ALLIANCE BANK INVESTMENT BANK

REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

Wirdalina Tauhed & Daughter
Founder of Wirdora
BizSmart® Challenge 2018 Finalist

ALLIANCE INVESTMENT BANK BERHAD
197401004393 (21605-D)
(Incorporated in Malaysia)

CONTENTS **PAGE(S)**

ALLIANCE INVESTMENT BANK BERHAD
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DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in the investment banking business including Islamic banking business, provision of stock-broking services and related financial services. There have been no significant changes in the nature of these activities during the financial year.

All the subsidiaries of the Bank were dissolved during the financial year.

FINANCIAL RESULTS

	GROUP	BANK
	RM'000	RM'000
Profit before taxation	13,001	12,363
Taxation	(4,036)	(4,035)
Net profit for the financial year	8,965	8,328

RESERVES AND PROVISIONS

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

DIVIDEND

There is no dividend declared since 31 March 2019. Subsequent to the financial year end, on 26 June 2020, the Directors declared an interim single tier dividend of 2.28 sen per share, on 365,000,000 ordinary shares amounting to approximately RM8,322,000 in respect of current financial year. The accompanying financial statements do not reflect this dividend. The dividend will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2021.

The Directors do not propose any final dividend in respect of the financial year ended 31 March 2020.

BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2020

Profitability
Alliance Investment Bank Berhad ("the Bank") recorded a higher net profit after taxation of RM9.0 million for the financial year ended 31 March 2020, compared to the RM1.4 million recorded in the preceding period.

In FYE2020, the Bank’s performance for its two main business pillars, stockbroking and corporate advisory, were impacted by global market uncertainties precipitated by the US-China trade war, as well as local domestic political uncertainties. Towards the end of the financial year, markets underwent further turmoil due to the effects of the COVID-19 pandemic which has slowed economic activity.

The lower income from stockbroking and corporate advisory was however mitigated by improved interest income on the back of our treasury activities and expansion of non-interest income because of trading gains in financial markets.

Operating profit before allowances grew by 12.2% to RM34.9 million while net income grew 8.1% to RM78.5 million driven by net interest income including Islamic Banking income rising by RM4.2 million or 11.4%. Net interest margin stood at 2.11%.

BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2020 (CONTD.)

Loans Growth
Gross loans and advances declined by 34.8% to RM293.6 million mainly due to the repayment of Corporate loans.

Other Operating Income
Other operating income including Islamic Banking non-financing income increased by 4.7% to RM37.1 million mainly due to increase in investment income, one-off special dividend from RAM of RM1.2 million and higher fee income from the completion of an IPO advisory engagement.

Operating Expenses
Operating Expenses rose by 5.1% to RM43.6 million, mainly due to higher personnel expenses. Cost to income ratio was lower at 55.5%, an improvement of 1.6% year-on-year.

Asset Quality
In FYE2020, the Bank took an impairment for a RM23.9 million debt instrument, and continued to optimise our balance sheet by writing off all goodwill for our stockbroking and corporate and investment Banking businesses. These impairments were mitigated by a RM9.6 million debt instrument recovery.

Proactive Capital Management
Both Total Capital and Common Equity Tier 1 ratios remained strong at 98.2% and 97.3% respectively as at 31 March 2020.

ECONOMIC OUTLOOK AND PROSPECTS FOR FYE 31 MARCH 2021

For 2020, Bank Negara Malaysia (BNM) foresees Malaysia’s gross domestic product (GDP) growth to be ranging between -2% and +0.5% year-on-year, compared to +4.3% in the preceding year. Signs of economic contractions are mainly attributed to the sharp decline in global economic and trade activities in the first quarter of 2020, as well as the unprecedented measures taken by various countries to combat the COVID-19 pandemic which have led to severe difficulties for businesses all over the world.

Malaysia’s economy has also been affected by the Movement Control Order (MCO). According to an online survey done by the Department of Statistics (carried out from 23 to 31 March 2020), there are signs that domestic private consumption (which makes up 59% of Malaysia’s GDP) will be weak in the near-term as monthly household spending has fallen 55% from RM6,317 to RM2,813.

The survey also shows that apart from food staples, communications and education, all other consumption categories have recorded sharp declines due to travel restrictions and closures of non-essential businesses. Post MCO, the normalisation of consumer behaviour may be gradual as precautionary social distancing practices continue. As such, private consumption growth is expected to expand at a slower pace, while weaker global demand will continue to weigh on oil prices.

BNM is also expecting the COVID-19 pandemic to lower external demand drastically as global supply chains are disrupted due to prolonged factory closures in key industrial hubs worldwide. As a result, BNM is expecting Malaysia’s exports and imports to fall 13.6% and 11.9% year-on-year respectively mainly due to a dampened domestic manufacturing sector.

BUSINESS OUTLOOK FOR FYE 31 MARCH 2021

In view of the economic outlook above, local capital markets will take time to recover against the backdrop of subdued market confidence and volatile commodity markets. Thus, it will be a challenging time for the Bank in the markets in which we operate.

In the context of the stockbroking business, we expect institutional investors activity, which makes up about half of the business, to remain muted, in line with recent trends. While the retail business will see larger volumes of trades and subsequent volatility, we expect asset values to fall which will lead to declining share margin balances. As a result, the Bank expects to see an increase in fee income corresponding with a decline in interest income.

For capital markets, we continue to have a good pipeline of potential listings in the mid-market segment, and we see our business financing performing sustainably going forward.

Our Action Plan to address economic headwinds

As we move forward into 2020, effects of the COVID-19 pandemic, the collapse of oil price and weaker commodities price on the wider economy are likely to lead to slower overall loan growth and credit stress for the Bank. We have implemented new strategies to help mitigate the impact on the Bank and our stakeholders throughout this crisis.

- For our employees, we have activated operation in separate locations for critical departments and enforced work-from-home arrangements to ensure essential services continue with minimal interruption, while protecting everyone’s health. In addition to this, we provided a one-off subsidy to lower income staff for incidental expenses.

- For our customers, we are committed to helping them manage the headwinds through the 6-month automatic loan moratorium announced by the Government. We have also designed restructuring and rescheduling options for all customers including but not limited to facilitating applications to the Special Relief Fund, Credit Guarantee Corporation and Danajamin.

- To support our communities, we contributed RM500,000 to MERCY Malaysia’s COVID-19 Pandemic Fund.

For the Bank, we will be paying close attention to managing our credit and liquidity risks. We will also be working out the details of post-moratorium repayment arrangements with our customers. Addressing the needs of our customers at this juncture will help us strengthen our relationships for the long term success of both the Bank and our clients. The Bank continues to maintain ample liquidity coverage and loan to funds ratios.

We will also remain vigilant in managing our credit portfolios and conservative in our provisioning practices.

RATING BY EXTERNAL RATING AGENCY

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

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

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

DIRECTORS

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

Lee Ah Boon (appointed as Chairman on 9 December 2019)
Mazidah Binti Abdul Malik
Datin Ooi Swee Lian
Kuah Hun Liang (retired on 9 December 2019)
Dato' Yeoh Beow Tit (retired on 17 May 2019)

DIRECTORS' REMUNERATION

Details of Directors' Remuneration are set out in Note 38 to the financial statements.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than benefits shown under Directors' Remuneration in Note 38 to the financial statements) by reason of a contract made by the Bank or its subsidiary or its holding company or subsidiary of the holding company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS

According to the Register of Directors’ shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors in office at the end of the financial year had any interest in shares, share options and share grants in the Bank or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year.

ISSUE OF SHARES AND DEBENTURES

There was no new issue of shares and debentures during the financial year.

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

As at the date of this report, there does not exist:

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

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

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made other than those disclosed in Note 49 to the financial statements.

HOLDING COMPANY

The holding company of the Bank is Alliance Bank Malaysia Berhad, a bank incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

SUBSIDIARIES

Details of subsidiaries are set out in Note 12 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 29 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 48 to the financial statements.

SUBSEQUENT EVENTS

The event subsequent to the end of the financial reporting period are disclosed in Note 49 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with resolution of the Directors.

Mazidah Binti Abdul Malik   Datin Ooi Swee Lian

Kuala Lumpur, Malaysia
26 June 2020

ALLIANCE INVESTMENT BANK BERHAD
197401004393 (21605-D)
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Mazidah Binti Abdul Malik and Datin Ooi Swee Lian, being two of the Directors of Alliance Investment Bank Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 12 to 126 are drawn up so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2020 and financial performance of the Group and of the Bank for the financial year ended 31 March 2020 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the Directors.

Mazidah Binti Abdul Malik

Datin Ooi Swee Lian

Kuala Lumpur, Malaysia
26 June 2020

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT, 2016

I, Goh Chee Ho, being the Officer primarily responsible for the financial management of Alliance Investment Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 12 to 126 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Goh Chee Ho at
Kuala Lumpur in the Federal Territory
on 26 June 2020

Goh Chee Ho
MIA Membership No. (CA 21531)

Before me,

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF ALLIANCE INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
(Company No. 197401004393 (21605-D))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Alliance Investment Bank Berhad ("the Bank") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 March 2020 of the Group and of the Bank, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 126.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTD.)

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the financial statements

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTD.)

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTD.)

Auditors' responsibilities for the audit of the financial statements (contd.)

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

ONG CHING CHUAN
02907/11/2021 J
Chartered Accountant

Kuala Lumpur
26 June 2020

ALLIANCE INVESTMENT BANK BERHAD
197401004393 (21605-D)
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2020

		GROUP		BANK	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	3	44,783	36,373	44,783	35,989
Deposits and placements with banks and other financial institutions	4	-	500	-	500
Amounts due from clients and brokers	5	51,165	77,008	51,165	77,008
Financial assets at fair value through profit or loss	6	64,392	60,784	64,392	60,784
Financial investments at fair value through other comprehensive income	7	1,381,815	1,367,915	1,381,815	1,367,915
Financial investments at amortised cost	8	16	53,560	16	53,560
Loans, advances and financing	9	292,575	449,354	292,575	449,354
Other assets	10	8,926	9,008	8,926	8,882
Tax recoverable		1,934	1,437	1,934	958
Statutory deposits with Bank Negara Malaysia	11	29,106	43,996	29,106	43,996
Investments in subsidiaries	12	-	-	-	-
Investment in an associate	13	286	280	230	230
Investment in joint venture	14	903	802	394	394
Right-of-use assets	15	672	-	672	-
Property, plant and equipment	16	430	727	430	727
Intangible assets	18	24,578	33,639	27,138	36,730
TOTAL ASSETS		1,901,581	2,135,383	1,903,576	2,137,027
LIABILITIES AND EQUITY					
Deposits from customers	19	485,007	993,221	485,007	993,221
Deposits and placements of banks and other financial institutions	20	692,678	389,994	692,678	389,994
Amounts due to clients and brokers	21	22,292	51,164	22,292	51,164
Lease liabilities	22	629	-	629	-
Other liabilities	23	35,468	52,356	35,468	52,921
Deferred tax liabilities	17	6,669	2,164	6,669	2,164
TOTAL LIABILITIES		1,242,743	1,488,899	1,242,743	1,489,464
Share capital	24	365,962	365,962	365,962	365,962
Reserves	25	292,876	280,522	294,871	281,601
TOTAL EQUITY		658,838	646,484	660,833	647,563
TOTAL LIABILITIES AND EQUITY		1,901,581	2,135,383	1,903,576	2,137,027
COMMITMENTS AND CONTINGENCIES	43	388,760	320,776	388,760	320,776

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

ALLIANCE INVESTMENT BANK BERHAD
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STATEMENTS OF INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

		GROUP		BANK	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Interest income	26	79,601	71,920	79,601	71,920
Interest expense	27	(43,799)	(39,033)	(43,799)	(39,033)
Net interest income		35,802	32,887	35,802	32,887
Net income from Islamic banking business	50	6,659	5,169	6,659	5,169
		42,461	38,056	42,461	38,056
Fee and commission income	28	35,402	38,703	35,402	38,703
Fee and commission expense	28	(8,829)	(9,544)	(8,829)	(9,544)
Investment income	28	8,431	4,960	8,431	4,960
Other income	28	1,077	456	1,077	1,131
Other operating income	28	36,081	34,575	36,081	35,250
Net income		78,542	72,631	78,542	73,306
Other operating expenses	29	(43,599)	(41,492)	(43,599)	(41,492)
Operating profit before allowances		34,943	31,139	34,943	31,814
Write-back of expected credit losses on loans, advances and financing and other financial assets	30	115	778	115	778
Allowance for expected credit losses on financial investments	31	(13,770)	(367)	(13,770)	(367)
Allowance for impairment losses on non-financial assets	32	(8,394)	(23,748)	(8,925)	(27,337)
Operating profit after allowances		12,894	7,802	12,363	4,888
Share of results in an associate	13	6	6	-	-
Share of results of joint venture	14	101	109	-	-
Profit before taxation		13,001	7,917	12,363	4,888
Taxation	33	(4,036)	(6,554)	(4,035)	(6,554)
Net profit/(loss) for the financial year		8,965	1,363	8,328	(1,666)
Net profit/(loss) for the financial year attributable to:					
Equity holder of the Bank		8,965	1,363	8,328	(1,666)
Earnings per share attributable to Equity holder of the Bank:					
- Basic/Diluted (sen)	34	2.46	0.37		

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

ALLIANCE INVESTMENT BANK BERHAD
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STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	GROUP		BANK	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Net profit/(loss) for the financial year	8,965	1,363	8,328	(1,666)
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Revaluation reserve on financial investments at fair value through other comprehensive income				
- Net gain from change in fair value	22,004	16,175	22,004	16,175
- Realised gain transferred to statement of income on disposal	(2,953)	(565)	(2,953)	(565)
- Transfer to deferred tax	(4,572)	(3,747)	(4,572)	(3,747)
- Changes in expected credit losses	(9,476)	97	(9,476)	97
Other comprehensive income, net of tax	5,003	11,960	5,003	11,960
Total comprehensive income for the financial year	13,968	13,323	13,331	10,294
Total comprehensive income for the financial year attributable to:				
Equity holder of the Bank	13,968	13,323	13,331	10,294

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

ALLIANCE INVESTMENT BANK BERHAD
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(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	← Attributable to Equity holder of the Bank →					
	Ordinary shares	Regulatory reserves	FVOCI reserves	Revaluation reserves	Retained profits	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
At 1 April 2019						
As previously stated	365,962	8,539	21,446	-	250,537	646,484
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	-	-	-	-	(61)	(61)
As restated	365,962	8,539	21,446	-	250,476	646,423
Net profit for the financial year	-	-	-	-	8,965	8,965
Other comprehensive income	-	-	5,003	-	-	5,003
Total comprehensive income	-	-	5,003	-	8,965	13,968
Transfer from regulatory reserves	-	(999)	-	-	999	-
Liquidation of subsidiaries	-	-	-	-	(1,553)	(1,553)
At 31 March 2020	365,962	7,540	26,449	-	258,887	658,838
At 1 April 2018						
As previously stated	365,962	4,605	-	42,530	222,495	635,592
Effects of adoption of MFRS 9	-	3,773	9,486	(42,530)	50,200	20,929
As restated	365,962	8,378	9,486	-	272,695	656,521
Net profit for the financial year	-	-	-	-	1,363	1,363
Other comprehensive income	-	-	11,960	-	-	11,960
Total comprehensive income	-	-	11,960	-	1,363	13,323
Transfer to regulatory reserves	-	161	-	-	(161)	-
Dividend paid (Note 35)	-	-	-	-	(23,360)	(23,360)
At 31 March 2019	365,962	8,539	21,446	-	250,537	646,484

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

ALLIANCE INVESTMENT BANK BERHAD
197401004393 (21605-D)
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020 (CONTD.)

