

ALLIANCE INVESTMENT BANK BERHAD**(21605-D)**

(Incorporated in Malaysia)

Condensed Interim Financial Statements**Unaudited Statements of Financial Position as at 30 September 2018**

		BANK		GROUP	
		30 September	31 March	30 September	31 March
		2018	2018	2018	2018
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds		19,544	26,926	19,927	27,983
Deposits and placements with banks and other financial institutions		1,000	-	1,000	-
Amounts due from clients and brokers	A12	77,402	101,305	77,402	101,305
Financial assets at fair value through profit or loss	A13	57,212	-	57,212	-
Financial investments at fair value through other comprehensive income	A14	1,053,824	-	1,053,824	-
Financial investments at amortised cost	A15	44,635	-	44,635	-
Financial assets held-for-trading	A16	-	14,978	-	14,978
Financial investments available-for-sale	A17	-	1,089,418	-	1,089,418
Financial investments held-to-maturity	A18	-	78,969	-	78,969
Loans, advances and financing	A19	439,086	452,895	439,086	452,895
Other assets	A20	8,606	9,309	8,733	9,437
Tax recoverable		-	-	5	490
Statutory deposits with Bank Negara Malaysia		33,942	38,762	33,942	38,762
Investment in an associate		230	230	277	274
Investment in joint venture		394	394	745	693
Property, plant and equipment		898	1,183	898	1,183
Deferred tax assets		839	-	839	-
Intangible assets		62,280	62,429	55,601	55,749
TOTAL ASSETS		<u>1,799,892</u>	<u>1,876,798</u>	<u>1,794,126</u>	<u>1,872,136</u>
LIABILITIES AND EQUITY					
Deposits from customers	A21	637,626	624,340	637,626	624,340
Deposits and placements of banks and other financial institutions	A22	416,271	490,838	416,271	490,838
Amounts due to clients and brokers	A23	48,708	75,103	48,708	75,103
Other liabilities	A24	32,800	34,900	32,235	34,346
Provision for taxation		964	129	491	129
Deferred tax liabilities		-	11,788	-	11,788
TOTAL LIABILITIES		<u>1,136,369</u>	<u>1,237,098</u>	<u>1,135,331</u>	<u>1,236,544</u>
Share capital		365,962	365,962	365,962	365,962
Reserves		297,561	273,738	292,833	269,630
TOTAL EQUITY		<u>663,523</u>	<u>639,700</u>	<u>658,795</u>	<u>635,592</u>
TOTAL LIABILITIES AND EQUITY		<u>1,799,892</u>	<u>1,876,798</u>	<u>1,794,126</u>	<u>1,872,136</u>
COMMITMENTS AND CONTINGENCIES	A31	237,172	328,529	237,172	328,529

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

ALLIANCE INVESTMENT BANK BERHAD
(21605-D)

(Incorporated in Malaysia)

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

		2nd Quarter Ended		Six Months Ended	
		30 September	30 September	30 September	30 September
		2018	2017	2018	2017
BANK	Note	RM'000	RM'000	RM'000	RM'000
Interest income	A25	16,884	17,591	34,406	34,063
Interest expense	A26	(9,036)	(9,608)	(18,318)	(18,582)
Net interest income		7,848	7,983	16,088	15,481
Net income from Islamic banking business	A37	1,209	1,219	2,291	2,260
		9,057	9,202	18,379	17,741
Fee and commission income		11,092	9,433	21,232	21,792
Fee and commission expense		(2,573)	(2,570)	(5,125)	(6,292)
Investment income		791	62	1,260	1,495
Other income		259	209	633	475
Other operating income	A27	9,569	7,134	18,000	17,470
Net income		18,626	16,336	36,379	35,211
Other operating expenses	A28	(9,509)	(10,507)	(20,065)	(20,704)
Operating profit before allowance		9,117	5,829	16,314	14,507
(Allowance for)/write-back of credit losses on loans, advances and financing and other assets	A29	(422)	328	(190)	382
(Allowance for)/write-back of credit losses on financial investments		(4)	-	82	-
Profit before taxation		8,691	6,157	16,206	14,889
Taxation		(2,138)	(2,187)	(3,884)	(4,245)
Net profit for the financial period		6,553	3,970	12,322	10,644
Net profit for the financial period attributable to:					
Equity holder of the Bank		6,553	3,970	12,322	10,644
Earnings per share attributable to Equity holder of the Bank:					
- Basic/diluted (sen)	A30	1.8	1.1	3.4	2.9

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

ALLIANCE INVESTMENT BANK BERHAD**(21605-D)**

(Incorporated in Malaysia)

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

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
<u>BANK</u>	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	6,553	3,970	12,322	10,644
Other comprehensive income:				
Items that may be classified subsequently to profit or loss:				
Revaluation reserve on financial investments at fair value through other comprehensive income ("FVOCI")				
- Net gain from change in fair value	7,655	-	2,813	-
- Realised gain transferred to statement of income on disposal	(559)	-	(558)	-
- Transfer to deferred tax	(1,703)	-	(541)	-
- Changes in credit losses	4	-	(82)	-
	5,397	-	1,632	-
Revaluation reserve on financial investments available-for-sale				
- Net gain from change in fair value	-	3,868	-	7,275
- Realised gain transferred to statement of income on disposal and impairment	-	(24)	-	(742)
- Transfer to deferred tax	-	(923)	-	(1,568)
	-	2,921	-	4,965
Other comprehensive income, net of tax	5,397	2,921	1,632	4,965
Total comprehensive income for the financial period	11,950	6,891	13,954	15,609
Total comprehensive income for the financial period attributable to:				
Equity holder of the Bank	11,950	6,891	13,954	15,609

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

ALLIANCE INVESTMENT BANK BERHAD
(21605-D)

(Incorporated in Malaysia)

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

		2nd Quarter Ended		Six Months Ended	
		30 September	30 September	30 September	30 September
		2018	2017	2018	2017
GROUP	Note	RM'000	RM'000	RM'000	RM'000
Interest income	A25	16,884	17,593	34,406	34,068
Interest expense	A26	(9,036)	(9,608)	(18,318)	(18,582)
Net interest income		7,848	7,985	16,088	15,486
Net income from Islamic banking business	A37	1,209	1,219	2,291	2,260
		9,057	9,204	18,379	17,746
Fee and commission income		11,092	9,433	21,232	21,792
Fee and commission expense		(2,573)	(2,570)	(5,125)	(6,292)
Investment income		791	62	1,260	1,495
Other income		(417)	209	(42)	475
Other operating income	A27	8,893	7,134	17,325	17,470
Net income		17,950	16,338	35,704	35,216
Other operating expenses	A28	(9,509)	(10,530)	(20,065)	(20,729)
Operating profit before allowance		8,441	5,808	15,639	14,487
(Allowance for)/write-back of credit losses on loans, advances and financing and other assets	A29	(422)	328	(190)	382
(Allowance for)/write-back of credit losses on financial investments		(4)	-	82	-
Operating profit after allowance		8,015	6,136	15,531	14,869
Share of results in an associate		1	1	3	3
Share of results of joint venture		32	(22)	52	(1)
Profit before taxation		8,048	6,115	15,586	14,871
Taxation		(2,138)	(2,188)	(3,884)	(4,246)
Net profit for the financial period		5,910	3,927	11,702	10,625
Net profit for the financial period attributable to:					
Equity holder of the Bank		5,910	3,927	11,702	10,625
Earnings per share attributable to Equity holder of the Bank:					
- Basic/diluted (sen)	A30	1.6	1.1	3.2	2.9

