ALLIANCE INVESTMENT BANK

REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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

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DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Bank and the Group for the financial year ended 31 March 2018.

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.

The subsidiaries of the Bank are dormant during the financial year.

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

FINANCIAL RESULTS

	BANK RM'000	GROUP RM'000
Profit before taxation	29,112	29,149
Taxation	(7,396)	(7,397)
Net profit for the financial year	21,716	21,752

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

The amount of dividends declared and paid by the Bank since 31 March 2017 were as follows:

		RM'000
(i)	A single tier second interim dividend of 1.89 sen per share, on 365,000,000 ordinary shares in respect of financial year ended 31 March 2017, was paid on 20 June 2017.	6,899
(ii)	A single tier first interim dividend of 2.92 sen per share, on 365,000,000 ordinary shares in respect of financial year ended 31 March 2018, was paid on 22 December 2017.	10,644
		17,543

Subsequent to the financial year end, on 31 May 2018, the Directors declared a single tier second interim dividend of 3.03 sen per share on 365,000,000 ordinary shares amounting to approximately RM11,060,000 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 2019. The Directors do not propose any final dividend in respect of the financial year ended 31 March 2018.

ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME

The Alliance Financial Group Berhad Employees' Share Scheme ("ESS") was governed by the Bye-Laws approved by the shareholders at an Extraordinary General Meeting held on 28 August 2007. The ESS which comprises the Share Option Plan, the Share Grant Plan and the Share Save Plan took effect on 3 December 2007 for a period of 10 years. The scheme ended on 2 December 2017.

There were no share grants or share options offered under the Share Grant Plan and Share Option Plan during the financial year.

The salient features of the ESS are disclosed in Note 23 to the financial statements.

BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2018

The Group recorded a net profit after taxation of RM21.8 million for the financial year ended 31 March 2018, an improvement of RM3.0 million compared to the last financial year. This was mainly due to higher net income.

Net interest income including Islamic investment banking income increased by RM3.7 million or 11.2% as year on year gross loan has increased by RM35.8 million or 8.6%.

Other operating income increased by RM2.1 million or 6.4% primarily from higher brokerage fees.

Operating Expenses increased by RM2.7 million or 6.8% mainly due to higher professional fees by RM1.0 million and personnel cost by RM0.8 million.

After deducting proposed dividends, both Total Capital and Common Equity Tier 1 ratios remained strong at 85.9% and 85.1% respectively as at 31 March 2018.

ECONOMIC OUTLOOK AND PROSPECTS FOR FYE 31 MARCH 2018

Bank Negara Malaysia has forecasted that the Malaysian Gross Domestic Product (GDP) growth will expand between 5.5% and 6.0% in 2018, as broad based global recovery momentum continues to strengthen, providing positive spillovers from the external sector to Malaysia's domestic activity.

Private sector expenditure will remain the key driver of growth. Private consumption will likely be supported by continued wage and employment growth, while private investment is expected to be backed by capital expenditure in Malaysia's key sectors such as manufacturing and services, coupled with on-going mega infrastructure projects.

Meanwhile, Bank Negara Malaysia expects inflation to trend lower between 2.0% and 3.0% in 2018, as a result of high-base effect in 2017 which moderates the effect of price hikes in 2018. On the external sector, gross exports are forecasted to expand 8.4% in 2018, underpinned by broad-based growth in both electrical and electronics (E&E) and non E&E exports.

Overall, positive global macro prospects will likely continue to provide favourable external demand conditions that will support Malaysia's manufacturing sector especially the E&E, oil and gas and commodity sectors, contributing positively towards 2018 GDP growth.

BUSINESS OUTLOOK FOR FYE 31 MARCH 2018

Industry competition will continue to be strong in 2018. We will sustain our business growth this financial year by focusing on:

(a) the growth of Corporate Finance and Debt Capital Markets business through the collaboration with Group Corporate, Commercial and Transactions ("GCCT") department of Alliance Bank Malaysia Berhad to grow our Corporate and Investment Banking business;

(b) delivering seamless customer experience for its retail broking customers at all Alliance Bank Group branches and enhancing customer engagement to improve activation rate of new accounts and trading activity of existing accounts.

(c) prudently growing investment banking related financing on our balance sheet that meet risk-adjusted returns that commensurate with the Group's risk appetite.

Against the backdrop of these business initiatives, the Group's financial performance is expected to be satisfactory.

RATING BY EXTERNAL RATING AGENCY

The Bank is rated by Rating Agency Malaysia Berhad ("RAM"). Based on RAM's rating in December 2017, 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 which 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:

Kung Beng Hong (Chairman)
Kuah Hun Liang
Mazidah Binti Abdul Malik
Dato' Yeoh Beow Tit
Dato' Majid Bin Mohamad (retired on 28 February 2018)

DIRECTORS' REMUNERATION

Details of directors' remuneration are set out in Note 34 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 34 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 Bank and of the Group 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 Bank and of the Group inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Bank and of the Group 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 Bank and of the Group 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 Bank and of the Group 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 Bank and of the Group 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 Bank and of the Group 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 Bank or of the Group 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 Bank or of the Group 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 Bank and of the Group 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 Bank and of the Group 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 Bank and of the Group for the financial year in which this report is made.

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 11 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 27 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

There were no material event during the financial year that require disclosure or adjustment.

SUBSEQUENT EVENTS

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

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional patnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 31 May 2018.

Signed on behalf of the Board of Directors.

Kung Beng Hong

Kuah Hun Liang

Kuala Lumpur, Malaysia

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

We, Kung Beng Hong and Kuah Hun Liang, 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 113 are drawn up so as to give a true and fair view of the financial position of the Bank and of the Group as at 31 March 2018 and financial performance of the Bank and of the Group for the financial year ended 31 March 2018 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 31 May 2018.

Kung Beng Hong

Kuah Hun Liang

Kuala Lumpur, Malaysia

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

I, Wong Lai Loong, being the Officer primarily responsible for the financial management of Alliance Investment Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 12 to 113 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Wong Lai Loong at
Kuala Lumpur in the Federal Territory on
31 May 2018

Wong Lai Loong
(MIA Membership No. (CA 29328))

Before me,

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF ALLIANCE INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
(Company No. 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 Bank and of the Group as at 31 March 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standard and the requirements of the Companies Act, 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Bank and of the Group, which comprise the statements of financial position as at 31 March 2018 of the Bank and of the Group, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Bank and of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 113.

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 Bank and of the Group in accordance with the Bye-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("Bye-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 Bye-Laws and the IESBA Code.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 Directors’ Report, but does not include the financial statements of the Bank and of the Group and our auditors’ report thereon.

Our opinion on the financial statements of the Bank and of the Group 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 Bank and of the Group, 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 Bank and of the Group 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 Bank and of the Group 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 Bank and of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Bank and of the Group, 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.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Bank and of the Group 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 Bank and of the Group, 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 Bank's and Group'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 Bank's or Group'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 Bank and of the Group 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 Bank or Group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Bank and of the Group, including the disclosures, and whether the financial statements of the Bank and of the Group 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.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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	SOO HOO KHOON YEAN
(LLP0014401-LCA & AF 1146)	(No. 2682/10/19 (J))
Chartered Accountants	Chartered Accountant

Kuala Lumpur
31 May 2018

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2018

		BANK		GROUP	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	3	26,926	42,993	27,983	44,420
Amounts due from clients and brokers	4	101,305	113,022	101,305	113,022
Financial assets held-for-trading	5	14,978	34,865	14,978	34,865
Financial investments available-for-sale	6	1,089,418	1,013,311	1,089,418	1,013,311
Financial investments held-to-maturity	7	78,969	177,933	78,969	177,933
Loans, advances and financing	8	452,895	416,606	452,895	416,606
Other assets	9	9,309	4,310	9,437	4,444
Tax recoverable		-	8,266	490	8,755
Statutory deposits with Bank Negara Malaysia	10	38,762	33,690	38,762	33,690
Investments in subsidiaries	11	-	10	-	-
Investment in an associate	12	230	230	274	267
Investment in joint venture	13	394	394	693	650
Property, plant and equipment	14	1,183	1,713	1,183	1,713
Intangible assets	16	62,429	61,527	55,749	54,847
TOTAL ASSETS		1,876,798	1,908,870	1,872,136	1,904,523
LIABILITIES AND EQUITY					
Deposits from customers	17	624,340	728,285	624,340	728,285
Deposits and placements of banks and other financial institutions	18	490,838	431,375	490,838	431,375
Amounts due to clients and brokers	19	75,103	69,066	75,103	69,066
Other liabilities	20	34,900	37,879	34,346	37,498
Provision for taxation		129	-	129	178
Deferred tax liabilities	15	11,788	11,143	11,788	11,143
TOTAL LIABILITIES		1,237,098	1,277,748	1,236,544	1,277,545
Share capital	21	365,962	365,000	365,962	365,000
Reserves	22	273,738	266,122	269,630	261,978
TOTAL EQUITY		639,700	631,122	635,592	626,978
TOTAL LIABILITIES AND EQUITY		1,876,798	1,908,870	1,872,136	1,904,523
COMMITMENTS AND CONTINGENCIES	39	328,529	320,164	328,529	320,164

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

STATEMENTS OF INCOME
FOR THE YEAR ENDED 31 MARCH 2018

		BANK		GROUP	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Interest income	24	69,871	53,579	69,876	55,560
Interest expense	25	(37,813)	(26,765)	(37,813)	(26,711)
Net interest income		32,058	26,814	32,063	28,849
Net income from Islamic banking business	46	4,397	3,930	4,397	3,930
		36,455	30,744	36,460	32,779
Fee and commission income	26	44,678	37,714	44,678	37,714
Fee and commission expense	26	(12,304)	(11,413)	(12,304)	(11,413)
Investment income	26	1,039	5,778	1,039	2,916
Other income	26	1,320	1,653	1,330	3,453
Other operating income	26	34,733	33,732	34,743	32,670
Net income		71,188	64,476	71,203	65,449
Other operating expenses	27	(42,635)	(39,953)	(42,663)	(39,957)
Operating profit before allowance		28,553	24,523	28,540	25,492
Write-back of/(allowance for) impairment losses on loans, advances and financing and other receivables	28	559	(695)	559	(695)
Operating profit after allowance		29,112	23,828	29,099	24,797
Share of results in an associate	12	-	-	7	4
Share of results of joint venture	13	-	-	43	84
Profit before taxation		29,112	23,828	29,149	24,885
Taxation	29	(7,396)	(5,240)	(7,397)	(6,159)
Net profit for the financial year		21,716	18,588	21,752	18,726
Net profit for the financial year attributable to:					
Equity holder of the Bank		21,716	18,588	21,752	18,726
Earnings per share attributable to Equity holder of the Bank:					
- Basic/Diluted (sen)	30			5.96	5.13

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

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

		BANK		GROUP	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Net profit for the financial year		21,716	18,588	21,752	18,726
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Revaluation reserve on financial investments available-for-sale					
- Net gain from change in fair values		6,610	912	6,610	912
- Realised gain transferred to statement of income on disposal and impairment		(582)	(2,085)	(582)	(2,085)
- Transfer (to)/from deferred tax		(1,447)	281	(1,447)	281
Other comprehensive income/(expense), net of tax		4,581	(892)	4,581	(892)
Total comprehensive income for the financial year		26,297	17,696	26,333	17,834
Total comprehensive income attributable to:					
Equity holder of the Bank		26,297	17,696	26,333	17,834

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

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

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

	←		Non-distributable reserves		→		Distributable reserves	
	Ordinary shares RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserves RM'000	Revaluation reserves RM'000	Equity contribution from former ultimate holding company RM'000	Retained profits RM'000	Total equity RM'000
Bank								
At 1 April 2017	365,000	962	201,383	3,660	37,949	264	21,904	631,122
Net profit after taxation	-	-	-	-	-	-	21,716	21,716
Other comprehensive income	-	-	-	-	4,581	-	-	4,581
Total comprehensive income	-	-	-	-	4,581	-	21,716	26,297
Share-based payment under Employees' Share Scheme ("ESS")	-	-	-	-	-	(10)	-	(10)
Payment for ESS recharged from former ultimate holding company	-	-	-	-	-	(166)	-	(166)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	(66)	66	-
Transfer to retained profits on share options lapsed	-	-	-	-	-	(22)	22	-
Transition to no par-value regime pursuant to Companies Act, 2016	962	(962)	-	-	-	-	-	-
Transfer from statutory reserves	-	-	(201,383)	-	-	-	201,383	-
Transfer to regulatory reserves	-	-	-	945	-	-	(945)	-
Dividend paid (Note 31)	-	-	-	-	-	-	(17,543)	(17,543)
At 31 March 2018	365,962	-	-	4,605	42,530	-	226,603	639,700
At 1 April 2016	365,000	962	196,736	1,830	38,841	256	27,362	630,987
Net profit after taxation	-	-	-	-	-	-	18,588	18,588
Other comprehensive expense	-	-	-	-	(892)	-	-	(892)
Total comprehensive (expense)/income	-	-	-	-	(892)	-	18,588	17,696
Share-based payment under ESS	-	-	-	-	-	139	-	139
Payment for ESS recharged from former ultimate holding company	-	-	-	-	-	(106)	-	(106)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	(25)	25	-
Transfer to statutory reserves	-	-	4,647	-	-	-	(4,647)	-
Transfer to regulatory reserves	-	-	-	1,830	-	-	(1,830)	-
Dividend paid (Note 31)	-	-	-	-	-	-	(17,594)	(17,594)
At 31 March 2017	365,000	962	201,383	3,660	37,949	264	21,904	631,122

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

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018 (CONTD.)