		Non-distributable reserves			Distributable reserves	
	Ordinary shares	Regulatory reserves	FVOCI reserves	Revaluation reserves	Retained profits	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank						
At 1 April 2019						
As previously stated	365,962	8,539	21,446	-	251,616	647,563
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	-	-	-	-	(61)	(61)
As restated	365,962	8,539	21,446	-	251,555	647,502
Net profit for the financial year	-	-	-	-	8,328	8,328
Other comprehensive income	-	-	5,003	-	-	5,003
Total comprehensive income	-	-	5,003	-	8,328	13,331
Transfer from regulatory reserves	-	(999)	-	-	999	-
At 31 March 2020	365,962	7,540	26,449	-	260,882	660,833

	Ordinary shares	Regulatory reserves	FVOCI reserves	Revaluation reserves	Retained profits	Total equity
Bank						
At 1 April 2018						
As previously stated	365,962	4,605	-	42,530	226,603	639,700
Effects of adoption of MFRS 9	-	3,773	9,486	(42,530)	50,200	20,929
As restated	365,962	8,378	9,486	-	276,803	660,629
Net loss for the financial year	-	-	-	-	(1,666)	(1,666)
Other comprehensive income	-	-	11,960	-	-	11,960
Total comprehensive income/(expense)	-	-	11,960	-	(1,666)	10,294
Transfer to regulatory reserves	-	161	-	-	(161)	-
Dividend paid (Note 35)	-	-	-	-	(23,360)	(23,360)
At 31 March 2019	365,962	8,539	21,446	-	251,616	647,563

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

ALLIANCE INVESTMENT BANK BERHAD
197401004393 (21605-D)
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	GROUP		BANK	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	13,001	7,917	12,363	4,888
Adjustments for:				
Accretion of discount less amortisation of premium of financial investments	(1,288)	(871)	(1,288)	(871)
Depreciation of property, plant and equipment	352	515	352	515
Depreciation of right-of-use assets	1,089	-	1,089	-
Amortisation of computer software	1,209	774	1,209	774
Dividends received from financial assets at fair value through profit or loss	(1,750)	(550)	(1,750)	(550)
Property, plant and equipment written-off	3	-	3	-
Net gain from sale of financial investments at fair value through other comprehensive income	(2,953)	(565)	(2,953)	(565)
Net gain from sale of financial assets at fair value through profit or loss	(120)	(1)	(120)	(1)
Unrealised gain from revaluation of financial assets at fair value through profit or loss	(3,608)	(3,844)	(3,608)	(3,844)
Allowance for/(write-back of) expected credit losses on loans, advances and financing	107	(642)	107	(642)
Allowance for expected credit losses on other receivables	179	104	179	104
Allowance for/(write-back of) expected credit losses on amounts due from clients and brokers	3	(1)	3	(1)
Allowance for/(write-back of) expected credit losses on commitment and contingencies	75	(224)	75	(224)
Allowance for expected credit losses on financial investments	13,770	367	13,770	367
Allowance for impairment losses on non-financial assets	8,394	23,748	8,925	27,337
Share of results of associate	(6)	(6)	-	-
Share of results of joint venture	(101)	(109)	-	-
Interest expense on lease liabilities	71	-	71	-
Interest income from financial investments at fair value through other comprehensive income	(52,051)	(40,861)	(52,051)	(40,861)
Interest income from financial investments at amortised cost	(1,121)	(3,197)	(1,121)	(3,197)
Computer software written-off	-	17	-	17
Operating loss before working capital changes	(24,745)	(17,429)	(24,745)	(16,754)
Changes in working capital:				
Deposits from customers	(508,214)	368,881	(508,214)	368,881
Deposits and placements of banks and other financial institutions	302,684	(100,844)	302,684	(100,844)
Other liabilities	(18,025)	17,988	(17,641)	17,997
Deposits and placement with banks and other financial institutions	500	(500)	500	(500)
Financial assets at fair value through profit or loss	120	15,251	120	15,251
Loans, advances and financing	156,673	(38,409)	156,673	(38,409)
Other assets	(314)	143	(314)	143
Amounts due from clients and brokers	(3,032)	358	(3,032)	358
Operating (loss)/profit before working capital changes carried forward	(69,608)	262,868	(69,224)	262,877

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

ALLIANCE INVESTMENT BANK BERHAD
197401004393 (21605-D)
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020 (CONTD.)

	GROUP		BANK	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)				
Operating (loss)/profit before working capital changes brought forward	(69,608)	262,868	(69,224)	262,877
Statutory deposits with Bank Negara Malaysia	14,890	(5,234)	14,890	(5,234)
Cash (used in)/generated from operations	(79,463)	240,205	(79,079)	240,889
Tax paid	(4,945)	(6,621)	(4,945)	(6,632)
Net cash (used in)/generated from operating activities	(84,408)	233,584	(84,024)	234,257
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(58)	(59)	(58)	(59)
Purchase of intangible assets	(542)	(2,429)	(542)	(2,429)
Purchase of:				
- financial investments at FVOCI	(272,432)	(779,706)	(272,432)	(779,706)
- financial investments at amortised cost	-	(28,790)	-	(28,790)
Redemption/disposal of:				
- financial investments at FVOCI	273,916	472,128	273,916	472,128
- financial investments at amortised cost	39,076	95,161	39,076	95,161
Net dividends received from financial investments at fair value through profit or loss	1,750	550	1,750	550
Interest income from financial investments at fair value through other comprehensive income	50,594	38,403	50,594	38,403
Interest received from financial investments at amortised cost	1,708	2,908	1,708	2,908
Net cash generated from/(used in) investing activities	94,012	(201,834)	94,012	(201,834)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid to holding company	-	(23,360)	-	(23,360)
Repayment of lease liabilities	(1,194)	-	(1,194)	-
Net cash used in financing activities	(1,194)	(23,360)	(1,194)	(23,360)
NET CHANGES IN CASH AND CASH EQUIVALENTS	8,410	8,390	8,794	9,063
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	36,373	27,983	35,989	26,926
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	44,783	36,373	44,783	35,989
Cash and cash equivalents comprise the following:				
Cash and short-term funds (Note 3)	44,783	36,373	44,783	35,989

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

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020 (CONTD.)

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

	Lease Liabilities RM'000
GROUP/BANK	
At 1 April 2019	
As previously stated	-
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	1,828
As restated	1,828
Cash flow	
- Repayment of lease liabilities	(1,194)
Non cash changes	
- Interest accrued	71
- Additions, remeasurement and termination of contracts	(76)
At 31 March 2020	629

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

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2020

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Bank is principally engaged in the investment banking business including Islamic banking business, provision of stock-broking services and related financial services.

The subsidiaries of the Bank were dissolved during the financial year.

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

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

The holding company of the Bank is Alliance Bank Malaysia Berhad, a bank incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 June 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

Malaysian Financial Reporting Standards ("MFRS") Framework

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

Malaysian Financial Reporting Standards ("MFRS") Framework (contd.)

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

(i) Annual testing for impairment of goodwill (Note 18) - the measurement of the recoverable amount of cash-generating units are determined based on the value-in-use method, which requires the use of estimates for cash flow projections approved by the Board of Directors covering a 4-year period, estimated growth rates for cash flows beyond the fourth year are extrapolated in perpetuity and discount rates are applied to the cash flow projections. The sharp decline in economy and the impact of COVID-19 pandemic has been reflected in the cash flow projections. A sensitivity assessment has been performed by stressing of the estimated growth rates and discount rates by certain percentage.

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

The allowance for ECL are recognised using forward-looking information including macroeconomic factors. By using forward-looking information will increase the level of judgement as to how changes in these macroeconomic factors will affect allowance for ECL. The Group and the Bank is of the view that it is difficult to incorporate the specific effects of COVID-19 and government relief measures on a reasonable and supportable basis as at 31 March 2020. However, the Group and the Bank has considered the impact of COVID-19 pandemic and sharp decline in economy in the macroeconomic scenarios applied and in their weightings. The methodology and assumptions including any forecasts of future economic conditions are continued to be monitored and reviewed as new information becomes available.

The sensitivity effect on the macroeconomic factor is further disclosed in Note 39 (a)(vi).

Some of the areas of significant judgements involved in the measurement of expected credit losses are detailed as follows:

- Significant increase in credit risk. [Note 39 (a)(iv)(a)]
- Development of expected credit losses models and assumption for the measurement of expected credit losses.
- Determining the number and relative weightings of forward-looking scenarios expected credit losses.
- Establishing groups of similar financial assets for the purpose of measuring the expected credit losses on collective basis.

Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and the Bank's financial year beginning on or after 1 April 2019 are as follows:

- MFRS 16 "Leases"
- Amendments to MFRS 9 "Prepayment Features with Negative Compensation"
- Amendments to MFRS 119 "Plan Amendment, curtailment or settlement"
- Amendments to MFRS 128 "Long-term Interests in Associates and Joint Ventures"
- IC Interpretation 23 "Uncertainty over Income Tax Treatments"
- Annual Improvements to MFRSs 2015 - 2017 Cycle

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

Standards, amendments to published standards and interpretations that are effective (contd.)

The adoption of the above standards, amendments to published standards and interpretation to existing standards did not have any significant impact on the financial statements of the Group and the Bank other than the adoption of MFRS 16.

The Group and the Bank have adopted MFRS 16 for the first time in the 31 March 2020 financial statements with the date of initial application ("DIA") of 1 April 2019 by applying the simplified retrospective transaction approach.

The practical expedients elected and the detailed impacts of the change in accounting policies on leases are disclosed below. The details of the accounting policies on leases are disclosed separately in Note 2(n).

Change in Accounting Policies

(i) Adoption of MFRS 16 "Leases"

During the financial year, the Group and the Bank have adopted MFRS 16 “Leases”. The Group and the Bank has elected to use the simplified retrospective transition approach and to apply a number of practical expedients as provided in MFRS 16.

Under the simplified retrospective transition approach, the 31 March 2019 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group and the Bank is a lessee were recognised as an adjustment to the opening balance of retained profits as at 1 April 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 "Leases" and IC Int. 4 "Determining whether an Arrangement Contains a Lease".

On adoption of MFRS 16, the Group and the Bank recognised lease liabilities in relation to leases which had previously been classified as operating leases. These liabilities were measured at the present value of the remaining lease payments, discounted by the Group’s and the Bank’s incremental borrowing rate as at 1 April 2019.

Right-of-use assets were measured on a retrospective basis as if the new rules had always been applied.

In applying MFRS 16 for the first time, the Group and the Bank have applied the following practical expediants permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of single discount rate to a portfolio leases with reasonably similar characteristics;
- the accounting of operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of adoption; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The adoption of MFRS 16 has resulted in a decrease of RM61,000 for the Group's and the Bank's retained profits as at 1 April 2019.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

Change in Accounting Policies (contd.)

(ii) Financial Effect

i. A reconcilation of the statements of financial position of the Group and the Bank upon adoption of MFRS 16 as at 1 April 2019 are as follows:

GROUP	As previously stated	Adoption of MFRS 16	As restated
Assets			
Right-of-use assets	-	1,837	1,837
Other assets	9,008	(89)	8,919
Liabilities			
Lease liabilities	-	1,828	1,828
Deferred tax liabilities	2,164	(19)	2,145
Equity			
Retained profits	250,537	(61)	250,476

BANK			
Assets			
Right-of-use assets	-	1,837	1,837
Other assets	8,882	(89)	8,793
Liabilities			
Lease liabilities	-	1,828	1,828
Deferred tax liabilities	2,164	(19)	2,145
Equity			
Retained profits	251,616	(61)	251,555

The weighted average lease's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 5.51% - 5.52% per annum.

ii. A reconcilation between operating lease commitments disclosed applying MFRS 117 at 31 March 2019, and the lease liabilities recognised in the statement of financial position at 1 April 2019.

GROUP/BANK	RM'000
Operating lease commitments as disclosed at 31 March 2019	2,065
Less:	
Discounted using the incremental borrowing rate at 1 April 2019	(148)
Prepayment on lease liabilities	(89)
Lease liability recognised at 1 April 2019	1,828

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

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

<u>Financial year beginning after 1 April 2020</u>

(i) Amendments to MFRS 3 "Definition of a Business"

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

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

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

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

The amendments shall be applied prospectively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

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

Financial year beginning after 1 April 2020 (contd.)

(ii) Amendments to MFRS 101 "Presentation of Financial Statements" and MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors"

The amendments to MFRS 101 "Presentation of Financial Statements" and MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors" which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in MFRS 101 about immaterial information.

In particular, the amendments clarify:

- That an entity assesses materiality in the context of the financial statements as a whole.
- That the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information and that an entity assesses materiality in the context of the financial statements as a whole, and
- The meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendments shall be applied prospectively.

(iii) The MASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting;
- reinstating prudence as a component of neutrality;
- defining a reporting entity, which may be a legal entity, or a portion of an entity;
- revising the definitions of an asset and a liability;
- removing the probability threshold for recognition and adding guidance on derecognition;
- adding guidance on different measurement basis; and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

The amendments shall be applied prospectively.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Economic Entities in the Group

(i) Subsidiaries

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Economic Entities in the Group (contd.)

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

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

(iii) Disposal of Subsidiaries

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

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

(iv) Associates

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Economic Entities in the Group (contd.)

(iv) Associates (contd.)

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

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

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

(v) Joint Arrangements

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Economic Entities in the Group (contd.)

(v) Joint Arrangements (contd.)

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

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

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to statements of income where appropriate.

(c) Investments in Subsidiaries, Joint Ventures and Associates in Separate Financial Statements

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

(d) Intangible Assets

(i) Goodwill

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(d) Intangible Assets (contd.)

(ii) Computer Software

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

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

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

(e) Property, Plant and Equipment and Depreciation

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Property, Plant and Equipment and Depreciation (contd.)

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

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

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

(f) Financial Assets

(i) Classification

The Group and the Bank classify the financial assets in the following measurement categories:

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

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

(i) Financial assets at FVOCI comprise of:

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

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

- Debt investments that do not qualify for measurement at either amortised cost or fair value through comprehensive income, and
- Equity investments for which the entity has not elected to recognise at fair value through other comprehensive income.

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

- The asset is held within a business model with the objective of collecting the contractual cash flows, and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Financial Assets (contd.)

(ii) Recognition and initial measurement

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

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

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

(iii) Subsequent measurement

Debt instruments

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

(i) Amortised cost

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

(ii) FVOCI

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

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statements of income and recognised in other operating income. Interest/profit income from these financial assets is included in gross interest income using the effective interest/profit.

(iii) FVTPL

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Financial Assets (contd.)

(iii) Subsequent measurement (contd.)

Equity instruments

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

(iv) De-recognition

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

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

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

(g) Offsetting Financial Instruments

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

(h) Amounts Due From Clients and Brokers

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

(i) Other Assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Impairment of Assets

(i) Impairment of financial assets

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

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

(a) General 3-stage approach

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

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

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

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

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

Measurement of ECL is set out in Note 39.

(b) Simplified approach for other receivables

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

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

(c) Write-off

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Impairment of Assets (contd.)

(ii) Impairment of non-financial assets

(a) Goodwill/Intangible assets

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

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

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

(b) Other non-financial assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(k) Financial Liabilities

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

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

(i) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
(ii) It's performance is evaluated on a fair value basis, in accordance with a documented with management or investment strategy.

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

The component of fair value changes relating to the Group's and the Bank's own credit risk is recognised in OCI. Amounts recorded in OCI related to credit risk are not subject to recycling in statements of profit, but are transferred to retained earnings when realised.

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

(l) Repurchase Agreements

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

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

(m) Provisions

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(n) Leases

Accounting policies applicable with effective from 1 April 2019

Leases in which the Group and the Bank are a lessee

Leases are recognised as right-of-use (‘ROU’) asset and a corresponding liability at the date on which the leased asset is available for used by the Group and the Bank (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Bank allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group and the Bank are a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

(i) Lease Term

In determining the lease term, the Group and the Bank consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Bank reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Bank and affects whether the Group and the Bank are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

(ii) Right-of-use Assets

Right-of-use ("ROU") assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss, if any. The ROU assets are generally depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. If the Group and the Bank are reasonably certain to exercise a purchase option, the ROU asset is depreciated on the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

ROU assets are presented as a separate line item in the statements of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(n) Leases (contd.)

<u>Accounting policies applicable with effective from 1 April 2019 (contd.)</u>

Leases in which the Group and the Bank are a Lessee (contd.)

(iii) Lease Liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group and the Bank under residual value guarantees;
- The exercise price of a purchase and extension options if the Group and the Bank are reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Bank, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group and the Bank present the lease liabilities as a separate line item in the statements of financial position. Interest expense on the lease liability is presented within the net interest income in statements of income.

(iv) Short-term Leases and Leases of Low Value Assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer equipment and small items of office equipment. Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line bases as an operating expense in statements of income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(n) Leases (contd.)

Accounting policies applicable prior to 1 April 2019

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

Operating Leases

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

(o) Share Capital

(i) Classification

Ordinary shares with discretionary dividends are classified as equity.

(ii) Share issue costs

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

(iii) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

Diluted earnings per share

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(p) Revenue Recognition

(i) Recognition of Interest and Financing Income

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

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

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

(ii) Recognition of Fees and Other Income

Fee and commission income of the Group and the Bank are from a wide range of products and services provided to the customers. The income is recognised based on the contractual rates or amount, netted off against fee and commission expense which directly attributable to the income. When the performance obligation is fulfilled, where the products and services are delivered to the customer, fee and commission income will be recognised in statement of income.

For transaction-based fee and commission income, it is recognised on the completion of the transaction. Such fees include fees related to the completion of corporate advisory fees, brokerage income, loan arrangement fees and commissions, management and participation fees and underwriting commissions. These fees constitute a single performance obligation.

For services that are provided over a period of time, fee and commission income is recognised on equal proportion basis over the period during which the related service is provided. This basis of recognition will reflect the nature of these services to the customers over time. Fees for these services can be billed periodically over time. Such fees include commitment, guarantee and portfolio management fees.

Net gain or loss from disposal of financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income are recognised in profit or loss upon disposal of securities, as the difference between net disposal proceeds and the carrying amount of the securities.