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

ALLIANCE INVESTMENT BANK BERHAD**(21605-D)**

(Incorporated in Malaysia)

**Condensed Interim Financial Statements
Unaudited Consolidate Statements of Comprehensive Income
for the Financial Period Ended 30 September 2018**

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
<u>GROUP</u>	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	5,910	3,927	11,702	10,625
Other comprehensive income:				
Items that may be classified subsequently to profit or loss:				
Revaluation reserve on FVOCI				
- Net gain from change in fair value	7,655	-	2,813	-
- Realised gain transferred to statement of income on disposal	(559)	-	(558)	-
- Transfer to deferred tax	(1,703)	-	(541)	-
- Changes in credit losses	4	-	(82)	-
	5,397	-	1,632	-
Revaluation reserve on financial investments available-for-sale				
- Net gain from change in fair value	-	3,868	-	7,275
- Realised gain transferred to statement of income on disposal and impairment	-	(24)	-	(742)
- Transfer to deferred tax	-	(923)	-	(1,568)
	-	2,921	-	4,965
Other comprehensive income, net of tax	5,397	2,921	1,632	4,965
Total comprehensive income for the financial period	11,307	6,848	13,334	15,590
Total comprehensive income for the financial period attributable to:				
Equity holder of the Bank	11,307	6,848	13,334	15,590

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

ALLIANCE INVESTMENT BANK BERHAD
(21605-D)
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Condensed Interim Financial Statements
Unaudited Statements of Changes in Equity for the Financial Period Ended 30 September 2018

	Non-distributable reserves					Distributable reserves			
	Ordinary shares	Share premium	Statutory reserve	Regulatory reserves	FVOCI Revaluation reserves	Equity contribution from former ultimate holding company	Retained profits	Total equity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>BANK</u>									
At 1 April 2018									
As previously stated	365,962	-	-	4,605	-	42,530	-	226,603	639,700
Effect of adoption of MFRS 9	-	-	-	3,773	9,486	(42,530)	-	50,200	20,929
As restated	365,962	-	-	8,378	9,486	-	-	276,803	660,629
Net profit after taxation	-	-	-	-	-	-	-	12,322	12,322
Other comprehensive income	-	-	-	-	1,632	-	-	-	1,632
Total comprehensive income for the financial period	-	-	-	-	1,632	-	-	12,322	13,954
Transfer to regulatory reserves	-	-	-	(128)	-	-	-	128	-
Dividend paid	-	-	-	-	-	-	-	(11,060)	(11,060)
At 30 September 2018	365,962	-	-	8,250	11,118	-	-	278,193	663,523
At 1 April 2017	365,000	962	201,383	3,660	-	37,949	264	21,904	631,122
Net profit after taxation	-	-	-	-	-	-	-	10,644	10,644
Other comprehensive income	-	-	-	-	-	4,965	-	-	4,965
Total comprehensive income for the financial period	-	-	-	-	-	4,965	-	10,644	15,609
Transition to no par-value regime pursuant to Companies Act 2016	962	(962)	-	-	-	-	-	-	-
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	-
Transfer to regulatory reserves	-	-	-	188	-	-	-	(188)	-
Transfer from statutory reserves	-	-	(201,383)	-	-	-	-	201,383	-
Dividend paid	-	-	-	-	-	-	-	(6,899)	(6,899)
At 30 September 2017	365,962	-	-	3,848	-	42,914	-	226,932	639,656

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

ALLIANCE INVESTMENT BANK BERHAD
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Condensed Interim Financial Statements
Unaudited Statements of Changes in Equity for the Financial Period Ended 30 September 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	FVOCI 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 2018									
As previously stated	365,962	-	-	4,605	-	42,530	-	222,495	635,592
Effect of adoption of MFRS 9	-	-	-	3,773	9,486	(42,530)	-	50,200	20,929
As restated	365,962	-	-	8,378	9,486	-	-	272,695	656,521
Net profit after taxation	-	-	-	-	-	-	-	11,702	11,702
Other comprehensive income	-	-	-	-	1,632	-	-	-	1,632
Total comprehensive income for the financial period	-	-	-	-	1,632	-	-	11,702	13,334
Transfer to regulatory reserves	-	-	-	(128)	-	-	-	128	-
Dividend paid	-	-	-	-	-	-	-	(11,060)	(11,060)
At 30 September 2018	365,962	-	-	8,250	11,118	-	-	273,465	658,795
At 1 April 2017	365,000	962	201,383	3,660	-	37,949	298	17,726	626,978
Net profit after taxation	-	-	-	-	-	-	-	10,625	10,625
Other comprehensive income	-	-	-	-	-	4,965	-	-	4,965
Total comprehensive income for the financial period	-	-	-	-	-	4,965	-	10,625	15,590
Transition to no par-value regime pursuant to Companies Act 2016	962	(962)	-	-	-	-	-	-	-
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	-
Transfer to regulatory reserves	-	-	-	188	-	-	-	(188)	-
Transfer from statutory reserves	-	-	(201,383)	-	-	-	-	201,383	-
Dividends paid	-	-	-	-	-	-	-	(6,899)	(6,899)
At 30 September 2017	365,962	-	-	3,848	-	42,914	-	222,769	635,493

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

ALLIANCE INVESTMENT BANK BERHAD**(21605-D)**

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

	<u>BANK</u>		<u>GROUP</u>	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	16,206	14,889	15,586	14,871
Adjustments for non-cash items	(20,044)	(21,911)	(20,098)	(21,913)
Operating loss before changes in working capital	(3,838)	(7,022)	(4,512)	(7,042)
Changes in working capital	(35,262)	45,260	(35,262)	45,102
Taxes paid	(2,018)	-	(2,018)	(181)
Net cash (used in)/generated from operating activities	(41,118)	38,238	(41,792)	37,879
Net cash generated from/(used in) investing activities	44,622	(51,819)	44,622	(51,819)
Net cash used in financing activities	(10,886)	(7,064)	(10,886)	(7,064)
Net change in cash and cash equivalents	(7,382)	(20,645)	(8,056)	(21,004)
Cash and cash equivalents at beginning of the financial period	26,926	42,993	27,983	44,420
Cash and cash equivalents at end of the financial period	19,544	22,348	19,927	23,416
Cash and cash equivalent comprise the following:				
Cash and short-term funds	19,544	22,348	19,927	23,416

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

Explanatory Notes

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

A1 Basis of Preparation

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

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") and IAS 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of Alliance Investment Bank Berhad ("the Bank") and the Group for the financial year ended 31 March 2018. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank and the Group since the financial year ended 31 March 2018.

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

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

The adoption the above standards, amendments to published standards and interpretation to existing standards are not anticipated to have any significant impact on the financial statements of the Bank and the Group other than the adoption of MFRS 9 where the impact are shown in Note A36.

