

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)

(Incorporated in Malaysia)

Condensed Interim Financial Statements

Unaudited Statements of Financial Position as at 30 September 2018

	Note	<u>GROUP</u>		<u>BANK</u>	
		30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
ASSETS					
Cash and short-term funds		1,991,417	2,768,758	1,336,694	1,715,961
Deposits and placements with banks and other financial institutions		1,000	77,283	-	77,283
Amounts due from clients and brokers	A11	77,402	101,305	-	-
Financial assets at fair value through profit or loss	A12	285,654	-	218,459	-
Financial investments at fair value through other comprehensive income	A13	8,854,310	-	6,128,234	-
Financial investments at amortised cost	A14	210,830	-	295,965	-
Financial assets held-for-trading	A15	-	63,750	-	48,771
Financial investments available-for-sale	A16	-	8,505,189	-	6,406,448
Financial investments held-to-maturity	A17	-	293,612	-	344,703
Derivative financial assets	B11	72,791	84,455	72,791	84,455
Loans, advances and financing	A18	40,575,633	39,989,515	31,812,569	31,546,564
Other assets	A19	165,414	105,728	194,586	140,727
Tax recoverable		2,182	2,004	-	-
Statutory deposits		1,449,646	1,408,316	1,110,216	1,092,566
Investments in subsidiaries		-	-	989,102	989,102
Investment in joint venture		745	693	-	-
Property, plant and equipment		74,901	69,373	73,691	67,834
Deferred tax assets		71,024	22,664	39,818	9,223
Intangible assets		423,779	409,402	307,627	292,981
TOTAL ASSETS		54,256,728	53,902,047	42,579,752	42,816,618
LIABILITIES AND EQUITY					
Deposits from customers	A20	42,911,893	42,740,460	33,088,392	33,508,370
Deposits and placements of banks and other financial institutions	A21	855,105	873,871	400,926	439,238
Financial liabilities designated at fair value through profit or loss	A22	744,838	682,238	744,838	682,238
Amounts due to clients and brokers	A23	48,708	75,103	-	-
Derivative financial liabilities	B11	77,681	154,686	77,681	154,686
Recourse obligations on loans and financing sold to Cagamas		1,102,379	1,102,363	601,774	601,696
Other liabilities	A24	1,569,601	1,399,302	1,443,952	1,283,477
Provision for taxation		11,600	22,661	9,051	23,190
Provision for zakat		314	252	-	-
Deferred tax liabilities		-	11,907	-	-
Subordinated obligations		1,380,141	1,379,614	1,379,484	1,379,024
TOTAL LIABILITIES		48,702,260	48,442,457	37,746,098	38,071,919
Share capital		1,548,106	1,548,106	1,548,106	1,548,106
Reserves		4,006,362	3,911,484	3,285,548	3,196,593
TOTAL EQUITY		5,554,468	5,459,590	4,833,654	4,744,699
TOTAL LIABILITIES AND EQUITY		54,256,728	53,902,047	42,579,752	42,816,618
COMMITMENTS AND CONTINGENCIES	A31	23,838,170	22,641,134	21,346,211	20,272,725
Net assets per share attributable to Equity holders of the Bank (RM)*		3.59	3.53	3.12	3.06

* The net assets per share attributable to Equity holders of the Bank is computed as total capital and reserves attributable to the equity holders of the Bank divided by total number of ordinary shares in circulation.

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 March 2018.

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)

(Incorporated in Malaysia)

Condensed Interim Financial Statements
Unaudited Consolidated Statements of Income
for the Financial Period Ended 30 September 2018

<u>GROUP</u>	Note	2nd Quarter Ended		Six Months Ended	
		30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Interest income	A25	496,273	487,099	987,425	957,401
Interest expense	A26	(249,535)	(248,383)	(497,576)	(495,582)
Net interest income		246,738	238,716	489,849	461,819
Net income from Islamic banking business	A27	88,025	78,105	170,859	156,083
		334,763	316,821	660,708	617,902
Fee and commission income	A28	72,036	75,997	146,239	153,472
Fee and commission expense	A28	(20,722)	(22,921)	(42,582)	(47,895)
Investment income	A28	9,588	21,758	25,678	49,134
Other income	A28	3,521	2,221	10,215	7,876
Other operating income	A28	64,423	77,055	139,550	162,587
Net income		399,186	393,876	800,258	780,489
Other operating expenses	A29	(191,532)	(190,154)	(374,712)	(366,593)
Operating profit before allowance		207,654	203,722	425,546	413,896
Allowance for credit losses on loans, advances and financing and other assets	A30	(21,024)	(33,523)	(58,297)	(63,723)
Write-back of credit losses on financial investments		146	-	567	-
Operating profit after allowance		186,776	170,199	367,816	350,173
Share of results of joint venture		32	(20)	52	1
Profit before taxation		186,808	170,179	367,868	350,174
Taxation	B6	(46,286)	(47,380)	(90,979)	(92,371)
Net profit for the financial period		140,522	122,799	276,889	257,803
Net profit for the financial period attributable to: Equity holders of the Bank		140,522	122,799	276,889	257,803
Earnings per share attributable to Equity holders of the Bank					
- Basic (sen)	B14(a)	9.1	8.0	17.9	16.8
- Diluted (sen)	B14(b)	9.1	8.0	17.9	16.8

ALLIANCE BANK MALAYSIA BERHAD
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Condensed Interim Financial Statements
Unaudited Consolidated Statements of Comprehensive Income
for the Financial Period Ended 30 September 2018 (contd.)

<u>GROUP</u>	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	140,522	122,799	276,889	257,803
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 ("FVOCI")				
- Net gain from change in fair value	36,818	-	10,575	-
- Realised gain transferred to statement of income on disposal	(1,486)	-	(1,569)	-
- Transfer to deferred tax	(8,480)	-	(2,161)	-
- Write-back of credit losses on FVOCI	(146)	-	(567)	-
	26,706	-	6,278	-
Revaluation reserve on financial investments available-for-sale				
- Net gain from change in fair value	-	23,195	-	51,024
- Realised gain transferred to statement of income on disposal and impairment	-	(914)	-	(4,958)
- Transfer to deferred tax	-	(5,348)	-	(11,056)
	-	16,933	-	35,010
Other comprehensive income, net of tax	26,706	16,933	6,278	35,010
Total comprehensive income for the financial period	167,228	139,732	283,167	292,813
Total comprehensive income for the financial period attributable to:				
Equity holders of the Bank	167,228	139,732	283,167	292,813

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 March 2018.

ALLIANCE BANK MALAYSIA BERHAD
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Condensed Interim Financial Statements

Unaudited Statements of Income

for the Financial Period Ended 30 September 2018 (contd.)

	Note	2nd Quarter Ended		Six Months Ended	
		30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
BANK					
Interest income	A25	492,830	487,812	976,208	950,614
Interest expense	A26	(243,506)	(241,661)	(484,009)	(481,906)
Net interest income		249,324	246,151	492,199	468,708
Fee and commission income	A28	60,912	66,581	125,035	131,606
Fee and commission expense	A28	(18,149)	(20,351)	(37,457)	(41,603)
Investment income	A28	8,796	21,693	61,907	54,537
Other income	A28	4,124	2,241	10,591	7,725
Other operating income	A28	55,683	70,164	160,076	152,265
Net income		305,007	316,315	652,275	620,973
Other operating expenses	A29	(153,837)	(150,236)	(295,639)	(287,161)
Operating profit before allowance		151,170	166,079	356,636	333,812
Allowance for credit losses on loans, advances and financing and other assets	A30	(9,408)	(17,617)	(43,613)	(28,239)
Write-back of credit losses on financial investments		153	-	601	-
Profit before taxation		141,915	148,462	313,624	305,573
Taxation	B6	(35,638)	(40,521)	(69,575)	(78,017)
Net profit for the financial period		106,277	107,941	244,049	227,556
Net profit for the financial period attributable to: Equity holders of the Bank		106,277	107,941	244,049	227,556
Earnings per share attributable to Equity holders of the Bank					
- Basic (sen)	B14(a)	6.9	7.3	15.8	15.5
- Diluted (sen)	B14(b)	6.9	7.3	15.8	15.5

ALLIANCE BANK MALAYSIA BERHAD
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Condensed Interim Financial Statements
Unaudited Statements of Comprehensive Income
for the Financial Period Ended 30 September 2018 (contd.)

	2nd Quarter Ended		Six Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
BANK				
Net profit for the financial period	106,277	107,941	244,049	227,556
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit or loss:				
Revaluation reserve on financial investments at FVOCI				
- Net gain/(loss) from change in fair value	18,823	-	(1,590)	-
- Realised gain transferred to statement of income on disposal	(927)	-	(1,011)	-
- Transfer (to)/from deferred tax	(4,296)	-	624	-
- Write-back of credit losses	(150)	-	(465)	-
	<u>13,450</u>	-	<u>(2,442)</u>	-
Revaluation reserve on financial investments available-for-sale				
- Net gain from change in fair value	-	20,811	-	41,008
- Realised gain transferred to statement of income on disposal and impairment	-	(426)	-	(2,987)
- Transfer to deferred tax	-	(4,892)	-	(9,125)
	-	<u>15,493</u>	-	<u>28,896</u>
Other comprehensive income/(expenses), net of tax	<u>13,450</u>	15,493	<u>(2,442)</u>	28,896
Total comprehensive income for the financial period	119,727	123,434	241,607	256,452
Earnings per share attributable to :				
Equity holders of the Bank	<u>119,727</u>	<u>123,434</u>	<u>241,607</u>	<u>256,452</u>

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 March 2018.

ALLIANCE BANK MALAYSIA BERHAD
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Condensed Interim Financial Statements

Unaudited Statements of Changes in Equity for the Financial Period Ended 30 September 2018

←----- Attributable to Equity holders of the Bank -----→

GROUP	Ordinary <u>shares</u> RM'000	Regulatory <u>reserve</u> RM'000	Capital <u>reserve</u> RM'000	FVOCI <u>reserve</u> RM'000	Revaluation <u>reserve</u> RM'000	Retained <u>profits</u> RM'000	Total <u>equity</u> RM'000
At 1 April 2018							
As previously stated	1,548,106	186,064	100,150	-	114,987	3,510,283	5,459,590
Effect of adoption of MFRS 9	-	(17,330)	-	16,923	(114,987)	47,876	(67,518)
Effect of adoption of MFRS 15	-	-	-	-	-	(15,500)	(15,500)
As restated	1,548,106	168,734	100,150	16,923	-	3,542,659	5,376,572
Net profit after taxation	-	-	-	-	-	276,889	276,889
Other comprehensive income	-	-	-	6,278	-	-	6,278
Total comprehensive income for the period	-	-	-	6,278	-	276,889	283,167
Transfer to regulatory reserve	-	2,878	-	-	-	(2,878)	-
Dividend paid	-	-	-	-	-	(105,271)	(105,271)
At 30 September 2018	1,548,106	171,612	100,150	23,201	-	3,711,399	5,554,468

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ALLIANCE BANK MALAYSIA BERHAD
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Condensed Interim Financial Statements (Contd.)
Unaudited Statements of Changes in Equity for the Financial Period Ended 30 September 2018 (Contd.)

GROUP	←----- Attributable to Equity holders of the Bank ----->										
	Ordinary shares RM'000	Share premium RM'000	Statutory reserves RM'000	Regulatory reserves RM'000	Capital reserves RM'000	Revaluation reserves RM'000	Equity contribution from former holding company RM'000	Employees' share scheme '(ESS)' reserve RM'000	Shares held for ESS RM'000	Retained profits RM'000	Total equity RM'000
At 1 April 2017											
As previously reported	796,517	401,517	1,223,525	157,900	10,018	99,268	6,062	-	-	2,306,158	5,000,965
Effect 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 after taxation	-	-	-	-	-	-	-	-	-	257,803	257,803
Other comprehensive income	-	-	-	-	-	35,010	-	-	-	-	35,010
Total comprehensive income for the financial period	-	-	-	-	-	35,010	-	-	-	257,803	292,813
Share-based payment under ESS	-	-	-	-	-	-	-	201	-	-	201
ESS on share 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 venture	-	-	-	-	-	-	-	(111)	111	-	-
- bank employees	-	-	-	-	-	-	-	(3,059)	3,059	-	-
ESS share options exercised by:											
- employees of subsidiaries	-	-	-	-	-	-	-	(22)	22	-	-
- bank employees	-	-	-	-	-	-	-	(96)	96	-	-
Proceeds from share option exercised	-	-	-	-	-	-	-	-	4,032	-	4,032
Transfer of ESS recharged differences on shares vested	-	-	-	-	-	-	-	(1,628)	-	1,628	-
Disposal of ESS share	-	-	-	-	-	-	-	-	6,557	-	6,557
Gain from disposal of ESS share	-	-	-	-	-	-	-	-	-	728	728
Transfer from/(to) retained profits	-	-	(1,223,525)	(10,481)	10,140	-	-	-	-	1,223,866	-
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	(116,108)	(116,108)
Dividends added back for shares held in ESS trust	-	-	-	-	-	-	-	-	-	1,549	1,549
At 30 September 2017	1,548,106	-	-	147,419	100,150	134,278	-	47	(59,472)	3,433,442	5,303,970

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ALLIANCE BANK MALAYSIA BERHAD

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Condensed Interim Financial Statements

Unaudited Statements of Changes in Equity for the Financial Period Ended 30 September 2018

	← <u>Non-Distributable reserves</u> →					→ <u>Distributable reserves</u>	<u>Total equity</u> RM'000
	<u>Ordinary shares</u> RM'000	<u>Regulatory reserve</u> RM'000	<u>Capital reserve</u> RM'000	<u>FVOCI reserve</u> RM'000	<u>Revaluation reserve</u> RM'000	<u>Retained profits</u> RM'000	
<u>BANK</u>							
At 1 April 2018							
As previously stated	1,548,106	160,029	95,515	-	74,907	2,866,142	4,744,699
Effect of adoption of MFRS 9	-	327	-	9,814	(74,907)	32,885	(31,881)
Effect of adoption of MFRS 15	-	-	-	-	-	(15,500)	(15,500)
As restated	1,548,106	160,356	95,515	9,814	-	2,883,527	4,697,318
Net profit after taxation	-	-	-	-	-	244,049	244,049
Other comprehensive expense	-	-	-	(2,442)	-	-	(2,442)
Total comprehensive (expense)/income for the period	-	-	-	(2,442)	-	244,049	241,607
Transfer to regulatory reserve	-	2,139	-	-	-	(2,139)	-
Dividends paid	-	-	-	-	-	(105,271)	(105,271)
At 30 September 2018	1,548,106	162,495	95,515	7,372	-	3,020,166	4,833,654

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 March 2018.