Dividends are recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence. Dividend that clearly represents a recovery of part of the cost of an investment is recognised in other comprehensive income if it relates to an investment in equity investment measured at financial investments at fair value through other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(q) Recognition of Interest and Financing Expenses

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

(r) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(s) Current and Deferred Income Tax

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

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

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

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

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

(t) Cash and Cash Equivalents

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

(u) Employee Benefits

(i) Short-term Employee Benefits

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(u) Employee Benefits (contd.)

(ii) Defined Contribution Plans

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

(v) Contingent Assets and Contingent Liabilities

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

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

(w) Financial Guarantee Contracts

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

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

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

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

3. CASH AND SHORT-TERM FUNDS

	GROUP		BANK	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	29,664	31,012	29,664	30,628
Money at call and deposit placements maturing within one month	15,119	5,361	15,119	5,361
	44,783	36,373	44,783	35,989

Included in the cash and short-term funds of the Group and the Bank are accounts held-in-trust for remisiers amounting to RM6,452,000 (2019: RM6,122,000).

4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
Licensed banks	-	500

5. AMOUNTS DUE FROM CLIENTS AND BROKERS

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
Due from clients	51,168	77,182
Due from brokers	-	665
	51,168	77,847
Less: Allowance for expected credit losses	(3)	(839)
	51,165	77,008

These represent amounts receivable 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.

The Group's and the Bank's normal trade credit terms for non-margin clients is two (2) market days in accordance with Bursa Malaysia Securities Berhad's ("Bursa") Fixed Delivery and Settlement System ("FDSS") trading rules.

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

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
At 1 April	839	840
Allowance made/(write-back) during the financial year (net)	3	(1)
Write-off during the financial year	(839)	-
At 31 March	3	839

As at 31 March 2020, the Group's and the Bank's gross exposure of amounts due from clients and brokers that are credit impaired is at RM 20,000 (2019: RM1,186,000) and was collateralised.

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

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
At fair value		
Unquoted securities:		
Shares	64,392	60,784
Total financial assets at FVTPL	64,392	60,784

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

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
At fair value - debt instruments		
Money market instruments:		
Malaysian Government securities	206,333	223,009
Malaysian Government investment issues	326,011	289,667
Negotiable instruments of deposits	-	10,947
Commercial papers	29,685	38,683
	562,029	562,306
Unquoted securities in Malaysia:		
Corporate bonds and sukuk	819,786	805,609
	819,786	805,609
Total financial investments at FVOCI	1,381,815	1,367,915

Movements in allowance for expected credit losses are as follows:

	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
GROUP/BANK				
At 1 April 2019	248	116	9,410	9,774
New financial assets originated or purchased	9	-	-	9
Financial assets derecognised other than write-off	(2)	-	-	(2)
Changes due to change in credit risk	(14)	(59)	-	(73)
Total write-back from income statement	(7)	(59)	-	(66)
Write-off	-	-	(9,410)	(9,410)
At 31 March 2020	241	57	-	298

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

Movements in allowance for expected credit losses are as follows: (contd.)

	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
GROUP/BANK				
At 1 April 2018				
As previously stated	-	-	-	-
Effects of adoption of MFRS 9	34	233	9,410	9,677
As restated	34	233	9,410	9,677
New financial assets originated or purchased	228	-	-	228
Financial assets derecognised other than write-off	(5)	-	-	(5)
Changes due to change in credit risk	(9)	(117)	-	(126)
Total charge to/(write-back from) income statement	214	(117)	-	97
At 31 March 2019	248	116	9,410	9,774

The Group's and the Bank's gross exposure of financial investments at fair value through other comprehensive income that are credit impaired are as follows:

	GROUP/BANK 2020 RM'000	2019 RM'000
At 1 April		
As previously stated	9,410	-
Effects of adoption of MFRS 9	-	9,410
As restated	9,410	9,410
Write-off during the financial year	(9,410)	-
At 31 March	-	9,410

8. FINANCIAL INVESTMENTS AT AMORTISED COST

	GROUP/BANK 2020 RM'000	2019 RM'000
At amortised cost		
Money market instruments:		
Malaysian Government securities	-	20,343
Commercial Paper	-	3,805
	-	24,148
Unquoted securities:		
Corporate bonds and sukuk	24,413	42,581
Less: Allowance for expected credit losses	(24,397)	(13,169)
	16	29,412
Total financial investments at amortised cost	16	53,560

8. FINANCIAL INVESTMENTS AT AMORTISED COST (CONTD.)

Movements in allowance for expected credit losses are as follows:

	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
GROUP/BANK				
At 1 April 2019	-	270	12,899	13,169
Transfer to Stage 3	-	(826)	25,000	24,174
New financial assets originated or purchased	-	-	196	196
Financial assets derecognised other than write-off during the financial year	(3)	-	(196)	(199)
Changes due to change in credit risk	3	556	(10,894)	(10,335)
Total (write-back from)/charge to income statement	-	(270)	14,106	13,836
Write-off	-	-	(2,608)	(2,608)
At 31 March 2020	-	-	24,397	24,397
At 1 April 2018				
As previously stated	-	-	-	-
Effects of adoption of MFRS 9	-	-	12,899	12,899
As restated	-	-	12,899	12,899
New financial assets originated or purchased	-	270	-	270
At 31 March 2019	-	270	12,899	13,169

The Group's and the Bank's gross exposure of financial investments at amortised cost that are credit impaired are as follows:

	GROUP/BANK 2020 RM'000	2019 RM'000
At 1 April		
As previously stated	17,271	-
Effects of adoption of MFRS 9	-	17,271
As restated	17,271	17,271
Impaired during the financial year	25,000	-
Write-back during the financial year	(15,250)	-
Write-off during the financial year	(2,608)	-
At 31 March	24,413	17,271

9. LOANS, ADVANCES AND FINANCING

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
At amortised cost		
Term loans	128,453	191,771
- Syndicated term loans	42,486	142,049
- Other term loans	85,967	49,722
Staff loans (Directors loan: RM Nil)	127	207
Revolving credits	8,008	5,007
Share margin financing	157,030	253,433
Gross loans, advances and financing	293,618	450,418
Less: Allowance for expected credit losses on loans, advances and financing	(1,043)	(1,064)
Total net loans, advances and financing	292,575	449,354

(i) By maturity structure:

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
Within one year	165,380	258,884
One year to three years	43,860	6
Three years to five years	41,589	90,640
Over five years	42,789	100,888
Gross loans, advances and financing	293,618	450,418

(ii) By type of customer:

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
Domestic business enterprises		
- Small and medium enterprises	4,585	60,814
- Others	153,687	186,454
Individuals	133,611	200,383
Other domestic entities	1,714	2,737
Foreign entities	21	30
Gross loans, advances and financing	293,618	450,418

(iii) By interest/profit rate sensitivity:

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
Fixed rate	1,223	3,651
Variable rate		
- Base lending rate plus	25,729	35,839
- Base rate plus	130,383	214,449
- Cost plus	136,283	196,479
Gross loans, advances and financing	293,618	450,418

9. LOANS, ADVANCES AND FINANCING (CONTD.)

(iv) By economic purposes:

	GROUP/BANK 2020 RM'000	GROUP/BANK 2019 RM'000
Purchase of securities	157,030	253,433
Purchase of transport vehicles	-	2
Purchase of landed property	43,282	45,947
of which: - Residential	796	811
- Non-residential	42,486	45,136
Working capital	8,008	46,619
Others	85,298	104,417
Gross loans, advances and financing	293,618	450,418

(v) By economic sector:

	GROUP/BANK 2020 RM'000	GROUP/BANK 2019 RM'000
Manufacturing	41,903	49,484
Construction	52,419	7,139
Financing, insurance, real estate and business services	21,463	145,509
Community, Social and Personal Services	42,486	45,136
Household	133,632	200,413
Others	1,715	2,737
Gross loans, advances and financing	293,618	450,418

(vi) By geographical distribution:

	GROUP/BANK 2020 RM'000	GROUP/BANK 2019 RM'000
Northern region	19,960	46,993
Central region	262,726	373,004
Southern region	10,932	30,421
Gross loans, advances and financing	293,618	450,418

9. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
At 1 April		
As previously stated	553	2,641
Effects of adoption of MFRS 9	-	(1,556)
As restated	553	1,085
Impaired during the financial year	231	81
Recovered during the financial year	(56)	(516)
Reclassified as unimpaired during the financial year	(171)	(83)
Financial assets derecognised other than write-off during the financial year	-	(6)
Amount written-off	(129)	(8)
At 31 March	428	553
Gross impaired loans as % of gross loans, advances and financing	0.15%	0.12%

The Group and the Bank may write-off financial assets when relevant recovery actions have been exhausted or further recovery is not economically feasible or justifiable. The outstanding contractual amounts of such assets written-off during the year amounting to RM129,000 (2019: RM8,000) for the Group and the Bank. The Group and the Bank still seek to recover amounts that is legally owed in full, but which have been partially written-off and are still subject to enforsement activity.

(viii) Credit impaired loans analysed by economic purposes:

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
Purchase of transport vehicle	-	2
Purchase of landed properties	428	428
of which: -Residential	428	428
Others	-	123
Gross impaired loans	428	553

(ix) Credit impaired loans analysed by economic sectors:

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
Construction	-	123
Household	428	430
Gross impaired loans	428	553

(x) Credit impaired loans analysed by geographical distribution:

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
Central region	428	553
Gross impaired loans	428	553

9. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit impaired (Stage 2) RM'000	Lifetime ECL Credit impaired (Stage 3) RM'000	Total RM'000
GROUP/BANK				
At 1 April 2019	512	-	552	1,064
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	1	(103)	(102)
Transfer to Stage 3	-	(1)	-	(1)
New financial assets originated or purchased	97	-	-	97
Financial assets derecognised other than write-off	(107)	-	-	(107)
Changes due to change in credit risk	199	-	21	220
Total charge to/(write-back from) income statement	189	-	(82)	107
Write-off	-	-	(128)	(128)
At 31 March 2020	701	-	342	1,043

Stage 1 expected credit losses (“ECL”) increased by RM189,000 during the financial year mainly due to newly originated gross carrying amounts ("GCA") for loans, advances and financing and incremental ECL within Stage 1.

Stage 3 ECL decreased by RM210,000 mainly due to ECL for GCA transferred from Stage 3 to Stage 2.

The GCA of the Group and the Bank were written off by RM128,000 resulted in the reduction of Stage 3 ECL.

Details of gross carrying amounts are disclosed in Note 39 (a)(v).

9. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit impaired (Stage 2) RM'000	Lifetime ECL Credit impaired (Stage 3) RM'000	Total RM'000
GROUP/BANK				
At 1 April 2018				
As previously stated under MFRS 139				840
Effects of adoption of MFRS 9				874
As restated	619	11	1,084	1,714
Transfer to Stage 1	-	(1)	-	(1)
Transfer to Stage 2	-	1	(2)	(1)
Transfer to Stage 3	-	(1)	-	(1)
New financial assets originated or purchased	558	-	-	558
Financial assets derecognised other than write-off	(218)	-	(6)	(224)
Changes due to change in credit risk	(447)	(10)	(516)	(973)
Total write-back from income statement	(107)	(11)	(524)	(642)
Write-off	-	-	(8)	(8)
At 31 March 2019	512	-	552	1,064

Stage 1 expected credit losses ("ECL") decreased by RM107,000 during the financial year mainly due to de-recognition of gross carrying amounts ("GCA") for loans, advances and financing from full settlement by RM118,766,000, write-back of ECL from lower GCA from partial settlement by RM15,287,000, offset by recognition of GCA from newly originated loans, advances and financing by RM139,900,000.

Stage 2 ECL decreased by RM11,000 mainly due to write-back of ECL from lower GCA from partial settlement by RM7,061,000.

Stage 3 ECL decreased by RM524,000 mainly due to write-back of ECL from lower GCA from partial settlement by RM516,000.

10. OTHER ASSETS

	GROUP		BANK	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Other receivables, deposits and prepayments	11,202	10,828	11,202	10,702
Amount due from related company	-	277	-	277
	11,202	11,105	11,202	10,979
Less: Allowance for expected credit losses on other receivable [Note (a)]	(2,276)	(2,097)	(2,276)	(2,097)
	8,926	9,008	8,926	8,882

Note:

(a) Movements in the allowance for expected credit losses on other receivables of the Group and of the Bank are as follows:

	Lifetime ECL	
	2020	2019
	RM'000	RM'000
GROUP/BANK		
At 1 April	2,097	1,993
New financial assets originated or purchased	251	1,174
Financial assets derecognised other than write-off	(179)	(1,381)
Changes due to change in credit risk	107	311
Total charge to income statement	179	104
At 31 March	2,276	2,097

11. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

Non-interest bearing statutory deposits for the Group and the Bank of RM29,106,000 (2019: RM43,996,000) are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined as a set percentage of total eligible liabilities.

12. INVESTMENTS IN SUBSIDIARIES

	BANK	
	2020	2019
	RM'000	RM'000
Unquoted shares, at cost		
At 1 April/31 March	-	-

12. INVESTMENTS IN SUBSIDIARIES (CONTD.)

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

Name	Principal Activities	Equity interest 2020 %	2019 %
ARSB Alliance Sdn. Bhd. (under member's voluntary winding up) [Note (a)]	Liquidated	-	100
KLCS Sdn. Bhd. (under member's voluntary winding up) [Note (a)]	Liquidated	-	100

Note:

(a) Members' Voluntary Winding-up

KLCS Sdn. Bhd. and ARSB Alliance Sdn. Bhd., wholly owned subsidiaries of the Bank have been dissolved by way of members' voluntary winding-up pursuant to Section 459(5) of the Companies Act 2016 on 9 August 2019.

13. INVESTMENT IN AN ASSOCIATE

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unquoted shares				
At 1 April	280	274	230	230
Share of results	6	6	-	-
At 31 March	286	280	230	230
Represented by:				
Share of net tangible assets	286	280		

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

Name	Principal activities	Effective/direct equity interest 2020	2019
Alliance Trustee Berhad	Trustee services	20%	20%

Alliance Trustee Berhad is jointly held by the Bank and the following related companies:

	Effective/direct equity interest 2020	2019
Alliance Bank Malaysia Berhad	100%	100%
Alliance Direct Marketing Sdn. Bhd.	20%	20%
Alliance Group Nominees (Tempatan) Sdn. Bhd.	20%	20%
Alliance Group Nominees (Asing) Sdn. Bhd.	20%	20%

13. INVESTMENT IN AN ASSOCIATE (CONTD.)

	GROUP	
	2020	2019
	RM'000	RM'000
Assets and Liabilities		
Current assets		
Cash and short term funds	193	165
Other current assets	1,144	1,143
Total current assets	1,337	1,308
Non-current assets	100	102
Total assets	1,437	1,410
Current liabilities		
Other current liabilities	7	8
Total liabilities	7	8
Net assets	1,430	1,402
The summarised statement of comprehensive income is as follows:		
Revenue	43	44
Profit before tax for the financial year	37	38
Profit after tax for the financial year	28	29
Reconciliation of summarised financial information:		
The above profit includes the following:		
Taxation	(9)	(9)

	GROUP	
	2020	2019
	RM'000	RM'000
Net assets		
At 1 April	1,402	1,373
Profit after tax for the financial year	28	29
At 31 March	1,430	1,402
Carrying value at 20% share of the equity interest of the associate	286	280

14. INVESTMENT IN JOINT VENTURE

	GROUP		BANK	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
At 1 April	802	693	394	394
Share of results	101	109	-	-
At 31 March	903	802	394	394
Represented by:				
Share of net tangible assets	903	802		

14. INVESTMENT IN JOINT VENTURE (CONTD.)

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

Name	Principal activities	Effective equity interest 2020	2019
AllianceDBS Research Sdn. Bhd.	Research and stock analysis	51%	51%

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

	GROUP 2020 RM'000	2019 RM'000
Assets and Liabilities		
Current assets		
Cash and short term funds	2,378	2,377
Other current assets	815	546
Total current assets	3,193	2,923
Non-current assets	430	509
Total assets	3,623	3,432
Current liabilities		
Other liabilities (non trade)	1,774	1,860
Total current liabilities	1,774	1,860
Non-current liabilities	78	-
Total liabilities	1,852	1,860
Net assets	1,771	1,572
The summarised statement of comprehensive income is as follows:		
Revenue	6,096	6,585
Profit before tax for the financial year	264	284
Profit after tax for the financial year	199	213
The above profit includes the following:		
Depreciation and amortisation	(28)	(31)
Taxation	(65)	(71)

Reconciliation of summarised financial information:

	GROUP 2020 RM'000	2019 RM'000
Net assets		
At 1 April	1,572	1,359
Profit for the financial year	199	213
At 31 March	1,771	1,572
Carrying value at 51% share of the equity interest of a joint venture	903	802