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

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

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

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A2 Auditors' Report on Preceding Annual Financial Statements

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

A3 Seasonality or Cyclicalities of Operations

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

A4 Unusual Items Due to Their Nature, Size or Incidence

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

A5 Changes in Estimates

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

A6 Issuance and Repayment of Debt and Equity Securities

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

A7 Dividend Paid

A single tier second interim dividend of 3.03 sen, tax exempt under the single tier tax system on 365,000,000 ordinary shares amounting to approximately RM11,060,000 in respect of the financial year ended 31 March 2018, was paid on 21 June 2018.

A8 Significant Event

AIBB Nominees (Tempatan) Sdn. Bhd., subsidiaries of the Bank was dissolved on 16 April 2018.

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

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

A10 Related Party Transactions

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

A11 Proposed Dividend

The Directors of the Bank have proposed a single tier first interim dividend of 3.37 sen per share on 365,000,000 ordinary shares amounting to approximately RM12,301,000 in respect of financial year ending 31 March 2019.

A12 Amounts Due From Clients and Brokers

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

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.

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A12 Amounts Due From Clients and Brokers (Contd.)

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.

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

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

Other balances are neither past due nor impaired.

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

	BANK/GROUP	
	30 September	31 March
	2018	2018
	RM'000	RM'000
At beginning of financial period/year	840	835
Allowance during the financial period/year	12	5
At the end of financial period/year	852	840

A13 Financial Assets at Fair Value Through Profit or Loss ("FVTPL")

	BANK/GROUP	
	30 September	31 March
	2018	2018
	RM'000	RM'000
At fair value		
<u>Unquoted securities:</u>		
Shares	57,212	-
Total financial assets at FVTPL	57,212	-

The financial assets at FVTPL category was introduced upon the adoption of MFRS 9 on 1 April 2018. Comparative figures are not restated in line with transition requirements under MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A36.

A14 Financial Investments at Fair Value Through Other Comprehensive Income ("FVOCI")

	BANK/GROUP	
	30 September	31 March
	2018	2018
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government securities	160,520	-
Malaysian Government investment certificates	183,207	-
Negotiable instruments of deposits	27,398	-
	371,125	-
<u>Unquoted securities in Malaysia:</u>		
Corporate bonds and sukuk	682,699	-
	682,699	-
Total financial investments at FVOCI	1,053,824	-

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A14 Financial Investments at FVOCI (Contd.)

The financial investments at FVOCI category was introduced upon the adoption of MFRS 9 on 1 April 2018. Comparative figures are not restated in line with transition requirements under MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A36 .

Movements in allowances for credit losses are as follows:

	Non-credit Impaired		Credit Impaired	Total RM'000
	Collectively Assessed		Individually Assessed	
	12 months ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)	
	RM'000	RM'000	RM'000	
BANK/GROUP				
At 1 April 2018				
As previously stated	-	-	-	-
Effect of adoption of MFRS 9	34	233	9,410	9,677
As restated	34	233	9,410	9,677
Financial assets derecognised other than write-off during the period	(5)	-	-	(5)
Changes due to change in credit risk	(9)	(68)	-	(77)
At the end of financial period	20	165	9,410	9,595

A15 Financial Investments at Amortised Cost

	BANK/GROUP	
	30 September 2018 RM'000	31 March 2018 RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government securities	20,381	-
Khazanah bonds	19,847	-
	40,228	-
<u>Unquoted securities:</u>		
Corporate bonds	17,306	-
Less: Allowance for credit losses	(12,899)	-
	4,407	-
Total financial investments at amortised cost	44,635	-

The financial investments at amortised cost category was introduced upon the adoption of MFRS 9 on 1 April 2018. Comparative figures are not restated in line with the transition requirements under MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A36.

Movements in allowances for credit losses are as follows:

	Credit Impaired		Total RM'000
	Collectively Assessed	Individually Assessed	
	Lifetime ECL (Stage 3)		
	RM'000	RM'000	
BANK/GROUP			
At 1 April 2018			
As previously stated	-	-	-
Effect of adoption of MFRS 9	583	12,316	12,899
As restated	583	12,316	12,899
Changes due to change in credit risk	(583)	583	-
At the end of financial period	-	12,899	12,899

A16 Financial assets Held-for-Trading

	<u>BANK/GROUP</u>	
	30 September	31 March
	2018	2018
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Commercial papers	-	14,978
Total financial assets held-for-trading	-	14,978

The financial assets held-for-trading category was removed upon the adoption of MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A36.

A17 Financial Investments Available-for-Sale

	<u>BANK/GROUP</u>	
	30 September	31 March
	2018	2018
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government securities	-	112,098
Malaysian Government investment certificates	-	234,023
Negotiable instruments of deposits	-	4,880
	-	351,001
<u>Unquoted securities:</u>		
Shares	-	57,212
	-	57,212
Corporate bonds and sukuk	-	690,615
Less: Accumulated impairment losses	-	(9,410)
	-	681,205
Total financial investments available-for-sale	-	1,089,418

The financial investments available-for-sale category was removed upon the adoption of MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A36.

A18 Financial Investments Held-to-Maturity

	<u>BANK/GROUP</u>	
	30 September	31 March
	2018	2018
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government securities	-	20,415
Khazanah bonds	-	54,147
	-	74,562
<u>Unquoted securities:</u>		
Corporate bonds	-	17,306
Less: Accumulated impairment losses	-	(12,899)
	-	4,407
Total financial investments held-to-maturity	-	78,969

The financial investments held-to-maturity category was removed upon the adoption of MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A36.

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A19 Loans, Advances and Financing

	<u>BANK/GROUP</u>	
	30 September	31 March
	2018	2018
	RM'000	RM'000
Term loans/financing	169,648	180,112
- Syndicated term loans	143,502	144,969
- Other term loans	26,146	35,143
Staff loans (Directors loan: RM Nil)	221	278
Revolving credits	5,007	24,890
Share margin financing	265,512	248,455
Gross loans, advances and financing	440,388	453,735
Less: Allowance for credit losses on loans, advances and financing		
- Individual assessment allowance	(485)	-
- Collective assessment allowance	(817)	(840)
Total net loans, advances and financing	439,086	452,895

(i) By maturity structure:

	<u>BANK/GROUP</u>	
	30 September	31 March
	2018	2018
	RM'000	RM'000
Within one year	273,541	282,122
One year to three years	10,178	7,581
Three years to five years	12,650	10,268
Over five years	144,019	153,764
Gross loans, advances and financing	440,388	453,735

(ii) By type of customer:

	<u>BANK/GROUP</u>	
	30 September	31 March
	2018	2018
	RM'000	RM'000
Domestic business enterprises		
- Small and medium enterprises	59,859	67,681
- Others	165,607	191,802
Individuals	212,125	191,351
Other domestic entities	2,753	2,704
Foreign entities	44	197
Gross loans, advances and financing	440,388	453,735

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A19 Loans, Advances and Financing (Contd.)

