ALLIANCE BANK

REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

ALLIANCE BANK
MALAYSIA BERHAD (88103-W)

FINANCIAL STATEMENTS

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STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

For preparation of the Annual Audited Financial Statements

The Companies Act, 2016 requires Directors to prepare financial statements for each financial year, which give a true and fair view of the financial position as at the end of the financial year and the financial performance for the financial year of the Group and the Bank.

In preparing the financial statements, the Directors are responsible for the adoption of suitable accounting policies that comply with the provisions of the Companies Act, 2016, the Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible to ensure their consistent use in the financial statements, supported where necessary by reasonable and prudent judgments.

The Directors hereby confirm that suitable accounting policies have been consistently applied in the preparation of the financial statements. The Directors also confirm that the Group and the Bank maintains adequate accounting records and an effective system of internal control to safeguard the assets of the Group and the Bank and prevent and detect fraud or any other irregularities.

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of banking business and the provision of related financial services.

The principal activities of the subsidiaries are Islamic banking, investment banking including stockbroking services, nominees services, investment advisory services and related financial services.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	GROUP RM'000	BANK RM'000
Profit before taxation	708,023	614,012
Taxation	(170,426)	(128,060)
Net profit for the financial year	537,597	485,952

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

DIVIDENDS

The amount of dividends declared and paid by the Group and the Bank since 31 March 2018 were as follows:

		RM'000
(i)	A single tier second interim dividend of 6.8 sen per share, on 1,548,105,929 ordinary shares in respect of the financial year ended 31 March 2018, was paid on 28 June 2018.	105,271
(ii)	A single tier first interim dividend of 8.5 sen per share, on 1,548,105,929 ordinary shares in respect of the financial year ending 31 March 2019, was paid on 28 December 2018.	131,589
		236,860

Subsequent to the financial year end, on 29 May 2019, the Directors declared a single tier second interim dividend of 8.2 sen per share, on 1,548,105,929 ordinary shares amounting to approximately RM126,945,000 in respect of current financial year. The accompanying financial statements do not reflect this dividend. The dividend will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2020. The Directors do not propose any final dividend in respect of the financial year ended 31 March 2019.

DIRECTORS' REPORT (Cont'd)

BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2019

Improved Profitability:

For the FYE 31 March 2019 ("FYE2019"), the Group recorded strong financial performance as a result of the successful execution of its Transformation initiatives to scale up its core businesses in the SME and consumer segments. Net profit after taxation increased by RM44.4 million or 9.0% to RM537.6 million. Return on equity ("ROE") improved to 9.9% from 9.5% in the previous year.

Net income grew by RM50.1 million or 3.2% to an all-time record high of RM1.62 billion. This was driven by net interest income growth of 8.9% year on year ("YOY") from the expansion of total loans and the improved loan mix from better risk adjusted return loans. Net interest margin ("NIM") improved by 10bps YOY to 2.50%.

Better Loans Growth:

Gross loans and advances grew 6.0% YOY to RM42.7 billion outpacing the industry loan growth of 4.9% YOY. The Group's loan origination efforts continued to focus on better risk adjusted return loans from SME, commercial, consumer unsecured lending and Alliance ONE Account ("AOA") segments. SME and commercial loans expanded 12.9% YOY, while consumer unsecured loans grew 21.4% YOY. AOA loan balances tripled to RM3.2 billion from RM1.0 billion the previous year. The loan mix continued to improve with better risk adjusted return loans making up 43% of the portfolio as compared to 36% in the previous year.

Other Operating Income:

The Group recorded other operating income of RM265.0 million amid the challenging external environment. Wealth management fee income for FYE2019 was lower by RM15.2 million due to lower structured investment fee income and lower brokerage/share trading fee income. Lower credit card fee income by RM8.3 million was mainly due to lower regulatory interchange fees and higher redemption from the improved rewards programme proposition. The Group continues to expand its initiatives to increase the fee income business through its new exclusive general insurance partnership with Zurich Insurance, enhancing relationship managers' capabilities through the Wealth Academy and expanding cross-selling efforts for wealth management products.

Operating Expenses:

Operating expenses improved by RM19.1 million or 2.4% YOY. Excluding restructuring costs, operating expenses grew 3.1% YOY mainly due to transformation sales force investment and IT infrastructure costs. The investment of RM32.4 million in transformation sales force has generated revenue of RM58.7 million in FYE2019. Cost to income ratio ("CIR") was at 47.8%.

Better Asset Quality:

FYE2019 net credit cost was at 31.5 bps excluding a one-off write back from credit rating scale alignment for corporates in 3QFYE18 and a one-off debt-sale in 1QFYE2019, normalised FYE2019 net credit cost increased marginally by 0.8bps YOY to 33.2 bps from 32.4 bps in FYE2018. The marginal increase in credit cost was mainly due to the growth of the personal financing portfolio offset by write backs from repayment of several major business accounts.

The gross impaired loans ratio improved 31bps to 1.12% from 1.43% in FYE2018. The ongoing regularisation of the residential properties portfolio through proactive collection efforts and the repayments in the non-residential properties portfolio from several major business accounts, have contributed to the lower GIL in FYE2019. Loan loss coverage (including Regulatory Reserve) improved to 142.9% from 96.7% in FYE2018.

Healthy Funding and Liquidity Position:

Our funding position continues to be healthy despite the intense competition for deposits. Customer based funding grew 5.3% YOY to RM45.9 billion from RM43.6 billion a year ago, mainly driven by consumer deposits. The Group was able to maintain high Current Account/Savings Account ("CASA") ratio of 35.5% mainly due to the expansion of Alliance SavePlus and contribution from the Alliance@Work channel. Fixed deposits growth of RM1.5 billion YOY was utilised to fund the growth in better risk adjusted return loans portfolio such as AOA and personal financing. The Group continues to focus on growing company payroll deposits and employee CASA under Alliance@Work. Our liquidity coverage ratio and loan to fund ratio remained healthy at 154.3% and 86.6% respectively.

BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2019 (CONT'D)

Proactive Capital Management:
As part of our continuous proactive capital management to support the future business expansion in all our entities, Alliance Bank Malaysia Berhad completed an Additional Tier-1 Capital Securities issuance of RM100 million in March 2019. This strengthened our Tier-1 Capital ratio to 14.1%. With Common Equity Tier-1 ("CET 1") ratio at 13.4% and total capital ratio at 18.5%, we continue to maintain our capital levels among the strongest in the sector. Our Islamic Banking entity, Alliance Islamic Bank Berhad ("AIS") also successfully completed its maiden Additional Tier-1 Sukuk Wakalah of RM100 million issuance out of the newly-established RM500 million Additional Tier-1 Sukuk Wakalah programme. This strengthened AIS' Tier-1 Capital ratio to 12.6%.

Sustainability:
The Group continues to prioritise Economic, Environmental and Social ("EES") sustainability matters as important components of long-term business sustainability. We continue to maintain our inclusion in the FTSE4Good Bursa Malaysia Index with improvement in our Environment, Social, Governance ("ESG") rating. Our ranking in Minority Shareholders Watch Group ("MSWG") Corporate Governance & Performance improved to 28th position in November 2017, as compared to 58th position a year ago.

Helping SMEs:
As part of our sustainability efforts, we continue to help businesses especially SMEs, thanks to our SME Banking expansion initiatives. These initiatives include our collaboration with Credit Guarantee Corporation Malaysia Berhad ("CGC") to offer a Portfolio Guarantee scheme of RM50 million in November 2018 to assist viable SMEs that may lack the necessary collateral to secure credit facilities. In February 2019, we extended the scheme with an additional portfolio limit of RM100 million. In addition, the SME Unsecured Express Loan is extended to businesses to finance their general working capital with a financing limit of up to RM500,000. These initiatives contributed to our SME loans expansion.

The Group's flagship programme for young businesses, the BizSmart Challenge 2018, has awarded RM1 million in cash and media prizes to its winners. We have also extended up to RM5 million in unsecured loans to the BizSmart Top 20 finalists to help expand their business. Since the programme's inception in 2013, we have received more than 1,300 submissions from SMEs nationwide, signifying its popularity and relevance to the SME business community. More than 110 young SMEs have been discovered and groomed to achieve greater heights in their businesses, both in Malaysia as well as abroad.

Alliance@Work addresses business owners' business needs with its paperless employee onboarding, as well as the mobile banking needs of their employees and business partners with Cash2Home and mobile banking. Alliance@Work has acquired more than 25,000 local employee CASA accounts and 1,392 company payroll accounts in FYE2019.

Performance by business segment

The Group's businesses segments comprise Consumer Banking, Business Banking, Financial Markets and Stockbroking and Corporate Advisory Services. Please refer to Note 53 on Segment Information for the composition of each business segment.

Profit before tax within the Consumer Banking segment stood at RM80.5 million, with net income increasing by RM8.4 million or 1.5%, mainly due to higher net interest income from the success of the AOA segment. Operating expenses grew by RM36.5 million or 11.0% compared to the previous year. Allowance for expected credit losses for loans, advances and financing increased by RM33.7 million. Segment asset increased by RM0.7 billion or 3.3%.

The Business Banking segment's profit before tax recorded growth of 14.6% or RM52.3 million to RM409.4 million in FYE2019. Net income improved by RM42.6 million or 6.3% mainly due to higher net interest income from the successful SME banking expansion and other operating income. Operating expenses improved by RM14.2 million or 4.6% compared to the previous year. Allowance for expected credit losses for loans, advances and financing increased by RM4.7 million. Segment asset registered a growth of RM2.0 billion or 11.1%.

Profit before tax in the Financial Markets segment increased by 2.1% or RM4.7 million to RM232.7 million. Net income was higher by RM6.5 million or 2.3%. Operating expenses grew by RM2.8 million or 5.2%. Segment asset was at RM15.3 billion, a reduction of 2.4% compared to the previous year.

The Stockbroking and Corporate Advisory Services segment recorded higher loss before tax by RM32.5 million compared to FYE2018 due to lower brokerage income and goodwill impairment arising from lower projected cash flows from the reassessment of expected future business performance in the light of current trading and economic conditions.

DIRECTORS' REPORT (Cont'd)

ECONOMIC OUTLOOK AND PROSPECTS FOR FYE 31 MARCH 2020

For FY2020, Bank Negara Malaysia ("BNM") has projected steady Malaysian Gross Domestic Product (GDP) growth at between 4.3% and 4.8% YOY, compared to 4.7% in 2018. Malaysia's domestic activity will be negatively affected by the persisting slowdown in global growth, and declining global trade activity.

Private sector spending will remain the key driver of growth, underpinned by steady private consumption. This will likely be supported by steady labour market conditions, while private investment is expected to be backed by ongoing and new capital spending in the manufacturing and services sectors, as well as the repayment of corporate tax refunds.

BNM expects inflation to trend lower between 0.7% and 1.7% in FY2020, due to the impact of tax cost pass-through from a muted Sales and Services Tax (SST) impact, as well as lower global oil prices that will help reduce domestic fuel prices. On 7 May 2019, BNM announced a cut in Overnight Policy Rate by 25bps to 3.00%.

On the external sector, gross exports growth is forecasted at 3.4%, compared to a 6.8% in FY2018. This is due to weaker demand from trade partners and the impact of ongoing trade tensions.

Overall, external risks from global headwinds such as a potential no-deal on trade war negotiations between the US and China; delay in Brexit; and a potential slowdown of the Chinese economy could be stress points that may dampen external demand for Malaysia's electrical and electronics manufacturing, and oil and gas sectors.

BUSINESS OUTLOOK FOR NEXT FINANCIAL YEAR

For the financial year ending 31 March 2020 ("FYE2020"), the Group will continue to focus on accelerating momentum in our core businesses of AOA and SME despite the uncertain outlook.

Leveraging on our strong collaborative culture across the Group, we will focus on cross-selling higher value propositions using a targeted and segmented approach which responds to our customers' financial needs. In particular, Alliance@Work will continue to contribute to new consumer CASA and work closely with Group SME, Group Corporate and Commercial, and Branches for acquisition of new company payroll accounts.

Continuing on our digitisation journey, we will modernise and streamline the processes and workflows to bring simple, fast and responsive solutions to our customers. In Consumer Banking, we will be digitising personal loans application to enable faster loan disbursement. We will continue to accelerate client acquisition through our innovative proposition such as Alliance ONE Account, Alliance SavePlus, Alliance Cash2Home as well as digital marketing, multiple referral channels and Alliance@Work.

In SME Banking, we will be piloting a digital onboarding for Alliance BizSmart accounts which will enable same day account opening as well as introducing the Mobile BizSmart app to enable SMEs to make faster decisions on time sensitive payments. Our goal is to provide a comprehensive financial advisory and funding support to help SMEs and the community grows to their full potential.

We will also focus on broadening our franchise through strategic ecosystem partnerships. In addition, we will continue to amplify the brand through various media channel, and increase the weight of digital channels to support our sales and marketing activities throughout the Bank.

Our focus will remain on business owners as our key area of growth, and extending our financial products and services to their stakeholder base of families, employees, business partners, and retail clients. Underscoring all our efforts is our brand promise to deliver Fast, Simple, Responsive, and Innovative products and services that are Aligned to Customers' Needs.

We remain confident that our continued focus on our strategic transformation initiatives will generate positive financial returns in the year ahead, and expect profitability to improve further.

RATING BY EXTERNAL RATING AGENCY

The Bank is rated by Rating Agency Malaysia Berhad ("RAM"). Based on RAM's rating in January 2019, the Bank's short-term and long-term ratings are reaffirmed at P1 and A1 respectively. RAM has classified these rating categories as follows:

P1 – Financial institutions in this category have superior capacities for timely payments of obligations.

A1 – Financial institutions rated in this category are adjudged to offer adequate safety for timely payments of financial obligations. This level of rating indicates financial institutions with adequate credit profiles, but possess one or more problem areas, giving rise to the possibility of future riskiness. Financial institutions rated in this category have generally performed at industry average and are considered to be more vulnerable to changes in economic conditions than those rated in the higher categories.

DIRECTORS

The Directors of the Bank in office during the financial year and during the period from the end of the financial year to the date of this report are:

Tan Sri Dato' Ahmad Bin Mohd Don (Chairman)
Ou Shian Waei
Lee Ah Boon
Kuah Hun Liang
Datuk Wan Azhar Bin Wan Ahmad
Lee Boon Huat
Ho Hon Cheong
Thayaparan S Sangarapillai
Tan Chian Khong
Susan Yuen Su Min (appointed on 15 October 2018)
Kung Beng Hong (retired with effect from 1 January 2019)

DIRECTORS' REMUNERATION

Details of Directors' Remuneration are set out in Note 44 to the financial statements.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements to which the Bank is a party, whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than benefits shown under Directors' Remuneration in Note 44 to the financial statements) by reason of a contract made by the Bank or its subsidiary with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' REPORT (Cont'd)

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors in office at the end of the financial year had any interest in shares of the Bank or its subsidiaries or its related corporations during the financial year, except as stated below:

	Number of Ordinary Shares			
	As at 1.4.2018	Acquired	Sold	As at 31.3.2019
Ho Hon Cheong	-	1,000*	-	**1,000**

Note:

* Indirect interest in the Bank shares held by virtue of Section 59(11)(c) of the Companies Act 2016.

ISSUE OF SHARES AND DEBENTURES

The Bank has completed the second issuance of Additional Tier 1 Capital Securities ("ATICS") pursuant to its existing ATICS Programme of up to RM1.0 billion in nominal value as below:

Issuance Date	Nominal Amount	Tenure	Call Date	Distribution Rate
8 March 2019	RM100.0 million	Perpetual Non-callable Five (5) years	8 March 2024 and thereafter on every distribution payment date	5.95% per annum

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Bank were prepared, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate allowances have been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Bank were prepared, the Directors took reasonable steps to ascertain that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business, had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.

VALUATION METHOD

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group or of the Bank which has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Group or of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or of the Bank to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Bank, which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

(i) the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.

SUBSIDIARIES

Details of subsidiaries are set out in Note 16 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 35 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 54 to the financial statements.

SUBSEQUENT EVENTS

There were no material events subsequent to the end of the financial reporting period that require disclosure or adjustment to the financial statements.

DIRECTORS' REPORT (Cont'd)

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146), have expressed their willingness to accept reappointment as auditors.

This report was approved by the Board of Directors on 31 May 2019. Signed on behalf of the Board of Directors.

Tan Sri Dato' Ahmad Bin Mohd Don **Kuah Hun Liang**

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS

Pursuant To Section 251(2) of the Companies Act, 2016

We, Tan Sri Dato' Ahmad Bin Mohd Don and Kuah Hun Liang, being two of the Directors of Alliance Bank Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 121 to 284 are drawn up so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2019 and financial performance of the Group and of the Bank for the financial year ended 31 March 2019 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 31 May 2019.

Tan Sri Dato' Ahmad Bin Mohd Don

Kuah Hun Liang

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

Pursuant To Section 251(1) of the Companies Act, 2016

I, Wong Lai Loong, being the officer primarily responsible for the financial management of Alliance Bank Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 121 to 284 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Wong Lai Loong
at Kuala Lumpur in the Federal Territory on
31 May 2019

Wong Lai Loong
MIA Membership No. (CA 29328)

Before me,

M. Sivanason
Commissioner for Oaths

Kuala Lumpur, Malaysia
31 May 2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)
(Company No: 88103-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Alliance Bank Malaysia Berhad ("the Bank") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 March 2019 of the Group and of the Bank, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 121 to 284.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Bank. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Bank, the accounting processes and controls, and the industry in which the Group and the Bank operate.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Bank for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Allowance for impairment on loans, advances and financing	
Refer to accounting policy 2(k)(i) and 2(a)(ii), Note 13 and 36 of the Financial Statements of the Group and the Bank. The Group adopted MFRS 9 "Financial Instruments" with a date of transition of 1 April 2018. MFRS 9 introduces an expected credit loss ("ECL") impairment model, which requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. This is a new and complex accounting standard which has required considerable judgement and interpretation in its implementation. In particular, the significant judgements in applying the accounting requirements for measuring ECL include the following: • Building the appropriate models used to calculate ECL. The models are inherently complex and judgement is applied in determining the appropriate construct of the model; • Identification of loans, advances and financing that have experienced a significant increase in credit risk; and • Assumptions used in the ECL models such as expected future cash flows, forward-looking macroeconomic factors and data sets to be used as inputs to the models.	We obtained an understanding and tested management's controls over identification of loans, advances and financing that have experienced significant increase in credit risk or objective evidence of impairment in accordance with the Group's policy and procedures, and the calculation of ECL provisions. We tested a sample of loans, advances and financing and assessed the reasonableness of management's judgement that there was no significant increase in credit risk or objective evidence of impairment for these loans. Where objective evidence of impairment was identified by the Group and impairment loss was individually calculated, we examined both the quantum and timing of future cash flows used by the Group in the impairment loss calculation, challenged the assumptions and compared estimated to external evidence where available. Calculations of the discounted cash flows were also re-performed. To determine the appropriateness of models implemented by the Group, we have: • Assessed the methodologies inherent within the ECL models applied against the requirements of MFRS 9; • Tested the design and operating effectiveness of the controls relating to: - Governance over ECL methodology, model development and model validation; - Data used to determine the allowances for credit losses; and - Calculation, review and approval of the ECL calculation. • Assessed and tested the significant modelling assumptions; • Assessed and considered reasonableness of forward-looking forecasts assumptions; and • Checked the accuracy of data and calculation of the ECL amount, on a sample basis. Based on the procedures performed, we did not find any material exceptions to the Group's assessment on impairment of loans, advances and financing.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLIANCE BANK MALAYSIA BERHAD (Cont'd)

(Incorporated in Malaysia)
(Company No: 88103-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (cont'd)

Key audit matters	How our audit addressed the key audit matters
Impairment testing of goodwill	
Refer to accounting policy 2(k)(ii)(a), and 2(a)(i), and Note 20 of the Financial Statements of the Group and the Bank. Management performed annual impairment review on the goodwill balance. The recoverable amount of each cash generating units ("CGU") of which goodwill has been allocated was determined based on the value-in-use method. The value-in-use was determined using cash flow projections based on the financial budget and business plans approved by the Board of Directors. In particular, we focused on the following key assumptions that requires significant judgement, for each CGU: • The annual growth rates in the cash flow projections; • The terminal growth rate; and • The discount rate.	We tested management's impairment assessment of goodwill as follows: • Compared the cash flows projection of each CGU to approved budgets and business plans for each CGU. • Compared historical cash flows projections to actual results of each CGU to assess the reasonableness of forecasting. • Assessed the reasonableness of the annual growth rates used in the cash flow projections of each CGU. • Assessed the reasonableness of the applied discount rates by comparing to external and industry information. The applied discount rates reflect the specific risks relating to each CGU where the risk associated to each CGU is determined based on the CGU's business and operating model. • Evaluated reasonableness of terminal growth rates used by comparing to Malaysia's forecasted GDP rate. • Independently performed sensitivity analysis to assess the potential impact of a reasonable possible change of the key assumptions on the recoverable amount of each CGUs. • Reviewed the adequacy of the Group's and the Bank's disclosures within the financial statements about these assumptions to which the outcome of the impairment test is most sensitive. Based on the evidence obtained, we found that the assumptions used by management in the value-in-use calculation were within a reasonable range.

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises:

(i) Financial Highlights
(ii) Statement by Chairman of Alliance Bank Group
(iii) Management Discussion and Analysis
(iv) Statement on Corporate Governance
(v) Sustainability Statement
(vi) Audit Committee Report
(vii) Statement on Risk Management and Internal Control
(viii) Risk Management
(ix) Directors' Report
(x) Basel II Pillar 3 Report Disclosure

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Information other than the financial statements and auditors' report thereon (cont'd)

but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLIANCE BANK MALAYSIA BERHAD (Cont'd)

(Incorporated in Malaysia)
(Company No: 88103-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' responsibilities for the audit of the financial statements (cont'd)

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Bank for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
(No. LLP0014401-LCA & AF1146)
Chartered Accountants

SOO HOO KHOON YEAN
(No. 2682/10/2019 (J))
Chartered Accountant

Kuala Lumpur
31 May 2019

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2019

		GROUP		BANK	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	3	**1,804,734**	2,768,758	**1,571,995**	1,715,961
Deposits and placements with banks and other financial institutions	4	**500**	77,283	**-**	77,283
Amounts due from clients and brokers	5	**77,008**	101,305	**-**	-
Financial assets at fair value through profit or loss	6	**230,440**	-	**169,656**	-
Financial investments at fair value through other comprehensive income	7	**9,478,462**	-	**6,852,866**	-
Financial investments at amortised cost	8	**235,720**	-	**311,930**	-
Financial assets held-for-trading	9	**-**	63,750	**-**	48,771
Financial investments available-for-sale	10	**-**	8,505,189	**-**	6,406,448
Financial investments held-to-maturity	11	**-**	293,612	**-**	344,703
Derivative financial assets	12	**55,442**	84,455	**55,442**	84,455
Loans, advances and financing	13	**42,320,301**	39,989,515	**32,622,976**	31,546,564
Other assets	14	**199,138**	141,949	**320,794**	176,948
Tax recoverable		**20,282**	2,004	**5,501**	-
Statutory deposits	15	**1,521,592**	1,408,316	**1,142,108**	1,092,566
Investments in subsidiaries	16	**-**	-	**989,102**	989,102
Investment in joint venture	17	**802**	693	**-**	-
Property, plant and equipment	18	**70,497**	69,373	**69,178**	67,834
Deferred tax assets	19	**72,972**	22,664	**50,116**	9,223
Intangible assets	20	**432,961**	409,402	**323,804**	292,981
TOTAL ASSETS		**56,520,851**	53,938,268	**44,485,468**	42,852,839
LIABILITIES AND EQUITY					
Deposits from customers	21	**45,017,632**	42,740,460	**34,982,862**	33,508,370
Deposits and placements of banks and other financial institutions	22	**858,708**	873,871	**344,835**	439,238
Financial liabilities designated at fair value through profit or loss	23	**778,423**	682,238	**778,423**	682,238
Amounts due to clients and brokers	24	**51,164**	75,103	**-**	-
Derivative financial liabilities	12	**57,545**	154,686	**57,545**	154,686
Recourse obligations on loans and financing sold to Cagamas	25	**800,669**	1,102,363	**300,076**	601,696
Other liabilities	26	**1,740,797**	1,435,523	**1,572,308**	1,319,698
Provision for taxation		**-**	22,661	**-**	23,190
Provision for zakat		**686**	252	**-**	-
Deferred tax liabilities	19	**2,163**	11,907	**-**	-
Subordinated obligations	27	**1,480,222**	1,379,614	**1,479,580**	1,379,024
TOTAL LIABILITIES		**50,788,009**	48,478,678	**39,515,629**	38,108,140
Share capital	28	**1,548,106**	1,548,106	**1,548,106**	1,548,106
Reserves	29	**4,184,736**	3,911,484	**3,421,733**	3,196,593
TOTAL EQUITY		**5,732,842**	5,459,590	**4,969,839**	4,744,699
TOTAL LIABILITIES AND EQUITY		**56,520,851**	53,938,268	**44,485,468**	42,852,839
COMMITMENTS AND CONTINGENCIES	48	**24,181,704**	22,641,134	**21,570,720**	20,272,725
Net assets per share attributable to equity holders of the Bank (RM)		**3.70**	3.53		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF INCOME

for the financial year ended 31 March 2019

		GROUP		BANK	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income	31	**2,010,662**	1,897,878	**1,982,830**	1,875,037
Interest expense	32	**(1,012,579)**	(972,727)	**(984,350)**	(941,905)
Net interest income		**998,083**	925,151	**998,480**	933,132
Net income from Islamic banking business	33	**359,057**	318,245	**-**	-
		1,357,140	1,243,396	**998,480**	933,132
Fee and commission income		**276,746**	303,464	**238,120**	259,228
Fee and commission expense		**(86,488)**	(96,677)	**(76,945)**	(84,373)
Investment income		**45,077**	94,117	**120,271**	126,433
Other income		**29,626**	27,723	**29,878**	27,222
Other operating income	34	**264,961**	328,627	**311,324**	328,510
Net income		**1,622,101**	1,572,023	**1,309,804**	1,261,642
Other operating expenses	35	**(774,947)**	(794,021)	**(601,771)**	(635,229)
Operating profit before allowances		**847,154**	778,002	**708,033**	626,413
Allowance for expected credit losses/impairment losses on loans, advances and financing and other financial assets	36	**(130,849)**	(93,386)	**(94,618)**	(43,107)
Write-back of expected credit losses on financial investments	37	**201**	-	**449**	-
(Allowance for)/write-back of impairment losses on non-financial assets	38	**(8,592)**	(62)	**148**	(62)
Operating profit after allowances		**707,914**	684,554	**614,012**	583,244
Share of results of joint venture	17	**109**	43	**-**	-
Profit before taxation		**708,023**	684,597	**614,012**	583,244
Taxation	39	**(170,426)**	(191,369)	**(128,060)**	(156,334)
Net profit for the financial year		**537,597**	493,228	**485,952**	426,910
Net profit for the financial year attributable to:					
Equity holders of the Bank		**537,597**	493,228	**485,952**	426,910
Earnings per share attributable to	40				
Equity holders of the Bank					
- Basic (sen)		**34.7**	31.9		
- Diluted (sen)		**34.7**	31.9		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 March 2019

		GROUP		BANK	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Net profit for the financial year		**537,597**	493,228	**485,952**	426,910
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Revaluation reserve on financial investments at fair value through other comprehensive income					
- Net gain from change in fair values		**84,754**	-	**38,489**	-
- Realised gain transferred to statement of income on disposal		**(2,684)**	-	**(2,119)**	-
- Transfer to deferred tax		**(19,697)**	-	**(8,729)**	-
- Changes in expected credit losses		**(783)**	-	**(624)**	-
		61,590	-	**27,017**	-
Revaluation reserve on financial investments available-for-sale:					
- Net gain from change in fair values		**-**	25,539	**-**	16,134
- Realised gain transferred to statement of income on disposal		**-**	(4,857)	**-**	(2,987)
- Transfer to deferred tax		**-**	(4,963)	**-**	(3,156)
		-	15,719	**-**	9,991
Other comprehensive income, net of tax		**61,590**	15,719	**27,017**	9,991
Total comprehensive income for the financial year		**599,187**	508,947	**512,969**	436,901
Total comprehensive income for the financial year attributable to:					
Equity holders of the Bank		**599,187**	508,947	**512,969**	436,901

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 March 2019

	Attributable to Equity holders of the Bank						
GROUP	**Ordinary shares RM'000**	**Regulatory reserves RM'000**	**Capital reserves RM'000**	**FVOCI reserves RM'000**	**Revaluation reserves RM'000**	**Retained profits RM'000**	**Total equity RM'000**
At 1 April 2018							
As previously stated	1,548,106	186,064	100,150	-	114,987	3,510,283	5,459,590
Effects of adoption of MFRS 9	-	(17,330)	-	16,923	(114,987)	41,819	(73,575)
Effects of adoption of MFRS 15	-	-	-	-	-	(15,500)	(15,500)
As restated	1,548,106	168,734	100,150	16,923	-	3,536,602	5,370,515
Net profit for the financial year	-	-	-	-	-	537,597	537,597
Other comprehensive income	-	-	-	61,590	-	-	61,590
Total comprehensive income	-	-	-	61,590	-	537,597	599,187
Transfer to regulatory reserves	-	9,663	-	-	-	(9,663)	-
Dividends paid to shareholders [Note 41]	-	-	-	-	-	(236,860)	(236,860)
At 31 March 2019	1,548,106	178,397	100,150	78,513	-	3,827,676	5,732,842

The accompanying notes form an integral part of these financial statements.

GROUP	Ordinary shares RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserves RM'000	Capital reserves RM'000	Revaluation reserves RM'000	Equity contribution from former parent RM'000	Employees' share scheme ("ESS") reserve RM'000	Shares held for ESS RM'000	Retained profits RM'000	Total equity RM'000
	Attributable to Equity holders of the Bank										
At 1 April 2017											
As previously stated	796,517	401,517	1,223,525	157,900	10,018	99,268	6,062	-	-	2,306,158	5,000,965
Effects of group reorganisation	751,589	(401,517)	-	-	79,992	-	(6,062)	6,444	(73,837)	(243,376)	113,233
As restated	1,548,106	-	1,223,525	157,900	90,010	99,268	-	6,444	(73,837)	2,062,782	5,114,198
Net profit for the financial year	-	-	-	-	-	-	-	-	-	493,228	493,228
Other comprehensive income	-	-	-	-	-	15,719	-	-	-	-	15,719
Total comprehensive income	-	-	-	-	-	15,719	-	-	-	493,228	508,947
Share-based payment under ESS	-	-	-	-	-	-	-	204	-	-	204
ESS on shares lapsed:											
- employees of subsidiaries	-	-	-	-	-	-	-	(157)	-	157	-
- bank employees	-	-	-	-	-	-	-	(1,037)	-	1,037	-
ESS shares grant vested to:											
- employees of subsidiaries	-	-	-	-	-	-	-	(488)	488	-	-
- employees of joint ventures	-	-	-	-	-	-	-	(111)	111	-	-
- bank employees	-	-	-	-	-	-	-	(3,099)	3,099	-	-
ESS shares option exercised by:											
- employees of subsidiaries	-	-	-	-	-	-	-	(22)	22	-	-
- bank employees	-	-	-	-	-	-	-	(96)	96	-	-
Proceeds from share options exercised	-	-	-	-	-	-	-	-	4,032	-	4,032
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	-	(1,638)	-	1,638	-
Disposal of ESS share	-	-	-	-	-	-	-	-	65,989	-	65,989
Gain from disposal of ESS share	-	-	-	-	-	-	-	-	-	11,247	11,247
Transfer (from)/to reserves	-	-	(1,223,525)	28,164	10,140	-	-	-	-	1,185,221	-
Dividends paid to shareholders [Note 41]	-	-	-	-	-	-	-	-	-	(247,697)	(247,697)
Dividends added back for shares held in ESS trust	-	-	-	-	-	-	-	-	-	2,670	2,670
At 31 March 2018	1,548,106	-	-	186,064	100,150	114,987	-	-	-	3,510,283	5,459,590

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY (Cont'd)

for the financial year ended 31 March 2019

	Non-distributable reserves								Distributable reserves	
BANK	Ordinary shares RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserves RM'000	Capital reserve RM'000	FVOCI reserves RM'000	Revaluation reserves RM'000	Equity contribution from former holding company RM'000	Retained profits RM'000	Total equity RM'000
At 1 April 2018										
As previously reported	**1,548,106**	**-**	**-**	**160,029**	**95,515**	**-**	**74,907**	**-**	**2,866,142**	**4,744,699**
Effects of adoption of MFRS 9	**-**	**-**	**-**	**327**	**-**	**9,814**	**(74,907)**	**-**	**29,297**	**(35,469)**
Effects of adoption of MFRS 15	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(15,500)**	**(15,500)**
As restated	**1,548,106**	**-**	**-**	**160,356**	**95,515**	**9,814**	**-**	**-**	**2,879,939**	**4,693,730**
Net profit for the financial year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**485,952**	**485,952**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**27,017**	**-**	**-**	**-**	**27,017**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**27,017**	**-**	**-**	**485,952**	**512,969**
Transfer to regulatory reserves	**-**	**-**	**-**	**442**	**-**	**-**	**-**	**-**	**(442)**	**-**
Dividends paid [Note 41]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(236,860)**	**(236,860)**
At 31 March 2019	**1,548,106**	**-**	**-**	**160,798**	**95,515**	**36,831**	**-**	**-**	**3,128,589**	**4,969,839**
At 1 April 2017	796,517	401,517	835,401	144,349	-	-	64,916	5,523	2,115,505	4,363,728
Net profit for the financial year	-	-	-	-	-	-	-	-	426,910	426,910
Other comprehensive income	-	-	-	-	-	-	9,991	-	-	9,991
Total comprehensive income	-	-	-	-	-	-	9,991	-	426,910	436,901
Issuance of shares to former holding company	100,000	-	-	-	-	-	-	-	-	100,000
Bonus issue	651,589	(401,517)	-	-	-	-	-	-	(250,072)	-
Acquisition of subsidiary under group reorganisation	-	-	-	-	95,515	-	-	-	-	95,515
Share-based payment under ESS	-	-	-	-	-	-	-	188	-	188
Payment for ESS recharged from former holding company	-	-	-	-	-	-	-	(3,195)	-	(3,195)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	-	(1,479)	1,479	-
ESS on share options lapsed	-	-	-	-	-	-	-	(1,037)	1,037	-
Transfer (to)/from retained profits	-	-	(835,401)	15,680	-	-	-	-	819,721	-
Dividends paid [Note 41]	-	-	-	-	-	-	-	-	(248,438)	(248,438)
At 31 March 2018	1,548,106	-	-	160,029	95,515	-	74,907	-	2,866,142	4,744,699