Condensed Interim Financial Statements (Contd.)
Unaudited Statements of Changes in Equity for the Financial Period Ended 30 September 2018 (Contd.)

	←			<u>Non-distributable reserves</u>			→		<u>Distributable reserves</u>	
	<u>Ordinary shares</u>	<u>Share premium</u>	<u>Statutory reserves</u>	<u>Capital reserve</u>	<u>Regulatory reserves</u>	<u>Revaluation reserves</u>	<u>Contribution from former holding Company</u>	<u>Retained profits</u>	<u>Total equity</u>	
	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000	RM'000	RM'000	
<u>BANK</u>										
At 1 April 2017	796,517	401,517	835,401	-	144,349	64,916	5,523	2,115,505	4,363,728	
Net profit after taxation	-	-	-	-	-	-	-	227,556	227,556	
Other comprehensive income	-	-	-	-	-	28,896	-	-	28,896	
Total comprehensive income for the financial period	-	-	-	-	-	28,896	-	227,556	256,452	
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	-	-	-	-	-	-	(3,155)	-	(3,155)	
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	(1,472)	1,472	-	
ESS on share options lapsed	-	-	-	-	-	-	(1,037)	1,037	-	
Transfer to retained profits	-	-	(835,401)	-	(3,213)	-	-	838,614	-	
Dividends paid	-	-	-	-	-	-	-	(116,849)	(116,849)	
At 30 September 2017	1,548,106	-	-	95,515	141,136	93,812	47	2,817,263	4,695,879	

ALLIANCE BANK MALAYSIA BERHAD

(88103-W)

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Condensed Interim Financial Statements

Unaudited Condensed Statements of Cash Flows for the Financial Period Ended 30 September 2018

	GROUP		BANK	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	367,868	350,174	313,624	305,573
Adjustments for:				
Accretion of discount less amortisation of premium of financial investments	(43,406)	(38,296)	(42,630)	(37,286)
Allowance for credit losses on loans, advances and financing	77,350	69,849	50,069	34,100
Write-back allowance for credit losses on commitment and contingencies	(11,539)	-	(667)	-
Write-back of credit losses on financial investments	(567)	-	(601)	-
Allowance for credit losses on amount due from clients	12	-	-	-
Allowance for credit losses on other assets	2,220	1,936	1,446	1,455
Write-back of credit losses on cash and short term funds	(500)	-	(500)	-
Amortisation of computer software	12,875	12,278	12,356	11,955
Depreciation of property, plant and equipment	11,458	10,478	11,084	10,115
Dividends from financial investments at FVTPL	(1,020)	-	(589)	-
Dividends from financial investments available-for-sale	-	(1,109)	-	(679)
Dividends from subsidiaries	-	-	(37,490)	(6,899)
Interest expense on recourse obligations on loans and financing sold to Cagamas	13,492	10,931	13,492	10,931
Interest expense on other borrowings	-	119	-	119
Interest expense on subordinated obligations	39,276	34,545	39,365	34,592
Interest income from financial investments at FVOCI	(127,742)	-	(124,043)	-
Interest income from financial investments at amortised cost	(2,660)	-	(5,807)	-
Interest income from financial investments available-for-sale	-	(136,800)	-	(134,328)
Interest income from financial investments held-to-maturity	-	(12,694)	-	(10,256)
Property, plant and equipment written-off	13	134	12	126
Computer software written-off	1,724	235	1,724	146
Net gain from sale of financial assets at FVTPL	(1,468)	-	(1,467)	-
Net gain from sale of financial investments at FVOCI	(1,569)	-	(1,011)	-
Net gain from sale of financial assets held-for-trading	-	(310)	-	(310)
Net gain from sale of financial investments available-for-sale	-	(3,680)	-	(2,987)
Unrealised gain arising from financial assets at FVTPL	(2,253)	-	(1,982)	-
Unrealised (gain)/loss arising from derivative instruments	(40,088)	96,835	(40,088)	96,835
Unrealised loss/(gain) arising from financial liabilities designated at fair value through profit or loss	1,705	(4,073)	1,705	(4,073)
Unrealised gain arising from held-for-trading	-	(2,920)	-	(2,547)
Share options/grants under Employees' Share Scheme	-	186	-	188
Share of results of joint venture	(52)	(1)	-	-
Zakat	81	4	-	-
Cash flow from operating activities before capital changes carried forward	295,210	387,821	188,002	306,770

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Condensed Interim Financial Statements

Unaudited Condensed Statements of Cash Flows for the Financial Period Ended 30 September 2018 (contd.)

	GROUP		BANK	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (contd.)				
Cash flow from operating activities before capital changes brought forward:	295,210	387,821	188,002	306,770
Changes in working capital:				
Deposits from customers	171,433	(1,697,771)	(419,977)	(2,028,479)
Deposits and placements of banks and other financial institutions	(18,766)	265,471	(38,312)	(156,099)
Other liabilities	123,628	131,150	119,888	158,449
Deposits and placements with banks and other financial institutions	76,283	-	77,283	-
Financial liabilities designated at fair value through profit or loss	60,895	152,151	60,895	152,151
Financial assets held-for-trading	-	127,045	-	121,255
Proceeds from redemption/disposal of financial assets at FVTPL (net of purchase)	(40,100)	-	(45,356)	-
Loans, advances and financing	(765,992)	320,794	(357,615)	294,952
Other assets	(61,787)	(39,691)	(55,304)	(90,328)
Amounts due (to)/from clients and brokers	(2,504)	8,540	-	-
Statutory deposits	(41,330)	(29,561)	(17,650)	10,941
Cash used in operations	(203,030)	(374,051)	(488,146)	(1,230,388)
Taxation paid	(94,584)	(74,893)	(75,829)	(62,043)
Zakat paid	(19)	(76)	-	-
Net cash used in operating activities	(297,633)	(449,020)	(563,975)	(1,292,431)

CASH FLOWS FROM INVESTING ACTIVITIES

Dividends from financial investments at FVTPL	1,020	-	589	-
Dividends from financial investments available-for-sale	-	1,109	-	679
Dividends from subsidiaries	-	-	37,490	6,899
Interest received from financial investments at FVOCI	120,512	-	125,586	-
Interest received from financial investments at amortised costs	2,675	-	5,822	-
Interest received from financial assets held-for-trading	-	4,051	-	3,527
Interest received from financial investments available-for-sale	-	129,278	-	129,533
Interest received from financial investments held-to-maturity	-	12,890	-	9,440
Net interest expense for derivative instruments	(26,070)	(17,001)	(26,070)	(17,001)
Purchase of property, plant and equipment	(17,002)	(10,031)	(16,955)	(9,936)
Purchase of computer software	(28,975)	(24,516)	(28,725)	(23,799)
Proceeds from redemption/disposal of amortised cost (net of purchase)	128,051	-	92,871	-
Proceeds from redemption/disposal financial investments at FVOCI (net of purchase)	(502,398)	-	151,690	-
Proceeds from redemption/disposal of financial investments held-to-maturity (net of purchase)	-	381,062	-	141,021
Proceeds from redemption/disposal of financial investments available-for-sale (net of purchase)	-	698,332	-	668,799
Net cash (used in)/generated from investing activities	(322,187)	1,175,174	342,298	909,162

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Condensed Interim Financial Statements**Unaudited Condensed Statements of Cash Flows for the Financial Period Ended 30 September 2018**

	GROUP		BANK	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid to shareholders of the company	(105,271)	(114,559)	(105,271)	(116,849)
Interest on recourse obligations on loans and financing sold to Cagamas	(13,476)	(10,436)	(13,414)	(10,895)
Interest on other borrowings	-	(118)	-	(118)
Interest paid on subordinated obligations	(38,774)	(34,256)	(38,905)	(34,256)
Recourse obligations on loans and financing sold to Cagamas	-	350,005	-	-
Proceeds from ESS exercised by employees/joint venture	-	4,143	-	-
Proceeds from disposal of share held in trust	-	7,290	-	-
Subscription of shares from former holding company	-	-	-	100,000
Payment for ESS recharged from former parent	-	-	-	(3,155)
Net cash (used in)/generated from financing activities	(157,521)	202,069	(157,590)	(65,273)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(777,341)	928,223	(379,267)	(448,542)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	2,768,758	1,381,779	1,715,961	1,618,617
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	1,991,417	2,310,002	1,336,694	1,170,075
Cash and cash equivalents comprise the following:				
Cash and short-term funds	1,991,417	2,310,002	1,336,694	1,170,075

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 March 2018.

Explanatory Notes

PART A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134") and Guidelines on Financial Reporting Issued by Bank Negara Malaysia ("BNM")

A1 Basis of Preparation

The unaudited condensed interim financial statements for the second quarter and financial half year ended 30 September 2018 have been prepared under the historical cost convention.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB"), IAS 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB"), Chapter 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements and should be read in conjunction with the audited annual financial statements of the Group and the Bank for the financial year ended 31 March 2018.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 March 2018, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 April 2018:

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers"
- Annual Improvements to MFRSs 2014 - 2016 Cycles.
 - Amendments to MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards".
 - Amendments to MFRS 12 "Investments in Associates and Joint Ventures".
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration".

The adoption of the above standards, amendments to published standards and interpretation to existing standards are not anticipated to have any significant impact on the financial statements of the Group and the Bank other than the adoption of MFRS 9 and MFRS 15 where the impact is shown in Note A37.

The following MFRS have been issued by the MASB and are effective for annual periods commencing on or after 1 April 2019, and have yet to be adopted by the Group and the Bank:

- MFRS 16 "Leases" (effective from 1 January 2019)
- Amendments to MFRS 9 "Prepayment features with negative compensation" (effective from 1 January 2019)
- Amendments to MFRS 128 "Long-term Interest in Associates and Joint Ventures" (effective from 1 January 2019).
- Annual Improvements to MFRSs 2015 - 2017 Cycles (effective from 1 January 2019).
 - Amendments to MFRS 3 "Business Combinations".
 - Amendments to "MFRS 11 Joint Arrangements".
 - Amendments to MFRS 112 "Income Taxes".
 - Amendments to MFRS 123 "Borrowing Costs".
- IC interpretation 23 "Uncertainty over Income Tax Treatments" (effective from 1 January 2019).

The preparation of unaudited condensed interim financial statements in conformity with the Malaysian Financial Reporting Standards 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 unaudited condensed interim financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and the Bank's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

A2 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the annual financial statements for the financial year ended 31 March 2018 was not subject to any qualification.

A3 Seasonality or Cyclicity of Operations

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical fluctuations during the second quarter and financial half year ended 30 September 2018.

A4 Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank during the second quarter and financial half year ended 30 September 2018.

A5 Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect during the second quarter and financial half year ended 30 September 2018.

A6 Debt and Equity Securities

There were no issuance nor repayment of debt and equity securities during the second quarter and financial half year ended 30 September 2018.

A7 Dividend Paid

The Bank had on 28 June 2018, paid a second interim dividend of 6.8 sen, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares amounting to approximately RM105,271,000 in respect of the financial year ended 31 March 2018.

A8 Significant Events

There was no significant event subsequent to the end of financial reporting period that require disclosure or adjustment to the unaudited condensed interim financial statements.

A9 Material Event Subsequent to the End of the Financial Reporting Period

There was no material event subsequent to the end of financial reporting period that require disclosure or adjustment to the unaudited condensed interim financial statements.

A10 Related Party Transactions

All related party transactions within the Group and the Bank have been entered into in the normal course of business.

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A11 Amounts Due From Clients And Brokers

	<u>GROUP</u>	
	30 September 2018 RM'000	31 March 2018 RM'000
Due from clients	78,254	101,475
Due from brokers	-	670
	<u>78,254</u>	<u>102,145</u>
Less:		
Allowance for other credit losses	<u>(852)</u>	<u>(840)</u>
	<u><u>77,402</u></u>	<u><u>101,305</u></u>

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.

Included in the amounts due from clients and brokers are credit impaired accounts for contra losses, as follows:

	<u>GROUP</u>	
	30 September 2018 RM'000	31 March 2018 RM'000
Classified as doubtful	99	228
Classified as bad	870	851
	<u>969</u>	<u>1,079</u>

The movements in allowance for other credit losses are as follows:

At beginning of financial year	840	835
Allowance made during the financial period/year (net)	12	5
At end of financial period/year	<u>852</u>	<u>840</u>

A12 Financial Assets at Fair Value Through Profit or Loss ("FVTPL")

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
At fair value				
<u>Money market instruments:</u>				
Commercial papers	60,169	-	50,186	-
Malaysian Government securities	39,514	-	39,514	-
	<u>99,683</u>	<u>-</u>	<u>89,700</u>	<u>-</u>
<u>Unquoted securities:</u>				
Shares	178,651	-	121,439	-
Corporate bonds and sukuk	7,320	-	7,320	-
	<u>185,971</u>	<u>-</u>	<u>128,759</u>	<u>-</u>
Total financial assets at FVTPL	<u><u>285,654</u></u>	<u><u>-</u></u>	<u><u>218,459</u></u>	<u><u>-</u></u>

The financial assets at FVTPL category was introduced upon the adoption of MFRS 9 on 1 April 2018. Comparative figures are not restated in line with transition requirements under MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A37.

