 2,815 | 4,912 | 82,115 | 2,497 | 999 | 305,635 | 598,973 |
| Profit for the financial period | | - | - | - | - | - | - | 19,834 | 19,834 |
| Other comprehensive income | | - | - | - | - | 193 | - | - | 193 |
| Total comprehensive income for the period | | - | - | - | - | 193 | - | 19,834 | 20,027 |
| Transfer to regulatory reserve | | - | - | 651 | - | - | - | (651) | - |
| Transactions with owner and other equity movements | | - | - | 651 | - | - | - | (651) | - |
| At 30 June 2020 | | 200,000 | 2,815 | 5,563 | 82,115 | 2,690 | 999 | 324,818 | 619,000 |

The unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2020.

AmlInvestment Bank Berhad (23742-V)
(Incorporated in Malaysia)
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UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2020

| Bank | Note | <-----Attributable to equity holder of the Bank-----> | | | | |
|--|------|---|---------------------------------|---------------------------------|--------------------------------|---------------------------|
| | | Non-distributable | | | Distributable | |
| | | Share capital RM'000 | Regulatory reserve RM'000 | Fair value reserve RM'000 | Retained earnings RM'000 | Total equity RM'000 |
| At 1 April 2019 | | 200,000 | 4,674 | 1,089 | 296,696 | 502,459 |
| Profit for the financial period | | - | - | - | 6,452 | 6,452 |
| Total comprehensive income for the period | | - | - | - | 6,452 | 6,452 |
| Transfer to regulatory reserve | | - | 11 | - | (11) | - |
| Dividends paid | | - | - | - | (22,000) | (22,000) |
| Transactions with owner and other equity movements | | - | 11 | - | (22,011) | (22,000) |
| At 30 June 2019 | | 200,000 | 4,685 | 1,089 | 281,137 | 486,911 |
| At 1 April 2020 | | 200,000 | 4,912 | 999 | 313,545 | 519,456 |
| Profit for the financial period | | - | - | - | 5,696 | 5,696 |
| Total comprehensive income for the period | | - | - | - | 5,696 | 5,696 |
| Transfer to regulatory reserve | | - | 651 | - | (651) | - |
| Transactions with owner and other equity movements | | - | 651 | - | (651) | - |
| At 30 June 2020 | | 200,000 | 5,563 | 999 | 318,590 | 525,152 |

The unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2020.

AmlInvestment Bank Berhad (23742-V)
(Incorporated in Malaysia)
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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2020

| | Group | | Bank | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2020 RM'000 | 30 June 2019 RM'000 | 30 June 2020 RM'000 | 30 June 2019 RM'000 |
| Profit before taxation | 25,033 | 17,627 | 7,149 | 8,677 |
| Adjustments for non-operating and non cash items | 2,148 | 1,879 | 1,716 | 1,726 |
| Operating profit before working capital changes | 27,181 | 19,506 | 8,865 | 10,403 |
| Decrease in operating assets | 102,543 | 163,969 | 92,482 | 164,548 |
| Decrease in operating liabilities | (236,277) | (146,178) | (228,799) | (144,809) |
| Cash (used in)/generated from operations | (106,553) | 37,297 | (127,452) | 30,142 |
| Tax paid | (3,988) | (5,214) | (2,550) | (3,224) |
| Net cash generated from/(used in) operating activities | (110,541) | 32,083 | (130,002) | 26,918 |
| Net cash (used in)/generated from investing activities | 29,046 | (209) | 29,092 | (106) |
| Net cash used in financing activities | (236) | (22,345) | (236) | (22,345) |
| Net (decrease)/increase in cash and cash equivalents | (81,731) | 9,529 | (101,146) | 4,467 |
| Cash and cash equivalents at beginning of the financial year | 285,608 | 305,496 | 211,717 | 231,688 |
| Effect of exchange rate changes | - | 197 | - | - |
| Cash and cash equivalents at end of the financial period (Note 1) | 203,877 | 315,222 | 110,571 | 236,155 |
| Note 1: Cash and short term funds | 203,875 | 315,216 | 110,569 | 236,149 |
| Add: Allowances for expected credit losses | 2 | 6 | 2 | 6 |
| Cash and cash equivalents at end of the financial period | 203,877 | 315,222 | 110,571 | 236,155 |

The unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2020.

AmlInvestment Bank Berhad (23742-V)
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EXPLANATORY NOTES :

1. BASIS OF PREPARATION

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

Under the government support measures to assist borrowers and customers adversely impacted by the COVID-19 pandemic, the moratorium on repayment/payment of loans/financing does not automatically result in stage transfer under MFRS 9 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 Group and the Bank for the financial year ended 31 March 2020.

The condensed interim financial statements incorporate those activities relating to Islamic banking which have been undertaken by the Bank. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic securities under Shariah principles.

1.1 Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to published standards which became effective for the first time for the Group and the Bank on 1 April 2020:

- 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)

The adoption of these amendments to published standards did not have any material impact on the financial statements of the Group and the Bank. The Group and the Bank did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments to published standards.

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

(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 Group and the Bank.

(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 is no business combination or asset acquisition that occurred during the financial quarter ended 30 June 2020.

1. BASIS OF PREPARATION (CONT'D.)

1.1 Significant Accounting Policies (Cont'd.)

(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 judgements. The adoption of these amendments did not result in any impact to the financial statements of the Group and 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 Group and the Bank to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Accordingly, the Group and the Bank now assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform in its hedge effectiveness assessments.

1.2 Standards issued but not yet effective

| Description | Effective for annual periods beginning on or after |
|--|--|
| - Covid-19-Related Rent Concessions (Amendment of MFRS 16) | 1 June 2020 |
| - MFRS 17 <i>Insurance Contracts</i> | 1 January 2021 |
| - Classification of Liabilities as Current or Non-Current (Amendments to MFRS 101) | 1 January 2022 |
| - 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 |
| - Amendments to MFRS 17 | 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 new amendments to published standards that are issued but not yet effective are described below. The Group and the Bank are assessing the financial effects of their adoption.

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

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. This amendment is not expected to have any impact to the Group and the Bank as the Group and the Bank have not revised or are seeking any revision to lease payments in its lease arrangements as a consequence of the Covid-19 pandemic.

1. BASIS OF PREPARATION (CONT'D.)

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

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

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 2022. Early adoption is permitted. Nevertheless, the effective date may be deferred by a year to 1 January 2023, subject to the standard setter's consultations. The amendments are not expected to result in any impact as the Group and the Bank present all assets and liabilities in the statements of financial position in order of liquidity.

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 it 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.

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.

1. BASIS OF PREPARATION (CONT'D.)

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

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.

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 Board has amended IFRS 1 to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 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 IFRS 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 IFRS 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.

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

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

The amendments clarify that:

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

1. BASIS OF PREPARATION (CONT'D.)

1.3 Significant Accounting judgements, Estimates and Assumptions

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

In the process of applying the Group's and the Bank's accounting policies, the significant judgements, estimates and assumptions made by management were the same as those applied to the annual financial statements for the financial year ended 31 March 2020.

2. AUDIT QUALIFICATION

There was no audit qualification in the audited annual financial statements for the year ended 31 March 2020.

3. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

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

There were no unusual items during the current financial quarter.

5. CHANGES IN ESTIMATES

There was no material change in estimates of amounts reported in the prior financial years that have a material effect for the financial quarter ended 30 June 2020.