	Attributable to Equity holder of the Bank							
	Ordinary shares RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserves RM'000	Revaluation reserves RM'000	Equity contribution from former ultimate holding company RM'000	Retained profits RM'000	Total equity RM'000
Group								
At 1 April 2017	365,000	962	201,383	3,660	37,949	298	17,726	626,978
Net profit after taxation	-	-	-	-	-	-	21,752	21,752
Other comprehensive income	-	-	-	-	4,581	-	-	4,581
Total comprehensive income	-	-	-	-	4,581	-	21,752	26,333
Share-based payment under ESS	-	-	-	-	-	(10)	-	(10)
Payment for ESS recharged from former ultimate holding company	-	-	-	-	-	(166)	-	(166)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	(66)	66	-
Transfer to retained profits on share options lapsed	-	-	-	-	-	(56)	56	-
Transition to no par-value regime pursuant to Companies Act, 2016	962	(962)	-	-	-	-	-	-
Transfer from statutory reserves	-	-	(201,383)	-	-	-	201,383	-
Transfer to regulatory reserves	-	-	-	945	-	-	(945)	-
Dividend paid (Note 31)	-	-	-	-	-	-	(17,543)	(17,543)
At 31 March 2018	365,962	-	-	4,605	42,530	-	222,495	635,592
At 1 April 2016	365,000	962	196,736	1,830	38,841	303	23,033	626,705
Net profit after taxation	-	-	-	-	-	-	18,726	18,726
Other comprehensive expense	-	-	-	-	(892)	-	-	(892)
Total comprehensive (expense)/income	-	-	-	-	(892)	-	18,726	17,834
Share-based payment under ESS	-	-	-	-	-	139	-	139
Payment for ESS recharged from former ultimate holding company	-	-	-	-	-	(106)	-	(106)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	(25)	25	-
Transfer to retained profits on share options lapsed	-	-	-	-	-	(13)	13	-
Transfer to statutory reserves	-	-	4,647	-	-	-	(4,647)	-
Transfer to regulatory reserves	-	-	-	1,830	-	-	(1,830)	-
Dividend paid (Note 31)	-	-	-	-	-	-	(17,594)	(17,594)
At 31 March 2017	365,000	962	201,383	3,660	37,949	298	17,726	626,978

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

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	BANK		GROUP	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	29,112	23,828	29,149	24,885
Adjustments for:				
Accretion of discount less amortisation of premium of financial investments	(2,676)	(936)	(2,676)	(936)
Depreciation of property, plant and equipment	640	553	640	553
Amortisation of computer software	555	342	555	342
Dividends received from financial investments available-for-sale	(550)	(778)	(550)	(778)
Dividends received from subsidiaries	-	(2,862)	-	-
Net gain from sale of financial investments available-for-sale	(532)	(2,085)	(532)	(2,085)
Unrealised loss/(gain) from revaluation of financial assets held-for-trading	43	(53)	43	(53)
(Write-back of)/allowance for impairment losses on loans, advances and financing	(516)	789	(516)	789
Allowance for impairment losses on other receivables	229	48	229	48
Allowance for/(write-back) of impairment losses on amounts due from clients	5	(2)	5	(2)
Share of results of associate	-	-	(7)	(4)
Share of results of joint venture	-	-	(43)	(84)
Interest income from financial investments available-for-sale	(36,621)	(29,518)	(36,621)	(29,518)
Interest income from financial investments held-to-maturity	(3,955)	(5,041)	(3,955)	(5,041)
Share options/grants under ESS	(10)	139	(10)	139
Computer software written off	89	-	89	-
Loss on liquidation of subsidiary company	10	-	-	-
Operating loss before working capital changes	(14,177)	(15,576)	(14,200)	(11,745)
Changes in working capital:				
Deposits from customers	(103,945)	193,429	(103,945)	193,429
Deposits and placements of banks and other financial institutions	59,463	146,570	59,463	146,570
Other liabilities	(2,783)	2,087	(2,955)	2,266
Financial assets held-for-trading	20,401	(34,520)	20,401	(34,520)
Loans, advances and financing	(35,774)	(218,125)	(35,774)	(218,125)
Other assets	(5,228)	(1,772)	(5,222)	(1,770)
Amounts due from/(to) clients and brokers	17,749	(16,541)	17,749	(16,541)
Operating (loss)/profit before working capital changes carried forward	(50,117)	71,128	(50,283)	71,309

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

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018 (CONTD.)

	BANK		GROUP	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating(loss)/profit before working capital changes brought forward	(50,117)	71,128	(50,283)	71,309
Statutory deposits with Bank Negara Malaysia	(5,072)	(12,372)	(5,072)	(12,372)
Cash(used in)/generated from operations	(69,366)	43,180	(69,555)	47,192
Tax paid	-	(977)	(181)	(1,721)
Net cash (used in)/generated from operating activities	(69,366)	42,203	(69,736)	45,471
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(110)	(706)	(110)	(706)
Purchase of intangible assets	(1,546)	(838)	(1,546)	(838)
Proceeds from disposal of financial investments available-for-sale (net of purchase)	(68,189)	(39,351)	(68,189)	(39,352)
Proceeds from redemption of financial investments held-to-maturity (net of purchase)	100,000	-	100,000	-
Net dividends received from financial investments available-for-sale	550	778	550	778
Net dividends received from subsidiaries	-	2,862	-	-
Interest income from financial investments available-for-sale	35,858	28,519	35,858	28,519
Interest income from financial investments held-to-maturity	4,445	5,047	4,445	5,047
Net cash generated from/(used in) investing activities	71,008	(3,689)	71,008	(6,552)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment for ESS recharged from former ultimate holding company	(166)	(106)	(166)	(106)
Dividend paid to holding company	(17,543)	(17,594)	(17,543)	(17,594)
Net cash used in financing activities	(17,709)	(17,700)	(17,709)	(17,700)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(16,067)	20,814	(16,437)	21,219
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	42,993	22,179	44,420	23,201
CASH AND CASH EQUIVALENTS AT END OF YEAR	26,926	42,993	27,983	44,420
Cash and cash equivalents comprise the following:				
Cash and short-term funds	26,926	42,993	27,983	44,420
	26,926	42,993	27,983	44,420

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

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2018

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 are dormant 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.

On 26 September 2017, the group reorganisation exercise has completed upon the transfer of listing status from Alliance Financial Group Berhad ("AFG"), the former ultimate holding company of the Bank, to Alliance Bank Malaysia Berhad ("ABMB") on the Main Market of Bursa Malaysia Securities Berhad.

The holding company of the Bank is now 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 31 May 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

Malaysian Financial Reporting Standards ("MFRS") Framework

The financial statements of the Bank and of the Group 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 Bank and the Group have been prepared under the historical cost convention, as modified by the financial investments available-for-sale 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

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 Bank and the Group's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

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

(i) Annual testing for impairment of goodwill (Note 16) - 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.

(ii) Allowance for losses on loans, advances and financing and other receivables (Note 28) - the Bank and the Group make allowance for losses on loans, advances and financing based on assessment of recoverability. Whilst management is guided by the relevant BNM guidelines and accounting standards, management makes judgment on the future and other key factors in respect of the estimation of the amount and timing of the cash flows in assessing allowance for impairment of loans, advances and financing. Among the factors considered are the Group's aggregate exposure to the borrowers, the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flows to service debt obligations and the aggregate amount and ranking of all other creditor claims.

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 Bank and the Group's financial year beginning on or after 1 April 2017 are as follows:

- Amendment to MFRS 107 "Statement of Cash Flows - Disclosure Inititative"
- Amendments to MFRS 112 "Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses"
- MFRS 12 "Disclosures of Interest in Other Entities"
- Annual Improvements to MFRSs 2014 - 2016 Cycles

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 Bank and the Group in the current period or any prior period and is not likely to affect future periods.

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 Bank and the Group but not yet effective

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

Financial year beginning on/after 1 April 2018

(a) MFRS 9 "Financial Instruments" (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

Classification and measurements
MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measure at fair value through profit or loss with a irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

The combined application of the entity’s business model and cash flow characteristics of the financial assets do not result in the significant change in the classification of financial asset other than the unquoted equity instruments currently classified as available-for-sale, which will be reclassified to fair value through profit and loss ("FVTPL"). The reclassification will result in an increase in the Bank’s and the Group’s opening retained profits as of 1 April 2018 due to the transfer of related fair value gains from financial instruments available-for-sale revaluation reserves to retained earnings.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change are:

- For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.

- When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

There will be no changes to the Bank’s and the Group's accounting for financial liabilities. All the financial liabilities, except for derivatives financial liabilities which is at FVTPL, will remain as amortised cost as there has not been significant change in the requirements for financial liabilities under MFRS 9.

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 Bank and the Group but not yet effective (contd.)

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

<u>Financial year beginning on/after 1 April 2018 (contd.):</u>

(a) MFRS 9 "Financial Instruments" (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement" (contd.)

<u>Impairment of financial assets</u>
MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

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

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

- 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).

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

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

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 Bank and the Group but not yet effective (contd.)

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

Financial year beginning on/after 1 April 2018 (contd.):

(a) MFRS 9 "Financial Instruments" (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement" (contd.)

Disclosures
The new standard requires more extensive disclosures especially in the areas of ECL. The Bank and the Group expect the changes in the extent of disclosures in the financial statements for 31 March 2019.

Based on the preliminary assessments performed, the Bank and the Group expect an increase in the impairment on loans, financing and other losses arising from the new impairment requirements, which will result in a reduction in the Bank’s and the Group’s opening retained profits and overall capital position as of 1 April 2018.

The Bank and the Group are now progressing to the finalisation of the implementation of the identified changes and will complete this process prior to the releasing of the interim results for the financial period ending 30 June 2018.

(b) MFRS 15 "Revenue from Contracts with Customers" (effective from 1 January 2018) replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:
- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:
- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements;
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal;

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 Bank and the Group 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 on/after 1 April 2018 (contd.):

Key provisions of the new standard are as follows (contd.):

- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa;
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few;
- As with any new standard, there are also increased disclosures.

(c) IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the "date of the transaction" to record foreign currency transactions.

IC Interpretation 22 provides guidance how to determine "the date of transaction" when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

Financial year beginning on/after 1 April 2019

(a) MFRS 16 "Leases" (effective from 1 January 2019) supersedes MFRS 117 ”Leases” and the related interpretations.

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

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

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 Bank and the Group 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.):

<u>Financial year beginning on/after 1 April 2019 (contd.):</u>

(a) MFRS 16 "Leases" (effective from 1 January 2019) supersedes MFRS 117 "Leases" and the related interpretations (contd.).

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

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

(b) Amendments to MFRS 9 "Prepayment features with negative compensation" (effective 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model.

The amendments will be applied retrospectively.

(c) Amendments to MFRS 128 "Long-term Interests in Associates and Joint Ventures" (effective from 1 January 2019) clarify that an entity should apply MFRS 9 "Financial Instruments" (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

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

The amendments shall be applied retrospectively.

(d) Annual improvement to MFRS's 2015-2017 Cycles:

Amendments to MFRS 3 "Business Combinations" (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.

Amendments to MFRS 11 "Joint Arrangements" (effective from 1 January 2019) clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.

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 Bank and the Group 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 on/after 1 April 2019 (contd.):

(d) Annual improvement to MFRS's 2015-2017 Cycles (contd.):

Amendments to MFRS 112 "Income Taxes" (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

Amendments to MFRS 123 "Borrowing Costs" (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

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

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

IC Interpretation 23 will be applied retrospectively.

The above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Bank in the year of initial application, except for the impact on of MFRS 9.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(i) Subsidiaries (contd.)

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 statement of income.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(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.

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 statements of income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(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.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(d) Intangible Assets

(i) Goodwill

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

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

(ii) Computer Software

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

The policy for the recognition and measurement of impairment is in accordance with Note 2(i)(iv).

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Financial Assets

(i) Classification

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Financial investments available-for-sale

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

Financial investments held-to-maturity

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

(ii) Reclassification

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Financial Assets

(ii) Reclassification (contd.)

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

As at the reporting date, the Bank and the Group have not made any such reclassification.

(iii) Recognition and initial measurement

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

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

(iv) Subsequent measurement – gains and losses

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

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

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

(v) 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 Bank and the Group have transferred substantially all risks and rewards of ownership.

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

(f) 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(g) Repurchase Agreements

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

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

(h) Property, Plant and Equipment and Depreciation

Property, plant and equipment are initially recorded at cost net of the amount of goods and service tax ("GST") except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the property, plant and equipment. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in the statement of comprehensive 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 are stated at cost less accumulated depreciation and accumulated impairment, if any. The policy for the recognition and measurement of impairment is in accordance with Note 2(i)(iv).

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: (contd.)

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Impairment of Assets

(i) Assets carried at amortised cost

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

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

(1) significant financial difficulty of the obligor;

(2) a breach of contract, such as a default or delinquency in interest or principal payments;

(3) it becomes probable that the borrower will enter bankruptcy or winding up petition is served on the borrower, significant shareholder or significant guarantor;

(4) adverse Center Credit Reference Information System ("CCRIS") findings or unfavorable industry developments for that borrower; and

(5) observable data indicating that there is a measurable decrease in the estimated future cash flows including adverse changes in the repayment behavior of the borrower or downgrade of the borrower's credit ratings.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Impairment of Assets (contd.)

(i) Assets carried at amortised cost (contd.)

