



ALLIANCE INVESTMENT BANK

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



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DIRECTORS' REPORT

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

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

	<u>GROUP</u> RM'000	<u>BANK</u> RM'000
Profit before taxation	7,917	4,888
Taxation	(6,554)	(6,554)
Net profit/(loss) for the financial year	<u>1,363</u>	<u>(1,666)</u>

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 2018 were as follows:

	RM'000
(i) A 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.	11,060
(ii) A first interim dividend of 3.37 sen, tax exempt under the single tier tax system, on 365,000,000 ordinary shares amounting to approximately RM12,300,000 in respect of the financial year ending 31 March 2019, was paid on 18 December 2018.	12,300
	<u>23,360</u>

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

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

The Group recorded a net profit after taxation of RM1.4 million for the financial year ended 31 March 2019.

Net interest income including Islamic banking income increased by RM1.3 million or 3.7% mainly due from higher interest income from financial investment as year on year base increased by RM298.9 million or 25.3%.

Other operating income including Islamic banking income remained stable at RM35.4 million.

Operating Expenses improved by RM1.2 million or 2.7% mainly due to lower professional fees by RM1.2 million.

Both Total Capital and Common Equity Tier 1 ratios remained strong at 79.1% and 78.1% respectively as at 31 March 2019.

ECONOMIC OUTLOOK AND PROSPECTS FOR FYE 31 MARCH 2020

In 2019, Bank Negara Malaysia projected that the Malaysian Gross Domestic Product (GDP) growth will expand at a steady pace between 4.3% and 4.8% year-on-year, from 4.7% in 2018, as the slowdown in global growth persist, while declining global trade activity to provide negative spillover effect on Malaysia's domestic activity.

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

Meanwhile, Bank Negara Malaysia expects inflation to trend lower between 0.7% and 1.7% in 2019, due to the impact of cost pass-through from domestic cost factors amid a muted Sales and Services Tax (SST) impact, but this is likely to be offset by lower global oil prices that would help bring down domestic pump prices.

On the external sector, gross exports growth is forecasted to expand lower at 3.4% compared to a 6.8% growth in 2018, due to weaker demand from trade partners and the impact of on-going trade tensions.

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

BUSINESS OUTLOOK FOR FYE 31 MARCH 2020

In view of the economic outlook above, the local capital markets will be affected by external developments, trade tensions and increase volatility in global markets. Against this backdrop the outlook for the investment banking and stockbroking business is challenging.

Nevertheless, we will continue to focus on our strategic initiatives to grow our business by:

- (a) continuing our collaboration with Group Corporate, Commercial and Transactions (“GCCT”) department of Alliance Bank Malaysia Berhad to grow our Corporate Finance and Debt Capital Markets business;
- (b) improving stockbroking digital capabilities to enhance customer onboarding and engagement experience to improve activation rate of new accounts; and
- (c) optimizing the balance sheet to improve return on assets and equity.

RATING BY EXTERNAL RATING AGENCY

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

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

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

DIRECTORS

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

Kuah Hun Liang (Chairman)
Mazidah Binti Abdul Malik
Dato’ Yeoh Beow Tit
Datin Ooi Swee Lian (appointed on 1 November 2018)
Lee Ah Boon (appointed on 11 February 2019)
Kung Beng Hong (retired on 1 January 2019)

DIRECTORS' REMUNERATION

Details of Directors' Remuneration are set out in Note 40 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 40 to the financial statements) by reason of a contract made by the Bank or its subsidiary or its holding company or subsidiary of the holding company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS

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

ISSUE OF SHARES AND DEBENTURES

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

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

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

- (i) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group and of the Bank which has arisen since the end of the financial year other than in the ordinary course of banking business.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

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

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

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 15 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 31 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.

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

Kuah Hun Liang

Mazidah Binti Abdul Malik

Kuala Lumpur, Malaysia

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

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

We, Kuah Hun Liang and Mazidah Binti Abdul Malik, 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 132 are drawn up so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2019 and financial performance of the Group and of the Bank for the financial year ended 31 March 2019 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

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

Kuah Hun Liang

Mazidah Binti Abdul Malik

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 132 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

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

Wong Lai Loong
MIA Membership No. (CA 29328)

Before me,

**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 Group and of the Bank as at 31 March 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standard and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 March 2019 of the Group and of the Bank, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 132.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

**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 (CONTD.)

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Directors for the financial statements

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

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

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 (CONTD.)

Auditors' responsibilities for the audit of the financial statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Bank's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