6. ISSUANCE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

The Group and the Bank have not issued any new shares or debentures during the financial quarter.

There were no share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares by the Group and the Bank during the financial quarter.

7. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the current financial period ended 30 June 2020.

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

8. CASH AND SHORT TERM FUNDS

| | Group | | Bank | |
|---|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| | 30 June 2020 RM'000 | 31 March 2020 RM'000 | 30 June 2020 RM'000 | 31 March 2020 RM'000 |
| Cash and bank balances | 164,538 | 144,336 | 71,232 | 70,445 |
| Deposit placements maturing within one month: | | | | |
| Licensed banks | 25,504 | 127,400 | 25,504 | 127,400 |
| Other financial institutions | 13,835 | 13,872 | 13,835 | 13,872 |
| | <u>203,877</u> | <u>285,608</u> | <u>110,571</u> | <u>211,717</u> |
| Less: Allowances for ECL | | | | |
| - Stage 1 -12-month ECL | (2) | (2) | (2) | (2) |
| | <u>203,875</u> | <u>285,606</u> | <u>110,569</u> | <u>211,715</u> |

Movements in allowances for ECL are as follows:

| Group and Bank | Stage 1 12-Month ECL RM'000 | Stage 2 Lifetime ECL not credit impaired RM'000 | Total RM'000 |
|--|--|--|-------------------------|
| At 30 June 2020 | | | |
| Balance at beginning of the financial year and end of the financial period | <u>2</u> | <u>-</u> | <u>2</u> |
| At 31 March 2020 | | | |
| Balance at beginning of the financial year | 6 | 1 | 7 |
| Net remeasurement of allowances | (4) | (1) | (5) |
| Balance at end of the financial year | <u>2</u> | <u>-</u> | <u>2</u> |

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Group and Bank | |
|--------------------------------|-----------------------|-----------------|
| | 30 June | 31 March |
| | 2020 | 2020 |
| | RM'000 | RM'000 |
| At Fair Value | | |
| Quoted Securities in Malaysia: | | |
| Unit trusts | 18 | 48 |

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | Group and Bank | |
|----------------------|-----------------------|-----------------|
| | 30 June | 31 March |
| | 2020 | 2020 |
| | RM'000 | RM'000 |
| At Fair value | | |
| Unquoted Securities: | | |
| In Malaysia: | | |
| Shares | 2,754 | 2,754 |
| Outside Malaysia: | | |
| Shares | 17 | 17 |
| | <u>2,771</u> | <u>2,771</u> |

11. FINANCIAL INVESTMENTS AT AMORTISED COST

| | Group and Bank | |
|----------------------------------|-----------------------|-----------------|
| | 30 June | 31 March |
| | 2020 | 2020 |
| | RM'000 | RM'000 |
| At Amortised Cost: | | |
| Money Market Instruments: | | |
| Malaysian Government Securities | 30,010 | 60,032 |
| Unquoted Securities in Malaysia: | | |
| Sukuk | 75,000 | 75,000 |
| | <u>105,010</u> | <u>135,032</u> |

12. LOANS AND ADVANCES

| | Group and Bank | |
|--|-----------------------|-----------------|
| | 30 June | 31 March |
| | 2020 | 2020 |
| | RM'000 | RM'000 |
| At Amortised Cost | | |
| Share margin financing | 331,152 | 300,428 |
| Revolving credits | 11,256 | 11,065 |
| Staff loans | 721 | 722 |
| Gross loans and advances | <u>343,129</u> | <u>312,215</u> |
| Less: Allowance for impairment on loans and advances | | |
| Allowances for ECL | | |
| Stage 1 - 12 months expected credit loss ("ECL") | (1) | (4) |
| Stage 3 - Lifetime ECL credit impaired | (1,707) | (1,803) |
| | <u>(1,708)</u> | <u>(1,807)</u> |
| Net loans and advances | <u>341,421</u> | <u>310,408</u> |

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

| | Group and Bank | |
|--------------------------------|-----------------------|-----------------|
| | 30 June | 31 March |
| | 2020 | 2020 |
| | RM'000 | RM'000 |
| Domestic business enterprises: | | |
| Small medium enterprises | 2,757 | 2,382 |
| Others | 65,397 | 57,704 |
| Individuals | 274,975 | 252,129 |
| | <u>343,129</u> | <u>312,215</u> |

(b) All loans and advances reside in Malaysia.

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

| | Group and Bank | |
|---------------------------------|-----------------------|-----------------|
| | 30 June | 31 March |
| | 2020 | 2020 |
| | RM'000 | RM'000 |
| Fixed rate | | |
| Staff housing loans | 703 | 703 |
| Staff hire purchase receivables | 17 | 19 |
| Other fixed rate loans | 331,153 | 300,428 |
| | <u>331,873</u> | <u>301,150</u> |
| Variable rate: | | |
| Cost-plus | 11,256 | 11,065 |
| | <u>343,129</u> | <u>312,215</u> |

12. LOANS AND ADVANCES (CONT'D.)

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

| | Group and Bank | |
|------------------------------------|-----------------------|-----------------|
| | 30 June | 31 March |
| | 2020 | 2020 |
| | RM'000 | RM'000 |
| Construction | 802 | 802 |
| Real estate | 2,757 | 5,688 |
| Business activities | 64,595 | 53,972 |
| Household, of which: | | |
| Purchase of residential properties | 703 | 703 |
| Purchase of transport vehicles | 17 | 19 |
| Purchase of securities | 274,255 | 251,031 |
| | <u>343,129</u> | <u>312,215</u> |

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

| | Group and Bank | |
|--------------------------------|-----------------------|-----------------|
| | 30 June | 31 March |
| | 2020 | 2020 |
| | RM'000 | RM'000 |
| Maturing within one year | 342,456 | 311,548 |
| Over one year to three years | 22 | 86 |
| Over three years to five years | 92 | 108 |
| Over five years | 559 | 473 |
| | <u>343,129</u> | <u>312,215</u> |

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

| | Group and Bank | |
|---|-----------------------|-----------------|
| | 30 June | 31 March |
| | 2020 | 2020 |
| | RM'000 | RM'000 |
| Balance at beginning of the financial year | 1,803 | 1,671 |
| Additions during the financial period/year | 68 | 132 |
| Recoveries | (96) | - |
| Balance at end of the financial period/year | <u>1,775</u> | <u>1,803</u> |
| Gross impaired loans and advances as % of gross loans and advances | <u>0.52%</u> | <u>0.58%</u> |
| Loan loss coverage (including Regulatory Reserve) | <u>409.63%</u> | <u>372.66%</u> |

12. LOANS AND ADVANCES (CONT'D.)

- (g) All impaired loans and advances reside in Malaysia.
(h) All impaired loans and advances are in the business activities sector.

| | Group and Bank | |
|----------------------|-----------------------|-----------------|
| | 30 June | 31 March |
| | 2020 | 2020 |
| | RM'000 | RM'000 |
| Business activities | 1,671 | 1,671 |
| Household, of which: | | |
| Others | 104 | 132 |
| | <u>1,775</u> | <u>1,803</u> |