(iii) By interest/profit rate sensitivity:

	<u>BANK/GROUP</u>	
	30 September	31 March
	2018	2018
	RM'000	RM'000
Fixed rate loans/financing	28,670	29,821
Variable rate		
- Base lending rate plus	33,809	42,650
- Base rate plus	228,900	201,975
- Cost plus	149,009	179,289
Gross loans, advances and financing	440,388	453,735

(iv) By economic purposes:

	<u>BANK/GROUP</u>	
	30 September	31 March
	2018	2018
	RM'000	RM'000
Purchase of securities	265,512	248,455
Purchase of transport vehicles	15	29
Purchase of landed property	45,960	48,297
of which: - Residential	836	2,743
- Non-residential	45,124	45,554
Personal use	58	148
Working capital	72,536	92,858
Others	56,307	63,948
Gross loans, advances and financing	440,388	453,735

(v) By geographical distribution:

	<u>BANK/GROUP</u>	
	30 September	31 March
	2018	2018
	RM'000	RM'000
Northern region	60,617	40,916
Central region	345,658	384,531
Southern region	34,113	28,288
Gross loans, advances and financing	440,388	453,735

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A19 Loans, Advances and Financing (Contd.)(vi) Movements in impaired loans, advances and financing ('impaired loans') under stage 3:

	BANK/GROUP
	30 September
	2018
	RM'000
At 1 April 2018	
As previously stated	2,641
Effect of adoption of MFRS 9	(1,556)
As restated	1,085
Impaired during the financial period	41
Recoveries during the financial period	(416)
Reclassified as unimpaired during the financial period	(44)
Financial assets derecognised other than write-off during the financial period	(6)
Amount written-off	(1)
At the end of financial period	659
Gross impaired loans as % of gross loans, advances and financing	0.1%

Movements in impaired loans under MFRS 139:

	BANK/GROUP
	31 March
	2018
	RM'000
At beginning of financial year	2,380
Impaired during the financial year	374
Reclassified as unimpaired during the financial year	(77)
Recoveries	(36)
At end of financial year	2,641
Gross impaired loans as % of gross loans, advances and financing	0.6%

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

	BANK/GROUP	
	30 September	31 March
	2018	2018
	RM'000	RM'000
Purchase of securities		
Purchase of transport vehicle	7	29
Purchase of landed properties	427	2,295
of which: - Residential	427	2,295
Personal use	58	148
Others	167	169
Gross impaired loans	659	2,641

(viii) Impaired loans by geographical distribution:

	BANK/GROUP	
	30 September	31 March
	2018	2018
	RM'000	RM'000
Central region	659	2,641
Gross impaired loans	659	2,641

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A19 Loans, Advances and Financing (Contd.)

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

	30 September 2018					31 March 2018
	Non-credit impaired		Credit Impaired			
	Collectively Assessed		Collectively Assessed	Individually Assessed		Collectively Assessed
	12 months ECL	Lifetime ECL	Lifetime ECL	Lifetime ECL		
	(Stage 1)	(Stage 2)	(Stage 3)	(Stage 3)	Total	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>BANK/GROUP</u>						
At 1 April 2018						
As previously stated					840	1,356
Effects of adoption of MFRS 9					874	-
As restated	619	11	183	901	1,714	1,356
Transfer to 12 month ECL	-	(1)	-	-	(1)	-
Transfer to lifetime ECL non credit-impaired	-	1	(2)	-	(1)	-
Transfer to lifetime ECL credit-impaired	-	-	-	-	-	-
New financial assets originated or purchased	69	-	-	-	69	-
Changes due to change in credit risk	31	(10)	-	(416)	(395)	(516)
Financial assets derecognised other than write-off during the period	(77)	-	(6)	-	(83)	-
Total charge/(write-back) to income statement	23	(10)	(8)	(416)	(411)	(516)
Write-off	-	-	(1)	-	(1)	-
At end of financial period/year	642	1	174	485	1,302	840

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A20 Other Assets

	BANK		GROUP	
	30 September	31 March	30 September	31 March
	2018	2018	2018	2018
	RM'000	RM'000	RM'000	RM'000
Other receivables, deposits and prepayments	11,164	11,302	11,291	11,430
Amount due from related company	50	-	50	-
Less :				
Allowance for credit losses on other receivables	(2,608)	(1,993)	(2,608)	(1,993)
	8,606	9,309	8,733	9,437

Movements in the allowance for credit losses on other receivables are as follows:

	Non-credit impaired		Credit Impaired		Total RM'000
	Collectively		Collectively	Individually	
	Assessed		Assessed	Assessed	
	12 months ECL		Lifetime ECL	Lifetime ECL	
	(Stage 1)		(Stage 3)	(Stage 3)	
	RM'000		RM'000	RM'000	
BANK/GROUP					
At 1 April 2018					
As previously stated					1,993
Effects of adoption of MFRS 9					-
As restated	36	1,933	24		1,993
New financial assets originated or purchased	16	700	-		716
Changes due to change in credit risk	218	-	-		218
Financial assets derecognised other than write-off during the period	(246)	(53)	(20)		(319)
Total (write-back)/charge to income statement	(12)	647	(20)		615
At the end of financial period	24	2,580	4		2,608

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

A21 Deposits from Customers

	BANK		GROUP	
	30 September	31 March	30 September	31 March
	2018	2018	2018	2018
	RM'000	RM'000	RM'000	RM'000
Fixed/investment deposits	217,051	306,438	217,051	306,438
Money market deposits	420,575	302,899	420,575	302,899
Negotiable instruments of deposits	-	15,003	-	15,003
	637,626	624,340	637,626	624,340

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

	BANK		GROUP	
	30 September	31 March	30 September	31 March
	2018	2018	2018	2018
	RM'000	RM'000	RM'000	RM'000
Due within six months	637,626	624,340	637,626	624,340
	637,626	624,340	637,626	624,340

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A21 Deposits from Customers (Contd.)(ii) The deposits are sourced from the following types of customers:

	<u>BANK</u>		<u>GROUP</u>	
	30 September	31 March	30 September	31 March
	2018	2018	2018	2018
	RM'000	RM'000	RM'000	RM'000
Business enterprises	379,549	364,730	379,549	364,730
Domestic financial institutions	-	15,003	-	15,003
Domestic non-bank financial institutions	258,077	244,607	258,077	244,607
	637,626	624,340	637,626	624,340

A22 Deposits and Placements of Banks and Other Financial Institutions

	<u>BANK/GROUP</u>	
	30 September	31 March
	2018	2018
	RM'000	RM'000
Licensed banks	308,242	440,429
Licensed investment banks	58,016	22,004
Other financial institutions	50,013	28,405
	416,271	490,838

A23 Amounts Due To Clients And Brokers

	<u>BANK/GROUP</u>	
	30 September	31 March
	2018	2018
	RM'000	RM'000
Due to clients	31,656	75,103
Due to brokers	17,052	-
	48,708	75,103

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

The Group's normal trade credit terms for 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 RM61,115,000 (31 March 2018: RM71,652,000) have been excluded accordingly.