**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 (CONTD.)

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

SOO HOO KHOON YEAN
02682/10/2019 J
Chartered Accountant

Kuala Lumpur
31 May 2019

**STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

	Note	GROUP		BANK	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
ASSETS					
Cash and short-term funds	3	36,373	27,983	35,989	26,926
Deposits and placements with banks and other financial institutions	4	500	-	500	-
Amounts due from clients and brokers	5	77,008	101,305	77,008	101,305
Financial assets at fair value through profit or loss	6	60,784	-	60,784	-
Financial investments at fair value through other comprehensive income	7	1,367,915	-	1,367,915	-
Financial investments at amortised cost	8	53,560	-	53,560	-
Financial assets held-for-trading	9	-	14,978	-	14,978
Financial investments available-for-sale	10	-	1,089,418	-	1,089,418
Financial investments held-to-maturity	11	-	78,969	-	78,969
Loans, advances and financing	12	449,354	452,895	449,354	452,895
Other assets	13	9,008	9,437	8,882	9,309
Tax recoverable		1,437	490	958	-
Statutory deposits with Bank Negara Malaysia	14	43,996	38,762	43,996	38,762
Investments in subsidiaries	15	-	-	-	-
Investment in an associate	16	280	274	230	230
Investment in joint venture	17	802	693	394	394
Property, plant and equipment	18	727	1,183	727	1,183
Intangible assets	20	33,639	55,749	36,730	62,429
TOTAL ASSETS		2,135,383	1,872,136	2,137,027	1,876,798
LIABILITIES AND EQUITY					
Deposits from customers	21	993,221	624,340	993,221	624,340
Deposits and placements of banks and other financial institutions	22	389,994	490,838	389,994	490,838
Amounts due to clients and brokers	23	51,164	75,103	51,164	75,103
Other liabilities	24	52,356	34,346	52,921	34,900
Provision for taxation		-	129	-	129
Deferred tax liabilities	19	2,164	11,788	2,164	11,788
TOTAL LIABILITIES		1,488,899	1,236,544	1,489,464	1,237,098
Share capital	25	365,962	365,962	365,962	365,962
Reserves	26	280,522	269,630	281,601	273,738
TOTAL EQUITY		646,484	635,592	647,563	639,700
TOTAL LIABILITIES AND EQUITY		2,135,383	1,872,136	2,137,027	1,876,798
COMMITMENTS AND CONTINGENCIES	45	320,776	328,529	320,776	328,529

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

**STATEMENTS OF INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	GROUP		BANK	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income	28	71,920	69,318	71,920	69,313
Interest expense	29	(39,033)	(37,813)	(39,033)	(37,813)
Net interest income		32,887	31,505	32,887	31,500
Net income from Islamic banking business	54	5,169	4,397	5,169	4,397
		38,056	35,902	38,056	35,897
Fee and commission income	30	38,703	44,678	38,703	44,678
Fee and commission expense	30	(9,544)	(12,304)	(9,544)	(12,304)
Investment income	30	4,960	1,597	4,960	1,597
Other income	30	456	1,330	1,131	1,320
Other operating income	30	34,575	35,301	35,250	35,291
Net income		72,631	71,203	73,306	71,188
Other operating expenses	31	(41,492)	(42,663)	(41,492)	(42,635)
Operating profit before allowances		31,139	28,540	31,814	28,553
Write-back of expected credit losses/impairment losses on loans, advances and financing and other financial assets	32	778	559	778	559
Allowance for expected credit losses on financial investments	33	(367)	-	(367)	-
Allowance for impairment losses on non-financial assets	34	(23,748)	-	(27,337)	-
Operating profit after allowances		7,802	29,099	4,888	29,112
Share of results in an associate	16	6	7	-	-
Share of results of joint venture	17	109	43	-	-
Profit before taxation		7,917	29,149	4,888	29,112
Taxation	35	(6,554)	(7,397)	(6,554)	(7,396)
Net profit/(loss) for the financial year		1,363	21,752	(1,666)	21,716
Net profit/(loss) for the financial year attributable to:					
Equity holder of the Bank		1,363	21,752	(1,666)	21,716
Earnings per share attributable to Equity holder of the Bank:					
- Basic/Diluted (sen)	36	0.37	5.96		

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

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

	<u>GROUP</u>		<u>BANK</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net profit/(loss) for the financial year	1,363	21,752	(1,666)	21,716
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Revaluation reserve on financial investments at fair value through other comprehensive income				
- Net gain from change in fair value	16,175	-	16,175	-
- Realised gain transferred to statement of income on disposal	(565)	-	(565)	-
- Transfer to deferred tax	(3,747)	-	(3,747)	-
- Changes in expected credit losses	97	-	97	-
	<u>11,960</u>	<u>-</u>	<u>11,960</u>	<u>-</u>
Revaluation reserve on financial investments available-for-sale:				
- Net gain from change in fair value	-	6,610	-	6,610
- Realised gain transferred to statement of income on disposal and impairment	-	(582)	-	(582)
- Transfer to deferred tax	-	(1,447)	-	(1,447)
	<u>-</u>	<u>4,581</u>	<u>-</u>	<u>4,581</u>
Other comprehensive income, net of tax	<u>11,960</u>	<u>4,581</u>	<u>11,960</u>	<u>4,581</u>
Total comprehensive income for the financial year	<u>13,323</u>	<u>26,333</u>	<u>10,294</u>	<u>26,297</u>
Total comprehensive income for the financial year attributable to:				
Equity holder of the Bank	<u>13,323</u>	<u>26,333</u>	<u>10,294</u>	<u>26,297</u>

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

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	←----- Attributable to Equity holder of the Bank -----→								
	Ordinary	Share	Statutory	Regulatory	FVOCI	Revaluation	Equity contribution from	Retained	Total
	<u>shares</u>	<u>premium</u>	<u>reserves</u>	<u>reserves</u>	<u>reserves</u>	<u>reserves</u>	former ultimate holding company	<u>profits</u>	<u>equity</u>
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group									
At 1 April 2018									
As previously stated	365,962	-	-	4,605	-	42,530	-	222,495	635,592
Effects of adoption of MFRS 9	-	-	-	3,773	9,486	(42,530)	-	50,200	20,929
As restated	365,962	-	-	8,378	9,486	-	-	272,695	656,521
Net profit for the financial year	-	-	-	-	-	-	-	1,363	1,363
Other comprehensive income	-	-	-	-	11,960	-	-	-	11,960
Total comprehensive income	-	-	-	-	11,960	-	-	1,363	13,323
Transfer to regulatory reserves	-	-	-	161	-	-	-	(161)	-
Dividend paid (Note 37)	-	-	-	-	-	-	-	(23,360)	(23,360)
At 31 March 2019	365,962	-	-	8,539	21,446	-	-	250,537	646,484
At 1 April 2017	365,000	962	201,383	3,660	-	37,949	298	17,726	626,978
Net profit for the financial year	-	-	-	-	-	-	-	21,752	21,752
Other comprehensive income	-	-	-	-	-	4,581	-	-	4,581
Total comprehensive income	-	-	-	-	-	4,581	-	21,752	26,333
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	-	-	-	-	-	-	(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 37)	-	-	-	-	-	-	-	(17,543)	(17,543)
At 31 March 2018	365,962	-	-	4,605	-	42,530	-	222,495	635,592

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

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019 (CONTD.)