- (i) Movements in allowances for ECL are as follows:

| | Stage 1 | Stage 3 | |
|---|-----------------|---------------------|---------------|
| | 12-Month | Lifetime ECL | |
| | ECL | credit | |
| | RM'000 | impaired | Total |
| | RM'000 | RM'000 | RM'000 |
| Group and Bank | | | |
| At 30 June 2020 | | | |
| Balance at beginning of the financial year | 4 | 1,803 | 1,807 |
| Writeback of allowance for ECL during the period (Note 21): | (3) | (96) | (99) |
| Net remeasurement of allowances | (3) | (96) | (99) |
| Balance at the end of the financial period | <u>1</u> | <u>1,707</u> | <u>1,708</u> |
| At 31 March 2020 | | | |
| Balance at beginning of the financial year | 4 | 1,671 | 1,675 |
| Allowances for/(writeback of allowances) for ECL (Note 21): | - | 132 | 132 |
| Transfer from Stage 1 to Stage 3 | - | 135 | 135 |
| Transfer from Stage 3 to Stage 1 | 3 | (3) | - |
| Net remeasurement of allowances | (3) | - | (3) |
| Balance at the end of the financial year | <u>4</u> | <u>1,803</u> | <u>1,807</u> |

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13. OTHER ASSETS

| | Group | | Bank | |
|---|---------------------------|----------------------------|---------------------------|----------------------------|
| | 30 June 2020 RM'000 | 31 March 2020 RM'000 | 30 June 2020 RM'000 | 31 March 2020 RM'000 |
| Trade receivables | 366,972 | 513,961 | 366,342 | 504,785 |
| Other receivables, deposits and prepayments | 40,011 | 35,342 | 16,358 | 15,468 |
| Interest receivable | 1,644 | 1,164 | 1,644 | 1,164 |
| Tax recoverable | 31,837 | 31,642 | 31,459 | 29,021 |
| Margin deposits | 47,717 | 39,587 | 47,717 | 39,587 |
| Amount due from: | | | | |
| Holding company | 97 | 1,483 | - | 1,074 |
| Subsidiaries | - | - | 8,141 | 2,854 |
| Other related companies | 661 | 268 | 659 | 264 |
| | <u>488,939</u> | <u>623,447</u> | <u>472,320</u> | <u>594,217</u> |
| Less: | | | | |
| Allowances for impairment | (3,317) | (3,231) | (3,027) | (2,940) |
| | <u>485,622</u> | <u>620,216</u> | <u>469,293</u> | <u>591,277</u> |

14. DEPOSITS AND PLACEMENTS OF A BANK

The deposit placed with the Bank is by a related company.

15. OTHER LIABILITIES

| | Group | | Bank | |
|--|---------------------------|----------------------------|---------------------------|----------------------------|
| | 30 June 2020 RM'000 | 31 March 2020 RM'000 | 30 June 2020 RM'000 | 31 March 2020 RM'000 |
| Trade payables | 340,095 | 503,100 | 340,095 | 503,100 |
| Other payables and accruals | 60,956 | 54,684 | 64,691 | 40,596 |
| Interest payable | 449 | 871 | 449 | 871 |
| Provision for commitments and contingencies | 1,054 | 832 | 1,054 | 832 |
| Lease liabilities | 4,270 | 4,471 | 4,270 | 4,471 |
| Provision for reinstatement of leased properties | 414 | 615 | 414 | 615 |
| Amount due to: | | | | |
| Holding company | 758 | - | 660 | - |
| Subsidiaries | - | - | - | 14,186 |
| Related companies | 13,699 | 23,565 | 10,371 | 16,106 |
| | <u>421,695</u> | <u>588,138</u> | <u>422,004</u> | <u>580,777</u> |

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16. INTEREST INCOME

| Group | Individual Quarter | | Cumulative Quarter | |
|---|--------------------|--------------|--------------------|--------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash and short-term funds | 762 | 1,850 | 762 | 1,850 |
| Financial investments at amortised cost | 1,145 | 1,316 | 1,145 | 1,316 |
| Loans and advances | 5,046 | 4,898 | 5,046 | 4,898 |
| Others | 223 | 223 | 223 | 223 |
| | <u>7,176</u> | <u>8,287</u> | <u>7,176</u> | <u>8,287</u> |

| Bank | Individual Quarter | | Cumulative Quarter | |
|---|--------------------|--------------|--------------------|--------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash and short-term funds | 412 | 1,456 | 412 | 1,456 |
| Financial investments at amortised cost | 1,145 | 1,316 | 1,145 | 1,316 |
| Loans and advances | 5,046 | 4,898 | 5,046 | 4,898 |
| Others | 223 | 223 | 223 | 223 |
| | <u>6,826</u> | <u>7,893</u> | <u>6,826</u> | <u>7,893</u> |

17. INTEREST EXPENSE

| Group | Individual Quarter | | Cumulative Quarter | |
|-----------------------------------|--------------------|--------------|--------------------|--------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits and placements of a bank | 1,091 | 2,697 | 1,091 | 2,697 |
| Others | 99 | 124 | 99 | 124 |
| | <u>1,190</u> | <u>2,821</u> | <u>1,190</u> | <u>2,821</u> |

| Bank | Individual Quarter | | Cumulative Quarter | |
|-----------------------------------|--------------------|--------------|--------------------|--------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits and placements of a bank | 1,091 | 2,697 | 1,091 | 2,697 |
| Others | 44 | 71 | 44 | 71 |
| | <u>1,135</u> | <u>2,768</u> | <u>1,135</u> | <u>2,768</u> |

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18. OTHER OPERATING INCOME

| Group | Individual Quarter | | Cumulative Quarter | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2020 RM'000 | 30 June 2019 RM'000 | 30 June 2020 RM'000 | 30 June 2019 RM'000 |
| Fee and commission income: | | | | |
| Brokerage fees and commission | 26,964 | 14,092 | 26,964 | 14,092 |
| Corporate advisory | 1,175 | 9,399 | 1,175 | 9,399 |
| Fees on loans and securities | 1,024 | 848 | 1,024 | 848 |
| Portfolio management fees | 12,993 | 7,676 | 12,993 | 7,676 |
| Underwriting commission | - | 323 | - | 323 |
| Unit trust management fees | 25,258 | 22,697 | 25,258 | 22,697 |
| Unit trust service charges | 4,821 | 4,938 | 4,821 | 4,938 |
| Wealth management fees | 7,765 | 8,643 | 7,765 | 8,643 |
| Other fee and commission income | 1,255 | 722 | 1,255 | 722 |
| | <u>81,255</u> | <u>69,338</u> | <u>81,255</u> | <u>69,338</u> |
| Investment and trading income: | | | | |
| Net foreign exchange (loss)/gain | (219) | 279 | (219) | 279 |
| Net gain/(loss) from sale of financial assets at fair value through profit or loss | 6 | (30) | 6 | (30) |
| Net loss on derivatives | (4) | (3) | (4) | (3) |
| Net (loss)/gain on revaluation of financial assets at fair value through profit or loss | (2) | 25 | (2) | 25 |
| | <u>(219)</u> | <u>271</u> | <u>(219)</u> | <u>271</u> |
| Other income: | | | | |
| Net gain on disposal of property and equipment | - | 1 | - | 1 |
| Non-trading foreign exchange loss | (1) | (1) | (1) | (1) |
| Rental income | 471 | 553 | 471 | 553 |
| Others | (6) | 1,131 | (6) | 1,131 |
| | <u>464</u> | <u>1,684</u> | <u>464</u> | <u>1,684</u> |
| | <u>81,500</u> | <u>71,293</u> | <u>81,500</u> | <u>71,293</u> |