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 31 March 2019

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	**708,023**	684,597	**614,012**	583,244
Adjustments for:				
Accretion of discount less amortisation of premium of financial investments	**(84,578)**	(77,535)	**(83,707)**	(75,417)
Allowance for expected credit losses/impairment losses on loans, advances and financing	**147,238**	105,575	**97,909**	54,703
(Write-back of)/allowance for expected credit losses on commitment and contingencies	**(11,377)**	-	**1,304**	-
Write-back of expected credit losses on financial investments	**(201)**	-	**(449)**	-
(Write-back of)/allowance for expected credit losses/impairment losses on amounts due from clients and brokers	**(1)**	5	**-**	-
Allowance for expected credit losses/impairment losses on other receivables and cash and short term funds	**2,856**	4,047	**2,514**	3,169
Amortisation of computer software	**30,206**	24,161	**29,117**	23,346
Depreciation of property, plant and equipment	**23,333**	20,731	**22,674**	19,986
Dividends from financial assets at fair value through profit or loss	**(1,299)**	-	**(749)**	-
Dividends from financial investments available-for-sale	**-**	(1,861)	**-**	(1,311)
Dividends from subsidiaries	**-**	-	**(80,154)**	(33,913)
Interest expense on recourse obligation on loans and financing sold to Cagamas	**25,182**	24,142	**25,182**	24,142
Interest expense on other borrowings	**-**	167	**-**	167
Interest expense on subordinated obligations	**78,732**	72,617	**78,915**	72,735
Interest income from financial investments at fair value through other comprehensive income	**(260,639)**	-	**(249,720)**	-
Interest income from financial investments at amortised cost	**(14,174)**	-	**(18,176)**	-
Interest income from financial investments available-for-sale	**-**	(267,241)	**-**	(260,478)
Interest income from financial investments held-to-maturity	**-**	(17,593)	**-**	(17,242)
Allowance for/(write-back of) impairment losses on non-financial assets	**8,592**	62	**(148)**	62
(Gain)/loss on disposal of property, plant and equipment	**(8)**	105	**(8)**	(1)
Loss on disposal of computer software	**-**	-	**-**	675
Property, plant and equipment written-off	**42**	291	**43**	277
Computer software written-off	**1,822**	372	**1,724**	284
Net gain from sale of financial assets at fair value through profit or loss	**(3,378)**	-	**(3,377)**	-
Net gain from sale of financial investments at fair value through other comprehensive income	**(2,684)**	-	**(2,119)**	-
Cash flow from operating activities carried forward	**647,687**	572,642	**434,787**	394,428

STATEMENTS OF CASH FLOWS (Cont'd)

for the financial year ended 31 March 2019

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)				
Cash flow from operating activities brought forward	**647,687**	572,642	**434,787**	394,428
Net gain from sale of financial assets held-for-trading	**-**	(761)	**-**	(761)
Net gain from sale of financial investments available-for-sale	**-**	(21,863)	**-**	(21,331)
Unrealised gain arising from financial assets at fair value through profit or loss	**(12,092)**	-	**(8,248)**	-
Unrealised (gain)/loss arising from derivative instruments	**(18,276)**	113,094	**(18,276)**	113,094
Unrealised loss/(gain) arising from financial liabilities designated at fair value through profit or loss	**12,809**	(25,555)	**12,809**	(25,555)
Unrealised gain arising from financial assets held-for-trading	**-**	(5,813)	**-**	(5,298)
Share options/grants under Employees' Share Scheme	**-**	189	**-**	191
Share of results of joint venture	**(109)**	(43)	**-**	-
Zakat	**590**	150	**-**	-
Cash flow from operating activities before working capital changes	**630,609**	632,040	**421,072**	454,768
Changes in working capital:				
Deposits from customers	**2,277,172**	(1,705,260)	**1,474,492**	(2,604,131)
Deposits and placements of banks and other financial institutions	**(15,163)**	10,967	**(94,403)**	(210,491)
Other liabilities	**258,213**	55,187	**208,529**	86,271
Deposits and placements with banks and other financial institutions	**76,783**	(77,283)	**77,283**	(77,283)
Financial liabilities designated at fair value through profit or loss	**83,376**	305,059	**83,376**	305,059
Financial assets held-for-trading	**-**	272,407	**-**	211,887
Financial assets at fair value through profit or loss	**16,668**	-	**10,827**	-
Loans, advances and financing	**(2,801,062)**	(1,103,401)	**(1,400,892)**	(229,360)
Other assets	**(60,506)**	662	**(146,823)**	(38,666)
Amounts due from clients and brokers	**358**	17,749	**-**	-
Statutory deposits	**(113,276)**	29,128	**(49,542)**	36,800
Cash generated from/(used in) operating activities	**353,172**	(1,562,745)	**583,919**	(2,065,146)
Taxation paid	**(219,123)**	(196,351)	**(167,520)**	(159,931)
Zakat paid	**(156)**	(104)	**-**	-
Net cash generated from/(used in) operating activities	**133,893**	(1,759,200)	**416,399**	(2,225,077)

	GROUP		BANK	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividend from financial assets at fair value through profit or loss	**1,299**	-	**749**	-
Dividends from financial investments available-for-sale	**-**	1,861	**-**	1,311
Dividends from subsidiaries	**-**	-	**80,154**	33,913
Capital injection into subsidiaries	**-**	-	**-**	(537)
Interest received from financial assets at fair value through profit or loss	**1,547**	-	**1,547**	-
Interest received from financial investments at fair value through other comprehensive income	**239,129**	-	**241,980**	-
Interest received from financial investments at amortised costs	**13,071**	-	**17,362**	-
Interest received from financial investments assets held-for-trading	**-**	5,677	**-**	5,102
Interest received from financial investments available-for-sale	**-**	260,342	**-**	257,081
Interest received from financial investments held-to-maturity	**-**	20,760	**-**	18,934
Net interest expense for derivative instruments	**(49,852)**	(38,501)	**(49,852)**	(38,501)
Purchase of property, plant and equipment	**(24,560)**	(16,670)	**(24,122)**	(16,291)
Purchase of computer software	**(64,327)**	(56,574)	**(61,664)**	(55,300)
Proceeds from redemption/disposal of financial investment at amortised cost (net of purchase)	**368,791**	-	**302,126**	-
Proceeds from redemption/disposal financial investments at fair value through other comprehensive income (net of purchase)	**(1,041,224)**	-	**(526,693)**	-
Proceeds from redemption/disposal of financial investments held-to-maturity (net of purchase)	**-**	699,136	**-**	389,106
Proceeds from redemption/disposal of financial investments available-for-sale (net of purchase)	**-**	1,782,543	**-**	1,728,991
Proceeds from disposal of property, plant and equipment	**69**	56	**69**	16
Net cash (used in)/generated from investing activities	**(556,057)**	2,658,630	**(18,344)**	2,323,825
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid to shareholders of the company	**(236,860)**	(245,027)	**(236,860)**	(248,438)
Interest paid on recourse obligation on loans and financing sold to Cagamas	**(26,872)**	(24,490)	**(26,791)**	(25,152)
Interest on other borrowings	**-**	(237)	**-**	(237)
Interest paid on subordinated obligations	**(78,124)**	(68,654)	**(78,359)**	(68,654)
Cash flow from financing activities carried forward	**(341,856)**	(338,408)	**(342,010)**	(342,481)

STATEMENTS OF CASH FLOWS (Cont'd)

for the financial year ended 31 March 2019

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES (CONT'D)				
Cash flow from financing activities brought forward	**(341,856)**	(338,408)	**(342,010)**	(342,481)
(Repayment of)/proceeds from recourse obligations on loans and financing sold to Cagamas	**(300,004)**	599,998	**(300,011)**	99,993
Settlement on other borrowings	**-**	(5,000)	**-**	(5,000)
Proceeds from issuance of subordinated notes	**100,000**	150,000	**100,000**	150,000
Proceeds from ESS exercised by employees/joint venture	**-**	4,150	**-**	-
Proceeds from disposal of share held in trust	**-**	77,236	**-**	-
Payment for ESS recharged from former parent	**-**	-	**-**	(3,195)
Subscription of shares from former holding company	**-**	-	**-**	100,000
Transaction costs paid on issuance of subordinated notes	**-**	(427)	**-**	(721)
Net cash (used in)/generated from financing activities	**(541,860)**	487,549	**(542,021)**	(1,404)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(964,024)**	1,386,979	**(143,966)**	97,344
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	**2,768,758**	1,381,779	**1,715,961**	1,618,617
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	**1,804,734**	2,768,758	**1,571,995**	1,715,961
Cash and cash equivalents comprise the following:				
Cash and short-term funds	**1,804,734**	2,768,758	**1,571,995**	1,715,961

A reconciliation of liabilities from financing activities to the statement of financial position and statement of cash flows as follows:

GROUP	Recourse obligations on loans and financing sold to Cagamas RM'000	Subordinated obligations RM'000	Other borrowings RM'000
As at 1 April 2017	502,713	1,226,078	5,070
Cash flow			
- Issuance/redemption	599,998	150,000	(5,000)
- Interest payment	(24,490)	(68,654)	(237)
- Transaction costs	-	(427)	-
Non cash changes			
- Interest accrued	24,142	72,617	167
As at 31 March/1 April 2018	**1,102,363**	**1,379,614**	**-**
Cash flow			
- (Redemption)/issuance	**(300,004)**	**100,000**	**-**
- Interest payment	**(26,872)**	**(78,124)**	**-**
Non cash changes			
- Interest accrued	**25,182**	**78,732**	**-**
As at 31 March 2019	**800,669**	**1,480,222**	**-**

BANK	Recourse obligations on loans and financing sold to Cagamas RM'000	Subordinated obligations RM'000	Other borrowings RM'000
As at 1 April 2018	502,713	1,225,664	5,070
Cash flow			
- Issuance/redemption	99,993	150,000	(5,000)
- Interest payment	(25,152)	(68,654)	(237)
- Transaction costs	-	(721)	-
Non cash changes			
- Interest accrued	24,142	72,735	167
As at 31 March/1 April 2018	**601,696**	**1,379,024**	**-**
Cash flow			
- (Redemption)/issuance	**(300,011)**	**100,000**	**-**
- Interest payment	**(26,791)**	**(78,359)**	**-**
Non cash changes			
- Interest accrued	**25,182**	**78,915**	**-**
As at 31 March 2019	**300,076**	**1,479,580**	**-**

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2019

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Bank is principally engaged in all aspects of banking business and the provision of related financial services.

The principal activities of the subsidiaries are Islamic banking, investment banking including stockbroking services, nominees services, investment advisory services and related financial services.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office is located at 3rd Floor, Menara Multi-Purpose, Capital Square, No 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 31 May 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

Malaysian Financial Reporting Standards ("MFRS") Framework

The financial statements of the Group and the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements of the Group and the Bank have been prepared under the historical cost convention, as modified by the financial investments at fair value through other comprehensive income and financial assets/liabilities (including derivative instruments) at fair value through profit or loss.

The financial statements incorporate all activities relating to the Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

The financial statements are presented in Ringgit Malaysia ("RM") and all numbers are rounded to the nearest thousand (RM'000), unless otherwise stated.

The preparation of the financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's and the Bank's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are described in the following notes:

(i) Annual testing for impairment of goodwill (Note 20) – the measurement of the recoverable amount of cash-generating units are determined based on the value-in-use method, which requires the use of estimates for cash flow projections approved by the Board of Directors covering a 4-year period, estimated growth rates for cash flows beyond the fourth year are extrapolated in perpetuity and discount rates are applied to the cash flow projections.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of Preparation (cont'd)

Malaysian Financial Reporting Standards ("MFRS") Framework (cont'd)

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are described in the following notes: (cont'd)

(ii) The measurement of allowance for expected credit losses for financial assets measured at amortised cost and at fair value through comprehensive income is an area that requires the use of significant assumptions about future economic conditions and credit behaviour.

The allowance for expected credit losses are recognised using forward-looking information including macroeconomic factors. By using forward-looking information will increase the level of judgement as to how changes in these macroeconomic factors will affect allowance for credit losses. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

Some of the areas of significant judgements involved in the measurement of ECL are detailed as follows:

- Significant increase in credit risk
- Development of ECL models and assumption for the measurement of ECL
- Determining the number and relative weightings of forward-looking scenarios
- Establishing groups of similar financial assets for the purpose of measuring the ECL on collective basis

The sensitivity effect on the macroeconomic factor is further disclosed in Note 45.

Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and the Bank for the financial year beginning on 1 April 2018 are as follows:

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers"
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"
- Annual Improvements to MFRSs 2014-2016 Cycles
  - Amendments to MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards"
  - Amendments to MFRS 128 "Investments in Associates and Joint Ventures"

The adoption of the above standards, amendments to published standards and interpretation to existing standards did not have any significant impact on the financial statements of the Group and the Bank other than the adoption of MFRS 9 and MFRS 15, which resulted in changes in accounting policies.

The Group and the Bank have applied MFRS 9 retrospectively with the date of initial application of 1 April 2018. In accordance with the transitional provisions provided in MFRS 9, comparative information for 31 March 2018 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. The cumulative effects of initially applying MFRS 9 were recognised as an adjustment to the opening balance of retained profits as at 1 April 2019.

The Group and the Bank have applied MFRS 15 with the date of initial application of 1 April 2018 by using the modified retrospective transition method. Under the modified retrospective transition method, the Group and the Bank apply the new standards retrospectively only to contracts that are not completed contracts at the date of initial application. Accordingly, the 31 March 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 15 were recognised as an adjustment to the opening balance of retained profits as at 1 April 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118 and MFRS 111.

The detailed impact of change in accounting policies are set out in Note 56.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of Preparation (cont'd)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective

The Group and the Bank will apply the new standards, amendments to standards and interpretations in the following period:

Financial year beginning on/after 1 April 2019

(a) MFRS 16 "Leases" supersedes MFRS 117 "Leases" and the related interpretations.

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

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

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group and the Bank have set up a project team which has reviewed all of the leasing arrangements over the last year in light of the new lease accounting rules in MFRS 16. The standard will affect primarily the accounting for the Group's and the Bank's operating leases.

The Group and the Bank will apply the standard from its mandatory adoption date of 1 April 2019. The Group and the Bank intend to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured on transition as if the new rules had always been applied.

The Group and the Bank are now progressing to finalise the right-of-use assets and the lease liability and will complete this prior to releasing the interim results for the financial period ending 30 June 2019.

(b) Amendments to MFRS 9 "Prepayment features with negative compensation" allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model.

The amendments will be applied retrospectively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of Preparation (cont'd)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (cont'd)

The Group and the Bank will apply the new standards, amendments to standards and interpretations in the following period: (cont'd)

<u>Financial year beginning on/after 1 April 2019 (cont'd)</u>

(c) Amendments to MFRS 128 "Long-term Interest in Associates and Joint Ventures" clarify that an entity should apply MFRS 9 "Financial Instruments" (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

In addition, such long-term interest are subject to loss allocation and impairment requirements in MFRS 128.

The amendments shall be applied retrospectively.

(d) Annual Improvements to MFRSs 2015 - 2017 Cycles:

- Amendments to MFRS 3 "Business Combinations" clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.

- Amendments to MFRS 11 "Joint Arrangements" clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.

- Amendments to MFRS 112 "Income Taxes" clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

- Amendments to MFRS 123 "Borrowing Costs" clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

(e) IC Interpretation 23 "Uncertainty over Income Tax Treatments" (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

IC Interpretation 23 will be applied retrospectively.

The above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Group and the Bank in the year of initial application.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of Preparation (cont'd)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (cont'd)

The Group and the Bank will apply the new standards, amendments to standards and interpretations in the following period: (cont'd)

Financial year beginning on/after 1 April 2020

Amendments to MFRS 3 "Definition of a Business"

Amendments to MFRS 3 "Definition of a Business" revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

The amendments shall be applied prospectively.

(b) Economic Entities in the Group

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries are prepared for the same reporting date as the Bank.

Subsidiaries are consolidated using the acquisition method of accounting. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Economic Entities in the Group (cont'd)

(i) Subsidiaries (cont'd)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill (Note 2(d)(i)). If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of income.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in statement of income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in statement of income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

In a group reorganisation, the assets and liabilities of the acquired entity are included in the consolidated financial statements of the Group at their existing carrying amounts without fair value uplift. The difference between the consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) is recognised in equity. No goodwill is recognised. The acquired entity's assets and liabilities are incorporated in the consolidated financial statements of the Group as if the entity had always been, prior to the group reorganisation.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transfer assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Changes in Ownership Interests in Subsidiaries Without Change of Control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(iii) Disposal of Subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in statement of income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Economic Entities in the Group (cont'd)

(iv) Associates

Associates are all entities over which the Group has significant influence, but not control or joint control, generally accompanying a shareholding of between 20% and 50% of voting rights. Significant influence is the power to participate in financial and operating policy decisions of associates but not power to exercise control over those policies.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investments in associates are recognised in the statements of income.

(v) Joint Arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Economic Entities in the Group (cont'd)

(v) Joint Arrangements (cont'd)

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position. Under the equity method, the investment in a joint venture is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture in profit or loss, and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture, including any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its joint venture because of a loss of joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Investments in Subsidiaries, Joint Ventures and Associates in separate financial statements

In the Bank's separate financial statements, investments in subsidiaries, joint ventures and associates are carried at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment is in accordance with Note 2(k)(ii)(b). On disposal of investments in subsidiaries, joint ventures and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the statement of income.

(d) Intangible Assets

(i) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Intangible Assets (cont'd)

(i) Goodwill (cont'd)

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at operating segments level. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring the specific software to use. The costs are amortised over their useful lives of five years and are stated at cost less accumulated amortisation and accumulated impairment, if any. Computer software is assessed for impairment whenever there is an indication that it may be impaired. The amortisation period and amortisation method are reviewed at least at the end of each reporting period.

The policy for the recognition and measurement of impairment is in accordance with Note 2(k)(ii)(b).

Costs associated with maintaining computer software programmes are recognised as expenses as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These costs include software development employee costs and appropriate portion of relevant overheads.

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in the statement of income during the financial year in which they are incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent to initial recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and accumulated impairment, if any. The policy for the recognition and measurement of impairment is in accordance with Note 2(k)(ii)(b).

Freehold land has an unlimited useful life and therefore is not depreciated. Other property, plant and equipment are depreciated on the straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, summarised as follows:

Buildings	2%
Office equipment, furniture and fixtures	10% - 20%
Motor vehicles	20%
Renovations	20%
Computer equipment	20% - 33.3%

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property, Plant and Equipment and Depreciation (cont'd)

Depreciation on assets under construction commences when the assets are ready for their intended use.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the statement of income.

(f) Financial Assets

Accounting policies applicable with effective from 1 April 2018

(i) Classification

With effective from 1 April 2018, the Group and the Bank classify the financial assets in the following measurement categories:

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

For financial assets measured at fair value, gains and losses will either be recorded in statement of income or statement of other comprehensive income. For investment in debt instruments, this will depend on the business model in which the investment is held. For investment in equity instruments, it is determined by the irrevocable election at the time of initial recognition to account for the equity investment at FVTPL by the Group and the Bank.

(i) Financial assets at FVOCI comprise of:

Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's and the Bank's business model is achieved both by collecting contractual cash flows and selling financial assets.

(ii) The Group and the Bank classify the following financial assets at FVTPL:

- Debt investments that do not qualify for measurement at either amortised cost or fair value through comprehensive income, and

- Equity investments for which the entity has not elected to recognise at fair value through other comprehensive income.

(iii) The Group and the Bank classify their financial assets at amortised cost only if both of the following criteria are met:

- The asset is held within a business model with the objective of collecting the contractual cash flows; and

- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The policy of the recognition of impairment is in accordance with Note 2(k)(i).

(ii) Recognition and initial measurement

Regular way purchases and sales of financial assets are recognised on settlement date, the date on which the Group and the Bank settle to purchase or sell the asset.

At initial recognition, the Group and the Bank measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial Assets (cont'd)

Accounting policies applicable with effective from 1 April 2018 (cont'd)

(ii) Recognition and initial measurement (cont'd)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

(iii) Subsequent measurement

Debt instruments

There are three measurement categories into which the Group and the Bank classify its debt instruments:

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest/profit income from these financial assets is included in gross interest/profit income using the effective interest/profit method. Any gain or loss arising on derecognition is recognised directly in statement of income and presented in other operating income. Impairment losses are presented as separate line item in the statement of income.

(ii) FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest/profit income and foreign exchange gains and losses which are recognised in statement of income.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of income and recognised in other operating income. Interest/profit income from these financial assets is included in gross interest income using the effective interest. Foreign exchange gains and losses are presented in other operating income and impairment expenses are presented as separate line item in the statement of income and statement of comprehensive income.

(iii) FVTPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group and the Bank may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in statement of income and presented net within other operating income in the period which it arises.

Equity instruments

The Group and the Bank subsequently measures all equity investments at fair value. Where the Group's and the Bank's management has elected to present fair value gains and losses on equity investments through profit and loss. Changes in the fair value of financial assets at FVTPL are recognised in other operating income in the statement of income. Dividends from such investments continue to be recognised in profit or loss as other operating income when the Group's and the Bank's right to receive payments is established.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial Assets (cont'd)

Accounting policies applicable with effective from 1 April 2018 (cont'd)

(iv) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group and the Bank have transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group and the Bank are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as amount due to Cagamas Berhad.

When financial investments at FVOCI are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to statement of income.

Accounting policies applicable prior to 1 April 2018

(v) Classification

The Group and the Bank classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period. The policy of the recognition and measurement of impairment is in accordance with Note 2(k).

Financial assets at fair value through profit or loss

The Group and the Bank classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held-for-trading.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group and the Bank's loans and receivables comprise cash and short-term funds, deposits and placements with bank and other financial institutions, loans, advances and financing and other assets, in the statement of financial position.

Financial investments available-for-sale

Financial investments available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Financial investments held-to-maturity

Financial investments held-to-maturity are non-derivative quoted financial assets with fixed or determinable payments and fixed maturities that the Group and the Bank's management has the positive intention and ability to hold to maturity. If the Group and the Bank were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as financial investments available for sale.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial Assets (cont'd)

Accounting policies applicable prior to 1 April 2018 (cont'd)

(vi) Reclassification

The Group and the Bank may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group and the Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group and the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest/profit rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date.

(vii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the settlement date.

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in statement of income.

(viii) Subsequent measurement – gains and losses

Financial investments available-for-sale and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and financial investments held-to-maturity are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of financial investments available-for-sale are recognised in other comprehensive income, except for impairment losses Note 2(k) and foreign exchange gains and losses Note 2(u).

(ix) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group and the Bank have transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group and the Bank are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as amount due to Cagamas Berhad.

When financial investments available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Derivative Financial Instrument and Hedge Accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for at fair value through profit or loss. Changes in the fair value are recognised immediately in profit or loss.

Derivatives that qualify for hedge accounting are designated as either:

(a) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
(b) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
(c) Hedges of a net investment in a foreign operation (net investment hedge).

The Group and the Bank documents at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group and the Bank documents its risk management objective and strategy for undertaking its hedge transactions.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The Group applies fair value hedge accounting for hedging fixed interest risk on securities. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate securities is recognised in profit or loss. The gain or loss relating to the ineffective portion is recognised in profit or loss within the other operating income. Changes in the fair value of the hedge fixed rate securities attributable to interest rate risk are recognised in equity.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used to amortised to profit or loss over the period to maturity.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example property, plant and equipment), the gains or losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in depreciation of property, plant and equipment.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in statement of changes in equity and is recognised in the periods when the hedged item affects profit or loss. When hedged future cash flows or forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred cost of hedging that was reported in equity is immediately reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Derivative Financial Instrument and Hedge Accounting (cont'd)

(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is disposed or partially disposed.

(h) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(i) Amounts Due from Clients and Brokers

Amounts due from clients and brokers are recognised at amortised cost less impairment allowances. Impairment allowances are made based on simplified approach for balances overdue from clients and brokers, after taking into consideration collateral held by the Group and deposits of and amounts due to dealer representative in accordance with the Rules of Bursa Securities. Bad debts are written off when all recovery actions have been fully exhausted.

(j) Other Assets

Other receivables, deposits, trade receivables, balances due from subsidiaries and related party included in other assets are carried at amortised cost using the effective yield method, less impairment allowance. Bad debts are written-off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the end of the reporting period.

(k) Impairment of Assets

(i) Impairment of financial assets

<u>Accounting policies applicable with effective from 1 April 2018</u>

The Group and the Bank assess on a forward looking basis the expected credit loss ("ECL") associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Bank have four types of financial assets that are subjected to the ECL model includes financial assets classified at amortised cost, debt instruments measured at FVOCI, loans commitments, financial guarantee contracts and other commitments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of Assets (cont'd)

(i) Impairment of financial assets (cont'd)

Accounting policies applicable with effective from 1 April 2018 (cont'd)

(a) General 3-stage approach

At each reporting date, the Group and the Bank measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

Impairment will be measured on each reporting date according to a three-stage expected credit loss impairment model:

Stage 1 – from initial recognition of a financial assets to the date on which the credit risk of the asset has increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months (12-month ECL).

Stage 2 – following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset (Lifetime ECL).

Stage 3 – when a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised (Lifetime ECL). This includes exposures which have triggered obligatory impairment criterion or judgmentally impaired.

Measurement of ECL is set out in Note 45.

(b) Simplified approach for other receivables

The Group applies the MFRS 9 simplified approach to measure ECL which uses probability default ratio ("PD") and loss given default ("LGD") for the due amount.

The PD methodology is derived based on net flow rate model as a simplified approach in view of it's low credit risk and non-maturity profile on due amount. LGD deem to be in full at any point in time as accounts are short term repayment and forward looking element will not be considered.

(c) Write-off

The Group and the Bank write-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of borrower's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Bank may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written-off will result in impairment gains.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of Assets (cont'd)

(i) Impairment of financial assets (cont'd)

Accounting policies applicable prior to 1 April 2018

(d) Assets carried at amortised cost

The Group and the Bank assess at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group and the Bank uses to determine that there is objective evidence of an impairment include:

(1) significant financial difficulty of the obligor;
(2) a breach of contract, such as a default or delinquency in interest or principal payments;
(3) it becomes probable that the borrower will enter bankruptcy or winding up petition is served on the borrower, significant shareholder or significant guarantor;
(4) adverse Center Credit Reference Information System ("CCRIS") findings or unfavorable industry developments for that borrower; and
(5) observable data indicating that there is a measurable decrease in the estimated future cash flows including adverse changes in the repayment behavior of the borrower or downgrade of the borrower's credit ratings.

The Group and the Bank first assesses individually whether objective evidence of impairment exists for all financial assets deemed to be individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset whether significant or not, the loan is then collectively assessed for impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment is the current effective interest rate determined under the contract.

Financial assets which are not individually assessed, are grouped together for collective impairment assessment. These financial assets are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. These characteristics are relevant to the estimation of future cash flows for groups of such loans by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being assessed. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group and the Bank.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of Assets (cont'd)

(i) Impairment of financial assets (cont'd)

Accounting policies applicable prior to 1 April 2018 (cont'd)

(e) Assets classified as financial investments available-for-sale

The Group and the Bank assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group and the Bank uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as financial investments available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

In the case of equity securities classified as financial investments available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for financial investments available-for-sale, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as financial investments available-for-sale are not reversed through profit or loss in subsequent periods.

(ii) Impairment of non-financial assets

(a) Goodwill/Intangible assets

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill from business combinations or intangible assets are allocated to cash-generating units ("CGU") which are expected to benefit from the synergies of the business combination or the intangible asset.

The recoverable amount is determined for each CGU based on its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment is recognised in the statements of comprehensive income when the carrying amount of the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the CGU. The total impairment is allocated, first, to reduce the carrying amount of goodwill or intangible assets allocated to the CGU and then to the other assets of the CGU on a pro-rata basis.

An impairment on goodwill is not reversed in subsequent periods. An impairment for other intangible assets is reversed if, and only if, there has been a change in the estimates used to determine the intangible asset's recoverable amount since the last impairment was recognised and such reversal is through the statement of income to the extent that the intangible asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment had been recognised.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of Assets (cont'd)

(ii) Impairment of non-financial assets (cont'd)

(b) Other non-financial assets

Other non-financial assets such as property, plant and equipment, computer software, foreclosed properties and investments in subsidiaries and associates are reviewed for objective indications of impairment at the end of each reporting period or whenever there is any indication that these assets may be impaired. Where such indications exist, impairment is determined as the excess of the asset's carrying value over its recoverable amount (greater of value in use or fair value less costs to sell) and is recognised in the statement of income. An impairment for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised.

The carrying amount is increased to its revised recoverable amount, provided that the amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment been recognised for the asset in prior years. A reversal of impairment for an asset is recognised in the statement of income.

(l) Financial Liabilities

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost.

Certain financial liabilities are designated at initial recognition at fair value through profit or loss when one of the designation criteria is met:

(i) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(ii) Its performance is evaluated on a fair value basis, in accordance with a documented with management or investment strategy.

A financial liability which does not meet any of these criteria may still be designated as measured at FVTPL when it contains one or more embedded derivatives that sufficiently modify the cash flows of the liability and are not clearly closely related.

Interest payables are now classified into the respective class of financial liabilities.

(m) Repurchase Agreements

Financial instruments purchased under resale agreements are instruments which the Group and the Bank have purchased with a commitment to resell at future dates. The commitment to resell the instruments are reflected as an asset in the statement of financial position.

Conversely, obligations on financial instruments sold under repurchase agreements are instruments which the Group and the Bank have sold from their portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligations to repurchase the instruments are reflected as a liability in the statement of financial position.

(n) Bills and Acceptances Payable

Bills and acceptances payable represent the Group and Bank's own bills and acceptances rediscounted and outstanding in the market. Refer to 2(l).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Subordinated Obligations and Other Borrowings

The interest-bearing instruments are classified as liabilities in the statement of financial position as there is a contractual obligation by the Group and the Bank to make cash payments of either principal or interest or both to holders of the debt securities and the Group and the Bank are contractually obliged to settle the financial instrument in cash or another financial instrument.

Subsequent to initial recognition, debt securities issued are recognised at amortised cost, with any difference between proceeds net of transaction costs and the redemption value being recognised in the statement of income over the period of the borrowings on an effective interest/profit method.

(p) Provisions

Provisions are recognised when the Group and the Bank have a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group and the Bank expect a provision to be reimbursed by another party (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

(q) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group and the Bank all the risks and rewards incidental to ownership. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(i) Finance Leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment. The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the statement of income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2(e). The policy for the recognition and measurement of impairment is in accordance with Note 2(k)(ii)(b).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Leases (cont'd)

(ii) Operating Leases

Operating lease payments are recognised in the statement of income on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expenses over the lease term on a straight-line basis.

The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land that normally has an indefinite economic life and where title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments at the end of the reporting period. In the case of a lease of land and buildings, the prepaid lease payments or the upfront payments made are allocated, whenever necessary, between the land and buildings elements in proportion to the relative fair values for leasehold interest in the land element and buildings element of the lease at the inception of the lease. The prepaid lease payments are amortised over the lease term in accordance with the pattern of benefits provided.

(r) Share Capital

(i) Classification

Ordinary shares with discretionary dividends are classified as equity.

(ii) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are deducted against equity.

(iii) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owner of the Group and the Bank, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Revenue Recognition

(i) Recognition of interest and financing income

Interest income and financing income are recognised using effective interest/profit rates, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the loans/financing or, where appropriate, a shorter period to the net carrying amount of the loan/financing. When calculating the effective interest/profit rate, the Group and the Bank estimates cash flows considering all contractual terms of the loans/financing but does not consider future credit losses. The calculation includes significant fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income and financing income are recognised in the statement of income and statement of comprehensive income for all interest/profit-bearing assets on an accrual basis. Interest income and financing income include the amortisation of premium or accretion of discount. Income from the Islamic banking business is recognised on an accrual basis in accordance with the Shariah principles.

For impaired loans/financing where the value has been reduced as a result of impairment loss, interest/financing income continues to be accrued using the rate of interest/profit used to discount the future cash flows for the purposes of measuring the impairment.

(ii) Recognition of fees and other income

Loan arrangement fees and commissions, management and participation fees and underwriting commissions are recognised as income when all conditions precedents are fulfilled.

Commitment, guarantee and portfolio management fees which are material are recognised as income based on time apportionment basis.

Corporate advisory fees are recognised as income base on fulfilment of the performance obligation.

Dividends are recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. From 1 April 2018, dividend that clearly represents a recovery of part of the cost of an investment is recognised in other comprehensive income if it relates to an investment in equity investment measured at FVOCI.

Income from bancassurance agreements are based on time apportionment method throughout the exclusive service agreement period.

Brokerage charged to clients is recognised on the day when the contracts are executed.

(t) Recognition of Interest and Financing Expenses

Interest expense and attributable profit (on activities relating to Islamic banking business) on deposits and borrowings of the Group and of the Bank are recognised on an accrual basis.

(u) Foreign Currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Bank's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Foreign Currencies (cont'd)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Changes in the fair value of monetary securities denominated in foreign currency classified as debt instruments classified as FVOCI (2018: financial investments available-for-sale) are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as FVOCI (2018: financial investments available-for-sale), are included in other comprehensive income.

(v) Current and Deferred Income Tax

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the end of the reporting date. In the event of uncertain tax position, the tax is measured using the single best estimate of the most likely outcome.

Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is provided in full, using the liability method, on temporary differences at the end of the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. Deferred tax is recognised as income or an expense in the statement of comprehensive income for the period, except when it arises from a transaction which is recognised directly in other comprehensive income or directly in equity, in which case the deferred tax is also charged or credited to other comprehensive income or to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax assets and liabilities relate to taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Foreclosed Properties

Foreclosed properties are stated at the lower of carrying amount and fair value less costs to sell.

(x) Cash and Cash Equivalents

Cash and cash equivalents as stated in the statements of cash flows comprise cash and bank balances and short-term deposits maturity within one month that are readily convertible into cash with insignificant risk of changes in value.

(y) Employee Benefits

(i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Bank. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Bank pay fixed contributions into separate entities or funds and will have no legal or constructive obligations to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the statement of comprehensive income as incurred. As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF").

(iii) Equity compensation benefits

The former holding company operates a number of equity-settled share-based compensation plan under which the Bank receives services from employees as consideration for equity instruments (options/grants) of the Bank. The award is treated as equity settled in the Bank's financial statements. The fair value of the employee services received in exchange for the grant of the options/grants is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options/grants granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding of shares for a specific period of time).

Non-market vesting conditions and service conditions are included in assumptions about the number of options that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to ESS reserves in equity.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(y) Employee Benefits (cont'd)

(iii) Equity compensation benefits (cont'd)

In circumstances where employees provide services in advance of the grant date, the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. When options are not exercised and lapsed, the ESS reserves is transferred to retained profits.

(z) Contingent Assets and Contingent Liabilities

The Group and the Bank do not recognise contingent assets and liabilities other than those from business combination, but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank. The Group and the Bank do not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

(aa) Financial Guarantee Contract

Financial guarantee contracts are contracts that require the Group and the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 "Financial instruments" and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 "Revenue from Contracts with Customers", where appropriate.