	← Non-distributable reserves →						→ Distributable reserves		Total equity
	Ordinary shares	Share premium	Statutory reserves	Regulatory reserves	FVOCI reserves	Revaluation reserves	Equity contribution from former ultimate holding company	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank									
At 1 April 2018									
As previously stated	365,962	-	-	4,605	-	42,530	-	226,603	639,700
Effects of adoption of MFRS 9	-	-	-	3,773	9,486	(42,530)	-	50,200	20,929
As restated	365,962	-	-	8,378	9,486	-	-	276,803	660,629
Net loss for the financial year	-	-	-	-	-	-	-	(1,666)	(1,666)
Other comprehensive income	-	-	-	-	11,960	-	-	-	11,960
Total comprehensive income/(expense)	-	-	-	-	11,960	-	-	(1,666)	10,294
Transfer to regulatory reserves	-	-	-	161	-	-	-	(161)	-
Dividend paid (Note 37)	-	-	-	-	-	-	-	(23,360)	(23,360)
At 31 March 2019	365,962	-	-	8,539	21,446	-	-	251,616	647,563
At 1 April 2017	365,000	962	201,383	3,660	-	37,949	264	21,904	631,122
Net profit for the financial year	-	-	-	-	-	-	-	21,716	21,716
Other comprehensive income	-	-	-	-	-	4,581	-	-	4,581
Total comprehensive income	-	-	-	-	-	4,581	-	21,716	26,297
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	-	-	-	-	-	-	(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 37)	-	-	-	-	-	-	-	(17,543)	(17,543)
At 31 March 2018	365,962	-	-	4,605	-	42,530	-	226,603	639,700

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

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	<u>GROUP</u>		<u>BANK</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	7,917	29,149	4,888	29,112
Adjustments for:				
Accretion of discount less amortisation of premium of financial investments	(871)	(2,118)	(871)	(2,118)
Depreciation of property, plant and equipment	515	640	515	640
Amortisation of computer software	774	555	774	555
Dividends received from financial investments available-for-sale	-	(550)	-	(550)
Dividends received from financial assets at fair value through profit or loss	(550)	-	(550)	-
Net gain from sale of financial investments at fair value through other comprehensive income	(565)	-	(565)	-
Net gain from sale of financial assets at fair value through profit or loss	(1)	-	(1)	-
Net gain from sale of financial investments available-for-sale	-	(532)	-	(532)
Unrealised gain from revaluation of financial assets at fair value through profit or loss	(3,844)	-	(3,844)	-
Unrealised gain from revaluation of financial assets held-for-trading	-	(515)	-	(515)
Write-back of expected credit losses/impairment losses on loans, advances and financing	(642)	(516)	(642)	(516)
Allowance for expected credit losses/impairment losses on other receivables	104	229	104	229
(Write-back of)/allowance for expected credit losses/impairment losses on amounts due from clients and brokers	(1)	5	(1)	5
Write-back of expected credit losses on commitment and contingencies	(224)	-	(224)	-
Allowance for expected credit losses on financial investments	367	-	367	-
Allowance for impairment losses on non-financial assets	23,748	-	27,337	-
Share of results of associate	(6)	(7)	-	-
Share of results of joint venture	(109)	(43)	-	-
Interest income from financial investments at fair value through other comprehensive income	(40,861)	-	(40,861)	-
Interest income from financial investments at amortised cost	(3,197)	-	(3,197)	-
Interest income from financial investments available-for-sale	-	(36,621)	-	(36,621)
Interest income from financial investments held-to-maturity	-	(3,955)	-	(3,955)
Share options/grants under ESS	-	(10)	-	(10)
Computer software written-off	17	89	17	89
Loss on liquidation of subsidiary company	-	-	-	10
Operating loss before working capital changes	(17,429)	(14,200)	(16,754)	(14,177)
Changes in working capital:				
Deposits from customers	368,881	(103,945)	368,881	(103,945)
Deposits and placements of banks and other financial institutions	(100,844)	59,463	(100,844)	59,463
Other liabilities	17,988	(2,955)	17,997	(2,783)
Deposits and placement with banks and other financial institutions	(500)	-	(500)	-
Financial assets at fair value through profit or loss	15,251	-	15,251	-
Financial assets held-for-trading	-	20,401	-	20,401
Loans, advances and financing	(38,409)	(35,774)	(38,409)	(35,774)
Other assets	143	(5,222)	143	(5,228)
Amounts due from clients and brokers	358	17,749	358	17,749
Operating profit/(loss) before working capital changes carried forward	262,868	(50,283)	262,877	(50,117)

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

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019 (CONTD.)