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

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

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

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

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

(iii) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Impairment of Assets (contd.)

(iii) Goodwill/Intangible assets (contd.)

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 comprehensive 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.

(iv) 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 comprehensive income. An impairment for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised.

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

(j) Leases

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

(i) Finance Leases

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Leases (contd.)

(ii) Operating Leases

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

(k) 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 Bank and the Group, 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.

(l) 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.

(m) Provisions

Provisions are recognised when:
- the Bank and the Group 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(m) Provisions (contd.)

Where the Bank and the Group 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.

(n) Balances Due From Clients and Brokers

In accordance with the Rules of Bursa Securities, clients' accounts are classified as impaired accounts under the following circumstances:

	Criteria for classification as impaired	
Types	Doubtful	Bad
Contra losses	When the account remains outstanding for 16 to 30 calendar days from the date of contra transaction.	When the account remains outstanding for more than 30 calendar days from the date of contra transaction.
Overdue purchase contracts	When the account remains outstanding from T+5 market days to 30 calendar days.	When the account remains outstanding for more than 30 calendar days.

Bad debts are written-off when when all recovery actions have been fully exhausted. Impairment allowances are made for balances due from clients and brokers which are considered doubtful or which have been classified as impaired, after taking into consideration collateral held by the Bank and the Group and deposits of and amounts due to dealer representative in accordance with the Rules of Bursa Securities.

(o) 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 Bank and the Group 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 statement 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(o) Recognition of Interest and Financing Income (contd.)

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.

(p) Recognition of Interest and Financing Expenses

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

(q) Recognition of Fees and Other Income

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

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

Corporate advisory fees are recognised as income on the completion of each stage of the assignment.

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.

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

(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 financial investments available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(r) Foreign currencies (contd.)

(ii) Transactions and balances (contd.)

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 financial investments available-for-sale, are included in other comprehensive income.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(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.

(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").

(iii) Equity Compensation Benefits

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(u) Employee Benefits (contd.)

(iii) Equity Compensation Benefits (contd.)

The credit to equity is treated as a capital contribution as Bank's employees are being compensated with no expense to the Bank.

Where the parent recharges the Bank for the equity instruments granted, the recharge is recognised over the vesting period.

(v) Contingent Liabilities and Contingent Assets

The Bank and the Group 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 Bank or the Group 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.

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 Bank and the Group 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 Bank and the Group 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 liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation, where

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.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(x) Segment Reporting

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

(y) Offsetting Financial Instruments

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

3. CASH AND SHORT-TERM FUNDS

	BANK		GROUP	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	19,301	31,302	20,358	32,218
Money at call and deposit placements maturing within one month	7,625	11,691	7,625	12,202
	26,926	42,993	27,983	44,420

Included in the cash and short-term funds of the Bank and the Group are accounts held-in-trust for remisiers amounting to RM5,866,000 respectively (2017: RM8,279,000)

4. AMOUNTS DUE FROM CLIENTS AND BROKERS

	BANK/GROUP	
	2018	2017
	RM'000	RM'000
Due from clients	101,475	96,499
Due from brokers	670	17,358
	102,145	113,857
Less: Allowance for impairment losses	(840)	(835)
	101,305	113,022

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

4. AMOUNTS DUE FROM CLIENTS AND BROKERS (CONTD.)

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

	BANK/GROUP	
	2018	2017
	RM'000	RM'000
Classified as doubtful	228	101
Classified as bad	851	846
	1,079	947

The other balances are neither past due nor impaired.

The movements in allowance for impairment losses are as follows:

At beginning of financial year	835	837
Allowance for/(write-back) during the financial year (net)	5	(2)
At the end of financial year	840	835

5. FINANCIAL ASSETS HELD-FOR-TRADING

	BANK/GROUP	
	2018	2017
	RM'000	RM'000
At fair value		
Money market instruments:		
Commercial papers	14,978	34,865

6. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	BANK/GROUP	
	2018	2017
	RM'000	RM'000
At fair value		
Money market instruments:		
Malaysian Government securities	112,098	161,194
Malaysian Government investment issues	234,023	161,870
Negotiable instruments of deposits	4,880	506
	351,001	323,570
Unquoted securities:		
Shares	57,212	55,342
Less: Accumulated impairment losses	-	(1,440)
	57,212	53,902
Unit Trust Fund	-	4,960
Corporate bonds and sukuk	690,615	727,110
Less: Accumulated impairment losses	(9,410)	(96,231)
	681,205	630,879
	1,089,418	1,013,311

6. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (CONTD.)

The table below shows the movements in accumulated impairment losses during the financial year for the Bank and the Group:

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
At beginning of financial year	97,671	97,671
Write-off during the financial year	(88,261)	-
At the end of financial year	9,410	97,671

7. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
At amortised cost		
Money market instruments:		
Malaysian Government securities	20,415	121,310
Khazanah Bonds	54,147	52,216
	74,562	173,526
At cost		
Unquoted securities:		
Corporate bonds	17,306	17,306
Less: Accumulated impairment losses	(12,899)	(12,899)
	4,407	4,407
	78,969	177,933

The table below shows the movements in accumulated impairment losses during the financial year for the Bank and the Group:

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
At beginning/end of financial year	12,899	12,899

8. LOANS, ADVANCES AND FINANCING

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
Term loans	180,112	211,769
- Syndicated term loans	144,969	146,284
- Other term loans	35,143	65,485
Staff loans (Directors loan: RM Nil)	278	425
Revolving credits	24,890	5,010
Share margin financing	248,455	200,758
Gross loans, advances and financing	453,735	417,962
Less: Allowance for impairment losses on loans, advances and financing		
- Collective assessment allowance	(840)	(1,356)
Total net loans, advances and financing	452,895	416,606

8. LOANS, ADVANCES AND FINANCING (CONTD.)

(i) By maturity structure:

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
Within one year	282,122	207,315
One year to three years	7,581	40,181
Three years to five years	10,268	10,250
Over five years	153,764	160,216
Gross loans, advances and financing	453,735	417,962

(ii) By type of customer:

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
Domestic business enterprises		
- Small and medium enterprises	67,681	83,346
- Others	191,802	173,276
Individuals	191,351	158,129
Other domestic entities	2,704	2,980
Foreign entities	197	231
Gross loans, advances and financing	453,735	417,962

(iii) By interest rate sensitivity:

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
Fixed rate loans	29,821	35,245
Variable rate:		
- Base lending rate plus	42,650	47,064
- Base rate plus	201,975	144,559
- Cost plus	179,289	191,094
Gross loans, advances and financing	453,735	417,962

(iv) By economic purposes:

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
Purchase of securities	248,455	200,758
Purchase of transport vehicles	29	27
Purchase of landed property	48,297	48,631
of which: - Residential	2,743	2,684
- Non-residential	45,554	45,947
Personal use	148	131
Working capital	92,858	130,628
Others	63,948	37,787
Gross loans, advances and financing	453,735	417,962

8. LOANS, ADVANCES AND FINANCING (CONTD.)

(v) By geographical distribution:

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
Northern region	40,916	32,834
Central region	384,531	371,156
Southern region	28,288	13,972
Gross loans, advances and financing	453,735	417,962

(vi) Movements in impaired loans, advances and financing ("impaired loans") are as follows:

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
At beginning of financial year	2,380	5,955
Impaired during the financial year	374	225
Reclassified as non-impaired during the financial year	(77)	-
Recoveries	(36)	-
Amount written-off	-	(3,800)
At the end of financial year	2,641	2,380
Individual assessment allowance	-	-
Collective assessment allowance (impaired portion)	(312)	(321)
Net impaired loans, advances and financing	2,329	2,059
Gross impaired loans as % of gross loans, advances and financing	0.6%	0.6%

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

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
Individual Assessment Allowance		
At beginning of financial year	-	3,800
Amount written-off	-	(3,800)
At the end of financial year	-	-
Collective Assessment Allowance		
At beginning of financial year	1,356	567
(Write-back of)/allowance for impairment losses during the financial year	(516)	789
At the end of financial year	840	1,356

8. LOANS, ADVANCES AND FINANCING (CONTD.)

(viii) Impaired loans analysed by economic purposes are as follows:

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
Purchase of transport vehicle	29	27
Purchase of landed properties	2,295	2,079
of which: -Residential	2,295	2,079
Personal use	148	131
Others	169	143
Gross impaired loans	2,641	2,380

(ix) Impaired loans by geographical distribution:

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
Central region	2,641	2,380
Gross impaired loans	2,641	2,380

9. OTHER ASSETS

	BANK 2018 RM'000	BANK 2017 RM'000	GROUP 2018 RM'000	GROUP 2017 RM'000
Other receivables, deposits and prepayments	11,302	7,639	11,430	7,773
Less: Allowance for impairment losses in other receivable [Note (a)]	(1,993)	(3,329)	(1,993)	(3,329)
	9,309	4,310	9,437	4,444

Note:

(a) Movement in allowance for impairment losses in other receivables of the Bank and of the Group are as follow:

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
At beginning of financial year	3,329	3,391
Allowance made during the financial year	229	48
Amount written-off	(1,565)	(110)
At the end of financial year	1,993	3,329

10. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

Non-interest bearing statutory deposits for the Bank and the Group of RM38,762,000 (2017: RM33,690,000) 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.

11. INVESTMENTS IN SUBSIDIARIES

	Note	BANK 2018 RM'000	BANK 2017 RM'000
Unquoted shares, at cost			
At beginning of financial year		10	10
Liquidation of subsidiaries during the financial year	(a)	(10)	-
At the end of financial year		-	10

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

Name	Principal activities	Equity interest 2018 %	Equity interest 2017 %
ARSB Alliance Sdn. Bhd. (under member's voluntary winding up)	Dormant	100	100
KLCS Sdn. Bhd. (under member's voluntary winding up)	Dormant	100	100
AIBB Nominees (Tempatan) Sdn. Bhd. (under member's voluntary winding up)	Dormant	100	100
AIBB Nominees (Asing) Sdn. Bhd.	Liquidated	-	100
Rothputra Nominees (Tempatan) Sdn. Bhd.	Liquidated	-	100

Note:

(a) Member's Voluntary Winding-up

AIBB Nominees (Asing) Sdn. Bhd. and Rothputra Nominees (Tempatan) Sdn. Bhd., subsidiaries of the Bank were dissolved on 11 October 2017 and 28 February 2018, respectively. There were no material effect on the earnings and net assets of the Group of the year ended 31 March 2018.

12. INVESTMENT IN AN ASSOCIATE

	BANK		GROUP	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Unquoted shares				
At beginning of financial year	230	230	267	263
Share of results in an associate	-	-	7	4
At the end of financial year	230	230	274	267
Represented by:				
Share of net tangible assets			274	267

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

Name	Principal activities	Effective/direct equity interest 2018	2017
Alliance Trustee Berhad	Trustee services	20%	20%

Alliance Trustee Berhad is jointly held by the following:

	Effective/direct equity interest 2018	2017
Alliance Bank Malaysia Berhad	100%	40%
Alliance Financial Group Berhad	-	100%
Setiu Integrated Resort Sdn. Bhd.	-	20%
Hijauan Setiu Sdn. Bhd.	-	20%
Alliance Direct Marketing Sdn. Bhd.	20%	-
Alliance Group Nominees (Tempatan) Sdn. Bhd.	20%	-
Alliance Group Nominees (Asing) Sdn. Bhd.	20%	-

The summarised financial information of the associate is as follows:

	GROUP	
	2018	2017
	RM'000	RM'000
Assets and Liabilities		
Current assets		
Cash and short term funds	139	168
Other current assets	1,129	1,077
Total current assets	1,268	1,245
Non-current assets	112	102
Total assets	1,380	1,347
Current liabilities		
Other current liabilities	7	10
Total liabilities	7	10
Net assets	1,373	1,337
The summarised statement of comprehensive income is as follows:		
Revenue	41	43
Profit before tax for the financial year	34	33
Profit after tax for the financial year	36	24
Reconciliation of summarised financial information:		
The above profit includes the following:		
Taxation	2	(8)

12. INVESTMENT IN AN ASSOCIATE (CONTD.)

	GROUP 2018 RM'000	GROUP 2017 RM'000
Net assets		
At beginning of financial year	1,337	1,313
Profit after tax for the financial year	36	24
At the end of financial year	1,373	1,337
Carrying value at 20% share of the equity interest of the associate	274	267

13. INVESTMENT IN JOINT VENTURE

	BANK 2018 RM'000	BANK 2017 RM'000	GROUP 2018 RM'000	GROUP 2017 RM'000
At beginning of financial year	394	394	650	566
Share of results of joint venture	-	-	43	84
At the end of financial year	394	394	693	650
Represented by:				
Share of net tangible assets			693	650

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

Name	Principal activities	Effective equity interest 2018	Effective equity interest 2017
AllianceDBS Research Sdn. Bhd.	Research and stock analysis	51%	51%

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

	GROUP 2018 RM'000	GROUP 2017 RM'000
Assets and Liabilities		
Current assets		
Cash and short term funds	2,223	1,859
Other current assets	565	651
Total current assets	2,788	2,510
Non-current assets	409	512
Total assets	3,197	3,022
Current liabilities		
Other liabilities (non trade)	1,838	1,747
Total liabilities	1,838	1,747
Net assets	1,359	1,275

	GROUP 2018 RM'000	GROUP 2017 RM'000
The summarised statement of comprehensive income is as follows:		
Revenue	6,570	6,389
Profit before tax for the financial year	281	215
Profit after tax for the financial year	84	166
The above profit includes the following:		
Depreciation and amortisation	(18)	(18)
Taxation	(197)	(49)