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A13 Financial Investments at Fair Value Through Other Comprehensive Income

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
At fair value				
<u>Money market instruments:</u>				
Malaysian Government securities	1,804,636	-	1,644,116	-
Malaysian Government investment certificates	2,227,345	-	1,153,533	-
Negotiable instruments of deposits	647,069	-	936,131	-
Commercial papers	24,921	-	9,947	-
Khazanah bonds	14,752	-	14,752	-
	<u>4,718,723</u>	<u>-</u>	<u>3,758,479</u>	<u>-</u>
<u>Quoted securities:</u>				
Shares	21	-	21	-
Accumulated allowance for credit losses	(12)	-	(12)	-
	<u>9</u>	<u>-</u>	<u>9</u>	<u>-</u>
<u>Unquoted securities:</u>				
Corporate bonds and sukuk	4,135,578	-	2,369,746	-
	<u>4,135,578</u>	<u>-</u>	<u>2,369,746</u>	<u>-</u>
Total financial investments at FVOCI	<u>8,854,310</u>	<u>-</u>	<u>6,128,234</u>	<u>-</u>

The financial investments at FVOCI category was introduced upon the adoption of MFRS 9 on 1 April 2018. Comparative figures are not restated in line with transition requirements under MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A37.

Movements in allowances for credit losses are as follows:

	<u>Non-credit impaired</u>		<u>Credit Impaired</u>	<u>Total</u> RM'000
	<u>Collectively Assessed</u>		<u>Individually Assessed</u>	
	<u>12-Month</u>	<u>Lifetime</u>	<u>Lifetime</u>	
	<u>ECL</u>	<u>ECL</u>	<u>ECL</u>	
	<u>(Stage 1)</u>	<u>(Stage 2)</u>	<u>(Stage 3)</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	
GROUP				
At 1 April 2018				
As previously stated	-	-	-	-
Effect of adoption of MFRS 9	241	1,106	9,409	10,756
As restated	<u>241</u>	<u>1,106</u>	<u>9,409</u>	<u>10,756</u>
New financial investments originated or purchased	10	-	-	10
Financial investments derecognised other than write-off	(36)	-	-	(36)
Changes due to change in credit risk	(77)	(464)	-	(541)
At end of financial period	<u>138</u>	<u>642</u>	<u>9,409</u>	<u>10,189</u>
BANK				
At 1 April 2018				
As previously stated	-	-	-	-
Effect of adoption of MFRS 9	134	872	-	1,006
As restated	<u>134</u>	<u>872</u>	<u>-</u>	<u>1,006</u>
New financial investments originated or purchased	4	-	-	4
Financial investments derecognised other than write-off	(30)	-	-	(30)
Changes due to change in credit risk	(43)	(396)	-	(439)
At end of financial period	<u>65</u>	<u>476</u>	<u>-</u>	<u>541</u>

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A14 Financial Investments at Amortised Cost

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
At cost				
<u>Money market instruments:</u>				
Malaysian Government securities	121,737	-	101,357	-
Khazanah bonds	84,348	-	64,501	-
	<u>206,085</u>	<u>-</u>	<u>165,858</u>	<u>-</u>
<u>Unquoted securities:</u>				
Corporate bonds and sukuk	18,938	-	131,690	-
Accumulated allowance for credit losses	(14,193)	-	(1,583)	-
	<u>4,745</u>	<u>-</u>	<u>130,107</u>	<u>-</u>
Total financial investments at amortised cost	<u>210,830</u>	<u>-</u>	<u>295,965</u>	<u>-</u>

The financial investments at amortised cost category was introduced upon the adoption of MFRS 9 on 1 April 2018. Comparative figures are not restated in line with the transition requirements under MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A37.

Movements in allowances for impairment which reflect the expected credit losses model on impairment are as follows:

	<u>Non-credit</u>	<u>Credit Impaired</u>		
	<u>impaired</u>	<u>Collectively</u>	<u>Individually</u>	
	<u>Collectively</u>	<u>Assessed</u>	<u>Assessed</u>	
	<u>12-Month</u>	<u>Lifetime ECL</u>		
	<u>(Stage 1)</u>	<u>(Stage 3)</u>		
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
GROUP				
At 1 April 2018				
As previously stated	-	-	-	-
Effect of adoption of MFRS 9	-	1,695	12,498	14,193
As restated	-	1,695	12,498	14,193
Changes due to change in credit risk	-	(1,695)	1,695	-
At end of financial period	-	-	14,193	14,193
BANK				
At 1 April 2018				
As previously stated	-	-	-	-
Effect of adoption of MFRS 9	425	1,112	182	1,719
As restated	425	1,112	182	1,719
Changes due to change in credit risk	(136)	(1,112)	1,112	(136)
At end of financial period	289	-	1,294	1,583

* During the financial period, there were no credit losses under Stage 2.

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A15 Financial Assets Held-for-trading

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
At fair value				
<u>Money market instruments:</u>				
Commercial papers	-	40,905	-	25,926
	-	40,905	-	25,926
<u>Unquoted securities:</u>				
Corporate bonds and sukuk	-	22,845	-	22,845
	-	22,845	-	22,845
Total financial investments held-for-trading	-	63,750	-	48,771

The financial assets held-for-trading category was removed upon the adoption of MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A37.

A16 Financial Investments Available-for-sale

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
At fair value				
<u>Money market instruments:</u>				
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
<u>Quoted securities in Malaysia:</u>				
Shares	-	21	-	21
Accumulated impairment losses	-	(11)	-	(11)
	-	10	-	10
<u>Unquoted securities:</u>				
Shares	-	178,846	-	121,634
	-	178,846	-	121,634
Corporate bonds and sukuk	-	4,046,012	-	2,314,543
Accumulated impairment losses	-	(9,409)	-	-
	-	4,036,603	-	2,314,543
Total financial investments available-for-sale	-	8,505,189	-	6,406,448

The financial investments available-for-sale category was removed upon the adoption of MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A37.

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A17 Financial Investments Held-to-maturity

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
At amortised cost				
<u>Money market instruments:</u>				
Malaysian Government securities	-	141,686	-	121,271
Khazanah bonds	-	147,181	-	93,036
	<u>-</u>	<u>288,867</u>	<u>-</u>	<u>214,307</u>
At cost				
<u>Unquoted securities:</u>				
Corporate bonds and sukuk	-	18,938	-	131,690
Accumulated impairment losses	-	(14,193)	-	(1,294)
	<u>-</u>	<u>4,745</u>	<u>-</u>	<u>130,396</u>
Total financial investments held-to-maturity	<u>-</u>	<u>293,612</u>	<u>-</u>	<u>344,703</u>

The financial investments held-to-maturity category was removed upon the adoption of MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A37.

A18 Loans, Advances and Financing

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
Overdrafts	3,738,154	3,410,188	2,613,984	2,544,606
Term loans/financing				
- Housing loans/financing	14,098,103	14,013,987	11,439,064	11,568,619
- Syndicated term loans/financing	311,062	328,508	167,560	183,539
- Hire purchase receivables	1,091,503	1,160,135	725,219	728,742
- Other term loans/financing	14,254,439	13,838,846	11,093,826	10,807,750
Bills receivables	343,417	345,530	328,957	340,283
Trust receipts	223,676	215,712	185,594	187,088
Claims on customers under acceptance credits	3,127,854	3,041,120	2,504,503	2,282,838
Staff loans				
[Loan to Directors:RM Nil; 31 March 2018:RM Nil]	23,943	26,123	6,991	7,744
Credit/charge card receivables	618,056	604,110	618,056	604,110
Revolving credits	1,897,715	2,069,989	1,396,711	1,510,347
Share margin financing	1,243,588	1,253,125	978,076	1,004,670
Gross loans, advances and financing	40,971,510	40,307,373	32,058,541	31,770,336
Add: Sales commissions and handling fees	79,834	54,591	98,006	61,630
Less: Allowance for impairment losses on loans, advances and financing				
- Individual assessment allowance	(140,975)	(75,733)	(121,806)	(64,967)
- Collective assessment allowance	(334,736)	(296,716)	(222,172)	(220,435)
Total net loans, advances and financing	40,575,633	39,989,515	31,812,569	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 impairment losses are recognised and accounted for by the Bank. The total net loans, advances and financing for CMTF was at RM201,637,000 as at 30 September 2018.

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A18 Loans, Advances and Financing (contd.)

A18a By maturity structure:

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
Within one year	11,313,411	11,169,395	8,672,401	8,623,585
One year to three years	1,609,241	1,320,249	1,221,796	951,258
Three years to five years	2,542,160	2,475,345	1,857,660	1,882,787
Over five years	25,506,698	25,342,384	20,306,684	20,312,706
Gross loans, advances and financing	40,971,510	40,307,373	32,058,541	31,770,336

A18b By type of customers:

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
Domestic non-bank financial institutions	398,989	451,720	331,655	374,409
Domestic business enterprises				
- Small and medium enterprises	10,560,645	10,232,690	8,315,966	8,040,287
- Others	7,904,183	8,005,100	6,129,228	6,065,223
Government and statutory bodies	2,822	3,667	2,822	3,667
Individuals	21,306,699	20,690,312	16,569,017	16,455,658
Other domestic entities	5,047	164,843	2,294	162,138
Foreign entities	793,125	759,041	707,559	668,954
Gross loans, advances and financing	40,971,510	40,307,373	32,058,541	31,770,336

A18c By interest/profit rate sensitivity:

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
Fixed rate				
- Housing loans/financing	32,996	35,331	3,576	4,151
- Hire purchase receivables	1,067,020	1,131,382	700,736	699,989
- Other fixed rate loans/financing	2,981,253	2,699,007	1,499,226	1,295,655
Variable rate				
- Base lending rate plus	26,850,294	26,055,850	21,080,068	21,606,411
- Base rate plus	3,025,134	3,259,928	3,025,134	2,510,143
- Cost plus	6,901,860	6,973,819	5,636,848	5,501,931
- Other variable rates loans/financing	112,953	152,056	112,953	152,056
Gross loans, advances and financing	40,971,510	40,307,373	32,058,541	31,770,336

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A18 Loans, Advances and Financing (contd.)

A18d By economic purposes:

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
Purchase of securities	1,235,010	1,245,600	969,498	997,145
Purchase of transport vehicles	864,886	933,698	519,401	525,290
Purchase of landed property	22,194,461	22,079,479	18,244,614	18,335,356
of which: - Residential	15,126,545	15,051,340	12,420,942	12,566,335
- Non-residential	7,067,916	7,028,139	5,823,672	5,769,021
Purchase of fixed assets excluding land & buildings	336,521	302,307	292,146	256,498
Personal use	3,958,281	3,309,928	2,283,156	1,938,753
Credit card	618,056	604,110	618,056	604,110
Construction	511,032	451,297	493,366	433,393
Mergers and acquisitions	-	117,705	-	117,705
Working capital	9,172,199	8,832,929	7,138,804	6,774,400
Others	2,081,064	2,430,320	1,499,500	1,787,686
Gross loans, advances and financing	40,971,510	40,307,373	32,058,541	31,770,336

A18e By geographical distribution:

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
Northern region	2,998,727	2,835,527	2,193,011	2,139,991
Central region	29,414,066	28,946,946	23,330,107	23,158,486
Southern region	5,074,873	4,951,821	3,886,658	3,820,900
Sabah region	2,585,328	2,606,218	1,953,995	1,992,524
Sarawak region	898,516	966,861	694,770	658,435
Gross loans, advances and financing	40,971,510	40,307,373	32,058,541	31,770,336

A18f Movements in credit impaired loans, advances and financing ("impaired loans") in stage 3:

	<u>GROUP</u>	<u>BANK</u>
	30 September 2018 RM'000	30 September 2018 RM'000
At 1 April 2018		
As previously reported	577,519	470,646
Effect of adoption of MFRS 9	(20,317)	(18,052)
As restated	557,202	452,594
Impaired during the financial period	378,477	281,134
Recovered during the financial period	(54,514)	(41,562)
Reclassified as unimpaired during the financial period	(208,998)	(152,649)
Financial assets derecognised other than write-off during the period	(39,948)	(36,310)
Amount written-off	(68,972)	(45,951)
At end of financial period	563,247	457,256
Gross impaired loans as % of gross loans, advances and financing	1.4%	1.4%

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A18 Loans, Advances and Financing (contd.)

A18f Movements in impaired loans under MFRS 139:

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

A18g Credit impaired loans analysed by economic purposes:

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
Purchase of securities	-	50	-	50
Purchase of transport vehicles	18,551	13,671	14,372	10,131
Purchase of landed property	320,403	347,159	261,974	281,386
of which: - Residential	<u>161,229</u>	<u>188,970</u>	<u>142,056</u>	<u>155,226</u>
- Non-residential	<u>159,174</u>	<u>158,189</u>	<u>119,918</u>	<u>126,160</u>
Purchase of fixed assets excluding land & buildings	6,536	5,635	5,831	4,754
Personal use	72,187	56,852	45,214	35,527
Credit card	9,479	9,074	9,479	9,074
Construction	9,593	11,771	9,593	11,771
Working capital	93,730	98,433	80,204	89,864
Others	32,768	34,874	30,589	28,089
Gross impaired loans	<u>563,247</u>	<u>577,519</u>	<u>457,256</u>	<u>470,646</u>

A18h Credit impaired loans by geographical distribution:

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
Northern region	43,911	42,540	35,092	34,658
Central region	412,455	417,859	329,778	336,653
Southern region	66,622	78,417	56,426	65,560
Sabah region	27,113	28,145	23,550	24,263
Sarawak region	13,146	10,558	12,410	9,512
Gross impaired loans	<u>563,247</u>	<u>577,519</u>	<u>457,256</u>	<u>470,646</u>

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A18 Loans, Advances and Financing (contd.)