15. RIGHT-OF-USE ASSETS

GROUP/BANK 2020	Premises RM'000	Total RM'000
Cost		
At 1 April 2019		
As previously stated	-	-
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	3,457	3,457
As restated	3,457	3,457
Remeasurement	(76)	(76)
At 31 March 2020	3,381	3,381
Accumulated Depreciation		
At 1 April 2019		
As previously stated	-	-
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	1,620	1,620
As restated	1,620	1,620
Charge for the financial year	1,089	1,089
At 31 March 2020	2,709	2,709
Net Carrying Amount	672	672

16 PROPERTY, PLANT AND EQUIPMENT

GROUP 2020	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost					
At 1 April 2019	4,056	2,839	13,874	5	20,774
Additions	-	4	54	-	58
Written-off	(1,644)	(711)	(12,879)	(5)	(15,239)
At 31 March 2020	2,412	2,132	1,049	-	5,593
Accumulated Depreciation					
At 1 April 2019	3,862	2,391	13,789	5	20,047
Charge for the financial year	125	157	70	-	352
Written-off	(1,644)	(708)	(12,879)	(5)	(15,236)
At 31 March 2020	2,343	1,840	980	-	5,163
Net Carrying Amount	69	292	69	-	430

16 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

GROUP 2019	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost					
At 1 April 2018	4,040	2,832	13,838	5	20,715
Additions	16	7	36	-	59
At 31 March 2019	4,056	2,839	13,874	5	20,774
Accumulated Depreciation					
At 1 April 2018	3,577	2,230	13,720	5	19,532
Charge for the financial year	285	161	69	-	515
At 31 March 2019	3,862	2,391	13,789	5	20,047
Net Carrying Amount	194	448	85	-	727

BANK 2020	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost					
At 1 April 2019	4,056	2,829	13,874	5	20,764
Additions	-	4	54	-	58
Written-off	(1,644)	(711)	(12,879)	(5)	(15,239)
At 31 March 2020	2,412	2,122	1,049	-	5,583
Accumulated Depreciation					
At 1 April 2019	3,862	2,381	13,789	5	20,037
Charge for the financial year	125	157	70	-	352
Written-off	(1,644)	(708)	(12,879)	(5)	(15,236)
At 31 March 2020	2,343	1,830	980	-	5,153
Net Carrying Amount	69	292	69	-	430

BANK 2019	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost					
At 1 April 2018	4,040	2,822	13,838	5	20,705
Additions	16	7	36	-	59
At 31 March 2019	4,056	2,829	13,874	5	20,764
Accumulated Depreciation					
At 1 April 2018	3577	2,220	13,720	5	19,522
Charge for the financial year	285	161	69	-	515
At 31 March 2019	3,862	2,381	13,789	5	20,037
Net Carrying Amount	194	448	85	-	727

17. DEFERRED TAX

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

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
Deferred tax liabilities, net	(6,669)	(2,164)
	(6,669)	(2,164)

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
At 1 April		
As previously stated	(2,164)	(11,788)
Effects of adoption of MFRS 9	-	13,491
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	19	-
As restated	(2,145)	1,703
Recognised in statement of income (Note 33)	48	(120)
Recognised in equity	(4,572)	(3,747)
At 31 March	(6,669)	(2,164)

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
Deferred tax assets	1,847	1,808
Deferred tax liabilities	(8,516)	(3,972)
	(6,669)	(2,164)

17. DEFERRED TAX (CONTD.)

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

GROUP/BANK Deferred tax assets/ (liabilities)	Allowance for expected credit losses RM'000	Other Liabilities RM'000	Leases RM'000	Financial investments available-for-sale RM'000	Financial investments at fair value through other comprehensive income RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 April 2018							
As previously stated	-	1,679	-	(13,431)	-	(36)	(11,788)
Effects of adoption of MFRS 9	-	-	-	13,431	60	-	13,491
As restated	-	1,679	-	-	60	(36)	1,703
Recognised in statement of income	223	(94)	-	-	-	(249)	(120)
Recognised in equity	-	-	-	-	(3,747)	-	(3,747)
At 31 March/1 April 2019	223	1,585	-	-	(3,687)	(285)	(2,164)
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	-	-	19	-	-	-	19
As restated	223	1,585	19	-	(3,687)	(285)	(2,145)
Recognised in statement of income	(108)	136	(8)	-	-	28	48
Recognised in equity	-	-	-	-	(4,572)	-	(4,572)
At 31 March 2020	115	1,721	11	-	(8,259)	(257)	(6,669)

Note: Other liabilities include provisions and deferred income.

18. INTANGIBLE ASSETS

	GROUP		BANK	
	2020	2019	2020	2019
Goodwill	RM'000	RM'000	RM'000	RM'000
Cost:				
At 1 April/31 March	63,870	63,870	71,760	71,760
Accumulated impairment losses:				
At 1 April	(34,754)	(11,006)	(39,553)	(12,216)
Impairment made during the financial year	(8,394)	(23,748)	(8,925)	(27,337)
At 31 March	(43,148)	(34,754)	(48,478)	(39,553)
Net carrying amount	20,722	29,116	23,282	32,207
Computer software				
Cost:				
At 1 April	10,145	7,733	10,145	7,733
Additions	542	2,429	542	2,429
Written-off	(741)	(17)	(741)	(17)
At 31 March	9,946	10,145	9,946	10,145
Accumulated amortisation:				
At 1 April	(5,622)	(4,848)	(5,622)	(4,848)
Charge for the financial year	(1,209)	(774)	(1,209)	(774)
Written-off	741	-	741	-
At 31 March	(6,090)	(5,622)	(6,090)	(5,622)
Net carrying amount	3,856	4,523	3,856	4,523
Total carrying amount	24,578	33,639	27,138	36,730

Computer software includes work in progress of RM207,000 (2019: RM45,000) for the Group and the Bank which is not amortised until ready for use.

(a) Impairment test on Goodwill

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

	GROUP		BANK	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Stockbroking business	-	5,302	-	5,302
Financial markets	20,722	20,722	23,282	23,282
Corporate Investment Banking	-	3,092	-	3,623
	20,722	29,116	23,282	32,207

18. INTANGIBLE ASSETS (CONTD.)

(a) Impairment test on Goodwill (contd.)

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

(i) Discount rate

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

	GROUP	
	2020	2019
	%	%
Financial markets	5.51	6.47
Corporate Investment Banking	-	7.78
Stockbroking business	-	7.74

(ii) Cash flow projections and growth rate

Cash flow projections are based on four-year financial budget and business plans approved by the Board of Directors. The cash flow projections are derived based on multiple probability weighted scenarios considering a number of key factors including past performance and management's expectation of market developments. It has also taken consideration on the recent development on COVID-19, economic slowdown and additional reduction of overnight policy rate by 50 to 75bps for financial year 2021.

Cash flows beyond the fourth year are extrapolated in perpetuity using terminal growth rate at 4.0% (2019: 4.6%), representing the forecasted GDP growth rate of the country for all CGUs.

(iii) Impairment

During the financial year, the Group and the Bank have recognised an impairment loss of RM8,394,000 and RM8,925,000 (2019: RM23,748,000 and RM27,337,000) in respect of the stockbroking business and corporate investment banking. The impairment loss is driven by lower projected cash flows resulting from the reassessment of expected future business performance in the light of current trading and economic conditions.

(b) Sensitivity to changes in assumptions

Management is of a view that changes in any of the key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount of the CGUs other than the stockbroking business and corporate investment banking CGUs which was impaired during the year.

Sensitivity analysis was performed by stressing the terminal growth rate at 1.31% or the discount rate at 7.93% for Financial Market CGU which resulted in a breakeven point between the carrying amount and recoverable amount.

19. DEPOSITS FROM CUSTOMERS

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
Fixed deposits	277,025	438,313
Money market deposits	207,982	554,908
	485,007	993,221

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

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
Due within six months	485,007	993,221

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

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
Business enterprises	213,747	367,945
Domestic non-bank financial institutions	271,260	625,276
	485,007	993,221

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
Licensed banks	442,541	359,943
Licensed investment banks	250,137	30,051
	692,678	389,994

21. AMOUNTS DUE TO CLIENTS AND BROKERS

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
Due to clients	18,133	51,164
Due to brokers	4,159	-
	22,292	51,164

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 and the Bank's normal trade credit terms for trade payable for non-margin client is two (2) market days according to Bursa's FDSS trading rules.

Following the issuance of FRSIC Consensus 18, the Group and the Bank no longer recognises trust monies balances in the statement of financial position, as the Group and the Bank do 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 and the Bank amounting to RM100,252,000 (2019: RM56,655,000) have been excluded accordingly.

22. LEASE LIABILITIES

	GROUP/BANK 2020 RM'000
At 1 April	
As previously stated	-
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	1,828
As restated	1,828
Interest expense	71
Lease payment	(1,194)
Remeasurement	(76)
At 31 March	629

Note:

	GROUP/BANK 2020 RM'000
Interest expense	71
Total cash outflow for leases	1,194

The Group and the Bank lease premises. Rental contracts are typically made for the periods range from 2 to 3 years but may have extension options.

Extension and termination options are included in a number leases across the Group and the Bank. The Group and the Bank manage the leases and, accordingly, lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Extension and termination options are included, when possible, to provide a greater flexibility after the end of the agreement. The individual terms and conditions used vary across the Group and the Bank. The majority of extension and termination options held are exercisable only by the Group and the Bank and not by the respective lessors.

In cases in which the Group and the Bank are not reasonably certain to exercise an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

23. OTHER LIABILITIES

	Note	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
Other payables		21,799	39,676	21,799	40,265
Provision and accruals		6,723	6,125	6,723	6,101
Remisier's accounts		6,452	6,122	6,452	6,122
Amount due to joint venture	(a)	138	160	138	160
Amount due to other related company	(a)	3	-	3	-
Amount due to holding company	(a)	254	249	254	249
Allowance for expected credit losses on commitments and contingencies	(b)	99	24	99	24
		35,468	52,356	35,468	52,921

Note:

(a) The amount due to joint venture, other related companies and holding company are unsecured, interest free and repayable upon demand.

(b) Movements in the allowance for expected credit losses on commitments and contingencies are as follows:

	12 months ECL (Stage 1) 2020 RM'000	12 months ECL (Stage 1) 2019 RM'000
GROUP/BANK		
At 1 April		
As previously stated	24	-
Effects of adoption of MFRS 9	-	248
As restated	24	248
New financial assets originated or purchased	34	16
Financial assets derecognised other than write-off	(3)	(220)
Changes due to change in credit risk	44	(20)
Total charge to/(write-back from) income statement	75	(224)
At 31 March	99	24

24. SHARE CAPITAL

	GROUP/BANK 2020 Number of ordinary shares '000	GROUP/BANK 2020 RM'000	GROUP/BANK 2019 Number of ordinary shares '000	GROUP/BANK 2019 RM'000
Ordinary shares issued:				
At 1 April/31 March	365,000	365,962	365,000	365,962

25. RESERVES

	Note	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
Non-distributable:					
Regulatory reserves	(a)	7,540	8,539	7,540	8,539
FVOCI reserves	(b)	26,449	21,446	26,449	21,446
		33,989	29,985	33,989	29,985
Distributable:					
Retained profits		258,887	250,537	260,882	251,616
		292,876	280,522	294,871	281,601

Notes:

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

(b) FVOCI reserves are the cumulative gains and losses arising on the revaluation of debt instruments measured at FVOCI, net off cumulative gains and losses transferred to statement of income upon disposal and the cumulative allowance for credit losses on debt instruments.

26. INTEREST INCOME

	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
Loans, advances and financing	24,983	26,798	24,983	26,798
Money at call and deposit placements with financial institutions	158	193	158	193
Financial investments at fair value through other comprehensive income	52,051	40,861	52,051	40,861
Financial investments at amortised cost	1,121	3,197	1,121	3,197
	78,313	71,049	78,313	71,049
Accretion of discount less amortisation of premium	1,288	871	1,288	871
	79,601	71,920	79,601	71,920

27. INTEREST EXPENSE

	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
Deposits and placements of banks and other financial institutions	19,558	16,783	19,558	16,783
Deposits from customers	24,170	22,250	24,170	22,250
Lease Liabilities	71	-	71	-
	43,799	39,033	43,799	39,033

28. OTHER OPERATING INCOME

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(a) Fee and commission income:				
Brokerage fees	26,558	30,178	26,558	30,178
Corporate advisory fees	4,202	3,214	4,202	3,214
Guarantee fees	26	436	26	436
Arrangement and related fees	1,670	3,676	1,670	3,676
Processing fees	380	363	380	363
Service charges and fees	361	316	361	316
Underwriting commissions and placement fees	2,205	520	2,205	520
	35,402	38,703	35,402	38,703
(b) Fee and commission expense:				
Brokerage fees expense	(8,829)	(9,544)	(8,829)	(9,544)
(c) Investment income:				
Gain arising from sale/redemption of:				
- Financial assets at fair value through profit or loss	120	1	120	1
- Financial investments at fair value through other comprehensive income	2,953	565	2,953	565
Unrealised gain from revaluation of:				
- Financial assets at fair value through profit or loss	3,608	3,844	3,608	3,844
Gross dividend income from:				
- Financial assets at fair value through profit or loss	1,750	550	1,750	550
	8,431	4,960	8,431	4,960
(d) Other income:				
Foreign exchange gain	369	412	369	412
Other non-operating income	708	44	708	719
	1,077	456	1,077	1,131
Total other operating income	36,081	34,575	36,081	35,250

29. OTHER OPERATING EXPENSES

	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
Personnel costs				
- Salaries, allowances and bonuses	20,607	19,456	20,607	19,456
- Contribution to EPF	3,288	2,982	3,288	2,982
- Others	2,973	2,249	2,973	2,249
	26,868	24,687	26,868	24,687
Establishment costs				
- Depreciation of property, plant and equipment	352	515	352	515
- Depreciation of right-of-use assets	1,089	-	1,089	-
- Amortisation of computer software	1,209	774	1,209	774
- Rental	320	1,488	320	1,488
- Water and electricity	560	663	560	663
- Repairs and maintenance	177	537	177	537
- Information technology expenses	4,748	4,100	4,748	4,100
- Others	1,508	1,387	1,508	1,387
	9,963	9,464	9,963	9,464
Marketing expenses				
- Advertisement and publicity	552	694	552	694
- Research cost	1,629	1,875	1,629	1,875
- Others	331	315	331	315
	2,512	2,884	2,512	2,884
Administration and general expenses				
- Communication expenses	422	470	422	470
- Printing and stationeries	56	54	56	54
- Professional fees	1,923	1,449	1,923	1,449
- Others	1,855	2,484	1,855	2,484
	4,256	4,457	4,256	4,457
Total other operating expenses	43,599	41,492	43,599	41,492

Included in the other operating expenses are the following:

	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
Auditors' remuneration				
- statutory audit fees	256	221	256	221
- audit related services	79	102	79	102
- tax compliance fees	36	34	36	34
- tax related fees	17	-	17	-
Property, plant and equipment written-off	3	-	3	-
Computer software written-off	-	17	-	17

30. WRITE-BACK OF EXPECTED CREDIT LOSSES ON LOANS, ADVANCES AND FINANCING AND OTHER FINANCIAL ASSETS

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Allowance for/(write-back of) expected credit losses on				
(a) Loan, advances and financing				
- Allowance made/(write-back) during the financial year	107	(642)	107	(642)
(b) Credit impaired loans, advances and financing				
- Recovered during the financial year	(536)	(53)	(536)	(53)
- Write-off during the financial year	57	38	57	38
(c) Commitment and contingencies on loans, advances and financing				
- Allowance made/(write-back) during the financial year	75	(224)	75	(224)
	(297)	(881)	(297)	(881)
Allowance for/(write-back of) expected credit losses on:				
(a) Other receivables	179	104	179	104
(b) Amounts due from clients and brokers	3	(1)	3	(1)
	(115)	(778)	(115)	(778)

31. ALLOWANCE FOR EXPECTED CREDIT LOSSES ON FINANCIAL INVESTMENTS

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(a) Financial investments at fair value through other comprehensive income				
- (Write-back)/allowance made during the financial year	(66)	97	(66)	97
(b) Financial investments at amortised cost				
- Allowance made during the financial year	13,836	270	13,836	270
	13,770	367	13,770	367

32. ALLOWANCE FOR IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Intangible assets - goodwill	8,394	23,748	8,925	27,337

33. TAXATION

	GROUP		BANK	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Income Tax:				
Current financial year	4,352	6,977	4,351	6,977
Over provision in prior years	(268)	(543)	(268)	(543)
	4,084	6,434	4,083	6,434
Deferred tax: (Note 17)				
Current financial year	(180)	41	(180)	41
Under provision in prior years	132	79	132	79
	4,036	6,554	4,035	6,554

Income tax is calculated at the Malaysian Statutory tax rate of 24% (2019: 24%) on the estimated assessable profit for the year.