13. INVESTMENT IN JOINT VENTURE (CONTD.)

Reconciliation of summarised financial information:

	GROUP 2018 RM'000	GROUP 2017 RM'000
Net assets		
At beginning of financial year	1,275	1,109
Profit for the financial year	84	166
At the end of financial year	1,359	1,275
Carrying value at 51% share of the equity interest of a joint venture	693	650

14. PROPERTY, PLANT AND EQUIPMENT

BANK 2018	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost					
At beginning of financial year	4,021	2,991	15,965	5	22,982
Additions	19	12	79	-	110
Written-off	-	(181)	(2,206)	-	(2,387)
At the end of financial year	4,040	2,822	13,838	5	20,705
Accumulated Depreciation					
At beginning of financial year	3,178	2,242	15,844	5	21,269
Charge for the financial year	399	159	82	-	640
Written-off	-	(181)	(2,206)	-	(2,387)
At the end of financial year	3,577	2,220	13,720	5	19,522
Net Carrying Amount	463	602	118	-	1,183

GROUP 2018	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost					
At beginning of financial year	4,021	3,001	15,965	5	22,992
Additions	19	12	79	-	110
Written-off	-	(181)	(2,206)	-	(2,387)
At the end of financial year	4,040	2,832	13,838	5	20,715
Accumulated Depreciation					
At beginning of financial year	3,178	2,252	15,844	5	21,279
Charge for the financial year	399	159	82	-	640
Written-off	-	(181)	(2,206)	-	(2,387)
At the end of financial year	3,577	2,230	13,720	5	19,532
Net Carrying Amount	463	602	118	-	1,183

14. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

BANK 2017	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost					
At beginning of financial year	3,966	2,447	15,858	5	22,276
Additions	55	544	107	-	706
At the end of financial year	4,021	2,991	15,965	5	22,982
Accumulated Depreciation					
At beginning of financial year	2,781	2,135	15,795	5	20,716
Charge for the financial year	397	107	49	-	553
At the end of financial year	3,178	2,242	15,844	5	21,269
Net Carrying Amount	843	749	121	-	1,713

GROUP 2017	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost					
At beginning of financial year	3,966	2,457	15,858	5	22,286
Additions	55	544	107	-	706
At the end of financial year	4,021	3,001	15,965	5	22,992
Accumulated Depreciation					
At beginning of financial year	2,781	2,145	15,795	5	20,726
Charge for the financial year	397	107	49	-	553
At the end of financial year	3,178	2,252	15,844	5	21,279
Net Carrying Amount	843	749	121	-	1,713

15. DEFERRED TAX LIABILITIES

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:

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
Deferred tax liabilities	(11,788)	(11,143)
	(11,788)	(11,143)

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
At beginning of financial year	(11,143)	(11,521)
Recognised in statement of income (Note 29)	802	97
Recognised in equity	(1,447)	281
At the end of financial year	(11,788)	(11,143)

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

Bank/Group Deferred tax assets/(liabilities)	Financial investments available-for-sale RM'000	Property, plant and equipment RM'000	Other liabilities RM'000	Total RM'000
At 1 April 2016	(12,265)	(86)	830	(11,521)
Recognised in statement of income	-	(31)	128	97
Recognised in equity	281	-	-	281
At 31 March 2017	(11,984)	(117)	958	(11,143)
Recognised in statement of income	-	81	721	802
Recognised in equity	(1,447)	-	-	(1,447)
At 31 March 2018	(13,431)	(36)	1,679	(11,788)

16. INTANGIBLE ASSETS

	BANK 2018 RM'000	BANK 2017 RM'000	GROUP 2018 RM'000	GROUP 2017 RM'000
Goodwill				
Cost:				
At beginning/end of financial year	71,760	71,760	63,870	63,870
Accumulated impairment losses:				
At beginning/end of financial year	(12,216)	(12,216)	(11,006)	(11,006)
Net carrying amount	59,544	59,544	52,864	52,864
Computer software				
Cost:				
At beginning of financial year	6,342	5,504	6,342	5,504
Additions	1,546	838	1,546	838
Written-off	(155)	-	(155)	-
At the end of financial year	7,733	6,342	7,733	6,342
Accumulated amortisation:				
At beginning of financial year	(4,359)	(4,017)	(4,359)	(4,017)
Charge for the financial year	(555)	(342)	(555)	(342)
Written-off	66	-	66	-
At the end of financial year	(4,848)	(4,359)	(4,848)	(4,359)
Net carrying amount	2,885	1,983	2,885	1,983
Total carrying amount	62,429	61,527	55,749	54,847

Computer software includes work in progress of RM112,000 (2017: RM915,000) for the Bank and the Group 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:

	BANK 2018 RM'000	BANK 2017 RM'000	GROUP 2018 RM'000	GROUP 2017 RM'000
Stockbroking business	32,639	32,639	29,050	29,050
Financial markets	23,282	23,282	20,722	20,722
Corporate Investment Banking	3,623	3,623	3,092	3,092
	59,544	59,544	52,864	52,864

16. INTANGIBLE ASSETS (CONTD.)

(a) Impairment test on Goodwill (contd.)

For annual impairment testing purposes, the recoverable amount of the CGUs, which are reportable businesses, 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 2018 %	GROUP 2017 %
Financial markets	6.09	7.16
Corporate Investment Banking	9.92	7.14
Stockbroking business	9.80	7.13

(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 cashflow projections are derived based on a number of key factors including past performance and management's expectation of market developments.

Cash flows beyond the fourth year are extrapolated in perpetuity using terminal growth rate at the range at 4.5% to 5.2% (2017: 4.5%), representing the forecasted GDP growth rate of the country for all CGUs.

(b) Sensitivity to changes in Assumptions

Management is of a view that any reasonable change in key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount of the CGU.

17. DEPOSITS FROM CUSTOMERS

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
Fixed/investment deposits	306,438	460,581
Money market deposits	302,899	67,670
Negotiable instruments of deposits	15,003	200,034
	624,340	728,285

17. DEPOSITS FROM CUSTOMERS (CONTD.)

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

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
Due within six months	624,340	728,285

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

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
Business enterprises	364,730	471,364
Domestic financial institutions	15,003	200,034
Domestic non-bank financial institutions	244,607	56,887
	624,340	728,285

18. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
Licensed banks	440,429	431,375
Licensed investment banks	22,004	-
Other financial institutions	28,405	-
	490,838	431,375

19. AMOUNTS DUE TO CLIENTS AND BROKERS

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
Due to clients	75,103	69,066

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 and the Bank's normal trade credit terms for trade payable for non-margin client is three (3) market days according to Bursa's FDSS trading rules.

Following the issuance of FRSIC Consensus 18, the Bank and the Group no longer recognises trust monies balances in the statement of financial position, as the Bank and the Group 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 Bank and the Group amounting to RM71,652,000 (2017: RM75,447,000) have been excluded accordingly.

20. OTHER LIABILITIES

		BANK		GROUP	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Other payables		22,334	22,778	21,746	22,193
Provision and accruals		6,410	4,924	6,444	4,949
Remisier's accounts		5,866	8,279	5,866	8,279
Amounts due to joint venture	(i)	168	260	168	260
Amount due to holding company	(i)	122	1,570	122	1,748
Amount due to former ultimate holding company	(i)	-	68	-	69
		34,900	37,879	34,346	37,498

Note:

(i) The amount due to joint venture, holding company and former ultimate holding company are unsecured, interest free and repayable upon demand.

21. SHARE CAPITAL

	BANK/GROUP			
	2018		2017	
	Number of Ordinary Shares '000	RM'000	Number of Ordinary Shares '000	RM'000
Ordinary shares issue:				
At beginning of financial year	365,000	365,000	365,000	365,000
Transition to no-par value regime on 31 January 2017 under the Companies Act, 2016 (Note 22(e))	-	962	-	-
At the end of financial year - ordinary shares with no-par value	365,000	365,962	365,000	365,000

22. RESERVES

		BANK		GROUP	
	Note	2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Non-distributable:					
Statutory reserve	(a)	-	201,383	-	201,383
Regulatory reserves	(b)	4,605	3,660	4,605	3,660
Revaluation reserves	(c)	42,530	37,949	42,530	37,949
Employees' share scheme ("ESS") reserves	(d)	-	264	-	298
Share premium	(e)	-	962	-	962
		47,135	244,218	47,135	244,252
Distributable:					
Retained profits		226,603	21,904	222,495	17,726
		273,738	266,122	269,630	261,978

22. RESERVES (Contd.)

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

(b) The Bank and the Group are required to maintain in aggregate collective impairment allowances of no less than 1.2% of the total outstanding loans, advances and financing, net of individual impairment allowances, in accordance with the BNM guideline dated 6 April 2015 on "Classification and Impairment Provisions for Loans".

(c) The revaluation reserves are in respect of unrealised fair value gains and losses on financial investments available-for-sale.

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

(e) Prior to 31 January 2017, the application of the share premium account was governed by Section 60 and 61 of the Companies Act, 1965. In accordance with the transitional provisions set out in Section 618 (2) of the Companies Act, 2016 on 31 January 2017 any amount standing to the credit of the Bank's share premium account has been aggregated as part of the Bank's share capital (refer to Note 21). Notwithstanding this provision, the Bank and the Group may within 24 months from the commencement of the Companies Act, 2016, use the amount standing to the credit of its share premium account of RM962,000 for purposes as set out in Section 618 (3) of the Companies Act, 2016.

23. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME

The Alliance Financial Group Berhad Employees' Share Scheme ("AFG Bhd ESS") is governed by the Bye-Laws approved by its shareholders at an Extraordinary General Meeting held on 28 August 2007. The AFG Bhd ESS which comprises the Share Option Plan, the Share Grant Plan and Share Save Plan took effect on 3 December 2007 and is in force for a period of 10 years. The scheme ended on 2 December 2017.

There were no share grants and share options offered under the Share Grant Plan and Share Option Plan during the current financial year.

Upon the completion of group reorganisation exercise, the AFG shares held previously will be replaced with the same number of ABMB shares, and will continue to be held by the Trustee under AFG Bhd ESS.

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

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

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

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

23. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME (CONTD.)

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

(a) has attained the age of 18 years;

(b) in the case of a Director, is on the board of directors of a corporation in the Group;

(c) in the case of an employee, is employed by a corporation in the Group; and

(d) is not a participant of any other employee share option scheme implemented by any other corporation within the Group which is in force for the time being,

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

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

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

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

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

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

BANK/GROUP	**Share Grants**			
2018	Number of Share Grants			
	At beginning of year '000	Vested '000	Lapsed/ forfeited '000	At end of year '000
2015 Share Scheme (1st grant)	8	-	(8)	-
2016 Share Scheme	46	(46)	-	-
	54	(46)	(8)	-

BANK/GROUP	**Share Grants**			
2017	Number of Share Grants			
	At beginning of year '000	Vested/ exercised '000	Lapsed '000	At end of year '000
2015 Share Scheme (1st grant)	16	(8)	-	8
2016 Share Scheme	68	(22)	-	46
	84	(30)	-	54

23. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME (CONTD.)

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

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

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

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

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

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

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

24. INTEREST INCOME

	BANK		GROUP	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	26,425	18,053	26,425	18,053
Money at call and deposit placements with financial institutions	194	31	199	2,012
Financial investments available-for-sale	36,621	29,518	36,621	29,518
Financial investments held-to-maturity	3,955	5,041	3,955	5,041
	67,195	52,643	67,200	54,624
Accretion of discount less amortisation of premium of financial investments	2,676	936	2,676	936
	69,871	53,579	69,876	55,560

Included in interest income on loans, advances and financing for the current financial year is interest accrued on impaired loans of the Bank and of the Group of RM1,556,000 (2017 : RM1,321,000).