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A24 Other Liabilities

	BANK		GROUP	
	30 September	31 March	30 September	31 March
	2018	2018	2018	2018
	RM'000	RM'000	RM'000	RM'000
Other payables	22,623	22,334	22,033	21,746
Provision and accruals	3,792	6,410	3,817	6,444
Remisier's accounts	5,711	5,866	5,711	5,866
Amount due to joint venture	183	168	183	168
Amount due to holding company	281	122	281	122
Allowance for credit losses on commitment and contingencies	210	-	210	-
	32,800	34,900	32,235	34,346

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

	Non-credit Impaired Collectively Assessed 12 months ECL (Stage 1) RM'000	Total RM'000
BANK/GROUP		
At 1 April 2018		
As previously stated	-	-
Effects of adoption of MFRS 9	248	248
As restated	248	248
Financial assets derecognised other than write-off during the period	(30)	(30)
Changes due to change in credit risk	(8)	(8)
At 30 September 2018	210	210

A25 Interest Income

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
BANK				
Loans, advances and financing	6,899	6,579	14,351	13,054
Money at call and deposit placements with financial institutions	46	96	106	112
Financial investments at FVOCI	9,360	-	18,735	-
Financial investments at amortised cost	219	-	438	-
Financial investments available-for-sale	-	8,966	-	17,410
Financial investments held-to-maturity	-	1,214	-	2,477
	16,524	16,855	33,630	33,053
Accretion of discount less amortisation of premium	360	736	776	1,010
	16,884	17,591	34,406	34,063

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A25 Interest Income (Contd.)

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>GROUP</u>				
Loans, advances and financing	6,899	6,579	14,351	13,054
Money at call and deposit placement with financial institutions	46	98	106	117
Financial investments at FVOCI	9,360	-	18,735	-
Financial investments at amortised cost	219	-	438	-
Financial investments available-for-sale	-	8,966	-	17,410
Financial investments held-to-maturity	-	1,214	-	2,477
	16,524	16,857	33,630	33,058
Accretion of discount less amortisation of premium	360	736	776	1,010
	16,884	17,593	34,406	34,068

A26 Interest Expense

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>BANK</u>				
Deposits and placements of banks and other financial institutions	3,847	4,290	8,149	8,155
Deposits from customers	5,189	5,318	10,169	10,427
	9,036	9,608	18,318	18,582

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>GROUP</u>				
Deposits and placements of banks and other financial institutions	3,847	4,290	8,149	8,155
Deposits from customers	5,189	5,318	10,169	10,427
	9,036	9,608	18,318	18,582

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A27 Other Operating Income

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>BANK</u>				
(a) <u>Fee and commission income:</u>				
Brokerage fees	8,067	7,826	16,352	18,611
Corporate advisory fees	729	1,005	1,516	1,731
Processing fees	102	137	207	340
Arrangement and related fees	1,951	363	2,832	665
Service charges	95	102	177	277
Underwriting commissions	148	-	148	168
	11,092	9,433	21,232	21,792
(b) <u>Fee and commission expense:</u>				
Brokerage fees expense	(2,573)	(2,570)	(5,125)	(6,292)
(c) <u>Investment income:</u>				
Gain/(loss) arising from sale/redemption of:				
- Financial assets at FVTPL	-	-	1	-
- Financial investments at FVOCI	559	-	558	-
- Financial investments available-for-sale	-	5	-	693
Unrealised gain/(loss) from revaluation of:				
- Financial assets at FVTPL	162	-	271	-
- Financial assets held-for-trading	-	57	-	372
Gross dividend income from:				
- Financial investments at FVTPL	70	-	430	-
- Financial assets held-for-trading	-	-	-	430
	791	62	1,260	1,495
(d) <u>Other income:</u>				
Foreign exchange gain	112	56	264	120
Rental income	-	14	-	18
Other non-operating income	147	139	369	337
	259	209	633	475
Total other operating income	9,569	7,134	18,000	17,470

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A27 Other Operating Income (Contd.)

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>GROUP</u>				
(a) <u>Fee and commission income:</u>				
Brokerage fees	8,067	7,826	16,352	18,611
Corporate advisory fees	729	1,005	1,516	1,731
Processing fees	102	137	207	340
Arrangement and related fees	1,951	363	2,832	665
Service charges	95	102	177	277
Underwriting commissions	148	-	148	168
	11,092	9,433	21,232	21,792
(b) <u>Fee and commission expense:</u>				
Brokerage fees expense	(2,573)	(2,570)	(5,125)	(6,292)
(c) <u>Investment income:</u>				
Gain/(loss) arising from sale/redemption of:				
- Financial assets at FVTPL	-	-	1	-
- Financial investments at FVOCI	559	-	558	-
- Financial investments available-for-sale	-	5	-	693
Unrealised gain/(loss) from revaluation of:				
- Financial assets at FVTPL	162	-	271	-
- Financial assets held-for-trading	-	57	-	372
Gross dividend income from:				
- Financial investments at FVTPL	70	-	430	-
- Financial assets held-for-trading	-	-	-	430
	791	62	1,260	1,495
(d) <u>Other income:</u>				
Foreign exchange gain	112	56	264	120
Rental income	-	14	-	18
Other non-operating (loss)/income	(529)	139	(306)	337
	(417)	209	(42)	475
Total other operating income	8,893	7,134	17,325	17,470

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A28 Other Operating Expenses

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>BANK</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	4,593	5,052	10,143	10,373
- Contribution to EPF	708	754	1,507	1,483
- Shares options/grants under ESS	-	-	-	(10)
- Others	568	613	991	1,018
	5,869	6,419	12,641	12,864
<u>Establishment costs</u>				
- Depreciation of property, plant and equipment	165	162	316	319
- Amortisation of computer software	231	102	359	201
- Rental	351	432	711	821
- Water and electricity	106	147	204	321
- Repairs & maintenance	145	156	246	277
- Information technology expenses	706	868	1,808	1,575
- Others	243	361	496	794
	1,947	2,228	4,140	4,308
<u>Marketing expenses</u>				
- Advertisement and publicity	115	126	278	209
- Research cost	504	455	964	971
- Others	86	73	175	156
	705	654	1,417	1,336
<u>Administration and general expenses</u>				
- Communication expenses	107	160	210	359
- Printing and stationeries	12	14	27	32
- Professional fees	406	438	708	679
- Others	463	594	922	1,126
	988	1,206	1,867	2,196
Total other operating expenses	9,509	10,507	20,065	20,704

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A28 Other Operating Expenses (Contd.)