Prior to 1 April 2018, the liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation, where appropriate.

(ab) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments. The Management Committee of the Group is identified as the chief operating decision-maker.

3. CASH AND SHORT-TERM FUNDS

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and balances with banks and other financial institutions	**661,540**	611,394	**591,842**	524,088
Money at call and deposit placements maturing within one month	**1,143,232**	2,157,364	**980,191**	1,191,873
	1,804,772	2,768,758	**1,572,033**	1,715,961
Less: Allowance for expected credit losses	**(38)**	-	**(38)**	-
	1,804,734	2,768,758	**1,571,995**	1,715,961

Included in the cash and short-term funds of the Group are accounts held-in-trust for remisiers amounting to RM6,122,000 (2018: RM5,866,000).

Movements in allowance for expected credit losses are as follows:

GROUP/BANK	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Total RM'000
At 1 April 2018			
As previously stated	**-**	**-**	**-**
Effects of adoption of MFRS 9	**42**	**459**	**501**
As restated	**42**	**459**	**501**
New financial assets originated or purchased	**111**	**423**	**534**
Financial assets derecognised other than write-off	**(103)**	**(896)**	**(999)**
Changes due to change in credit risk	**(13)**	**-**	**(13)**
Other adjustments	**1**	**14**	**15**
Total write-back from income statement	**(4)**	**(459)**	**(463)**
At 31 March 2019	**38**	**-**	**38**

4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Licensed banks	**500**	77,283	**-**	77,283

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

5. AMOUNTS DUE FROM CLIENTS AND BROKERS

	GROUP	
	2019 RM'000	2018 RM'000
Due from clients	**77,182**	101,475
Due from brokers	**665**	670
	77,847	102,145
Less: Allowance for expected credit losses/impairment losses	**(839)**	(840)
	77,008	101,305

These represent amounts receivable by Alliance Investment Bank Berhad ("AIBB") from non-margin clients and outstanding contracts entered into on behalf of clients where settlement via the Bursa Malaysia Securities Clearing Sdn. Bhd. has yet to be made.

AIBB's normal trade credit terms for non-margin clients is three (3) market days in accordance with the Bursa Malaysia Securities Berhad's ("Bursa") Fixed Delivery and Settlement System ("FDSS") trading rules.

The movements in allowance for expected credit losses/impairment losses are as follows:

	GROUP	
	2019 RM'000	2018 RM'000
At beginning of financial year		
As previously stated	**840**	835
Effects of adoption of MFRS 9	**-**	-
As restated	**840**	835
(Write-back of)/allowance made during the financial year (net)	**(1)**	5
At end of financial year	**839**	840

As at 31 March 2019, the Group's and the Bank's gross exposure of amounts due from clients and brokers that are credit impaired is of RM875,000 (2018: RM851,000).

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At fair value				
Money market instrument:				
Malaysian Government investment issues	**41,002**	-	**41,002**	-
	41,002	-	**41,002**	-
Unquoted securities:				
Shares	**187,517**	-	**126,733**	-
Corporate bonds and sukuk	**1,921**	-	**1,921**	-
	189,438	-	**128,654**	-
Total financial assets at FVTPL	**230,440**	-	**169,656**	-

7. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At fair value – debt instruments				
Money market instruments:				
Malaysian Government securities	2,137,524	-	1,914,515	-
Malaysian Government investment certificates	3,064,770	-	1,710,316	-
Negotiable instruments of deposits	-	-	732,211	-
Commercial papers	87,001	-	48,318	-
	5,289,295	-	4,405,360	-
Quoted securities:				
Shares	8	-	8	-
	8	-	8	-
Unquoted securities:				
Corporate bonds and sukuk	4,189,159	-	2,447,498	-
	4,189,159	-	2,447,498	-
Total financial investments at FVOCI	9,478,462	-	6,852,866	-

Movements in allowance for expected credit losses are as follows:

GROUP	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
At 1 April 2018				
As previously stated	-	-	-	-
Effects of adoption of MFRS 9	241	1,106	9,409	10,756
As restated	241	1,106	9,409	10,756
New financial investments originated or purchased	20	-	-	20
Changes due to change in credit risk	(80)	(662)	-	(742)
Financial investments derecognised other than write-off	(61)	-	-	(61)
Total write-back from income statement	(121)	(662)	-	(783)
At 31 March 2019	120	444	9,409	9,973

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

7. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONT'D)

Movements in allowance for expected credit losses are as follows: (cont'd)

BANK	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
At 1 April 2018				
As previously stated	-	-	-	-
Effects of adoption of MFRS 9	134	872	-	1,006
As restated	134	872	-	1,006
New financial investments originated or purchased	8	-	-	8
Changes due to change in credit risk	(45)	(545)	-	(590)
Financial investments derecognised other than write-off	(42)	-	-	(42)
Total write-back from income statement	(79)	(545)	-	(624)
At 31 March 2019	55	327	-	382

As at 31 March 2019, the Group's and the Bank's gross exposure of financial investments at FVOCI that are credit impaired is at RM9,409,000 and RM Nil respectively. There is no movement during the financial year.

8. FINANCIAL INVESTMENTS AT AMORTISED COST

	GROUP 2019 RM'000	GROUP 2018 RM'000	BANK 2019 RM'000	BANK 2018 RM'000
At amortised cost				
Money market instruments:				
Malaysian Government securities	121,789	-	101,446	-
Commercial papers	38,686	-	34,880	-
	160,475	-	136,326	-
Unquoted securities:				
Corporate bonds and sukuk	90,020	-	177,498	-
Allowance for expected credit losses	(14,775)	-	(1,894)	-
	75,245	-	175,604	-
Total financial investments at amortised cost	235,720	-	311,930	-

8. FINANCIAL INVESTMENTS AT AMORTISED COST (CONT'D)

Movements in allowance for expected credit losses are as follows:

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
GROUP				
At 1 April 2018				
As previously stated	-	-	-	-
Effects of adoption of MFRS 9	-	-	14,193	14,193
As restated	-	-	14,193	14,193
New financial investments originated or purchased	42	540	-	582
Total charge to income statement	42	540	-	582
At 31 March 2019	42	540	14,193	14,775
BANK				
At 1 April 2018				
As previously stated	-	-	-	-
Effects of adoption of MFRS 9	425	-	1,294	1,719
As restated	425	-	1,294	1,719
New financial investments originated or purchased	42	270	-	312
Changes due to change in credit risk	(137)	-	-	(137)
Total (write-back from)/charge to income statement	(95)	270	-	175
At 31 March 2019	330	270	1,294	1,894

As at 31 March 2019, the Group's and the Bank's gross exposure of financial investments at amortised cost that are credit impaired is at RM18,565,000 and RM1,294,000 respectively. There is no movement during the financial year.

9. FINANCIAL ASSETS HELD-FOR-TRADING

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At fair value				
Money market instruments:				
Commercial papers	-	40,905	-	25,926
Unquoted securities:				
Corporate bonds and sukuk	-	22,845	-	22,845
	-	63,750	-	48,771

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

10. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At fair value				
Money market instruments:				
Malaysian Government securities	-	1,698,601	-	1,586,503
Malaysian Government investment issues	-	2,063,704	-	1,196,560
Negotiable instruments of deposits	-	398,898	-	1,058,671
Commercial papers	-	14,978	-	14,978
Khazanah bonds	-	113,549	-	113,549
	-	4,289,730	-	3,970,261
Quoted securities in Malaysia:				
Shares	-	21	-	21
Allowance for impairment losses	-	(11)	-	(11)
	-	10	-	10
Unquoted securities:				
Shares	-	178,846	-	121,634
Corporate bonds and sukuk	-	4,046,012	-	2,314,543
Allowance for impairment losses	-	(9,409)	-	-
	-	4,036,603	-	2,314,543
	-	8,505,189	-	6,406,448

The table below shows the movements in allowance for impairment losses during the financial year:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At beginning of financial year	**9,420**	233,362	**11**	135,692
Effects of adoption of MFRS 9	**(9,420)**	-	**(11)**	-
As restated	-	233,362	-	135,692
Written-off during the financial year	-	(223,942)	-	(135,681)
At end of financial year	-	9,420	-	11

11. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At amortised cost				
Money market instruments:				
Malaysian Government securities	-	141,686	-	121,271
Khazanah bonds	-	147,181	-	93,036
	-	288,867	-	214,307
Unquoted securities:				
Corporate bonds and sukuk	-	18,938	-	131,690
Allowance for impairment losses	-	(14,193)	-	(1,294)
	-	4,745	-	130,396
	-	293,612	-	344,703

The table below shows the movements in allowance for impairment losses during the financial year:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At beginning of financial year	**14,193**	14,193	**1,294**	1,294
Effects of adoption of MFRS 9	**(14,193)**	-	**(1,294)**	-
As restated/At end of financial year	-	14,193	-	1,294

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

12. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and equity prices) of the underlying instruments. These instruments allow the Group and the Bank and the banking customers to transfer, modify or reduce their foreign exchange and interest rate risk via hedge relationships. The Group and the Bank also transact in these instruments for proprietary trading purposes. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 45.

The table below shows the Group's and the Bank's derivative financial instruments as at the end of the financial year. The contractual or underlying notional amounts of these derivative financial instruments and their corresponding gross positive (derivative financial asset) and gross negative (derivative financial liability) fair values as at the end of financial year are analysed below.

	2019			2018		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
GROUP/BANK	**RM'000**	**Assets RM'000**	**Liabilities RM'000**	**RM'000**	**Assets RM'000**	**Liabilities RM'000**
Trading Derivatives						
Foreign exchange contracts:						
- Currency forwards	**1,446,443**	**9,238**	**(14,131)**	1,540,435	8,365	(96,062)
- Currency swaps	**2,960,820**	**10,003**	**(10,326)**	3,240,897	47,110	(13,774)
- Currency spots	**190,594**	**246**	**(200)**	167,965	245	(185)
- Currency options	**133,034**	**420**	**(106)**	198,450	1,449	(1,616)
Interest rate related contracts:						
- Interest rate swaps	**6,318,009**	**34,489**	**(13,258)**	5,342,800	26,882	(26,667)
Equity related contracts:						
- Options	**109,768**	**1,046**	**(19,524)**	106,485	404	(16,382)
Total derivative assets/ (liabilities)	**11,158,668**	**55,442**	**(57,545)**	10,597,032	84,455	(154,686)

13. LOANS, ADVANCES AND FINANCING

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Overdrafts	**4,254,342**	3,410,188	**2,811,642**	2,544,606
Term loans/financing				
- Housing loans/financing	**14,169,222**	14,013,987	**11,220,949**	11,568,619
- Syndicated term loans/financing	**542,646**	328,508	**400,597**	183,539
- Hire purchase receivables	**997,023**	1,160,135	**700,548**	728,742
- Other term loans/financing	**15,144,370**	13,838,846	**11,726,939**	10,807,750
Bills receivables	**416,944**	345,530	**404,862**	340,283
Trust receipts	**238,682**	215,712	**199,118**	187,088
Claims on customers under acceptance credits	**3,262,886**	3,041,120	**2,492,765**	2,282,838
Staff loans (Loans to Directors: RM Nil)	**23,217**	26,123	**6,233**	7,744
Credit/charge card receivables	**628,329**	604,110	**628,329**	604,110
Revolving credits	**1,842,108**	2,069,989	**1,333,991**	1,510,347
Share margin financing	**1,210,678**	1,253,125	**957,244**	1,004,670
Gross loans, advances and financing	**42,730,447**	40,307,373	**32,883,217**	31,770,336
Add: Sales commissions and handling fees	**92,517**	54,591	**102,848**	61,630
Less: Allowance for expected credit losses/impairment losses on loans, advances and financing				
- Expected credit losses	**(502,663)**	-	**(363,089)**	-
- Individual assessment allowance	**-**	(75,733)	**-**	(64,967)
- Collective assessment allowance	**-**	(296,716)	**-**	(220,435)
Total net loans, advances and financing	**42,320,301**	39,989,515	**32,622,976**	31,546,564

The Bank has entered into an arrangement on Commodity Murabahah Term Financing ("CMTF") with Alliance Islamic Bank Berhad ("AIS"), the Bank's wholly owned subsidiary. The contract is based on Wakalah principle where the Bank will provide the funds, while the assets are managed by AIS (as the Wakeel or agent). The risk and rewards of the underlying assets are recognised and borne by the Bank. Hence, the underlying assets and allowances for expected credit losses/impairment losses are recognised and accounted for by the Bank. The total loans, advances and financing for CMTF was at RM179,795,000 as at 31 March 2019.

(i) By maturity structure:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Within one year	**11,948,217**	11,169,395	**8,882,437**	8,623,585
One year to three years	**2,028,957**	1,320,249	**1,596,836**	951,258
Three years to five years	**2,507,701**	2,475,345	**1,734,480**	1,882,787
Over five years	**26,245,572**	25,342,384	**20,669,464**	20,312,706
Gross loans, advances and financing	**42,730,447**	40,307,373	**32,883,217**	31,770,336

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

13. LOANS, ADVANCES AND FINANCING (CONT'D)

(ii) By type of customer:

	GROUP		BANK	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Domestic non-bank financial institutions	**454,420**	451,720	**397,339**	374,409
Domestic business enterprises				
- Small and medium enterprises	**11,134,591**	10,232,690	**8,715,301**	8,040,287
- Others	**8,378,248**	8,005,100	**6,462,979**	6,065,223
Government and statutory bodies	**62,011**	3,667	**62,011**	3,667
Individuals	**21,940,809**	20,690,312	**16,586,050**	16,455,658
Other domestic entities	**18,154**	164,843	**2,087**	162,138
Foreign entities	**742,214**	759,041	**657,450**	668,954
Gross loans, advances and financing	**42,730,447**	40,307,373	**32,883,217**	31,770,336

(iii) By interest/profit rate sensitivity:

	GROUP		BANK	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Fixed rate				
- Housing loans/financing	**30,924**	18,387	**3,819**	12,488
- Hire purchase receivables	**975,868**	1,131,382	**679,421**	699,989
- Other fixed rate loans/financing	**6,680,657**	5,451,667	**4,632,043**	4,023,034
Variable rate				
- Base lending rate plus	**26,180,959**	25,722,537	**20,862,144**	21,273,098
- Base rate plus	**4,659,660**	3,268,524	**3,485,583**	2,533,620
- Cost plus	**4,202,379**	4,714,876	**3,220,207**	3,228,107
Gross loans, advances and financing	**42,730,447**	40,307,373	**32,883,217**	31,770,336

13. LOANS, ADVANCES AND FINANCING (CONT'D)

(iv) By economic purposes:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Purchase of securities	**1,204,373**	1,245,600	**950,940**	997,145
Purchase of transport vehicles	**777,449**	933,698	**496,279**	525,290
Purchase of landed property	**22,319,389**	22,079,479	**18,002,032**	18,335,356
of which: - Residential	***15,172,297***	*15,051,340*	***12,160,606***	*12,566,335*
- *Non-residential*	***7,147,092***	*7,028,139*	***5,841,426***	*5,769,021*
Purchase of fixed assets excluding land and buildings	**322,933**	302,307	**283,977**	256,498
Personal use	**4,624,412**	3,309,928	**2,575,790**	1,938,753
Credit card	**628,329**	604,110	**628,329**	604,110
Construction	**598,923**	451,297	**542,695**	433,393
Mergers and acquisitions	**-**	117,705	**-**	117,705
Working capital	**9,673,428**	8,832,929	**7,455,372**	6,774,400
Others	**2,581,211**	2,430,320	**1,947,803**	1,787,686
Gross loans, advances and financing	**42,730,447**	40,307,373	**32,883,217**	31,770,336

(v) By geographical distribution:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Northern region	**3,099,338**	2,835,527	**2,231,147**	2,139,991
Central region	**30,518,935**	28,946,946	**23,759,896**	23,158,486
Southern region	**5,273,067**	4,951,821	**3,989,423**	3,820,900
Sabah region	**2,867,868**	2,606,218	**2,174,295**	1,992,524
Sarawak region	**971,239**	966,861	**728,456**	658,435
Gross loans, advances and financing	**42,730,447**	40,307,373	**32,883,217**	31,770,336

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

13. LOANS, ADVANCES AND FINANCING (CONT'D)

(vi) Movements in credit impaired loans, advances and financing ("impaired loans") in Stage 3:

	GROUP 2019 RM'000	BANK 2019 RM'000
At 1 April 2018		
As previously stated under MFRS 139	**577,519**	**470,646**
Effects of adoption of MFRS 9	**(16,386)**	**(15,008)**
As restated	**561,133**	**455,638**
Impaired during the financial year	**722,929**	**533,179**
Recovered during the financial year	**(100,684)**	**(75,340)**
Reclassified as unimpaired during the financial year	**(484,529)**	**(379,515)**
Financial assets derecognised other than write-off during the financial year	**(85,352)**	**(75,194)**
Amount written-off	**(136,895)**	**(89,644)**
At 31 March 2019	**476,602**	**369,124**
Gross impaired loans as % of gross loans, advances and financing	**1.1%**	**1.1%**

(vii) Movements in impaired loans, advances and financing under MFRS 139:

	GROUP 2018 RM'000	BANK 2018 RM'000
At 1 April 2017	393,349	339,580
Impaired during the financial year	848,111	635,366
Reclassified as unimpaired during the financial year	(352,268)	(271,181)
Recovered during the financial year	(198,592)	(165,034)
Amount written-off	(113,081)	(68,085)
At 31 March 2018	577,519	470,646
Gross impaired loans as % of gross loans, advances and financing	1.4%	1.5%

13. LOANS, ADVANCES AND FINANCING (CONT'D)

(viii) Credit impaired loans analysed by economic purposes:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Purchase of securities	**-**	50	**-**	50
Purchase of transport vehicles	**17,088**	13,671	**14,777**	10,131
Purchase of landed property	**234,412**	347,159	**184,647**	281,386
of which: - Residential	***153,789***	*188,970*	***129,916***	*155,226*
- Non-residential	***80,623***	*158,189*	***54,731***	*126,160*
Purchase of fixed assets excluding land and buildings	**21,220**	5,635	**20,579**	4,754
Personal use	**81,293**	56,852	**47,995**	35,527
Credit card	**9,045**	9,074	**9,045**	9,074
Construction	**8,429**	11,771	**8,429**	11,771
Working capital	**79,382**	98,433	**60,685**	89,864
Others	**25,733**	34,874	**22,967**	28,089
Gross impaired loans	**476,602**	577,519	**369,124**	470,646

(ix) Credit impaired loans by geographical distribution:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Northern region	**49,667**	42,540	**39,874**	34,658
Central region	**326,982**	417,859	**246,940**	336,653
Southern region	**63,370**	78,417	**49,183**	65,560
Sabah region	**25,316**	28,145	**22,554**	24,263
Sarawak region	**11,267**	10,558	**10,573**	9,512
Gross impaired loans	**476,602**	577,519	**369,124**	470,646

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

13. LOANS, ADVANCES AND FINANCING (CONT'D)

(x) Movements in the allowance for expected credit losses on loans, advances and financing are as follows:

2019	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
GROUP				
At 1 April 2018				
As previously stated under MFRS 139				372,449
Effects of adoption of MFRS 9				90,879
As restated	66,941	203,691	192,696	463,328
Transfer to Stage 1	24,268	(132,004)	(7,270)	(115,006)
Transfer to Stage 2	(40,020)	232,846	(103,159)	89,667
Transfer to Stage 3	(181)	(114,361)	254,377	139,835
New financial assets originated or purchased	70,774	154,861	15,818	241,453
Changes due to change in credit risk	(9,934)	20,361	(7,814)	2,613
Financial assets derecognised other than write-off	(39,199)	(152,890)	(19,415)	(211,504)
Other adjustment	30	150	-	180
	5,738	8,963	132,537	147,238
Unwinding of discount	-	-	(6,941)	(6,941)
Total charge to income statement	5,738	8,963	125,596	140,297
Write-off	-	(135)	(100,827)	(100,962)
At 31 March 2019	72,679	212,519	217,465	502,663
BANK				
At 1 April 2018				
As previously stated under MFRS 139				285,402
Effects of adoption of MFRS 9				52,797
As restated	43,894	137,652	156,653	338,199
Transfer to Stage 1	15,264	(90,649)	(5,930)	(81,315)
Transfer to Stage 2	(24,760)	154,042	(71,881)	57,401
Transfer to Stage 3	(148)	(65,538)	178,889	113,203
New financial assets originated or purchased	46,449	120,924	7,800	175,173
Changes due to change in credit risk	(5,213)	5,001	(4,699)	(4,911)
Financial assets derecognised other than write-off	(26,381)	(118,951)	(16,490)	(161,822)
Other adjustment	30	150	-	180
	5,241	4,979	87,689	97,909
Unwinding of discount	-	-	(5,408)	(5,408)
Total charge to income statement	5,241	4,979	82,281	92,501
Write-off	-	(9)	(67,602)	(67,611)
At 31 March 2019	49,135	142,622	171,332	363,089

13. LOANS, ADVANCES AND FINANCING (CONT'D)

(x) Movements in the allowance for impairment losses on loans, advances and financing are as follows: (cont'd)

Stage 1 expected credit losses ("ECL") for the Group and the Bank increased by RM5.7 million and RM5.2 million during the financial year mainly due to:

- Newly originated loans, advances and financing for the Group's and the Bank's amounting to RM23.2 billion and RM15.2 billion;
- Transfer of the Group's and the Bank's gross carrying amount from Stage 2 and 3 to Stage 1 by RM4.3 billion and RM3.4 billion;

Offset by

- Settlement of the Group's and the Bank's gross carrying amount of RM17.5 billion and RM11.9 billion; and
- Transfer of the Group's and the Bank's gross carrying amount from Stage 1 to Stage 2 by RM5.3 billion and RM4.1 billion.

Stage 2 ECL for the Group and the Bank increased by RM9.0 million and RM4.9 million mainly due to:

- Transfer of the Group's and the Bank's gross carrying amount from Stage 1 and 3 to Stage 2 by RM5.6 billion and RM4.3 billion;
- Newly originated loans, advances and financing for the Group's and the Bank's amounting to RM4.8 billion and RM3.2 billion;

Offset by

- Transfer of the Group's and the Bank's gross carrying amount from Stage 2 to Stage 1 and 3 by RM5.0 billion and RM3.8 billion; and
- Settlement of the Group's and the Bank's gross carrying amount of RM4.5 billion and RM3.2 billion.

Stage 3 ECL for the Group and the Bank increased by RM132.5 million and RM87.7 million mainly due to:

- Transfer of the Group's and the Bank's gross carrying amount from Stage 1 and 2 to Stage 3 by RM0.7 billion and RM0.5 billion;

Offset by

- Transfer of the Group's and the Bank's gross carrying amount from Stage 3 to Stage 2 by RM0.4 billion and RM0.3 billion.

The gross carrying amount of the Group and the Bank were written-off by RM137.3 million and RM89.6 million had resulted in the reduction of Stage 3 and 2.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

13. LOANS, ADVANCES AND FINANCING (CONT'D)

	GROUP 2018 RM'000	BANK 2018 RM'000
Individual assessment allowance		
At 1 April 2017	66,627	64,147
Net allowance made during the financial year (net)	31,876	24,085
Amount written-off	(25,229)	(24,617)
Transfers from collective assessment allowance	2,459	1,352
At 31 March 2018	75,733	64,967
Collective assessment allowance		
At 1 April 2017	313,328	234,637
Net allowance made during the financial year (net)	73,699	30,618
Amount written-off	(87,852)	(43,468)
Transfers to individual assessment allowance	(2,459)	(1,352)
At 31 March 2018	296,716	220,435

14. OTHER ASSETS

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other receivables	**86,513**	68,394	**72,185**	54,502
Collateral pledged for derivative transactions	**23,292**	37,136	**23,056**	36,902
Settlement account	**94,606**	42,924	**94,606**	42,924
Deposits	**8,775**	8,690	**8,122**	8,020
Prepayment	**20,038**	16,430	**18,573**	14,992
Amounts due from subsidiaries [Note (a)]	**-**	-	**133,557**	46,794
Amount due from joint venture [Note (a)]	**299**	392	**299**	392
	233,523	173,966	**350,398**	204,526
Allowance for expected credit losses/impairment losses on other receivables [Note (b)]	**(34,385)**	(32,017)	**(29,604)**	(27,578)
	199,138	141,949	**320,794**	176,948

Note:

(a) Amounts due from subsidiaries and joint venture

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-interest bearing	**299**	392	**133,856**	47,186

The amounts due from subsidiaries and joint venture are unsecured, interest-free and repayable upon demand.

14. OTHER ASSETS (CONT'D)

Note: (cont'd)

(b) Movements for allowance for expected credit losses/impairment losses on other receivables are as follows:

	Lifetime ECL RM'000
GROUP	
At 1 April 2018	
As previously stated	**32,017**
Effects of adoption of MFRS 9	**-**
As restated	**32,017**
New financial assets originated or purchased	**1,174**
Financial assets derecognised other than write-off	**(1,382)**
Changes due to change in credit risk	**3,527**
Total charge to income statement	**3,319**
Write-off	**(951)**
At 31 March 2019	**34,385**
BANK	
At 1 April 2018	
As previously stated	**27,578**
Effects of adoption of MFRS 9	**-**
As restated	**27,578**
Changes due to change in credit risk	**2,977**
Total charge to income statement	**2,977**
Write-off	**(951)**
At 31 March 2019	**29,604**

	GROUP 2018 RM'000	BANK 2018 RM'000
At 1 April 2017	29,535	24,409
Allowance made during the financial year net of write-back	4,047	3,169
Amount written-off	(1,565)	-
At 31 March 2018	32,017	27,578

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

15. STATUTORY DEPOSITS

(a) Non-interest bearing statutory deposits for the Group and the Bank of RM1,521,492,000 and RM1,142,108,000 (2018: RM1,408,216,000 and RM1,092,566,000) respectively are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined as a set percentage of total eligible liabilities.

(b) Interest bearing statutory deposits of RM100,000 (2018: RM100,000) relating to a subsidiary, Alliance Trustee Berhad which is maintained with Accountant-General in compliance with Section 3(f) of the Trust Companies Act, 1949.

16. INVESTMENTS IN SUBSIDIARIES

	BANK	
	2019 RM'000	**2018 RM'000**
Unquoted shares, at cost		
At beginning of financial year	**989,102**	892,820
Acquisition via group reorganisation	**-**	95,745
Subscription of ordinary shares in subsidiaries	**-**	537
At end of financial year	**989,102**	989,102

The Bank's subsidiaries, all of which incorporated in Malaysia, are:

Name	Principal activities	Effective equity interest 2019 %	Effective equity interest 2018 %
Alliance Investment Bank Berhad	Investment banking business including Islamic banking, provision of stockbroking services and related financial services	**100**	100
Alliance Islamic Bank Berhad	Islamic banking, finance business and the provision of related financial services	**100**	100
Alliance Direct Marketing Sdn. Bhd.	Dealing in sales and distribution of consumer and commercial banking products	**100**	100
AllianceGroup Nominees (Asing) Sdn. Bhd.	Nominee services	**100**	100
AllianceGroup Nominees (Tempatan) Sdn. Bhd.	Nominee services	**100**	100
Alliance Trustee Berhad [Note (a)]	Trustee services	**100**	100
Alliance Financial Group Berhad (under members' voluntary winding up)	Dormant	**100**	100

16. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The Bank's subsidiaries, all of which incorporated in Malaysia, are: (cont'd)

Name	Principal activities	Effective equity interest 2019 %	Effective equity interest 2018 %
Subsidiaries of Alliance Investment Bank Berhad			
ARSB Alliance Sdn. Bhd. (under members' voluntary winding up)	Dormant	**100**	100
KLCS Sdn. Bhd. (under members' voluntary winding up)	Dormant	**100**	100
AIBB Nominees (Tempatan) Sdn. Bhd. (dissolved on 16.4.2018)	Liquidated	**-**	100
Subsidiaries of Alliance Financial Group Berhad			
Hijauan Setiu Sdn. Bhd. (under members' voluntary winding up)	Dormant	**100**	100
Setiu Intergrated Resort Sdn. Bhd. (under members' voluntary winding up)	Dormant	**100**	100
Kota Indrapura Development Corporation Berhad (under members' voluntary winding up)	Dormant	**100**	100

Note:

(a) Alliance Trustee Berhad is jointly held by the following subsidiaries:

Name	Effective equity interest 2019 %	Effective equity interest 2018 %
Alliance Investment Bank Berhad	**20**	20
Alliance Direct Marketing Sdn. Bhd.	**20**	20
AllianceGroup Nominees (Asing) Sdn. Bhd.	**20**	20
AllianceGroup Nominees (Tempatan) Sdn. Bhd.	**20**	20

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

17. INVESTMENT IN JOINT VENTURE

	GROUP	
	2019	**2018**
	RM'000	**RM'000**
Unquoted shares		
At beginning of financial year	**693**	650
Share of results	**109**	43
	802	693
Employees' Share Scheme [Note (a)]		
At beginning of financial year		
Effects of group reorganisation	**-**	113
As restated	**-**	113
Employees' Shares Scheme vested during the financial year	**-**	(113)
	-	-
Net Carrying Amount	**802**	693
Represented by:		
Share of net tangible assets	**802**	693

Note:

(a) This amount is in respect of the services rendered by the employees of the Bank's joint venture, pursuant to the Employees' Share Scheme.

Details of the joint venture, which is incorporated in Malaysia, are as follows:

Name	**Principal activities**	**Effective equity interest**	
		2019	**2018**
		%	**%**
AllianceDBS Research Sdn. Bhd.	Research and stock analysis	**51**	51

Investment in AllianceDBS Research Sdn. Bhd. ("ADBS") is accounted for as an investment in joint venture in accordance with MFRS 128 "Investment in Associates and Joint Ventures" because both of the Group and the other joint venturer have joint control over the decision making of the entity and rights to net assets of the entity.

17. INVESTMENT IN JOINT VENTURE (CONT'D)

The summarised financial information of the joint venture are as follows:

	GROUP	
	2019 RM'000	2018 RM'000
Assets and Liabilities		
Current assets		
Cash and short term funds	**2,377**	2,223
Other current assets	**546**	565
Total current assets	**2,923**	2,788
Non-current assets	**509**	409
Total assets	**3,432**	3,197
Current liabilities		
Other liabilities (non-trade)	**1,860**	1,838
Total liabilities	**1,860**	1,838
Net assets	**1,572**	1,359

The summarised statement of comprehensive income is as follow:

	2019 RM'000	2018 RM'000
Revenue	**6,585**	6,570
Profit before tax for the financial year	**284**	281
Profit after tax for the financial year	**213**	84
The above profit includes the following:		
Depreciation and amortisation	**(31)**	(18)
Taxation	**(71)**	(197)

Reconciliation of summarised financial information:

	2019 RM'000	2018 RM'000
Net assets		
At beginning of financial year	**1,359**	1,275
Profit for the financial year	**213**	84
At end of financial year	**1,572**	1,359
Carrying value at 51% share of the equity interest of a joint venture	**802**	693

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land Less than 50 years RM'000	Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
2019									
Cost									
At 1 April 2018	1,953	11,673	1,850	30,332	124,220	56,296	62,070	870	289,264
Additions	-	-	-	-	1,951	5,876	16,733	-	24,560
Disposals	-	-	-	-	-	(1,352)	(57)	-	(1,409)
Written-off	-	-	-	-	(387)	(4,065)	(1,311)	-	(5,763)
At 31 March 2019	1,953	11,673	1,850	30,332	125,784	56,755	77,435	870	306,652
Accumulated Depreciation									
At 1 April 2018	-	3,077	1,024	12,332	113,209	38,922	51,195	70	219,829
Charge for the financial year	-	118	19	587	6,099	6,876	9,496	138	23,333
Disposals	-	-	-	-	-	(1,348)	-	-	(1,348)
Written-off	-	-	-	-	(383)	(4,042)	(1,296)	-	(5,721)
At 31 March 2019	-	3,195	1,043	12,919	118,925	40,408	59,395	208	236,093
Accumulated Impairment Losses									
At 1 April 2018/31 March 2019	-	37	-	25	-	-	-	-	62
Net Carrying Amount	1,953	8,441	807	17,388	6,859	16,347	18,040	662	70,497

18. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

GROUP	Freehold land RM'000	Leasehold land: 50 years or more RM'000	Leasehold land: Less than 50 years RM'000	Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
2018									
Cost									
At 1 April 2017									
As previously stated	1,953	11,673	1,850	30,332	122,407	57,010	66,955	887	293,067
Effect of group reorganisation	-	-	-	-	631	416	165	501	1,713
As restated	1,953	11,673	1,850	30,332	123,038	57,426	67,120	1,388	294,780
Additions	-	-	-	-	2,032	8,475	6,139	24	16,670
Disposals	-	-	-	-	-	(47)	(17)	(527)	(591)
Written-off	-	-	-	-	(850)	(9,558)	(11,172)	(15)	(21,595)
At 31 March 2018	1,953	11,673	1,850	30,332	124,220	56,296	62,070	870	289,264
Accumulated Depreciation									
At 1April 2017	-	2,959	1,005	11,745	105,986	41,538	56,071	(26)	219,278
Effect of group reorganisation	-	-	-	-	620	411	168	355	1,554
As restated	-	2,959	1,005	11,745	106,606	41,949	56,239	329	220,832
Charge for the financial year	-	118	19	587	7,385	6,362	6,123	137	20,731
Disposals	-	-	-	-	-	(40)	(9)	(381)	(430)
Written-off	-	-	-	-	(782)	(9,349)	(11,158)	(15)	(21,304)
At 31 March 2018	-	3,077	1,024	12,332	113,209	38,922	51,195	70	219,829
Accumulated Impairment Losses									
At 1 April 2017	-	-	-	-	-	-	-	-	-
Impaired during the financial year [Note 38]	-	37	-	25	-	-	-	-	62
At 31 March 2018	-	37	-	25	-	-	-	-	62
Net Carrying Amount	1,953	8,559	826	17,975	11,011	17,374	10,875	800	69,373

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

		Leasehold land							
BANK	Freehold land RM'000	50 years or more RM'000	Less than 50 years RM'000	Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
2019									
Cost									
At 1 April 2018	1,953	11,673	1,850	29,373	120,683	57,080	57,095	944	280,651
Additions	-	-	-	-	1,592	5,851	16,679	-	24,122
Disposals	-	-	-	-	-	(1,352)	(57)	-	(1,409)
Written-off	-	-	-	-	(387)	(4,066)	(1,311)	-	(5,764)
At 31 March 2019	1,953	11,673	1,850	29,373	121,888	57,513	72,406	944	297,600
Accumulated Depreciation									
At 1 April 2018	-	3,077	1,024	11,372	110,406	40,483	46,288	105	212,755
Charge for the financial year	-	118	19	587	5,694	6,710	9,408	138	22,674
Disposals	-	-	-	-	-	(1,348)	-	-	(1,348)
Written-off	-	-	-	-	(383)	(4,042)	(1,296)	-	(5,721)
At 31 March 2019	-	3,195	1,043	11,959	115,717	41,803	54,400	243	228,360
Accumulated Impairment Losses									
At 1 April 2018/31 March 2019	-	37	-	25	-	-	-	-	62
Net Carrying Amount	1,953	8,441	807	17,389	6,171	15,710	18,006	701	69,178

18. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

BANK	Freehold land RM'000	Leasehold land: 50 years or more RM'000	Leasehold land: Less than 50 years RM'000	Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
2018									
Cost									
At 1 April 2017	1,953	11,673	1,850	29,373	119,667	57,864	60,028	962	283,370
Additions	-	-	-	-	1,770	8,456	6,041	24	16,291
Disposals	-	-	-	-	-	(47)	(17)	(27)	(91)
Written-off	-	-	-	-	(754)	(9,193)	(8,957)	(15)	(18,919)
At 31 March 2018	1,953	11,673	1,850	29,373	120,683	57,080	57,095	944	280,651
Accumulated Depreciation									
At 1 April 2017	-	2,959	1,005	10,785	104,181	43,313	49,234	10	211,487
Charge for the financial year	-	118	19	587	6,920	6,196	6,009	137	19,986
Disposals	-	-	-	-	-	(40)	(9)	(27)	(76)
Written-off	-	-	-	-	(695)	(8,986)	(8,946)	(15)	(18,642)
At 31 March 2018	-	3,077	1,024	11,372	110,406	40,483	46,288	105	212,755
Accumulated Impairment Losses									
At 1 April 2017	-	-	-	-	-	-	-	-	-
Impaired during the financial year [Note 38]	-	37	-	25	-	-	-	-	62
At 31 March 2018	-	37	-	25	-	-	-	-	62
Net Carrying Amount	1,953	8,559	826	17,976	10,277	16,597	10,807	839	67,834

Note:

Included in property, plant and equipment of the Group and the Bank are computer equipment under finance lease with a carrying amount of RM688,000 (2018: RM3,329,000).