	<u>GROUP</u>		<u>BANK</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)				
Operating profit/(loss) before working capital changes brought forward	262,868	(50,283)	262,877	(50,117)
Statutory deposits with Bank Negara Malaysia	(5,234)	(5,072)	(5,234)	(5,072)
Cash generated from/(used in) operations	240,205	(69,555)	240,889	(69,366)
Tax paid	(6,621)	(181)	(6,632)	-
Net cash generated from/(used in) operating activities	233,584	(69,736)	234,257	(69,366)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(59)	(110)	(59)	(110)
Purchase of intangible assets	(2,429)	(1,546)	(2,429)	(1,546)
Proceeds from disposal of financial investments at fair value through other comprehensive income	(307,578)	-	(307,578)	-
Proceeds from disposal of financial investments at amortised cost	66,371	-	66,371	-
Proceeds from disposal of financial investments available-for-sale (net of purchase)	-	(68,189)	-	(68,189)
Proceeds from redemption of financial investments held-to-maturity (net of purchase)	-	100,000	-	100,000
Net dividends received from financial investments at fair value through profit or loss	550	-	550	-
Net dividends received from financial investments available-for-sale	-	550	-	550
Interest income from financial investments at fair value through other comprehensive income	38,403	-	38,403	-
Interest received from financial investments available-for-sale	-	35,858	-	35,858
Interest received from financial investments at amortised cost	2,908	-	2,908	-
Interest received from financial investments held-for-maturity	-	4,445	-	4,445
Net cash (used in)/generated from investing activities	(201,834)	71,008	(201,834)	71,008
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment for ESS recharged from former ultimate holding company	-	(166)	-	(166)
Dividend paid to holding company	(23,360)	(17,543)	(23,360)	(17,543)
Net cash used in financing activities	(23,360)	(17,709)	(23,360)	(17,709)
NET CHANGES IN CASH AND CASH EQUIVALENTS				
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	27,983	44,420	26,926	42,993
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	36,373	27,983	35,989	26,926
Cash and cash equivalents comprise the following:				
Cash and short-term funds	36,373	27,983	35,989	26,926

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

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2019

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.

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 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

Malaysian Financial Reporting Standards ("MFRS") Framework

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

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

- (i) Annual testing for impairment of goodwill (Note 20) - the measurement of the recoverable amount of cash-generating units are determined based on the value-in-use method, which requires the use of estimates for cash flow projections approved by the Board of Directors covering a 4-year period, estimated growth rates for cash flows beyond the fourth year are extrapolated in perpetuity and discount rates are applied to the cash flow projections.
- (ii) The measurement of allowance for expected credit losses for financial assets measured at amortised cost and at financial investments at fair value through other comprehensive income is an area that requires the use of significant assumptions about future economic conditions and credit behaviour.

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

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

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

The sensitivity effect on the macroeconomic factor is further disclosed in Note 41.

Standards, amendments to published standards and interpretations that are effective

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

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

The detailed impact of change in accounting policies are set out in Note 52.

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

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

Financial year beginning on/after 1 April 2019

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

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

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

- (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" 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" clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.
 - Amendments to MFRS 11 "Joint Arrangements" clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.
 - Amendments to MFRS 112 "Income Taxes" clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.
 - Amendments to MFRS 123 "Borrowing Costs" clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

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

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

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

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

IC Interpretation 23 will be applied retrospectively.

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

Financial year beginning on/after 1 April 2020:

Amendments to MFRS 3 "Definition of a Business"

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

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

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

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

The amendments shall be applied prospectively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Economic Entities in the Group

(i) Subsidiaries

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

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

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

(iii) Disposal of Subsidiaries

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

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

(iv) Associates

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(iv) Associates (contd.)

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

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

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

(v) Joint Arrangements

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(v) Joint Arrangements (contd.)

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Property, Plant and Equipment and Depreciation

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

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Financial Assets

Accounting policies applicable with effective from 1 April 2018

(i) Classification

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

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

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

(i) Financial assets at FVOCI comprise of:

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

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

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

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

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

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

(ii) Recognition and initial measurement

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Financial Assets (contd.)

Accounting policies applicable with effective from 1 April 2018 (contd.)

(iii) Subsequent measurement

Debt instruments

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

(i) Amortised cost

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

(ii) FVOCI

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

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

(iii) FVTPL

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

Equity instruments

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Financial Assets (contd.)

Accounting policies applicable with effective from 1 April 2018 (contd.)

(iv) De-recognition (contd.)

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

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

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

Accounting policies applicable prior to 1 April 2018

(v) Classification

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Financial investments available-for-sale

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

Financial investments held-to-maturity

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Financial Assets (contd.)

Accounting policies applicable prior to 1 April 2018 (contd.)

(vi) Reclassification

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

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

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

(vii) Recognition and initial measurement

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

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

(viii) Subsequent measurement - gains and losses

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Financial Assets (contd.)

Accounting policies applicable prior to 1 April 2018 (contd.)

(ix) De-recognition

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

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

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

(g) 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.

(h) Amounts Due From Clients and Brokers

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

(i) Other Assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Impairment of Assets

(i) Impairment of financial assets

Accounting policies applicable with effective from 1 April 2018

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

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

(a) General 3-stage approach

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

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

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

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

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

Measurement of ECL is set out in Note 41.

(b) Simplified approach for other receivables

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Impairment of Assets (contd.)

(i) Impairment of financial assets (contd.)

Accounting policies applicable prior to 1 April 2018

(c) Write-off

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

(d) Assets carried at amortised cost

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Impairment of Assets (contd.)

(i) Impairment of financial assets (contd.)

Accounting policies applicable prior to 1 April 2018 (contd.)

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Impairment of Assets (contd.)

(ii) Impairment of non-financial assets

(a) Goodwill/Intangible assets

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

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

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

(b) Other non-financial assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(k) Financial Liabilities

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

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

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

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

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

(l) Repurchase Agreements

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

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

(m) Provisions

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

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

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

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

(n) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(n) Leases (contd.)

(i) Finance Leases

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

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

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

(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.

(o) Share Capital

(i) Classification

Ordinary shares with discretionary dividends are classified as equity.

(ii) Share issue costs

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

(iii) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(o) Share Capital (contd.)

(iii) Earnings per share (contd.)

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.

(p) Revenue Recognition

(i) Recognition of Interest and Financing Income

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

Interest income and financing income are recognised in the 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.

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

(ii) Recognition of Fees and Other Income

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(q) Recognition of Interest and Financing Expenses

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

(r) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(s) Current and Deferred Income Tax (contd.)