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18. OTHER OPERATING INCOME (CONT'D.)

| Bank | Individual Quarter | | Cumulative Quarter | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2020 RM'000 | 30 June 2019 RM'000 | 30 June 2020 RM'000 | 30 June 2019 RM'000 |
| Fee and commission income: | | | | |
| Brokerage fees and commission | 26,964 | 14,092 | 26,964 | 14,092 |
| Corporate advisory | 1,175 | 9,399 | 1,175 | 9,399 |
| Fees on loans and securities | 1,024 | 848 | 1,024 | 848 |
| Portfolio management fees | 174 | 159 | 174 | 159 |
| Underwriting commission | - | 323 | - | 323 |
| Wealth management fees | 10,349 | 10,907 | 10,349 | 10,907 |
| Other fee and commission income | 1,249 | 755 | 1,249 | 755 |
| | <u>40,935</u> | <u>36,483</u> | <u>40,935</u> | <u>36,483</u> |
| Investment and trading income: | | | | |
| Net foreign exchange (loss)/gain | (8) | 457 | (8) | 457 |
| Net (loss)/gain from sale of financial assets at fair value through profit or loss | 6 | (30) | 6 | (30) |
| Net loss on derivatives | (4) | (3) | (4) | (3) |
| Net (loss)/gain on revaluation of financial assets at fair value through profit or loss | (2) | 25 | (2) | 25 |
| | <u>(8)</u> | <u>449</u> | <u>(8)</u> | <u>449</u> |
| Other income: | | | | |
| Net gain on disposal of property and equipment | - | 1 | - | 1 |
| Rental income | 473 | 555 | 473 | 555 |
| Others | (12) | 78 | (12) | 78 |
| | <u>461</u> | <u>634</u> | <u>461</u> | <u>634</u> |
| | <u>41,388</u> | <u>37,566</u> | <u>41,388</u> | <u>37,566</u> |

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19. DIRECT COSTS

| Group | Individual Quarter | | Cumulative Quarter | |
|-----------------------|--------------------|---------------|--------------------|---------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Brokerage commission | 10,379 | 4,620 | 10,379 | 4,620 |
| Unit trust commission | 8,235 | 8,389 | 8,235 | 8,389 |
| Others | 4,412 | 3,555 | 4,412 | 3,555 |
| | <u>23,026</u> | <u>16,564</u> | <u>23,026</u> | <u>16,564</u> |
| Bank | | | | |
| Brokerage commission | 10,379 | 4,620 | 10,379 | 4,620 |
| Others | 4,412 | 3,555 | 4,412 | 3,555 |
| | <u>14,791</u> | <u>8,175</u> | <u>14,791</u> | <u>8,175</u> |

20. OTHER OPERATING EXPENSES

| Group | Individual Quarter | | Cumulative Quarter | |
|---|--------------------|---------------|--------------------|---------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Personnel costs | | | | |
| - Contributions to Employees' Provident Fund ("EPF")/Private Retirement Schemes | 3,353 | 3,409 | 3,353 | 3,409 |
| - Salaries, allowances and bonuses | 20,803 | 21,206 | 20,803 | 21,206 |
| - Share granted under AMMB ESS | 654 | 361 | 654 | 361 |
| - Social security costs | 126 | 126 | 126 | 126 |
| - Others | 1,355 | 2,230 | 1,355 | 2,230 |
| | <u>26,291</u> | <u>27,332</u> | <u>26,291</u> | <u>27,332</u> |
| Establishment costs | | | | |
| - Amortisation of intangible assets | 200 | 251 | 200 | 251 |
| - Cleaning, maintenance and security | 283 | 151 | 283 | 151 |
| - Computerisation costs | 1,739 | 1,336 | 1,739 | 1,336 |
| - Depreciation of property and equipment | 543 | 492 | 543 | 492 |
| - Depreciation of right-of-use asset | 262 | 383 | 262 | 383 |
| - Finance costs: | | | | |
| - interest on lease liability | 34 | 48 | 34 | 48 |
| - provision for reinstatement of leased properties | 2 | 4 | 2 | 4 |
| - Rental of premises | 1,775 | 1,849 | 1,775 | 1,849 |
| - Others | 275 | 184 | 275 | 184 |
| | <u>5,113</u> | <u>4,698</u> | <u>5,113</u> | <u>4,698</u> |
| Marketing and communication expenses | | | | |
| - Advertising, promotional and other marketing activities | 96 | 248 | 96 | 248 |
| - Sales commission | 20 | 4 | 20 | 4 |
| - Travelling and entertainment | 171 | 294 | 171 | 294 |
| - Communication expenses | 680 | 645 | 680 | 645 |
| - Others | 33 | 67 | 33 | 67 |
| | <u>1,000</u> | <u>1,258</u> | <u>1,000</u> | <u>1,258</u> |
| Administration and general expenses | | | | |
| - Professional fees | 3,176 | 5,118 | 3,176 | 5,118 |
| - Travelling | 75 | 63 | 75 | 63 |
| - Others | 2,842 | 2,821 | 2,842 | 2,821 |
| | <u>6,093</u> | <u>8,002</u> | <u>6,093</u> | <u>8,002</u> |
| Service transfer pricing - expense, net | | | | |
| | 3,113 | 2,688 | 3,113 | 2,688 |
| | <u>41,610</u> | <u>43,978</u> | <u>41,610</u> | <u>43,978</u> |

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20. OTHER OPERATING EXPENSES (CONTD.)

| | Individual Quarter | | Cumulative Quarter | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2020 RM'000 | 30 June 2019 RM'000 | 30 June 2020 RM'000 | 30 June 2019 RM'000 |
| Bank | | | | |
| Personnel costs | | | | |
| - Contributions to EPF/Private Retirement Schemes | 2,300 | 2,339 | 2,300 | 2,339 |
| - Salaries, allowances and bonuses | 14,186 | 14,609 | 14,186 | 14,609 |
| - Share granted under AMMB ESS | 539 | 327 | 539 | 327 |
| - Social security costs | 83 | 83 | 83 | 83 |
| - Others | 874 | 1,452 | 874 | 1,452 |
| | <u>17,982</u> | <u>18,810</u> | <u>17,982</u> | <u>18,810</u> |
| Establishment costs | | | | |
| - Amortisation of intangible assets | 157 | 206 | 157 | 206 |
| - Cleaning, maintenance and security | 264 | 142 | 264 | 142 |
| - Computerisation costs | 1,733 | 1,336 | 1,733 | 1,336 |
| - Depreciation of property and equipment | 483 | 419 | 483 | 419 |
| - Depreciation of right-of-use asset | 262 | 383 | 262 | 383 |
| - Finance costs: | | | | |
| - interest on lease liability | 34 | 48 | 34 | 48 |
| - provision for reinstatement of leased properties | 2 | 4 | 2 | 4 |
| - Rental of premises | 1,342 | 1,393 | 1,342 | 1,393 |
| - Others | 258 | 142 | 258 | 142 |
| | <u>4,535</u> | <u>4,073</u> | <u>4,535</u> | <u>4,073</u> |
| Marketing and communication expenses | | | | |
| - Advertising, promotional and other marketing activities | 64 | 209 | 64 | 209 |
| - Sales commission | 2 | 5 | 2 | 5 |
| - Travelling and entertainment | 161 | 269 | 161 | 269 |
| - Communication expenses | 550 | 438 | 550 | 438 |
| - Others | 50 | 35 | 50 | 35 |
| | <u>827</u> | <u>956</u> | <u>827</u> | <u>956</u> |
| Administration and general expenses | | | | |
| - Professional fees | 652 | 537 | 652 | 537 |
| - Travelling | 33 | 41 | 33 | 41 |
| - Others | 1,118 | 990 | 1,118 | 990 |
| | <u>1,803</u> | <u>1,568</u> | <u>1,803</u> | <u>1,568</u> |
| Service transfer pricing - expense, net | 2,175 | 1,842 | 2,175 | 1,842 |
| | <u>27,322</u> | <u>27,249</u> | <u>27,322</u> | <u>27,249</u> |