Details of the finance lease arrangment is disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

19. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The net deferred tax assets and liabilities shown in the statement of financial position after appropriate offsetting are as follows:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets	**72,972**	22,664	**50,116**	9,223
Deferred tax liabilities	**(2,163)**	(11,907)	**-**	-
	70,809	10,757	**50,116**	9,223

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At beginning of financial year				
As previously stated	**10,757**	4,073	**9,223**	4,088
Effects of group reorganisation	**-**	705	**-**	-
Effects of adoption of MFRS 9	**34,364**	-	**20,873**	-
As restated	**45,121**	4,778	**30,096**	4,088
Recognised in statement of income	**45,385**	10,942	**28,749**	8,291
Recognised in equity	**(19,697)**	(4,963)	**(8,729)**	(3,156)
At end of financial year	**70,809**	10,757	**50,116**	9,223

19. DEFERRED TAX (CONT'D)

The components and movements of deferred tax assets and liabilities during the financial year are as follows:

GROUP	Allowance for expected credit losses RM'000	Other liabilities RM'000	Financial investments available-for-sale RM'000	Financial investments at fair value through other comprehensive income RM'000	Property, plant and equipment RM'000	Total RM'000
Deferred tax assets/(liabilities)						
At 1 April 2017						
As previously stated	-	42,389	(31,348)	-	(6,968)	4,073
Effects of group reorganisation	-	699	-	-	6	705
As restated	-	43,088	(31,348)	-	(6,962)	4,778
Recognised in statement of income	-	6,557	-	-	4,385	10,942
Recognised in equity	-	-	(4,963)	-	-	(4,963)
At 31 March 2018/1 April 2018	**-**	**49,645**	**(36,311)**	**-**	**(2,577)**	**10,757**
Effects of adoption of MFRS 9	**-**	**-**	**36,311**	**(1,947)**	**-**	**34,364**
As restated	**-**	**49,645**	**-**	**(1,947)**	**(2,577)**	**45,121**
Recognised in statement of income	**46,878**	**(651)**	**-**	**-**	**(842)**	**45,385**
Recognised in equity	**-**	**-**	**-**	**(19,697)**	**-**	**(19,697)**
At 31 March 2019	**46,878**	**48,994**	**-**	**(21,644)**	**(3,419)**	**70,809**

BANK	Allowance for expected credit losses RM'000	Other liabilities RM'000	Financial investments available-for-sale RM'000	Financial investments at fair value through other comprehensive income RM'000	Property, plant and equipment RM'000	Total RM'000
Deferred tax assets/(liabilities)						
At 1 April 2017	-	31,240	(20,499)	-	(6,653)	4,088
Recognised in statement of income	-	3,996	-	-	4,295	8,291
Recognised in equity	-	-	(3,156)	-	-	(3,156)
At 31 March 2018/1 April 2018	**-**	**35,236**	**(23,655)**	**-**	**(2,358)**	**9,223**
Effects of adoption of MFRS 9	**-**	**-**	**23,655**	**(2,782)**	**-**	**20,873**
As restated	**-**	**35,236**	**-**	**(2,782)**	**(2,358)**	**30,096**
Recognised in statement of income	**32,163**	**(2,813)**	**-**	**-**	**(601)**	**28,749**
Recognised in equity	**-**	**-**	**-**	**(8,729)**	**-**	**(8,729)**
At 31 March 2019	**32,163**	**32,423**	**-**	**(11,511)**	**(2,959)**	**50,116**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

20. INTANGIBLE ASSETS

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Goodwill				
Cost:				
At beginning of financial year/end of financial year	**301,997**	301,997	**186,272**	186,272
Impairment:				
At beginning of financial year	**3,292**	3,292	**45**	45
Impaired during the financial year	**8,740**	-	**-**	-
At end of financial year	**12,032**	3,292	**45**	45
Net carrying amount	**289,965**	298,705	**186,227**	186,227
Computer software				
Cost:				
At beginning of financial year	**244,736**	203,836	**236,710**	198,008
Additions	**64,327**	56,574	**61,664**	55,300
Disposal	**-**	-	**-**	(1,077)
Written-off	**(1,850)**	(15,674)	**(1,752)**	(15,521)
At end of financial year	**307,213**	244,736	**296,622**	236,710
Accumulated amortisation:				
At beginning of financial year	**134,039**	125,180	**129,956**	122,249
Charge for the financial year	**30,206**	24,161	**29,117**	23,346
Disposal	**-**	-	**-**	(402)
Written-off	**(28)**	(15,302)	**(28)**	(15,237)
At end of financial year	**164,217**	134,039	**159,045**	129,956
Net carrying amount	**142,996**	110,697	**137,577**	106,754
Total carrying amount	**432,961**	409,402	**323,804**	292,981

Note:

Computer software of the Group and of the Bank includes work in progress of RM35,819,000 and RM35,549,000 (2018: RM43,146,000 and RM42,774,000) respectively which is not amortised until ready for use.

20. INTANGIBLE ASSETS (CONT'D)

(a) Impairment Test on Goodwill

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. Goodwill has been allocated to the Group's cash-generating units ("CGU") that are expected to benefit from the synergies of the acquisitions, identified according to the business segments as follows:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Consumer banking	**101,565**	101,565	**67,513**	67,513
Business banking	**100,822**	100,822	**81,448**	81,448
Financial markets	**83,261**	83,261	**36,960**	36,960
Corporate finance and capital market	**630**	630	**40**	40
Stockbroking business	**3,687**	12,427	**266**	266
	289,965	298,705	**186,227**	186,227

For annual impairment testing purposes, the recoverable amount of the CGUs, which are reportable business segments, are determined based on their value-in-use. The value-in-use calculations uses pre-tax cash flow projections based on financial budget and business plans approved by the Board of Directors. The key assumptions for the computation of value-in-use include the discount rates, cash flow projection and growth rates applied are as follows:

(i) Discount rate

The discount rate used are pre-tax and reflect specific risks relating to the CGUs. The discount rate used in determining the recoverable amount are as follows:

	GROUP	
	2019 %	2018 %
Consumer banking	**7.92**	10.56
Business banking	**7.93**	10.86
Financial markets	**6.47**	6.18
Corporate finance and capital market	**7.92**	9.92
Stockbroking business	**7.87**	9.80

(ii) Cash flow projections and growth rate

Cash flow projections are based on four-year financial budget and business plans approved by the Board of Directors. The cash flow projections are derived based on a number of key factors including past performance and management's expectation of market developments.

Cash flows beyond the fourth year are extrapolated in perpetuity using terminal growth rate at 4.6% (2018: 5.2%), representing the forecasted GDP growth rate of the country for the CGUs.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

20. INTANGIBLE ASSETS (CONT'D)

(a) Impairment Test on Goodwill (cont'd)

(iii) Impairment

During the financial year, an impairment loss of RM8,740,000 has been recognised in respect of the stockbroking business. The impairment loss is driven by lower projected cash flows resulting from the reassessment of expected future business performance in the light of current trading and economic condition.

(b) Sensitivity to Changes in Assumptions

Management is of a view that any reasonable change key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount of the CGUs except for Stockbroking business.

21. DEPOSITS FROM CUSTOMERS

	GROUP		BANK	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Demand deposits	**14,207,328**	14,161,040	**11,510,890**	11,752,631
Savings deposits	**1,753,526**	1,792,710	**1,432,970**	1,468,774
Fixed/investment deposits	**25,676,643**	24,142,700	**19,430,211**	18,393,938
Money market deposits	**2,917,200**	2,277,386	**2,206,407**	1,716,143
Negotiable instruments of deposits	**462,935**	366,624	**402,384**	176,884
	45,017,632	42,740,460	**34,982,862**	33,508,370

(i) The maturity structure of fixed deposits, money market deposits and negotiable instruments of deposits are as follows:

	GROUP		BANK	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Due within six months	**19,128,642**	17,234,419	**14,877,446**	13,695,607
Six months to one year	**8,833,425**	8,371,649	**6,994,821**	5,709,738
One year to three years	**730,686**	1,018,884	**157,981**	869,862
Three years to five years	**364,025**	161,758	**8,754**	11,758
	29,056,778	26,786,710	**22,039,002**	20,286,965

21. DEPOSITS FROM CUSTOMERS (CONT'D)

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

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Domestic financial institutions	**306,199**	358,990	**390,046**	190,812
Domestic non-bank financial institutions	**2,516,834**	2,676,350	**1,769,027**	1,854,863
Government and statutory bodies	**5,450,441**	4,312,577	**2,975,054**	2,106,387
Business enterprises	**16,909,336**	16,354,335	**12,894,883**	12,945,816
Individuals	**18,637,918**	17,941,780	**15,917,675**	15,432,649
Foreign entities	**630,733**	596,011	**559,770**	534,617
Others	**566,171**	500,417	**476,407**	443,226
	45,017,632	42,740,460	**34,982,862**	33,508,370

22. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Licensed banks	**252,558**	203,995	**12,467**	**63,619**
Licensed investment banks	**30,051**	22,004	**-**	**-**
Bank Negara Malaysia	**576,099**	619,467	**332,368**	**375,619**
Others	**-**	28,405	**-**	**-**
	858,708	873,871	**344,835**	**439,238**

23. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Structured investments designated at fair value for the Group and the Bank include investments with embedded equity linked options, interest rate index linked options and foreign currency options.

The Group and the Bank designated certain structured investments at fair value through profit or loss. The structured investments are recorded at fair value.

The fair value changes of the structured investments that are attributable to the changes in own credit risk are not significant.

	GROUP/BANK	
	2019 RM'000	2018 RM'000
Structured investments	**815,079**	731,703
Fair value changes arising from designation at fair value through profit or loss	**(36,656)**	(49,465)
	778,423	682,238

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

24. AMOUNTS DUE TO CLIENTS AND BROKERS

	GROUP	
	2019 RM'000	2018 RM'000
Due to clients	**51,164**	75,103
	51,164	75,103

These mainly relate to amounts payable to non-margin clients and outstanding contracts entered into on behalf of clients where settlement via the Bursa Malaysia Securities Clearing Sdn. Bhd. has yet to be made.

The Group's normal trade credit terms for non-margin clients is three (3) market days according to the Bursa's FDSS trading rules.

Following the issuance of FRSIC Consensus 18, the Group no longer recognises trust monies balances in the statement of financial position, as the Group does not have any control over the trust monies to obtain the future economic benefits embodied in the trust monies. The trust monies maintained by the Group amounting to RM56,655,000 (2018: RM71,652,000) have been excluded accordingly.

25. RECOURSE OBLIGATIONS ON LOANS AND FINANCING SOLD TO CAGAMAS

This relates to proceeds received from housing loans/financing and hire purchase loans/financing sold directly to Cagamas Berhad with recourse to the Group and the Bank. Under the agreement, the Group and the Bank undertakes to administer the loans/financing on behalf of Cagamas Berhad and to buy back any loans/financing which are regarded as defective based on pre-determined and agreed upon prudential criteria set by Cagamas Berhad.

26. OTHER LIABILITIES

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other payables	**488,686**	292,226	**406,233**	243,477
Collateral pledged for derivative transactions	**8,456**	32,751	**8,456**	32,751
Bills payable	**175,095**	157,335	**166,622**	143,126
Settlement account	**80,059**	53,882	**80,059**	53,882
Clearing account	**224,575**	199,469	**174,407**	160,002
Sundry deposits	**40,962**	54,924	**35,705**	47,306
Provision and accruals	**129,763**	131,282	**117,929**	131,534
Remisiers accounts	**6,122**	5,866	**-**	-
Allowance for expected credit losses/impairment losses on commitment and contingencies	**32,604**	148	**28,582**	148
Finance lease liabilities [Note (a)]	**688**	3,329	**688**	3,329
Structured investments	**553,627**	504,143	**553,627**	504,143
Amount due to joint venture [Note (b)]	**160**	168	**-**	-
	1,740,797	1,435,523	**1,572,308**	1,319,698

26. OTHER LIABILITIES (CONT'D)

Note:

(a) Finance lease liabilities of the Group and the Bank are as follows:

GROUP/BANK	Future minimum lease payments RM'000	Future finance charges RM'000	Present value of finance lease liabilities RM'000
At 31 March 2019			
Within one year	**695**	**(7)**	**688**
	695	**(7)**	**688**
At 31 March 2018			
Within one year	2,780	(139)	2,641
One year to five years	695	(7)	688
	3,475	(146)	3,329

The Group and the Bank lease computer equipment under finance lease. At the end of the lease term, the Group and the Bank have the option to acquire the assets at a nominal price deemed to be a bargain purchase option. There are no restrictive covenants imposed by the lease agreement and no arrangements have been entered into for contingent rental payments.

(b) The amounts due to joint venture are unsecured, interest-free, and repayable upon demand.

Movements for allowance for expected credit losses on commitments and contingencies are as follows:

2019 GROUP	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
At 1 April 2018				
As previously stated	**-**	**-**	**-**	**-**
Effects of adoption of MFRS 9	**8,562**	**21,295**	**14,143**	**44,000**
As restated	**8,562**	**21,295**	**14,143**	**44,000**
Transfer to Stage 1	**1,023**	**(10,403)**	**-**	**(9,380)**
Transfer to Stage 2	**(1,396)**	**11,958**	**(401)**	**10,161**
Transfer to Stage 3	**-**	**(1,058)**	**7,298**	**6,240**
New financial assets originated or purchased	**5,696**	**5,704**	**73**	**11,473**
Changes due to change in credit risk	**(3,330)**	**(2,786)**	**161**	**(5,955)**
Financial assets derecognised other than write-off	**(3,728)**	**(8,063)**	**(12,148)**	**(23,939)**
Other adjustments	**6**	**17**	**-**	**23**
	(1,729)	**(4,631)**	**(5,017)**	**(11,377)**
Unwinding of discount	**-**	**-**	**(19)**	**(19)**
Total write-back from income statement	**(1,729)**	**(4,631)**	**(5,036)**	**(11,396)**
At 31 March 2019	**6,833**	**16,664**	**9,107**	**32,604**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

26. OTHER LIABILITIES (CONT'D)

(b) The amounts due to joint venture are unsecured, interest-free, and repayable upon demand. (cont'd)

Movements for allowance for expected credit losses on commitments and contingencies are as follows: (cont'd)

2019 BANK	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
At 1 April 2018				
As previously stated	-	-	-	-
Effects of adoption of MFRS 9	7,520	15,587	4,183	27,290
As restated	7,520	15,587	4,183	27,290
Transfer to Stage 1	867	(8,597)	-	(7,730)
Transfer to Stage 2	(1,257)	10,651	(395)	8,999
Transfer to Stage 3	-	(1,046)	7,069	6,023
New financial assets originated or purchased	5,120	4,157	73	9,350
Changes due to change in credit risk	(3,011)	(987)	538	(3,460)
Financial assets derecognised other than write-off	(3,148)	(6,291)	(2,454)	(11,893)
Other adjustments	6	9	-	15
	(1,423)	(2,104)	4,831	1,304
Unwinding of discount	-	-	(12)	(12)
Total (write-back from)/charge to income statement	(1,423)	(2,104)	4,819	1,292
At 31 March 2019	6,097	13,483	9,002	28,582

As at 31 March 2019, the Group's and the Bank's gross exposure of commitment and contingencies that are credit impaired was at RM16,460,000 and RM14,481,000 respectively.

27. SUBORDINATED OBLIGATIONS

	Note	GROUP 2019 RM'000	GROUP 2018 RM'000	BANK 2019 RM'000	BANK 2018 RM'000
Subordinated Medium Term Notes ("Sub-MTNs")					
RM900 million Sub-MTNs	(a)	**921,510**	921,793	**921,300**	921,295
RM300 million Sub-MTNs	(b)	**304,830**	304,829	**304,745**	304,714
RM150 million Additional Tier I Capital Securities	(c)	**153,491**	152,992	**153,144**	153,015
RM100 million Additional Tier I Capital Securities	(d)	**100,391**	-	**100,391**	-
		1,480,222	1,379,614	**1,479,580**	1,379,024

27. SUBORDINATED OBLIGATIONS (CONT'D)

(a) RM900 million Sub-MTNs

On 27 October 2015, the Bank issued RM900 million Sub-MTNs under the RM2.0 billion Sub-MTN Programme.

	GROUP		BANK	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At cost	**900,000**	900,000	**900,000**	900,000
Accumulated unaccreted discount	**(324)**	(325)	**(534)**	(823)
Interest accrued	**21,834**	22,118	**21,834**	22,118
	921,510	921,793	**921,300**	921,295

The Subordinated Notes have been assigned a long term rating of A2 by RAM Rating Services Berhad with tenure of 10 years, callable five (5)-years after issue date.

The coupon rate for the Sub-MTNs is fixed at 5.75% per annum, payable semi-annually throughout the entire tenure.

The main features of the Sub-MTNs are as follows:

(i) Issue date : 27 October 2015

(ii) Tenure of the facility/issue : 10 years from the issue date and callable five (5) years after issue date

(iii) Maturity date : 27 October 2025

(iv) Interest rate/coupon : 5.75% per annum, payable semi-annually in arrears

(v) Call date : 27 October 2020 and thereafter on every coupon payment date

(vi) The Sub-MTNs constitutes direct and unsecured obligations of the issuer, subordinated in right and priority of payment, to the extent and in the manner provided in the Sub-MTNs, ranking pari passu among themselves.

(vii) In the event of winding up or liquidation of the issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally in right of payment or which are subordinated to the Sub-MTNs.

(b) RM300 million Sub-MTNs

On 18 December 2015, the Bank issued RM300 million Sub-MTNs under the RM2.0 billion Sub-MTN Programme.

	GROUP		BANK	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At cost	**300,000**	300,000	**300,000**	300,000
Accumulated unaccreted discount	**-**	-	**(85)**	(115)
Interest accrued	**4,830**	4,829	**4,830**	4,829
	304,830	304,829	**304,745**	304,714

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

27. SUBORDINATED OBLIGATIONS (CONT'D)

(b) RM300 million Sub-MTNs (cont'd)

The Sub-MTNs have been assigned a long term rating of A2 by RAM Rating Services Berhad with tenure of 10 years, callable five (5)-years after issue date.

The coupon rate for the Sub-MTNs is fixed at 5.65% per annum, payable semi-annually throughout the entire tenure.

The main features of the Sub-MTNs are as follows:

(i) Issue date : 18 December 2015

(ii) Tenure of the facility/issue : 10 years from the issue date and callable five (5) years after issue date

(iii) Maturity date : 18 December 2025

(iv) Interest rate/coupon : 5.65% per annum, payable semi-annually in arrears

(v) Call date : 18 December 2020 and thereafter on every coupon payment date

(vi) The Sub-MTNs constitutes direct and unsecured obligations of the issuer, subordinated in right and priority of payment, to the extent and in the manner provided in the Sub-MTNs, ranking pari passu among themselves.

(vii) In the event of winding up or liquidation of the issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally in right of payment or which are subordinated to the Sub-MTNs.

(c) RM150 million Additional Tier 1 Capital Securities

On 8 November 2017, the Bank issued RM150 million Additional Tier 1 Capital Securities under the RM1.0 billion Additional Tier 1 Capital Securities Programme.

	GROUP		BANK	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
At cost	**150,000**	150,000	**150,000**	150,000
Accumulated unaccreted discount	**(208)**	(707)	**(555)**	(684)
Interest accrued	**3,699**	3,699	**3,699**	3,699
	153,491	152,992	**153,144**	153,015

Capital Securities have been assigned a long term rating of BBB1 by RAM Rating Services Berhad.

The coupon rate for the capital securities is fixed at 6.25% per annum, payable semi-annually throughout the entire tenure.

27. SUBORDINATED OBLIGATIONS (CONT'D)

(c) RM150 million Additional Tier 1 Capital Securities (cont'd)

The main features of the capital securities are as follows:

(i) Issue date : 8 November 2017

(ii) Tenure of the facility/issue : Perpetual Non-callable five (5) years

(iii) Interest rate/coupon : 6.25% per annum, payable semi-annually in arrears

(iv) Call date : 8 November 2022 and thereafter on every coupon payment date

(v) The Capital Securities constitutes direct and unsecured obligations of the issuer and are subordinated in right and priority of payment, to the extent and in the manner provided in the Capital Securities and the Transaction Documents, ranking pari passu among themselves.

(vi) Upon the occurrence of any winding up proceeding, the amount payable on the Capital Securities will be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally with or junior to the Capital Securities.

(d) RM100 million Additional Tier 1 Capital Securities

On 8 March 2019, the Bank issued RM100 million Additional Tier 1 Capital Securities under the RM1.0 billion Additional Tier 1 Capital Securities Programme.

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At cost	100,000	-	100,000	-
Interest accrued	391	-	391	-
	100,391	-	100,391	-

Capital Securities have been assigned a long term rating of BBB1 by RAM Rating Services Berhad.

The coupon rate for the capital securities is fixed at 5.95% per annum, payable semi-annually throughout the entire tenure.

The main features of the capital securities are as follows:

(i) Issue date : 8 March 2019

(ii) Tenure of the facility/issue : Perpetual Non-callable five (5) years

(iii) Interest rate/coupon : 5.95% per annum, payable semi-annually

(iv) Call date : 8 March 2024 and thereafter on every distribution payment date

(v) The Capital Securities constitutes direct and unsecured obligations of the issuer and are subordinated in right and priority of payment, to the extent and in the manner provided in the Capital Securities and the Transaction Documents, ranking pari passu among themselves.

(vi) Upon the occurrence of any winding up proceeding, the amount payable on the Capital Securities will be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally with or junior to the Capital Securities.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

28. SHARE CAPITAL

	2019		2018	
	Number of ordinary shares '000	RM'000	Number of ordinary shares '000	RM'000
GROUP				
Ordinary shares issued and fully paid:				
At beginning of the financial year	**1,548,106**	**1,548,106**	796,517	796,517
Effects of group reorganisation	**-**	**-**	751,589	751,589
At end of financial year	**1,548,106**	**1,548,106**	1,548,106	1,548,106
BANK				
Ordinary shares issued and fully paid:				
At beginning of the financial year	**1,548,106**	**1,548,106**	796,517	796,517
Issuance of shares to former holding company	**-**	**-**	100,000	100,000
Bonus issue	**-**	**-**	651,589	651,589
At end of financial year	**1,548,106**	**1,548,106**	1,548,106	1,548,106

29. RESERVES

		GROUP		BANK	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-distributable:					
Statutory reserve	(a)	**-**	-	**-**	-
Share premium	(b)	**-**	-	**-**	-
Regulatory reserves	(c)	**178,397**	186,064	**160,798**	160,029
Capital reserves	(d)	**100,150**	100,150	**95,515**	95,515
FVOCI reserves	(e)	**78,513**	-	**36,831**	-
Revaluation reserves	(f)	**-**	114,987	**-**	74,907
Equity contribution from former parent	(g)	**-**	-	**-**	-
Employees' Share Scheme ("ESS") reserves	(g)	**-**	-	**-**	-
		357,060	401,201	**293,144**	330,451
Distributable:					
Retained profits		**3,827,676**	3,510,283	**3,128,589**	2,866,142
		4,184,736	3,911,484	**3,421,733**	3,196,593

29. RESERVES (CONT'D)

Notes:

(a) The requirement to maintain a statutory reserve fund is no longer required pursuant to BNM's Capital Fund Policy with effect from 3 May 2017.

(b) Share premium is used to record premium arising from new shares issued by the Bank. Prior to 31 January 2017, the application of the share premium account was governed by Section 60 and 61 of the Companies Act 1965. In accordance with the transitional provisions set out in Section 618 (2) of the Companies Act, 2016, on 31 January 2017 any amount standing to the credit of the Group's and the Bank's share premium account have been aggregated as part of the Group's and the Bank's share capital (refer to Note 28). Notwithstanding this provision, the Group and the Bank may within 24 months from the commencement of the Companies Act, 2016, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the Companies Act, 2016.

(c) Regulatory reserves represent the Group's and the Bank's compliance with BNM Revised Policy Documents in Financial Reporting and Financial Reporting for Islamic Banking Institutions effective 1 April 2018 whereby the Bank and its banking subsidiaries must maintain in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

Prior to 1 April 2018, the Group is required to maintain in aggregate collective impairment allowances of no less than 1.2% of the total outstanding loans, advances and financing, net of individual impairment allowances, in accordance with the BNM guideline dated 6 April 2015 on "Classification and Impairment Provisions for Loans/Financing".

(d) Capital reserves are in respect of retained profits capitalised for a bonus issue by a subsidiary.

(e) FVOCI reserves are the cumulative gains and losses arising on the revaluation of debt instruments measured at FVOCI, net off cumulative gains and losses transferred to profit or loss upon disposal and the cumulative allowance for expected credit losses on these investments.

(f) The revaluation reserves are in respect of unrealised fair value gains and losses on financial investments available-for-sale, net off cumulative gains and losses transferred to profit or loss upon disposal and impairment.

(g) The ESS reserves and equity contribution from former parent relate to the equity-settled share options/share grants to former Executive Directors and employees. This reserve is made up of the estimated fair value of the share options/share grants based on the cumulative services received from former Executive Directors and employees over the vesting period. The scheme ended on 2 December 2017.

30. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME

The Alliance Financial Group Berhad Employees' Share Scheme ("AFG Bhd ESS") is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 28 August 2007. The AFG Bhd ESS which comprises the Share Option Plan, the Share Grant Plan and the Share Save Plan took effect on 3 December 2007 and is in force for a period of 10 years.

The salient features of the AFG Bhd ESS are as follows:

(i) The AFG Bhd ESS is implemented and administered by the Employees' Share Participating Scheme Committee ("ESPS Committee") in accordance with the By-Laws.

(ii) The total number of shares which may be available under the AFG Bhd ESS shall not exceed in aggregate 10% of the total issued and paid-up share capital of AFG Bhd at any one time during the existence of the AFG Bhd ESS and out of which not more than 50% of the shares available under the AFG Bhd ESS shall be allocated, in aggregate, to Directors and senior management. In addition, not more than 10% of the shares available under the AFG Bhd ESS shall be allocated to any individual Director or employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up capital of AFG Bhd.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

30. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME (CONT'D)

(iii) The subscription price for each share under the Share Option Plan, Share Grant Plan and Share Save Plan may be at a discount (as determined by the ESPS Committee or such other pricing mechanism as may from time to time be permitted by Bursa Malaysia Securities Berhad or such other relevant regulatory authorities), provided that the discount shall not be more than 10% from the 5-day weighted average market price of the Bank's shares transacted on Bursa Malaysia Securities Berhad immediately preceding the date on which an offer is made or at par value of the shares, whichever is higher.

(iv) The ESPS Committee may at its discretion offer to any Director or employee of a corporation in the Group to participate in the AFG Bhd ESS if the Director or employee:

(a) has attained the age of 18 years;
(b) in the case of a Director, is on the board of directors of a corporation in the Group;
(c) in the case of an employee, is employed by a corporation in the Group; and
(d) is not a participant of any other employee share option scheme implemented by any other corporation within the Group which is in force for the time being.

Provided that the non-executive directors of the Group who are not employed by a corporation in the Group shall not be eligible to participate in the Share Save Plan.

(v) Under the Share Option Plan and Share Grant Plan, the ESPS Committee may stipulate the performance targets, performance period, value and/or other conditions deemed appropriate.

(vi) Under the Share Save Plan, the ESPS Committee may at its discretion offer Share Save Option(s) to any employees of the Group to subscribe for the Bank's shares and the employee shall authorise deductions to be made from his/her salary.

(vii) AFG Bhd may decide to satisfy the exercise of options/awards of shares under the AFG Bhd ESS through the issue of new Bank's shares, transfer of existing shares or a combination of both new and existing shares.

(viii) AFG Bhd may appoint or authorise the trustee of the AFG Bhd ESS to acquire its shares from the open market to give effect to the AFG Bhd ESS.

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share grants:

	2019 Share Grants Number of Share Grants				2018 Share Grants Number of Share Grants			
GROUP	**At beginning of financial year '000**	**Vested '000**	**Lapsed/ forfeited '000**	**At end of financial year '000**	**At beginning of financial year '000**	**Vested '000**	**Lapsed/ forfeited '000**	**At end of financial year '000**
2015 Share Scheme (1st grant)	-	-	-	-	356	(325)	(31)	-
2015 Share Scheme (2nd grant)	-	-	-	-	12	(12)	-	-
2016 Share Scheme	-	-	-	-	773	(725)	(48)	-
	-	-	-	-	1,141	(1,062)	(79)	-
WAEP	-	-	-	-	-	-	-	-

30. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME (CONT'D)

BANK	2019 Share Grants Number of Share Grants At beginning of financial year '000	Vested '000	Lapsed/ forfeited '000	At end of financial year '000	2018 Share Grants Number of Share Grants At beginning of financial year '000	Vested '000	Lapsed/ forfeited '000	At end of financial year '000
2015 Share Scheme (1st grant)	-	-	-	-	298	(279)	(19)	-
2015 Share Scheme (2nd grant)	-	-	-	-	12	(12)	-	-
2016 Share Scheme	-	-	-	-	640	(598)	(42)	-
	-	-	-	-	950	(889)	(61)	-
WAEP	-	-	-	-	-	-	-	-

(a) Details of share grants at the end of financial year:

	Vesting Schedule	Vesting Dates
2015 Share Grants (1st grant)	- First 33.3% of the share grants	23.06.2015
	- Second 33.3% of the share grants	23.06.2016
	- Third 33.4% of the share grants	23.06.2017
2015 Share Grants (2nd grant)	- First 33.3% of the share grants	26.01.2016
	- Second 33.3% of the share grants	26.01.2017
	- Third 33.4% of the share grants	26.11.2017
2016 Share Grants	- First 33% of the share grants	22.06.2016
	- Second 67% of the share grants	22.06.2017

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

30. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME (CONT'D)

(b) Fair value of share grants offered/awarded:

The fair value of share grants under the Share Grant Plan was estimated by an external valuer using a binomial model, taking into account the terms and conditions upon which the share options/share grants were offered/awarded. The rates are based on observable prices. The fair value of share options and share grants measured at offer/award date and the assumptions are as follows:

	Share Grants		
	2015 (1st grant)	2015 (2nd grant)	2016
Fair value of the shares as at grant date,			
- 23 June 2014 (RM)	4.3400	-	-
- 26 January 2015 (RM)	-	4.3500	-
- 22 June 2015 (RM)	-	-	4.0600
Weighted average share price (RM)	4.7400	4.7430	4.3700
Expected volatility (%)	0.2418	0.1884	0.1736
Risk free rate (%)	3.17 to 4.43	3.36 to 4.39	2.99 to 4.29
Expected dividend yield (%)	4.36	4.31	4.31

The expected life of the share options is based on the exercisable period of the option and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the share option/share grant were incorporated into the measurement of fair value.

The risk-free rate is employed using a range of risk-free rates for Malaysian Government Securities ("MGS") tenure from 1-year to 20-year MGS.

31. INTEREST INCOME

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Loans, advances and financing	**1,637,738**	1,522,604	**1,608,250**	1,504,903
Money at call and deposit placements with financial institutions	**12,782**	12,546	**22,226**	16,640
Financial investments at fair value through other comprehensive income	**260,639**	-	**249,720**	-
Financial investments at amortised cost	**14,174**	-	**18,176**	-
Financial investments available-for-sale	**-**	267,241	**-**	260,478
Financial investments held-to-maturity	**-**	17,593	**-**	17,242
Others	**751**	359	**751**	357
	1,926,084	1,820,343	**1,899,123**	1,799,620
Accretion of discount less amortisation of premium	**84,578**	77,535	**83,707**	75,417
	2,010,662	1,897,878	**1,982,830**	1,875,037

Included in interest income on loans, advances and financing for the current financial year is interest/profit accrued on impaired loans/financing of the Group and the Bank of RM5,465,000 (2018: RM3,722,000 and RM3,487,000 respectively).