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

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

(t) Cash and Cash Equivalents

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

(u) Employee Benefits

(i) Short-term Employee Benefits

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

(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").

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(u) Employee Benefits (contd.)

(iii) Equity Compensation Benefits (contd.)

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 Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to ESS reserves in equity.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(v) Contingent Assets and Contingent Liabilities

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

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

(w) Financial Guarantee Contracts

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

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

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

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

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

3. CASH AND SHORT-TERM FUNDS

	<u>GROUP</u>		<u>BANK</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and balances with banks and other financial institutions	31,012	20,358	30,628	19,301
Money at call and deposit placements maturing within one month	5,361	7,625	5,361	7,625
	<u>36,373</u>	<u>27,983</u>	<u>35,989</u>	<u>26,926</u>

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

4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>GROUP/BANK</u>	
	2019 RM'000	2018 RM'000
Licensed banks	<u>500</u>	<u>-</u>

5. AMOUNTS DUE FROM CLIENTS AND BROKERS

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

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

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

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

	<u>GROUP/BANK</u>	
	2019 RM'000	2018 RM'000
At 1 April 2018		
As previously stated	840	835
Effects of adoption of MFRS9	-	-
As restated	<u>840</u>	<u>835</u>
(Write-back of)/allowance made during the financial year (net)	<u>(1)</u>	<u>5</u>
At 31 March 2019	<u>839</u>	<u>840</u>

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

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

	<u>GROUP/BANK</u>	
	2019 RM'000	2018 RM'000
At fair value		
<u>Unquoted securities:</u>		
Shares	60,784	-
Total financial assets at FVTPL	<u>60,784</u>	<u>-</u>

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

	<u>GROUP/BANK</u>	
	2019 RM'000	2018 RM'000
At fair value - debt instruments		
<u>Money market instruments:</u>		
Malaysian Government securities	223,009	-
Malaysian Government investment issues	289,667	-
Negotiable instruments of deposits	10,947	-
Commercial papers	38,683	-
	<u>562,306</u>	<u>-</u>
<u>Unquoted securities in Malaysia:</u>		
Corporate bonds and sukuk	805,609	-
	<u>805,609</u>	<u>-</u>
Total financial investments at FVOCI	<u>1,367,915</u>	<u>-</u>

Movements in allowance for expected credit losses are as follows:

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

As at 31 March 2019, the Group's and the Bank's gross exposure of financial investments at fair value through other comprehensive income that are credit impaired is at RM9,410,000.

8. FINANCIAL INVESTMENTS AT AMORTISED COST

	<u>GROUP/BANK</u>	
	2019 RM'000	2018 RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government securities	20,343	-
Commercial Paper	3,805	-
	<u>24,148</u>	<u>-</u>
<u>Unquoted securities:</u>		
Corporate bonds and sukuk	42,581	-
Less: Allowance for expected credit losses	(13,169)	-
	<u>29,412</u>	<u>-</u>
Total financial investments at amortised cost	<u>53,560</u>	<u>-</u>

Movements in allowance for expected credit losses are as follows:

<u>GROUP/BANK</u>	Lifetime ECL Not-credit Impaired <u>(Stage 2)</u> RM'000	Lifetime ECL Credit Impaired <u>(Stage 3)</u> RM'000	Total RM'000
	<u>At 1 April 2018</u>		
As previously stated	-	-	-
Effects of adoption of MFRS 9	-	12,899	12,899
As restated	-	12,899	12,899
New financial assets originated or purchased	270	-	270
At 31 March 2019	<u>270</u>	<u>12,899</u>	<u>13,169</u>

During the financial year, there were no expected credit losses under Stage 1 as the exposures were fully collateralised.

As at 31 March 2019, the Group's and the Bank's gross exposure of financial investments at amortised cost that are credit impaired is at RM17,271,000.

9. FINANCIAL ASSETS HELD-FOR-TRADING

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Commercial papers	-	14,978
	<u>-</u>	<u>14,978</u>

10. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government securities	-	112,098
Malaysian Government investment issues	-	234,023
Negotiable instruments of deposits	-	4,880
	<u>-</u>	<u>351,001</u>
 <u>Unquoted securities:</u>		
Shares	-	57,212
	<u>-</u>	<u>57,212</u>
 Corporate bonds and sukuk	-	690,615
Less: Allowance for impairment losses	-	(9,410)
	<u>-</u>	<u>681,205</u>
	<u>-</u>	<u>1,089,418</u>

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

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
At 1 April 2018		
As previously stated	9,410	97,671
Effects of adoption of MFRS 9	(9,410)	-
As restated	<u>-</u>	<u>97,671</u>
Write-off during the financial year	-	(88,261)
At 31 March 2019	<u>-</u>	<u>9,410</u>

11. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government securities	-	20,415
Khazanah Bonds	-	54,147
	<u>-</u>	<u>74,562</u>
At cost		
<u>Unquoted securities:</u>		
Corporate bonds	-	17,306
Less: Allowance for impairment losses	-	(12,899)
	<u>-</u>	<u>4,407</u>
	<u>-</u>	<u>78,969</u>

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

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
At 1 April 2018		
As previously stated	12,899	12,899
Effects of adoption of MFRS 9	(12,899)	-
At 31 March 2019	<u>-</u>	<u>12,899</u>

12. LOANS, ADVANCES AND FINANCING

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
Term loans	191,771	180,112
- Syndicated term loans	142,049	144,969
- Other term loans	49,722	35,143
Staff loans (Directors loan: RM Nil)	207	278
Revolving credits	5,007	24,890
Share margin financing	253,433	248,455
Gross loans, advances and financing	<u>450,418</u>	<u>453,735</u>
Less: Allowance for expected credit losses/impairment losses on loans, advances and financing		
- Expected credit losses	(1,064)	-
- Collective assessment allowance	-	(840)
Total net loans, advances and financing	<u>449,354</u>	<u>452,895</u>