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>GROUP</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	4,593	5,052	10,143	10,373
- Contribution to EPF	708	754	1,507	1,483
- Shares options/grants under ESS	-	-	-	(10)
- Others	568	613	991	1,018
	5,869	6,419	12,641	12,864
<u>Establishment costs</u>				
- Depreciation of property, plant and equipment	165	162	316	319
- Amortisation of computer software	231	102	359	201
- Rental	351	432	711	821
- Water and electricity	106	147	204	321
- Repairs & maintenance	145	156	246	277
- Information technology expenses	706	868	1,808	1,575
- Others	243	361	496	794
	1,947	2,228	4,140	4,308
<u>Marketing expenses</u>				
- Advertisement and publicity	115	126	278	209
- Research cost	504	455	964	971
- Others	86	73	175	156
	705	654	1,417	1,336
<u>Administration and general expenses</u>				
- Communication expenses	107	160	210	359
- Printing and stationeries	12	14	27	32
- Professional fees	406	458	708	701
- Others	463	597	922	1,129
	988	1,229	1,867	2,221
Total other operating expenses	9,509	10,530	20,065	20,729

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A29 Allowance for/(Write-back of) Credit Losses on Loans, Advances and Financing and Other Assets

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>BANK</u>				
Allowance for/(write-back of) credit losses on loans, advances and financing:				
(a) Individual assessment allowance				
- Net charge/(write-back) during the financial period	2	-	(416)	-
(b) Collective assessment allowance				
- Net (write-back)/charge during the financial period	(60)	(51)	5	(124)
(c) Bad debts on loans and financing				
- Recovered	(1)	(262)	(25)	(262)
- Written-off	37	-	37	-
(d) Commitment and contingencies	(49)	-	(38)	-
	(71)	(313)	(437)	(386)
Allowance for/(write-back of) credit losses on:				
(a) Other receivables	488	(15)	615	4
(b) Amounts due to clients and brokers	5	-	12	-
	422	(328)	190	(382)
<u>GROUP</u>				
Allowance for/(write-back of) credit losses on loans, advances and financing:				
(a) Individual assessment allowance				
- Net charge/(write-back) during the financial period	2	-	(416)	-
(b) Collective assessment allowance				
- Net (write-back)/charge during the financial period	(60)	(51)	5	(124)
(c) Bad debts on loans and financing				
- Recovered	(1)	(262)	(25)	(262)
- Written-off	37	-	37	-
(d) Commitment and contingencies	(49)	-	(38)	-
	(71)	(313)	(437)	(386)
Allowance for/(write-back of) credit losses on:				
(a) Other receivables	488	(15)	615	4
(b) Amounts due to clients and brokers	5	-	12	-
	422	(328)	190	(382)

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A30 Earnings Per Share**Basic/Diluted**

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

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
<u>BANK</u>				
Net profit attributable to Equity holder of the Bank (RM'000)	6,553	3,970	12,322	10,644
Weighted average numbers of ordinary shares in issued ('000)	365,000	365,000	365,000	365,000
Basic/diluted earnings per share (sen)	1.8	1.1	3.4	2.9
<u>GROUP</u>				
Net profit attributable to Equity holder of the Bank (RM'000)	5,910	3,927	11,702	10,625
Weighted average numbers of ordinary shares in issued ('000)	365,000	365,000	365,000	365,000
Basic/diluted earnings per share (sen)	1.6	1.1	3.2	2.9

A31 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 exposures and their related counterparty credit risk of the Bank and the Group are as follows:

	<u>BANK/GROUP</u>	
	30 September	31 March
	2018	2018
	RM'000	RM'000
<u>BANK/GROUP</u>		
<u>Credit-related exposures</u>		
Transaction-related contingent items	10,500	10,500
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	226,672	295,937
- maturity exceeding one year	-	22,092
Total	237,172	328,529

A32 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.

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A32 Capital Adequacy (Contd.)

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

	<u>BANK</u>		<u>GROUP</u>	
	30 September	31 March	30 September	31 March
	2018	2018	2018	2018
<u>Before deducting proposed dividends</u>				
CET 1 capital ratio	102.592%	86.830%	102.645%	86.862%
Tier 1 capital ratio	102.592%	86.830%	102.645%	86.862%
Total capital ratio	103.576%	87.642%	103.628%	87.672%
<u>After deducting proposed dividends</u>				
CET 1 capital ratio	100.420%	85.079%	100.478%	85.118%
Tier 1 capital ratio	100.420%	85.079%	100.478%	85.118%
Total capital ratio	101.404%	85.892%	101.460%	85.928%

(a) Components of Common Equity Tier I ("CET I"), Tier I and Tier II capital are as follows:

	<u>BANK</u>		<u>GROUP</u>	
	30 September	31 March	30 September	31 March
	2018	2018	2018	2018
	RM'000	RM'000	RM'000	RM'000
<u>CET I Capital</u>				
Paid-up share capital	365,962	365,962	365,962	365,962
Retained profits	278,193	226,603	273,465	222,495
Revaluation reserves	1,523	42,530	1,523	42,530
Regulatory reserves	8,250	-	8,250	-
	653,928	635,095	649,200	630,987
Less: Regulatory adjustment				
- Goodwill and other intangibles	(62,280)	(62,429)	(55,601)	(55,749)
- 55% of revaluation reserve	(837)	(23,392)	(837)	(23,392)
- Deferred tax assets	(839)	-	(839)	-
- Investment in subsidiaries, associate and joint venture	(624)	(624)	(1,022)	(967)
- Regulatory reserves	(8,250)	-	(8,250)	-
Total CET I Capital / Total Tier I Capital	581,098	548,650	582,651	550,879
<u>Tier II Capital</u>				
Collective assessment allowance and regulatory reserves	5,572	5,133	5,576	5,133
Total Tier II Capital	5,572	5,133	5,576	5,133
Total Capital	586,670	553,783	588,227	556,012

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

	<u>BANK</u>		<u>GROUP</u>	
	30 September	31 March	30 September	31 March
	2018	2018	2018	2018
	RM'000	RM'000	RM'000	RM'000
Credit risk	445,747	517,333	446,066	518,478
Market risk	-	468	-	468
Operational risk	120,669	114,069	121,570	115,252
Total RWA and capital requirements	566,416	631,870	567,636	634,198

A33 Fair Value Measurements

(a) Determination of fair value and fair value hierarchy

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

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

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

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

The 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 statement of financial position 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.

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A33 Fair Value Measurements (Contd.)**(b) Financial instruments measured at fair value and the fair value hierarchy**

The following tables show 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:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>BANK/GROUP</u>				
30 September 2018				
Financial assets FVTPL				
- Money market instrument:	-	-	57,212	57,212
Financial investments FVOCI				
- Money market instruments:	-	371,125	-	371,125
- Unquoted securities	-	682,699	-	682,699

BANK/GROUP

31 March 2018

Financial assets held-for-trading

- Money market instrument:	-	14,978	-	14,978
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Financial investments available-for-sale

- Money market instrument:	-	351,001	-	351,001
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- Unquoted securities	-	681,205	57,212	738,417
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There were no transfers between levels 1 and 2 of the fair value hierarchy for the Bank and the Group during the financial period/year ended 30 September 2018 and 31 March 2018.

Reconciliation of movements in Level 3 financial instruments:

	<u>BANK/GROUP</u>	
	30 September 2018 RM'000	31 March 2018 RM'000
At beginning of financial period/year	57,212	58,862
Disposal	-	(4,970)
Total gain/(loss) recognised in:		
Disposal/redemption		
(i) Revaluation reserves	-	3,350
- Statement of income		
(i) Loss arising from sales of financial investments available-for-sale	-	(30)
At end of financial period/year	57,212	57,212

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.

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A34 Offsetting Financial Assets And Financial Liabilities

In accordance with MFRS 132 Financial Instruments: Presentation, the Bank and 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.