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

| | Individual Quarter | | Cumulative Quarter | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2020 RM'000 | 30 June 2019 RM'000 | 30 June 2020 RM'000 | 30 June 2019 RM'000 |
| Group and Bank | | | | |
| (Allowance for)/writeback of allowance for impairment on loans and advances: | | | | |
| Allowances for ECL (Note 12 (i)) | 99 | (151) | 99 | (151) |

22. IMPAIRMENT ON OTHER FINANCIAL ASSETS - WRITEBACK/(CHARGE)

| | Individual Quarter | | Cumulative Quarter | |
|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2020 RM'000 | 30 June 2019 RM'000 | 30 June 2020 RM'000 | 30 June 2019 RM'000 |
| Group | | | | |
| Cash and short term funds | - | 1 | - | 1 |
| Other assets | (86) | (100) | (86) | (100) |
| | <u>(86)</u> | <u>(99)</u> | <u>(86)</u> | <u>(99)</u> |
| Bank | | | | |
| Cash and short term funds | - | 1 | - | 1 |
| Other assets | (86) | (100) | (86) | (100) |
| | <u>(86)</u> | <u>(99)</u> | <u>(86)</u> | <u>(99)</u> |

23. BASIC/DILUTED EARNINGS PER SHARE

| | Individual Quarter | | Cumulative Quarter | |
|--|--------------------|-----------------|--------------------|-----------------|
| | 30 June 2020 | 30 June 2019 | 30 June 2020 | 30 June 2019 |
| Group | | | | |
| Net profit attributable to shareholder of the Group (RM'000) | 19,834 | 13,546 | 19,834 | 13,546 |
| Weighted average number of ordinary shares in issue ('000) | 200,000 | 200,000 | 200,000 | 200,000 |
| Basic/diluted earnings per share (sen) | <u>9.9</u> | <u>6.8</u> | <u>9.9</u> | <u>6.8</u> |

24. BUSINESS SEGMENT ANALYSIS

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

i. The Group comprises the following main business segments:

(a) Investment banking

The Investment Banking division of the Group offers a full range of investment banking solutions and services, encompassing the following business segments:

- (i) Equity Markets – provides clients an investment avenue to participate in the equity markets through its multiple distribution channels, including remisiers, Bank Branch Broking, salaried dealers, and the internet trading platform, offering clients the flexibility to trade equities, futures and equity derivatives both online and offline.
- (ii) Fund Management – comprises the asset and fund management services, offering a variety of investment solutions for various asset classes to retail, corporate and institutional clients.
- (iii) Private Banking – manages the private wealth of high net worth individuals, family groups and companies by offering comprehensive wealth management solutions and integrated access to expertise and resources of AMMB Group.
- (iv) Corporate Finance – provides an extensive range of corporate finance and advisory services which include mergers and acquisitions, divestitures, take-overs, initial public offerings, restructuring, privatisations, issuance of equity and equity-linked instruments as well as valuation support.
- (v) Capital Markets – provides debt financing solutions to clients through a wide array of products which include conventional corporate bonds and Islamic sukuk, loan syndication, capital and project advisory as well as structured finance and securitization deals.
- (vi) Others – other Investment Banking supporting function within the Group.

(b) Group Funding and Others

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

ii. Measurement of Segment Performance

The segment performance is measured on income, expenses and profit basis. These are shown after allocation of certain centralised cost, funding income and expenses 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 fee income. The Chief Operating Decision Maker relies primarily on the net fee income information to assess the performance of, and to make decisions about resources to be allocated to these operating segments.
- (ii) The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia.
- (iii) The comparatives have been restated to conform with current business realignment.

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24. BUSINESS SEGMENT ANALYSIS (CONT'D.)

| For the financial period ended 30 June 2020 Group | Investment Banking | | | | | | Group Funding and Others RM'000 | Total RM'000 |
|--|-----------------------------|------------------------------|------------------------------|--------------------------------|------------------------------|------------------|---------------------------------------|-----------------|
| | Equity Markets RM'000 | Fund Management RM'000 | Private Banking RM'000 | Corporate Finance RM'000 | Capital Markets RM'000 | Others RM'000 | | |
| External revenue | 20,613 | 33,384 | 9,481 | 1,379 | 2,355 | - | 830 | 68,042 |
| Revenue from other segments | (128) | - | (78) | 4 | 27 | 12 | 163 | - |
| Revenue | 20,485 | 33,384 | 9,403 | 1,383 | 2,382 | 12 | 993 | 68,042 |
| Net interest income | 5,275 | 288 | 32 | 4 | 28 | 12 | 550 | 6,189 |
| Other operating income, net of direct costs | 15,167 | 33,041 | 9,371 | 1,379 | 2,354 | - | (649) | 60,663 |
| Net income/(loss) | 20,442 | 33,329 | 9,403 | 1,383 | 2,382 | 12 | (99) | 66,852 |
| Other operating expenses | (11,376) | (15,468) | (5,536) | (3,484) | (2,104) | (1,592) | (2,050) | (41,610) |
| of which: | | | | | | | | |
| <i>Depreciation of property and equipment</i> | (158) | (60) | (27) | (10) | (9) | (4) | (275) | (543) |
| <i>Depreciation of right-of-use assets</i> | - | - | - | - | - | - | (262) | (262) |
| <i>Amortisation of intangible assets</i> | (79) | (43) | (48) | (2) | (3) | - | (25) | (200) |
| Operating profit/(loss) | 9,066 | 17,861 | 3,867 | (2,101) | 278 | (1,580) | (2,149) | 25,242 |
| Net impairment writeback/(charge) for: | | | | | | | | |
| Loans and advances | 99 | - | - | - | - | - | - | 99 |
| Other financial assets | (124) | - | - | 38 | - | - | - | (86) |
| Provision for commitments and contingencies | - | - | - | - | - | - | (222) | (222) |
| Profit/(loss) before taxation | 9,041 | 17,861 | 3,867 | (2,063) | 278 | (1,580) | (2,371) | 25,033 |
| Taxation | (2,170) | (3,738) | (928) | 495 | (67) | 379 | 830 | (5,199) |
| Profit/(loss) for the period | 6,871 | 14,123 | 2,939 | (1,568) | 211 | (1,201) | (1,541) | 19,834 |
| Other information: | | | | | | | | |
| Total segment assets | 786,599 | 119,613 | 19,900 | 2,240 | 1,542 | 81 | 280,722 | 1,210,697 |
| Total segment liabilities | 342,886 | 22,332 | 8,218 | 932 | 2,636 | 865 | 213,828 | 591,697 |
| Cost to income ratio | 55.7% | 46.4% | 58.9% | >100% | 88.3% | >100% | >100% | 62.2% |
| Gross loans and advances | 331,152 | - | 11,256 | - | - | - | 721 | 343,129 |
| Net loans and advances | 329,446 | - | 11,256 | - | - | - | 719 | 341,421 |
| Impaired loans and advances | 1,775 | - | - | - | - | - | - | 1,775 |
| Total deposits and placements | - | - | - | - | - | - | 170,000 | 170,000 |
| Additions to: | | | | | | | | |
| Property and equipment | 18 | 29 | 57 | 27 | - | 224 | 21 | 376 |
| Intangible assets | 30 | 16 | 515 | 17 | - | - | - | 578 |