(i) By maturity structure:

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
Within one year	258,884	282,122
One year to three years	6	7,581
Three years to five years	90,640	10,268
Over five years	100,888	153,764
Gross loans, advances and financing	<u>450,418</u>	<u>453,735</u>

12. LOANS, ADVANCES AND FINANCING (CONTD.)

(ii) By type of customer:

	<u>GROUP/BANK</u>	
	2019 RM'000	2018 RM'000
Domestic business enterprises		
- Small and medium enterprises	60,814	67,681
- Others	186,454	191,802
Individuals	200,383	191,351
Other domestic entities	2,737	2,704
Foreign entities	30	197
Gross loans, advances and financing	<u>450,418</u>	<u>453,735</u>

(iii) By interest/profit rate sensitivity:

	<u>GROUP/BANK</u>	
	2019 RM'000	2018 RM'000
Fixed rate loans	3,651	29,821
Variable rate:		
- Base lending rate plus	35,839	42,650
- Base rate plus	214,449	201,975
- Cost plus	196,479	179,289
Gross loans, advances and financing	<u>450,418</u>	<u>453,735</u>

(iv) By economic purposes:

	<u>GROUP/BANK</u>	
	2019 RM'000	2018 RM'000
Purchase of securities	253,433	248,455
Purchase of transport vehicles	2	29
Purchase of landed property	45,947	48,297
of which: - Residential	811	2,743
- Non-residential	45,136	45,554
Personal use	-	148
Working capital	46,619	92,858
Others	104,417	63,948
Gross loans, advances and financing	<u>450,418</u>	<u>453,735</u>

(v) By geographical distribution:

	<u>GROUP/BANK</u>	
	2019 RM'000	2018 RM'000
Northern region	46,993	40,916
Central region	373,004	384,531
Southern region	30,421	28,288
Gross loans, advances and financing	<u>450,418</u>	<u>453,735</u>

12. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	<u>GROUP/BANK</u>
	2019
	RM'000
At 1 April 2018	
As previously stated under MFRS139	2,641
Effects of adoption of MFRS 9	<u>(1,556)</u>
As restated	1,085
Impaired during the financial year	81
Recovered during the financial year	(516)
Reclassified as unimpaired during the financial year	(83)
Financial assets derecognised other than write-off during the financial year	(6)
Amount written-off	<u>(8)</u>
At 31 March 2019	<u><u>553</u></u>
Gross impaired loans as % of gross loans, advances and financing	<u><u>0.1%</u></u>

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

	<u>GROUP/BANK</u>
	2018
	RM'000
At 1 April 2017	2,380
Impaired during the financial year	374
Reclassified as unimpaired during the financial year	(77)
Recovered during the financial year	<u>(36)</u>
At 31 March 2018	<u><u>2,641</u></u>
Gross impaired loans as % of gross loans, advances and financing	<u><u>0.6%</u></u>

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

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
Purchase of transport vehicle	2	29
Purchase of landed properties	428	2,295
<i>of which: -Residential</i>	<u>428</u>	<u>2,295</u>
Personal use	-	148
Others	<u>123</u>	<u>169</u>
Gross impaired loans	<u><u>553</u></u>	<u><u>2,641</u></u>

(ix) Impaired loans by geographical distribution:

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
Central region	<u>553</u>	<u>2,641</u>
Gross impaired loans	<u><u>553</u></u>	<u><u>2,641</u></u>

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

12. LOANS, ADVANCES AND FINANCING (CONTD.)

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

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

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

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

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

12. LOANS, ADVANCES AND FINANCING (CONTD.)

(xi) Collective assessment allowance

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

	<u>GROUP/BANK</u> 2018 RM'000
At 1 April 2017	1,356
Write-back of impairment losses during the financial year	(516)
At 31 March 2018	<u>840</u>

13. OTHER ASSETS

	<u>GROUP</u>		<u>BANK</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other receivables, deposits and prepayments	10,828	11,430	10,702	11,302
Amount due from related company	277	-	277	-
	<u>11,105</u>	<u>11,430</u>	<u>10,979</u>	<u>11,302</u>
Less: Allowance for expected credit losses/ impairment losses other receivable [Note (a)]	<u>(2,097)</u>	<u>(1,993)</u>	<u>(2,097)</u>	<u>(1,993)</u>
	<u>9,008</u>	<u>9,437</u>	<u>8,882</u>	<u>9,309</u>

Note:

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

	Lifetime <u>ECL</u> RM'000
<u>GROUP/BANK</u>	
At 1 April 2018	
As previously stated	1,993
Effects of adoption of MFRS 9	-
As restated	<u>1,993</u>
New financial assets originated or purchased	1,174
Financial assets derecognised other than write-off	(1,381)
Changes due to change in credit risk	311
Total (write-back)/charge to income statement	<u>104</u>
At 31 March 2019	<u>2,097</u>
	<u>GROUP/BANK</u> 2018 RM'000
At April 2017	3,329
Allowance made during the financial year	229
Amount written-off	(1,565)
At 31 March 2018	<u>1,993</u>

14. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

Non-interest bearing statutory deposits for the Group and the Bank of RM43,996,000 (2018: RM38,762,000) 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.

15. INVESTMENTS IN SUBSIDIARIES

	<u>BANK</u>	
	2019 RM'000	2018 RM'000
Unquoted shares, at cost		
At beginning of financial year	-	10
Liquidation of subsidiaries during the financial year	-	(10)
At end of financial year	<u>-</u>	<u>-</u>

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

<u>Name</u>	<u>Principal Activities</u>	<u>Equity interest</u>	
		2019 %	2018 %
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. [Note (a)]	Liquidated	-	100

Note:

(a) Member's Voluntary Winding-up

AIBB Nominees (Tempatan) Sdn. Bhd., a subsidiary of the Bank was dissolved on 16 April 2018. There was no material effect on the earnings and net assets of the Group of the year ended 31 March 2019.