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

	GROUP		BANK	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	13,001	7,917	12,363	4,888
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	3,120	1,900	2,967	1,173
Income not subject to tax	(1,311)	(855)	(1,286)	(990)
Expenses not deductible for tax purposes	2,363	5,973	2,490	6,835
Over provision of tax expense in prior year	(136)	(464)	(136)	(464)
Tax expense for the year	4,036	6,554	4,035	6,554

34. EARNINGS PER SHARE

Basic/Diluted

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

	GROUP	
	2020	2019
	RM'000	RM'000
Net profit attributable to Equity holder of the Bank	8,965	1,363
	2020	2019
	'000	'000
Numbers of ordinary shares in issued	365,000	365,000
	2020	2019
	Sen	Sen
Basic/diluted earnings per share	2.46	0.37

35. DIVIDEND

	2020	2019
	RM'000	RM'000
Dividends on ordinary shares:		
Second Interim 3.03 sen per share, on 365,000,000 ordinary shares declared in financial year ended 31 March 2018, was paid on 21 June 2018.	-	11,060
First Interim 3.37 sen per share, on 365,000,000 ordinary shares declared in financial year ending 31 March 2019, was paid on 18 December 2018.	-	12,300
	-	23,360

There is no dividend declared since 31 March 2019. Subsequent to the financial year end, on 26 June 2020, the Directors declared a single tier second interim dividend of 2.28 sen per share, on 365,000,000 ordinary shares amounting to RM8,322,000 in respect of current financial year. The accompanying financial statements do not reflect this dividend. The dividend will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2021.

The Directors do not propose any final dividend in respect of the financial year ended 31 March 2020.

36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

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

Relationship	**Related parties**
- Key management personnel	Key management personnel refer to those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Bank, directly or indirectly, including Executive Directors and Non-Executive Directors of the Group and of the Bank (including close members of their families). Other members of key management personnel of the Group and of the Bank are the Business Support Heads who report directly to Chief Executive Officer or to the Board Committees (including close members of their families).
- Holding company	Holding company of the Bank as disclosed in Note 42.
- Subsidiaries	Subsidiaries of the Bank as disclosed in Note 12.
- Other related companies	Related companies of the Bank as disclosed in Note 42.
- Associate	Associate of the Bank as disclosed in Note 13.
- Joint venture	Joint venture of the Bank as disclosed in Note 14.

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(a) Transactions				
Interest income				
- other related companies	3,801	-	3,801	-
Other income				
- other related companies	-	400	-	400
- holding company	807	-	807	-
Rental income				
- holding company	-	(5)	-	(5)
Interest expenses				
- holding company	(1,353)	(9,515)	(1,353)	(9,515)
- other related companies	(279)	(298)	(279)	(298)
- joint venture	(55)	(39)	(55)	(39)
Rental expense				
- holding company	-	(384)	-	(384)

36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(a) Transactions (contd.)				
Dividend paid				
- holding company	-	(23,360)	-	(23,360)
Overhead expenses				
- holding company	(11,517)	(9,964)	(11,517)	(9,964)
- other related companies	(38)	(56)	(38)	(56)
- joint venture [Note]	(1,537)	(1,813)	(1,537)	(1,813)

Note:

The Group and the Bank have paid RM1,490,000 (2019: RM1,746,000) to the joint venture for the research services provided, where it was jointly held by the Bank and DBS Vickers Securities Pte. Ltd., a company incorporated in Singapore.

	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
(b) Balances				
Money at call and deposit placements with financial institutions				
- holding company	29,073	32,163	29,073	32,163
Deposits and placements with banks and other financial institutions				
- other related companies	11,162	-	11,162	-
Investment in securities				
- other related companies	60,707	111,138	60,707	111,138
Other assets				
- other related companies	-	277	-	277
Deposits from customers				
- other related companies	(33,339)	(111,455)	(33,339)	(111,455)
- joint venture	(2,202)	(2,002)	(2,202)	(2,002)
Deposits and placements of banks and other financial institutions				
- holding company	(92,286)	(119,852)	(92,286)	(119,852)
Other liabilities				
- holding company	(254)	(249)	(254)	(249)
- other related companies	(3)	-	(3)	-
- joint venture	(138)	(160)	(138)	(160)

36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)

(c) Compensation of key management personnel

Remuneration of Chief Executive Officer ("CEO") and Non-executive Directors excluding past Directors for the year are as follows:

	GROUP 2020 RM'000	GROUP 2019 RM'000	BANK 2020 RM'000	BANK 2019 RM'000
CEO and other key management:				
Short-term employee benefits				
- Salary and other remuneration	5,712	5,131	5,712	5,131
- Contribution to EPF	851	756	851	756
- Benefits-in-kind	55	55	55	55
	6,618	5,942	6,618	5,942
Non-executive Directors:				
Short-term employee benefits				
- Fees payable	333	395	333	395
- Allowances	92	143	92	143
	425	538	425	538
Included in the total key management personnel are:				
CEO and Non-executive Directors' remuneration excluding past Directors (Note 38)	2,611	2,685	2,611	2,685

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

	2020 Number	2020 Unrestricted RM'000	2020 Number	2020 Deferred RM'000	2019 Number	2019 Unrestricted RM'000	2019 Number	2019 Deferred RM'000
GROUP/BANK								
Fixed remuneration								
Cash		5,218		-		5,035		-
		5,218		-		5,035		-
Variable remuneration								
Cash	7	1,497	4	328	7	1,032	4	413
		1,497		328		1,032		413
Total fixed & variable remuneration		6,715		328		6,067		413

37. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
Outstanding credit exposures with connected parties	-	96,913
of which:		
Total credit exposure which is impaired or default	-	-
Total credit exposures	1,910,813	2,089,566
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	0.00%	4.64%
- which is impaired or in default	-	-

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

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

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

(ii) Controlling shareholder and his close relative;

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

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

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

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

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

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

38. CEO AND DIRECTORS' REMUNERATION

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

	GROUP		BANK	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
CEO and other key management				
- Salary and other remuneration	1,522	1,464	1,522	1,464
- Bonuses	352	390	352	390
- Contribution to EPF	269	251	269	251
- Benefits-in-kind	43	42	43	42
	2,186	2,147	2,186	2,147
Non-executive Directors				
- Fees payable	333	395	333	395
- Allowances	92	143	92	143
	425	538	425	538
	2,611	2,685	2,611	2,685
Past Director				
- Fees payable	135	147	135	147
- Allowances	20	22	20	22
	155	169	155	169
	2,766	2,854	2,766	2,854
Total Directors' remuneration excluding benefits-in-kind	2,723	2,812	2,723	2,812

Note:

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

(b) Directors of the Group and the Bank are covered under the Directors’ & Officers’ Liability Insurance in respect of liabilities arising from acts committed in their capacity as Directors of the Group and the Bank, provided that such Directors has not acted negligently, fraudulently or dishonestly, or is in breach of his or her duty of trust. The total apportioned amount of insurance effected for Directors under the Group and the Bank is RM4,000 (2019: RM5,000).

38. CEO AND DIRECTORS' REMUNERATION (CONTD.)

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

GROUP/BANK 2020	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees Payable RM'000	Allowances RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer:							
Mahesh s/o Shri Pranlal Rupawalla	1,522	352	269	-	-	43	2,186
	1,522	352	269	-	-	43	2,186
Non-executive Directors:							
Lee Ah Boon	-	-	-	118	21	-	139
Mazidah Binti Abdul Malik	-	-	-	125	47	-	172
Datin Ooi Swee Lian	-	-	-	90	24	-	114
	-	-	-	333	92	-	425
Past Director:							
Kuah Hun Liang	-	-	-	124	16	-	140
Dato' Yeoh Beow Tit	-	-	-	11	4	-	15
	-	-	-	135	20	-	155
Total CEO and Directors' remuneration	1,522	352	269	468	112	43	2,766

GROUP/BANK 2019	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees Payable RM'000	Allowances RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer:							
Mahesh s/o Shri Pranlal Rupawalla	1,464	390	251	-	-	42	2,147
	1,464	390	251	-	-	42	2,147
Non-executive Directors:							
Kuah Hun Liang	-	-	-	119	27	-	146
Mazidah Binti Abdul Malik	-	-	-	137	71	-	208
Dato' Yeoh Beow Tit	-	-	-	90	30	-	120
Datin Ooi Swee Lian	-	-	-	37	15	-	52
Lee Ah Boon	-	-	-	12	-	-	12
	-	-	-	395	143	-	538
Past Director:							
Kung Beng Hong	-	-	-	147	22	-	169
	-	-	-	147	22	-	169
Total CEO and Directors' remuneration	1,464	390	251	542	165	42	2,854

39. FINANCIAL RISK MANAGEMENT POLICIES

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

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

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

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

(a) Credit Risk

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

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

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

The credit exposure arising from off-balance sheet activities, i.e. commitments and contingencies is set out in Note 43 to the financial statements.

(i) Maximum exposure to credit risk

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

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

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(i) Maximum exposure to credit risk (contd.)

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Credit risk exposure: on-balance sheet				
Cash and short-term funds (exclude cash in hand)	44,783	36,373	44,783	35,989
Deposits and placements with banks and other financial institutions	-	500	-	500
Amounts due from clients and brokers	51,165	77,008	51,165	77,008
Financial investments at fair value through other comprehensive income (exclude equity securities)	1,381,815	1,367,915	1,381,815	1,367,915
Financial investments at amortised cost	16	53,560	16	53,560
Loans, advances and financing	292,575	449,354	292,575	449,354
Statutory deposits with Bank Negara Malaysia	29,106	43,996	29,106	43,996
Other assets (exclude prepayment)	7,874	7,861	7,874	7,735
	1,807,334	2,036,567	1,807,334	2,036,057
Credit risk exposure: off-balance sheet				
Credit related commitments and contingencies	388,760	320,776	388,760	320,776
Total off-balance sheet	388,760	320,776	388,760	320,776
Total maximum exposure	2,196,094	2,357,343	2,196,094	2,356,833

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(ii) Credit risk concentrations

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

GROUP 2020	Government and Central Bank RM'000	Financial, Insurance, Business Services and Real Estate RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	39	44,744	-	-	-	-	-	44,783
Amounts due from clients and brokers	-	-	-	-	-	-	51,165	51,165
Financial investments at fair value through other comprehensive income (exclude equity securities)	532,344	509,225	205,185	78,204	56,857	-	-	1,381,815
Financial investments at amortised cost	-	16	-	-	-	-	-	16
Loans, advances and financing	-	21,443	-	41,743	52,234	133,105	44,050	292,575
Statutory deposits with Bank Negara Malaysia	29,106	-	-	-	-	-	-	29,106
Other assets (exclude prepayment)	-	-	-	-	-	-	7,874	7,874
Total on-balance sheet	561,489	575,428	205,185	119,947	109,091	133,105	103,089	1,807,334
Credit related commitments and contingencies	-	101,688	-	1,614	21,284	258,887	5,287	388,760
Total off-balance sheet	-	101,688	-	1,614	21,284	258,887	5,287	388,760
Total credit risk	561,489	677,116	205,185	121,561	130,375	391,992	108,376	2,196,094

GROUP 2019	Government and Central Bank RM'000	Financial, Insurance, Business Services and Real Estate RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	42	36,331	-	-	-	-	-	36,373
Deposits and placements with banks and other financial institutions	-	500	-	-	-	-	-	500
Amounts due from clients and brokers	-	665	-	-	-	-	76,343	77,008
Financial investments at fair value through other comprehensive income (exclude equity securities)	512,677	537,516	184,840	67,010	65,872	-	-	1,367,915
Financial investments at amortised cost	20,343	8,214	-	25,003	-	-	-	53,560
Loans, advances and financing	-	145,302	-	49,373	7,016	199,952	47,711	449,354
Statutory deposits with Bank Negara Malaysia	43,996	-	-	-	-	-	-	43,996
Other assets (exclude prepayment)	-	-	-	-	-	-	7,861	7,861
Total on-balance sheet	577,058	728,528	184,840	141,386	72,888	199,952	131,915	2,036,567
Credit related commitments and contingencies	-	96,563	-	1,584	18,484	199,882	4,263	320,776
Total off-balance sheet	-	96,563	-	1,584	18,484	199,882	4,263	320,776
Total credit risk	577,058	825,091	184,840	142,970	91,372	399,834	136,178	2,357,343

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(ii) Credit risk concentrations (contd.)

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

BANK 2020	Government and Central Bank RM'000	Financial, Insurance, Business Services and Real Estate RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	39	44,744	-	-	-	-	-	44,783
Amounts due from clients and brokers	-	-	-	-	-	-	51,165	51,165
Financial investments at fair value through other comprehensive income (exclude equity securities)	532,344	509,225	205,185	78,204	56,857	-	-	1,381,815
Financial investments at amortised cost	-	16	-	-	-	-	-	16
Loans, advances and financing	-	21,443	-	41,743	52,234	133,105	44,050	292,575
Statutory deposits with Bank Negara Malaysia	29,106	-	-	-	-	-	-	29,106
Other assets (exclude prepayment)	-	-	-	-	-	-	7,874	7,874
Total on-balance sheet	561,489	575,428	205,185	119,947	109,091	133,105	103,089	1,807,334
Credit related commitments and contingencies	-	101,688	-	1,614	21,284	258,887	5,287	388,760
Total off-balance sheet	-	101,688	-	1,614	21,284	258,887	5,287	388,760
Total credit risk	561,489	677,116	205,185	121,561	130,375	391,992	108,376	2,196,094

BANK 2019	Government and Central Bank RM'000	Financial, Insurance, Business Services and Real Estate RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	42	35,947	-	-	-	-	-	35,989
Deposits and placements with banks and other financial institutions	-	500	-	-	-	-	-	500
Amounts due from clients and brokers	-	665	-	-	-	-	76,343	77,008
Financial investments at fair value through other comprehensive income (exclude equity securities)	512,677	537,516	184,840	67,010	65,872	-	-	1,367,915
Financial investments at amortised cost	20,343	8,214	-	25,003	-	-	-	53,560
Loans, advances and financing	-	145,302	-	49,373	7,016	199,952	47,711	449,354
Statutory deposits with Bank Negara Malaysia	43,996	-	-	-	-	-	-	43,996
Other assets (exclude prepayment)	-	-	-	-	-	-	7,735	7,735
Total on-balance sheet	577,058	728,144	184,840	141,386	72,888	199,952	131,789	2,036,057
Credit related commitments and contingencies	-	96,563	-	1,584	18,484	199,882	4,263	320,776
Total off-balance sheet	-	96,563	-	1,584	18,484	199,882	4,263	320,776
Total credit risk	577,058	824,707	184,840	142,970	91,372	399,834	136,052	2,356,833

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(iii) Collaterals

The main types of collateral obtained by the Group and the Bank are as follows:
- Where property is provided as collateral, legal charge over the title;
- For hire purchase, ownership right over the vehicles or equipment financed; and
- For other loans/financing, charges over business assets such as premises, financial/trade receivables or deposits.

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
Gross loans, advances and financing	293,618	450,418
Less: Allowance for expected credit losses	(1,043)	(1,064)
Net loans, advances and financing	292,575	449,354
Percentage of collateral held for loans, advances and financing	68.4%	66.6%

(iv) Credit risk measurement

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

(a) Definition of significant increase in credit risk

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

The following events are taken into consideration during the assessment:

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

(b) Definition of credit impaired financial assets

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

Quantitative criteria:
A financial asset is classified as credit impaired when the counterparty fails to make contractual payment.

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(iv) Credit risk measurement (contd.)

(b) Definition of credit impaired financial assets (contd.)

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

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

(c) Measurement of Expected Credit Loss ("ECL")

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

Exposure at default ("EAD")

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

EAD for retail portfolio is calculated based upon either:

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

Probability at default ("PD")

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

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

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

Loss given default ("LGD")

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

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(iv) Credit risk measurement (contd.)

(d) Forward-looking information

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

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

The negative case has been assigned with a higher weightage for the ECL as compared to the positive case.

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

For forward looking estimates, analysis was carried out with the recent development of the COVID-19 pandemic and economic slow down to determine how the estimates were affected by macroeconomic trends. Factors such as GDP growth rate, unemployment rate, consumer price index, consumption credit and producer price index were analysed to identify the level of correlation with the observed trends. Given the statistically strong correlation, the estimates were adjusted to reflect macroeconomic trends.

The forward looking estimates was adjusted as below to reflect the impact on COVID-19 pandemic and economic slowdown.

	Weighted Average Forecast		
MEV	2021	2020	2019
	%	%	%
GDP Growth Rate	+1.00	-2.50	+2.80
Producer Price Index	+3.50	-0.96	-0.20
Consumer Price Index	+2.10	+0.80	+1.20
Credit Consumption	+1.70	+1.40	+1.70
Unemployment Rates	+4.10	+3.90	+3.90
House Price Index	+3.10	+0.30	+1.50

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

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

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

(f) Modification of financial assets

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

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

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(iv) Credit risk measurement (contd.)