A18i Movements in the allowance for impairment losses on loans, advances and financing are as follows:

	30 September 2018				Total	31 March 2018	
	Non-credit impaired		Credit Impaired			Collectively Assessed	Individually Assessed
	Collectively Assessed		Collectively Assessed	Individually Assessed			
	12 months ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)			RM'000	RM'000
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
GROUP							
At 1 April 2018							
As previously stated					372,449	313,328	66,627
Effect of adoption of MFRS 9					82,952	-	-
As restated	65,439	198,694	56,709	134,559	455,401	313,328	66,627
Transfer to 12 month ECL	11,566	(65,029)	(1,079)	(2,816)	(57,358)	-	-
Transfer to lifetime ECL non credit-impaired	(20,539)	115,420	(17,968)	(32,859)	44,054	-	-
Transfer to lifetime ECL credit-impaired	(91)	(59,342)	69,903	59,591	70,061	-	-
New financial assets originated or purchased	35,246	78,118	8,992	523	122,879	-	-
Changes due to change in credit risk	(3,250)	11,774	(5,731)	(437)	2,356	73,699	31,876
Financial assets derecognised other than write-off	(19,491)	(78,128)	(5,170)	(2,039)	(104,828)	-	-
Other adjustment	38	128	-	-	166	-	-
Total charged to income statement	3,479	2,941	48,947	21,963	77,330	73,699	31,876
Unwind of discount	-	-	-	(4,688)	(4,688)	-	-
Write-off	-	(60)	(41,413)	(10,859)	(52,332)	(87,852)	(25,229)
Transfer from collective assessment allowance to individual assessment allowance	-	-	-	-	-	(2,459)	2,459
At end of financial period/year	68,918	201,575	64,243	140,975	475,711	296,716	75,733
BANK							
At 1 April 2018							
As previously stated					285,402	234,637	64,147
Effect of adoption of MFRS 9					48,118	-	-
As restated	43,076	134,895	39,319	116,230	333,520	234,637	64,147
Transfer to 12 month ECL	7,235	(44,992)	(961)	(1,891)	(40,609)	-	-
Transfer to lifetime ECL non credit-impaired	(12,280)	74,825	(7,429)	(27,735)	27,381	-	-
Transfer to lifetime ECL credit-impaired	(88)	(34,558)	40,528	53,048	58,930	-	-
New financial assets originated or purchased	23,122	60,395	1,532	523	85,572	-	-
Changes due to change in credit risk	(1,545)	1,531	(123)	(2,211)	(2,348)	30,618	24,085
Financial assets derecognised other than write-off	(13,215)	(59,594)	(4,729)	(1,505)	(79,043)	-	-
Other adjustment	38	128	-	-	166	-	-
Total charged/(write-back) to income statement	3,267	(2,265)	28,818	20,229	50,049	30,618	24,085
Unwind of discount	-	-	-	(3,794)	(3,794)	-	-
Write-off	-	(1)	(24,937)	(10,859)	(35,797)	(43,468)	(24,617)
Transfer from collective assessment allowance to individual assessment allowance	-	-	-	-	-	(1,352)	1,352
At end of financial period/year	46,343	132,629	43,200	121,806	343,978	220,435	64,967

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A19 Other Assets

	GROUP		BANK	
	30 September	31 March	30 September	31 March
	2018	2018	2018	2018
	RM'000	RM'000	RM'000	RM'000
Other receivables	53,759	32,173	39,298	18,281
Derivative margin	38,087	37,136	37,852	36,902
Settlement account	81,287	42,924	81,287	42,924
Deposits	8,711	8,690	8,050	8,020
Prepayment	17,442	16,430	16,062	14,992
Amounts due from subsidiaries	-	-	40,696	46,794
Amount due from joint venture	365	392	365	392
	199,651	137,745	223,610	168,305
Less:				
Allowance for credit losses on other receivables	(34,237)	(32,017)	(29,024)	(27,578)
	165,414	105,728	194,586	140,727

Movement for allowance for credit losses on other receivables are as follows:

	Non-credit impaired		Credit Impaired		Total
	Collectively Assessed	Collectively Assessed	Individually Assessed		
	12-Month ECL	Lifetime ECL	Lifetime ECL		
	(Stage 1)	(Stage 3)	(Stage 3)		
	RM'000	RM'000	RM'000	RM'000	RM'000
GROUP					
At 1 April 2018					
As previously stated					32,017
Effect of adoption of MFRS 9	-	-	-	-	-
As restated	36	1,933	30,048		32,017
New financial assets originated or purchased	16	700	-		716
Changes due to change in credit risk	218	-	1,605		1,823
Financial assets derecognised other than write-off	(246)	(53)	(20)		(319)
At end of financial period	24	2,580	31,633		34,237
BANK					
At 1 April 2018					
As previously stated					27,578
Effect of adoption of MFRS 9	-	-	-		-
As restated	-	-	-		27,578
Changes due to change in credit risk	-	-	1,446		1,446
At end of financial period	-	-	1,446		29,024

* During the financial period, there were no ECL under Stage 2.

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A20 Deposits from Customers

A20a By type of deposits:

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
Amortised cost				
Demand deposits	14,273,259	14,161,040	11,381,903	11,752,631
Savings deposits	1,744,373	1,792,710	1,428,925	1,468,774
Fixed/investment deposits	25,075,598	24,142,700	18,988,756	18,393,938
Money market deposits	1,542,383	2,277,386	1,012,528	1,716,143
Negotiable instruments of deposits	276,280	366,624	276,280	176,884
	42,911,893	42,740,460	33,088,392	33,508,370

A20b By type of customers:

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
Domestic financial institutions	258,750	358,990	279,783	190,812
Domestic non-bank financial institutions	1,806,022	2,676,350	1,246,462	1,854,863
Government and statutory bodies	4,678,896	4,312,577	2,471,035	2,106,387
Business enterprises	16,593,810	16,354,335	12,671,074	12,945,816
Individuals	18,335,195	17,941,780	15,343,149	15,432,649
Foreign entities	665,819	596,011	589,968	534,617
Others	573,401	500,417	486,921	443,226
	42,911,893	42,740,460	33,088,392	33,508,370

A20c The maturity structure of fixed/investment deposits, money market deposits and negotiable instruments of deposits are as follow:

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
Due within six months	20,717,716	17,234,419	15,667,201	13,695,607
Six months to one year	4,892,771	8,371,649	3,617,266	5,709,738
One year to three years	1,223,815	1,018,884	983,138	869,862
Three years to five years	59,959	161,758	9,959	11,758
	26,894,261	26,786,710	20,277,564	20,286,965

A21 Deposits and Placements of Banks and Other Financial Institutions

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
Licensed banks	152,216	203,995	52,190	63,619
Licensed Investment banks	58,015	22,004	-	-
Bank Negara Malaysia	594,861	619,467	348,736	375,619
Others	50,013	28,405	-	-
	855,105	873,871	400,926	439,238

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A22 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 linked index investment and foreign currency options.

During the financial period/year, 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 risk are not significant.

	<u>GROUP/BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000
Structured investments	792,598	731,703
Fair value changes arising from designation at fair value through profit or loss	<u>(47,760)</u>	<u>(49,465)</u>
	<u>744,838</u>	<u>682,238</u>

A23 Amounts Due To Clients And Brokers

	<u>GROUP</u>	
	30 September 2018 RM'000	31 March 2018 RM'000
Due to clients	31,655	75,103
Due to brokers	<u>17,053</u>	<u>-</u>
	<u>48,708</u>	<u>75,103</u>

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 RM61,115,000 (31.3.18: RM71,652,000) have been excluded accordingly.

A24 Other Liabilities

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
Other payables	317,448	254,276	257,313	205,527
Derivative premium	1,090	32,751	1,090	32,751
Bills payable	219,003	157,335	208,722	143,126
Settlement account	85,705	53,882	85,705	53,882
Clearing account	227,333	201,208	186,581	161,741
Sundry deposits	42,434	54,924	36,415	47,306
Provision and accruals	92,191	131,420	91,402	131,672
Remisiers account	5,711	5,866	-	-
Allowance for credit losses on commitment and contingencies	32,422	-	26,586	-
Finance lease liabilities	2,030	3,329	2,030	3,329
Structured investments	544,051	504,143	544,051	504,143
Amount due to subsidiaries	-	-	4,057	-
Amount due to joint venture	183	168	-	-
	<u>1,569,601</u>	<u>1,399,302</u>	<u>1,443,952</u>	<u>1,283,477</u>

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A24 Other Liabilities (contd.)

Movement for allowance for credit losses on commitment and contingencies are as follows:

	30 September 2018				Total
	Non-credit impaired		Credit Impaired		
	Collectively Assessed		Collectively Assessed	Individually Assessed	
	12 months ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)		
RM'000	RM'000	RM'000	RM'000	RM'000	
GROUP					
At 1 April 2018					-
As previously reported					-
Effect of adoption of MFRS 9					43,957
As restated	8,534	21,280	9,978	4,165	43,957
Transfer to 12 month ECL	590	(5,617)	-	-	(5,027)
Transfer to lifetime ECL non credit-impaired	(624)	6,303	-	(142)	5,537
Transfer to lifetime ECL credit-impaired	-	(126)	-	621	495
New financial assets originated or purchased	3,106	2,517	-	-	5,623
Changes due to change in credit risk	(1,543)	54	(2,478)	2,796	(1,171)
Financial assets derecognised other than write-off	(1,754)	(3,739)	(7,480)	(4,028)	(17,001)
Other adjustments	8	17	-	-	25
Total write-back to income statement	(217)	(591)	(9,958)	(753)	(11,519)
Unwind of discount	-	-	-	(16)	(16)
At end of financial period	8,317	20,689	20	3,396	32,422
BANK					
At 1 April 2018					-
As previously reported					-
Effect of adoption of MFRS 9					27,248
As restated	7,493	15,572	18	4,165	27,248
Transfer to 12 month ECL	512	(4,702)	-	-	(4,190)
Transfer to lifetime ECL non credit-impaired	(552)	5,668	-	(139)	4,977
Transfer to lifetime ECL credit-impaired	-	(114)	-	392	278
New financial assets originated or purchased	2,756	1,903	-	-	4,659
Changes due to change in credit risk	(1,376)	413	22	903	(38)
Financial assets derecognised other than write-off	(1,502)	(2,732)	(20)	(2,096)	(6,350)
Other adjustment	7	10	-	-	17
Total (write-back)/charged to income statement	(155)	446	2	(940)	(647)
Unwind of discount	-	-	-	(15)	(15)
At end of financial period	7,338	16,018	20	3,210	26,586

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A25 Interest Income

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
GROUP				
Loans, advances and financing	407,087	389,823	806,588	764,144
Money at call and deposit placements with financial institutions	2,381	4,035	6,688	5,320
Financial investments at FVOCI	62,826	-	127,742	-
Financial investments at amortised cost	1,328	-	2,660	-
Financial investments available-for-sale	-	67,141	-	136,800
Financial investments held-to-maturity	-	6,136	-	12,694
Others	179	76	341	147
	473,801	467,211	944,019	919,105
Accretion of discount less amortisation of premium	22,472	19,888	43,406	38,296
	496,273	487,099	987,425	957,401
BANK				
Loans, advances and financing	402,008	391,874	793,033	760,158
Money at call and deposit placements with financial institutions	4,646	6,133	10,355	8,440
Financial investments at FVOCI	60,973	-	124,043	-
Financial investments at amortised cost	2,911	-	5,807	-
Financial investments available-for-sale	-	65,617	-	134,328
Financial investments held-to-maturity	-	4,960	-	10,256
Others	178	76	340	146
	470,716	468,660	933,578	913,328
Accretion of discount less amortisation of premium	22,114	19,152	42,630	37,286
	492,830	487,812	976,208	950,614

Included in the interest income on loans, advances and financing for the current financial period is interest/profit accrued on impaired loans/financing of the Group and the Bank of RM3,809,000 respectively (30 September 2017: RM3,160,000 and RM3,017,000).