(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
<u>BANK/GROUP</u>			
September 2018			
Amounts due from clients and brokers	130,611	(53,209)	77,402
Total	130,611	(53,209)	77,402
<u>BANK/GROUP</u>			
March 2018			
Amounts due from clients and brokers	188,129	(86,824)	101,305
Total	188,129	(86,824)	101,305

(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
<u>BANK/GROUP</u>			
September 2018			
Amounts due to clients and brokers	101,917	(53,209)	48,708
Total	101,917	(53,209)	48,708
<u>BANK/GROUP</u>			
March 2018			
Amounts due to clients and brokers	161,927	(86,824)	75,103
Total	161,927	(86,824)	75,103

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A35 CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	BANK/GROUP	
	30 September	31 March
	2018	2018
	RM'000	RM'000
Outstanding credit exposures with connected parties	98,379	99,415
of which:		
Total credit exposure which is impaired or default	-	-
Total credit exposures	1,778,611	1,874,669
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	5.53%	5.30%
- which is impaired or in default	-	-

A36 Changes in Accounting Policy

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

(a) Classification and Measurement

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

The combined application of the entity's business model and cash flow characteristics of the financial assets do not result in the significant change in the classification of financial asset other than the unquoted equity instruments which was previously classified as available-for-sale, is now reclassified to financial assets at FVTPL. The reclassification has resulted in an increase of RM56,212,000 in the Bank's and the Group's opening retained profits respectively due to the transfer of related fair value gains from financial instruments available-for-sale revaluation reserves to retained earnings.

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

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

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

A36 Changes in Accounting Policy (Contd.)

(a) Classification and Measurement (Contd.)

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

(b) Impairment of Financial Assets

MFRS 9 introduces an expected credit loss ("ECL") model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

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

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

- (i) Stage 1 – from initial recognition of a financial assets to the date on which the credit risk of the asset has increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months (12-month ECL).
- (ii) Stage 2 – following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset (Lifetime ECL).
- (iii) Stage 3 – when a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised (Lifetime ECL).

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

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

A36 Changes in Accounting Policy (Contd.)

(c) Impact on Adoption of MFRS 9

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Original classification under MFRS 139	New classification under MFRS 9	MFRS 139 carrying amount 31 March 2018 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount 1 April 2018 RM'000
<u>BANK</u>						
ASSETS						
Cash and short-term funds	Receivables	Amortised Cost	26,926	-	-	26,926
Amounts due from clients and brokers	Receivables	Amortised Cost	101,305	-	-	101,305
Financial investments at FVTPL	HFT	FVTPL	-	72,190	-	72,190
Financial investments at FVOCI	AFS	FVOCI	-	1,041,616	-	1,041,616
Financial investments at amortised cost	HTM	Amortised Cost	-	91,868	(12,899)	78,969
Financial assets held-for-trading	HFT	FVTPL	14,978	(14,978)	-	-
Financial investments available-for-sale ("AFS")	AFS	FVOCI	1,089,418	(1,098,828)	9,410	-
- Debt instrument	AFS	FVOCI	1,032,206	(1,041,616)	9,410	-
- Unquoted equity instrument	AFS	FVTPL	57,212	(57,212)	-	-
Financial investments held-to-maturity ("HTM")	HTM	Amortised Cost	78,969	(91,868)	12,899	-
Loans, advances and financing	Loans and receivables	Amortised Cost	452,895	(1,556)	(874)	450,465
Other assets	Receivables	Amortised Cost	9,309	-	-	9,309
Tax Recoverable			-	244	-	244
Statutory deposits	Receivables	Amortised Cost	38,762	-	-	38,762
Investment in associate			230	-	-	230
Investment in joint venture			394	-	-	394
Property, plant and equipment			1,183	-	-	1,183
Deferred tax assets			-	1,703	333	2,036
Intangible assets			62,429	-	-	62,429
TOTAL ASSETS			1,876,798	391	8,869	1,886,058
LIABILITIES AND EQUITY						
Deposits from customers	Amortised Cost	Amortised Cost	624,340	-	-	624,340
Deposits and placements of banks and other financial institutions	Amortised Cost	Amortised Cost	490,838	-	-	490,838
Amounts due to clients and brokers	Amortised Cost	Amortised Cost	75,103	-	-	75,103
Other liabilities			34,900	-	248	35,148
Provision for taxation			129	(129)	-	-
Deferred tax liabilities			11,788	(11,788)	-	-
TOTAL LIABILITIES			1,237,098	(11,917)	248	1,225,429
Share capital			365,962	-	-	365,962
Reserves			273,738	12,308	8,621	294,667
- Regulatory reserve			4,605	-	3,773	8,378
- FVOCI reserve			-	(191)	9,677	9,486
- Revaluation reserve			42,530	(42,530)	-	-
- Retained profits			226,603	55,029	(4,829)	276,803
TOTAL EQUITY			639,700	12,308	8,621	660,629
TOTAL LIABILITIES AND EQUITY			1,876,798	391	8,869	1,886,058

A36 Changes in Accounting Policy (Contd.)

(c) Impact on Adoption of MFRS 9 (contd.)

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Original classification under MFRS 139	New classification under MFRS 9	MFRS 139 carrying amount 31 March 2018 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount 1 April 2018 RM'000
GROUP						
ASSETS						
Cash and short-term funds	Receivables	Amortised Cost	27,983	-	-	27,983
Amounts due from clients and brokers	Receivables	Amortised Cost	101,305	-	-	101,305
Financial investments at FVTPL	HFT	FVTPL	-	72,190	-	72,190
Financial investments at FVOCI	AFS	FVOCI	-	1,041,616	-	1,041,616
Financial investments at amortised cost	HTM	Amortised Cost	-	91,868	(12,899)	78,969
Financial assets held-for-trading	HFT	FVTPL	14,978	(14,978)	-	-
Financial investments available-for-sale ("AFS")	AFS	FVOCI	1,089,418	(1,098,828)	9,410	-
- <i>Debt instrument</i>	AFS	FVOCI	1,032,206	(1,041,616)	9,410	-
- <i>Unquoted equity instrument</i>	AFS	FVTPL	57,212	(57,212)	-	-
Financial investments held-to-maturity ("HTM")	HTM	Amortised Cost	78,969	(91,868)	12,899	-
Loans, advances and financing	Loans and receivables	Amortised Cost	452,895	(1,556)	(874)	450,465
Other assets	Receivables	Amortised Cost	9,437	-	-	9,437
Tax recoverable			490	244	-	734
Statutory deposits with Bank Negara Malaysia	Receivables	Amortised Cost	38,762	-	-	38,762
Investment in associate			274	-	-	274
Investment in joint venture			693	-	-	693
Property, plant and equipment			1,183	-	-	1,183
Deferred tax assets			-	1,703	333	2,036
Intangible assets			55,749	-	-	55,749
TOTAL ASSETS			1,872,136	391	8,869	1,881,396
LIABILITIES AND EQUITY						
Deposits from customers	Amortised Cost	Amortised Cost	624,340	-	-	624,340
Deposits and placements of banks and other financial institutions	Amortised Cost	Amortised Cost	490,838	-	-	490,838
Amounts due to clients and brokers	Amortised Cost	Amortised Cost	75,103	-	-	75,103
Other liabilities			34,346	-	248	34,594
Provision for taxation			129	(129)	-	-
Deferred tax liabilities			11,788	(11,788)	-	-
TOTAL LIABILITIES			1,236,544	(11,917)	248	1,224,875
Share capital			365,962	-	-	365,962
Reserves			269,630	12,308	8,621	290,559
- <i>Regulatory reserve</i>			4,605	-	3,773	8,378
- <i>FVOCI reserve</i>			-	(191)	9,677	9,486
- <i>Revaluation reserve</i>			42,530	(42,530)	-	-
- <i>Retained profits</i>			222,495	55,029	(4,829)	272,695
TOTAL EQUITY			635,592	12,308	8,621	656,521
TOTAL LIABILITIES AND EQUITY			1,872,136	391	8,869	1,881,396