25. INTEREST EXPENSE

	BANK		GROUP	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	16,802	9,117	16,802	9,117
Deposits from customers	21,011	17,648	21,011	17,594
	37,813	26,765	37,813	26,711

26. OTHER OPERATING INCOME

	BANK 2018 RM'000	BANK 2017 RM'000	GROUP 2018 RM'000	GROUP 2017 RM'000
(a) Fee and commission income:				
Brokerage fees	36,811	29,795	36,811	29,795
Corporate advisory fees	3,221	2,285	3,221	2,285
Guarantee fees	-	262	-	262
Arrangement fees	3,030	4,542	3,030	4,542
Processing fees	646	444	646	444
Service charges	498	301	498	301
Underwriting commissions	472	85	472	85
	44,678	37,714	44,678	37,714
(b) Fee and commission expense:				
Brokerage fees expense	(12,304)	(11,413)	(12,304)	(11,413)
(c) Investment income:				
Gain arising from sale/redemption of securities:				
- Financial investments available-for-sale	532	2,085	532	2,085
Unrealised (loss)/gain from revaluation of financial assets held-for-trading	(43)	53	(43)	53
Gross dividend income from:				
- Financial investments available-for-sale	550	778	550	778
- Subsidiaries	-	2,862	-	-
	1,039	5,778	1,039	2,916
(d) Other income:				
Foreign exchange gain	359	423	359	423
Rental income	89	34	89	34
Other non-operating income	872	1,196	882	2,996
	1,320	1,653	1,330	3,453
Total other operating income	34,733	33,732	34,743	32,670

27. OTHER OPERATING EXPENSES

	BANK		GROUP	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, allowances and bonuses	19,658	19,008	19,658	19,008
- Contribution to EPF	2,878	2,920	2,878	2,920
- Share options/grants under ESS	(10)	139	(10)	139
- Others	2,278	1,974	2,278	1,974
	24,804	24,041	24,804	24,041
Establishment costs				
- Depreciation of property, plant and equipment	640	553	640	553
- Amortisation of computer software	555	342	555	342
- Rental	1,594	1,644	1,594	1,644
- Water and electricity	524	634	524	634
- Repairs and maintenance	610	583	610	583
- Information technology expenses	3,065	2,706	3,065	2,706
- Others	1,410	1,441	1,410	1,441
	8,398	7,903	8,398	7,903
Marketing expenses				
- Advertisement and publicity	494	443	494	443
- Entertainment	156	186	156	186
- Research cost	2,046	2,384	2,046	2,384
- Others	153	227	153	227
	2,849	3,240	2,849	3,240
Administration and general expenses				
- Communication expenses	637	570	638	570
- Printing and stationery	63	56	63	56
- Professional fees	2,615	1,627	2,639	1,631
- Others	3,269	2,516	3,272	2,516
	6,584	4,769	6,612	4,773
Total other operating expenses	42,635	39,953	42,663	39,957

Included in the other operating expenses are the following:

Auditors' remuneration				
- statutory audit fees	214	205	220	213
- audit related services	88	72	88	72
- tax compliance fees	34	32	34	32
- tax related fees	116	-	116	-
Computer software written-off	89	-	89	-

28. (WRITE-BACK OF)/ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING AND OTHER RECEIVABLES

	BANK		GROUP	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
(Write-back of)/allowance for impairment losses on loans, advances and financing and other receivables:				
(a) Collective assessment allowance				
- Net (write-back of)/allowance for during the financial year	(516)	789	(516)	789
(b) Bad debts on loans				
- Recovered	(277)	(140)	(277)	(140)
	(793)	649	(793)	649
Allowance for impairment losses on other receivables (net)	229	48	229	48
Allowance for/(write-back of) impairment losses for amounts due from clients	5	(2)	5	(2)
	(559)	695	(559)	695

29. TAXATION

	BANK		GROUP	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Income Tax:				
Current year	7,645	5,177	7,646	6,096
Under provision in prior years	553	160	553	160
	8,198	5,337	8,199	6,256
Deferred tax (Note 15)	(802)	(97)	(802)	(97)
	7,396	5,240	7,397	6,159

Income tax is calculated at the Malaysian Statutory tax rate of 24% (2017: 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 Bank and of the Group is as follows:

	BANK		GROUP	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	29,112	23,828	29,149	24,885
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	6,987	5,719	6,996	5,973
Income not subject to tax	(132)	(874)	(146)	(209)
Expenses not deductible for tax purposes	340	235	346	235
Under provision of tax expense in prior years	201	160	201	160
Tax expense for the year	7,396	5,240	7,397	6,159

30. 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	
	2018	2017
	RM'000	RM'000
Net profit attributable to Equity holder of the Bank	21,752	18,726
	2018	2017
	'000	'000
Numbers of ordinary shares in issued	365,000	365,000
	2018	2017
	Sen	Sen
Basic/diluted earnings per share	5.96	5.13

31. DIVIDEND

Dividends on ordinary shares:

	2018	2017
	RM'000	RM'000
Second Interim 1.89 sen per share, on 365,000,000 ordinary shares declared in financial year ended 31 March 2017, was paid on 20 June 2017.	6,899	-
Second Interim 2.89 sen per share, on 365,000,000 ordinary shares declared in financial year ended 31 March 2016, was paid on 15 June 2016.	-	10,549
First Interim 2.92 sen per share, on 365,000,000 ordinary shares declared in financial year ending 31 March 2018, was paid on 22 December 2017.	10,644	-
First Interim 1.93 sen per share, on 365,000,000 ordinary shares declared in financial year ended 31 March 2017, was paid on 16 December 2016.	-	7,045
	17,543	17,594

Subsequent to the financial year end, on 30 May 2018, the Directors declared a single tier second interim dividend of 3.03 sen per share on 365,000,000 ordinary shares amounting to approximately RM11,060,000 in respect of current financial year. The accompanying financial statements do not reflect these dividend. The dividend will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2019. The director do not propose any final dividend in respect of the financial year ended 31 March 2018.

32. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are the Bank's and the Group'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 Bank and of the Group, directly or indirectly, including Executive Directors and Non-Executive Directors of the Bank and of the Group (including close members of their families). Other members of key management personnel of the Bank and of the Group 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 38.
- Subsidiaries	Subsidiaries of the Bank as disclosed in Note 11.
- Other related companies	Related companies of the Bank as disclosed in Note 38.
- Associate	Associate of the Bank as disclosed in Note 12.
- Joint venture	Joint venture of the Bank as disclosed in Note 13.
- Former ultimate holding company	Alliance Financial Group Berhad

	BANK		GROUP	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
(a) Transactions				
Interest income				
- holding company	2	11	7	11
- other related companies	-	5	-	5
Other income				
- other related companies	330	-	330	-
- former ultimate holding company	-	500	-	500
- holding company	450	62	450	96
Rental income				
- holding company	89	-	89	-
Interest expenses				
- holding company	(5,342)	(6,778)	(5,342)	(6,778)
- other related companies	(1,533)	(1,444)	(1,533)	(1,444)
- former ultimate holding company	-	(1,882)	-	(1,882)
- joint venture	(32)	-	(32)	-

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

(a) Transactions (contd.)

	BANK		GROUP	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Rental expense				
- holding company	(262)	(233)	(262)	(233)
Dividend paid				
- holding company	(17,543)	(17,594)	(17,543)	(17,594)
Overhead expenses				
- holding company	(11,648)	(10,220)	(11,648)	(10,220)
- other related companies	(312)	-	(382)	-
- former ultimate holding company	-	(762)	-	(762)
- joint venture [Note]	(2,046)	(2,384)	(2,046)	(2,439)

Note:

As at 31 March 2018, the Bank and the Group have paid RM2,239,000 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.

(b) Balances

	BANK		GROUP	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Money at call and deposit placements with financial institutions				
- holding company	21,561	33,105	21,561	33,305
Investment in securities				
- other related companies	4,959	506	4,959	506
Deposits from customers				
- former ultimate holding company	-	(97,229)	-	(97,229)
- holding company	(15,003)	(200,034)	(15,003)	(200,034)
- other related companies	(46,839)	(9,889)	(46,839)	(9,889)
- joint venture	(1,502)	(1,801)	(1,502)	(1,801)
Deposits and placements of banks and other financial institutions				
- holding company	(300,054)	(431,375)	(300,054)	(431,375)
Other liabilities				
- former ultimate holding company	-	(68)	-	(69)
- holding company	(122)	(1,570)	(122)	(1,748)
- joint venture	(168)	(260)	(168)	(260)

32. 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:

	BANK		GROUP	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
CEO and other key management:				
Short-term employee benefits				
- Salary and other remuneration	5,078	1,786	5,078	1,786
- Contribution to EPF	738	243	738	243
- Share option/grants under ESS	-	96	-	96
- Benefits-in-kind	53	-	53	-
	5,869	2,125	5,869	2,125
Non-executive Directors:				
Short-term employee benefits				
- Fees payable	476	536	476	536
- Allowances	104	129	104	129
	580	665	580	665
Included in the total key management personnel are:				
CEO and Non-executive Directors' remuneration excluding past Directors (Note 34)	2,689	2,790	2,689	2,790

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

	Share Grants	
	2018	2017
	'000	'000
Bank/Group		
At beginning of financial year	38	56
Vested	(38)	(18)
At the end of financial year	-	38

The above share options/grants were offered/awarded on the same terms and conditions as those offered to other employees of the Bank (Note 23).

Bank/Group

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

	2018		2017	
	Unrestricted	Deferred	Unrestricted	Deferred
	RM'000	RM'000	RM'000	RM'000
Fixed remuneration				
Cash	4,899	-	2,111	-
	4,899	-	2,111	-

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

(c) Compensation of key management personnel (contd.)

Bank/Group

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

	2018				2017			
	Number	Unrestricted RM'000	Number	Deferred RM'000	Number	Unrestricted RM'000	Number	Deferred RM'000
Variable remuneration								
Cash	7	1,244	4	306	1	500	1	83
Shares and share-linked instruments	-	-	-	-	-	-	1	96
		1,244		306		500		179
Total fixed & variable remuneration		6,143		306		2,611		179

33. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
Outstanding credit exposures with connected parties	99,415	100,337
of which: Total credit exposure which is impaired or default	-	-
Total credit exposures	1,874,669	1,904,872
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	5.30%	5.27%
- 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;

33. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES (CONTD.)

Based on these guidelines, a connected party refers to the following (contd.):

(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.

34. CEO AND DIRECTORS' REMUNERATION

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

	BANK		GROUP	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CEO and other key management				
- Salary and other remuneration	1,385	1,286	1,385	1,286
- Bonuses	436	500	436	500
- Contribution to EPF	246	243	246	243
- Share options/grants under ESS	-	96	-	96
- Benefits-in-kind	42	-	42	-
	2,109	2,125	2,109	2,125
Non-executive Directors				
- Fees payable	476	536	476	536
- Allowances	104	129	104	129
	580	665	580	665
	2,689	2,790	2,689	2,790
Past Director				
- Fees payable	70	4	70	4
- Allowances	38	-	38	-
	108	4	108	4
	2,797	2,794	2,797	2,794
Total Directors' remuneration excluding benefits-in-kind	2,755	2,794	2,755	2,794

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

Note:

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

(b) The Directors of the Bank and the Group are covered under the Directors’ & Officers’ Liability Insurance in respect of liabilities arising from acts committed in their capacity as Directors of the Bank and the Group, 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 Bank and the Group is RM6,000. (2017:RM5,000)

34. CEO AND DIRECTORS' REMUNERATION (CONTD.)

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

BANK/GROUP 2018	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	1,385	436	246	-	-	42	2,109
	1,385	436	246	-	-	42	2,109
Non-executive Directors:							
Kung Beng Hong	-	-	-	177	24	-	201
Kuah Hun Liang	-	-	-	116	25	-	141
Mazidah Binti Abdul Malik	-	-	-	107	36	-	143
Dato' Yeoh Beow Tit	-	-	-	76	19		95
	-	-	-	476	104	-	580
Past Director:							
Dato' Majid Bin Mohamad	-	-	-	70	38	-	108
	-	-	-	70	38	-	108
Total CEO and Directors' remuneration	1,385	436	246	546	142	42	2,797

BANK/GROUP 2017	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees Payable RM'000	Allowances RM'000	Share options/ grants under ESS RM'000	Total RM'000
Chief Executive Officer:							
Mahesh s/o Shri Pranlal Rupawalla	1,286	500	243	-	-	96	2,125
	1,286	500	243	-	-	96	2,125
Non-executive Directors:							
Kung Beng Hong	-	-	-	181	23	-	204
Kuah Hun Liang	-	-	-	112	24	-	136
Dato' Majid Bin Mohamad	-	-	-	76	42	-	118
Mazidah Binti Abdul Malik	-	-	-	101	29	-	130
Dato' Yeoh Beow Tit	-	-	-	66	11		77
	-	-	-	536	129	-	665
Past Director:							
Premod Paul Thomas	-	-	-	4	-	-	4
	-	-	-	4	-	-	4
Total CEO and Directors' remuneration	1,286	500	243	540	129	96	2,794

35. FINANCIAL RISK MANAGEMENT POLICIES

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

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

(a) Credit Risk

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

Credit risk arises from loans, advances, investment in securities, amongst others. The amount of credit exposure is represented by the carrying amount of loans, advances and investment securitites 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.

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

The credit exposure arising from off-balance sheet activities, i.e. commitments and contingencies is set out in Note 39 to the financial statements.

(i) Maximum exposure to credit risk

The following table presents the Bank and the Group'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 impairment, 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.

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (Contd.)

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

	BANK		GROUP	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Credit risk exposure: on-balance sheet				
Cash and short-term funds (exclude cash in hand)	26,926	42,993	27,983	44,420
Amounts due from clients and brokers	101,305	113,022	101,305	113,022
Financial assets held-for-trading	14,978	34,865	14,978	34,865
Financial investments available-for-sale (exclude equity securities)	1,032,206	959,409	1,032,206	959,409
Financial investments held-to-maturity	78,969	177,933	78,969	177,933
Loans, advances and financing	452,895	416,606	452,895	416,606
Statutory deposits with Bank Negara Malaysia	38,762	33,690	38,762	33,690
Other assets (exclude prepayment)	8,345	3,786	8,473	3,917
	1,754,386	1,782,304	1,755,571	1,783,862
Credit risk exposure: off-balance sheet				
Credit related commitments and contingencies	328,529	320,164	328,529	320,164
Total off-balance sheet	328,529	320,164	328,529	320,164
Total maximum exposure	2,082,915	2,102,468	2,084,100	2,104,026

35. 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 analyses 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.