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24. BUSINESS SEGMENT ANALYSIS (CONT'D.)

| For the financial period ended 30 June 2019 Group (Restated) | Investment Banking | | | | | | Group Funding and Others RM'000 | Total RM'000 |
|---|-----------------------------|------------------------------|------------------------------|--------------------------------|------------------------------|------------------|---------------------------------------|-----------------|
| | Equity Markets RM'000 | Fund Management RM'000 | Private Banking RM'000 | Corporate Finance RM'000 | Capital Markets RM'000 | Others RM'000 | | |
| External revenue | 13,984 | 25,621 | 9,788 | 9,910 | 1,501 | - | 3,872 | 64,676 |
| Revenue from other segments | (1) | - | (300) | (33) | (8) | 2 | 340 | - |
| Revenue | 13,983 | 25,621 | 9,488 | 9,877 | 1,493 | 2 | 4,212 | 64,676 |
| Net interest income/(expense) | 5,211 | 270 | 67 | (32) | (8) | 2 | 446 | 5,956 |
| Other operating income, net of direct costs | 8,701 | 25,297 | 9,421 | 9,909 | 1,501 | - | 1,070 | 55,899 |
| Net income | 13,912 | 25,567 | 9,488 | 9,877 | 1,493 | 2 | 1,516 | 61,855 |
| Other operating expenses | (12,774) | (16,710) | (5,194) | (3,859) | (2,528) | (1,181) | (1,732) | (43,978) |
| of which: | | | | | | | | |
| <i>Depreciation of property and equipment</i> | (108) | (72) | (26) | (12) | (10) | (3) | (261) | (492) |
| <i>Depreciation of right-of-use assets</i> | - | - | - | - | - | - | (383) | (383) |
| <i>Amortisation of intangible assets</i> | (140) | (44) | (33) | (1) | (3) | - | (30) | (251) |
| Operating profit/(loss) | 1,138 | 8,857 | 4,294 | 6,018 | (1,035) | (1,179) | (216) | 17,877 |
| Net impairment writeback/(charge) for: | | | | | | | | |
| Loans and advances | (152) | - | - | - | - | - | 1 | (151) |
| Other financial assets | 40 | - | - | (140) | - | - | 1 | (99) |
| Profit/(loss) before taxation | 1,026 | 8,857 | 4,294 | 5,878 | (1,035) | (1,179) | (214) | 17,627 |
| Taxation | (246) | (1,847) | (1,031) | (1,411) | 248 | 284 | (78) | (4,081) |
| Profit/(loss) for the period | 780 | 7,010 | 3,263 | 4,467 | (787) | (895) | (292) | 13,546 |
| Other information: | | | | | | | | |
| Total segment assets | 621,772 | 102,574 | 35,566 | 4,334 | 1,853 | 74 | 454,971 | 1,221,144 |
| Total segment liabilities | 297,197 | 22,849 | 5,345 | (407) | 2,119 | (500) | 331,459 | 658,062 |
| Cost to income ratio | 91.8% | 65.4% | 54.7% | 39.1% | >100% | >100% | >100% | 71.1% |
| Gross loans and advances | 266,026 | - | 28,005 | - | - | - | 821 | 294,852 |
| Net loans and advances | 264,202 | - | 28,005 | - | - | - | 819 | 293,026 |
| Impaired loans and advances | 1,823 | - | - | - | - | - | - | 1,823 |
| Total deposits and placements | - | - | - | - | - | - | 300,000 | 300,000 |
| Additions to: | | | | | | | | |
| Property and equipment | 46 | 38 | 21 | - | - | 26 | 10 | 141 |
| Intangible assets | 3 | 65 | - | - | - | - | 6 | 74 |

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25. COMMITMENTS AND CONTINGENCIES

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

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

| | Group and Bank | |
|--|-----------------------|-----------------|
| | 30 June | 31 March |
| | 2020 | 2020 |
| | RM'000 | RM'000 |
| Commitments | | |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year | 194,580 | 121,420 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year | 16,679 | 27,834 |
| | <u>211,259</u> | <u>149,254</u> |
| Derivative Financial Instruments | | |
| Foreign exchange related contracts: | | |
| - One year or less | 460 | 489 |
| Equity related contracts: | | |
| - One year or less | - | 64 |
| | <u>460</u> | <u>553</u> |
| | <u>211,719</u> | <u>149,807</u> |

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

The Group and the Bank measure fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

Financial assets and liabilities measured using 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 AMMB Group's own models whereby the majority of assumptions are market observable.

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

About 99.4% (31 March 2020 : 98.3%), of the Group's and the Bank's total financial assets recorded at fair value, are based on estimates and recorded as Level 3 investments. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. While such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not change the fair value significantly.

There is no transfer between Level 1 and Level 2 during the current financial quarter and previous financial year for the Group and the Bank.

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

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

| 30 June 2020 | < ----- Group and Bank ----- > | | | |
|---|---|---------------------------|---------------------------|-------------------------|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
| Financial assets at fair value through profit or loss | | | | |
| - Quoted unit trust | 18 | - | - | 18 |
| Financial investments at fair value through other comprehensive income | | | | |
| - Unquoted shares | - | - | 2,771 | 2,771 |
| | <u>18</u> | <u>-</u> | <u>2,771</u> | <u>2,789</u> |
| Derivative financial liabilities | <u>2</u> | <u>-</u> | <u>-</u> | <u>2</u> |

| 31 March 2020 | < ----- Group and Bank ----- > | | | |
|---|---|---------------------------|---------------------------|-------------------------|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
| Financial assets at fair value through profit or loss | | | | |
| - Quoted unit trust | 48 | - | - | 48 |
| Financial investments at fair value through other comprehensive income | | | | |
| - Unquoted shares | - | - | 2,771 | 2,771 |
| | <u>48</u> | <u>-</u> | <u>2,771</u> | <u>2,819</u> |
| Derivative financial liabilities | <u>6</u> | <u>-</u> | <u>-</u> | <u>6</u> |

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

Movements In Level 3 financial instruments measured at fair value

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

| | Equity instruments at fair value through other comprehensive income | |
|--|--|--------------------------|
| | 30 June 2020 | 31 March 2020 |
| | RM'000 | RM'000 |
| Group and Bank | | |
| At beginning of the financial year | 2,771 | 2,889 |
| Unrealised loss on changes in fair value taken up in statement of comprehensive income | - | (118) |
| At end of the financial period/year | <u>2,771</u> | <u>2,771</u> |