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A26 Interest Expense

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
GROUP				
Deposits and placements of banks and other financial institutions	4,255	4,939	10,300	11,731
Deposits from customers	217,792	219,546	432,175	436,419
Recourse obligations on loans and financing sold to Cagamas	6,651	5,450	13,492	10,931
Other borrowings	-	60	-	119
Subordinated obligations	19,777	17,397	39,276	34,545
Others	1,060	991	2,333	1,837
	249,535	248,383	497,576	495,582

BANK

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	2,717	2,983	5,956	7,053
Deposits from customers	213,265	214,768	422,863	427,374
Recourse obligations on loans and financing sold to Cagamas	6,651	5,450	13,492	10,931
Other borrowings	-	60	-	119
Subordinated obligations	19,813	17,409	39,365	34,592
Others	1,060	991	2,333	1,837
	243,506	241,661	484,009	481,906

A27 Net Income from Islamic Banking Business

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
GROUP				
Income derived from investment of depositors' funds and others	149,913	122,672	292,244	242,448
Income derived from investment of Islamic Banking funds	14,674	13,336	29,117	26,062
Income attributable to the depositors and financial institutions	(76,562)	(57,903)	(150,502)	(112,427)
	88,025	78,105	170,859	156,083

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A28 Other Operating Income

GROUP	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
(a) <u>Fee and commission income:</u>				
Commissions	20,935	22,850	45,088	45,950
Service charges and fees	6,842	7,340	15,595	15,705
Corporate advisory fees	729	1,005	1,516	1,731
Underwriting commissions	148	-	148	168
Brokerage fees	8,067	7,826	16,352	18,611
Guarantee fees	3,343	3,449	7,636	7,818
Processing fees	4,909	3,112	6,454	4,435
Commitment fees	4,343	4,135	8,611	8,158
Cards related income	20,674	25,530	42,043	49,396
Other fee income	2,046	750	2,796	1,500
	72,036	75,997	146,239	153,472
(b) <u>Fee and commission expense:</u>				
Commissions expense	(237)	(327)	(487)	(721)
Brokerage fees expense	(2,576)	(2,570)	(5,130)	(6,292)
Guarantee fees expense	(72)	(111)	(180)	(366)
Cards related expense	(17,837)	(19,913)	(36,785)	(40,516)
	(20,722)	(22,921)	(42,582)	(47,895)
(c) <u>Investment income:</u>				
Realised gain arising from sale/redemption of:				
- Financial assets at FVTPL	1,470	-	1,468	-
- Financial investments at FVOCI	1,486	-	1,569	-
- Financial assets held-for-trading	-	195	-	310
- Financial investments available-for-sale	-	431	-	3,680
- Derivative instruments	7,923	77,386	(19,015)	133,877
Marked-to-market revaluation of gain/(loss):				
- Financial assets at FVTPL	1,198	-	2,253	-
- Financial assets held-for-trading	-	729	-	2,920
- Derivative instruments	(11,173)	(59,442)	40,088	(96,835)
- Financial liabilities designated at fair value through profit or loss	8,501	2,459	(1,705)	4,073
Gross dividend income from:				
- Financial investment at FVTPL	183	-	1,020	-
- Financial investments available-for-sale	-	-	-	1,109
	9,588	21,758	25,678	49,134
(d) <u>Other income :</u>				
Foreign exchange loss	(690)	(3,601)	(3,602)	(4,872)
Others	4,211	5,822	13,817	12,748
	3,521	2,221	10,215	7,876
Total other operating income	64,423	77,055	139,550	162,587

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A28 Other Operating Income (contd.)

	2nd Quarter Ended		Six Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
<u>BANK</u>				
(a) <u>Fee and commission income:</u>				
Commissions	20,936	22,850	45,089	45,950
Service charges and fees	6,717	7,156	15,347	15,255
Guarantee fees	3,343	3,449	7,636	7,818
Processing fees	2,869	2,719	3,537	3,543
Commitment fees	4,329	4,127	8,589	8,144
Cards related income	20,674	25,530	42,043	49,396
Other fee income	2,044	750	2,794	1,500
	60,912	66,581	125,035	131,606
(b) <u>Fee and commission expense:</u>				
Commissions expense	(237)	(327)	(487)	(721)
Brokerage fees expense	(3)	-	(5)	-
Guarantee fees expense	(72)	(111)	(180)	(366)
Cards related expense	(17,837)	(19,913)	(36,785)	(40,516)
	(18,149)	(20,351)	(37,457)	(41,603)
(c) <u>Investment income:</u>				
Realised gain/(loss) arising from sale/redemption of:				
- Financial assets at FVTPL	1,470	-	1,467	-
- Financial investments at FVOCI	927	-	1,011	-
- Financial assets held-for-trading	-	195	-	310
- Financial investments available-for-sale	-	426	-	2,987
- Derivative instruments	7,923	77,386	(19,015)	133,877
Marked-to-market revaluation gain/(loss) of:				
- Financial assets at FVTPL	1,036	-	1,982	-
- Financial assets held-for-trading	-	669	-	2,547
- Derivative instruments	(11,173)	(59,442)	40,088	(96,835)
- Financial liabilities designated at fair value through profit or loss	8,501	2,459	(1,705)	4,073
Gross dividend income from:				
- Financial investments at FVTPL	112	-	589	-
- Financial investments available-for-sale	-	-	-	679
- Subsidiaries	-	-	37,490	6,899
	8,796	21,693	61,907	54,537
(d) <u>Other income:</u>				
Foreign exchange loss	(803)	(3,657)	(3,866)	(4,992)
Rental income	161	228	338	341
Others	4,766	5,670	14,119	12,376
	4,124	2,241	10,591	7,725
Total other operating income	55,683	70,164	160,076	152,265

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A29 Other Operating Expenses

	2nd Quarter Ended		Six Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
GROUP				
Personnel costs				
- Salaries, allowances and bonuses	94,202	85,157	189,128	173,823
- Contribution to EPF	14,946	13,811	29,778	27,530
- Share options/grants under ESS	-	4	-	186
- Others	12,994	23,451	25,362	34,095
	122,142	122,423	244,268	235,634
Establishment costs				
- Depreciation of property, plant and equipment	6,533	5,197	11,458	10,478
- Amortisation of computer software	8,544	6,260	12,875	12,278
- Rental of premises	7,338	7,387	14,728	14,848
- Water and electricity	1,959	2,232	3,720	4,228
- Repairs and maintenance	2,689	2,408	5,267	4,894
- Information technology expenses	12,456	12,003	25,195	23,360
- Others	2,881	2,906	6,030	6,404
	42,400	38,393	79,273	76,490
Marketing expenses				
- Promotion and advertisement	3,550	1,810	5,645	3,323
- Branding and publicity	3,162	2,035	3,423	3,457
- Others	1,984	1,753	3,803	3,329
	8,696	5,598	12,871	10,109
Administration and general expenses				
- Communication expenses	3,506	1,913	6,928	5,175
- Printing and stationery	664	709	1,409	1,434
- Insurance	2,898	2,882	5,645	5,739
- Professional fees	5,231	7,803	10,824	12,648
- Others	5,995	10,433	13,494	19,364
	18,294	23,740	38,300	44,360
Total other operating expenses	191,532	190,154	374,712	366,593

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A29 Other Operating Expenses (contd.)

	2nd Quarter Ended		Six Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
BANK				
Personnel costs				
- Salaries, allowances and bonuses	74,107	63,813	147,640	131,185
- Contribution to EPF	11,809	10,525	23,406	21,037
- Share options/grants under ESS	-	4	-	188
- Others	10,710	21,629	21,130	31,193
	96,626	95,971	192,176	183,603
Establishment costs				
- Depreciation of property, plant and equipment	6,337	5,013	11,084	10,115
- Amortisation of computer software	8,210	6,097	12,356	11,955
- Rental of premises	5,767	5,771	11,573	11,508
- Water and electricity	1,519	1,601	2,814	2,996
- Repairs and maintenance	2,163	1,819	3,978	3,785
- Information technology expenses	10,140	9,576	20,191	18,550
- Others	983	764	2,183	1,990
	35,119	30,641	64,179	60,899
Marketing expenses				
- Promotion and advertisement	3,323	1,595	5,000	2,965
- Branding and publicity	2,227	1,677	2,482	2,587
- Others	2,039	1,119	2,455	2,000
	7,589	4,391	9,937	7,552
Administration and general expenses				
- Communication expenses	2,861	1,360	5,409	3,679
- Printing and stationery	515	575	1,084	1,154
- Insurance	2,635	2,706	5,089	5,250
- Professional fees	4,138	6,263	8,432	9,998
- Others	4,354	8,329	9,333	15,026
	14,503	19,233	29,347	35,107
Total other operating expenses	153,837	150,236	295,639	287,161

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A30 Allowance for Impairment Losses on Loans, Advances and Financing and Other Assets

	2nd Quarter Ended		Six Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
GROUP				
Allowance for credit losses on loans, advances and financing:				
(a) Individual assessment allowance				
- (Write-back)/made during the period	(4,478)	9,884	21,963	17,647
(b) Collective assessment allowance				
- Made during the period	24,762	26,734	55,367	52,202
(c) Bad debts on loans and financing				
- Recovered	(9,494)	(9,228)	(25,963)	(18,832)
- Written-off	8,365	5,311	16,717	10,770
(d) Allowance for/(write-back of) credit losses on commitments and contingencies	597	-	(11,519)	-
	19,752	32,701	56,565	61,787
Allowance for credit losses on:				
- Amounts due to clients and brokers	5	-	12	-
- Other receivables	1,767	822	2,220	1,936
Write-back of credit losses on cash and short term funds	(500)	-	(500)	-
	21,024	33,523	58,297	63,723

	2nd Quarter Ended		Six Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
BANK				
Allowance for credit losses on loans, advances and financing:				
(a) Individual assessment allowance				
- (Write-back)/made during the period	(4,782)	7,120	20,229	12,259
(b) Collective assessment allowance				
- (Write-back)/made during the period	16,217	13,323	29,820	21,841
(c) Bad debts on loans and financing				
- Recovered	(6,741)	(6,227)	(16,735)	(12,773)
- Written-off	4,866	2,596	10,000	5,457
(d) Write-back of credit losses on commitments and contingencies	(852)	-	(647)	-
	8,708	16,812	42,667	26,784
Allowance for credit losses on Other receivables	700	805	1,446	1,455
Write-back of credit losses on cash and short term funds	-	-	(500)	-
	9,408	17,617	43,613	28,239

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A31 Commitments and Contingencies

The off-balance sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows:

	GROUP		BANK	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	742,108	719,148	583,744	564,446
Transaction-related contingent items	815,972	739,535	740,372	651,896
Short-term self-liquidating trade-related contingencies	152,814	235,056	106,280	215,445
Irrevocable commitments to extend credit:				
- maturity exceeding one year	1,326,402	1,056,899	874,609	744,972
- maturity not exceeding one year	7,902,828	7,543,400	6,143,160	5,748,870
Unutilised credit card lines	1,669,579	1,750,064	1,669,579	1,750,064
	12,609,703	12,044,102	10,117,744	9,675,693
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- one year or less	5,153,712	5,057,347	5,153,712	5,057,347
- over one year to three years	60,404	73,015	60,404	73,015
- over three years	14,480	17,385	14,480	17,385
Interest rate related contracts:				
- one year or less	1,562,402	1,206,130	1,562,402	1,206,130
- over one year to three years	1,793,710	1,990,360	1,793,710	1,990,360
- over three years	2,549,190	2,146,310	2,549,190	2,146,310
Equity related contracts				
- one year or less	61,979	38,825	61,979	38,825
- over one year to three years	32,590	67,660	32,590	67,660
	11,228,467	10,597,032	11,228,467	10,597,032
	23,838,170	22,641,134	21,346,211	20,272,725

A32 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 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, 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 alternative distribution channels, trustee services and head office.

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A32 Segment information (contd.)

GROUP	Consumer Banking	Business Banking	Financial Markets	Stockbroking and Corporate Advisory	Others	Total Operations	Inter-segment Elimination	Total
2nd Quarter ended 30 September 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net interest income								
- external income	115,186	84,922	53,266	3,795	28	257,197	(10,459)	246,738
- inter-segment	(32,374)	25,017	9,953	(2,596)	-	-	-	-
	82,812	109,939	63,219	1,199	28	257,197	(10,459)	246,738
Net income from Islamic banking business	35,809	26,871	14,818	-	-	77,498	10,527	88,025
Other operating income	21,083	43,946	(8,159)	7,964	9,479	74,313	(9,890)	64,423
Net income	139,704	180,756	69,878	9,163	9,507	409,008	(9,822)	399,186
Other operating expenses	(82,722)	(67,924)	(12,340)	(8,543)	(5,067)	(176,596)	141	(176,455)
Depreciation and amortisation	(7,352)	(5,590)	(1,732)	(394)	(9)	(15,077)	-	(15,077)
Operating profit/(loss)	49,630	107,242	55,806	226	4,431	217,335	(9,681)	207,654
(Allowance for)/write-back of credit losses on loans, advances and financing and other assets	(15,969)	(4,798)	11	(252)	(18)	(21,026)	2	(21,024)
Write-back of credit losses on financial investments	-	-	150	-	-	150	(4)	146
Segment result	33,661	102,444	55,967	(26)	4,413	196,459	(9,683)	186,776
Share of results of joint venture								32
Taxation								(46,286)
Net profit for the financial period								140,522
Segment assets	21,899,273	18,768,912	14,964,556	326,835	71,881	56,031,457	(2,347,360)	53,684,097
Reconciliation of segment assets to								
Investment in associate								745
Investment in joint venture								74,901
Property, plant and equipment								73,206
Tax recoverable and deferred tax assets								423,779
Intangible assets								54,256,728
Total assets								

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A32 Segment information (contd.)

GROUP	Consumer Banking	Business Banking	Financial Markets	Stockbroking and Corporate Advisory	Others	Total Operations	Inter-segment Elimination	Total
Six months ended 30 September 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net interest income								
- external income	229,630	166,228	104,861	7,568	256	508,543	(18,694)	489,849
- inter-segment	(65,026)	47,972	22,124	(5,070)	-	-	-	-
	164,604	214,200	126,985	2,498	256	508,543	(18,694)	489,849
Net income from Islamic banking business	64,915	54,641	28,092	-	-	147,648	23,211	170,859
Other operating income	46,706	86,436	(13,176)	15,917	18,859	154,742	(15,192)	139,550
Net income	276,225	355,277	141,901	18,415	19,115	810,933	(10,675)	800,258
Other operating expenses	(166,904)	(132,136)	(23,722)	(18,322)	(9,255)	(350,339)	(40)	(350,379)
Depreciation and amortisation	(12,162)	(9,004)	(2,479)	(673)	(15)	(24,333)	-	(24,333)
Operating profit/(loss)	97,159	214,137	115,700	(580)	9,845	436,261	(10,715)	425,546
(Allowance for)/write-back of credit losses on loans, advances and financing and other assets	(55,982)	(2,932)	384	(245)	476	(58,299)	2	(58,297)
Write-back of credit losses on financial investments	-	-	703	-	-	703	(136)	567
Segment result	41,177	211,205	116,787	(825)	10,321	378,665	(10,849)	367,816
Share of results of joint venture								52
Taxation								(90,979)
Net profit for the financial period								276,889
Segment assets	21,899,273	18,768,912	14,964,556	326,835	71,881	56,031,457	(2,347,360)	53,684,097
Reconciliation of segment assets to consolidated assets:								
Investment in joint venture								745
Property, plant and equipment								74,901
Tax recoverable and deferred tax assets								73,206
Intangible assets								423,779
Total assets								54,256,728

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A32 Segment information (contd.)