(f) Modification of financial assets (contd.)

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

(v) Credit quality

Upon the adoption of MFRS 9, the Group and the Bank assess the credit quality for loans, advances and financing and credit related commitment and contingencies by the below categories:

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

Amounts due from clients and brokers and other assets are classified based on days-past-due (DPD) under simplified model approach.

Other financial assets are categorised in the following manner:

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

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality (contd.)

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

GROUP 2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)				
Investment graded	11,161	-	-	11,161
Sovereign/Government backed	39	-	-	39
Unrated	33,583	-	-	33,583
Net carrying amount	44,783	-	-	44,783
Financial investments at fair value through other comprehensive income (exclude equity securities)				
Investment graded	515,509	15,381	-	530,890
Sovereign/Government backed	850,925	-	-	850,925
Gross carrying amount	1,366,434	15,381	-	1,381,815
Expected credit losses [Note (a)]	(241)	(57)	-	(298)
Financial investments at amortised cost				
Credit Impaired	-	-	24,413	24,413
Gross carrying amount	-	-	24,413	24,413
Expected credit losses	-	-	(24,397)	(24,397)
Net carrying amount	-	-	16	16
Loans, advances and financing				
Low	292,822	-	-	292,822
Unrated	364	4	-	368
Credit Impaired	-	-	428	428
Gross carrying amount	293,186	4	428	293,618
Expected credit losses	(701)	-	(342)	(1,043)
Net carrying amount	292,485	4	86	292,575
Statutory deposits with Bank Negara Malaysia				
Sovereign/Government backed	29,106	-	-	29,106
Net carrying amount	29,106	-	-	29,106
Credit related commitment and contingencies				
Low	336,035	-	-	336,035
Medium	1,575	-	-	1,575
Unrated	51,150	-	-	51,150
Gross carrying amount	388,760	-	-	388,760
Expected credit losses	(99)	-	-	(99)

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

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality (contd.)

Simplified Approach	Current to less than 16 days past due RM'000	16 days to 30 days past due RM'000	More than 30 days past due RM'000	Total RM'000
GROUP				
2020				
Amounts due from clients and brokers				
Gross carrying amount	50,710	455	3	51,168
Expected credit losses	-	-	(3)	(3)
Net carrying amount	50,710	455	-	51,165

	Current RM'000	More than 90 days past due RM'000	Total RM'000
Other assets (exclude prepayment)			
Gross carrying amount	7,874	2,276	10,150
Expected credit losses	-	(2,276)	(2,276)
Net carrying amount	7,874	-	7,874

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality (contd.)

The following table shows an analysis of the credit quality by stages and the allowance for credit losses of the financial assets: (contd.)

GROUP 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)				
Investment graded	36,331	-	-	36,331
Sovereign/Government backed	42	-	-	42
Net carrying amount	36,373	-	-	36,373
Deposits and placements with banks and other financial institutions				
Investment graded	500	-	-	500
Net carrying amount	500	-	-	500
Financial investments at fair value through other comprehensive income (exclude equity securities)				
Investment graded	508,426	14,861	-	523,287
Sovereign/Government backed	835,218	-	-	835,218
Credit Impaired	-	-	9,410	9,410
Gross carrying amount	1,343,644	14,861	9,410	1,367,915
Expected credit losses [Note (a)]	(248)	(116)	(9,410)	(9,774)
Financial investments at amortised cost				
Sovereign/Government backed	20,344	-	-	20,344
Unrated	3,841	25,273	-	29,114
Credit Impaired	-	-	17,271	17,271
Gross carrying amount	24,185	25,273	17,271	66,729
Expected credit losses	-	(270)	(12,899)	(13,169)
Net carrying amount	24,185	25,003	4,372	53,560
Loans, advances and financing				
Low	404,346	-	-	404,346
Medium	45,136	-	-	45,136
Unrated	288	95	-	383
Credit Impaired	-	-	553	553
Gross carrying amount	449,770	95	553	450,418
Expected credit losses	(512)	-	(552)	(1,064)
Net carrying amount	449,258	95	1	449,354

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

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality (contd.)

The following table shows an analysis of the credit quality by stages and the allowance for credit losses of the financial assets: (contd.)

GROUP 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Statutory deposits with Bank Negara Malaysia				
Sovereign/Government backed	43,996	-	-	43,996
Net carrying amount	43,996	-	-	43,996
Credit related commitment and contingencies				
Low	273,047	-	-	273,047
Medium	1,575	-	-	1,575
Unrated	46,154	-	-	46,154
Gross carrying amount	320,776	-	-	320,776
Expected credit losses	(24)	-	-	(24)

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

	Current RM'000	More than 90 days past due RM'000	Total RM'000
Other assets (exclude prepayment)			
Gross carrying amount	7,861	2,097	9,958
Expected credit losses	-	(2,097)	(2,097)
Net carrying amount	7,861	-	7,861

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality (contd.)

The following table shows an analysis of the credit quality by stages and the allowance for credit losses of the financial assets: (contd.)

BANK 2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)				
Investment graded	11,161	-	-	11,161
Sovereign/Government backed	39	-	-	39
Unrated	33,583	-	-	33,583
Net carrying amount	44,783	-	-	44,783
Financial investments at fair value through other comprehensive income (exclude equity securities)				
Investment graded	515,509	15,381	-	530,890
Sovereign/Government backed	850,925	-	-	850,925
Gross carrying amount	1,366,434	15,381	-	1,381,815
Expected credit losses [Note (a)]	(241)	(57)	-	(298)
Financial investments at amortised cost				
Credit Impaired	-	-	24,413	24,413
Gross carrying amount	-	-	24,413	24,413
Expected credit losses	-	-	(24,397)	(24,397)
Net carrying amount	-	-	16	16
Loans, advances and financing				
Low	292,822	-	-	292,822
Unrated	364	4	-	368
Credit Impaired	-	-	428	428
Gross carrying amount	293,186	4	428	293,618
Expected credit losses	(701)	-	(342)	(1,043)
Net carrying amount	292,485	4	86	292,575
Statutory deposits with Bank Negara Malaysia				
Sovereign / Government backed	29,106	-	-	29,106
Net carrying amount	29,106	-	-	29,106
Credit related commitment and contingencies				
Low	336,035	-	-	336,035
Medium	1,575	-	-	1,575
Unrated	51,150	-	-	51,150
Gross carrying amount	388,760	-	-	388,760
Expected credit losses	(99)	-	-	(99)

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

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality (contd.)

Simplified Approach	Current to less than 16 days past due RM'000	16 days to 30 days past due RM'000	More than 30 days past due RM'000	Total RM'000
BANK				
2020				
Amounts due from clients and brokers				
Gross carrying amount	50,710	455	3	51,168
Expected credit losses	-	-	(3)	(3)
Net carrying amount	50,710	455	-	51,165

	Current RM'000	More than 90 days past due RM'000	Total RM'000
Other assets (exclude prepayment)			
Gross carrying amount	7,874	2,276	10,150
Expected credit losses	-	(2,276)	(2,276)
Net carrying amount	7,874	-	7,874

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality (contd.)

The following table shows an analysis of the credit quality by stages and the allowance for credit losses of the financial assets: (contd.)

BANK 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)				
Investment graded	35,947	-	-	35,947
Sovereign/Government backed	42	-	-	42
Net carrying amount	35,989	-	-	35,989
Deposits and placements with banks and other financial institutions				
Investment graded	500	-	-	500
Net carrying amount	500	-	-	500
Financial investments at fair value through other comprehensive income (exclude equity securities)				
Investment graded	508,426	14,861	-	523,287
Sovereign/Government backed	835,218	-	-	835,218
Credit Impaired	-	-	9,410	9,410
Gross carrying amount	1,343,644	14,861	9,410	1,367,915
Expected credit losses [Note (a)]	(248)	(116)	(9,410)	(9,774)
Financial investments at amortised cost				
Sovereign/Government backed	20,344	-	-	20,344
Unrated	3,841	25,273	-	29,114
Credit Impaired	-	-	17,271	17,271
Gross carrying amount	24,185	25,273	17,271	66,729
Expected credit losses	-	(270)	(12,899)	(13,169)
Net carrying amount	24,185	25,003	4,372	53,560
Loans, advances and financing				
Low	404,346	-	-	404,346
Medium	45,136	-	-	45,136
Unrated	288	95	-	383
Credit Impaired	-	-	553	553
Gross carrying amount	449,770	95	553	450,418
Expected credit losses	(512)	-	(552)	(1,064)
Net carrying amount	449,258	95	1	449,354

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

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality (contd.)

The following table shows an analysis of the credit quality by stages and the allowance for credit losses of the financial assets: (contd.)

BANK 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Statutory deposits with Bank Negara Malaysia				
Sovereign / Government backed	43,996	-	-	43,996
Net carrying amount	43,996	-	-	43,996
Credit related commitment and contingencies				
Low	273,047	-	-	273,047
Medium	1,575	-	-	1,575
Unrated	46,154	-	-	46,154
Gross carrying amount	320,776	-	-	320,776
Expected credit losses	(24)	-	-	(24)

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

	Current RM'000	More than 90 days past due RM'000	Total RM'000
Other assets (exclude prepayment)			
Gross carrying amount	7,735	2,097	9,832
Expected credit losses	-	(2,097)	(2,097)
Net carrying amount	7,735	-	7,735

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(vi) Sensitivity test

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

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

GROUP/BANK

2020		+	-
Measurement variables	Percentage Point Change (%)	RM'000	RM'000
Non-retail			
GDP Growth	2.7	(32)	43

2019		+	-
Measurement variables	MEV Change (%)	RM'000	RM'000
Non-retail			
3 months KLIBOR	0.4	245	(146)

(b) Market Risk

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

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

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

(i) Interest/profit rate risk

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

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

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest/profit rates on its financial position and cash flows. The effects of changes in the levels of interest rates/rates of return on the market value of securities are monitored regularly and the outcome of mark-to-market valuations are escalated to Management regularly. The table below summarises the effective interest/profit rates at the end of the reporting period and the periods in which the financial instruments will re-price or mature, whichever is the earlier.

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

(i) Interest rate/profit rate risk

GROUP	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
	← Non-trading book						→		
2020									
Assets									
Cash and short-term funds	44,165	-	-	-	-	-	618	-	44,783
Amounts due from clients and brokers	2,926	-	-	-	-	-	48,239	-	51,165
Financial assets at fair value through profit or loss	-	-	-	-	-	-	64,392	-	64,392
Financial assets at fair value through other comprehensive income	35,009	75,114	44,762	50,304	600,168	562,184	14,274	-	1,381,815
Financial investments at amortised cost	-	-	-	-	-	-	16	-	16
Loans, advances and financing	293,388	-	-	-	27	100	(940) *	-	292,575
Other financial assets **	-	-	-	-	-	-	36,980	-	36,980
Total financial assets	375,488	75,114	44,762	50,304	600,195	562,284	163,579	-	1,871,726
Liabilities									
Deposits from customers	484,098	-	-	-	-	-	909	-	485,007
Deposits and placements of banks and other financial institutions	492,280	200,000	-	-	-	-	398	-	692,678
Amounts due to clients and brokers	-	-	-	-	-	-	22,292	-	22,292
Lease liabilities	84	168	258	69	50	-	-	-	629
Other financial liabilities	-	-	-	-	-	-	28,745	-	28,745
Total financial liabilities	976,462	200,168	258	69	50	-	52,344	-	1,229,351
On-balance sheet profit sensitivity gap	(600,974)	(125,054)	44,504	50,235	600,145	562,284	111,235	-	642,375

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

(i) Interest rate/profit rate risk (contd.)

GROUP	Non-trading book								
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
2019									
Assets									
Cash and short-term funds	35,713	-	-	-	-	-	660	-	36,373
Deposits and placements of banks and other financial institutions	500	-	-	-	-	-	-	-	500
Amounts due from clients and brokers	3,338	-	-	-	-	-	73,670	-	77,008
Financial assets at fair value through profit or loss	-	-	-	-	-	-	60,784	-	60,784
Financial assets at fair value through other comprehensive income	-	10,947	45,037	103,838	648,485	537,381	22,227	-	1,367,915
Financial investments at amortised cost	-	3,790	2,500	20,046	22,500	-	4,724	-	53,560
Loans, advances and financing	449,658	-	-	-	6	201	(511) *	-	449,354
Other financial assets **	-	-	-	-	-	-	51,856	-	51,856
Total financial assets	489,209	14,737	47,537	123,884	670,991	537,582	213,410	-	2,097,350
Liabilities									
Deposits from customers	901,036	90,348	-	-	-	-	1,837	-	993,221
Deposits and placements of banks and other financial institutions	389,820	-	-	-	-	-	174	-	389,994
Amounts due to clients and brokers	-	-	-	-	-	-	51,164	-	51,164
Other financial liabilities	-	-	-	-	-	-	46,228	-	46,228
Total financial liabilities	1,290,856	90,348	-	-	-	-	99,403	-	1,480,607
On-balance sheet profit sensitivity gap	(801,647)	(75,611)	47,537	123,884	670,991	537,582	114,007	-	616,743

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

(i) Interest rate/profit rate risk (contd.)

	Non-trading book								
BANK	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-6 months RM'000**	**>6-12 months RM'000**	**>1-5 years RM'000**	**Over 5 years RM'000**	**Non-interest/ profit sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
2020									
Assets									
Cash and short-term funds	44,165	-	-	-	-	-	618	-	44,783
Amounts due from clients and brokers	2,926	-	-	-	-	-	48,239	-	51,165
Financial assets at fair value through profit or loss	-	-	-	-	-	-	64,392	-	64,392
Financial assets at fair value through other comprehensive income	35,009	75,114	44,762	50,304	600,168	562,184	14,274	-	1,381,815
Financial investments at amortised cost	-	-	-	-	-	-	16	-	16
Loans, advances and financing	293,388	-	-	-	27	100	(940) *	-	292,575
Other financial assets **	-	-	-	-	-	-	36,980	-	36,980
Total financial assets	375,488	75,114	44,762	50,304	600,195	562,284	163,579	-	1,871,726
Liabilities									
Deposits from customers	484,098	-	-	-	-	-	909	-	485,007
Deposits and placements of banks and other financial institutions	492,280	200,000	-	-	-	-	398	-	692,678
Amounts due to clients and brokers	-	-	-	-	-	-	22,292	-	22,292
Lease liabilities	84	168	258	69	50	-	-	-	629
Other financial liabilities	-	-	-	-	-	-	28,745	-	28,745
Total financial liabilities	976,462	200,168	258	69	50	-	52,344	-	1,229,351
On-balance sheet profit sensitivity gap	(600,974)	(125,054)	44,504	50,235	600,145	562,284	111,235	-	642,375

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

(i) Interest rate/profit rate risk (contd.)

	Non-trading book								
BANK	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-6 months RM'000**	**>6-12 months RM'000**	**>1-5 years RM'000**	**Over 5 years RM'000**	**Non-interest/ profit sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
2019									
Assets									
Cash and short-term funds	35,375	-	-	-	-	-	614	-	35,989
Deposits and placements of banks and other financial institutions	500	-	-	-	-	-	-	-	500
Amounts due from clients and brokers	3,338	-	-	-	-	-	73,670	-	77,008
Financial assets at fair value through profit or loss	-	-	-	-	-	-	60,784	-	60,784
Financial assets at fair value through other comprehensive income	-	10,947	45,037	103,838	648,485	537,381	22,227	-	1,367,915
Financial investments at amortised cost	-	3,790	2,500	20,046	22,500	-	4,724	-	53,560
Loans, advances and financing	449,658	-	-	-	6	201	(511) *	-	449,354
Other financial assets **	-	-	-	-	-	-	51,730	-	51,730
Total financial assets	488,871	14,737	47,537	123,884	670,991	537,582	213,238	-	2,096,840
Liabilities									
Deposits from customers	901,036	90,348	-	-	-	-	1,837	-	993,221
Deposits and placements of banks and other financial institutions	389,820	-	-	-	-	-	174	-	389,994
Amounts due to clients and brokers	-	-	-	-	-	-	51,164	-	51,164
Other financial liabilities	-	-	-	-	-	-	46,818	-	46,818
Total financial liabilities	1,290,856	90,348	-	-	-	-	99,993	-	1,481,197
On-balance sheet profit sensitivity gap	(801,985)	(75,611)	47,537	123,884	670,991	537,582	113,245	-	615,643

Note:
* Impaired loans and expected credit losses of the Group and the Bank are classified under the non-interest/profit sensitive column.
** Includes statutory deposits and other assets.

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

(ii) Value at risk ('VaR')

Value-at-risk ("VaR") reflects the maximum potential loss of value of a portfolio resulting from market movements within a specified probability of occurrence (level of confidence); for a specific period of time (holding period). For the Group and the Bank, VaR is computed based on the historical simulation approach with parameters in accordance with BNM and Basel requirements. Backtesting is performed daily to validate and reassess the accuracy of the VaR model. This involves the comparison of the daily VaR values against the hypothetical profit and loss over the corresponding period.