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

Total gains or losses included in the statement of comprehensive income for financial instruments held at the end of reporting period:

| | 30 June 2020 | 31 March 2020 |
|---|-------------------------|--------------------------|
| | RM'000 | RM'000 |
| Financial investments at fair value through other comprehensive income | | |
| Unrealised losses in fair value reserve | <u>-</u> | <u>(118)</u> |

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

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

27. CAPITAL ADEQUACY

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

| As at 30 June 2020 | Group | Bank |
|---|--------------|-------------|
| Common Equity Tier 1 ("CET1") Capital Ratio | 44.636% | 43.741% |
| Tier 1 Capital Ratio | 44.636% | 43.741% |
| Total Capital Ratio | 45.126% | 44.324% |
| As at 31 March 2020 | Group | Bank |
| Before deducting proposed dividends: | | |
| CET1 Capital Ratio | 41.567% | 40.638% |
| Tier 1 Capital Ratio | 41.567% | 40.638% |
| Total Capital Ratio | 41.942% | 41.076% |
| After deducting proposed dividends: | | |
| CET1 Capital Ratio | 38.595% | 37.161% |
| Tier 1 Capital Ratio | 38.595% | 37.161% |
| Total Capital Ratio | 38.970% | 37.600% |

Notes:

- (i) The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's policy document on Capital Adequacy Framework (Capital Components) issued on 5 February 2020 and Capital Adequacy Framework (Basel II – Risk Weighted Assets) issued on 3 May 2019. The Group and the Bank have adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM's Guidelines on Capital Adequacy Framework (Basel II - Risk Weighted Assets).
- (ii) Pursuant to the BNM's guidelines on Capital Adequacy Framework (Capital Components) issued, a financial institution is required to hold and maintain, at all times, minimum capital adequacy ratios at 4.5% for CET1 Capital, 6.0% for Tier 1 Capital and 8.0% for Total Capital Ratio. In addition, a financial institution is also required to hold and maintain capital buffers in the form of CET1 Capital above the minimum CET1 Capital, Tier 1 Capital and Total Capital adequacy levels. The capital buffers shall comprise the sum of the following:
- a Capital Conservation Buffer ("CCB") of 2.5%;
 - a Countercyclical Capital Buffer ("CCyB") determined as the weighted-average of the prevailing CCyB rates applied in the jurisdictions in which the banking institution 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 for exposures in Malaysia; and
 - a Higher Loss Absorbency ("HLA") requirement for a financial institution that is designated as a domestic systemically important bank ("DSIB").

27. CAPITAL ADEQUACY (CONT'D.)

(b) The components of CET1, Tier 2 Capital and Total Capital of the Group and the Bank are as follows:

| | Group | | Bank | |
|--|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| | 30 June 2020 RM'000 | 31 March 2020 RM'000 | 30 June 2020 RM'000 | 31 March 2020 RM'000 |
| CET1 Capital | | | | |
| Share capital | 200,000 | 200,000 | 200,000 | 200,000 |
| Retained earnings | 265,984 | 305,635 | 273,894 | 313,545 |
| Fair value reserve | 999 | 999 | 999 | 999 |
| Foreign currency translation reserve | 2,690 | 2,497 | - | - |
| Regulatory reserve | 5,563 | 4,912 | 5,563 | 4,912 |
| Capital reserve | 2,815 | 2,815 | - | - |
| Merger reserve | 82,115 | 82,115 | - | - |
| Less : Regulatory adjustments applied on CET 1 capital: | | | | |
| Goodwill | (36,442) | (36,442) | - | - |
| Other intangible assets | (1,906) | (1,529) | (1,520) | (1,116) |
| Deferred tax assets | (8,774) | (10,133) | (5,905) | (7,179) |
| 55% of Fair value reserve | (550) | (550) | (550) | (550) |
| Regulatory reserve | (5,563) | (4,912) | (5,563) | (4,912) |
| Investments in capital instruments of unconsolidated financial entities | - | - | (49,809) | (49,809) |
| CET1 Capital/Tier 1 Capital | 506,931 | 545,407 | 417,109 | 455,890 |
| Tier 2 Capital | | | | |
| General provisions* | 5,567 | 4,916 | 5,567 | 4,916 |
| Tier 2 Capital | 5,567 | 4,916 | 5,567 | 4,916 |
| Total Capital | 512,498 | 550,323 | 422,676 | 460,806 |

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

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

| | Group | | Bank | |
|------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| | 30 June 2020 RM'000 | 31 March 2020 RM'000 | 30 June 2020 RM'000 | 31 March 2020 RM'000 |
| Credit RWA | 628,754 | 802,132 | 674,262 | 841,125 |
| Market RWA | 40,806 | 37,354 | 19,262 | 17,004 |
| Operational RWA | 466,133 | 472,622 | 260,075 | 263,707 |
| Total RWA | 1,135,693 | 1,312,108 | 953,599 | 1,121,836 |

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28. OPERATIONS OF ISLAMIC BANKING

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

| | Note | Group and Bank | |
|--|------|---------------------------|----------------------------|
| | | 30 June 2020 RM'000 | 31 March 2020 RM'000 |
| ASSETS | | | |
| Cash and short-term funds | | 33,684 | 91,867 |
| Other receivables, deposits and prepayments | | 91,955 | 32,627 |
| Deferred tax assets | | 310 | 299 |
| Property and equipment | | 1 | 1 |
| TOTAL ASSETS | | 125,950 | 124,794 |
| LIABILITIES AND ISLAMIC BANKING FUNDS | | | |
| Other liabilities | 28a | 12,701 | 13,541 |
| TOTAL LIABILITIES | | 12,701 | 13,541 |
| ISLAMIC BANKING FUNDS | | | |
| Capital funds | | 30,000 | 30,000 |
| Reserves | | 83,249 | 81,253 |
| Islamic Banking Funds | | 113,249 | 111,253 |
| TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS | | 125,950 | 124,794 |

Note :

There are no outstanding commitments and contingencies for the operations of Islamic banking of the Group and the Bank as at 30 June 2020 and 31 March 2020.

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

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

| Group and Bank | Individual Quarter | | Cumulative Quarter | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2020 RM'000 | 30 June 2019 RM'000 | 30 June 2020 RM'000 | 30 June 2019 RM'000 |
| Income derived from investment of depositors' funds | 17 | 33 | 17 | 33 |
| Income derived from investment of Islamic banking funds | 2,962 | 2,037 | 2,962 | 2,037 |
| Direct costs | (25) | (14) | (25) | (14) |
| Total distributable income | 2,954 | 2,056 | 2,954 | 2,056 |
| Income attributable to depositors | - | - | - | - |
| Total net income | 2,954 | 2,056 | 2,954 | 2,056 |
| Other operating expenses | (328) | (336) | (328) | (336) |
| Profit before taxation | 2,626 | 1,720 | 2,626 | 1,720 |
| Taxation | (630) | (413) | (630) | (413) |
| Profit for the financial period representing total comprehensive income for the financial period | 1,996 | 1,307 | 1,996 | 1,307 |