GROUP	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
2nd Quarter ended 30 September 2017								
Net interest income/(expense)								
- external income	104,814	78,011	53,089	3,220	657	239,791	(1,075)	238,716
- inter-segment	(17,229)	22,925	(3,755)	(1,941)	-	-	-	-
	87,585	100,936	49,334	1,279	657	239,791	(1,075)	238,716
Net income from Islamic banking business	27,886	25,386	13,842	-	-	67,114	10,991	78,105
Other operating income	31,465	39,803	(964)	6,995	7,318	84,617	(7,562)	77,055
Net income	146,936	166,125	62,212	8,274	7,975	391,522	2,354	393,876
Other operating expenses	(73,928)	(62,375)	(11,615)	(9,457)	(22,779)	(180,154)	1,457	(178,697)
Depreciation and amortisation	(6,669)	(3,840)	(683)	(264)	(1)	(11,457)	-	(11,457)
Operating profit	66,339	99,910	49,914	(1,447)	(14,805)	199,911	3,811	203,722
(Allowance for)/write-back of impairment on loans, advances and financing and other receivables	(22,228)	(11,599)	27	277	-	(33,523)	-	(33,523)
Segment result	44,111	88,311	49,941	(1,170)	(14,805)	166,388	3,811	170,199
Share of results of joint venture								(20)
Taxation								(47,380)
Net profit for the financial period								122,799
Segment assets	21,070,077	17,144,948	17,002,963	34,953	120,868	55,373,809	(2,308,411)	53,065,398
Reconciliation of segment assets to consolidated assets:								
Investment in joint venture								649
Property, plant and equipment								73,360
Tax recoverable and deferred tax assets								17,016
Intangible assets								389,363
Total assets								53,545,786

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A32 Segment information (contd.)

GROUP	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
Six months ended 30 September 2017								
Net interest income/(expense)								
- external income	198,088	166,706	98,270	6,125	1,579	470,768	(8,949)	461,819
- inter-segment	(29,354)	36,444	(3,368)	(3,722)	-	-	-	-
	168,734	203,150	94,902	2,403	1,579	470,768	(8,949)	461,819
Net income from Islamic banking business	56,167	48,957	28,680	-	-	133,804	22,279	156,083
Other operating income	62,893	76,697	7,282	15,964	13,223	176,059	(13,472)	162,587
Net income	287,794	328,804	130,864	18,367	14,802	780,631	(142)	780,489
Other operating expenses	(150,471)	(126,236)	(23,356)	(18,941)	(27,898)	(346,902)	3,065	(343,837)
Depreciation and amortisation	(13,235)	(7,659)	(1,339)	(520)	(3)	(22,756)	-	(22,756)
Operating profit	124,088	194,909	106,169	(1,094)	(13,099)	410,973	2,923	413,896
(Allowance for)/write-back of impairment on loans, advances and financing and other receivables	(43,055)	(20,613)	33	258	(346)	(63,723)	-	(63,723)
Segment result	81,033	174,296	106,202	(836)	(13,445)	347,250	2,923	350,173
Share of results of joint venture								1
Taxation								(92,371)
Net profit for the financial period								257,803
Segment assets	21,070,077	17,144,948	17,002,963	34,953	120,868	55,373,809	(2,308,411)	53,065,398
Reconciliation of segment assets to consolidated assets:								
Investment in joint venture								649
Property, plant and equipment								73,360
Tax recoverable and deferred tax assets								17,016
Intangible assets								389,363
Total assets								53,545,786

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A33 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 Bank and the Group 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	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
<u>Before deducting proposed dividends</u>				
CET I capital ratio	13.829%	13.695%	11.967%	11.680%
Tier I capital ratio	14.254%	14.123%	12.504%	12.217%
Total capital ratio	18.799%	18.638%	17.482%	17.122%
<u>After deducting proposed dividends</u>				
CET I capital ratio	13.455%	13.393%	11.495%	11.302%
Tier I capital ratio	13.881%	13.821%	12.031%	11.839%
Total capital ratio	18.426%	18.337%	17.009%	16.744%

(a) Components of Common Equity Tier I ("CET I"), Tier I and Tier II capital under the Capital Adequacy Framework are as follows:

	GROUP		BANK	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
<u>CET I Capital/Tier I Capital</u>				
Paid-up share capital	1,548,106	1,548,106	1,548,106	1,548,106
Retained profits	3,711,399	3,510,283	3,020,166	2,866,142
Regulatory reserves	171,612	-	162,495	-
Revaluation reserves	13,012	114,987	6,831	74,907
Capital reserves	100,150	100,150	95,515	95,515
	5,544,279	5,273,526	4,833,113	4,584,670
Less: Regulatory adjustment				
- Goodwill and other intangibles	(423,779)	(409,402)	(307,627)	(292,981)
- Deferred tax assets	(71,024)	(22,664)	(39,818)	(9,223)
- 55% of revaluation reserves	(7,157)	(63,243)	(3,758)	(41,199)
- Regulatory reserves	(171,612)	-	(162,495)	-
- Investment in subsidiaries, associate and joint venture	(745)	(693)	(989,102)	(989,102)
Total CET I Capital/Total Tier I Capital	4,869,962	4,777,524	3,330,313	3,252,165
Additional Tier 1 Capital Securities	149,767	149,293	149,380	149,316
Total Additional Tier 1 Capital	149,767	149,293	149,380	149,316
Total Tier I Capital	5,019,729	4,926,817	3,479,693	3,401,481

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A33 Capital Adequacy (Contd.)

- (a) Components of Common Equity Tier I ("CET I"), Tier I and Tier II capital under the revised Capital Adequacy Framework are as follows: (Contd.)

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
<u>Tier II Capital</u>				
Subordinated obligations	1,199,488	1,199,675	1,199,219	1,199,062
Collective assessment allowance and regulatory reserves	401,014	375,710	315,943	296,765
Less: Regulatory adjustment - Investment in Tier 2 capital instruments	-	-	(130,000)	(130,000)
Total Tier II Capital	1,600,502	1,575,385	1,385,162	1,365,827
Total Capital	6,620,231	6,502,202	4,864,855	4,767,308

- (b) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category are as follows:

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
Credit risk	32,081,101	31,973,585	25,275,461	25,299,261
Market risk	277,451	110,857	277,139	110,389
Operational risk	2,856,954	2,801,473	2,275,402	2,433,159
Total RWA and capital requirements	35,215,506	34,885,915	27,828,002	27,842,809

- (c) The capital adequacy ratios of the banking subsidiaries are as follows:

	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
30 September 2018		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	12.173%	102.592%
Tier I capital ratio	12.173%	102.592%
Total capital ratio	15.094%	103.576%
<u>After deducting proposed dividends</u>		
CET I capital ratio	11.761%	100.420%
Tier I capital ratio	11.761%	100.420%
Total capital ratio	14.682%	101.404%
31 March 2018		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	12.569%	86.830%
Tier I capital ratio	12.569%	86.830%
Total capital ratio	15.421%	87.642%
<u>After deducting proposed dividends</u>		
CET I capital ratio	12.198%	85.079%
Tier I capital ratio	12.198%	85.079%
Total capital ratio	15.050%	85.892%

A34 Fair Value Measurements

(a) Determination of fair value and 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 reporting 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.

(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, repurchase agreements and most of the Group and the Bank's derivatives.

(iii) Financial instruments in Level 3

The Group and the Bank classifies 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, discounted cash flows, and other appropriate valuation models. These includes private equity investments.

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A34 Fair Value Measurements (contd.)

(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:

<u>GROUP</u> 30 September 2018	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Assets</u>				
Financial assets at FVTPL				
- Money market instruments	-	99,683	-	99,683
- Unquoted securities	-	7,320	178,651	185,971
Financial investments at FVOCI				
- Money market instruments	-	4,718,723	-	4,718,723
- Quoted securities in Malaysia	9	-	-	9
- Unquoted securities	-	4,135,578	-	4,135,578
Derivative financial assets	-	72,791	-	72,791
<u>Liabilities</u>				
Financial liabilities designated at fair value through profit or loss				
Derivative financial liabilities	-	744,838	-	744,838
Derivative financial liabilities	-	77,681	-	77,681
<u>BANK</u>				
30 September 2018	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Assets</u>				
Financial assets at FVTPL				
- Money market instruments	-	89,700	-	89,700
- Unquoted securities	-	7,320	121,439	128,759
Financial investments at FVOCI				
- Money market instruments	-	3,758,479	-	3,758,479
- Quoted securities in Malaysia	9	-	-	9
- Unquoted securities	-	2,369,746	-	2,369,746
Derivative financial assets	-	72,791	-	72,791
<u>Liabilities</u>				
Financial liabilities designated at fair value through profit or loss				
Derivative financial liabilities	-	744,838	-	744,838
Derivative financial liabilities	-	77,681	-	77,681

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A34 Fair Value Measurements (contd.)**(b) Financial instruments measured at fair value and the fair value hierarchy (contd.)**

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 (contd.):

<u>GROUP</u> 31 March 2018	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Assets</u>				
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
<u>Liabilities</u>				
Financial liabilities designated at fair value through profit or loss	-	682,238	-	682,238
Derivative financial liabilities	-	154,686	-	154,686
<u>BANK</u>				
31 March 2018	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Assets</u>				
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
<u>Liabilities</u>				
Financial liabilities designated at fair value through profit or loss	-	682,238	-	682,238
Derivative financial liabilities	-	154,686	-	154,686

A34 Fair Value Measurements (contd.)

(b) Financial instruments measured at fair value and the fair value hierarchy (contd.)

Reconciliation of movements in Level 3 financial instruments:

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
At beginning of financial period/year	178,846	170,239	121,634	111,377
Disposal	-	(4,970)	-	-
Partial distribution on liquidating shares	(195)	-	(195)	-
Total gains/(losses) recognised in:				
- Other comprehensive income				
(i) Revaluation reserves	-	13,607	-	10,257
- Statement of income				
Loss arising from sales of financial investments available-for-sales	-	(30)	-	-
At end of financial period/year	178,651	178,846	121,439	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 financial assets and liabilities of level 3 of the fair value hierarchy.

A35 Credit Transactions And Exposures With Connected Parties

	<u>BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000
Outstanding credit exposures with connected parties	50,178	44,698
of which:		
Total credit exposure which is impaired or in default	-	-
Total credit exposures	44,289,442	44,389,189
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	0.11%	0.10%
- which is impaired or in default	0.00%	0.00%

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A36 Offsetting Financial Assets And Financial Liabilities

In accordance with MFRS 132 Financial Instruments: Presentation, the Group and the Bank reports 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	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net Amount
	RM'000	RM'000	RM'000	Financial Instruments	Cash collateral received	RM'000
GROUP						
September 2018						
Derivative financial assets	72,791	-	72,791	(11,245)	(1,090)	60,456
Amounts due from clients and brokers	130,611	(53,209)	77,402	-	-	77,402
	<u>203,402</u>	<u>(53,209)</u>	<u>150,193</u>	<u>(11,245)</u>	<u>(1,090)</u>	<u>137,858</u>
BANK						
September 2018						
Derivative financial assets	72,791	-	72,791	(11,245)	(1,090)	60,456
GROUP						
March 2018						
Derivative financial assets	84,455	-	84,455	(6,271)	(32,751)	45,433
Amounts due from clients and brokers	188,129	(86,824)	101,305	-	-	101,305
Total	<u>272,584</u>	<u>(86,824)</u>	<u>185,760</u>	<u>(6,271)</u>	<u>(32,751)</u>	<u>146,738</u>
BANK						
March 2018						
Derivative financial assets	84,455	-	84,455	(6,271)	(32,751)	45,433

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A36 Offsetting Financial Assets And Financial Liabilities (Contd.)**(b) Financial liabilities**

	Gross amounts of recognised financial liabilities set off in the statement of financial position RM'000	Gross amounts of recognised financial assets presented 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		Net Amount RM'000
				Financial Instruments RM'000	Cash collateral received RM'000	
GROUP						
September 2018						
Derivative financial liabilities	77,681	-	77,681	(11,245)	(37,851)	28,585
Amounts due to clients and brokers	101,917	(53,209)	48,708	-	-	48,708
Total	179,598	(53,209)	126,389	(11,245)	(37,851)	77,293
BANK						
September 2018						
Derivative financial liabilities	77,681	-	77,681	(11,245)	(37,851)	28,585
GROUP						
March 2018						
Derivative financial liabilities	154,686	-	154,686	(6,271)	(36,901)	111,514
Amounts 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						
March 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.

A37 Changes in Accounting Policy

(a) Adoption of MFRS 9

With effective from the financial year beginning on or after 1 April 2018, the Group and the Bank adopt MFRS 9 "Financial Instruments", replacing MFRS 139 "Financial Instruments: Recognition and Measurement", and includes requirements for classification and measurement for financial asset and liabilities and impairment of financial assets.