	Government and Central Bank	Financial, Insurance, Business Services and Real Estate	Transport, Storage and Communication Services	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction	Household	Others	Total
BANK	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2018								
Cash and short-term funds(exclude cash in hand)	44	26,882	-	-	-	-	-	26,926
Amounts due from clients and brokers	-	670	-	-	-	-	100,635	101,305
Financial assets held-for-trading	-	14,978	-	-	-	-	-	14,978
Financial investments available-for-sale								
(exclude equity securities)	346,121	326,826	238,413	20,849	99,997	-	-	1,032,206
Financial investments held-to-maturity	20,415	58,554		-	-	-	-	78,969
Loans, advances and financing	-	177,766	-	25,654	10,332	191,403	47,740	452,895
Statutory deposits with Bank Negara								
Malaysia	38,762	-	-	-	-	-	-	38,762
Other assets(exclude prepayment)	-	-	-	-	-	-	8,345	8,345
	405,342	605,676	238,413	46,503	110,329	191,403	156,720	1,754,386
Credit related commitments and								
contingencies	-	44,227	-	10,574	15,169	254,263	4,296	328,529
Total off-balance sheet	-	44,227	-	10,574	15,169	254,263	4,296	328,529
Total credit risk	405,342	649,903	238,413	57,077	125,498	445,666	161,016	2,082,915
GROUP								
2018								
Cash and short-term funds(exclude cash in hand)	44	27,939	-	-	-	-		27,983
Amounts due from clients and brokers	-	670	-	-	-	-	100,635	101,305
Financial assets held-for-trading	-	14,978	-	-	-	-	-	14,978
Financial investments available-for-sale								
(exclude equity securities)	346,121	326,826	238,413	20,849	99,997	-	-	1,032,206
Financial investments held-to-maturity	20,415	58,554	-	-	-	-	-	78,969
Loans, advances and financing	-	177,766	-	25,654	10,332	191,403	47,740	452,895
Statutory deposits with Bank Negara	-	-	-	-	-	-	-	
Malaysia	38,762	-	-	-	-	-	-	38,762
Other assets(exclude prepayment)	-	-	-	-	-	-	8,473	8,473
Total on-balance sheet	405,342	606,733	238,413	46,503	110,329	191,403	156,848	1,755,571
Credit related commitments and								
contingencies	-	44,227	-	10,574	15,169	254,263	4,296	328,529
Total off-balance sheet	-	44,227	-	10,574	15,169	254,263	4,296	328,529
Total credit risk	405,342	650,960	238,413	57,077	125,498	445,666	161,144	2,084,100

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35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(ii) Credit risk concentrations (contd.)

	Government and Central Bank	Financial, Insurance, Business Services and Real Estate	Transport, Storage and Communication Services	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction	Household	Others	Total
BANK	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017								
Cash and short-term funds(exclude cash in hand)	52	42,941	-	-	-	-	-	42,993
Amounts due from clients and brokers	-	17,358	-	-	-	-	95,664	113,022
Financial assets held-for-trading	-	34,865	-	-	-	-	-	34,865
Financial investments available-for-sale (exclude equity securities)	323,063	348,033	162,307	36,139	89,867	-	-	959,409
Financial investments held-to-maturity	121,310	56,623		-	-	-	-	177,933
Loans, advances and financing	-	169,498	-	41,028	-	158,181	47,899	416,606
Statutory deposits with Bank Negara Malaysia	33,690	-	-	-	-	-	-	33,690
Other assets(exclude prepayment)	-	-	-	-	-	-	3,786	3,786
	478,115	669,318	162,307	77,167	89,867	158,181	147,349	1,782,304
Credit related commitments and contingencies	-	54,794	-	14,500	7,500	239,349	4,021	320,164
Total off-balance sheet	-	54,794	-	14,500	7,500	239,349	4,021	320,164
Total credit risk	478,115	724,112	162,307	91,667	97,367	397,530	151,370	2,102,468
GROUP								
2017								
Cash and short-term funds(exclude cash in hand)	52	44,368	-	-	-	-	-	44,420
Amounts due from clients and brokers	-	17,358	-	-	-	-	95,664	113,022
Financial assets held-for-trading	-	34,865	-	-	-	-	-	34,865
Financial investments available-for-sale (exclude equity securities)	323,063	348,033	162,307	36,139	89,867	-	-	959,409
Financial investments held-to-maturity	121,310	56,623	-	-	-	-	-	177,933
Loans, advances and financing	-	169,498	-	41,028	-	158,181	47,899	416,606
Statutory deposits with Bank Negara Malaysia	33,690	-	-	-	-	-	-	33,690
Other assets(exclude prepayment)	-	-	-	-	-	-	3,917	3,917
Total on-balance sheet	478,115	670,745	162,307	77,167	89,867	158,181	147,480	1,783,862
Credit related commitments and contingencies	-	54,794	-	14,500	7,500	239,349	4,021	320,164
Total off-balance sheet	-	54,794	-	14,500	7,500	239,349	4,021	320,164
Total credit risk	478,115	725,539	162,307	91,667	97,367	397,530	151,501	2,104,026

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(iii) Collaterals

The main types of collateral obtained by the Group are as follows:
- For personal housing loans, mortgages over residential properties;
- For commercial property loans, charges over the properties being financed;
- For hire purchase, ownership right over the vehicles or equipment financed; and
- For other loans, charges over business assets such as premises, financial/ trade receivables or deposits.

(iv) Credit quality - Loans, advances and financing

All loans, advances and financing are categorised as either:
- Neither past due nor impaired;
- Past due but not impaired; or
- Impaired.

Past due loans, advances and financing refer to loans that are overdue by one day or more. Impaired loans are classified in accordance to the BNM guideline "Classification and Impairment Provision for Loans"

Distribution of loans, advances and financing by credit quality

	BANK/GROUP	
	2018	2017
	RM'000	RM'000
Neither past due nor impaired	450,976	415,312
Past due but not impaired	118	270
Impaired	2,641	2,380
Gross loans, advances and financing	453,735	417,962
Less: Allowance for impairment		
- Individual assessment	-	-
- Collective assessment	(840)	(1,356)
Net loans, advances and financing	452,895	416,606
Percentage of collateral held for loans, advances and financing	65.2%	65.2%

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(iv) Credit quality - Loans, advances and financing (contd.)

Credit quality of loans, advances and financing neither past due nor impaired

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

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
Grading classification		
- Good	450,976	415,312
- Fair	-	-
	450,976	415,312

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

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

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

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

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

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

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
Past due up to 1 month	77	258
Past due > 1 - 2 months	41	12
	118	270

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(iv) Credit quality - Loans, advances and financing (contd.)

Loans, advances and financing assessed as impaired

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

	BANK/GROUP	
	2018	2017
	RM'000	RM'000
Gross impaired loans	2,641	2,380
Gross individually assessed impaired loans	-	-
Less: Allowance for impairment		
Individual assessment	-	-
Net individually assessed impaired loans	-	-

(v) Credit quality - Financial instruments and financial assets

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

Distribution of financial instruments by credit quality are summarised as below:

BANK 2018	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Allowance for impairment losses RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	26,926	-	-	-	26,926
Amounts due from clients and brokers	101,066	-	1,079	(840)	101,305
Financial assets held-for-trading	14,978	-	-	-	14,978
Financial investments available-for-sale (exclude equity securities)	1,032,206	-	9,410	(9,410)	1,032,206
Financial investments held-to-maturity	74,597	-	17,271	(12,899)	78,969
Statutory deposits with Bank Negara Malaysia	38,762	-	-	-	38,762
Other assets (exclude prepayment)	8,343	-	1,993	(1,993)	8,343
	1,296,878	-	29,753	(25,142)	1,301,489

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality - Financial instruments and financial assets (contd.)

GROUP 2018	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Allowance for impairment losses RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	27,983	-	-	-	27,983
Amounts due from clients and brokers	101,066	-	1,079	(840)	101,305
Financial assets held-for-trading	14,978	-	-	-	14,978
Financial investments available-for-sale (exclude equity securities)	1,032,206	-	9,410	(9,410)	1,032,206
Financial investments held-to-maturity	74,597	-	17,271	(12,899)	78,969
Statutory deposits with Bank Negara Malaysia	38,762	-	-	-	38,762
Other assets (exclude prepayment)	8,473	-	1,993	(1,993)	8,473
	1,298,065	-	29,753	(25,142)	1,302,676

BANK 2017	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Allowance for impairment losses RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	42,993	-	-	-	42,993
Amounts due from clients and brokers	112,910	-	947	(835)	113,022
Financial assets held-for-trading	34,865	-	-	-	34,865
Financial investments available-for-sale (exclude equity securities)	959,409	-	96,231	(96,231)	959,409
Financial investments held-to-maturity	173,561	-	17,271	(12,899)	177,933
Statutory deposits with Bank Negara Malaysia	33,690	-	-	-	33,690
Other assets (exclude prepayment)	3,786	-	3,329	(3,329)	3,786
	1,361,214	-	117,778	(113,294)	1,365,698

GROUP 2017	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Allowance for impairment losses RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	44,420	-	-	-	44,420
Deposits and placements with banks and other financial institutions	-	-	-	-	-
Financial investments available-for-sale (exclude equity securities)	959,409	-	96,231	(96,231)	959,409
Financial investments held-to-maturity	173,561	-	17,271	(12,899)	177,933
Statutory deposits with Bank Negara Malaysia	33,690	-	-	-	33,690
Other assets (exclude prepayment)	3,917	-	3,329	(3,329)	3,917
	1,362,772	-	117,778	(113,294)	1,367,256

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality - Financial instruments and financial assets (Contd.)

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

BANK	Cash & short term funds RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Statutory Deposits with Bank Negara Malaysia RM'000	Total RM'000
2018						
By rating agencies						
RAM						
AAA	2,982	-	127,045	-	-	130,027
AA1	-	-	35,711	-	-	35,711
AA2	-	-	-	-	-	-
AA3	-	-	71,638	-	-	71,638
A1	23,900	-	19,426	-	-	43,326
P1	-	14,978	-	-	-	14,978
MARC			-			
AA	-	-	40,211	-	-	40,211
AAA	-	-	11,348	-	-	11,348
AA-	-	-	20,075	-	-	20,075
Government backed	44	-	706,752	74,561	38,762	820,119
Unrated [Note]	-	-	-	4,408	-	4,408
	26,926	14,978	1,032,206	78,969	38,762	1,191,841

GROUP	Cash & short term funds RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Statutory Deposits with Bank Negara Malaysia RM'000	Total RM'000
2018						
By rating agencies						
RAM						
AAA	2,982	-	127,045	-	-	130,027
AA1	-	-	35,711	-	-	35,711
AA2	-	-	-	-	-	-
AA3	-	-	71,638	-	-	71,638
A1	24,957	-	19,426	-	-	44,383
P1	-	14,978	-	-	-	14,978
MARC						
AA	-	-	40,211	-	-	40,211
AAA	-	-	11,348	-	-	11,348
AA-	-	-	20,075	-	-	20,075
Government backed	44	-	706,752	74,561	38,762	820,119
Unrated [Note]	-	-	-	4,408	-	4,408
	27,983	14,978	1,032,206	78,969	38,762	1,192,898

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality - Financial instruments (contd.)

BANK	Cash & short term funds RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Statutory Deposits with Bank Negara Malaysia RM'000	Total RM'000
2017						
By rating agencies						
RAM						
AAA	3,669	-	81,678	-	-	85,347
AA1	-	-	35,813	-	-	35,813
AA2	22	-	-	-	-	22
AA3	-	-	25,314	-	-	25,314
A1	39,250	-	15,215	-	-	54,465
P1	-	34,865	-	-	-	34,865
MARC	-	-	-	-	-	
AA	-	-	15,160	-	-	15,160
AAA	-	-	92,579	-	-	92,579
AA-	-	-	20,008	-	-	20,008
Government backed	52	-	668,682	173,526	33,690	875,950
Unrated [Note]	-	-	4,960	4,407	-	9,367
	42,993	34,865	959,409	177,933	33,690	1,248,890

GROUP	Cash & short term funds RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Statutory Deposits with Bank Negara Malaysia RM'000	Total RM'000
2017						
By rating agencies						
RAM						
AAA	3,669	-	81,678	-	-	85,347
AA1	-	-	35,813	-	-	35,813
AA2	22	-	-	-	-	22
AA3	-	-	25,314	-	-	25,314
A1	40,677	-	15,215	-	-	55,892
P1	-	34,865	-	-	-	34,865
MARC	-	-	-	-	-	
AA	-	-	15,160	-	-	15,160
AAA	-	-	92,579	-	-	92,579
AA-	-	-	20,008	-	-	20,008
Government backed	52	-	668,682	173,526	33,690	875,950
Unrated [Note]	-	-	4,960	4,407	-	9,367
	44,420	34,865	959,409	177,933	33,690	1,250,317

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

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(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 balances 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 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 is 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.