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A37 Islamic Banking Business**A37a Unaudited Statements of Financial Position as at 30 September 2018**

		<u>BANK/GROUP</u>	
		30 September	31 March
		2018	2018
	Note	RM'000	RM'000
ASSETS			
Cash and short-term funds		29	26
Financial investments at FVOCI	A37c	108,042	-
Financial investments available-for-sale	A37d	-	105,186
Other assets		6,491	6,499
Deferred tax		19	154
Total Assets		114,581	111,865
LIABILITIES AND ISLAMIC BANKING FUNDS			
Other liabilities		-	2
Provision for taxation		1,603	1,054
Total Liabilities		1,603	1,056
Islamic Banking Funds		56,000	56,000
Reserves		56,978	54,809
Total Islamic Banking Funds		112,978	110,809
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		114,581	111,865

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A37 Islamic Banking Business (Contd.)
A37b Unaudited Consolidated Statements of Comprehensive Income for the Financial Period Ended 30 September 2018

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>BANK/GROUP</u>				
Income derived from investment of islamic banking funds	1,209	1,261	2,291	2,302
Total distributable income	1,209	1,261	2,291	2,302
Income attributable to the depositors and financial institutions	-	(42)	-	(42)
Total net income	1,209	1,219	2,291	2,260
Other operating expenses	(1)	(1)	(1)	(1)
Profit before taxation	1,208	1,218	2,290	2,259
Taxation	(289)	(292)	(549)	(542)
Net profit after taxation	919	926	1,741	1,717
Other comprehensive income:				
Items that may be classified subsequently to profit or loss:				
Revaluation reserve on financial investments at FVOCI				
- Net gain from change in fair value	1,025	-	562	-
- Transfer to deferred tax	(247)	-	(135)	-
	778	-	427	-
Revaluation reserve on financial investments available-for-sale				
- Net gain from change in fair value	-	90	-	323
- Realised gain transferred to statement of income on disposal and impairment	-	(19)	-	(19)
- Transfer to deferred tax	-	(18)	-	(73)
	-	53	-	231
Other comprehensive income, net of tax	778	53	427	231
Total comprehensive income for the financial period	1,697	979	2,168	1,948

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

Income derived from investment of Islamic Banking funds	1,209	1,261	2,291	2,302
Income attributable to depositors and financial institutions	-	(42)	-	(42)
	1,209	1,219	2,291	2,260

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A37 Islamic Banking Business (Contd.)

A37c Financial Investments at FVOCI

	BANK/GROUP	
	30 September	31 March
	2018	2018
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Negotiable instruments of deposits	27,398	-
	<u>27,398</u>	<u>-</u>
<u>Unquoted securities:</u>		
Sukuk	80,644	-
	<u>80,644</u>	<u>-</u>
Total financial investments at FVOCI	<u>108,042</u>	<u>-</u>

A37d Financial Investments Available-for-Sale

	BANK/GROUP	
	30 September	31 March
	2018	2018
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Negotiable instruments of deposits	-	4,880
	<u>-</u>	<u>4,880</u>
<u>Unquoted securities:</u>		
Sukuk	-	100,306
	<u>-</u>	<u>100,306</u>
Total financial investments available-for-sale	<u>-</u>	<u>105,186</u>

A37e Capital Adequacy

The capital adequacy ratios of the islamic banking business are as follows:

	BANK/GROUP	
	30 September	31 March
	2018	2018
<u>Before deducting proposed dividends</u>		
CET 1 capital ratio	575.294%	743.849%
Tier 1 capital ratio	575.294%	743.849%
Total capital ratio	575.294%	743.849%
<u>After deducting proposed dividends</u>		
CET 1 capital ratio	566.453%	743.849%
Tier 1 capital ratio	566.453%	743.849%
Total capital ratio	566.453%	743.849%

ALLIANCE INVESTMENT BANK BERHAD**(21605-D)**

(Incorporated in Malaysia)

A37 Islamic Banking Business (Contd.)**A37e Capital Adequacy (Contd.)**

- (i) Components of Common Equity Tier I ("CET I"), Tier I and Tier II capital are as follows:

	<u>BANK/GROUP</u>	
	30 September	31 March
	2018	2018
	RM'000	RM'000
<u>CET I Capital</u>		
Paid-up share capital	56,000	56,000
Retained profits	57,039	55,297
Revaluation reserves	(61)	(488)
	<u>112,978</u>	<u>110,809</u>
Less: Regulatory adjustment		
- Deferred tax assets	(19)	(154)
Total CET I Capital / Total Tier I Capital	<u>112,959</u>	<u>110,655</u>
<u>Tier II Capital</u>		
Collective assessment allowance	-	-
Total Capital Base	<u>112,959</u>	<u>110,655</u>

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

	<u>BANK/GROUP</u>	
	30 September	31 March
	2018	2018
	RM'000	RM'000
Credit risk	11,970	7,474
Operational risk	7,665	7,402
Total RWA and capital requirements	<u>19,635</u>	<u>14,876</u>

PART B – Review of Performance & Current Year Prospect

B1 Review of Performance

The Group recorded a net profit after taxation of RM11.7 million for the 6 months ended 30 September 2018, representing an increase of 10.1% or RM1.1 million.

Net interest income including Islamic banking income increased by RM0.5 million or 3.0% as year on year gross loan has increased by 9.4% or RM39.7million.

Fee base income was at RM16.1 million, an increase of 3.9% or RM0.6 million mainly from higher arrangement fee offset by lower brokerage fees.

Operating Expenses reduced by 3.2% or RM0.7 million mainly from lower cross charge of personnel cost and establishment cost.

Both Total Capital and Common Equity Tier 1 ratios recorded at 101.5% and 100.5% respectively as at 30 September 2018.

B2 Current Year Prospect

Industry competition in the target markets will continue to be challenging in 2018. We will continue to grow our business this financial year by focusing on:

(a) building on the growth of Corporate Finance and Debt Capital Markets businesses through the collaboration with Group Corporate, Commercial and Transactions (“GCCT”) to identify potential investment banking (IB) opportunities;

(b) enhancing customer experience by offering retail broking customers seamless service at any Alliance Bank Group branches and to improve activation rate of new accounts and trading activity of existing accounts; and

(c) prudently growing loans on our balance sheet that meet risk-adjusted returns that commensurate with the Group’s risk appetite.

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

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

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

Notwithstanding the challenging economic outlook against the backdrop of these business initiatives, the Group’s financial performance is expected to be satisfactory.