32. INTEREST EXPENSE

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits and placements of banks and other financial institutions	**17,056**	25,294	**9,787**	13,833
Deposits from customers	**887,040**	846,632	**865,897**	827,153
Recourse obligations on loans and financing sold to Cagamas	**25,182**	24,142	**25,182**	24,142
Other borrowings	**-**	167	**-**	167
Subordinated obligations	**78,732**	72,617	**78,915**	72,735
Others	**4,569**	3,875	**4,569**	3,875
	1,012,579	972,727	**984,350**	941,905

33. NET INCOME FROM ISLAMIC BANKING BUSINESS

	GROUP	
	2019 RM'000	2018 RM'000
Income derived from investment of depositors' funds and others	**593,548**	488,710
Income derived from investment of Islamic Banking funds	**60,588**	54,332
Income attributable to the depositors and financial institutions	**(295,079)**	(224,797)
	359,057	318,245

Note:

Net income from Islamic banking business comprises income generated from Alliance Islamic Bank Berhad ("AIS"), and Islamic banking business of Alliance Investment Bank Berhad ("AIBB"). Both AIS and AIBB are wholly-owned subsidiaries of the Bank.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

34. OTHER OPERATING INCOME

		GROUP		BANK	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
(a)	**Fee and commission income:**				
	Commissions	**80,064**	89,165	**80,064**	89,165
	Service charges and fees	**29,322**	31,076	**28,851**	30,242
	Corporate advisory fees	**3,214**	3,221	**-**	-
	Underwriting commissions	**520**	472	**-**	-
	Brokerage fees	**30,178**	36,811	**-**	-
	Guarantee fees	**15,131**	15,807	**14,696**	15,807
	Processing fees	**10,962**	11,368	**7,407**	8,508
	Commitment fees	**17,404**	16,413	**17,358**	16,376
	Cards related income	**83,950**	96,130	**83,950**	96,130
	Other fee income	**6,001**	3,001	**5,794**	3,000
		276,746	303,464	**238,120**	259,228
(b)	**Fee and commission expense:**				
	Commissions expense	**(1,398)**	(1,624)	**(1,398)**	(1,624)
	Brokerage fees expense	**(9,552)**	(12,311)	**(9)**	(7)
	Guarantee fees expense	**(225)**	(461)	**(225)**	(461)
	Cards related expense	**(75,313)**	(82,281)	**(75,313)**	(82,281)
		(86,488)	(96,677)	**(76,945)**	(84,373)
(c)	**Investment income:**				
	Realised gain arising from sale/redemption of:				
	- Financial assets at fair value through profit or loss	**3,378**	-	**3,377**	-
	- Financial investments at fair value through other comprehensive income	**2,684**	-	**2,119**	-
	- Financial assets held-for-trading	**-**	761	**-**	761
	- Financial investments available-for-sale	**-**	21,863	**-**	21,331
	- Derivative instruments	**20,157**	151,358	**20,157**	151,358
	Marked-to-market revaluation gain/(loss):				
	- Financial assets at fair value through profit or loss	**12,092**	-	**8,248**	-
	- Financial assets held-for-trading	**-**	5,813	**-**	5,298
	- Derivative instruments	**18,276**	(113,094)	**18,276**	(113,094)
	- Financial liabilities designated at fair value through profit or loss	**(12,809)**	25,555	**(12,809)**	25,555
	Gross dividend income from:				
	- Financial assets at fair value through profit or loss	**1,299**	-	**749**	-
	- Financial investments available-for-sale	**-**	1,861	**-**	1,311
	- Subsidiaries	**-**	-	**80,154**	33,913
		45,077	94,117	**120,271**	126,433
(d)	**Other income:**				
	Foreign exchange gain	**2,101**	1,163	**1,689**	804
	Rental income	**-**	-	**711**	680
	Gain/(loss) on disposal of property, plant and equipment	**8**	(105)	**8**	1
	Others	**27,517**	26,665	**27,470**	25,737
		29,626	27,723	**29,878**	27,222
	Total other operating income	**264,961**	328,627	**311,324**	328,510

35. OTHER OPERATING EXPENSES

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Personnel costs				
- Salaries, allowances and bonuses	**380,786**	354,861	**292,799**	272,572
- Contribution to EPF	**60,223**	55,857	**46,439**	43,188
- Share options/grants under ESS	**-**	189	**-**	191
- Termination benefits	**-**	42,365	**-**	42,225
- Others	**48,625**	51,028	**38,904**	42,470
	489,634	504,300	**378,142**	400,646
Establishment costs				
- Depreciation of property, plant and equipment	**23,333**	20,731	**22,674**	19,986
- Amortisation of computer software	**30,206**	24,161	**29,117**	23,346
- Rental of premises	**29,573**	29,648	**23,233**	23,104
- Water and electricity	**7,818**	7,991	**5,664**	5,905
- Repairs and maintenance	**9,747**	9,980	**7,384**	7,947
- Information technology expenses	**58,628**	50,010	**47,552**	40,538
- Others	**15,855**	13,982	**6,333**	5,480
	175,160	156,503	**141,957**	126,306
Marketing expenses				
- Promotion and advertisement	**12,518**	14,193	**10,796**	13,437
- Branding and publicity	**13,233**	13,160	**9,167**	11,633
- Others	**8,270**	7,096	**5,140**	4,340
	34,021	34,449	**25,103**	29,410
Administration and general expenses				
- Communication expenses	**11,601**	10,708	**8,609**	8,197
- Printing and stationery	**2,676**	2,829	**2,070**	2,277
- Insurance	**11,182**	11,345	**10,033**	10,384
- Professional fees	**23,485**	27,853	**18,392**	20,838
- Others	**27,188**	46,034	**17,465**	37,171
	76,132	98,769	**56,569**	78,867
Total other operating expenses	**774,947**	794,021	**601,771**	635,229

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

35. OTHER OPERATING EXPENSES (CONT'D)

Included in the other operating expenses are the following:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Auditors' remuneration				
- statutory audit fees	**1,351**	1,239	**978**	850
- audit related fees	**726**	1,349	**458**	1,067
- tax compliance fees	**100**	113	**53**	53
- tax related services	**60**	116	**52**	-
- non-audit related services	**185**	510	**125**	440
Hire of equipment	**2,447**	2,994	**2,447**	2,994
Property, plant and equipment written-off	**42**	291	**43**	277
Computer software written-off	**1,822**	372	**1,724**	284

36. ALLOWANCE FOR EXPECTED CREDIT LOSSES/IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING AND OTHER FINANCIAL ASSETS

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Allowance for expected credit losses/impairment losses on loans, advances and financing				
(a) Expected credit losses				
- Made during the financial year (net)	**147,238**	-	**97,909**	-
(b) Individual assessment allowance				
- Made during the financial year (net)	**-**	31,876	**-**	24,085
(c) Collective assessment allowance				
- Made during the financial year (net)	**-**	73,699	**-**	30,618
(d) Bad debts on loans and financing				
- Recovered	**(44,304)**	(37,099)	**(29,192)**	(25,698)
- Written-off	**36,437**	20,858	**22,083**	10,933
(e) Commitment and contingencies	**(11,377)**	-	**1,304**	-
	127,994	89,334	**92,104**	39,938
(Write-back of)/allowance for expected credit losses/impairment losses on:				
- Amounts due from clients and brokers	**(1)**	5	**-**	-
- Other receivables	**3,319**	4,047	**2,977**	3,169
- Cash and short-term funds	**(463)**	-	**(463)**	-
	130,849	93,386	**94,618**	43,107

37. (WRITE-BACK OF)/ALLOWANCE FOR EXPECTED CREDIT LOSSES ON FINANCIAL INVESTMENTS

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(Write-back of)/allowance for expected credit losses on:				
- Financial investments at FVOCI	**(783)**	-	**(624)**	-
- Financial investment at amortised cost	**582**	-	**175**	-
	(201)	-	**(449)**	-

38. ALLOWANCE FOR/(WRITE-BACK OF) IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Commitment and contingencies	**(148)**	-	**(148)**	-
Intangible assets – Goodwill	**8,740**	-	**-**	-
Property, plant and equipment	**-**	62	**-**	62
	8,592	62	**(148)**	62

39. TAXATION

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income tax:				
Provision for current financial year	**222,893**	191,044	**163,354**	153,605
(Over)/under provision in prior years	**(7,082)**	11,267	**(6,545)**	11,020
	215,811	202,311	**156,809**	164,625
Deferred tax [Note 19]	**(45,385)**	(10,942)	**(28,749)**	(8,291)
	170,426	191,369	**128,060**	156,334

Income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) on the estimated assessable profit for the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

39. TAXATION (CONT'D)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank is as follows:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before taxation	**708,023**	684,597	**614,012**	583,244
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	**169,926**	164,303	**147,363**	139,979
Income not subject to tax	**(3,028)**	(398)	**(21,407)**	(8,455)
Expenses not deductible for tax purposes	**9,519**	12,204	**6,971**	10,190
(Over)/under provision of tax expense in prior years	**(5,991)**	15,260	**(4,867)**	14,620
Tax expense for the financial year	**170,426**	191,369	**128,060**	156,334

40. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing profit for the year attributable to Equity holders of the Bank by the weighted average number of ordinary shares in issue during the financial year.

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit for the year attributable to Equity holders of the Bank	**537,597**	493,228	**485,952**	426,910

	GROUP		BANK	
	2019 '000	2018 '000	2019 '000	2018 '000
Weighted average numbers of ordinary shares in issue	**1,548,106**	1,548,106	**1,548,106**	1,506,439

	GROUP		BANK	
	2019 sen	2018 sen	2019 sen	2018 sen
Basic earnings per share	**34.7**	31.9	**31.4**	28.3

(b) Diluted

For the purpose of calculating diluted earning per share, the profit for the year attributable to Equity holders of the Bank and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, (non-cumulative).

There were no dilutive potential ordinary shares outstanding as at 31 March 2019 and 31 March 2018 respectively. As a result, the dilutive earnings per share equal to basic earnings per share for financial year ended 31 March 2019 and 31 March 2018.

41. DIVIDENDS

Dividends on Ordinary Shares:

	Dividend recognised during the financial year			
	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Former Holding Company				
Second interim dividend				
7.5 sen per share, on 1,548,105,929 ordinary shares, declared in financial year ended 31 March 2017, was paid on 22 June 2017 by the former holding company of the Bank to shareholders	**-**	116,108	**-**	-
Bank				
First interim dividend				
8.5 sen per share, on 1,548,105,929 ordinary shares, declared in financial year ending 31 March 2019, was paid on 28 December 2018 to the shareholders	**131,589**	-	**131,589**	-
8.5 sen per share, on 1,548,105,929 ordinary shares, declared in financial year ended 31 March 2018, was paid on 28 December 2017 to the shareholders	**-**	131,589	**-**	131,589
Second interim dividend				
6.8 sen per share, on 1,548,105,929 ordinary shares, declared in the financial year ended 31 March 2018, was paid on 28 June 2018 to the shareholders	**105,271**	-	**105,271**	-
14.67 sen per share, on 796,517,043 ordinary shares, declared in financial year ended 31 March 2017, was paid on 20 June 2017 to the former holding company, and was eliminated at the Group	**-**	-	**-**	116,849
	236,860	247,697	**236,860**	248,438

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

41. DIVIDENDS (CONT'D)

Dividends paid on the shares held in Trust pursuant to the Group's ESS which are classified as shares held for ESS are not accounted for in the total equity where RM1,121,000 for the first interim dividend and RM1,549,000 for second interim dividend being dividends paid for those shares were added back to the appropriation of retained profits in respect of the dividends as at 31 March 2018.

The dividend paid by the Bank to the former holding company, Alliance Financial Group Berhad ("AFG") prior to group reorganisation exercise, is eliminated at the Group level. Upon the completion of group reorganisation exercise on 26 September 2017, the Bank is now the holding company of AFG. Dividends paid by the Bank after the group reorganisation will be reflected both in the Group and the Bank.

Subsequent to the financial year end, on 29 May 2019, the Directors declared a second interim dividend of 8.2 sen per share, on 1,548,105,929 ordinary shares amounting to approximately RM126,945,000 in respect of current financial year. The accompanying financial statements do not reflect these dividend. The dividend will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2020.

The Directors do not propose any final dividend in respect of the financial year ended 31 March 2019.

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are the Group's and the Bank's other significant related party transactions and balances:

The related parties of, and their relationship with the Group and the Bank are as follows:

Relationship	Related parties
- Key management personnel	Key management personnel refer to those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank, directly or indirectly, including Executive Directors and Non-Executive Directors of the Group and the Bank (including close members of their families). Other members of key management personnel of the Group and the Bank are the Business Support Heads who report directly to Group Chief Executive Officer or to the Board Committees (including close members of their families).
- Substantial shareholders	Substantial shareholders refer to those entities or persons having significant voting power in the Group and/or the Bank, directly or indirectly, resides with certain Directors of the Group and/or the Bank.
- Subsidiaries	Subsidiaries of the Bank as disclosed in Note 16.
- Joint venture	Joint venture of the Bank as disclosed in Note 17.

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

Significant related party transactions and balances as follows:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(a) Transactions				
Interest income				
- subsidiaries	-	-	46,607	38,800
- key management personnel	37	26	20	26
Dividend income				
- subsidiaries	-	-	80,154	33,913
Management fees				
- subsidiaries	-	-	154	336
Rental income				
- subsidiaries	-	-	717	680
- joint venture	-	1	-	1
Other operating expenses recharged				
- subsidiaries	-	-	113,451	102,052
- joint venture	221	203	221	203
Interest expenses				
- subsidiaries	-	-	(42)	(47)
- joint venture	(39)	(32)	-	-
- key management personnel	(550)	(314)	(502)	(281)
- substantial shareholders	(2)	-	(2)	-
Rental expenses				
- subsidiaries	-	-	-	(89)
- joint venture	(1)	-	(1)	-
Other operating expenses				
- subsidiaries	-	-	(205)	(2,676)
- joint venture/other related company [Note (a)]	(3,011)	(3,052)	(1,198)	(936)
- substantial shareholders [Note (b)]	(84)	(785)	(84)	(785)
Commission paid				
- subsidiaries	-	-	(18,247)	(6,267)
Dividend paid				
- former holding company	-	-	-	(117,971)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

Significant related party transactions and balances as follows: (cont'd)

Note:

As at 31 March 2019:

(a) The Group and the Bank have paid RM2,895,000 and RM1,149,000 respectively (2018: RM3,213,000 and RM974,000) to the joint venture/other related company for the research services provided, where the joint venture/other related company was jointly held by Alliance Investment Bank Berhad and DBS Vickers Securities Pte. Ltd., a company incorporated in Singapore.

(b) The Group and the Bank have paid RM260,000 (2018: RM784,000) for staff secondment to an indirect shareholder, Fullerton Financial Holdings (International) Pte. Ltd., a company incorporated in Singapore.

(c) Other than transactions with joint venture company and Fullerton Financial Holdings (International) Pte. Ltd., all intercompany transactions are conducted in Malaysia.

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(b) Balances				
Deposits from customers				
- subsidiaries	**-**	-	**(34,831)**	(24,844)
- joint venture	**(2,377)**	(2,223)	**(375)**	(721)
- key management personnel	**(20,269)**	(15,376)	**(19,005)**	(13,925)
- substantial shareholders	**(645)**	-	**(645)**	-
Financial investments at fair value through other comprehensive income				
- subsidiaries	**-**	-	**745,432**	754,750
Financial investments at amortised cost				
- subsidiaries	**-**	-	**130,666**	130,059
Loans, advances and financing				
- key management personnel	**5,131**	4,875	**3,063**	3,210
Money at call and deposit placements with financial institutions				
- subsidiaries	**-**	-	**119,852**	300,054
Other assets				
- subsidiaries	**-**	-	**133,557**	46,794
- joint venture	**299**	392	**299**	392
Other liabilities				
- joint venture	**(160)**	(168)	**-**	-

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

(c) Compensation of key management personnel

Remuneration of Chief Executive Officers ("CEO"), Non-executive Directors and other members of key management excluding past CEO and Directors for the financial year is as follows:

	GROUP		BANK	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
CEO and other Key Management:				
- Salary and other remuneration	**30,742**	30,145	**27,909**	27,714
- Contribution to EPF	**4,177**	4,080	**3,791**	3,772
- Benefits-in-kind	**309**	309	**266**	266
	35,228	34,534	**31,966**	31,752
Non-executive Directors:				
- Fees payables	**2,698**	2,820	**1,897**	1,530
- Allowances	**973**	790	**714**	496
- Benefits-in-kind	**31**	34	**31**	34
	3,702	3,644	**2,642**	2,060
Included in the total key management personnel are:				
CEO and Directors'remuneration, excluding past CEO and Directors [Note 44]	**14,305**	13,272	**9,983**	8,907

Key management personnel of the Group and the Bank have been offered/awarded the following number of share grants under the AFG Bhd ESS:

	Share Grants	
GROUP	**2019 '000**	**2018 '000**
At beginning of financial year		
As restated	**-**	415
Vested	**-**	(415)
At the end of financial year	**-**	-

	Share Grants	
BANK	**2019 '000**	**2018 '000**
At beginning of financial year	**-**	300
Key management personnel appointed during the financial year	**-**	43
Vested	**-**	(343)
At the end of financial year	**-**	-

The above share grants were offered/awarded on the same terms and conditions as those offered to other employees of the Group and the Bank.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

(c) Compensation of key management personnel (cont'd)

GROUP

Total value of remuneration and numbers of officers with variable remuneration for the financial year are as follow:

	2019				2018			
GROUP	Number	Unrestricted RM'000	Number	Deferred RM'000	Number	Unrestricted RM'000	Number	Deferred RM'000
Fixed remuneration								
Cash		**25,709**		**-**		25,512		-
		25,709		**-**		25,512		-
Variable remuneration								
Cash	19	**8,663**	19	**4,558**	19	9,589	19	3,077
		8,663		**4,558**		9,589		3,077
		34,372		**4,558**		35,101		3,077

	2019				2018			
BANK	Number	Unrestricted RM'000	Number	Deferred RM'000	Number	Unrestricted RM'000	Number	Deferred RM'000
Fixed remuneration								
Cash		**22,463**		**-**		22,025		-
		22,463		**-**		22,025		-
Variable remuneration								
Cash	17	**7,938**	17	**4,207**	17	8,929	17	2,858
		7,938		**4,207**		8,929		2,858
		30,401		**4,207**		30,954		2,858

43. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	BANK	
	2019 RM'000	2018 RM'000
Outstanding credit exposures with connected parties	**43,641**	44,698
of which:		
Total credit exposure which is impaired or in default	**8**	-
Total credit exposures	**46,311,419**	44,389,189
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	**0.09%**	0.10%
- which is impaired or in default	**0.00%**	0.00%

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with paragraph 9.1 of Bank Negara Malaysia's Guidelines on Credit Transactions and Exposures with Connected Parties, which became effective on 1 January 2008.

Based on these guidelines, a connected party refers to the following:

(i) Directors of the Bank and their close relatives;

(ii) Controlling shareholder and his close relatives;

(iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank, and his close relatives;

(iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;

(v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and

(vii) Subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above includes the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan commitments. It also includes holdings of equities and private debt securities issued by the connected parties.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

44. CEOs AND DIRECTORS' REMUNERATION

Remuneration in aggregate for CEO/Directors charged to the statement of income for the year is as follows:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Chief Executive Officers:				
- Salary and other remuneration	**6,072**	5,295	**3,964**	3,525
- Bonuses	**3,175**	3,131	**2,449**	2,471
- Contribution to EPF	**1,201**	1,080	**815**	771
- Benefits-in-kind	**155**	122	**113**	80
	10,603	9,628	**7,341**	6,847
Non-executive Directors:				
- Fees payables	**2,698**	2,820	**1,897**	1,530
- Allowances	**973**	790	**714**	496
- Benefits-in-kind	**31**	34	**31**	34
	3,702	3,644	**2,642**	2,060
	14,305	13,272	**9,983**	8,907
Past Chief Executive Officer/Directors:				
- Salary and other remuneration, including meeting allowance	**103**	336	**63**	-
- Fees	**357**	146	**143**	-
- Contribution to EPF	**-**	49	**-**	-
- Benefits-in-kind	**20**	51	**10**	-
	480	582	**216**	-
	14,785	13,854	**10,199**	8,907
Total Directors' remuneration excluding benefits-in-kind	**14,579**	13,647	**10,045**	8,793

Notes:

(a) Other than Directors fees and allowances, there were no amount paid or payable for services rendered by any Directors of the Group and the Bank during the financial year.

(b) The Directors of the Group and the Bank are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as Directors of the Group and the Bank, provided that such Director has not acted negligently, fraudulently or dishonestly, or is in breach of his or her duty of trust. The total apportioned amount of insurance effected for Directors under the Group and the Bank was at RM130,000 and RM118,000 (2018: RM134,000 and RM121,000) respectively.

44. CEOs AND DIRECTORS' REMUNERATION (CONT'D)

The total remuneration (including benefits-in-kind) of the CEO and Directors of the Group and the Bank are as follows:

GROUP 2019	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees payables RM'000	Allowances RM'000	Share options/ grants under ESS RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officers:								
Joel Kornreich	3,964	2,449	815	-	-	-	113	7,341
Mahesh s/o Shri Pranlal Rupawalla	1,464	390	251	-	-	-	42	2,147
Rizal IL-Ehzan Bin Fadil Azim	644	336	135	-	-	-	-	1,115
	6,072	3,175	1,201	-	-	-	155	10,603
Non-executive Directors:								
Tan Sri Dato' Ahmad Bin Mohd Don	-	-	-	285	53	-	31	369
Ou Shian Waei	-	-	-	205	70	-	-	275
Kuah Hun Liang	-	-	-	312	118	-	-	430
Lee Ah Boon	-	-	-	217	68	-	-	285
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	405	124	-	-	529
Lee Boon Huat	-	-	-	205	91	-	-	296
Ho Hon Cheong	-	-	-	190	95	-	-	285
Thayaparan S Sangarapillai	-	-	-	179	68	-	-	247
Tan Chian Khong	-	-	-	155	64	-	-	219
Susan Yuen Su Min	-	-	-	55	9	-	-	64
Datin Amy Ooi Swee Lian	-	-	-	37	15	-	-	52
Mazidah Binti Abdul Malik	-	-	-	137	71	-	-	208
Dato' Yeoh Beow Tit	-	-	-	90	30	-	-	120
Hj Md Ali Bin Md Sarif	-	-	-	90	28	-	-	118
Dato' Ahmad Hisham Bin Kamaruddin	-	-	-	11	2	-	-	13
Ibrahim Bin Hassan	-	-	-	125	67	-	-	192
	-	-	-	2,698	973	-	31	3,702
Past Non-executive Directors:								
Dato' Majid Bin Mohamad	-	-	-	67	18	-	10	95
Kung Beng Hong	-	-	-	290	85	-	10	385
	-	-	-	357	103	-	20	480
Total CEOs and Directors' remuneration	6,072	3,175	1,201	3,055	1,076	-	206	14,785

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

44. CEOs AND DIRECTORS' REMUNERATION (CONT'D)

The total remuneration (including benefits-in-kind) of the CEOs and Directors of the Group and the Bank are as follows: (cont'd)

GROUP 2018	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees payables RM'000	Allowances RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officers:							
Joel Kornreich	3,525	2,471	771	-	-	80	6,847
Mahesh s/o Shri Pranlal Rupawalla	1,385	436	246	-	-	42	2,109
Rizal IL-Ehzan Bin Fadil Azim	385	224	63	-	-	-	672
	5,295	3,131	1,080	-	-	122	9,628
Non-executive Directors:							
Tan Sri Dato' Ahmad Bin Mohd Don	-	-	-	211	32	34	277
Kung Beng Hong	-	-	-	404	89	-	493
Ou Shian Waei	-	-	-	242	68	-	310
Kuah Hun Liang	-	-	-	273	91	-	364
Lee Ah Boon	-	-	-	234	55	-	289
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	319	88	-	407
Lee Boon Huat	-	-	-	167	58	-	225
Ho Hon Cheong	-	-	-	142	62	-	204
Thayaparan S Sangarapillai	-	-	-	132	50	-	182
Tan Chian Khong	-	-	-	191	33	-	224
Dato' Majid Bin Mohammad	-	-	-	164	56	-	220
Mazidah Binti Abdul Malik	-	-	-	107	36	-	143
Dato' Yeoh Beow Tit	-	-	-	76	19	-	95
Hj Md Ali Bin Md Sarif	-	-	-	76	23	-	99
Ibrahim Bin Hassan	-	-	-	82	30	-	112
	-	-	-	2,820	790	34	3,644
Past Chief Executive Officer:							
Foziakhatoon Binti Amanulla Khan	310	-	49	-	-	-	359
	310	-	49	-	-	-	359
Past Non-executive Directors:							
Shaharuddin Bin Zainuddin	-	-	-	37	15	-	52
Datuk Oh Chong Peng	-	-	-	109	11	51	171
	-	-	-	146	26	51	223
Total CEOs and Directors' remuneration	5,605	3,131	1,129	2,966	816	207	13,854

44. CEOs AND DIRECTORS' REMUNERATION (CONT'D)

The total remuneration (including benefits-in-kind) of the CEOs and Directors of the Group and the Bank are as follows: (cont'd)

BANK 2019	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees payables RM'000	Allowances RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer:							
Joel Kornreich	3,964	2,449	815	-	-	113	7,341
	3,964	2,449	815	-	-	113	7,341
Non-executive Directors:							
Tan Sri Dato' Ahmad Bin Mohd Don	-	-	-	285	53	31	369
Ou Shian Waei	-	-	-	205	70	-	275
Kuah Hun Liang	-	-	-	193	91	-	284
Lee Ah Boon	-	-	-	205	68	-	273
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	225	105	-	330
Lee Boon Huat	-	-	-	205	91	-	296
Ho Hon Cheong	-	-	-	190	95	-	285
Thayaparan S Sangarapillai	-	-	-	179	68	-	247
Tan Chian Khong	-	-	-	155	64	-	219
Susan Yuen Su Min	-	-	-	55	9	-	64
	-	-	-	1,897	714	31	2,642
Past Non-executive Director:							
Kung Beng Hong	-	-	-	143	63	10	216
Total CEOs and Directors' remuneration	3,964	2,449	815	2,040	777	154	10,199

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

44. CEOs AND DIRECTORS' REMUNERATION (CONT'D)

The total remuneration (including benefits-in-kind) of the Directors of the Group and the Bank are as follows: (cont'd)

BANK 2018	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees payables RM'000	Allowances RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer:							
Joel Kornreich	3,525	2,471	771	-	-	80	6,847
	3,525	2,471	771	-	-	80	6,847
Non-executive Directors:							
Tan Sri Dato' Ahmad Bin Mohd Don	-	-	-	211	32	34	277
Kung Beng Hong	-	-	-	142	48	-	190
Ou Shian Waei	-	-	-	157	55	-	212
Kuah Hun Liang	-	-	-	157	66	-	223
Lee Ah Boon	-	-	-	157	45	-	202
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	167	69	-	236
Lee Boon Huat	-	-	-	167	58	-	225
Ho Hon Cheong	-	-	-	142	62	-	204
Thayaparan S Sangarapillai	-	-	-	132	50	-	182
Tan Chian Khong	-	-	-	98	11	-	109
	-	-	-	1,530	496	34	2,060
Total CEO and Directors' remuneration	3,525	2,471	771	1,530	496	114	8,907

45. FINANCIAL RISK MANAGEMENT POLICIES

The Group engages in business activities which entail risk taking and types of risk involved include credit, market and liquidity, operational and technology, regulatory and compliance (including Shariah compliance), and strategic risks.

Risk management in the Group is governed by Risk Management Framework which covers governance, appetite, strategy, policies and processes to manage risks. The objective of risk management is to ensure that the Group conducts business in a responsible manner and to achieve sustainable growth for the Group's balance sheet and capital.

The Group manages risk within clearly defined guidelines that are approved by the Directors. In addition, the Board of Directors of the Group provides independent oversight to ensure that risk management policies are complied with, through a framework of established controls and reporting processes.

The guidelines and policies adopted by the Group to manage the main risks that arise in the conduct of its business activities are as follows:

(a) Credit Risk

Credit risk is the risk of financial loss resulting from the failure of the Group's borrowers or counterparties to fulfil their contractual obligations to repay their loans or settle commitments.

This arises from loans/financing, advances, investment in securities, amongst others. The amount of credit exposure is represented by the carrying amount of loans/financing, advances and investment securities in the statements of financial position. The lending/financing activities in the Group are guided by the Group's Credit Risk Management Framework, in line with regulatory guidelines and best practices.

Also, credit risk arises from financial transactions with counterparties (including interbank market activities, derivative instruments used for hedging and debt instruments), of which the amount of credit exposure in respect of these instruments is equal to the carrying amount of these assets in the statements of financial position. This exposure is monitored on an on-going basis against predetermined counterparty limits.

The credit exposure arising from off-balance sheet activities, i.e. commitments and contingencies is set out in Note 48 to the financial statements.

(i) Maximum exposure to credit risk

The following table presents the Group's and the Bank's maximum exposure to credit risk of on balance sheet and off-balance sheet financial instruments, before taking into account any collateral held or other credit enhancements and after allowance for expected credit losses/impairment losses, where appropriate.

For on-balance sheet financial assets, the maximum exposure to credit risk equals their carrying amount. For financial guarantees and similar contracts granted, the maximum exposure to credit risk is the maximum amount that would have to be paid if the guarantees were to be called upon. For credit related commitments and contingencies that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the credit facilities granted to customers.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(i) Maximum exposure to credit risk (cont'd)

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Credit risk exposure: on-balance sheet				
Cash and short-term funds (exclude cash in hand)	**1,549,624**	2,503,354	**1,316,885**	1,450,557
Deposits and placements with banks and other financial institutions	**500**	77,283	**-**	77,283
Amounts due from clients and brokers	**77,008**	101,305	**-**	-
Financial assets at fair value through profit or loss (exclude equity securities)	**42,923**	-	**42,923**	-
Financial investments at fair value through other comprehensive income (exclude equity securities)	**9,478,454**	-	**6,852,858**	-
Financial investments at amortised cost	**235,720**	-	**311,930**	-
Financial assets held-for-trading	**-**	63,750	**-**	48,771
Financial investments available-for-sale (exclude equity securities)	**-**	8,326,333	**-**	6,284,804
Financial investments held-to-maturity	**-**	293,612	**-**	344,703
Derivative financial assets	**55,442**	84,455	**55,442**	84,455
Loans, advances and financing (exclude sales commissions and handling fees)	**42,227,784**	39,934,924	**32,520,128**	31,484,934
Statutory deposits	**1,521,592**	1,408,316	**1,142,108**	1,092,566
Other assets (exclude prepayment)	**179,100**	125,519	**302,221**	161,956
	55,368,147	52,918,851	**42,544,495**	41,030,029
Credit risk exposure: off-balance sheet				
Financial guarantees	**721,500**	730,771	**518,066**	556,701
Credit related commitments and contingencies	**12,301,536**	11,313,331	**9,893,986**	9,118,992
	13,023,036	12,044,102	**10,412,052**	9,675,693
Total maximum exposure	**68,391,183**	64,962,953	**52,956,547**	50,705,722

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The analysis of credit risk concentration presented below relates only to financial assets subject to credit risk and are based on the industry in which the counterparty is engaged.

GROUP 2019	Government and Central Bank RM'000	Financial, Insurance, Business Services and Real Estate RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	1,040,926	508,698	-	-	-	-	-	1,549,624
Deposits and placements with banks and other financial institutions	-	500	-	-	-	-	-	500
Amounts due from clients and brokers	-	665	-	-	-	-	76,343	77,008
Financial assets at fair value through profit or loss (exclude equity securities)	41,002	1,909	7	4	1	-	-	42,923
Financial investments at fair value through other comprehensive income (exclude equity securities)	5,293,442	2,520,795	1,149,358	245,233	269,626	-	-	9,478,454
Financial investments at amortised cost	121,789	43,404	-	50,015	-	-	20,512	235,720
Derivative financial assets	-	35,438	-	-	-	-	20,004	55,442
Loans, advances and financing (exclude sales commissions and handling fees)	-	4,435,835	688,241	12,844,254	1,391,351	22,425,539	442,564	42,227,784
Statutory deposits	1,521,592	-	-	-	-	-	-	1,521,592
Other assets (exclude prepayment)	-	299	-	-	-	-	178,801	179,100
	8,018,751	7,547,543	1,837,606	13,139,506	1,660,978	22,425,539	738,224	55,368,147
Financial guarantees	-	79,794	33,041	542,131	52,123	4,586	9,825	721,500
Credit related commitments and contingencies	141,985	1,540,262	125,463	5,141,861	1,611,172	3,356,111	384,682	12,301,536
	141,985	1,620,056	158,504	5,683,992	1,663,295	3,360,697	394,507	13,023,036
Total credit risk	8,160,736	9,167,599	1,996,110	18,823,498	3,324,273	25,786,236	1,132,731	68,391,183

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations (cont'd)

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The analysis of credit risk concentration presented below relates only to financial assets subject to credit risk and are based on the industry in which the counterparty is engaged. (cont'd)

GROUP 2018	Government and Central Bank RM'000	Financial, Insurance, Business Services and Real Estate RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	1,877,818	625,536	-	-	-	-	-	2,503,354
Deposits and placements with banks and other financial institutions	-	77,283	-	-	-	-	-	77,283
Amounts due from clients and brokers	-	670	-	-	-	-	100,635	101,305
Financial assets held-for-trading	-	53,527	10,223	-	-	-	-	63,750
Financial investments available-for-sale (exclude equity securities)	3,853,262	2,806,383	1,161,400	208,142	297,146	-	-	8,326,333
Financial investments held-to-maturity	141,686	151,926	-	-	-	-	-	293,612
Derivative financial assets	-	56,969	-	-	-	-	27,486	84,455
Loans, advances and financing (exclude sales commissions and handling fees)	-	4,930,498	497,730	11,318,771	1,361,096	21,313,630	513,199	39,934,924
Statutory deposits	1,408,316	-	-	-	-	-	-	1,408,316
Other assets (exclude prepayment)	-	392	-	-	-	-	125,127	125,519
	7,281,082	8,703,184	1,669,353	11,526,913	1,658,242	21,313,630	766,447	52,918,851
Financial guarantees	-	36,669	31,573	576,904	57,355	7,680	20,590	730,771
Credit related commitments and contingencies	-	1,453,597	128,259	4,495,893	1,515,553	2,900,735	819,294	11,313,331
	-	1,490,266	159,832	5,072,797	1,572,908	2,908,415	839,884	12,044,102
Total credit risk	7,281,082	10,193,450	1,829,185	16,599,710	3,231,150	24,222,045	1,606,331	64,962,953

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations (cont'd)

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The analysis of credit risk concentration presented below relates only to financial assets subject to credit risk and are based on the industry in which the counterparty is engaged. (cont'd)

BANK 2019	Government and Central Bank RM'000	Financial, Insurance, Business Services and Real Estate RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	692,477	624,408	-	-	-	-	-	1,316,885
Financial assets at fair value through profit or loss (exclude equity securities)	41,002	1,909	7	4	1	-	-	42,923
Financial investments at fair value through other comprehensive income (exclude equity securities)	3,705,868	2,098,405	743,892	173,009	131,684	-	-	6,852,858
Financial investments at amortised cost	101,446	164,961	-	25,011	-	-	20,512	311,930
Derivative financial assets	-	35,438	-	-	-	-	20,004	55,442
Loans, advances and financing (exclude sales commissions and handling fees)	-	3,467,388	511,905	9,975,830	1,189,899	17,079,817	295,289	32,520,128
Statutory deposits	1,142,108	-	-	-	-	-	-	1,142,108
Other assets (exclude prepayment)	-	133,856	-	-	-	-	168,365	302,221
	5,682,901	6,526,365	1,255,804	10,173,854	1,321,584	17,079,817	504,170	42,544,495
Financial guarantees	-	77,195	27,895	383,755	15,081	4,544	9,596	518,066
Credit related commitments and contingencies	141,985	1,285,169	120,734	4,014,944	1,448,995	2,536,013	346,146	9,893,986
	141,985	1,362,364	148,629	4,398,699	1,464,076	2,540,557	355,742	10,412,052
Total credit risk	5,824,886	7,888,729	1,404,433	14,572,553	2,785,660	19,620,374	859,912	52,956,547

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations (cont'd)

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The analysis of credit risk concentration presented below relates only to financial assets subject to credit risk and are based on the industry in which the counterparty is engaged. (cont'd)

BANK 2018	Government and Central Bank RM'000	Financial, Insurance, Business Services and Real Estate RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	587,207	863,350	-	-	-	-	-	1,450,557
Deposits and placements with banks and other financial institutions	-	77,283	-	-	-	-	-	77,283
Financial assets held-for-trading	-	38,549	10,222	-	-	-	-	48,771
Financial investments available-for-sale (exclude equity securities)	2,863,925	2,453,110	679,796	182,188	105,785	-	-	6,284,804
Financial investments held-to-maturity	121,271	223,432	-	-	-	-	-	344,703
Derivative financial assets	-	56,969	-	-	-	-	27,486	84,455
Loans, advances and financing (exclude sales commissions and handling fees)	-	3,917,597	349,960	8,710,547	1,065,567	17,038,464	402,799	31,484,934
Statutory deposits	1,092,566	-	-	-	-	-	-	1,092,566
Other assets (exclude prepayment)	-	47,186	-	-	-	-	114,770	161,956
	4,664,969	7,677,476	1,039,978	8,892,735	1,171,352	17,038,464	545,055	41,030,029
Financial guarantees	-	31,839	26,419	432,615	37,837	7,638	20,353	556,701
Credit related commitments and contingencies	-	1,292,655	122,364	3,509,320	1,382,911	2,302,406	509,336	9,118,992
	-	1,324,494	148,783	3,941,935	1,420,748	2,310,044	529,689	9,675,693
Total credit risk	4,664,969	9,001,970	1,188,761	12,834,670	2,592,100	19,348,508	1,074,744	50,705,722

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(iii) Collaterals

The main types of collateral obtained by the Group and the Bank are as follows:

- Where property is provided as collateral, legal charge over the title;
- For hire purchase, ownership rights over the vehicles or equipment financed; and
- For other loans/financing, charges over business assets such as premises, financial/trade receivables, or deposits.