The table below sets out a summary of the Group's and the Bank's VaR profile by financial instrument types for the Trading Portfolio:

GROUP/BANK	Balance	Average for the year	Minimum	Maximum
	RM'000	RM'000	RM'000	RM'000
2020				
Government securities	(5,114)	(2,314)	(1,558)	(5,114)
Private debt securities	(2,613)	(1,014)	(617)	(2,613)
2019				
Government securities	(1,572)	(1,286)	(1,098)	(1,572)
Private debt securities	(697)	(444)	(367)	(697)

(iii) Interest rate risk/rate of return risk in the banking book

The following tables present the Group's and the Bank's projected sensitivity to a 100 basis point parallel shock to interest rates across all maturities applied on the Group's and the Bank's interest sensitivity gap as at reporting date.

	2020 GROUP/BANK		**2019 GROUP/BANK**	
	- 100 bps	**+ 100 bps**	**- 100 bps**	**+ 100 bps**
	Increase/(Decrease)		**Increase/(Decrease)**	
	RM'000	RM'000	RM'000	RM'000
Impact on net profit after tax	5,053	(5,053)	7,858	(7,858)
Impact on equity	42,989	(39,847)	44,080	(41,162)

Note:

(a) For every incremental increase or decrease by 25bps, the impact on net profit after tax for the Group and the Bank increased or decreased by RM1,263,000.

(b) For every incremental increase or decrease by 25bps, the impact on equity for the Group and the Bank decreased by RM10,028,000 or increased by RM10,664,000.

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

Other risk measures

(iv) Stress test

Stress testing is normally used by banks to gauge their potential vulnerability to exceptional but plausible events. The Group performs stress testing regularly to measure and alert the Board and Management on the effects of potential political, economic or other disruptive events on our exposures. The Group's stress testing process is governed by the Stress Testing Framework as approved by the Board. Stress testing is conducted on a bank-wide basis as well as on specific portfolios. The Group's bank-wide stress testing exercise uses a variety of broad macroeconomic indicators that are then translated into stress impacts on the various business units. The results are then consolidated to provide an overall impact on the Group's financial results and capital requirements. Stress testing results are reported to the Board and Management to provide them with an assessment of the financial impact of such events would have on the Group's profitability and capital levels.

(v) Sensitivity analysis

Sensitivity analysis is used to measure the impact of changes in individual stress factors such as interest/profit rates or foreign exchange rates. It is normally designed to isolate and quantify exposure to the underlying risk. The Group and the Bank perform sensitivity analysis such as parallel shifts of interest/profit rates on its exposures, primarily on the banking and trading book positions.

(c) Liquidity Risk

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

The Group's and the Bank's liquidity risk profile are managed using liquidity risk management strategies set in the Liquidity Risk Management Policy. Liquidity Risk Measures are monitored against approved thresholds by GALCO and GRMC. A contingency funding plan is also established by the Group and the Bank as a forward-looking measure to ensure that liquidity risk can be addressed according to the degrees of key risk indicators, and which incorporates alternative funding strategies which are ready to be implemented on a timely basis to mitigate the impact of unforeseen adverse changes in liquidity in the market place.

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

(i) Liquidity risk for assets and liabilities based on remaining contractual maturities

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity terms based on remaining contractual maturities:

GROUP	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
2020						
Assets						
Cash and short-term funds	44,783	-	-	-	-	44,783
Amounts due from clients and brokers	51,165	-	-	-	-	51,165
Financial assets at fair value through profit or loss	-	-	-	-	64,392	64,392
Financial assets at fair value through other comprehensive income	40,871	79,681	48,607	50,304	1,162,352	1,381,815
Financial investments at amortised cost	-	-	-	16	-	16
Loans, advances and financing	164,821	-	-	-	127,754	292,575
Other financial and non-financial assets	7,342	183	272	75	58,963	66,835
Total assets	308,982	79,864	48,879	50,395	1,413,461	1,901,581
Liabilities						
Deposits from customers	485,007	-	-	-	-	485,007
Deposits and placements of banks and other financial institutions	492,466	200,212	-	-	-	692,678
Amounts due to clients and brokers	22,292	-	-	-	-	22,292
Lease liabilities	83	168	259	69	50	629
Other financial and non-financial liabilities	34,290	285	-	-	7,562	42,137
Total liabilities	1,034,138	200,665	259	69	7,612	1,242,743
Net maturity mismatch	(725,156)	(120,801)	48,620	50,326	1,405,849	658,838

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

(i) Liquidity risk for assets and liabilities based on remaining contractual maturities (contd.)

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity terms based on remaining contractual maturities: (contd.)

GROUP	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
2019						
Assets						
Cash and short-term funds	36,373	-	-	-	-	36,373
Deposits and placements of banks and other financial institutions	500	-	-	-	-	500
Amounts due from clients and brokers	77,008	-	-	-	-	77,008
Financial assets at fair value through profit or loss	-	-	-	-	60,784	60,784
Financial assets at fair value through other comprehensive income	4,946	14,922	48,932	103,839	1,195,276	1,367,915
Financial investments at amortised cost	273	4,103	2,497	20,046	26,641	53,560
Loans, advances and financing	70,659	177,730	9,966	-	190,999	449,354
Other financial and non-financial assets	594	-	-	-	89,295	89,889
Total assets	190,353	196,755	61,395	123,885	1,562,995	2,135,383
Liabilities						
Deposits from customers	902,652	90,569	-	-	-	993,221
Deposits and placements of banks and other financial institutions	389,994	-	-	-	-	389,994
Amounts due to clients and brokers	51,164	-	-	-	-	51,164
Other financial and non-financial liabilities	22,039	-	-	-	32,481	54,520
Total liabilities	1,365,849	90,569	-	-	32,481	1,488,899
Net maturity mismatch	(1,175,496)	106,186	61,395	123,885	1,530,514	646,484

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

(i) Liquidity risk for assets and liabilities based on remaining contractual maturities (contd.)

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity terms based on remaining contractual maturities: (contd.)

BANK	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
2020						
Assets						
Cash and short-term funds	44,783	-	-	-	-	44,783
Amounts due from clients and brokers	51,165	-	-	-	-	51,165
Financial assets at fair value through profit or loss	-	-	-	-	64,392	64,392
Financial assets at fair value through other comprehensive income	40,871	79,681	48,607	50,304	1,162,352	1,381,815
Financial investments at amortised cost	-	-	-	16	-	16
Loans, advances and financing	164,821	-	-	-	127,754	292,575
Other financial and non-financial assets	7,342	183	272	75	60,958	68,830
Total assets	308,982	79,864	48,879	50,395	1,415,456	1,903,576
Liabilities						
Deposits from customers	485,007	-	-	-	-	485,007
Deposits and placements of banks and other financial institutions	492,466	200,212	-	-	-	692,678
Amounts due to clients and brokers	22,292	-	-	-	-	22,292
Lease Liabilities	83	168	259	69	50	629
Other financial and non-financial liabilities	34,290	285	-	-	7,562	42,137
Total liabilities	1,034,138	200,665	259	69	7,612	1,242,743
Net maturity mismatch	(725,156)	(120,801)	48,620	50,326	1,407,844	660,833

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

(i) Liquidity risk for assets and liabilities based on remaining contractual maturities (contd.)

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity terms based on remaining contractual maturities: (contd.)

BANK	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
2019						
Assets						
Cash and short-term funds	35,989	-	-	-	-	35,989
Deposits and placements of banks and other financial institutions	500	-	-	-	-	500
Amounts due from clients and brokers	77,008	-	-	-	-	77,008
Financial assets at fair value through profit or loss	-	-	-	-	60,784	60,784
Financial assets at fair value through other comprehensive income	4,946	14,922	48,932	103,839	1,195,276	1,367,915
Financial investments at amortised cost	273	4,103	2,497	20,046	26,641	53,560
Loans, advances and financing	70,659	177,730	9,966	-	190,999	449,354
Other financial and non-financial assets	594	-	-	-	91,323	91,917
Total assets	189,969	196,755	61,395	123,885	1,565,023	2,137,027
Liabilities						
Deposits from customers	902,652	90,569	-	-	-	993,221
Deposits and placements of banks and other financial institutions	389,994	-	-	-	-	389,994
Amounts due to clients and brokers	51,164	-	-	-	-	51,164
Other financial and non-financial liabilities	22,039	-	-	-	33,046	55,085
Total liabilities	1,365,849	90,569	-	-	33,046	1,489,464
Net maturity mismatch	(1,175,880)	106,186	61,395	123,885	1,531,977	647,563

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

(ii) Contractual maturity of financial liabilities on an undiscounted basis

The table below presents the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amount disclosed in the table are the contractual undiscounted cash flows of all financial liabilities.

GROUP	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
2020							
Liabilities							
Deposits from customers	485,244	-	-	-	-	-	485,244
Deposits and placements of banks and other financial institutions	492,626	201,129	-	-	-	-	693,755
Amounts due to clients and brokers	22,292	-	-	-	-	-	22,292
Lease liabilities	98	195	207	85	60	-	645
Other financial liabilities	34,290	285	-	-	893	-	35,468
Total financial liabilities	1,034,550	201,609	207	85	953	-	1,237,404
Credit risk exposure of off-balance sheet							
Credit related commitments and contingencies	335,219	-	-	-	53,541	-	388,760

GROUP	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
2019							
Liabilities							
Deposits from customers	903,064	90,854	-	-	-	-	993,918
Deposits and placements of banks and other financial institutions	390,034	-	-	-	-	-	390,034
Amounts due to clients and brokers	51,164	-	-	-	-	-	51,164
Other financial liabilities	22,040	-	-	-	30,313	-	52,353
Total financial liabilities	1,366,302	90,854	-	-	30,313	-	1,487,469
Credit risk exposure of off-balance sheet							
Credit related commitments and contingencies	248,047	46,154	525	-	1,050	25,000	320,776

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

(ii) Contractual maturity of financial liabilities on an undiscounted basis (contd.)

The table below presents the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amount disclosed in the table are the contractual undiscounted cash flows of all financial liabilities. (contd.)

BANK	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
2020							
Liabilities							
Deposits from customers	485,244	-	-	-	-	-	485,244
Deposits and placements of banks and other financial institutions	492,626	201,129	-	-	-	-	693,755
Amounts due to clients and brokers	22,292	-	-	-	-	-	22,292
Lease liabilities	98	195	207	85	60	-	645
Other financial liabilities	34,290	285	-	-	893	-	35,468
Total financial liabilities	1,034,550	201,609	207	85	953	-	1,237,404
Credit risk exposure of off-balance sheet							
Credit related commitments and contingencies	335,219	-	-	-	53,541	-	388,760

BANK	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
2019							
Liabilities							
Deposits from customers	903,064	90,854	-	-	-	-	993,918
Deposits and placements of banks and other financial institutions	390,034	-	-	-	-	-	390,034
Amounts due to clients and brokers	51,164	-	-	-	-	-	51,164
Other financial liabilities	22,040	-	-	-	30,880	-	52,920
Total financial liabilities	1,366,302	90,854	-	-	30,880	-	1,488,036
Credit risk exposure of off-balance sheet							
Credit related commitments and contingencies	248,047	46,154	525	-	1,050	25,000	320,776

39. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(d) Operational and Shariah Compliance Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition of Operational Risk includes legal risk, but excludes strategic and reputational risk. Operational risk includes Shariah non-compliance risk arises which from the Group’s failure to comply with the Shariah rules and principles determined by the relevant Shariah advisory councils.

Group Operational Risk of Group Risk Management formulates and implements operational risk framework within the Group while the line of businesses in conjunction with the Risk Control Officers are responsible for the management of their day to day operational and Shariah non-compliance risks.

Operational and Shariah non-compliance risk management is a continual cyclic process which includes risk identification, assessment, control, mitigation and monitoring. This includes analysing the risk profile of the Group, determining control gaps, assessing potential loss and enhancing controls to mitigate the risks.

The main activities undertaken by the Group and the Bank in managing operational and Shariah non-compliance risks include the identification of risks and controls, monitoring of key risk indicators, reviews of policies and procedures, operational risk and Shariah non-compliance risk awareness training, and business continuity management.

The Group and the Bank apply the Basic Indicator Approach for operational risk capital charge computation.

40. CAPITAL COMMITMENTS

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
Capital expenditure:		
Authorised and contracted for	112	183
Authorised and not contracted for	1,462	1,765
	1,574	1,948

The capital commitments mainly consist of computer software and property, plant and equipment.

41. LEASE COMMITMENTS

The Group and the Bank have lease commitments in respect of equipment on hire and premises, all of which are classified as operating leases. A summary of the non-cancellable long term commitments is as follows:

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
Within one year	-	1,226
Between one year and five years	-	839
	-	2,065

The operating leases of the Group's and the Bank's premises typically cover for a initial period of two to three years with options for renewal. These leases are cancellable but are usually renewed upon expiry or replaced by leases on other properties.

From 1 April 2019, the Group and the Bank recognised lease liabilities for these leases, as per Note 22.

42. HOLDING AND RELATED COMPANIES

The holding company of the Bank is Alliance Bank Malaysia Berhad, a bank incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

Related companies in these financial statements refer to subsidiaries of Alliance Bank Malaysia Berhad.

43. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

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

	2020 Principal Amount	2019 Principal Amount
GROUP/BANK	RM'000	RM'000
Credit-related exposures		
Transaction-related contingent items	1,575	1,575
Forward asset purchases	-	25,000
Obligations under an on-going underwriting agreement	51,150	46,154
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	334,694	248,047
- maturity exceeding one year	1,341	-
Total	388,760	320,776

44. CAPITAL ADEQUACY

The capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework. The Framework sets out the approach for computing regulatory capital adequacy ratios, as well as the levels of those ratios at which banking institutions are required to operate. The framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. The risk-weighted assets of the Group and the Bank are computed using the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk.

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

	GROUP		BANK	
	2020	2019	2020	2019
Before deducting proposed dividends				
CET I capital ratio	98.780%	78.128%	98.737%	78.200%
Tier I capital ratio	98.780%	78.128%	98.737%	78.200%
Total capital ratio	99.725%	79.121%	99.682%	79.196%
After deducting proposed dividends				
CET I capital ratio	97.288%	78.128%	97.246%	78.200%
Tier I capital ratio	97.288%	78.128%	97.246%	78.200%
Total capital ratio	98.233%	79.121%	98.190%	79.196%

44. 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:

	GROUP		BANK	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
CET I Capital				
Paid-up share capital	365,962	365,962	365,962	365,962
Retained profits	258,887	250,537	260,882	251,616
FVOCI reserves	26,151	11,672	26,151	11,672
Regulatory reserves	7,540	8,539	7,540	8,539
	658,540	636,710	660,535	637,789
Less: Regulatory adjustments				
- Goodwill and other intangibles	(24,578)	(33,639)	(27,138)	(36,730)
- 55% of FVOCI reserve	(14,383)	(6,420)	(14,383)	(6,420)
- Investment in subsidiaries, associate, and joint venture	(1,189)	(1,082)	(624)	(624)
- Regulatory reserves	(7,540)	(8,539)	(7,540)	(8,539)
- Additional Tier 1 Sukuk Wakalah	(60,000)	(100,000)	(60,000)	(100,000)
Total CET I Capital/Total Tier I Capital	550,850	487,030	550,850	485,476
Tier II Capital				
Expected credit losses and regulatory reserve	5,269	6,188	5,269	6,183
Total Tier II Capital	5,269	6,188	5,269	6,183
Total Capital	556,119	493,218	556,119	491,659

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

	GROUP		BANK	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Credit risk	421,514	495,078	421,514	494,665
Market risk	22	-	22	-
Operational risk	136,115	128,294	136,358	126,149
Total RWA and capital requirements	557,651	623,372	557,894	620,814

Detail information on risk exposure above is presented in the Bank's Pillar 3 report.

45. CAPITAL

In managing its capital, the Group's and the Bank's objectives are:

- to maintain sufficient capital resources to meet the regulatory capital requirements as set forth by BNM,
- to maintain sufficient capital resources to support the Group's and the Bank's risk appetite and to enable future business growth, and
- to meet the expectations of key stakeholders, including shareholders, investors, regulators and rating agencies.

In line with this, the Group and the Bank aims to maintain capital adequacy ratios that are comfortably above the regulatory requirement, while balancing shareholders' desire for sustainable returns and high standards of prudence.

The Group and the Bank carries out stress testing to estimate the potential impact of extreme, but plausible, events on the Group's and the Bank's earnings, balance sheet and capital. The results of the stress tests are to facilitate the formulation of action plan(s) in advance if the stress tests reveal that the Group's and the Bank's capital will be adversely affected. The results of the stress test are tabled to the Group Risk Management Committee for approval.

The Group's and the Bank's regulatory capital are determined under BNM's Capital Adequacy Framework and their capital ratios complied with the prescribed capital adequacy ratios.