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

**UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2020**

| | <u>Non-distributable</u> | <u>Distributable</u> | |
|---------------------------------|-------------------------------------|---|-------------------------|
| | Capital Funds RM'000 | Retained Earnings RM'000 | Total RM'000 |
| Group and Bank | | | |
| At 1 April 2019 | 30,000 | 62,091 | 92,091 |
| Profit for the financial period | - | 1,307 | 1,307 |
| At 30 June 2019 | <u>30,000</u> | <u>63,398</u> | <u>93,398</u> |
| | | | |
| At 1 April 2020 | 30,000 | 81,253 | 111,253 |
| Profit for the financial period | - | 1,996 | 1,996 |
| At 30 June 2020 | <u>30,000</u> | <u>83,249</u> | <u>113,249</u> |

28a. OTHER LIABILITIES

| | Group and Bank | |
|-----------------------------|------------------------------------|-------------------------------------|
| | 30 June 2020 RM'000 | 31 March 2020 RM'000 |
| Trade payables | 486 | 2,084 |
| Other payables and accruals | 1,511 | 1,395 |
| Amount due to head office | 10,704 | 10,062 |
| | <u>12,701</u> | <u>13,541</u> |

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

28b. CAPITAL ADEQUACY

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

| | Group and Bank | |
|----------------------|-----------------------|-----------------|
| | 30 June | 31 March |
| | 2020 | 2020 |
| CET1 capital ratio | 76.683% | 110.142% |
| Tier 1 capital ratio | 76.683% | 110.142% |
| Total capital ratio | 76.683% | 110.142% |

Notes:

(a) The capital adequacy ratios are computed in accordance to BNM's guidelines on Capital Adequacy Framework for Islamic Banks (Capital Components) issued by BNM on 2 February 2018, which is based on the Basel III capital accord. The Group and the Bank have adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM's Guidelines on Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 2 February 2018.

(b) Pursuant to the BNM's guidelines on Capital Adequacy Framework for Islamic Banks (Capital Components) issued, a financial institution is required to hold and maintain, at all times, minimum capital adequacy ratios at 4.5% for CET1 capital, 6.0% for Tier 1 capital and 8.0% for Total capital ratio. In addition, a financial institution is also required to hold and maintain capital buffers in the form of CET1 Capital above the minimum CET1 Capital, Tier 1 Capital and Total Capital adequacy levels. The capital buffers shall comprise the sum of the following:

- (i) a CCB of 2.5%; and
- (ii) a CCyB determined as the weighted-average of the prevailing CCyB rates applied in the jurisdictions in which the banking institution 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 for exposures in Malaysia; and
- (iii) a HLA requirement for a financial institution that is designated as a DSIB.

ii) The components of CET1 capital, Tier 1 capital and Total capital of the operations of Islamic banking of the Group and the Bank are as follows:

| | Group and Bank | |
|---|-----------------------|-----------------|
| | 30 June | 31 March |
| | 2020 | 2020 |
| | RM'000 | RM'000 |
| <u>CET1 Capital</u> | | |
| Capital Funds | 30,000 | 30,000 |
| Retained earnings | 81,253 | 81,253 |
| Less : Regulatory adjustments applied on CET1 Capital | | |
| Deferred tax assets | (310) | (299) |
| CET1 Capital/ Tier 1 Capital/ Total Capital | 110,943 | 110,954 |

iii) The breakdown of risk weighted assets("RWA") of the operations of Islamic banking of the Group and the Bank in the various risk categories are as follows:

| | Group and Bank | |
|-----------------|-----------------------|-----------------|
| | 30 June | 31 March |
| | 2020 | 2020 |
| | RM'000 | RM'000 |
| Credit RWA | 98,681 | 50,987 |
| Operational RWA | 45,997 | 49,750 |
| Total RWA | 144,678 | 100,737 |

29. PERFORMANCE REVIEW FOR THE PERIOD ENDED 30 JUNE 2020

The Group's profit before taxation for the three months ended 30 June 2020 of RM25.0 million was higher mainly due to higher income from brokerage activity, portfolio management fees, unit trust management activities, Islamic Banking operations and lower interest expenses and administration and general expenses offset by lower fee and commission income from corporate advisory and wealth management fees.

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

30. PROSPECTS FOR FINANCIAL YEAR ENDING 31 MARCH 2021

The domestic economy has crashed into recession for the third time since Independence. The meltdown showcased the destructive impact of lockdowns and Malaysia's movement control order ("MCO") beginning 18 March to curb the spread of the Covid-19 virus. In line with sharp contractions of other countries' 2Q GDP as a result of the containment measures on the virus spread, Malaysia's 2Q GDP was worse off than both the consensus and our estimation as well as that during the 1997 Asian financial crisis as it plunged by 17.1% year-on-year.

Meanwhile, supported by the stimulus fiscal policy and monetary measures added with the gradual improvement of the global economy, the domestic economy is expected to see positive growth in 4Q2020. For the full year, the GDP growth has been revised downwards to -3.6% (previously -2.0%) with the downside at -5.6% (previously -5.0%). Meanwhile, the economy is likely headed for a base effect-induced bounce in 2021 and a return to a growth trajectory of 6.5% to 7.0%.

Inflation is expected to remain subdued in 2020 partly due to weak global crude oil prices which translates to softer fuel pump prices, added with lackluster demand-pull factors reflecting job losses and loss of income from the virus impact. The headline inflation is projected to average around -0.6% with room to slide further to average -1.5%.

In tandem with a weaker economic outlook, the banking system's loan growth is poised to grow modestly in 2020. As at end June, loans growth grew to 4.1% from 3.9% in May 2020. For the full year of 2020, the industry loans growth is likely to hover between flat and 2% growth, which is much lower than 2019's loans growth of 3.9%.

On the health of the banking system, the industry enjoys sufficient liquid assets. The industry liquidity coverage ratio is at 149% as at the end of June 2020 which is well above the regulatory requirement of 100%. Funding profiles have been well diversified with the industry's loan-to-fund ratio and loan-to-fund-and-equity ratio reading at 82.1% and 71.5% respectively as at June 2020.

BNM has so far reduced the OPR by 125 basis points to 1.75% between January and August this year. At the same time, BNM lowered the Statutory Reserve Requirement by 100bps to 2.00% with the aim to increase liquidity. With the ringgit at a strong level, it provides ample room for another 25bps OPR cut in September from the current 1.75%. We have now factored in a 70% chance of a 50bps OPR cut in September.

For FY2021, AMMB Holdings Group ("AMMB Group") will be operating under its new strategy roadmap focusing on eight key areas, namely, (1) Deliver growth in targeted segments; (2) Build capital light business; (3) Ramp up digital strategy; (4) Explore digital bank option; (5) Leverage strategic partnerships; (6) Increase Return on Equity ("ROE"); (7) Build sustainability and (8) Connecting people.

Meanwhile, the 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 AMMB Group's financial resilience in the face of heightened market volatility.

31. VALUATION OF PROPERTY AND EQUIPMENT

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

32. EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report, any items transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and the Bank for the current financial quarter.

33. CHANGES IN THE COMPOSITION OF THE GROUP AND THE BANK

Winding up of a subsidiary

The Bank's wholly-owned subsidiary, AMMB Nominees (Tempatan) Sdn. Bhd., had at its Extraordinary General Meeting ("EGM") held on 22 May 2020, resolved that it be wound up by way of members' voluntary winding-up pursuant to section 439(1)(b) of the Companies Act, 2016.

Other than as disclosed above, there were no material changes in the composition of the Group and the Bank for the current financial quarter.