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Gross loans, advances and financing	**42,730,447**	40,307,373	**32,883,217**	31,770,336
Less: Allowance for expected credit losses/ impairment losses	**(502,663)**	(372,449)	**(363,089)**	(285,402)
Net loans, advances and financing	**42,227,784**	39,934,924	**32,520,128**	31,484,934
Percentage of collateral held for loans, advances and financing	**70.9%**	72.0%	**71.8%**	73.9%

(iv) Credit risk measurement

The Group and the Bank adopt the following judgements and assumptions on measurement of expected credit loss ("ECL"):

(a) Definition of significant increase in credit risk

The Group and the Bank consider the probability of default upon initial recognition of financial asset and whether there has been a significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group and the Bank compare the risk of a default occurring on the financial asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following events are taken into consideration during the assessment:

- Contractual payment is in arrears for 30 days or more;
- Significant downgrade of credit rating or internal rating;
- Modified exposure placed under Agensi Kaunseling dan Pengurusan Kredit ("AKPK") status;
- Exposure being monitored under watchlist; or
- Restructured and rescheduled exposure with increase in credit risk.

(b) Definition of credit impaired financial assets

An exposure is classified as credit impaired when one or more events that have a detrimental impact to the estimated future cash flows of that financial assets have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

Quantitative criteria:

A financial asset is classified as credit impaired, when the counterparty fails to make contractual payment within 90 days or 3 months from when they fall due.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(iv) Credit risk measurement (cont'd)

(b) Definition of credit impaired financial assets (cont'd)

Evidence that a financial asset is credit impaired includes observable data about the following events:

Qualitative criteria:

- Significant financial difficulty of the issuer or the borrower;
- Breach of contract, such as a default of past due event;
- Concessions have been made by the lender relating to the borrower's financial difficulty;
- Indications that borrower will enter into bankruptcy/winding up or other financial restructuring;
- Disappearance of an active market for that financial asset; or
- Purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(c) Measurement of ECL

ECL is measured by three components, i.e. exposure at default, probability of default and loss given default.

Exposure at default ("EAD")

EAD for non-retail portfolio is calculated based upon the contractual amortisation amount up to the point prior to the default event. Repayments are then assumed to cease, with only interest accrued on the outstanding balance from this point. Since the non-retail portfolio contains a variety of products with different interest accrual methods, amortisation types and repayment methods, the approaches employed to calculate EAD varies accordingly.

EAD for retail portfolio is calculated based upon either:

(i) Simple equation based calculation approach – where the outstanding balance follows a predictable trend across the amount and tenure.
(ii) Utilisation curve model. These curves provide a view of percent drawn down at the point of default, expressed as a percentage of the customer credit limit at observation.
(iii) Mechanical equation based approach – which was utilised to forecast monthly default balances as per an amortisation profile and adjusted for different paths to default using an adjustment factor.

Probability at default ("PD")

A PD is assigned to each risk measure and represents a percentage of the likelihood of default.

For non-retail portfolio, the PD is measured from the internal or external rating of the borrower or issuer to determine the level of default risk.

For retail portfolio, a signature curve approach forecasted the lifetime PD and PD at any given time within the lifetime horizon. This is based upon historic default data using a chain ladder methodology to construct a lifetime default emergence curve.

Loss given default ("LGD")

This is on a time series of probability weighted loss rate relative to the monthly exposure at default where the probabilities and loss rates are estimated by key risk driver segments such as exposure migration status (e.g. loss given cure & loss given charge off), collateral type, defaulted exposure relative to original exposure amount and months in default.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(iv) Credit risk measurement (cont'd)

(d) Forward-looking information

Three economic scenarios using different probability weightage are applied to the ECL:

- Base Case – based upon current economic outlook or forecast.
- Positive Case – based upon a projected optimistic or positive economic outlook or forecast.
- Negative Case – based upon a projected pessimistic or negative economic outlook or forecast.

Projection of economic scenario and the probability of each scenario happening in future shall be carried out and shall contain all macroeconomic variables ("MEV") which are applied in the ECL models as they are found to have significant correlation to increase of credit risk via the modelling exercise.

For forward looking estimates, analysis was carried out to determine how the estimates were affected by macroeconomic trends. Factors such as unemployment rate or GDP growth rate were analysed to identify the level of correlation with the observed trends. Given the statistically strong correlation, the estimates were adjusted to reflect macroeconomic trends.

(e) Grouping of exposure for ECL measured on collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

The appropriateness of groupings is monitored and reviewed on a periodic basis.

(f) Modification of loans

The Group and the Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group and the Bank assess whether or not the new terms are substantially different to the original terms.

When the modification is not substantial and so does not result in derecognition of the original loans, the Group and the Bank recalculate the gross carrying amount based on the revised cash flow of the financial asset and recognises a modification gain or loss in the statement of income. The new gross carrying amount is recalculated by discounting the modified cash flow at the original effective interest/profit rate. The Group and the Bank monitor the subsequent performance of modified assets. The risk of default of such loans after modification is assessed and compared with the risk under the original terms at initial recognition. The Group and the Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality

Upon the adoption of MFRS 9, the Group and the Bank assess the credit quality for amounts due from clients and brokers and loans, advances and financing by the below categories:

Credit Quality	Credit Grading		Definition
	Retail[(1)]	Non-retail[(2)]	
Low	Low risk score	1 - 12 (AAA to BB)	Borrowers with good capacity to meet financial commitments.
Medium	Medium risk score	13 - 16 (BB- to B-)	Borrower which is in a fairly acceptable capacity to meet financial commitments.
High	High risk score	17 - 19 (CC+ to CC-)	Borrower which is in an uncertain capacity to meet financial commitments but have not been impaired.
Unrated	Unrated	Unrated	Borrower which is unrated.
Credit impaired	Credit impaired	Credit impaired	Defaulted, or judgmentally impaired due to lack of capacity to fulfil financial commitments.

Notes:

(1) Retail refers to Consumer Banking
(2) Non-retail refers to Business Banking

Other financial assets are categorised in the following manner:

Credit Quality	Credit Grading	Definition
Investment graded	AAA to BBB-	Issuer with low risk of defaulting principal or interest payment.
Non-investment graded	Lower than BBB-	Issuer with medium or high risk of defaulting principal or interest payment.
Sovereign/Government backed	–	Issued or guaranteed by Malaysian government.
Unrated	Unrated	Issuer where rating is unavailable.
Credit impaired	Credit impaired	Defaulted.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

The following table shows an analysis of the credit quality by stages and the allowance for expected credit losses of the financial assets:

GROUP 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)				
Investment graded	508,730	-	-	508,730
Non-investment graded	6	-	-	6
Sovereign/Government backed	1,040,926	-	-	1,040,926
Gross carrying amount	1,549,662	-	-	1,549,662
Expected credit losses	(38)	-	-	(38)
Net carrying amount	1,549,624	-	-	1,549,624
Deposits and placements with banks and other financial institutions				
Investment graded	500	-	-	500
Gross carrying amount	500	-	-	500
Expected credit losses	-	-	-	-
Net carrying amount	500	-	-	500
Financial investments at fair value through other comprehensive income (exclude equity securities)				
Investment graded	2,708,219	62,478	-	2,770,697
Sovereign/Government backed	6,698,348	-	-	6,698,348
Credit impaired	-	-	9,409	9,409
Gross carrying amount	9,406,567	62,478	9,409	9,478,454
Expected credit losses [Note a]	(120)	(444)	(9,409)	(9,973)
Financial investments at amortised cost				
Sovereign/Government backed	121,790	-	-	121,790
Unrated	59,586	50,554	-	110,140
Credit impaired	-	-	18,565	18,565
Gross carrying amount	181,376	50,554	18,565	250,495
Expected credit losses	(42)	(540)	(14,193)	(14,775)
Net carrying amount	181,334	50,014	4,372	235,720

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

The following table shows an analysis of the credit quality by stages and the allowance for expected credit losses of the financial assets: (cont'd)

GROUP 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Loans, advances and financing				
Low	26,899,181	650,501	-	27,549,682
Medium	7,396,792	2,855,264	-	10,252,056
High	1,836,349	1,681,048	-	3,517,397
Unrated	510,925	423,785	-	934,710
Credit impaired	-	-	476,602	476,602
Gross carrying amount	36,643,247	5,610,598	476,602	42,730,447
Expected credit losses	(72,679)	(212,519)	(217,465)	(502,663)
Net carrying amount	36,570,568	5,398,079	259,137	42,227,784
Statutory deposit				
Sovereign/Government backed	1,521,492	-	-	1,521,492
Unrated	100	-	-	100
Gross carrying amount	1,521,592	-	-	1,521,592
Expected credit losses	-	-	-	-
Net carrying amount	1,521,592	-	-	1,521,592
Credit related commitments and contingencies				
Low	9,031,633	268,268	-	9,299,901
Medium	1,583,967	923,861	-	2,507,828
High	356,419	83,720	-	440,139
Unrated	757,265	1,443	-	758,708
Credit impaired	-	-	16,460	16,460
Gross carrying amount	11,729,284	1,277,292	16,460	13,023,036
Expected credit losses	(6,833)	(16,664)	(9,107)	(32,604)

Note a: The ECL is recognised in other comprehensive income reserves instead of in the statement of financial position as the carrying amount of debt instruments at FVOCI is equivalent to fair value.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

Simplified approach

GROUP 2019	Current to less than 16 days past due RM'000	16 days to 30 days past due RM'000	More than 30 days past due RM'000	Total RM'000
Amounts due from clients and brokers				
Gross carrying amount	76,941	31	875	77,847
Expected credit losses	-	-	(839)	(839)
Net carrying amount	76,941	31	36	77,008

	Current RM'000	More than 90 days past due RM'000	Total RM'000
Other assets (exclude prepayment)			
Gross carrying amount	179,100	34,385	213,485
Expected credit losses	-	(34,385)	(34,385)
Net carrying amount	179,100	-	179,100

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

BANK 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)				
Investment graded	624,441	-	-	624,441
Non-investment graded	6	-	-	6
Sovereign/Government backed	692,476	-	-	692,476
Gross carrying amount	1,316,923	-	-	1,316,923
Expected credit losses	(38)	-	-	(38)
Net carrying amount	1,316,885	-	-	1,316,885
Financial investments at fair value through other comprehensive income (exclude equity securities)				
Investment graded	2,428,480	47,617	-	2,476,097
Sovereign/Government backed	4,376,761	-	-	4,376,761
Gross carrying amount	6,805,241	47,617	-	6,852,858
Expected credit losses [Note a]	(55)	(327)	-	(382)
Financial investments at amortised cost				
Investment graded	130,058	-	-	130,058
Sovereign/Government backed	101,446	-	-	101,446
Unrated	55,745	25,281	-	81,026
Credit impaired	-	-	1,294	1,294
Gross carrying amount	287,249	25,281	1,294	313,824
Expected credit losses	(330)	(270)	(1,294)	(1,894)
Net carrying amount	286,919	25,011	-	311,930

Note a: The ECL is recognised in other comprehensive income reserves instead of in the statement of financial position as the carrying amount of debt instruments at FVOCI is equivalent to fair value.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

BANK 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Loans, advances and financing				
Low	21,420,465	500,842	-	21,921,307
Medium	5,336,079	2,242,286	-	7,578,365
High	1,184,084	1,308,235	-	2,492,319
Unrated	390,699	131,403	-	522,102
Credit impaired	-	-	369,124	369,124
Gross carrying amount	28,331,327	4,182,766	369,124	32,883,217
Expected credit losses	(49,135)	(142,622)	(171,332)	(363,089)
Net carrying amount	28,282,192	4,040,144	197,792	32,520,128
Statutory deposit				
Sovereign/Government backed	1,142,008	-	-	1,142,008
Unrated	100	-	-	100
Gross carrying amount	1,142,108	-	-	1,142,108
Expected credit losses	-	-	-	-
Net carrying amount	1,142,108	-	-	1,142,108
Credit related commitments and contingencies				
Low	7,457,146	224,376	-	7,681,522
Medium	1,222,599	704,447	-	1,927,046
High	218,882	71,135	-	290,017
Unrated	497,553	1,433	-	498,986
Credit impaired	-	-	14,481	14,481
Gross carrying amount	9,396,180	1,001,391	14,481	10,412,052
Expected credit losses	(6,097)	(13,483)	(9,002)	(28,582)

Simplified Approach

BANK 2019	Current RM'000	More than 90 days past due RM'000	Total RM'000
Other assets (exclude prepayment)			
Gross carrying amount	302,221	29,604	331,825
Expected credit losses	-	(29,604)	(29,604)
Net carrying amount	302,221	-	302,221

Under MFRS 139, all loans, advances and financing are categorised as either:

- Neither past due nor impaired;
- Past due but not impaired; or
- Impaired.

Past due loans/financing, advances and financing refer to loans that are overdue by one day or more. Impaired loans/financing are classified in accordance to the BNM Revised Policy Document on Financial Reporting and Financial Reporting for Islamic Banking Institutions.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

Distribution of loans, advances and financing by credit quality

	GROUP 2018 RM'000	BANK 2018 RM'000
Neither past due nor impaired	38,368,245	30,283,493
Past due but not impaired	1,361,609	1,016,197
Impaired	577,519	470,646
Gross loans, advances and financing	40,307,373	31,770,336
Less: Allowance for impairment losses		
- Individual assessment	(75,733)	(64,967)
- Collective assessment	(296,716)	(220,435)
Net loans, advances and financing	39,934,924	31,484,934

Loans, advances and financing that are neither past due nor impaired

Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group's internal credit grading system is as follows:

	GROUP 2018 RM'000	BANK 2018 RM'000
Grading classification		
- Good	37,096,620	29,271,361
- Fair	1,271,625	1,012,132
	38,368,245	30,283,493

The definition of the grading classification can be summarised as follows:

Good: *Refers to loans, advances and financing which have never been past due in the last 6 months and have never undergone any restructuring or rescheduling exercise previously.*

Fair: *Refers to loans, advances and financing which have been past due at some point within the last 6 months, or have undergone restructuring or rescheduling exercise previously.*

Loans, advances and financing that are past due but not impaired

An aging analysis of loans, advances and financing that are past due but not impaired is set out below.

For the purpose of this analysis an asset is considered past due and included below when any payment due under strict contractual terms is received late or missed. The amount included is the entire financial asset, not just the payment of principal or interest/profit or both overdue.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

Loans, advances and financing that are past due but not impaired (cont'd)

	GROUP 2018 RM'000	BANK 2018 RM'000
Past due up to 1 month	1,105,247	836,874
Past due > 1 - 2 months	221,479	159,159
Past due > 2 - 3 months	34,883	20,164
	1,361,609	1,016,197

Loans, advances and financing assessed as impaired

An analysis of the gross amount of loans, advances and financing individually assessed as impaired by the Group and the Bank is as follows:

	GROUP 2018 RM'000	BANK 2018 RM'000
Gross impaired loans	577,519	470,646
Gross individually assessed impaired loans [Note]	209,987	154,629
Less: Allowance for impairment losses		
- Individual assessment	(75,733)	(64,967)
Net individually assessed impaired loans	134,254	89,662

Note:

Exclude individually assessed impaired loans which were fully collateralised and subsequently assessed under collective allowance for the Group and the Bank at RM128,035,000 and RM126,404,000 respectively in prior year.

Other financial assets

Other financial assets include cash and short term funds, deposits and placements with other financial institutions, amounts due from clients and brokers, debt securities, derivative financial assets, statutory deposits with BNM and other assets. Cash and short term funds herein exclude cash in hand. Debt securities include financial assets held-for-trading, financial investments available-for-sale and financial investments held-to-maturity. Financial assets held-for-trading and financial investments available-for-sale are measured at fair value. The fair value will reflect the credit risk of the issuer.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

Other financial assets (cont'd)

Distribution of other financial assets by credit quality are summarised as below:

GROUP 2018	Neither past due nor impaired RM'000	Impaired RM'000	Allowance for impairment losses RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	2,503,354	-	-	2,503,354
Deposits and placements with banks and other financial institutions	77,283	-	-	77,283
Amounts due from clients and brokers	101,066	1,079	(840)	101,305
Financial assets held-for-trading	63,750	-	-	63,750
Financial investments available-for-sale (exclude equity securities)	8,326,333	9,420	(9,420)	8,326,333
Financial investments held-to-maturity	289,240	18,565	(14,193)	293,612
Derivative financial assets	84,455	-	-	84,455
Statutory deposits	1,408,316	-	-	1,408,316
Other assets (exclude prepayment)	125,519	32,017	(32,017)	125,519
	12,979,316	61,081	(56,470)	12,983,927

BANK 2018	Neither past due nor impaired RM'000	Impaired RM'000	Allowance for impairment losses RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	1,450,557	-	-	1,450,557
Deposits and placements with banks and other financial institutions	77,283	-	-	77,283
Financial assets held-for-trading	48,771	-	-	48,771
Financial investments available-for-sale (exclude equity securities)	6,284,804	11	(11)	6,284,804
Financial investments held-to-maturity	344,703	1,294	(1,294)	344,703
Derivative financial assets	84,455	-	-	84,455
Statutory deposits	1,092,566	-	-	1,092,566
Other assets (exclude prepayment)	161,956	27,578	(27,578)	161,956
	9,545,095	28,883	(28,883)	9,545,095

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

Other financial assets (cont'd)

Most listed and some unlisted securities are rated by external rating agencies. The Group and the Bank use external credit ratings provided by RAM, MARC, FITCH, Moody's and S&P. The table below presents an analysis of other financial assets by rating agency:

GROUP 2018	Cash and short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for sale RM'000	Financial investments held-to-maturity RM'000	Derivative financial assets RM'000	Statutory deposits RM'000	Total RM'000
By rating agencies								
RAM								
AAA	103,496	77,283	-	1,508,539	-	28,948	-	1,718,266
AA1	-	-	-	288,265	-	842	-	289,107
AA2	105,868	-	-	386,986	-	24,556	-	517,410
AA3	50,009	-	-	380,297	-	324	-	430,630
A1	59,250	-	12,623	73,250	-	34	-	145,157
A2	-	-	-	-	-	-	-	-
P1	-	-	40,904	14,978	-	-	-	55,882
MARC								
AA	-	-	-	151,794	-	-	-	151,794
AAA	-	-	-	354,440	-	-	-	354,440
AA-	-	-	-	100,280	-	-	-	100,280
A	-	-	-	-	-	5	-	5
FITCH								
AA	84	-	-	-	-	-	-	84
BBB+	947	-	-	-	-	-	-	947
Moody's								
AA1	-	-	-	-	-	-	-	-
AA2	-	-	-	-	-	-	-	-
AA3	-	-	-	-	-	48	-	48
A1	397	-	-	-	-	210	-	607
A3	154,649	-	-	-	-	-	-	154,649
S&P								
AA-	1,783	-	-	-	-	743	-	2,526
A	1,132	-	-	-	-	-	-	1,132
BBB+	1,530	-	-	-	-	-	-	1,530
Goverment backed	1,877,818	-	10,223	5,067,504	288,867	-	1,408,316	8,652,728
Unrated [Note]	146,391	-	-	-	4,745	28,745	-	179,881
	2,503,354	77,283	63,750	8,326,333	293,612	84,455	1,408,316	12,757,103

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

Other financial assets (cont'd)

Most listed and some unlisted securities are rated by external rating agencies. The Group and the Bank use external credit ratings provided by RAM, MARC, FITCH, Moody's and S&P. The table below presents an analysis of other financial assets by rating agency: (cont'd)

BANK 2018	Cash and short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for sale RM'000	Financial investments held-to-maturity RM'000	Derivative financial assets RM'000	Statutory deposits RM'000	Total RM'000
By rating agencies								
RAM								
AAA	100,506	77,283	-	1,107,723	-	28,948	-	1,314,460
AA1	-	-	-	201,941	-	842	-	202,783
AA2	105,868	-	-	336,535	-	24,556	-	466,959
AA3	50,009	-	-	82,194	-	324	-	132,527
A1	300,054	-	12,622	817,003	130,059	34	-	1,259,772
P1	-	-	25,926	14,978	-	-	-	40,904
MARC								
AA	-	-	-	45,852	-	-	-	45,852
AAA	-	-	-	307,873	-	-	-	307,873
AA-	-	-	-	80,206	-	-	-	80,206
A	-	-	-	-	-	5	-	5
FITCH								
AA	84	-	-	-	-	-	-	84
BBB+	947	-	-	-	-	-	-	947
Moody's								
AA3	-	-	-	-	-	48	-	48
A1	397	-	-	-	-	210	-	607
A3	154,649	-	-	-	-	-	-	154,649
S&P								
AA-	1,783	-	-	-	-	743	-	2,526
A	1,132	-	-	-	-	-	-	1,132
BBB+	1,530	-	-	-	-	-	-	1,530
Goverment backed	587,207	-	10,223	3,290,499	214,307	-	1,092,566	5,194,802
Unrated [Note]	146,391	-	-	-	337	28,745	-	175,473
	1,450,557	77,283	48,771	6,284,804	344,703	84,455	1,092,566	9,383,139

Note:

Unrated financial instruments comprise of placement with financial institutions where credit rating is not available, investments in bankers' acceptances, negotiable instruments of deposits and debt securities that are no longer rated, or are exempted from credit rating.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(vi) Sensitivity test

The Group and the Bank have performed expected credit losses sensitivity assessment on financial assets based on the changes in key variables as below while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the expected credit losses of the Group and the Bank.

The table below outlines the effect of the changes in major key variables used on expected credit losses while other variables remain constant:

2019 GROUP	MEV Change (%)	+ RM'000	- RM'000
Measurement variables			
Retail			
Consumption credit	3.3	6,382	(6,313)
House price index	7.1	(4,551)	6,241
Unemployment rate	0.2	3,564	(3,588)
Non-retail			
3 months KLIBOR	0.4	16,772	(9,963)

2019 BANK	MEV Change (%)	+ RM'000	- RM'000
Measurement variables			
Retail			
Consumption credit	3.3	5,394	(5,353)
House price index	7.1	(3,582)	4,904
Unemployment rate	0.2	2,565	(2,582)
Non-retail			
3 months KLIBOR	0.4	13,936	(8,278)

(b) Market Risk

Market Risk is the risk of loss of earnings arising from changes in interest rates, foreign exchange rates, equity prices, commodity prices and their implied volatilities.

The Group has established a framework of risk policies, measurement methodologies and risk limits as approved by the Group Risk Management Committee ("GRMC") to manage market risk. Market risk arising from the trading activities is controlled via position limits, loss limits sensitivity limits and regular revaluation of positions versus market prices, where available.

The Group is also susceptible to exposure to market risk arising from changes in prices of the shares quoted on Bursa Malaysia, which will impact on the Group's amount due from clients and brokers. The risk is controlled by application of credit approvals, limits and monitoring procedures.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(i) Interest rate/profit rate risk

As a subset of market risk, interest/profit rate risk refers to the volatility in net interest/profit income as a result of changes in interest/profit rate of return and shifts in the composition of the assets and liabilities. Interest rate/rate of return risk is managed through interest/profit rate sensitivity analysis. The sensitivity in net interest/profit income from interest/profit rate movement is monitored and reported to Management. In addition to pre-scheduled meetings, Group Assets and Liabilities Management Committee ("GALCO") will also deliberate on revising the Group's and the Bank's lending/financing and deposit rates in response to changes in the benchmark rates set by the central bank.

The effects of changes in the levels of interest rates/rates of return on the market value of securities are monitored closely and mark-to-market valuations are regularly reported to Management.

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of interest/profit rates on its financial position and cash flows. The effects of changes in the levels of interest rates/rates of return on the market value of securities are monitored regularly and the outcomes of mark-to-market valuations are escalated to Management regularly. The table below summarises the effective interest/profit rates at the end of the reporting period and the periods in which the financial instruments will re-price or mature, whichever is the earlier.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(i) Interest rate/profit rate risk (cont'd)

	Non-trading book								
GROUP 2019	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-6 months RM'000**	**>6-12 months RM'000**	**>1-5 years RM'000**	**Over 5 years RM'000**	**Non-interest/ profit sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Assets									
Cash and short-term funds	1,208,638	-	-	-	-	-	596,096	-	1,804,734
Deposits and placements with banks and other financial institutions	500	-	-	-	-	-	-	-	500
Amounts due from clients and brokers	3,338	-	-	-	-	-	73,670	-	77,008
Financial assets at fair value through profit or loss	-	-	-	-	-	-	187,517	42,923	230,440
Financial investments at fair value through other comprehensive income	135,035	190,178	364,225	502,664	5,479,663	2,688,290	118,407	-	9,478,462
Financial investments at amortised cost	34,867	3,790	5,000	119,816	65,000	-	7,247	-	235,720
Derivative financial assets	-	-	-	-	-	-	-	55,442	55,442
Loans, advances and financing	35,649,421	1,557,935	701,796	1,190,989	1,899,093	1,347,128	(26,061)*	-	42,320,301
Other financial assets**	-	-	-	-	-	-	1,700,692	-	1,700,692
Total assets	37,031,799	1,751,903	1,071,021	1,813,469	7,443,756	4,035,418	2,657,568	98,365	55,903,299

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(i) Interest rate/profit rate risk (cont'd)

GROUP 2019	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities									
Deposits from customers	15,031,482	5,304,178	4,449,081	8,687,077	11,152,336	-	393,478	-	45,017,632
Deposits and placements of banks and other financial institutions	274,173	22,342	17,922	67,071	474,929	-	2,271	-	858,708
Financial liabilities designated at fair value through profit or loss	5,862	10,894	25,242	30,375	574,847	126,102	5,101	-	778,423
Amounts due to clients and brokers	-	-	-	-	-	-	51,164	-	51,164
Derivative financial liabilities	-	-	-	-	-	-	-	57,545	57,545
Recourse obligations on loans and financing sold to Cagamas	-	-	-	-	800,013	-	656	-	800,669
Subordinated obligations	-	-	-	-	1,449,468	-	30,754	-	1,480,222
Other financial liabilities	77,313	36,410	695	-	382,720	54,670	1,059,226	-	1,611,034
Total liabilities	15,388,830	5,373,824	4,492,940	8,784,523	14,834,313	180,772	1,542,650	57,545	50,655,397
On-balance sheet interest sensitivity gap	21,642,969	(3,621,921)	(3,421,919)	(6,971,054)	(7,390,557)	3,854,646	1,114,918	40,820	5,247,902

Note:

* Impaired loans/financing, expected credit losses and collective assessment allowance of the Group and the Bank are classified under the non-interest/profit sensitive column.

** Included statutory deposit and other assets.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(i) Interest rate/profit rate risk (cont'd)

GROUP 2018	Non-trading book: Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Assets									
Cash and short-term funds	2,156,551	-	-	-	-	-	612,207	-	2,768,758
Deposits and placements with banks and other financial institutions	-	77,265	-	-	-	-	18	-	77,283
Amounts due from clients and brokers	1,302	-	-	-	-	-	100,003	-	101,305
Financial assets held-for-trading	-	-	-	-	-	-	-	63,750	63,750
Financial investments available-for-sale	24,978	325,123	492,862	620,622	5,184,435	1,590,833	266,336	-	8,505,189
Financial investments held-to-maturity	-	-	84,356	82,818	119,713	-	6,725	-	293,612
Derivative financial assets	-	-	-	-	-	-	-	84,455	84,455
Loans, advances and financing	32,947,800	1,612,546	450,341	358,424	2,626,983	1,788,351	205,070*	-	39,989,515
Other financial assets**	-	-	-	-	-	-	1,533,835	-	1,533,835
Total assets	35,130,631	2,014,934	1,027,559	1,061,864	7,931,131	3,379,184	2,724,194	148,205	53,417,702

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(i) Interest rate/profit rate risk (cont'd)

GROUP 2018	Non-trading book: Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities									
Deposits from customers	16,798,741	4,052,178	4,316,145	8,329,210	1,164,868	-	8,079,318	-	42,740,460
Deposits and placements of banks and other financial institutions	249,495	13,117	13,944	22,649	571,472	-	3,194	-	873,871
Financial liabilities designated at fair value through profit or loss	5,686	12,644	14,160	2,532	260,227	383,460	3,529	-	682,238
Amounts due to clients and brokers	-	-	-	-	-	-	75,103	-	75,103
Derivative financial liabilities	-	-	-	-	-	-	-	154,686	154,686
Recourse obligations on loans and financing sold to Cagamas	-	-	-	300,011	800,006	-	2,346	-	1,102,363
Subordinated obligations	-	-	-	-	1,348,909	-	30,705	-	1,379,614
Other financial liabilities	32,913	-	13,835	20,419	283,264	151,400	802,410	-	1,304,241
Total liabilities	17,086,835	4,077,939	4,358,084	8,674,821	4,428,746	534,860	8,996,605	154,686	48,312,576
On-balance sheet interest sensitivity gap	18,043,796	(2,063,005)	(3,330,525)	(7,612,957)	3,502,385	2,844,324	(6,272,411)	(6,481)	5,105,126

Note:

* Impaired loans/financing, expected credit losses and collective assessment allowance of the Group and the Bank are classified under the non-interest/profit sensitive column.

** Included statutory deposit and other assets.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(i) Interest rate/profit rate risk (cont'd)

	Non-trading book								
BANK 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Assets									
Cash and short-term funds	1,004,644	-	-	-	-	-	567,351	-	1,571,995
Financial assets at fair value through profit or loss	-	-	-	-	-	-	126,733	42,923	169,656
Financial investments at fair value through other comprehensive income	25,009	175,169	309,189	488,643	4,377,370	1,403,500	73,986	-	6,852,866
Financial investments at amortised cost	34,868	-	2,500	99,770	172,500	-	2,292	-	311,930
Derivative financial assets	-	-	-	-	-	-	-	55,442	55,442
Loans, advances and financing	27,900,278	1,184,947	523,683	1,162,718	1,159,138	686,178	6,034*	-	32,622,976
Other financial assets**	-	-	-	-	-	-	1,444,329	-	1,444,329
Total assets	28,964,799	1,360,116	835,372	1,751,131	5,709,008	2,089,678	2,220,725	98,365	43,029,194

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(i) Interest rate/profit rate risk (cont'd)

	Non-trading book								
BANK 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities									
Deposits from customers	11,467,121	4,114,342	3,408,976	6,957,497	8,801,724	-	233,202	-	34,982,862
Deposits and placements of banks and other financial institutions	3,223	15,674	8,151	45,671	270,889	-	1,227	-	344,835
Financial liabilities designated at fair value through profit or loss	5,862	10,894	25,242	30,375	574,847	126,102	5,101	-	778,423
Derivative financial liabilities	-	-	-	-	-	-	-	57,545	57,545
Recourse obligations on loans and financing sold to Cagamas	-	-	-	-	300,000	-	76	-	300,076
Subordinated obligations	-	-	-	-	1,448,826	-	30,754	-	1,479,580
Other financial liabilities	77,313	36,410	695	-	382,720	54,670	902,571	-	1,454,379
Total liabilities	11,553,519	4,177,320	3,443,064	7,033,543	11,779,006	180,772	1,172,931	57,545	39,397,700
On-balance sheet interest sensitivity gap	17,411,280	(2,817,204)	(2,607,692)	(5,282,412)	(6,069,998)	1,908,906	1,047,794	40,820	3,631,494

Note:

* Impaired loans/financing, expected credit losses and collective assessment allowance of the Group and the Bank are classified under the non-interest/profit sensitive column.

** Included statutory deposit and other assets.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(i) Interest rate/profit rate risk (cont'd)

	Non-trading book								
BANK 2018	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-6 months RM'000**	**>6-12 months RM'000**	**>1-5 years RM'000**	**Over 5 years RM'000**	**Non-interest/ profit sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Assets									
Cash and short-term funds	1,191,507	-	-	-	-	-	524,454	-	1,715,961
Deposits and placements with banks and other financial institutions	-	77,265	-	-	-	-	18	-	77,283
Financial assets held-for-trading	-	-	-	-	-	-	-	48,771	48,771
Financial investments available-for-sale	34,978	255,076	469,394	455,478	4,461,124	542,517	187,881	-	6,406,448
Financial investments held-to-maturity	-	-	49,698	63,330	229,596	-	2,079	-	344,703
Derivative financial assets	-	-	-	-	-	-	-	84,455	84,455
Loans, advances and financing	27,070,544	1,167,774	283,597	299,478	1,721,997	817,930	185,244*	-	31,546,564
Other financial assets**	-	-	-	-	-	-	1,254,522	-	1,254,522
Total assets	28,297,029	1,500,115	802,689	818,286	6,412,717	1,360,447	2,154,198	133,226	41,478,707

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(i) Interest rate/profit rate risk (cont'd)

BANK 2018	Non-trading book: Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities									
Deposits from customers	12,660,602	3,315,387	3,331,588	5,679,854	865,845	-	7,655,094	-	33,508,370
Deposits and placements of banks and other financial institutions	58,587	13,117	12,774	18,597	333,872	-	2,291	-	439,238
Financial liabilities designated at fair value through profit or loss	5,686	12,644	14,160	2,532	260,227	383,460	3,529	-	682,238
Derivative financial liabilities	-	-	-	-	-	-	-	154,686	154,686
Recourse obligations on loans and financing sold to Cagamas	-	-	-	300,011	300,000	-	1,685	-	601,696
Subordinated obligations	-	-	-	-	1,348,378	-	30,646	-	1,379,024
Other financial liabilities	32,913	-	13,835	20,419	283,264	151,400	686,333	-	1,188,164
Total liabilities	12,757,788	3,341,148	3,372,357	6,021,413	3,391,586	534,860	8,379,578	154,686	37,953,416
On-balance sheet interest sensitivity gap	15,539,241	(1,841,033)	(2,569,668)	(5,203,127)	3,021,131	825,587	(6,225,380)	(21,460)	3,525,291

Note:

* Impaired loans/financing, expected credit losses and collective assessment allowance of the Group and the Bank are classified under the non-interest/profit sensitive column.