46. FAIR VALUE MEASUREMENTS

(a) Determination of fair value and the fair value hierarchy

MFRS 13 Fair Value Measurement requires disclosure of financial instruments measured at fair value to be categorised according to a hierarchy of valuation techniques, whether the inputs used are observable or unobservable. The following level of hierarchy are used for determining and disclosing the fair value of the financial instruments:

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

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group and the Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

(i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis. This includes listed equities and corporate debt securities which are actively traded.

(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 and corporate notes.

(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 asset, net asset value, discounted cash flows, and other appropriate valuation models. These includes private equity investments.

46. 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:

GROUP/BANK	Level 1	Level 2	Level 3	Total
2020	RM'000	RM'000	RM'000	RM'000
Financial Assets				
Financial assets at FVTPL				
- Unquoted securities	-	-	64,392	64,392
Financial investments at FVOCI				
- Money market instruments	-	562,029	-	562,029
- Unquoted securities	-	819,786	-	819,786

GROUP/BANK	Level 1	Level 2	Level 3	Total
2019	RM'000	RM'000	RM'000	RM'000
Financial Assets				
Financial assets at FVTPL				
- Unquoted securities	-	-	60,784	60,784
Financial investments at FVOCI				
- Money market instruments	-	562,306	-	562,306
- Unquoted securities	-	805,609	-	805,609

There were no transfers between levels of the fair value hierarchy for the Group and the Bank during the financial year ended 31 March 2020 and 31 March 2019.

Reconciliation of movements in level 3 financial instruments:

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
At 1 April	60,784	57,212
Statement of income		
- Unrealised gain from revaluation	3,608	3,572
At 31 March	64,392	60,784

The Group's and the Bank's exposure to financial instruments measured using unobservable inputs (level 3) constitutes a small component of the Group's and the Bank's portfolio of financial instruments. Changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the level 3 financial instruments.

Description	Fair value assets 2020	Fair value assets 2019	Valuation techniques	Unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
	RM'000	RM'000			
GROUP/BANK					
Unquoted securities	64,392	60,784	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value

46. FAIR VALUE MEASUREMENTS (CONTD.)

(c) Fair values of financial instruments not carried at fair value

The following table summarises the carrying amounts and the fair values of financial instruments of the Group and the Bank which are not carried at fair value in the statement of financial position. It does not include those short term/on demand financial assets and liabilities where the carrying amounts are reasonable approximate to their fair values.

	Fair value				Carrying
GROUP/BANK	Level 1	Level 2	Level 3	Total	amount
2020	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Financial investments at amortised cost	-	16	-	16	16
Loans, advances and financing	-	-	293,275	293,275	292,575
Financial liabilities					
Deposits and placements of banks and other financial institutions	-	674,993	-	674,993	692,678

	Fair value				Carrying
GROUP/BANK	Level 1	Level 2	Level 3	Total	amount
2019	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Deposit and placement with banks and other financial institutions	-	485	-	485	500
Financial investments at amortised cost	-	53,456	-	53,456	53,560
Loans, advances and financing	-	-	449,867	449,867	449,354
Financial liabilities					
Deposits and placements of banks and other financial institutions	-	377,389	-	377,389	389,994

Note: The fair value of the other assets and other liabilities, which are considered short term in nature, are estimated to be approximately their carrying values.

46. FAIR VALUE MEASUREMENTS (CONTD.)

(c) Fair values of financial instruments not carried at fair value (contd.)

The methods and assumptions used in estimating the fair values of financial instruments are as follows:

(i) Financial investments amortised cost

The fair values are estimated based on quoted or observable market prices at the end of the reporting period. Where such quoted or observable market prices are not available, the fair values are estimated using pricing models or discounted cash flow techniques. Where discounted cash flow technique is used, the expected future cash flows are discounted using prevailing market rates for a similar instrument at the end of the reporting period.

(ii) Loans, advances and financing

The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate loans and Islamic financing with remaining maturity of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at applicable prevailing rates at end of the reporting period offered to new borrowers with similar credit profiles. In respect of impaired loans, the fair values represented by their carrying values, net of impairment allowances, being the expected recoverable amount.

(iii) Deposits from customers, deposits and placements of banks and other financial institutions

The fair values of deposit liabilities payable on demand, or deposits with maturity of less than one year are estimated to approximate their carrying amounts. The fair values of fixed deposits with remaining maturities of more than one year are estimated based on expected future cash flows discounted at applicable prevailing rates offered for deposits of similar remaining maturities. For negotiable instruments of deposits, the fair values are estimated based on quoted or observable market prices as at the end of the reporting period. Where such quoted or observable market prices are not available, the fair values of negotiable instruments of deposits are estimated using the discounted cash flow technique.

47. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In accordance with MFRS 132 Financial Instruments: Presentation, the Group and the Bank report financial assets and financial liabilities on a net basis on the statement of financial position, only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangements on:

(i) all financial assets and liabilities that are reported net on the statement of financial position; and

(ii) all financial assets and liabilities that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for statement of financial position netting.

47. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD.)

(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
	RM'000	RM'000	RM'000
GROUP/BANK			
2020			
Amounts due from clients and brokers	84,014	(32,849)	51,165
Total	84,014	(32,849)	51,165
GROUP/BANK			
2019			
Amounts due from clients and brokers	144,882	(67,874)	77,008
Total	144,882	(67,874)	77,008

(b) Financial liabilities

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position
	RM'000	RM'000	RM'000
GROUP/BANK			
2020			
Amounts due to clients and brokers	55,141	(32,849)	22,292
Total	55,141	(32,849)	22,292
GROUP/BANK			
2019			
Amounts due to clients and brokers	119,038	(67,874)	51,164
Total	119,038	(67,874)	51,164

There were no enforceable master netting arrangements or similar arrangements between the Bank and the counterparty that allows for net settlement of financial assets and liabilities.

48. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events for the Group and the Bank are disclosed in Note 12.

49. SUBSEQUENT EVENTS

The global economy is expecting to slow down following disruption caused by COVID-19 pandemic and the collapse of crude oil prices. In order to mitigate the weaker economy outlook, the Malaysian government has implemented several relief measures to help stimulate the economy.

Overnight policy rate ("OPR") was reduced by 50bps in early May 2020 to help easing the financial burden of the borrowers and this would impact the Group's revenue. In addition, expected credit losses are expected to increase following the slowdown in economy resulted from COVID-19 pandemic and Movement Control Order ("MCO").

All these would have an adverse impact on the Group and the Bank earnings for financial year 2021 and the financial impact has yet to be quantified. However, the Group and the Bank will monitor the situation closely and continue to assess the impact.

50. ISLAMIC BANKING BUSINESS

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Note	GROUP/BANK 2020 RM'000	GROUP/BANK 2019 RM'000
ASSETS			
Cash and short-term funds	(a)	11,176	27
Financial investments at fair value through other comprehensive income	(b)	107,472	110,995
Other assets	(c)	4,768	4,756
Deferred tax assets	(d)	-	1
Total Assets		123,416	115,779
LIABILITIES AND ISLAMIC BANKING FUNDS			
Provision for taxation		3,839	2,294
Deferred tax liabilities	(d)	237	-
Total Liabilities		4,076	2,294
Islamic Banking Funds		56,000	56,000
Reserves		63,340	57,485
		119,340	113,485
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		123,416	115,779

50. ISLAMIC BANKING BUSINESS (CONTD.)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	Note	GROUP/BANK 2020 RM'000	2019 RM'000
Income derived from investment of islamic banking funds	(e)	6,663	5,169
Total distributable/net income		6,663	5,169
Income attributable to the depositors and financial institutions	(f)	(4)	-
Total net income		6,659	5,169
Other operating expenses	(g)	(12)	(1)
Allowance for expected credit losses on financial investments	(h)	(211)	-
Profit before taxation		6,436	5,168
Taxation	(i)	(1,545)	(1,240)
Net profit for the financial year		4,891	3,928
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Revaluation reserve on financial investments at fair value through other comprehensive income			
- Net gain from change in fair value		1,994	1,468
- Realised gain transferred to statement of income on disposal		(1,003)	(831)
- Transfer to deferred tax		(238)	(153)
- Changes in expected credit losses		211	-
Other comprehensive income, net of tax		964	484
Total comprehensive income for the financial year		5,855	4,412

Net income from Islamic banking business stated in the consolidated statement of income is derived from:

	2020 RM'000	2019 RM'000
Income derived from investment of Islamic banking funds	6,663	5,169
Income attributable to the depositors and financial institutions	(4)	-
	6,659	5,169

50. ISLAMIC BANKING BUSINESS (CONTD.)

STATEMENT OF CHANGES IN ISLAMIC BANKING FUNDS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

		Non-distributable reserves		Distributable reserves	
	Funds allocated from Head Office (HO) RM'000	Regulatory reserves RM'000	FVOCI reserves RM'000	Retained profits RM'000	Total RM'000
GROUP/BANK					
At 1 April 2019	56,000	-	(4)	57,489	113,485
Net profit for the financial year	-	-	-	4,891	4,891
Other comprehensive income	-	-	964	-	964
Total comprehensive income	-	-	964	4,891	5,855
Transfer to regulatory reserves	-	48	-	(48)	-
At 31 March 2020	56,000	48	960	62,332	119,340
At 1 April 2018	56,000	-	(488)	55,297	110,809
Net profit for the financial year	-	-	-	3,928	3,928
Other comprehensive income	-	-	484	-	484
Total comprehensive income	-	-	484	3,928	4,412
Dividends paid	-	-	-	(1,736)	(1,736)
At 31 March 2019	56,000	-	(4)	57,489	113,485

50. ISLAMIC BANKING BUSINESS (CONTD.)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	GROUP/BANK 2020 RM'000	GROUP/BANK 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,436	5,168
Adjustments for:-		
Accretion of discount less amortisation of premium of securities	(106)	(691)
Income from financial investments at fair value through other comprehensive income	(6,311)	(4,469)
Allowance for expected credit losses on financial investments	211	-
Operating profit before working capital changes	230	8
Changes in working capital:		
Other assets	(12)	1,741
Cash generated from operations	218	1,749
Tax paid	-	-
Net cash generated from operating activities	218	1,749
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial investments at fair value through other comprehensive income (net of proceeds from disposal)	5,851	(4,548)
Income from financial investments at fair value through other comprehensive income	5,080	4,536
Net cash generated from/(used in) investing activity	10,931	(12)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to holding company	-	(1,736)
Net cash used in financing activities	-	(1,736)
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,149	1
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	27	26
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	11,176	27

Cash and cash equivalents comprise the following:

Cash and short term funds	11,176	27

50. ISLAMIC BANKING BUSINESS (CONTD.)

(a) Cash and short-term funds

	GROUP/BANK 2020 RM'000	GROUP/BANK 2019 RM'000
Cash and balances with banks and other financial institutions	15	27
Money at call and deposit placements maturing within one month	11,161	-
	11,176	27

(b) Financial investments at fair value through other comprehensive income ("FVOCI")

	GROUP/BANK 2020 RM'000	GROUP/BANK 2019 RM'000
At fair value		
Money market instruments:		
Malaysian Government investment issues	10,995	-
Negotiable instruments of deposit	-	10,947
	10,995	10,947
Unquoted securities:		
Sukuk	96,477	100,048
	96,477	100,048
Total financial investments at fair value through other comprehensive income	107,472	110,995

Movements in allowance for expected credit losses are as follows:

	12 months ECL (Stage 1) 2020 RM'000	12 months ECL (Stage 1) 2019 RM'000
GROUP/BANK		
At 1 April	-	-
Changes due to change in credit risk	55	-
Other adjustments	156	-
Total charge to income statement	211	-
At 31 March	211	-

(c) Other assets

	GROUP/BANK 2020 RM'000	GROUP/BANK 2019 RM'000
Other debtors, deposits and prepayments	4,768	4,756

50. ISLAMIC BANKING BUSINESS (CONTD.)

(d) Deferred tax

	GROUP/BANK 2020 RM'000	GROUP/BANK 2019 RM'000
Deferred tax assets, net	-	1
Deferred tax liabilities, net	237	-
	237	1

	GROUP/BANK 2020 RM'000	GROUP/BANK 2019 RM'000
At 1 April	1	154
Recognised in equity	(238)	(153)
At 31 March	(237)	1

GROUP/BANK

Deferred tax assets/(liabilities)	Financial investments at fair value through other comprehensive income RM'000	Total RM'000
At 1 April 2018	154	154
Recognised in equity	(153)	(153)
At 31 March/1 April 2019	1	1
Recognised in equity	(238)	(238)
At 31 March 2020	(237)	(237)

(e) Income Derived from Investment of Islamic Banking Funds

	GROUP/BANK 2020 RM'000	GROUP/BANK 2019 RM'000
Finance income and hibah		
Financial investments at fair value through other comprehensive income	6,311	4,469
Money at call and deposit with financial institutions	246	9
	6,557	4,478
Accretion of discount less amortisation of premium	106	691
Total finance income and hibah	6,663	5,169

50. ISLAMIC BANKING BUSINESS (CONTD.)

(f) Income Attributable to Depositors and Financial Institutions

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
Deposits and placements of banks and other financial institutions		
- Non-Mudharabah Fund	4	-
	4	-

(g) Other Operating Expenses

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
Administration and general expenses		
- Others	12	1
Total operating expenses	12	1

(h) Allowance for Expected Credit Losses on Financial Investments

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
Financial investments at fair value throught other comprehensive income		
- Allowance made during the financial year	211	-

(i) Taxation

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
Income tax:		
Current year	1,545	1,240

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

	GROUP/BANK	
	2020	2019
	RM'000	RM'000
Profit before taxation	6,436	5,168
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	1,545	1,240
Tax expense for the year	1,545	1,240

50. ISLAMIC BANKING BUSINESS (CONTD.)

(j) Profit Rate Risk

The following tables indicate the effective profit rates at the end of reporting period and the periods in which the financial instruments re-price or mature, whichever is earlier.

GROUP/BANK	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Total RM'000
2020								
Assets								
Cash and short-term funds	11,160	-	-	-	-	-	16	11,176
Financial investments at fair value through other comprehensive income	-	-	-	-	81,132	26,063	277	107,472
Other financial assets	-	-	-	-	-	-	4,768	4,768
Total financial assets	11,160	-	-	-	81,132	26,063	5,061	123,416
Liabilities								
Other financial liabilities	-	-	-	-	-	-	-	-
Total financial liabilities	-	-	-	-	-	-	-	-
On-balance sheet profit sensitivity gap	11,160	-	-	-	81,132	26,063	5,061	123,416

50. ISLAMIC BANKING BUSINESS (CONTD.)

(j) Profit Rate Risk (contd.)

The following tables indicate the effective profit rates at the end of reporting period and the periods in which the financial instruments re-price or mature, whichever is earlier. (contd.)

GROUP/BANK	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Total RM'000
2019								
Assets								
Cash and short-term funds	-	-	-	-	-	-	27	27
Financial investments at fair value through other comprehensive income	-	10,947	-	-	99,999	-	49	110,995
Other financial assets	-	-	-	-	-	-	4,756	4,756
Total financial assets	-	10,947	-	-	99,999	-	4,832	115,778
Liabilities								
Other financial liabilities	-	-	-	-	-	-	-	-
Total financial liabilities	-	-	-	-	-	-	-	-
On-balance sheet profit sensitivity gap	-	10,947	-	-	99,999	-	4,832	115,778

50. ISLAMIC BANKING BUSINESS

(k) Capital Adequacy

The capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework. The Framework sets out the approach for computing regulatory capital adequacy ratios, as well as the levels of those ratios at which banking institutions are required to operate. The framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. The risk-weighted assets of the Group and the Bank are computed using the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk.

The capital adequacy ratio are as follows:

	GROUP/BANK	
	2020	2019
Before deducting proposed dividends		
CET I capital ratio	272.347%	90.655%
Tier I capital ratio	272.347%	90.655%
Total capital ratio	273.076%	90.655%
After deducting proposed dividends		
CET I capital ratio	249.652%	90.655%
Tier I capital ratio	249.652%	90.655%
Total capital ratio	250.381%	90.655%

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

	GROUP/BANK	
	2020 RM'000	2019 RM'000
CET I Capital		
Funds allocated from Head Office	56,000	56,000
Retained profits	62,332	57,489
FVOCI reserves	749	(4)
Regulatory reserves	48	-
	119,129	113,485
Less: Regulatory adjustments		
- 55% of FVOCI reserves	(412)	-
- Deferred tax assets	-	(1)
- Regulatory reserves	(48)	-
- Additional Tier 1 Sukuk Wakalah	(60,000)	(100,000)
Total CET I Capital/Total Tier I Capital	58,669	13,484
Tier II Capital		
Expected credit losses	157	-
Total Capital Base	58,826	13,484

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

	GROUP/BANK	
	2020 RM'000	2019 RM'000
Credit risk	12,560	6,970
Operational risk	8,982	7,904
Total RWA and capital requirements	21,542	14,874