(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 earnings.

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 is at FVTPL, will remain as amortised cost as there has not been significant change in the requirements for financial liabilities under MFRS 9.

A37 Changes in Accounting Policy (Contd.)

(a) Adoption of MFRS 9 (Contd.)

(ii) Impairment of Financial Assets

MFRS 9 introduces an expected credit loss (“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 new impairment model requires the recognition of impairment allowances based on ECL rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, lease receivables, loan commitments, financial guarantee contracts and other loan commitments.

Under MFRS 9, impairment will be measured on each reporting date according to a three-stage expected credit loss impairment model:

i) 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).

(ii) 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).

(iii) 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).

As all financial assets within the scope of MFRS 9 impairment model will be assessed for at least 12-month ECL, and the population of financial assets to which full lifetime ECL applies is larger than the population of impaired loans for which there is objective evidence of impairment in accordance with MFRS 139, the total allowance for credit losses is expected to increase under MFRS 9 relative to the allowance for credit losses under MFRS 139.

In addition, changes in the required credit loss allowance, including the impact of movements between Stage 1 (12-month ECL) and Stage 2 (lifetime ECL) and the application of forward looking information, will be recorded in profit or loss, allowance for credit losses will be more volatile under MFRS 9.

A37 Changes in Accounting Policy (Contd.)

(a) Adoption of MFRS 9 (Contd.)

(iii) Impact on Adoption of MFRS 9

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<u>GROUP</u>	Original classification under MFRS 139	New classification under MFRS 9	MFRS 139 carrying amount 31 March 2018 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount 1 April 2018 RM'000
ASSETS						
Cash and short-term funds	Receivables	Amortised Cost	2,768,758	-	(501)	2,768,257
Deposits and placements with banks and other financial institutions	Receivables	Amortised Cost	77,283	-	-	77,283
Amounts due from clients and brokers	Receivables	Amortised Cost	101,305	-	-	101,305
Financial investments at FVTPL	HFT	FVTPL	-	242,596	-	242,596
Financial investments at FVOCI	AFS	FVOCI	-	8,335,752	-	8,335,752
Financial investments at amortised cost	HTM	Amortised Cost	-	307,805	(14,193)	293,612
Financial assets held-for-trading ("HFT")	HFT	FVTPL	63,750	(63,750)	-	-
Financial investments available-for-sale ("AFS")	AFS	FVOCI	8,505,189	(8,514,598)	9,409	-
- <i>Debt instrument</i>	AFS	FVOCI	8,326,333	(8,335,742)	9,409	-
- <i>Quoted equity instrument</i>	AFS	FVOCI	10	(10)	-	-
- <i>Unquoted equity instrument</i>	AFS	FVTPL	178,846	(178,846)	-	-
Financial investments held-to-maturity ("HTM")	HTM	Amortised Cost	293,612	(307,805)	14,193	-
Derivative financial assets	FVTPL	FVTPL	84,455	-	-	84,455
Loans, advances and financing	Loans and receivables	Amortised Cost	39,989,515	(19,592)	(82,952)	39,886,971
Other assets	Receivables	Amortised Cost	105,728	-	-	105,728
Tax recoverable			2,004	-	-	2,004
Statutory deposits	Receivables	Amortised Cost	1,408,316	-	-	1,408,316
Investment in joint venture			693	-	-	693
Property, plant and equipment			69,373	-	-	69,373
Deferred tax assets			22,664	34,364	19,102	76,130
Intangible assets			409,402	-	-	409,402
TOTAL ASSETS			53,902,047	14,772	(54,942)	53,861,877

A37 Changes in Accounting Policy (Contd.)

(a) Adoption of MFRS 9 (Contd.)

(iii) Impact on Adoption of MFRS 9 (Contd.)

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018

<u>GROUP</u>	Original classification under MFRS 139	New classification under MFRS 9	MFRS 139 carrying amount 31 March 2018 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount 1 April 2018 RM'000
LIABILITIES AND EQUITY						
Deposits from customers	Amortised Cost	Amortised Cost	42,740,460	-	-	42,740,460
Deposits and placements of banks and other financial institutions	Amortised Cost	Amortised Cost	873,871	-	-	873,871
Financial liabilities designated at fair value through profit or loss	FVTPL	FVTPL	682,238	-	-	682,238
Amounts due to clients and brokers	Amortised Cost	Amortised Cost	75,103	-	-	75,103
Derivative financial liabilities			154,686	-	-	154,686
Recourse obligations on loans and financing sold to Cagamas	Amortised Cost	Amortised Cost	1,102,363	-	-	1,102,363
Other liabilities			1,399,302	-	43,957	1,443,259
Provision for taxation			22,661	(4,702)	-	17,959
Provision for zakat			252	-	-	252
Deferred tax liabilities			11,907	-	(11,907)	-
Subordinated obligations	Amortised Cost	Amortised Cost	1,379,614	-	-	1,379,614
TOTAL LIABILITIES			48,442,457	(4,702)	32,050	48,469,805
Share capital			1,548,106	-	-	1,548,106
Reserves			3,911,484	19,474	(86,992)	3,843,966
- Regulatory reserve			186,064	-	(17,330)	168,734
- FVOCI reserve			-	6,167	10,756	16,923
- Revaluation reserve			114,987	(114,987)	-	-
- Retained profits			3,510,283	128,294	(80,418)	3,558,159
- Capital reserve			100,150	-	-	100,150
TOTAL EQUITY			5,459,590	19,474	(86,992)	5,392,072
TOTAL LIABILITIES AND EQUITY			53,902,047	14,772	(54,942)	53,861,877

A37 Changes in Accounting Policy (Contd.)

(a) Adoption of MFRS 9 (Contd.)

(iii) Impact on Adoption of MFRS 9 (Contd.)

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018

<u>BANK</u>	Original classification under MFRS 139	New classification under MFRS 9	MFRS 139 carrying amount 31 March 2018 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount 1 April 2018 RM'000
ASSETS						
Cash and short-term funds	Receivables	Amortised Cost	1,715,961	-	(501)	1,715,460
Deposits and placements with banks and other financial institutions	Receivables	Amortised Cost	77,283	-	-	77,283
Financial investments at FVTPL	HFT	FVTPL	-	170,405	-	170,405
Financial investments at FVOCI	AFS	FVOCI	-	6,284,814	-	6,284,814
Financial investments at amortised cost	HTM	Amortised Cost	-	345,997	(1,719)	344,278
Financial assets held-for-trading	HFT	FVTPL	48,771	(48,771)	-	-
Financial investments available-for-sale	AFS	FVOCI	6,406,448	(6,406,448)	-	-
- Debt instrument	AFS	FVOCI	6,284,804	(6,284,804)	-	-
- Quoted equity instrument	AFS	FVOCI	10	(10)	-	-
- Unquoted equity instrument	AFS	FVTPL	121,634	(121,634)	-	-
Financial investments held-to-maturity	HTM	Amortised Cost	344,703	(345,997)	1,294	-
Derivative financial assets	FVTPL	FVTPL	84,455	-	-	84,455
Loans, advances and financing	Loans and receivables	Amortised Cost	31,546,564	6,557	(48,118)	31,505,003
Other assets	Receivables	Amortised Cost	140,727	-	-	140,727
Statutory deposits	Receivables	Amortised Cost	1,092,566	-	-	1,092,566
Investment in joint venture			989,102	-	-	989,102
Property, plant and equipment			67,834	-	-	67,834
Deferred tax assets			9,223	20,873	18,555	48,651
Intangible assets			292,981	-	-	292,981
TOTAL ASSETS			42,816,618	27,430	(30,489)	42,813,559

A37 Changes in Accounting Policy (Contd.)

(a) Adoption of MFRS 9 (Contd.)

(iii) Impact on Adoption of MFRS 9 (Contd.)

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018

<u>BANK</u>	Original classification under MFRS 139	New classification under MFRS 9	MFRS 139 carrying amount 31 March 2018 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount 1 April 2018 RM'000
LIABILITIES AND EQUITY						
Deposits from customers	Amortised Cost	Amortised Cost	33,508,370	-	-	33,508,370
Deposits and placements of banks and other financial institutions	Amortised Cost	Amortised Cost	439,238	-	-	439,238
Financial liabilities designated at fair value through profit or loss	FVTPL	FVTPL	682,238	-	-	682,238
Derivative financial liabilities			154,686	-	-	154,686
Recourse obligations on loans and financing sold to Cagamas	Amortised Cost	Amortised Cost	601,696	-	-	601,696
Other liabilities			1,283,477	-	27,248	1,310,725
Provision for taxation			23,190	1,574	-	24,764
Subordinated obligations	Amortised Cost	Amortised Cost	1,379,024	-	-	1,379,024
TOTAL LIABILITIES			38,071,919	1,574	27,248	38,100,741
Share capital			1,548,106	-	-	1,548,106
Reserves			3,196,593	25,856	(57,737)	3,164,712
- Regulatory reserve			160,029	-	327	160,356
- FVOCI reserve			-	8,808	1,006	9,814
- Revaluation reserve			74,907	(74,907)	-	-
- Retained profits			2,866,142	91,955	(59,070)	2,899,027
- Capital reserve			95,515	-	-	95,515
TOTAL EQUITY			4,744,699	25,856	(57,737)	4,712,818
TOTAL LIABILITIES AND EQUITY			42,816,618	27,430	(30,489)	42,813,559

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A37 Changes in Accounting Policy (Contd.)**(b) Adoption of MFRS 15**

Effective from the financial year beginning on or after 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.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements;
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal;
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa;
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few;
- As with any new standard, there are also increased disclosures.

The adoption of MFRS 15 has resulted in a decrease of RM15,500,000 in the Group's and the Bank's opening retained profits.

Impact of adoption of MFRS as below:

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018**GROUP**

	31 March 2018 RM'000	Adoption of MFRS 15 RM'000	1 April 2018 RM'000
Other liabilities	1,399,302	15,500	1,414,802
Retained profits	3,510,283	(15,500)	3,494,783

BANK

	31 March 2018 RM'000	Adoption of MFRS 15 RM'000	1 April 2018 RM'000
Other liabilities	1,283,477	15,500	1,298,977
Retained profits	2,866,142	(15,500)	2,850,642

[B] Explanatory Notes Pursuant To Appendix 9B Of Bursa Securities' Listing Requirements

B1 Financial Review for Financial Quarter and Financial Year to Date

GROUP

	2nd Quarter Ended 30 September 2018 RM'000	2nd Quarter Ended 30 September 2017 RM'000	Changes %
Net income/revenue	399,186	393,876	1.3
Operating profit before allowance	207,654	203,722	1.9
Operating profit after allowance	186,776	170,199	9.7
Profit before tax	186,808	170,179	9.8
Profit after tax	140,522	122,799	14.4
Profit attributable to ordinary equity holders of the Bank	140,522	122,799	14.4
	Six Months Ended 30 September 2018 RM'000	Six Months Ended 30 September 2017 RM'000	Changes %
Net income/revenue	800,258	780,489	2.5
Operating profit before allowance	425,546	413,896	2.8
Operating profit after allowance	367,816	350,173	5.0
Profit before tax	367,868	350,174	5.1
Profit after tax	276,889	257,803	7.4
Profit attributable to ordinary equity holders of the Bank	276,889	257,803	7.4
	2nd Quarter Ended 30 September 2018 RM'000	1st Quarter Ended 30 June 2018 RM'000	Changes %
Net income/revenue	399,186	401,072	(0.5)
Operating profit before allowance	207,654	217,892	(4.7)
Operating profit after allowance	186,776	181,040	3.2
Profit before tax	186,808	181,060	3.2
Profit after tax	140,522	136,367	3.0
Profit attributable to ordinary equity holders of the Bank	140,522	136,367	3.0

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B1 Financial Review for Financial Quarter and Financial Year to Date (Contd.)

BANK

	2nd Quarter Ended 30 September 2018 RM'000	2nd Quarter Ended 30 September 2017 RM'000	Changes %
Net income/revenue	305,007	316,315	(3.6)
Operating profit before allowance	151,170	166,079	(9.0)
Operating profit after allowance	141,915	148,462	(4.4)
Profit before tax	141,915	148,462	(4.4)
Profit after tax	106,277	107,941	(1.5)
Profit attributable to ordinary equity holders of the Bank	106,277	107,941	(1.5)
	Six Months Ended 30 September 2018 RM'000	Six Months Ended 30 September 2017 RM'000	Changes %
Net income/revenue	652,275	620,973	5.0
Operating profit before allowance	356,636	333,812	6.8
Operating profit after allowance	313,624	305,573	2.6
Profit before tax	313,624	305,573	2.6
Profit after tax	244,049	227,556	7.2
Profit attributable to ordinary equity holders of the Bank	244,049	227,556	7.2
	2nd Quarter Ended 30 September 2018 RM'000	1st Quarter Ended 30 June 2018 RM'000	Changes %
Net income/revenue	305,007	347,268	(12.2)
Operating profit before allowance	151,170	205,466	(26.4)
Operating profit after allowance	141,915	171,709	(17.4)
Profit before tax	141,915	171,709	(17.4)
Profit after tax	106,277	137,772	(22.9)
Profit attributable to ordinary equity holders of the Bank	106,277	137,772	(22.9)

B2 Review Of Performance

Review of Performance for the Second Quarter Ended 30 September 2018

The Group's recorded a Net Profit After Taxation of RM276.9 million for the 6 months ended 30 September 2018, representing an increase of RM19.1 million or 7.4% compared to the last corresponding period.

The Group's net income grew by RM19.8 million or 2.5% due to year on year expansion of total gross loans/financing by RM2.0 billion. Net Interest Margin recorded at 244bps from 235bps last corresponding period.