** Included statutory deposit and other assets.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(ii) Foreign exchange risk

Foreign exchange risk refers to the risk that fair value or future cash flows of financial instruments will fluctuate because of the movements in the exchange rates for foreign exchange positions taken by the Group and the Bank from time to time.

Foreign currency exchange risk is managed via approved risk limits and open positions are regularly revalued against current exchange rates and reported to Management and Board.

The following table summarises the assets, liabilities and net open position by currency as at the end of the financial reporting date, which are mainly in US Dollars, Pound Sterling, Euro Dollars, Australian Dollars and Singapore Dollars. Other foreign exchange exposures include exposure to Japanese Yen, Chinese Yuan and New Zealand Dollars. The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Group and the Bank.

GROUP/BANK 2019	US Dollars RM'000	Pound Sterling RM'000	Euro Dollars RM'000	Australian Dollars RM'000	Singapore Dollars RM'000	Others RM'000	Total RM'000
Assets							
Cash and short-term funds	290,207	908	-	1,170	2,585	9,180	304,050
Loans, advances and financing	287,023	94	26,098	-	1,204	306	314,725
Other financial assets	23,246	4	4	220	2	(7)	23,469
Total financial assets	600,476	1,006	26,102	1,390	3,791	9,479	642,244
Liabilities							
Deposits from customers	389,749	36,100	36,159	227,204	44,474	22,654	756,340
Deposits and placements of banks and other financial institutions	-	-	289	-	-	1,003	1,292
Other financial liabilities	16,336	1,649	2,039	40,830	63	2,306	63,223
Total financial liabilities	406,085	37,749	38,487	268,034	44,537	25,963	820,855
On-balance sheet open position	194,391	(36,743)	(12,385)	(266,644)	(40,746)	(16,484)	(178,611)
Off-balance sheet open position	(278,254)	34,755	10,360	252,142	18,716	28,059	65,778
Net open position	(83,863)	(1,988)	(2,025)	(14,502)	(22,030)	11,575	(112,833)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(ii) Foreign exchange risk (cont'd)

GROUP/BANK 2018	US Dollars RM'000	Pound Sterling RM'000	Euro Dollars RM'000	Australian Dollars RM'000	Singapore Dollars RM'000	Others RM'000	Total RM'000
Assets							
Cash and short-term funds	247,253	1,502	948	178	1,929	10,463	262,273
Deposits and placements with banks and other financial institutions	77,283	-	-	-	-	-	77,283
Loans, advances and financing	332,833	-	5,220	-	32,237	1,199	371,489
Other financial assets	39,817	-	-	6	19	120	39,962
Total financial assets	697,186	1,502	6,168	184	34,185	11,782	751,007
Liabilities							
Deposits from customers	501,381	52,496	33,618	125,844	41,470	36,923	791,732
Deposits and placements of banks and other financial institutions	19,318	-	-	-	-	21,864	41,182
Financial liabilities designated at fair value	-	-	-	-	-	911	911
Other financial liabilities	13,530	431	2,463	6,071	-	1,804	24,299
Total financial liabilities	534,229	52,927	36,081	131,915	41,470	61,502	858,124
On-balance sheet open position	162,957	(51,425)	(29,913)	(131,731)	(7,285)	(49,720)	(107,117)
Off-balance sheet open position	(190,218)	50,042	27,941	104,387	(11,117)	56,264	37,299
Net open position	(27,261)	(1,383)	(1,972)	(27,344)	(18,402)	6,544	(69,818)

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(iii) Value at risk ("VaR")

Value-at-risk ("VaR") reflects the maximum potential loss of value of a portfolio resulting from market movements within a specified probability of occurrence (level of confidence); for a specific period of time (holding period). For the Group and the Bank, VaR is computed based on the historical simulation approach with parameters in accordance with BNM and Basel requirements. Backtesting is performed daily to validate and reassess the accuracy of the VaR model. This involves the comparison of the daily VaR values against the hypothetical profit and loss over the corresponding period.

The table below sets out a summary of the Group's and the Bank's VaR profile by financial instrument types for the Trading Portfolio:

	Balance RM'000	Average for the year RM'000	Minimum RM'000	Maximum RM'000
GROUP				
2019				
FX related derivatives	**(162)**	**(317)**	**(162)**	**(462)**
Government securities	**(10,364)**	**(8,148)**	**(6,705)**	**(10,364)**
Private debt securities	**(4,406)**	**(5,141)**	**(3,873)**	**(6,648)**
BANK				
2019				
FX related derivatives	**(162)**	**(317)**	**(162)**	**(462)**
Government securities	**(5,826)**	**(4,467)**	**(3,114)**	**(5,826)**
Private debt securities	**(4,406)**	**(4,935)**	**(3,873)**	**(6,648)**
GROUP				
2018				
FX related derivatives	(578)	(1,179)	(461)	(2,706)
Government securities	(4,093)	(14,646)	(4,093)	(41,511)
Private debt securities	(3,391)	(8,761)	(3,391)	(14,624)
BANK				
2018				
FX related derivatives	(578)	(1,179)	(461)	(2,706)
Government securities	(3,017)	(11,387)	(3,015)	(32,749)
Private debt securities	(1,308)	(2,515)	(1,070)	(4,359)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(iv) Interest rate risk/rate of return risk in the banking book

The following tables present the Group's and the Bank's projected sensitivity to a 100 basis point parallel shock to interest rates across all maturities applied on the Group's and the Bank's interest sensitivity gap as at reporting date.

	2019 GROUP		2019 BANK	
	- 100 bps	+ 100 bps	- 100 bps	+ 100 bps
	Increase/(Decrease)		Increase/(Decrease)	
	RM'000	RM'000	RM'000	RM'000
Impact on net profit after tax	**(90,574)**	**90,574**	**(74,614)**	**74,614**
Impact on equity	**267,440**	**(237,670)**	**161,525**	**(146,837)**

	2018 GROUP		2018 BANK	
	- 100 bps	+ 100 bps	- 100 bps	+ 100 bps
	Increase/(Decrease)		Increase/(Decrease)	
	RM'000	RM'000	RM'000	RM'000
Impact on net profit after tax	(95,584)	95,584	(78,216)	78,216
Impact on equity	198,551	(173,091)	128,578	(109,818)

Note:

The foreign currency impact on net profit is considered insignificant as the individual exposure is less than 5% of Banking Book assets/liabilities.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(v) Other risk measures

(i) Stress test

Stress testing is normally used by banks to gauge their potential vulnerability to exceptional but plausible events. The Group performs stress testing regularly to measure and alert the Board and Management on the effects of potential political, economic or other disruptive events on our exposures. The Group's stress testing process is governed by the Stress Testing Framework as approved by the Board. Stress testing is conducted on a bank-wide basis as well as on specific portfolios. The Group's bank-wide stress testing exercise uses a variety of broad macroeconomic indicators that are then translated into stress impacts on the various business units. The results are then consolidated to provide an overall impact on the Group's financial results and capital requirements. Stress testing results are reported to the Board and Management to provide them with an assessment of the financial impact of such events would have on the Group's profitability and capital levels.

(ii) Sensitivity analysis

Sensitivity analysis is used to measure the impact of changes in individual stress factors such as interest/profit rates or foreign exchange rates. It is normally designed to isolate and quantify exposure to the underlying risk. The Group and the Bank perform sensitivity analysis such as parallel shifts of interest/profit rates on its exposures, primarily on the banking and trading book positions.

(c) Liquidity Risk

Liquidity risk is the inability of the Group and the Bank to meet financial commitments when due.

The Group's and the Bank's liquidity risk profile is managed using liquidity risk management strategies set in the Liquidity Risk Management Policy. Liquidity Risk Measures are monitored against approved thresholds by GALCO and GRMC. A contingency funding plan is also established by the Group and the Bank as a forward-looking measure to ensure that liquidity risk can be addressed according to the degrees of key risk indicators, and which incorporates alternative funding strategies which are ready to be implemented on a timely basis to mitigate the impact of unforeseen adverse changes in liquidity in the market place.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

(i) Liquidity risk for assets and liabilities based on remaining contractual maturities

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity terms based on remaining contractual maturities:

GROUP 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Assets						
Cash and short-term funds	1,804,734	-	-	-	-	1,804,734
Deposits and placements with banks and other financial institutions	500	-	-	-	-	500
Amounts due from clients and brokers	77,008	-	-	-	-	77,008
Financial assets at FVTPL	379	-	118	-	229,943	230,440
Financial investments at FVOCI	180,003	230,448	387,975	502,664	8,177,372	9,478,462
Financial investments at amortised cost	37,164	4,549	4,994	119,816	69,197	235,720
Loans, advances and financing	8,681,232	2,125,500	883,666	136,537	30,493,366	42,320,301
Other financial and non-financial assets	192,956	19,453	5,812	2,791	2,152,674	2,373,686
Total assets	10,973,976	2,379,950	1,282,565	761,808	41,122,552	56,520,851
Liabilities						
Deposits from customers	25,836,029	5,376,065	4,509,248	8,733,406	562,884	45,017,632
Deposits and placements of banks and other financial institutions	278,226	22,342	17,922	66,661	473,557	858,708
Financial liabilities designated at fair value through profit or loss	9,446	17,970	34,361	29,644	687,002	778,423
Amounts due to clients and brokers	51,164	-	-	-	-	51,164
Recourse obligations on loans and financing sold to Cagamas	-	656	-	-	800,013	800,669
Subordinated obligations	-	-	-	-	1,480,222	1,480,222
Other financial and non-financial liabilities	941,843	13,381	17,255	6,486	822,226	1,801,191
Total liabilities	27,116,708	5,430,414	4,578,786	8,836,197	4,825,904	50,788,009
Net maturity mismatch	(16,142,732)	(3,050,464)	(3,296,221)	(8,074,389)	36,296,648	5,732,842

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

(i) Liquidity risk for assets and liabilities based on remaining contractual maturities (cont'd)

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity terms based on remaining contractual maturities: (cont'd)

GROUP 2018	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Assets						
Cash and short-term funds	2,768,758	-	-	-	-	2,768,758
Deposits and placements with banks and other financial institutions	-	77,283	-	-	-	77,283
Amounts due from clients and brokers	101,305	-	-	-	-	101,305
Financial investment held-for-trading	14,978	25,926	167	-	22,679	63,750
Financial investment available-for-sale	61,848	355,038	519,110	619,793	6,949,400	8,505,189
Financial investment held-to-maturity	1,228	744	84,423	82,636	124,581	293,612
Loans, advances and financing	7,889,140	1,974,013	995,242	187,093	28,944,027	39,989,515
Other financial and non-financial assets	113,465	37,283	7,211	15,060	1,965,837	2,138,856
Total assets	10,950,722	2,470,287	1,606,153	904,582	38,006,524	53,938,268
Liabilities						
Deposits from customers	24,747,374	4,098,867	4,396,044	8,391,457	1,106,718	42,740,460
Deposits and placements of banks and other financial institutions	250,481	13,118	16,150	22,650	571,472	873,871
Financial liabilities designated at fair value through profit or loss	1,759	1,869	21,315	15,600	641,695	682,238
Amounts due to clients and brokers	75,103	-	-	-	-	75,103
Recourse obligations on loans and financing sold to Cagamas	-	2,346	-	300,011	800,006	1,102,363
Subordinated obligations	22,118	8,528	59	-	1,348,909	1,379,614
Other financial and non-financial liabilities	560,648	17,982	52,857	47,094	946,448	1,625,029
Total liabilities	25,657,483	4,142,710	4,486,425	8,776,812	5,415,248	48,478,678
Net maturity mismatch	(14,706,761)	(1,672,423)	(2,880,272)	(7,872,230)	32,591,276	5,459,590

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

(i) Liquidity risk for assets and liabilities based on remaining contractual maturities (cont'd)

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity terms based on remaining contractual maturities: (cont'd)

BANK 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Assets						
Cash and short-term funds	1,571,995	-	-	-	-	1,571,995
Financial assets at FVTPL	379	-	118	-	169,159	169,656
Financial investments at FVOCI	58,511	199,629	325,205	488,643	5,780,878	6,852,866
Financial investments at amortised cost	36,891	446	2,556	99,771	172,266	311,930
Loans, advances and financing	6,492,380	1,527,109	669,257	106,285	23,827,945	32,622,976
Other financial and non-financial assets	267,702	18,497	5,812	2,791	2,661,243	2,956,045
Total assets	8,427,858	1,745,681	1,002,948	697,490	32,611,491	44,485,468
Liabilities						
Deposits from customers	20,197,348	4,169,377	3,454,002	6,994,865	167,270	34,982,862
Deposits and placements of banks and other financial institutions	3,224	15,674	9,378	45,260	271,299	344,835
Financial liabilities designated at fair value through profit or loss	9,446	17,970	34,361	29,644	687,002	778,423
Recourse obligations on loans and financing sold to Cagamas	-	76	-	-	300,000	300,076
Subordinated obligations	21,835	8,919	-	-	1,448,826	1,479,580
Other financial and non-financial liabilities	549,997	49,614	16,871	5,795	1,007,576	1,629,853
Total liabilities	20,781,850	4,261,630	3,514,612	7,075,564	3,881,973	39,515,629
Net maturity mismatch	(12,353,992)	(2,515,949)	(2,511,664)	(6,378,074)	28,729,518	4,969,839

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

(i) Liquidity risk for assets and liabilities based on remaining contractual maturities (cont'd)

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity terms based on remaining contractual maturities: (cont'd)

BANK 2018	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Assets						
Cash and short-term funds	1,715,961	-	-	-	-	1,715,961
Deposits and placements with banks and other financial institutions	-	77,283	-	-	-	77,283
Financial investment held-for-trading	-	25,926	167	-	22,678	48,771
Financial investment available-for-sale	61,449	274,130	489,924	455,660	5,125,285	6,406,448
Financial investment held-to-maturity	1,229	446	49,764	63,149	230,115	344,703
Loans, advances and financing	6,209,355	1,484,709	696,125	127,651	23,028,724	31,546,564
Other financial and non-financial assets	132,875	29,877	7,173	14,735	2,528,449	2,713,109
Total assets	8,120,869	1,892,371	1,243,153	661,195	30,935,251	42,852,839
Liabilities						
Deposits from customers	20,217,072	3,354,730	3,391,908	5,730,196	814,464	33,508,370
Deposits and placements of banks and other financial institutions	59,539	13,117	14,113	18,598	333,871	439,238
Financial liabilities designated at fair value through profit or loss	1,759	1,869	21,315	15,600	641,695	682,238
Recourse obligations on loans and financing sold to Cagamas	-	1,685	-	300,011	300,000	601,696
Subordinated obligations	22,118	8,528	-	-	1,348,378	1,379,024
Other financial and non-financial liabilities	460,982	17,012	52,630	46,640	920,310	1,497,574
Total liabilities	20,761,470	3,396,941	3,479,966	6,111,045	4,358,718	38,108,140
Net maturity mismatch	(12,640,601)	(1,504,570)	(2,236,813)	(5,449,850)	26,576,533	4,744,699

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

(ii) Contractual maturity of financial liabilities on an undiscounted basis

The table below presents the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities.

GROUP 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Non derivative financial liabilities							
Deposits from customers	25,875,927	5,423,059	4,602,190	8,961,760	609,354	-	45,472,290
Deposits and placements of banks and other financial institutions	274,355	26,629	17,922	71,136	484,833	-	874,875
Financial liabilities designated at fair value through profit or loss	60,769	18,154	34,495	30,568	722,841	183,570	1,050,397
Recourse obligations on loans and financing sold to Cagamas	-	8,882	5,494	21,265	878,453	-	914,094
Subordinated obligations	25,875	12,938	3,125	41,938	1,894,050	281,263	2,259,189
Other financial liabilities	1,154,277	470	995	2,078	887,849	-	2,045,669
	27,391,203	5,490,132	4,664,221	9,128,745	5,477,380	464,833	52,616,514
Items not recognised in the statements of financial position							
Financial guarantees	130,379	134,969	89,245	266,040	89,882	10,985	721,500
Credit related commitments and contingencies	9,954,752	115,655	45,497	93,651	1,826,460	265,521	12,301,536
	10,085,131	250,624	134,742	359,691	1,916,342	276,506	13,023,036
Derivatives financial liabilities							
Derivatives settled on a net basis							
Interest rate derivatives and equity option	(461)	(301)	(777)	(1,031)	(1,431)	119	(3,882)
Net outflow	(461)	(301)	(777)	(1,031)	(1,431)	119	(3,882)
Derivatives settled on a gross basis							
Outflow	(1,190,844)	(730,886)	(693,948)	(72,416)	(135,742)	-	(2,823,836)
Inflow	1,187,151	723,433	687,341	70,461	130,687	-	2,799,073
	(3,693)	(7,453)	(6,607)	(1,955)	(5,055)	-	(24,763)

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

(ii) Contractual maturity of financial liabilities on an undiscounted basis (cont'd)

The table below presents the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amount disclosed in the table are the contractual undiscounted cash flows of all financial liabilities. (cont'd)

GROUP 2018	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Non derivative financial liabilities							
Deposits from customers	24,728,020	4,138,871	4,453,018	8,618,218	1,249,501	-	43,187,628
Deposits and placements of banks and other financial institutions	250,504	6,197	13,944	27,105	587,990	-	885,740
Financial liabilities designated at fair value through profit or loss	6,351	14,222	15,935	2,567	284,895	423,084	747,054
Amounts due to clients and brokers	75,103	-	-	-	-	-	75,103
Recourse obligations on loans and financing sold to Cagamas	-	10,661	10,661	321,207	901,218	-	1,243,747
Subordinated obligations	25,875	13,163	-	39,038	462,300	1,406,100	1,946,476
Other financial liabilities	449,648	656	17,534	26,255	645,717	142,202	1,282,012
	25,535,501	4,183,770	4,511,092	9,034,390	4,131,621	1,971,386	49,367,760
Items not recognised in the statements of financial position							
Financial guarantees	84,641	244,156	102,040	167,005	121,920	11,009	730,771
Credit related commitments and contingencies	9,366,683	51,452	77,569	350,202	1,442,650	24,775	11,313,331
	9,451,324	295,608	179,609	517,207	1,564,570	35,784	12,044,102
Derivatives financial liabilities							
Derivatives settled on a net basis							
Interest rate derivatives and equity option	(236)	(2,610)	(2,352)	(2,942)	(8,735)	232	(16,643)
Net outflow	(236)	(2,610)	(2,352)	(2,942)	(8,735)	232	(16,643)
Derivatives settled on a gross basis							
Outflow	(2,056,306)	(419,572)	(461,162)	(296,537)	(97,443)	(5,778)	(3,336,798)
Inflow	2,028,453	406,649	428,965	276,566	86,689	4,972	3,232,294
	(27,853)	(12,923)	(32,197)	(19,971)	(10,754)	(806)	(104,504)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

(ii) Contractual maturity of financial liabilities on an undiscounted basis (cont'd)

The table below presents the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amount disclosed in the table are the contractual undiscounted cash flows of all financial liabilities. (cont'd)

BANK 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Non derivative financial liabilities							
Deposits from customers	20,208,190	4,208,228	3,527,523	7,156,724	175,420	-	35,276,085
Deposits and placements of banks and other financial institutions	3,223	18,146	8,151	48,045	275,962	-	353,527
Financial liabilities designated at fair value through profit or loss	9,604	18,154	34,495	30,568	722,841	183,570	999,232
Recourse obligations on loans and financing sold to Cagamas	-	3,388	-	10,276	337,383	-	351,047
Subordinated obligations	25,875	12,938	3,125	41,938	1,785,500	461,313	2,330,689
Other financial liabilities	544,206	36,561	226	694	990,612	-	1,572,299
	20,791,098	4,297,415	3,573,520	7,288,245	4,287,718	644,883	40,882,879
Items not recognised in the statements of financial position							
Financial guarantees	108,481	96,364	78,426	160,654	74,141	-	518,066
Credit related commitments and contingencies	8,101,228	66,521	34,918	87,485	1,363,401	240,433	9,893,986
	8,209,709	162,885	113,344	248,139	1,437,542	240,433	10,412,052
Derivatives financial liabilities							
Derivatives settled on a net basis							
Interest rate derivatives and equity option	(461)	(301)	(777)	(1,031)	(1,431)	119	(3,882)
Net outflow	(461)	(301)	(777)	(1,031)	(1,431)	119	(3,882)
Derivatives settled on a gross basis							
Outflow	(1,190,844)	(730,886)	(693,948)	(72,416)	(135,742)	-	(2,823,836)
Inflow	1,187,151	723,433	687,341	70,461	130,687	-	2,799,073
	(3,693)	(7,453)	(6,607)	(1,955)	(5,055)	-	(24,763)

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

(ii) Contractual maturity of financial liabilities on an undiscounted basis (cont'd)

The table below presents the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amount disclosed in the table are the contractual undiscounted cash flows of all financial liabilities. (cont'd)

BANK 2018	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Non derivative financial liabilities							
Deposits from customers	20,194,470	3,388,950	3,437,874	5,865,455	916,250	-	33,802,999
Deposits and placements of banks and other financial institutions	59,544	4,376	12,774	21,241	343,095	-	441,030
Financial liabilities designated at fair value through profit or loss	6,351	14,222	15,935	2,567	284,895	423,084	747,054
Recourse obligations on loans and financing sold to Cagamas	-	6,726	6,688	313,377	351,047	-	677,838
Subordinated obligations	25,875	13,163	-	39,038	462,300	1,406,100	1,946,476
Other financial liabilities	389,938	656	17,534	26,255	589,350	142,202	1,165,935
	20,676,178	3,428,093	3,490,805	6,267,933	2,946,937	1,971,386	38,781,332
Items not recognised in the statements of financial position							
Financial guarantees	76,226	220,820	90,046	137,873	31,736	-	556,701
Credit related commitments and contingencies	7,549,654	45,861	72,315	338,040	1,088,876	24,246	9,118,992
	7,625,880	266,681	162,361	475,913	1,120,612	24,246	9,675,693
Derivatives financial liabilities							
Derivatives settled on a net basis							
Interest rate derivatives and equity option	(236)	(2,610)	(2,352)	(2,942)	(8,735)	232	(16,643)
Net outflow	(236)	(2,610)	(2,352)	(2,942)	(8,735)	232	(16,643)
Derivatives settled on a gross basis							
Outflow	(2,056,306)	(419,572)	(461,162)	(296,537)	(97,443)	(5,778)	(3,336,798)
Inflow	2,028,453	406,649	428,965	276,566	86,689	4,972	3,232,294
	(27,853)	(12,923)	(32,197)	(19,971)	(10,754)	(806)	(104,504)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(d) Operational and Shariah Compliance Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition of Operational Risk includes legal risk, but excludes strategic and reputational risk. Operational risk includes Shariah non-compliance risk which arises from the Group's failure to comply with the Shariah rules and principles determined by the relevant Shariah advisory councils.

Group Operational Risk of Group Risk Management formulates and implements operational risk framework within the Group while the line of businesses in conjunction with the Risk Control Officers are responsible for the management of their day-to-day operational and Shariah non-compliance risks.

Operational and Shariah non-compliance risk management is a continual cyclic process which includes risk identification, assessment, control, mitigation and monitoring. This includes analysing the risk profile of the Group, determining control gaps, assessing potential loss and enhancing controls to mitigate the risks.

The main activities undertaken by the Group and the Bank in managing operational and Shariah non-compliance risks include the identification of risks and controls, monitoring of key risk indicators, reviews of policies and procedures, operational risk and Shariah non-compliance risk awareness training, and business continuity management.

The Group and the Bank apply the Basic Indicator Approach for operational risk capital charge computation.

46. CAPITAL COMMITMENTS

	GROUP		BANK	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Capital expenditure:				
Authorised and contracted for	**46,839**	56,026	**45,925**	55,198
Authorised but not contracted for	**123,701**	113,418	**121,441**	111,664
	170,540	169,444	**167,366**	166,862

47. LEASE COMMITMENTS

The Group and the Bank have lease commitments in respect of equipment on hire and premises, all of which are classified as operating leases. A summary of the non-cancellable lease commitments are as follows:

	GROUP		BANK	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Within one year	**35,708**	29,719	**33,765**	27,933
Between one to five years	**43,506**	40,510	**42,241**	37,810
	79,214	70,229	**76,006**	65,743

The operating leases of the Group's and the Bank's premises typically cover for an initial period of two to three years with options for renewal. These leases are cancellable but are usually renewed upon expiry or replaced by leases on other properties.

48. 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 their customers. No material losses are anticipated as a result of these transactions.

The off-balance sheet notional exposures of the Group and the Bank are as follows:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Credit-related exposures				
Direct credit substitutes [Note a]	**650,663**	719,148	**490,085**	564,446
Transaction-related contingent items [Note a]	**680,097**	739,535	**609,843**	651,896
Short-term self-liquidating trade-related contingencies	**179,994**	235,056	**133,405**	215,445
Forward assets purchase	**236,985**	-	**211,985**	-
Obligations under an on-going underwriting agreement	**46,154**	-	**-**	-
Irrevocable commitments to extend credit:				
- maturity exceeding one year	**1,319,483**	1,056,899	**904,181**	744,972
- maturity not exceeding one year	**8,308,840**	7,543,400	**6,461,733**	5,748,870
Unutilised credit card lines	**1,600,820**	1,750,064	**1,600,820**	1,750,064
	13,023,036	12,044,102	**10,412,052**	9,675,693
Derivative financial instruments [Note b]				
Foreign exchange related contracts:				
- one year or less	**4,561,102**	5,057,347	**4,561,102**	5,057,347
- over one year to three years	**159,580**	73,015	**159,580**	73,015
- over three years	**10,209**	17,385	**10,209**	17,385
Interest rate related contracts:				
- one year or less	**2,034,786**	1,206,130	**2,034,786**	1,206,130
- over one year to three years	**1,779,255**	1,990,360	**1,779,255**	1,990,360
- over three years	**2,503,968**	2,146,310	**2,503,968**	2,146,310
Equity related contracts:				
- one year or less	**78,958**	38,825	**78,958**	38,825
- over one year to three years	**30,810**	67,660	**30,810**	67,660
	11,158,668	10,597,032	**11,158,668**	10,597,032
	24,181,704	22,641,134	**21,570,720**	20,272,725

Notes:

(a) Included in direct credit substitutes and transaction-related contingent item are financial guarantee contracts of RM721,500,000 and RM518,066,000 (2018: RM730,771,000 and RM556,701,000) for the Group and the Bank respectively, of which the fair value at the time of issuance is RM Nil.

(b) These derivatives are valued on gross position basis and the unrealised gains or losses have been reflected in the statements of income and statements of financial position as derivatives financial assets and derivatives financial liabilities. The fair value of derivatives are disclosed under Note 12.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

49. CAPITAL ADEQUACY

The capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework. The Framework sets out the approach for computing regulatory capital adequacy ratios, as well as the levels of those ratios at which banking institutions are required to operate. The framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. The risk-weighted assets of the Group and the Bank are computed using the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk.

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

	GROUP		BANK	
	2019	**2018**	**2019**	**2018**
Before deducting proposed dividends				
CET 1 capital ratio	**13.736%**	13.695%	**12.061%**	11.680%
Tier 1 capital ratio	**14.423%**	14.123%	**12.940%**	12.217%
Total capital ratio	**18.856%**	18.638%	**17.841%**	17.122%
After deducting proposed dividends				
CET 1 capital ratio	**13.388%**	13.393%	**11.614%**	11.302%
Tier 1 capital ratio	**14.074%**	13.821%	**12.493%**	11.839%
Total capital ratio	**18.508%**	18.337%	**17.394%**	16.744%

(a) Components of Common Equity Tier I ("CET I"), Tier I and Tier II capital under the revised Capital Adequacy Framework are as follows:

	GROUP		BANK	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
CET I Capital				
Paid-up share capital	**1,548,106**	1,548,106	**1,548,106**	1,548,106
Retained profits	**3,827,676**	3,510,283	**3,128,589**	2,866,142
Regulatory reserves	**178,397**	186,064	**160,798**	160,029
FVOCI reserve/revaluation reserves	**68,540**	114,987	**36,449**	74,907
Capital reserves	**100,150**	100,150	**95,515**	95,515
	5,722,869	5,459,590	**4,969,457**	4,744,699
Less: Regulatory adjustment				
- Goodwill and other intangibles	**(432,961)**	(409,402)	**(323,804)**	(292,981)
- Deferred tax assets	**(72,972)**	(22,664)	**(50,116)**	(9,223)
- 55% of revaluation reserves	**(37,697)**	(63,243)	**(20,047)**	(41,199)
- Regulatory reserves	**(178,397)**	(186,064)	**(160,798)**	(160,029)
- Investment in subsidiaries, associate and joint venture	**(802)**	(693)	**(989,102)**	(989,102)
Total CET I Capital	**5,000,040**	4,777,524	**3,425,590**	3,252,165
Additional Tier 1 Capital Securities	**249,792**	149,293	**249,445**	149,316
Total Additional Tier 1 Capital	**249,792**	149,293	**249,445**	149,316
Total Tier I Capital	**5,249,832**	4,926,817	**3,675,035**	3,401,481
Tier II Capital				
Subordinated obligations	**1,199,676**	1,199,675	**1,199,381**	1,199,062
Expected credit losses/collective assessment allowance and regulatory reserves	**414,258**	375,710	**322,740**	296,765
Less: Regulatory adjustment				
- Investment in Tier 2 capital instruments	**-**	-	**(130,000)**	(130,000)
Total Tier II Capital	**1,613,934**	1,575,385	**1,392,121**	1,365,827
Total Capital	**6,863,766**	6,502,202	**5,067,156**	4,767,308

49. CAPITAL ADEQUACY (CONT'D)

(b) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category are as follows:

	GROUP		BANK	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Credit risk	**33,140,642**	31,973,585	**25,819,184**	25,299,261
Market risk	**274,942**	110,857	**274,942**	110,389
Operational risk	**2,984,529**	2,801,473	**2,307,070**	2,433,159
Total RWA and capital requirements	**36,400,113**	34,885,915	**28,401,196**	27,842,809

Detailed information on the risk exposures above is presented in the Bank's Pillar 3 Report.

(c) The capital adequacy ratios of the banking subsidiaries are as follows:

	Alliance Islamic Bank Berhad	**Alliance Investment Bank Berhad**
2019		
Before deducting proposed dividends		
CET I capital ratio	**11.690%**	**78.200%**
Tier I capital ratio	**12.950%**	**78.200%**
Total capital ratio	**15.762%**	**79.196%**
After deducting proposed dividends		
CET I capital ratio	**11.339%**	**78.200%**
Tier I capital ratio	**12.599%**	**78.200%**
Total capital ratio	**15.411%**	**79.196%**
2018		
Before deducting proposed dividends		
CET I capital ratio	12.569%	86.830%
Tier I capital ratio	12.569%	86.830%
Total capital ratio	15.421%	87.642%
After deducting proposed dividends		
CET I capital ratio	12.198%	85.079%
Tier I capital ratio	12.198%	85.079%
Total capital ratio	15.050%	85.892%

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

50. CAPITAL

In managing its capital, the Group's objectives are:

- to maintain sufficient capital resources to meet the regulatory capital requirements as set forth by Bank Negara Malaysia;
- to maintain sufficient capital resources to support the Group's risk appetite and to enable future business growth; and
- to meet the expectations of key stakeholders, including shareholders, investors, regulators and rating agencies.

In line with this, the Group aims to maintain capital adequacy ratios that are comfortably above the regulatory requirement, while balancing shareholders' desire for sustainable returns and high standards of prudence.

The Group carries out stress testing to estimate the potential impact of extreme, but plausible, events on the Group's earnings, balance sheet and capital. The results of the stress test are to facilitate the formation of action plan(s) in advance if the stress test reveals that the Group's capital will be adversely affected. The results of the stress test are tabled to the Group Risk Management Committee for approval.

The Group's and the Bank's regulatory capital are determined under Bank Negara Malaysia's Capital Adequacy Framework and their capital ratios complied with the prescribed capital adequacy ratios.

51. FAIR VALUE MEASUREMENTS

(a) Determination of fair value and the fair value hierarchy

MFRS 13 Fair Value Measurement requires disclosure of financial instruments measured at fair value to be categorised according to a hierarchy of valuation techniques, whether the inputs used are observable or unobservable. The following level of hierarchy are used for determining and disclosing the fair value of the financial instruments:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group and the Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

(i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis. This includes listed equities and corporate debt securities which are actively traded.

51. FAIR VALUE MEASUREMENTS (CONT'D)

(a) Determination of fair value and the fair value hierarchy (cont'd)

(ii) Financial instruments in Level 2

Where fair value is determined using quoted prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include government securities, corporate private debt securities, corporate notes and most of the Group's and the Bank's derivatives.