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

BANK 2018	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Assets									
Cash and short-term funds	7,625	-	-	-	-	-	19,301	-	26,926
Amounts due from clients and brokers	1,302	-	-	-	-	-	100,003	-	101,305
Financial assets held-for-trading	-	-	-	-	-	-	-	14,978	14,978
Financial investments available-for-sale	5,000	44,905	-	25,064	542,428	404,449	67,572	-	1,089,418
Financial investments held-to-maturity	-	-	34,658	19,488	20,118	-	4,705	-	78,969
Loans, advances and financing	261,560	11,782	7,053	-	17,701	152,999	1,800*	-	452,895
Other financial assets [note]	-	-	-	-	-	-	47,107	-	47,107
Total assets	275,487	56,687	41,711	44,552	580,247	557,448	240,488	14,978	1,811,598
Liabilities									
Deposits from customers	611,787	11,511	-	-	-	-	1,042	-	624,340
Deposits and placements of banks and other financial institutions	490,750	-	-	-	-	-	88	-	490,838
Amounts due to clients and brokers	-	-	-	-	-	-	75,103	-	75,103
Other financial liabilities	-	-	-	-	-	-	28,490	-	28,490
Total liabilities	1,102,537	11,511	-	-	-	-	104,723	-	1,218,771
On-balance sheet profit sensitivity gap	(827,050)	45,176	41,711	44,552	580,247	557,448	135,765	14,978	592,827

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

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						→		
2018									
Assets									
Cash and short-term funds	7,625	-	-	-	-	-	20,358	-	27,983
Amounts due from clients and brokers	1,302	-	-	-	-	-	100,003	-	101,305
Financial assets held-for-trading	-	-	-	-	-	-	-	14,978	14,978
Financial investments available-for-sale	5,000	44,905	-	25,064	542,428	404,449	67,572	-	1,089,418
Financial investments held-to-maturity	-	-	34,658	19,488	20,118	-	4,705	-	78,969
Loans, advances and financing	261,560	11,782	7,053	-	17,701	152,999	1,800*	-	452,895
Other financial assets [note]	-	-	-	-	-	-	47,233	-	47,233
Total assets	275,487	56,687	41,711	44,552	580,247	557,448	241,671	14,978	1,812,781
Liabilities									
Deposits from customers	611,787	11,511	-	-	-	-	1,042	-	624,340
Deposits and placements of banks and other financial institutions	490,750	-	-	-	-	-	88	-	490,838
Amounts due to clients and brokers	-	-	-	-	-	-	75,103	-	75,103
Other financial liabilities	-	-	-	-	-	-	27,900	-	27,900
Total liabilities	1,102,537	11,511	-	-	-	-	104,133	-	1,218,181
On-balance sheet profit sensitivity gap	(827,050)	45,176	41,711	44,552	580,247	557,448	137,538	14,978	594,600

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

(i) Interest/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**
2017									
Assets									
Cash and short-term funds	11,692	-	-	-	-	-	31,301	-	42,993
Amounts due from clients and brokers	3,561	-	-	-	-	-	109,461	-	113,022
Financial assets held-for-trading	-	-	-	-	-	-	-	34,865	34,865
Financial investments available-for-sale	-	5,466	-	70,022	526,699	347,626	63,498	-	1,013,311
Financial investments held-to-maturity	-	-	30,056	70,280	72,402	-	5,195	-	177,933
Loans, advances and financing	205,766	-	-	3	50,300	159,513	1,024*	-	416,606
Other financial assets [note]	-	-	-	-	-	-	38,000	-	38,000
Total assets	221,019	5,466	30,056	140,305	649,401	507,139	248,479	34,865	1,836,730
Liabilities									
Deposits from customers	682,363	44,223	-	-	-	-	1,699	-	728,285
Deposits and placements of banks and other financial institutions	431,340	-	-	-	-	-	35	-	431,375
Amounts due to clients and brokers	-	-	-	-	-	-	69,066	-	69,066
Other financial liabilities	-	-	-	-	-	-	32,955	-	32,955
Total liabilities	1,113,703	44,223	-	-	-	-	103,755	-	1,261,681
On-balance sheet profit sensitivity gap	(892,684)	(38,757)	30,056	140,305	649,401	507,139	144,724	34,865	575,049

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

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								
2017									
Assets									
Cash and short-term funds	12,430	-	-	-	-	-	31,990	-	44,420
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-		-
Amounts due from clients and brokers	3,561	-	-	-	-	-	109,461	-	113,022
Financial assets held-for-trading	-	-	-	-	-	-	-	34,865	34,865
Financial investments available-for-sale	-	5,466	-	70,022	526,699	347,626	63,498	-	1,013,311
Financial investments held-to-maturity	-	-	30,056	70,280	72,402	-	5,195	-	177,933
Loans, advances and financing	5,008	200,758	-	3	50,300	159,513	1,024*	-	416,606
Other financial assets [note]	-	-	-	-	-	-	38,134	-	38,134
Total assets	20,999	206,224	30,056	140,305	649,401	507,139	249,302	34,865	1,838,291
Liabilities									
Deposits from customers	682,363	44,223	-	-	-	-	1,699	-	728,285
Deposits and placements of banks and other financial institutions	431,340	-	-	-	-	-	35	-	431,375
Amounts due to clients and brokers	-	-	-	-	-	-	69,066	-	69,066
Other financial liabilities	-	-	-	-	-	-	32,549	-	32,549
Total liabilities	1,113,703	44,223	-	-	-	-	103,349	-	1,261,275
On-balance sheet profit sensitivity gap	(1,092,704)	162,001	30,056	140,305	649,401	507,139	145,953	34,865	577,016

Note:
Includes statutory deposits and other assets.

* Impaired loans, individual assessment allowance and collective assessment allowance of the Bank and the Group are classified under the non-interest/profit sensitive column.

35. 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 Bank and the Group, 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 Bank and the Group's VaR profile by financial instrument types for the Trading Portfolio:

BANK/GROUP	Balance	Average for the year	Minimum	Maximum
	RM'000	RM'000	RM'000	RM'000
2018				
Instruments:				
Government securities	(650)	(1,566)	(591)	(4,133)
Private debt securities	(985)	(2,959)	(985)	(5,856)
2017				
Instruments:				
Government securities	(4,138)	(2,423)	(1,321)	(4,165)
Private debt securities	(5,866)	(3,517)	(1,025)	(5,941)

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

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

	2018 BANK/GROUP		2017 BANK/GROUP	
	- 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	6,253	(6,253)	5,940	(5,940)
Impact on equity	29,960	(28,292)	30,111	(28,416)

35. 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 performs 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 Bank's liquidity risk profile is managed using liquidity risk management strategies set in the Liquidity Risk Management Policy. Liquidity Risk Measures are monitored against approved thresholds by GALCO and GRMC. A contingency funding plan is also established by the Group 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.

35. 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. The table below provides analysis of assets and liabilities into relevant maturity terms based on remaining contractual maturities:

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
2018						
Assets						
Cash and short-term funds	26,926	-	-	-	-	26,926
Amounts due from clients and brokers	101,305	-	-	-	-	101,305
Financial assets held-for-trading	14,978	-	-	-	-	14,978
Financial investments available-for-sale	7,991	49,093	3,181	25,064	1,004,089	1,089,418
Financial investments held-to-maturity	-	298	34,658	19,488	24,525	78,969
Loans, advances and financing	263,014	11,770	7,034	-	171,077	452,895
Other financial and non financial assets	234	-	-	-	112,073	112,307
Total assets	414,448	61,161	44,873	44,552	1,311,764	1,876,798
Liabilities						
Deposits from customers	612,775	11,565	-	-	-	624,340
Deposits and placements of banks and other financial institutions	490,838	-	-	-	-	490,838
Amounts due to clients and brokers	75,103	-	-	-	-	75,103
Other financial and non financial liabilities	21,772	-	111	-	24,934	46,817
Total liabilities	1,200,488	11,565	111	-	24,934	1,237,098
Net maturity mismatch	(786,040)	49,596	44,762	44,552	1,286,830	639,700

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

(i) Liquidity risk for assets and liabilities 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
2018						
Assets						
Cash and short-term funds	27,983	-	-	-	-	27,983
Amounts due from clients and brokers	101,305	-	-	-	-	101,305
Financial assets held-for-trading	14,978	-	-	-	-	14,978
Financial investments available-for-sale	7,991	49,093	3,181	25,064	1,004,089	1,089,418
Financial investments held-to-maturity	-	298	34,658	19,488	24,525	78,969
Loans, advances and financing	263,015	11,770	7,034	-	171,076	452,895
Other financial and non financial assets	234	-	-	-	106,354	106,588
Total assets	415,506	61,161	44,873	44,552	1,306,044	1,872,136
Liabilities						
Deposits from customers	612,775	11,565	-	-	-	624,340
Deposits and placements of banks and other financial institutions	490,838	-	-	-	-	490,838
Amounts due to clients and brokers	75,103	-	-	-	-	75,103
Other financial and non financial liabilities	21,772	-	112	-	24,379	46,263
Total liabilities	1,200,488	11,565	112	-	24,379	1,236,544
Net maturity mismatch	(784,982)	49,596	44,761	44,552	1,281,665	635,592

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

(i) Liquidity risk for assets and liabilities 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
2017						
Assets						
Cash and short-term funds	42,993	-	-	-	-	42,993
Amounts due from clients and brokers	113,022	-	-	-	-	113,022
Financial assets held-for-trading	-	34,865	-	-	-	34,865
Financial investments available-for-sale	3,421	9,488	2,153	70,022	928,227	1,013,311
Financial investments held-to-maturity	-	297	30,546	70,280	76,810	177,933
Loans, advances and financing	206,874	-	168	3	209,561	416,606
Other financial and non financial assets	769	137	112	63	109,059	110,140
Total assets	367,079	44,787	32,979	140,368	1,323,657	1,908,870
Liabilities						
Deposits from customers	683,939	44,346	-	-	-	728,285
Deposits and placements of banks and other financial institutions	431,375	-	-	-	-	431,375
Amounts due to clients and brokers	69,066	-	-	-	-	69,066
Other financial and non financial liabilities	3,761	2,014	-	-	43,247	49,022
Total liabilities	1,188,141	46,360	-	-	43,247	1,277,748
Net maturity mismatch	(821,062)	(1,573)	32,979	140,368	1,280,410	631,122

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

(i) Liquidity risk for assets and liabilities 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
2017						
Assets						
Cash and short-term funds	44,420	-	-	-	-	44,420
Amounts due from clients and brokers	113,022	-	-	-	-	113,022
Financial assets held-for-trading	-	34,865	-	-	-	34,865
Financial investments available-for-sale	3,421	9,488	2,153	70,022	928,227	1,013,311
Financial investments held-to-maturity	-	297	30,546	70,280	76,810	177,933
Loans, advances and financing	206,874	-	168	3	209,561	416,606
Other financial and non financial assets	769	137	112	63	103,285	104,366
Total assets	368,506	44,787	32,979	140,368	1,317,883	1,904,523
Liabilities						
Deposits from customers	683,939	44,346	-	-	-	728,285
Deposits and placements of banks and other financial institutions	431,375	-	-	-	-	431,375
Amounts due to clients and brokers	69,066	-	-	-	-	69,066
Other financial and non financial liabilities	3,940	2,014	-	-	42,865	48,819
Total liabilities	1,188,320	46,360	-	-	42,865	1,277,545
Net maturity mismatch	(819,814)	(1,573)	32,979	140,368	1,275,018	626,978

35. 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 Bank and the Group 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.

BANK	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 year RM'000	Over 5 years RM'000	Total RM'000
2018							
Liabilities							
Deposits from customers	613,173	11,610	-	-	-	-	624,783
Deposits and placements of banks and other financial institutions	490,882	-	-	-	-	-	490,882
Amounts due to clients and brokers	75,103	-	-	-	-	-	75,103
Other financial liabilities	21,772	-	111	-	24,933	-	46,816
Total financial liabilities	1,200,930	11,610	111	-	24,933	-	1,237,584
Credit risk exposure of off-balance sheet							
Credit related commitments and contingencies	306,437	-	-	-	22,092	-	328,529

GROUP	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 year RM'000	Over 5 years RM'000	Total RM'000
2018							
Liabilities							
Deposits from customers	613,173	11,610	-	-	-	-	624,783
Deposits and placements of banks and other financial institutions	490,882	-	-	-	-	-	490,882
Amounts due to clients and brokers	75,103	-	-	-	-	-	75,103
Other financial liabilities	21,772		111		24,381	-	46,264
Total financial liabilities	1,200,930	11,610	111	-	24,381	-	1,237,032
Credit risk exposure of off-balance sheet							
Credit related commitments and contingencies	306,437	-	-	-	22,092	-	328,529

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

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

BANK	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 year	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017							
Liabilities							
Deposits from customers	684,604	44,561	-	-	-	-	729,165
Deposits and placements of banks and other financial institutions	431,446	-	-	-	-	-	431,446
Amounts due to clients and brokers	69,066	-	-	-	-	-	69,066
Other financial liabilities	3,761	2,014	-	-	43,247	-	49,022
Total financial liabilities	1,188,877	46,575	-	-	43,247	-	1,278,699
Credit risk exposure of off-balance sheet							
Credit related commitments and contingencies	320,164	-	-	-	-	-	320,164

GROUP	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 year	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017							
Liabilities							
Deposits from customers	684,604	44,561	-	-	-	-	729,165
Deposits and placements of banks and other financial institutions	431,446	-	-	-	-	-	431,446
Amounts due to clients and brokers	69,066	-	-	-	-	-	69,066
Other financial liabilities	3,940	2,014	-	-	42,865	-	48,819
Total financial liabilities	1,189,056	46,575	-	-	42,865	-	1,278,496
Credit risk exposure of off-balance sheet							
Credit related commitments and contingencies	320,164	-	-	-	-	-	320,164

35. 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 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 Bank and the Group applies the Basic Indicator Approach for operational risk capital charge computation.

36. CAPITAL COMMITMENTS

	BANK/GROUP	
	2018	2017
	RM'000	RM'000
Capital expenditure:		
Authorised and contracted for	431	-
Authorised and not contracted for	1,258	-
	1,689	-

37. LEASE COMMITMENTS

The Bank and the Group 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:

	BANK/GROUP	
	2018	2017
	RM'000	RM'000
Within one year	1,217	651
Between one year and five years	1,857	33
	3,074	684

The operating leases of the Bank and the Group'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.

38. 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.

39. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank and the Group makes 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 Bank and the Group are as follows:

	2018 Principal Amount	2017 Principal Amount
BANK/GROUP	RM'000	RM'000
Credit-related exposures		
Transaction-related contingent items	10,500	10,500
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	295,937	283,572
- maturity exceeding one year	22,092	26,092
Total	328,529	320,164

40. CAPITAL ADEQUACY

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

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

	BANK		GROUP	
	2018	2017	2018	2017
Before deducting proposed dividends				
CET I capital ratio	86.830%	84.804%	86.862%	85.140%
Tier I capital ratio	86.830%	84.804%	86.862%	85.140%
Total capital ratio	87.642%	85.516%	87.672%	85.843%
After deducting proposed dividends				
CET I capital ratio	85.079%	83.729%	85.118%	84.066%
Tier I capital ratio	85.079%	83.729%	85.118%	84.066%
Total capital ratio	85.892%	84.441%	85.928%	84.768%

40. CAPITAL ADEQUACY (CONTD.)

(a) The following table represent the Bank's and the Group's capital positions. Components of Common Equity Tier I ("CET I"), Tier I and Tier II capital are as follows:

	BANK		GROUP	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
CET I Capital				
Paid-up share capital	365,962	365,000	365,962	365,000
Share premium	-	962	-	962
Retained profits	226,603	21,904	222,495	17,726
Statutory reserves	-	201,383	-	201,383
Revaluation reserves	42,530	37,949	42,530	37,949
	635,095	627,198	630,987	623,020
Less: Regulatory adjustments				
- Goodwill and other intangibles	(62,429)	(61,527)	(55,749)	(54,847)
- 55% of revaluation reserve	(23,392)	(20,872)	(23,392)	(20,872)
- Investment in subsidiaries, joint venture and associate	(624)	(507)	(967)	(742)
Total CET I Capital/Total Tier I Capital	548,650	544,292	550,879	546,559
Tier II Capital				
Collective assessment allowance and regulatory reserve	5,133	4,695	5,133	4,695
Less: Regulatory adjustments				
- Investment in subsidiaries, joint venture and associate	-	(127)	-	(185)
Total Tier II Capital	5,133	4,568	5,133	4,510
Total Capital	553,783	548,860	556,012	551,069

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

	BANK		GROUP	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Credit risk	517,333	531,682	518,478	531,808
Market risk	468	1,961	468	1,961
Operational risk	114,069	108,181	115,252	108,181
Total RWA and capital requirements	631,870	641,824	634,198	641,950

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

41. CAPITAL

In managing its capital, the Bank's and the Group'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 risk appetite and to enable future business growth, and

- to meet the expectations of key stakeholders, including shareholders, investors, regulators and rating agencies.

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

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

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

42. 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 Bank and the Group 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 Bank and the Group 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 Bank and the Group 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.

42. FAIR VALUE MEASUREMENTS (CONTD.)

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

The following tables show the Bank and the Group's financial instruments which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

BANK/GROUP 2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial Assets				
Financial assets held-for-trading				
- Money market instruments:	-	14,978	-	14,978
Financial investments available-for-sale				
- Money market instruments:	-	351,001	-	351,001
- Unquoted securities	-	681,205	57,212	738,417

BANK/GROUP 2017	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial Assets				
Financial assets held-for-trading				
- Money market instruments:	-	34,865	-	34,865
Financial investments available-for-sale				
- Money market instruments:	-	323,570	-	323,570
- Unquoted securities	-	630,879	58,862	689,741

There were no transfers between levels 1 and 2 of the fair value hierarchy for the Bank and the Group during the financial year ended 31 March 2018 and 31 March 2017.

Reconciliation of movements in level 3 financial instruments:

	BANK/GROUP 2018 RM'000	 2017 RM'000
At beginning of financial year	58,862	54,676
Disposal	(4,970)	-
Total gain/(loss) recognised in:		
- Other comprehensive income		
(i) Revaluation reserves	3,350	4,186
- Statement of income		
(i) Loss arising from sales of financial investments available-for-sale	(30)	-
At the end of financial year	57,212	58,862

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

42. 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 Bank and the Group 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
BANK/GROUP	Level 1	Level 2	Level 3	Total	amount
2018	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Financial investments held-to-maturity	-	79,529	-	79,529	78,969
Loans, advances and financing	-	-	453,424	453,424	452,895

	Fair value				Carrying
BANK/GROUP	Level 1	Level 2	Level 3	Total	amount
2017	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Financial investments held-to-maturity	-	179,171	-	179,171	177,933
Loans, advances and financing	-	-	417,641	417,641	416,606

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.

42. FAIR VALUE MEASUREMENTS (CONTD.)

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

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

(i) Financial investments held-to-maturity

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.

43. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

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

(a) Financial assets

	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set off in the statement of financial position RM'000	Net amounts of financial assets presented in the statement of financial position RM'000
BANK/GROUP			
2018			
Amounts due from clients and brokers	188,129	(86,824)	101,305
Total	188,129	(86,824)	101,305
BANK/GROUP			
2017			
Amounts due from clients and brokers	213,368	(100,346)	113,022
Total	213,368	(100,346)	113,022

(b) Financial liabilities

	Gross amounts of recognised financial liabilities RM'000	Gross amounts of recognised financial assets set off in the statement of financial position RM'000	Net amounts of financial liabilities presented in the statement of financial position RM'000
BANK/GROUP			
2018			
Amounts due to clients and brokers	161,927	(86,824)	75,103
Total	161,927	(86,824)	75,103
BANK/GROUP			
2017			
Amounts due to clients and brokers	169,412	(100,346)	69,066
Total	169,412	(100,346)	69,066

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

44. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

There were no material event during the financial year that require disclosure or adjustment.

45. SUBSEQUENT EVENTS

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

46. ISLAMIC BANKING BUSINESS

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018

		BANK/GROUP	
		2018	2017
	Note	RM'000	RM'000
ASSETS			
Cash and short-term funds	(a)	26	26
Financial investments available-for-sale	(b)	105,186	100,773
Other assets	(c)	6,499	16,997
Deferred tax	(d)	154	161
Total Assets		111,865	117,957
LIABILITIES AND ISLAMIC BANKING FUNDS			
Provision for taxation		1,054	10,506
Other liabilities		2	-
Total Liabilities		1,056	10,506
Islamic Banking Funds		56,000	56,000
Reserves		54,809	51,451
		110,809	107,451
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		111,865	117,957

46. ISLAMIC BANKING BUSINESS (CONTD.)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	BANK/GROUP 2018 RM'000	2017 RM'000
Income derived from investment of Islamic banking funds	(e)	4,439	3,930
Total distributable/net income		4,439	3,930
Income attributable to the depositors and financial institutions	(f)	(42)	-
Total net income		4,397	3,930
Other operating expenses	(g)	(6)	(1)
Profit before taxation		4,391	3,929
Taxation	(h)	(1,054)	(943)
Net profit for the financial year		3,337	2,986
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Revaluation reserve on financial investments available-for-sale			
- Net loss from change in fair value		47	(670)
- Realised gain transferred to statement of income on disposal and impairment		(19)	-
- Transfer (to)/from deferred tax		(7)	161
Other comprehensive expense, net of tax		21	(509)
Total comprehensive income for the financial year		3,358	2,477

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

	2018 RM'000	2017 RM'000
Income derived from investment of Islamic banking funds	4,439	3,930
Income attributable to the depositors and financial institutions	(42)	-
	4,397	3,930

46. ISLAMIC BANKING BUSINESS (CONTD.)

STATEMENT OF CHANGES IN ISLAMIC BANKING FUNDS
FOR THE YEAR ENDED 31 MARCH 2018

	Funds allocated from Head Office (HO)	Revaluation reserves	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000
Bank/Group				
At 1 April 2016	56,000	-	48,974	104,974
Net profit after taxation	-	-	2,986	2,986
Other comprehensive expense	-	(509)	-	(509)
Total comprehensive (expense)/income	-	(509)	2,986	2,477
At 31 March 2017	56,000	(509)	51,960	107,451
At 1 April 2017	56,000	(509)	51,960	107,451
Net profit after taxation	-	-	3,337	3,337
Other comprehensive income	-	21	-	21
Total comprehensive expense	-	21	3,337	3,358
At 31 March 2018	56,000	(488)	55,297	110,809

46. ISLAMIC BANKING BUSINESS (CONTD.)

STATEMENTS OF CASH FLOWS FOR YEAR ENDED 31 MARCH 2018

	BANK/GROUP	
	2018	2017
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,391	3,929
Adjustments for:-		
Accretion of discount less amortisation of premium of securities	(90)	(978)
Income from financial investments available-for-sale	(4,349)	(2,949)
Operating (loss)/profit before working capital changes	(48)	2
Changes in working capital:		
Other assets	(5)	(18)
Cash used in operations	(53)	(16)
Tax paid	-	-
Net cash used in operating activities	(53)	(16)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial investments available-for-sale (net of proceeds from disposal)	(4,284)	(2,970)
Income from financial investments available-for-sale	4,337	2,949
Net cash generated from/(used in) investing activity	53	(21)
NET DECREASE IN CASH AND CASH EQUIVALENTS	-	(37)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	26	63
CASH AND CASH EQUIVALENTS AT END OF YEAR	26	26

Cash and cash equivalents comprise the following:

Cash and short term funds	26	26

46. ISLAMIC BANKING BUSINESS (CONTD.)

(a) Cash and Short-term Funds

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
Cash and balances with banks and other financial institutions	26	26

(b) Financial Investments Available-for-Sale

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
At fair value		
Money market instruments:		
Negotiable instruments of deposits	4,880	506
Unquoted securities:		
Sukuk	100,306	100,267
	105,186	100,773

(c) Other Assets

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
Other debtors, deposits and prepayments	6,499	16,997

(d) Deferred Tax

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
Deferred tax assets, net	154	161

	BANK/GROUP 2018 RM'000	BANK/GROUP 2017 RM'000
At beginning of financial year	161	-
Recognised in equity	(7)	161
At the end of financial year	154	161

46. ISLAMIC BANKING BUSINESS (CONTD.)

(d) Deferred Tax (contd.)

Bank/Group Deferred tax assets/ liabilities	Financial investments available-for-sale RM'000	Total RM'000
At 31 March 2016	-	-
Recognised in equity	161	161
At 31 March 2017	161	161
Recognised in equity	(7)	(7)
	154	154

(e) Income Derived from Investment of Islamic Banking Funds

	BANK/GROUP	
	2018 RM'000	2017 RM'000
Finance income and hibah		
Financial investments available-for-sale	4,349	2,949
Money at call and deposit with financial institutions	-	3
	4,349	2,952
Accretion of discount less amortisation of premium	90	978
Total finance income and hibah	4,439	3,930

(f) Income Attributable to Depositors and Financial Institutions

	BANK/GROUP	
	2018 RM'000	2017 RM'000
Deposits and placements of banks and other financial institutions		
- Mudharabah Fund	42	-
	42	-

(g) Other Operating Expenses

	BANK/GROUP	
	2018 RM'000	2017 RM'000
Administration and general expenses		
- Others	6	1
Total operating expenses	6	1

46. ISLAMIC BANKING BUSINESS (CONTD.)

(h) Taxation

	BANK/GROUP	
	2018	2017
	RM'000	RM'000
Income tax:		
Current year	1,054	943

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 Bank and the Group is as follows:

	BANK/GROUP	
	2018	2017
	RM'000	RM'000
Profit before taxation	4,391	3,929
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	1,054	943
Tax expense for the year	1,054	943

(i) 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.

46. ISLAMIC BANKING BUSINESS (CONTD.)

(i) Profit Rate Risk (contd.)

Bank/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-profit sensitive RM'000	Total RM'000
2018								
Assets								
Cash and short-term funds	-	-	-	-	-	-	26	26
Financial investments available-for-sale	-	4,880	-	-	30,051	69,308	947	105,186
Other financial assets	-	-	-	-	-	-	6,499	6,499
Total assets	-	4,880	-	-	30,051	69,308	7,472	111,711
Liabilities								
Other liabilities	-	-	-	-	-	-	2	2
Total liabilities	-	-	-	-	-	-	2	2
On-balance sheet profit sensitivity gap	-	4,880	-	-	30,051	69,308	7,470	111,709

Bank/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-profit sensitive RM'000	Total RM'000
2017								
Assets								
Cash and short-term funds	-	-	-	-	-	-	26	26
Financial investments available-for-sale	-	506	-	-	29,939	69,392	936	100,773
Other financial assets	-	-	-	-	-	-	16,997	16,997
Total assets	-	506	-	-	29,939	69,392	17,959	117,796
On-balance sheet profit sensitivity gap	-	506	-	-	29,939	69,392	17,959	117,796

46. ISLAMIC BANKING BUSINESS (CONTD.)

(j) Capital Adequacy

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

The capital adequacy ratio are as follow :

	BANK/GROUP	
	2018	2017
CET I capital ratio	743.849%	450.099%
Tier I capital ratio	743.849%	450.099%
Total capital ratio	743.849%	450.099%

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

	BANK/GROUP	
	2018	2017
	RM'000	RM'000
CET I Capital		
Paid-up share capital	56,000	56,000
Retained profits	55,297	51,960
Revaluation reserves	(488)	(509)
	110,809	107,451
Less: Regulatory adjustments		
- Deferred tax assets	(154)	(161)
Total CET I Capital/Total Tier I Capital	110,655	107,290
Tier II Capital		
Collective assessment allowance	-	-
Total Capital Base	110,655	107,290

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

	BANK/GROUP	
	2018	2017
	RM'000	RM'000
Credit risk	7,474	17,102
Operational risk	7,402	6,735
Total RWA and capital requirements	14,876	23,837