Other operating income including Islamic Banking income recorded at RM152.3 million.

Operating expenses increased by RM8.1 million or 2.2% mainly attributed to investment in strategic initiatives. Cost to income ratio is recorded at 46.8%.

Gross loans, financing and advances for the 6 months grew by 1.6% to RM40.9 billion.

Gross impaired loans ratio maintained at 1.4%. Loan loss coverage ratio including regulatory reserves was at 114.9%. Credit cost recorded at 29bps.

The Current Account/Savings Account ratio was at 37.3%. Loans-to-deposits ratio increased to 95.5% as at 30 September 2018, while loan-to-fund ratio stood at 86.3%.

The Group's total capital ratio stood healthy at 18.4%, with a Common Equity Tier 1 Capital ratio of 13.5% and Tier 1 Capital ratio at 13.9% as at 30 September 2018.

Performance by business segment:

The Group's businesses are presented in the following business segments: Consumer Banking, Business Banking, Financial Markets and Stock broking and Corporate Advisory Services. Please refer to Note A32 on Segment Information for the composition of each business segment.

Consumer Banking profit before tax stood at RM41.2 million. Net income was lower by RM11.6 million or 4.0%. Operating expenses was higher by RM15.4 million or 9.4% compared to last corresponding period. Allowance for expected credit losses on loans, advances and financing was higher by RM12.9 million or 30.0%. Segment asset was RM0.8 billion or 3.9% higher.

Business Banking profit before tax stood at RM211.2 million, was RM36.9 million or 21.2% higher than last corresponding period. The net income was higher by RM26.5 million or 8.1% offset by higher operating expenses by RM7.2 million or 5.4%. Allowance for expected credit losses on loans, advances and financing improved by RM17.7 million. Segment asset registered growth of RM1.6 billion or 9.5%.

Financial Markets profit before tax stood at RM116.8 million, was RM10.6 million or 10.0% higher than last corresponding period. The net income was higher by RM11.0 million or 8.4% offset by higher operating expenses by RM1.5 million or 6.1%. Segment asset registered at of RM15.0 billion.

Stockbroking and Corporate Advisory Services recorded a loss before tax of RM0.8 million.

B3 Review Of Performance

Current Quarter vs Previous Year Corresponding Quarter

The Group's profit after taxation of RM140.5 million for the quarter ended 30 September 2018, was 14.4% or RM17.7 million better from corresponding quarter.

Key quarter-on-quarter performance highlights:

- Net income grew 1.3% or RM5.3 million mainly from net interest income;
- Net Interest Margin recorded at 245bps, which was 7bps higher than the corresponding quarter;
- Other operating income was at RM71.5 million; and
- Operating expense increased by 0.7% or RM1.4 million, cost to income ratio improved by 30bps to 48.0%.

Comparison with Immediate Preceding Quarter

The Group's profit after taxation of RM140.5 million for the quarter ended 30 September 2018, an increase of 3.0% or RM4.1 million from preceding quarter.

Key quarter-on-quarter performance highlights:

- Net income was slightly lower by 0.5% or RM1.9 million;
- Net Interest Margin recorded at 245bps, which was 2bps higher than the preceding quarter;
- Other operating income was lower by 11.6% or RM9.4 million; and
- Operating expense increased by 4.5% or RM8.3 million.

B4 Prospect for the Current Financial Period

The Group will leverage on its franchise strength to deliver sustainable profitability and to fulfill the financial needs of our customers.

In Financial Year ("FY") 2019, we will be scaling up for growth in our core businesses i.e. consumer lending and SME Banking. For these businesses, we will drive productivity and increase our sales capacity to accelerate loans growth; aiming to outpace industry growth. We will also enhance our leads generation and sales management through better customer and market analytics.

In addition, Alliance@Work (our bank-at-work program) will continue to be an important acquisition channel to garner consumer CASA and business CASA (via company payroll and online cash management).

We will also be digitizing key in-branch processes to deliver enhanced customer experience and to improve the efficiency of our operations.

These efforts are aligned to our brand promise to use innovation to bring fast, simple, and responsive solutions that meet our customers' needs.

Amidst the global concerns which is mounting downside risks, among others are the escalating trade tensions between the two major economies (United States and China), tightening monetary policy in United States, and as well as the turmoil among emerging market currencies. The trade war has led to further capital outflows and weaker trade momentum in the Advanced economies, in turn leading to capital and financial adjustments in emerging markets like Malaysia.

Internally, Malaysia's growth remains supportive, despite weaker second quarter growth which is led by supply disruption in our mining and agriculture sectors. We expect private consumption will remain as the key driver of growth, boosted by June-September tax holiday, as well as steady wage and employment growth.

As for the financial sector, Malaysia is experiencing Non-resident portfolio outflows, in-line with its regional peers. However, we believe that our financial market will remain stable, in view of rising crude oil price which would moderate Ringgit's depreciation, as well as supportive monetary and financial conditions to economic growth.

Notwithstanding the challenging economic outlook, we expect the Group's FY19 profitability to improve.

B5 Profit Forecast

There was no profit forecast issued by the Group and the Bank.

B6 Taxation

	2nd Quarter Ended		Six Months Ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000
<u>GROUP</u>				
Taxation				
- Income tax	52,350	54,125	84,333	89,562
- Under/(Over) provision in prior financial period	-	823	(712)	823
- Deferred tax	(6,064)	(7,568)	7,358	1,986
	46,286	47,380	90,979	92,371

	2nd Quarter Ended		Six Months Ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000
<u>BANK</u>				
Taxation				
- Income tax	39,317	42,634	60,116	74,558
- Over provision in prior financial period	-	(18)	-	(18)
- Deferred tax	(3,679)	(2,095)	9,459	3,477
	35,638	40,521	69,575	78,017

The Group's effective tax rate for the second quarter and financial half year ended 30 September 2018 was higher than the current statutory tax rate of 24% due to certain expenses being disallowed for tax purpose.

B7 Profit/(Loss) on Sale of Unquoted Investments or Properties

There was no material profit/(loss) on sale of unquoted investments or properties for the second quarter and financial half year ended 30 September 2018 other than in the ordinary course of business.

B8 Purchase and Disposal of Quoted Securities

There was no purchase or disposal of quoted securities for the second quarter and financial half year ended other than Investments held by the Group and the Bank whose activities are regulated by law relating to banking companies and are subject to supervision by Bank Negara Malaysia ("BNM").

B9 Status of Corporate Proposals

There were no corporate proposal announced but not completed as at financial report date.

B10 Deposits from Customers, Deposits and Placements of Banks and Other Financial Institutions and Debts Securities

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2018 RM'000	31 March 2018 RM'000	30 September 2018 RM'000	31 March 2018 RM'000
(a) Deposits from customers				
Fixed deposits, negotiable instruments of deposits and money market deposits:				
- One year or less (short term)	25,610,487	25,606,068	19,284,467	19,405,345
- More than one year (medium/long term)	1,283,774	1,180,642	993,097	881,620
	26,894,261	26,786,710	20,277,564	20,286,965
Others	16,017,632	15,953,750	12,810,828	13,221,405
	42,911,893	42,740,460	33,088,392	33,508,370
(b) Deposits and placements of banks and other financial institutions				
- One year or less (short term)	316,308	302,397	85,610	105,366
- More than one year (medium/long term)	538,797	571,474	315,316	333,872
	855,105	873,871	400,926	439,238
(c) Subordinated obligations				
Tier II Subordinated Medium Term Notes (unsecured)				
- More than one year (medium/long term)	1,226,624	1,226,622	1,226,354	1,226,009
Additional Tier 1 Capital Securities (unsecured)				
- More than one year (medium/long term)	153,517	152,992	153,130	153,015
	1,380,141	1,379,614	1,379,484	1,379,024

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B11 Derivative Financial Assets/(Liabilities)

Derivative financial instruments measured at fair values together with their corresponding contract/notional amounts:

GROUP/BANK	As at 30 September 2018			As at 31 March 2018		
	Principal RM'000	Fair value		Principal RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Foreign exchange and commodity contracts						
Currency forwards						
- one year or less	1,675,345	24,643	(13,811)	1,450,035	8,365	(84,502)
- over one year to three years	60,404	845	(3,191)	73,015	-	(8,573)
- over three years	14,480	-	(1,600)	17,385	-	(2,987)
Currency swaps						
- one year or less	3,101,755	15,706	(19,991)	3,240,897	47,110	(13,774)
Currency spots						
- one year or less	256,384	277	(208)	167,965	245	(185)
Currency options						
- one year or less	120,228	211	(148)	198,450	1,449	(1,616)
	5,228,596	41,682	(38,949)	5,147,747	57,169	(111,637)
Interest rate derivatives						
Interest rate swap						
- one year or less	5,905,302	30,761	(27,172)	5,342,800	26,882	(26,667)
- over one year to three years	1,562,402	2,871	(1,634)	1,206,130	1,057	(1,421)
- over three years	1,793,710	3,592	(3,561)	1,990,360	7,504	(5,729)
	2,549,190	24,298	(21,977)	2,146,310	18,321	(19,517)
Equity related derivatives						
- one year or less	61,979	-	(9,931)	38,825	404	(4,745)
- over one year to three years	32,590	348	(1,629)	67,660	-	(11,637)
Total derivatives assets/(liabilities)	11,228,467	72,791	(77,681)	10,597,032	84,455	(154,686)

(i) The Group's and the Bank's derivative are subject to credit risk, market risk and liquidity risk as follow:

Credit Risk

Credit risk is the risk of financial loss resulting from the failure of the counterparties to fulfil their contractual obligations to settle commitments. Exposure to credit risk may be categorised as primary or secondary. This exposure is monitored on an on-going basis against predetermined counterparty limits. As at 30 September 2018, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM72,791,000 (31.3.2018: RM84,455,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

B11 Derivative Financial Assets/(Liabilities) (Contd.)

- (i) The Group's and the Bank's derivative are subject to credit risk, market risk and liquidity risk as follow (contd.):

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 in their implied volatilities.

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

Liquidity Risk

Liquidity risk is the inability of the Group to meet financial commitment when due.

The Group's liquidity risk profile is managed using liquidity risk management strategies set in Liquidity Risk Management Policy. Liquidity Risk Measures are monitored against approved threshold by Group Assets and Liabilities Management Committee and Group Risk Management Committee. A contingency funding plan is also established by the Group 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.

- (ii) Cash Requirements of the Derivatives

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as the fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the Group's and the Bank's credit ratings. As at 30 September 2018, the Group and the Bank had posted cash collateral of RM38,087,000 (31.3.2018: RM36,901,000) on their derivative contracts.

- (iii) Related accounting policies

Derivative financial instruments are initially recognised at fair value, which is normally zero or negligible at inception except for options and subsequently re-measured at their fair value. The fair value of options at inception is normally equivalent to the premium received (for options written) or paid (for options purchased). All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value are recognised in the statement of comprehensive income.

Interest income and expenses associated with interest rate swaps are recognised over the life of the swap agreement as a component of interest income or interest expense.

- (iv) There have been no changes since the end of the previous financial year in respect of the following:
- (a) the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
 - (b) the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
 - (c) the related accounting policies.

The credit risk, market risk and liquidity risk associated with the derivatives and the policies in place for mitigating or controlling the risks with these derivatives are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 March 2018.

B12 Changes in Material Litigation

The Group and the Bank do not have any material litigation which would materially and adversely affect the financial position of the Group and the Bank for in the second quarter and financial half year ended 30 September 2018.

B13 Dividend Declared

On 29 November 2018, The Board of Directors have declared a single tier first interim dividend of 8.5 sen per share amounting to approximately RM131,589,000 in respect of financial year ending 31 March 2019, to be paid on 28 December 2018. The entitlement date for the first interim dividend payment is on 18 December 2018.

B14 Earnings Per Share

(a) Basic

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

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
<u>GROUP</u>				
Net profit for the financial period attributable to Equity holders of the Bank (RM'000)	140,522	122,799	276,889	257,803
Weighted average numbers of ordinary shares in issue ('000)	1,548,106	1,548,106	1,548,106	1,548,106
Shares held for ESS ('000)	-	(17,092)	-	(17,092)
	1,548,106	1,531,014	1,548,106	1,531,014
Basic earnings per share (sen)	9.1	8.0	17.9	16.8

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
<u>BANK</u>				
Net profit for the financial period attributable to Equity holders of the Bank (RM'000)	106,277	107,941	244,049	227,556
Weighted average numbers of ordinary shares in issue ('000)	1,548,106	1,481,439	1,548,106	1,464,773
Basic earnings per share (sen)	6.9	7.3	15.8	15.5

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B14 Earnings Per Share (contd.)

(b) Diluted

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

	2nd Quarter Ended		Six Months Ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
<u>GROUP</u>				
Net profit for the financial period attributable to Equity holders of the Bank (RM'000)	140,522	122,799	276,889	257,803
Weighted average numbers of ordinary shares in issue ('000)	1,548,106	1,548,106	1,548,106	1,548,106
Shares held for ESS ('000)	-	(17,092)	-	(17,092)
Share Grants under ESS ('000)	-	12	-	12
	1,548,106	1,531,026	1,548,106	1,531,026
Diluted earnings per share (sen)	9.1	8.0	17.9	16.8

	2nd Quarter Ended		Six Months Ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
<u>BANK</u>				
Net profit for the financial period attributable to Equity holders of the Bank (RM'000)	106,277	107,941	244,049	227,556
Weighted average numbers of ordinary shares in issue ('000)	1,548,106	1,481,439	1,548,106	1,464,773
Diluted earnings per share (sen)	6.9	7.3	15.8	15.5

By Order of the Board

LEE WEI YEN (MAICSA 7001798)
Group Company Secretary
Kuala Lumpur
29 November 2018