(iii) Financial instruments in Level 3

The Group and the Bank classify financial instruments as Level 3 when there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

The valuation techniques and inputs used generally depend on the contractual terms and the risks inherent in the instrument as well as the availability of pricing information in the market. Principal techniques used include net tangible assets, net asset value, discounted cash flows, and other appropriate valuation models. These includes private equity investments.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
for the financial year ended 31 March 2019

51. FAIR VALUE MEASUREMENTS (CONT'D)

(b) Financial instruments measured at fair value and the fair value hierarchy

The following tables show the Group's and the Bank's financial instruments which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

GROUP 2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets at FVTPL				
- Money market instruments	**-**	**41,002**	**-**	**41,002**
- Unquoted securities	**-**	**1,921**	**187,517**	**189,438**
Financial investments at FVOCI				
- Money market instruments	**-**	**5,289,295**	**-**	**5,289,295**
- Quoted securities in Malaysia	**8**	**-**	**-**	**8**
- Unquoted securities	**-**	**4,189,159**	**-**	**4,189,159**
Derivative financial assets	**-**	**55,442**	**-**	**55,442**
Liabilities				
Financial liabilities designated at fair value through profit or loss	**-**	**778,423**	**-**	**778,423**
Derivative financial liabilities	**-**	**57,545**	**-**	**57,545**

GROUP 2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets held-for-trading				
- Money market instruments	-	40,905	-	40,905
- Unquoted securities	-	22,845	-	22,845
Financial investments available-for-sale				
- Money market instruments	-	4,289,730	-	4,289,730
- Quoted securities in Malaysia	10	-	-	10
- Unquoted securities	-	4,036,603	178,846	4,215,449
Derivative financial assets	-	84,455	-	84,455
Liabilities				
Financial liabilities designated at fair value through profit or loss	-	682,238	-	682,238
Derivative financial liabilities	-	154,686	-	154,686

51. FAIR VALUE MEASUREMENTS (CONT'D)

(b) Financial instruments measured at fair value and the fair value hierarchy (cont'd)

The following tables show the Group's and the Bank's financial instruments which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy: (cont'd)

BANK 2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets at FVTPL				
- Money market instruments	**-**	**41,002**	**-**	**41,002**
- Unquoted securities	**-**	**1,921**	**126,733**	**128,654**
Financial investments at FVOCI				
- Money market instruments	**-**	**4,405,360**	**-**	**4,405,360**
- Quoted securities in Malaysia	**8**	**-**	**-**	**8**
- Unquoted securities	**-**	**2,447,498**	**-**	**2,447,498**
Derivative financial assets	**-**	**55,442**	**-**	**55,442**
Liabilities				
Financial liabilities designated at fair value through profit or loss	**-**	**778,423**	**-**	**778,423**
Derivative financial liabilities	**-**	**57,545**	**-**	**57,545**

BANK 2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets held-for-trading				
- Money market instruments	-	25,926	-	25,926
- Unquoted securities	-	22,845	-	22,845
Financial investments available-for-sale				
- Money market instruments	-	3,970,261	-	3,970,261
- Quoted securities in Malaysia	10	-	-	10
- Unquoted securities	-	2,314,543	121,634	2,436,177
Derivative financial assets	-	84,455	-	84,455
Liabilities				
Financial liabilities designated at fair value through profit or loss	-	682,238	-	682,238
Derivative financial liabilities	-	154,686	-	154,686

There were no transfers between levels of the fair value hierarchy for the Group and the Bank during the financial year ended 31 March 2019 and 31 March 2018.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

51. FAIR VALUE MEASUREMENTS (CONT'D)

(b) Financial instruments measured at fair value and the fair value hierarchy (cont'd)

Reconciliation of movements in Level 3 financial instruments:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At beginning of financial year	**178,846**	170,239	**121,634**	111,377
Disposal	**-**	(4,970)	**-**	-
Partial distribution on liquidity shares	**(195)**	-	**(195)**	-
Total gains/(losses) recognised in:				
- Other comprehensive income				
(i) Revaluation reserves	**-**	13,607	**-**	10,257
- Statement of income				
(i) Loss arising from sales of financial investments available-for-sale	**-**	(30)	**-**	-
(ii) Revaluation gain from financial assets at FVTPL	**8,866**	-	**5,294**	
At end of financial year	**187,517**	178,846	**126,733**	121,634

The Group's and the Bank's exposure to financial instruments measured using unobservable inputs (Level 3) constitutes a small component of the Group's and the Bank's portfolio of financial instruments. Changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the Level 3 financial instruments.

(c) Fair values of financial instruments not carried at fair value

The following table summarises the carrying amounts and the fair values of financial instruments of the Group and the Bank which are not carried at fair value in the statement of financial position. It does not include those short term/on demand financial assets and liabilities where the carrying amounts are reasonable approximate to their fair values.

	Fair value				Carrying
GROUP 2019	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**amount RM'000**
Financial assets					
Deposits and placements with banks and other financial institutions	**-**	**485**	**-**	**485**	**500**
Financial investments at amortised cost	**-**	**200,268**	**-**	**200,268**	**235,720**
Loans, advances and financing	**-**	**-**	**42,861,780**	**42,861,780**	**42,320,301**
Financial liabilities					
Deposits from customers	**-**	**45,021,243**	**-**	**45,021,243**	**45,017,632**
Deposits and placements of banks and other financial institutions	**-**	**833,871**	**-**	**833,871**	**858,708**
Recourse obligations on loans and financing sold to Cagamas	**-**	**886,480**	**-**	**886,480**	**800,669**
Subordinated obligations	**-**	**1,449,360**	**-**	**1,449,360**	**1,480,222**

51. FAIR VALUE MEASUREMENTS (CONT'D)

(c) Fair values of financial instruments not carried at fair value (cont'd)

GROUP 2018	Fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Financial assets					
Financial investments held-to-maturity	-	306,490	-	306,490	293,612
Loans, advances and financing	-	-	40,423,458	40,423,458	39,989,515
Financial liabilities					
Deposits from customers	-	42,742,783	-	42,742,783	42,740,460
Deposits and placements of banks and other financial institutions	-	855,375	-	855,375	873,871
Recourse obligations on loans and financing sold to Cagamas	-	1,219,264	-	1,219,264	1,102,363
Subordinated obligations	-	1,184,048	-	1,184,048	1,379,614

BANK 2019	Fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Financial assets					
Financial investments at amortised cost	**-**	**276,582**	**-**	**276,582**	**311,930**
Loans, advances and financing	**-**	**-**	**32,965,110**	**32,965,110**	**32,622,976**
Financial liabilities					
Deposits from customers	**-**	**34,983,732**	**-**	**34,983,732**	**34,982,862**
Deposits and placements of banks and other financial institutions	**-**	**342,774**	**-**	**342,774**	**344,835**
Recourse obligations on loans and financing sold to Cagamas	**-**	**323,433**	**-**	**323,433**	**300,076**
Subordinated obligations	**-**	**1,448,826**	**-**	**1,448,826**	**1,479,580**

BANK 2018	Fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Financial assets					
Financial investments held-to-maturity	-	357,020	-	357,020	344,703
Loans, advances and financing	-	-	31,802,940	31,802,940	31,546,564
Financial liabilities					
Deposits from customers	-	33,508,377	-	33,508,377	33,508,370
Deposits and placements of banks and other financial institutions	-	433,145	-	433,145	439,238
Recourse obligations on loans and financing sold to Cagamas	-	642,664	-	642,664	601,696
Subordinated obligations	-	1,172,415	-	1,172,415	1,379,024

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

51. FAIR VALUE MEASUREMENTS (CONT'D)

(c) Fair values of financial instruments not carried at fair value (cont'd)

The methods and assumptions used in estimating the fair values of financial instruments are as follows:

(i) Financial investments at amortised cost

The fair values are estimated based on quoted or observable market prices at the end of the reporting period. Where such quoted or observable market prices are not available, the fair values are estimated using pricing models or discounted cash flow techniques. Where discounted cash flow technique is used, the expected future cash flows are discounted using prevailing market rates for a similar instrument at the end of the reporting period.

(ii) Loans, advances and financing

The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate loans and Islamic financing with remaining maturity of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at applicable prevailing rates at end of the reporting period offered to new borrowers with similar credit profiles. In respect of impaired loans, the fair values represented by their carrying values, net of impairment allowances, being the expected recoverable amount.

(iii) Deposits from customers, deposits and placements of banks and other financial institutions

The fair values of deposit liabilities payable on demand (demand and savings deposits), or deposits with maturity of less than one year are estimated to approximate their carrying amounts. The fair values of fixed deposits with remaining maturities of more than one year are estimated based on expected future cash flows discounted at applicable prevailing rates offered for deposits of similar remaining maturities. For negotiable instruments of deposits, the fair values are estimated based on quoted or observable market prices as at the end of the reporting period. Where such quoted or observable market prices are not available, the fair values of negotiable instruments of deposits are estimated using the discounted cash flow technique.

(iv) Recourse obligations on loans and financing sold to Cagamas

The fair values of recourse obligations on loans and financing sold to Cagamas are determined based on the discounted cash flows of future instalment payments at applicable prevailing Cagamas rates as at the end of the reporting period.

(v) Other borrowings and subordinated obligations

The fair value of the other borrowings and subordinated bonds/notes is estimated based on the discounted cash flows techniques using the current yield curve appropriate for the remaining term to maturity.

52. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In accordance with MFRS 132 Financial Instruments: Presentation, the Group and the Bank report financial assets and financial liabilities on a net basis on the statement of financial position, only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangements on:

(i) all financial assets and liabilities that are reported net on the statement of financial position; and

(ii) all financial assets and liabilities that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for statement of financial position netting.

(a) Financial assets

	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set off in the statement of financial position RM'000	Net amounts of financial assets presented in the statement of financial position RM'000	Related amounts not set off in the statement of financial position: Financial instruments RM'000	Related amounts not set off in the statement of financial position: Cash collateral received RM'000	Net amount RM'000
GROUP						
2019						
Derivative financial assets	**55,442**	**-**	**55,442**	**(14,492)**	**(8,105)**	**32,845**
Amount due from clients and brokers	**144,882**	**(67,874)**	**77,008**	**-**	**-**	**77,008**
Total	**200,324**	**(67,874)**	**132,450**	**(14,492)**	**(8,105)**	**109,853**
GROUP						
2018						
Derivative financial assets	84,455	-	84,455	(6,271)	(32,751)	45,433
Amount due from clients and brokers	188,129	(86,824)	101,305	-	-	101,305
Total	272,584	(86,824)	185,760	(6,271)	(32,751)	146,738
BANK						
2019						
Derivative financial assets	**55,442**	**-**	**55,442**	**(14,492)**	**(8,105)**	**32,845**
BANK						
2018						
Derivative financial assets	84,455	-	84,455	(6,271)	(32,751)	45,433

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

52. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D)

(b) Financial liabilities

	Gross amounts of recognised financial liabilities RM'000	Gross amounts of recognised financial assets set off in the statement of financial position RM'000	Net amounts of financial liabilities presented in the statement of financial position RM'000	Related amounts not set off in the statement of financial position		Net amount RM'000
				Financial instruments RM'000	Cash collateral pledged RM'000	
GROUP						
2019						
Derivative financial liabilities	**57,545**	**-**	**57,545**	**(14,492)**	**(22,541)**	**20,512**
Amount due to clients and brokers	**119,038**	**(67,874)**	**51,164**	**-**	**-**	**51,164**
Total	**176,583**	**(67,874)**	**108,709**	**(14,492)**	**(22,541)**	**71,676**
GROUP						
2018						
Derivative financial liabilities	154,686	-	154,686	(6,271)	(36,901)	111,514
Amount due to clients and brokers	161,927	(86,824)	75,103	-	-	75,103
Total	316,613	(86,824)	229,789	(6,271)	(36,901)	186,617
BANK						
2019						
Derivative financial liabilities	**57,545**	**-**	**57,545**	**(14,492)**	**(22,541)**	**20,512**
BANK						
2018						
Derivative financial liabilities	154,686	-	154,686	(6,271)	(36,901)	111,514

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements, each agreement between the Group and the Bank and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

53. SEGMENT INFORMATION

The following segment information has been prepared in accordance with MFRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments. The operating segments results are prepared based on the Group's internal management reporting reflective of the organisation's management reporting structure.

Funds are allocated between segments and inter-segment funding cost transfers are reflected in net interest income. In addition to the operating segments, the segment information disclosed also includes inter-segment eliminations. Transactions between reportable segments are eliminated based on principles of consolidation as described in accounting policy. Intercompany transactions, balances and unrealised gains and losses on transactions between Group's companies are eliminated in inter-segment eliminations.

The Group is organised into the following key operating segments:

(i) Consumer Banking

Consumer Banking provides a wide range of personal banking solutions covering mortgages, term loans, personal loans, hire purchase facilities, credit cards and wealth management (cash management, investment services, share trading, bancassurance and will writing). Consumer Banking customers are serviced via branch network, call centre, electronic/internet banking channels, and direct sales channels.

(ii) Business Banking

Business Banking segment covers Small and Medium Enterprise ("SME"), Corporate and Commercial Banking. SME Banking customers comprise self-employed, small and medium scale enterprises. Corporate and Commercial Banking serves public-listed and large corporate business customers including family-owned businesses. Business Banking provides a wide range of products and services including loans, trade finance, cash management, treasury and structured solutions.

(iii) Financial Markets

Financial Markets provide foreign exchange, money market, hedging and investment (capital market instruments) solutions for banking customers. It also manages the assets and liabilities, liquidity and statutory reserve requirements of the banking entities in the Group.

(iv) Stockbroking and Corporate Advisory

Stockbroking and Corporate Advisory covers stockbroking activities and corporate advisory which includes initial public offering, equity fund raising, debt fund raising, mergers and acquisitions and corporate restructuring.

(v) Others

Others refer to mainly other business operations such as unit trust, asset management, alternative distribution channels, trustee services and head office.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

53. SEGMENT INFORMATION (CONT'D)

Group As at 31 March 2019	Consumer Banking RM'000	Business Banking RM'000	Financial Markets RM'000	Stockbroking and Corporate Advisory RM'000	Others RM'000	Total Operations RM'000	Inter-segment Elimination RM'000	Total RM'000
Net interest income								
- External income	465,822	335,707	215,349	14,490	399	1,031,767	(33,684)	998,083
- Inter-segment	(127,640)	104,394	33,032	(9,786)	-	-	-	-
	338,182	440,101	248,381	4,704	399	1,031,767	(33,684)	998,083
Net income from Islamic banking business	139,378	112,055	59,636	-	1,087	312,156	46,901	359,057
Other operating income	85,400	165,526	(19,017)	28,727	23,525	284,161	(19,200)	264,961
Net income	562,960	717,682	289,000	33,431	25,011	1,628,084	(5,983)	1,622,101
Other operating expenses	(361,087)	(259,262)	(44,116)	(38,060)	(19,374)	(721,899)	491	(721,408)
Depreciation and amortisation	(6,312)	(32,625)	(13,150)	(1,286)	(166)	(53,539)	-	(53,539)
Operating profit	195,561	425,795	231,734	(5,915)	5,471	852,646	(5,492)	847,154
(Allowance for)/write-back of expected credit losses on loans, advances and financing and other financial assets	(115,018)	(16,578)	871	(125)	-	(130,850)	1	(130,849)
Write-back of expected credit losses on financial assets	-	-	115	-	-	115	86	201
Write-back of/(allowance for) impairment losses on non-financial assets	-	148	-	(27,337)	-	(27,189)	18,597	(8,592)
Segment results	80,543	409,365	232,720	(33,377)	5,471	694,722	13,192	707,914
Share of results of joint venture								109
Taxation								(170,426)
Net profit for the financial year								537,597
Segment assets	22,149,320	20,476,010	15,345,234	349,018	38,299	58,357,881	(2,434,544)	55,923,337
Reconciliation of segment assets to consolidated assets:								
Investment in joint venture								802
Property, plant and equipment								70,497
Tax recoverable and deferred tax assets								93,254
Intangible assets								432,961
Total assets								56,520,851

53. SEGMENT INFORMATION (CONT'D)

Group As at 31 March 2018	Consumer Banking RM'000	Business Banking RM'000	Financial Markets RM'000	Stockbroking and Corporate Advisory RM'000	Others RM'000	Total Operations RM'000	Inter-segment Elimination RM'000	Total RM'000
Net interest income								
- External income	416,778	329,102	190,748	13,005	2,582	952,215	(27,064)	925,151
- Inter-segment	(88,599)	80,102	16,222	(7,725)	-	-	-	-
	328,179	409,204	206,970	5,280	2,582	952,215	(27,064)	925,151
Net income from Islamic banking business	113,858	99,461	56,929	-	-	270,248	47,997	318,245
Other operating income	112,495	166,369	18,602	32,423	22,553	352,442	(23,815)	328,627
Net income	554,532	675,034	282,501	37,703	25,135	1,574,905	(2,882)	1,572,023
Other operating expenses	(305,031)	(290,864)	(51,790)	(37,404)	(68,500)	(753,589)	4,460	(749,129)
Depreciation and amortisation	(25,830)	(15,205)	(2,657)	(1,194)	(6)	(44,892)	-	(44,892)
Operating profit/(loss) before allowance	223,671	368,965	228,054	(895)	(43,371)	776,424	1,578	778,002
(Allowance for)/write-back of impairment losses on loans, advances and financing and other financial assets	(81,284)	(11,855)	36	58	(341)	(93,386)	-	(93,386)
Allowance for impairment losses on non-financial assets	-	-	(62)	-	-	(62)	-	(62)
Segment result	142,387	357,110	228,028	(837)	(43,712)	682,976	1,578	684,554
Share of results of joint venture								43
Taxation								(191,369)
Net profit for the financial year								493,228
Segment assets	21,439,733	18,433,988	15,724,317	51,675	126,171	55,775,884	(2,341,752)	53,434,132
Reconciliation of segment assets to consolidated assets:								
Investment in joint venture								693
Property, plant and equipment								69,373
Tax recoverable and deferred tax assets								24,668
Intangible assets								409,402
Total assets								53,938,268

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

54. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 8 March 2019, the Bank issued RM100 million Additional Tier 1 Capital Securities under the RM1.0 billion Additional Tier 1 Capital Securities Programme.

The details of issuance of new debts are disclosed in Note 27.

55. SUBSEQUENT EVENTS

There were no material event subsequent to the end of the financial year that require disclosure or adjustment.

56. CHANGES IN ACCOUNTING POLICIES

(a) Adoption of MFRS 9 "Financial Instruments"

The Group and the Bank have adopted MFRS 9 retrospectively with the date of initial application of 1 April 2018.

In accordance with the transition provision provided in MFRS 9, comparative for 2018 was not restated and continue to be reported under the previous accounting policies governed under MFRS 139. The cumulative effect of initially applying MFRS 9 were recorded as an adjustment to the opening balances of the retained profits as at 1 April 2018.

(i) Classification and Measurement

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

The combined application of the entity's business model and cash flow characteristics of the financial assets do not result in the significant change in the classification of financial asset other than the unquoted equity instruments which was previously classified as available-for-sale, is now reclassified to financial assets at FVTPL. The reclassification has resulted in an increase of RM143,184,000 and RM86,972,000 in the Group's and the Bank's opening retained profits respectively due to the transfer of related fair value gains from financial instruments available-for-sale revaluation reserves to retained profits.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:

(i) For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.

(ii) When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

There will be no changes to the Group's and the Bank's accounting for financial liabilities. All the financial liabilities, except for financial liabilities designated at fair value and derivatives financial liabilities which are at FVTPL, will remain as amortised cost as there has not been significant change in the requirements for financial liabilities under MFRS 9.

56. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(a) Adoption of MFRS 9 "Financial Instruments" (cont'd)

(ii) Impairment of Financial Assets

MFRS 9 introduces an ECL model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The level of allowances for expected credit losses is explained under the significant accounting policies.

As a result of the adoption of the MFRS 9 ECL model in determining the allowances for ECL, the total ECL allowances computed under MFRS 9 is higher by RM86,475,000 and RM62,658,000 for the Group and the Bank respectively, than the total allowances of impairment losses on financial assets under MFRS 139.

(b) Adoption of MFRS 15 "Revenue from Contracts with Customers"

Effective from the financial year beginning on 1 April 2018, the Group and the Bank adopt MFRS 15 "Revenue from Contracts with Customers" which replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

The Group and the Bank have applied MFRS 15 with the date of initial application of 1 April 2018 by using the modified retrospective transition method. Under this method, the Group and the Bank apply the new policy retrospectively only to contracts that are not completed contracts at the date of initial application. Accordingly the comparative information was not restated and the cumulative effects of initial application of MFRS 15 were recognised as an adjustment to the opening retained profits as at 1 April 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118 and MFRS 111.

The adoption of the MFRS 15 has resulted in a decrease of RM15,500,000 in the Group's and the Bank's retained profits as at 1 April 2018.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

56. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(c) Financial effect

A reconciliation of the statement of financial position of the Group and the Bank upon adoption of MFRS 9 and MFRS 15 as at 1 April 2018 are as follow:

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

GROUP	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount 31 March 2018 RM'000	Reclassification RM'000	Remeasurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount 1 April 2018 RM'000	MFRS 15 adjustments RM'000	Restated 1 April 2018 RM'000
ASSETS									
Cash and short-term funds	Loans and receivables	Amortised Cost	2,768,758	-	-	(501)	2,768,257	-	2,768,257
Deposits and placements with banks and other financial institutions	Loans and receivables	Amortised Cost	77,283	-	-	-	77,283	-	77,283
Amounts due from clients and brokers	Loans and receivables	Amortised Cost	101,305	-	-	-	101,305	-	101,305
Financial investments at FVTPL	NA	FVTPL	-	242,596	-	-	242,596	-	242,596
Financial investments at FVOCI	NA	FVOCI	-	8,335,752	-	-	8,335,752	-	8,335,752
Financial investments at amortised cost	NA	Amortised Cost	-	514,106	-	-	514,106	-	514,106
Financial assets held-for-trading ("HFT")	HFT	NA	63,750	(63,750)	-	-	-	-	-
Financial investments available-for-sale ("AFS")	AFS	NA	8,505,189	(8,505,189)	-	-	-	-	-
- *Debt instrument*	*AFS*	*NA*	*8,326,333*	*(8,326,333)*	-	-	-	-	-
- *Quoted equity instrument*	*AFS*	*NA*	*10*	*(10)*	-	-	-	-	-
- *Unquoted equity instrument*	*AFS*	*NA*	*178,846*	*(178,846)*	-	-	-	-	-
Financial investments held-to-maturity ("HTM")	HTM	NA	293,612	(293,612)	-	-	-	-	-
Derivative financial assets	FVTPL	FVTPL	84,455	-	-	-	84,455	-	84,455
Loans, advances and financing	Loans and receivables	Amortised Cost	39,989,515	(220,494)	(19,592)	(90,879)	39,658,550	-	39,658,550
Other assets	Loans and receivables	Amortised Cost	141,949	-	-	-	141,949	-	141,949
Tax recoverable			2,004	-	-	14,963	16,967	-	16,967
Statutory deposits	Loans and receivables	Amortised Cost	1,408,316	-	-	-	1,408,316	-	1,408,316
Investment in joint venture			693	-	-	-	693	-	693
Property, plant and equipment			69,373	-	-	-	69,373	-	69,373
Deferred tax assets			22,664	22,457	-	-	45,121	-	45,121
Intangible assets			409,402	-	-	-	409,402	-	409,402
TOTAL ASSETS			53,938,268	31,866	(19,592)	(76,417)	53,874,125	-	53,874,125

56. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(c) Financial effect (cont'd)

A reconciliation of the statement of financial position of the Group and the Bank upon adoption of MFRS 9 and MFRS 15 as at 1 April 2018 are as follow: (cont'd)

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

GROUP	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount 31 March 2018 RM'000	Reclassification RM'000	Remeasurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount 1 April 2018 RM'000	MFRS 15 adjustments RM'000	Restated 1 April 2018 RM'000
LIABILITIES AND EQUITY									
Deposits from customers	Amortised Cost	Amortised Cost	42,740,460	-	-	-	42,740,460	-	42,740,460
Deposits and placements of banks and other financial institutions	Amortised Cost	Amortised Cost	873,871	-	-	-	873,871	-	873,871
Financial liabilities designated at fair value through profit or loss	FVTPL	FVTPL	682,238	-	-	-	682,238	-	682,238
Amounts due to clients and brokers	Amortised Cost	Amortised Cost	75,103	-	-	-	75,103	-	75,103
Derivative financial liabilities	FVTPL	FVTPL	154,686	-	-	-	154,686	-	154,686
Recourse obligations on loans and financing sold to Cagamas	Amortised Cost	Amortised Cost	1,102,363	-	-	-	1,102,363	-	1,102,363
Other liabilities	Amortised Cost	Amortised Cost	1,435,523	-	-	44,000	1,479,523	15,500	1,495,023
Provision for taxation			22,661	-	(4,702)	(17,959)	-	-	-
Provision for zakat			252	-	-	-	252	-	252
Deferred tax liabilities			11,907	(11,907)	-	-	-	-	-
Subordinated obligations	Amortised Cost	Amortised Cost	1,379,614	-	-	-	1,379,614	-	1,379,614
TOTAL LIABILITIES			48,478,678	(11,907)	(4,702)	26,041	48,488,110	15,500	48,503,610
Share capital			1,548,106	-	-	-	1,548,106	-	1,548,106
Reserves			3,911,484	43,773	(14,890)	(102,458)	3,837,909	(15,500)	3,822,409
- *Regulatory reserve*			*186,064*	-	-	*(17,330)*	*168,734*	-	*168,734*
- *FVOCI reserve*			-	*15,576*	-	*1,347*	*16,923*	-	*16,923*
- *Revaluation reserve*			*114,987*	*(114,987)*	-	-	-	-	-
- *Retained profits*			*3,510,283*	*143,184*	*(14,890)*	*(86,475)*	*3,552,102*	*(15,500)*	*3,536,602*
- *Capital reserve*			*100,150*	-	-	-	*100,150*	-	*100,150*
TOTAL EQUITY			5,459,590	43,773	(14,890)	(102,458)	5,386,015	(15,500)	5,370,515
TOTAL LIABILITIES AND EQUITY			53,938,268	31,866	(19,592)	(76,417)	53,874,125	-	53,874,125

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

56. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(c) Financial effect (cont'd)

A reconciliation of the statement of financial position of the Group and the Bank upon adoption of MFRS 9 and MFRS 15 as at 1 April 2018 are as follow: (cont'd)

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

BANK	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount 31 March 2018 RM'000	Reclassification RM'000	Remeasurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount 1 April 2018 RM'000	MFRS 15 adjustments RM'000	Restated 1 April 2018 RM'000
ASSETS									
Cash and short-term funds	Loans and receivables	Amortised Cost	1,715,961	-	-	(501)	1,715,460	-	1,715,460
Deposits and placements with banks and other financial institutions	Loans and receivables	Amortised Cost	77,283	-	-	-	77,283	-	77,283
Financial investments at FVTPL	NA	FVTPL	-	170,405	-	-	170,405	-	170,405
Financial investments at FVOCI	NA	FVOCI	-	6,284,814	-	-	6,284,814	-	6,284,814
Financial investments at amortised cost	NA	Amortised Cost	-	525,035	-	(425)	524,610	-	524,610
Financial assets held-for-trading	HFT	NA	48,771	(48,771)	-	-	-	-	-
Financial investments available-for-sale	AFS	NA	6,406,448	(6,406,448)	-	-	-	-	-
- *Debt instrument*	*AFS*	*NA*	*6,284,804*	*(6,284,804)*	-	-	-	-	-
- *Quoted equity instrument*	*AFS*	*NA*	*10*	*(10)*	-	-	-	-	-
- *Unquoted equity instrument*	*AFS*	*NA*	*121,634*	*(121,634)*	-	-	-	-	-
Financial investments held-to-maturity	HTM	NA	344,703	(344,703)	-	-	-	-	-
Derivative financial assets	FVTPL	FVTPL	84,455	-	-	-	84,455	-	84,455
Loans, advances and financing	Loans and receivables	Amortised Cost	31,546,564	(180,332)	6,557	(52,797)	31,319,992	-	31,319,992
Other assets	Loans and receivables	Amortised Cost	176,948	-	-	-	176,948	-	176,948
Statutory deposits	Loans and receivables	Amortised Cost	1,092,566	-	-	-	1,092,566	-	1,092,566
Investment in joint venture			989,102	-	-	-	989,102	-	989,102
Property, plant and equipment			67,834	-	-	-	67,834	-	67,834
Deferred tax assets			9,223	20,873	-	-	30,096	-	30,096
Intangible assets			292,981	-	-	-	292,981	-	292,981
TOTAL ASSETS			42,852,839	20,873	6,557	(53,723)	42,826,546	-	42,826,546

56. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(c) Financial effect (cont'd)

A reconciliation of the statement of financial position of the Group and the Bank upon adoption of MFRS 9 and MFRS 15 as at 1 April 2018 are as follow: (cont'd)

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

BANK	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount 31 March 2018 RM'000	Reclassification RM'000	Remeasurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount 1 April 2018 RM'000	MFRS 15 adjustments RM'000	Restated 1 April 2018 RM'000
LIABILITIES AND EQUITY									
Deposits from customers	Amortised Cost	Amortised Cost	33,508,370	-	-	-	33,508,370	-	33,508,370
Deposits and placements of banks and other financial institutions	Amortised Cost	Amortised Cost	439,238	-	-	-	439,238	-	439,238
Financial liabilities designated at fair value through profit or loss	FVTPL	FVTPL	682,238	-	-	-	682,238	-	682,238
Derivative financial liabilities	FVTPL	FVTPL	154,686	-	-	-	154,686	-	154,686
Recourse obligations on loans and financing sold to Cagamas	Amortised Cost	Amortised Cost	601,696	-	-	-	601,696	-	601,696
Other liabilities	Amortised Cost	Amortised Cost	1,319,698	-	-	27,290	1,346,988	15,500	1,362,488
Provision for taxation			23,190	-	1,574	(19,688)	5,076	-	5,076
Subordinated obligations	Amortised Cost	Amortised Cost	1,379,024	-	-	-	1,379,024	-	1,379,024
TOTAL LIABILITIES			38,108,140	-	1,574	7,602	38,117,316	15,500	38,132,816
Share capital			1,548,106	-	-	-	1,548,106	-	1,548,106
Reserves			3,196,593	20,873	4,983	(61,325)	3,161,124	(15,500)	3,145,624
- *Regulatory reserve*			*160,029*	-	-	*327*	*160,356*	-	*160,356*
- *FVOCI reserve*			-	*8,808*	-	*1,006*	*9,814*	-	*9,814*
- *Revaluation reserve*			*74,907*	*(74,907)*	-	-	-	-	-
- *Retained profits*			*2,866,142*	*86,972*	*4,983*	*(62,658)*	*2,895,439*	*(15,500)*	*2,879,939*
- *Capital reserve*			*95,515*	-	-	-	*95,515*	-	*95,515*
TOTAL EQUITY			4,744,699	20,873	4,983	(61,325)	4,709,230	(15,500)	4,693,730
TOTAL LIABILITIES AND EQUITY			42,852,839	20,873	6,557	(53,723)	42,826,546	-	42,826,546

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

56. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(c) Financial effect (cont'd)

The following table reconciles the prior year's allowance for impairment losses measured in accordance with MFRS 139 incurred loss model to the new expected credit losses measured in accordance with MFRS 9 as at 1 April 2018:

GROUP	MFRS 139 carrying amount 31 March 2018 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 carrying amount 1 April 2018 RM'000
Cash and short-term funds	-	-	501	501
Amounts due from clients and brokers	840	-	-	840
Financial investments at amortised cost	-	14,193	-	14,193
Financial investments available-for-sale	9,409	(9,409)	-	-
Financial investments held-to-maturity	14,193	(14,193)	-	-
Loans, advances and financing	372,449	-	90,879	463,328
Other assets	32,017	-	-	32,017
Other liabilities	-	-	44,000	44,000
FVOCI reserve	-	9,409	1,347	10,756
	428,908	-	136,727	565,635

BANK	MFRS 139 carrying amount 31 March 2018 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 carrying amount 1 April 2018 RM'000
Cash and short-term funds	-	-	501	501
Financial investments at amortised cost	-	1,294	425	1,719
Financial investments held-to-maturity	1,294	(1,294)	-	-
Loans, advances and financing	285,402	-	52,797	338,199
Other assets	27,578	-	-	27,578
Other liabilities	-	-	27,290	27,290
FVOCI reserve	-	-	1,006	1,006
	314,274	-	82,019	396,293

56. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(c) Financial effect (cont'd)

The following table reconciles the Statement of Changes in Equity as at 31 March 2018 and 1 April 2018 arising from the adoption of MFRS 9 and MFRS 15:

	GROUP RM'000	BANK RM'000
Regulatory reserve		
Closing balance under MFRS 139 as at 31 March 2018	186,064	160,029
- Transfer (to)/from retained profits	(17,330)	327
Opening balance under MFRS 9 as at 1 April 2018	168,734	160,356
FVOCI reserve		
Closing balance under MFRS 139 as at 31 March 2018	-	-
- Transfer from revaluation reserve	114,987	74,907
- Effects of reclassification from financial investments available-for-sale to financial assets at fair value through profit and loss	(108,820)	(66,099)
- Recognition of expected credit losses under MFRS 9	10,756	1,006
Opening balance under MFRS 9 as at 1 April 2018	16,923	9,814
Revaluation reserve		
Closing balance under MFRS 139 as at 31 March 2018	114,987	74,907
- Transfer to FVOCI reserve	(114,987)	(74,907)
Opening balance under MFRS 9 as at 1 April 2018	-	-
Retained profits		
Closing balance under MFRS 139 as at 31 March 2018	3,510,283	2,866,142
- Effects of reclassification from financial investments available-for-sale to financial assets at fair value through profit and loss	108,820	66,099
- Tax effects arising from reclassification from financial investments available-for-sale to financial assets at fair value through profit and loss	34,364	20,873
- Remeasurement of financial assets	(19,592)	6,557
- Tax effects arising from remeasurement of financial assets	4,702	(1,574)
- Recognition of expected credit losses under MFRS 9	(136,727)	(82,019)
- Tax effects arising from recognition of expected credit losses under MFRS 9	32,922	19,688
- Transfer from/(to) regulatory reserve	17,330	(327)
Opening balance under MFRS 9 as at 1 April 2018	3,552,102	2,895,439
- Effects of adoption of MFRS 15	(15,500)	(15,500)
Opening balance under MFRS 9 and MFRS 15 as at 1 April 2018	3,536,602	2,879,939

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

57. COMPARATIVES

(a) Interest income and interest expense on financial instruments that are measured at fair value through profit and loss are reclassified to investment income in accordance to amendment to MFRS 101, where interest income on items that are not measured at amortised cost or fair value through other comprehensive income will no longer be able to be included in interest revenue.

The financial effects to the statements of Income for the financial year ended 31 March 2018 are as follows:

	As previously stated RM'000	Reclassification RM'000	As restated RM'000
GROUP			
Interest income	1,921,697	(23,819)	1,897,878
Interest expense	(1,029,186)	56,459	(972,727)
Other operating income:	361,267	(32,640)	328,627
- *Investment income*	*126,757*	*(32,640)*	*94,117*
BANK			
Interest income	1,898,299	(23,262)	1,875,037
Interest expense	(998,364)	56,459	(941,905)
Other operating income:	361,707	(33,197)	328,510
- *Investment income*	*159,630*	*(33,197)*	*126,433*

(b) The following figures have been reclassified to conform with the presentation of the current financial year:

	As previously stated RM'000	Reclassification RM'000	As restated RM'000
GROUP			
Other assets	105,728	36,221	141,949
- *Other receivables*	*32,173*	*36,221*	*68,394*
Other liabilities	(1,399,302)	(36,221)	(1,435,523)
- *Other payables*	*(254,276)*	*(37,950)*	*(292,226)*
- *Clearing account*	*(201,208)*	*1,739*	*(199,469)*
- *Provision and accrual*	*(131,272)*	*(10)*	*(131,282)*
BANK			
Other assets	140,727	36,221	176,948
- *Other receivables*	*18,281*	*36,221*	*54,502*
Other liabilities	(1,283,477)	(36,221)	(1,319,698)
- *Other payables*	*(205,527)*	*(37,950)*	*(243,477)*
- *Clearing account*	*(161,741)*	*1,739*	*(160,002)*
- *Provision and accrual*	*(131,524)*	*(10)*	*(131,534)*

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