16. INVESTMENT IN AN ASSOCIATE

	<u>GROUP</u>		<u>BANK</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares				
At beginning of financial year	274	267	230	230
Share of results	6	7	-	-
At end of financial year	<u>280</u>	<u>274</u>	<u>230</u>	<u>230</u>
Represented by:				
Share of net tangible assets	<u>280</u>	<u>274</u>		

16. INVESTMENT IN AN ASSOCIATE (CONTD.)

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

<u>Name</u>	<u>Principal activities</u>	<u>Effective/direct equity interest</u>	
		2019	2018
Alliance Trustee Berhad	Trustee services	20%	20%

Alliance Trustee Berhad is jointly held by the following:

	<u>Effective/direct equity interest</u>	
	2019	2018
Alliance Bank Malaysia Berhad	100%	100%
Alliance Direct Marketing Sdn. Bhd.	20%	20%
Alliance Group Nominees (Tempatan) Sdn. Bhd.	20%	20%
Alliance Group Nominees (Asing) Sdn. Bhd.	20%	20%

	<u>GROUP</u>	
	2019	2018
	RM'000	RM'000
Assets and Liabilities		
Current assets		
Cash and short term funds	165	139
Other current assets	1,143	1,129
Total current assets	<u>1,308</u>	<u>1,268</u>
Non-current assets	102	112
Total assets	<u>1,410</u>	<u>1,380</u>
Current liabilities		
Other current liabilities	8	7
Total liabilities	<u>8</u>	<u>7</u>
Net assets	<u>1,402</u>	<u>1,373</u>

The summarised statement of comprehensive income is as follows:

Revenue	44	41
Profit before tax for the financial year	38	34
Profit after tax for the financial year	<u>29</u>	<u>36</u>

Reconciliation of summarised financial information:

The above profit includes the following:

Taxation	<u>(9)</u>	<u>2</u>
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	<u>GROUP</u>	
	2019	2018
	RM'000	RM'000
<u>Net assets</u>		
At beginning of financial year	1,373	1,337
Profit after tax for the financial year	29	36
At end of financial year	<u>1,402</u>	<u>1,373</u>
Carrying value at 20% share of the equity interest of the associate	<u>280</u>	<u>274</u>

17. INVESTMENT IN JOINT VENTURE

	<u>GROUP</u>		<u>BANK</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At beginning of financial year	693	650	394	394
Share of results	109	43	-	-
At end of financial year	<u>802</u>	<u>693</u>	<u>394</u>	<u>394</u>
Represented by:				
Share of net tangible assets	<u>802</u>	<u>693</u>		

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

<u>Name</u>	<u>Principal activities</u>	<u>Effective equity interest</u>	
		2019	2018
AllianceDBS Research Sdn. Bhd.	Research and stock analysis	51%	51%

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

	<u>GROUP</u>	
	2019 RM'000	2018 RM'000
Assets and Liabilities		
Current assets		
Cash and short term funds	2,377	2,223
Other current assets	546	565
Total current assets	<u>2,923</u>	<u>2,788</u>
Non-current assets	509	409
Total assets	<u>3,432</u>	<u>3,197</u>
Current liabilities		
Other liabilities (non trade)	1,860	1,838
Total liabilities	<u>1,860</u>	<u>1,838</u>
Net assets	<u>1,572</u>	<u>1,359</u>
The summarised statement of comprehensive income is as follows:		
Revenue	6,585	6,570
Profit before tax for the financial year	284	281
Profit after tax for the financial year	<u>213</u>	<u>84</u>
The above profit includes the following:		
Depreciation and amortisation	(31)	(18)
Taxation	<u>(71)</u>	<u>(197)</u>

17. INVESTMENT IN JOINT VENTURE (CONTD.)

Reconciliation of summarised financial information:

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

18. PROPERTY, PLANT AND EQUIPMENT

<u>GROUP</u>	<u>Renovations</u>	<u>Office equipment and furniture</u>	<u>Computer equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
2019	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Cost</u>					
At beginning of financial year	4,040	2,832	13,838	5	20,715
Additions	16	7	36	-	59
At end of financial year	<u>4,056</u>	<u>2,839</u>	<u>13,874</u>	<u>5</u>	<u>20,774</u>
<u>Accumulated Depreciation</u>					
At beginning of financial year	3,577	2,230	13,720	5	19,532
Charge for the financial year	285	161	69	-	515
At end of financial year	<u>3,862</u>	<u>2,391</u>	<u>13,789</u>	<u>5</u>	<u>20,047</u>
Net Carrying Amount	<u>194</u>	<u>448</u>	<u>85</u>	<u>-</u>	<u>727</u>
<u>GROUP</u>	<u>Renovations</u>	<u>Office equipment and furniture</u>	<u>Computer equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
2018	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Cost</u>					
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 end of financial year	<u>4,040</u>	<u>2,832</u>	<u>13,838</u>	<u>5</u>	<u>20,715</u>
<u>Accumulated Depreciation</u>					
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 end of financial year	<u>3,577</u>	<u>2,230</u>	<u>13,720</u>	<u>5</u>	<u>19,532</u>
Net Carrying Amount	<u>463</u>	<u>602</u>	<u>118</u>	<u>-</u>	<u>1,183</u>

18. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

<u>BANK</u>	<u>Renovations</u>	<u>Office equipment and furniture</u>	<u>Computer equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
2019	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Cost</u>					
At beginning of financial year	4,040	2,822	13,838	5	20,705
Additions	16	7	36	-	59
At end of financial year	<u>4,056</u>	<u>2,829</u>	<u>13,874</u>	<u>5</u>	<u>20,764</u>
<u>Accumulated Depreciation</u>					
At beginning of financial year	3,577	2,220	13,720	5	19,522
Charge for the financial year	285	161	69	-	515
At end of financial year	<u>3,862</u>	<u>2,381</u>	<u>13,789</u>	<u>5</u>	<u>20,037</u>
Net Carrying Amount	<u>194</u>	<u>448</u>	<u>85</u>	<u>-</u>	<u>727</u>

<u>BANK</u>	<u>Renovations</u>	<u>Office equipment and furniture</u>	<u>Computer equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
2018	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Cost</u>					
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 end of financial year	<u>4,040</u>	<u>2,822</u>	<u>13,838</u>	<u>5</u>	<u>20,705</u>
<u>Accumulated Depreciation</u>					
At beginning of financial year	3178	2,242	15,844	5	21,269
Charge for the financial year	399	159	82	-	640
Written-off	-	(181)	(2,206)	-	(2,387)
At end of financial year	<u>3,577</u>	<u>2,220</u>	<u>13,720</u>	<u>5</u>	<u>19,522</u>
Net Carrying Amount	<u>463</u>	<u>602</u>	<u>118</u>	<u>-</u>	<u>1,183</u>

19. DEFERRED TAX

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

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
Deferred tax liabilities, net	<u>(2,164)</u>	<u>(11,788)</u>
	<u>(2,164)</u>	<u>(11,788)</u>
	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
At 1 April 2018		
As previously stated	(11,788)	(11,143)
Effects of adoption of MFRS 9	13,491	-
As restated	1,703	(11,143)
Recognised in statement of income (Note 35)	(120)	802
Recognised in equity	(3,747)	(1,447)
At 31 March 2019	<u>(2,164)</u>	<u>(11,788)</u>

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

<u>GROUP/BANK</u> <u>Deferred tax assets/</u> <u>(liabilities)</u>	Allowance for expected credit losses RM'000	Other liabilities RM'000	Financial investments available- for-sale RM'000	Financial investments at fair value through other comprehensive income RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 April 2017	-	958	(11,984)	-	(117)	(11,143)
Recognised in statement of income	-	721	-	-	81	802
Recognised in equity	-	-	(1,447)	-	-	(1,447)
At 31 March 2018	-	1,679	(13,431)	-	(36)	(11,788)
At 1 April 2018						
As previously stated	-	1,679	(13,431)	-	(36)	(11,788)
Effects of adoption of MFRS 9	-	-	13,431	60	-	13,491
As restated	-	1,679	-	60	(36)	1,703
Recognised in statement of income	223	(94)	-	-	(249)	(120)
Recognised in equity	-	-	-	(3,747)	-	(3,747)
At 31 March 2019	<u>223</u>	<u>1,585</u>	<u>-</u>	<u>(3,687)</u>	<u>(285)</u>	<u>(2,164)</u>

20. INTANGIBLE ASSETS

	<u>GROUP</u>		<u>BANK</u>	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>Goodwill</u>				
Cost:				
At beginning/end of financial year	63,870	63,870	71,760	71,760
Accumulated impairment losses:				
At beginning of financial year	(11,006)	(11,006)	(12,216)	(12,216)
Impairment made during the financial year	(23,748)	-	(27,337)	-
At end of financial year	(34,754)	(11,006)	(39,553)	(12,216)
Net carrying amount	29,116	52,864	32,207	59,544
<u>Computer software</u>				
Cost:				
At beginning of financial year	7,733	6,342	7,733	6,342
Additions	2,429	1,546	2,429	1,546
Written-off	(17)	(155)	(17)	(155)
At end of financial year	10,145	7,733	10,145	7,733
Accumulated amortisation:				
At beginning of financial year	(4,848)	(4,359)	(4,848)	(4,359)
Charge for the financial year	(774)	(555)	(774)	(555)
Written-off	-	66	-	66
At end of financial year	(5,622)	(4,848)	(5,622)	(4,848)
Net carrying amount	4,523	2,885	4,523	2,885
Total carrying amount	33,639	55,749	36,730	62,429

Computer software includes work in progress of RM45,000 (2018: RM112,000) for the Group and the Bank which is not amortised until ready for use.

(a) Impairment test on Goodwill

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

	<u>GROUP</u>		<u>BANK</u>	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Stockbroking business	5,302	29,050	5,302	32,639
Financial markets	20,722	20,722	23,282	23,282
Corporate Investment Banking	3,092	3,092	3,623	3,623
	29,116	52,864	32,207	59,544

20. 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:.

	<u>GROUP</u>	
	2019	2018
	%	%
Financial markets	6.47	6.09
Corporate Investment Banking	7.78	9.92
Stockbroking business	7.74	9.80

(ii) Cash flow projections and growth rate

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

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

During the financial year, an impairment loss of RM23,748,000 and RM27,337,000 for the Group and the Bank have been recognised respectively in respect of the stockbroking business. The impairment loss is driven by lower projected cash flows resulting from the reassessment of expected future business performance in the light of current trading and economic conditions.

(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 CGUs.

21. DEPOSITS FROM CUSTOMERS

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
Fixed deposits	438,313	306,438
Money market deposits	554,908	302,899
Negotiable instruments of deposits	-	15,003
	<u>993,221</u>	<u>624,340</u>

21. DEPOSITS FROM CUSTOMERS (CONTD.)

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

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
Due within six months	<u>993,221</u>	<u>624,340</u>

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

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
Business enterprises	367,945	364,730
Domestic financial institutions	-	15,003
Domestic non-bank financial institutions	625,276	244,607
	<u>993,221</u>	<u>624,340</u>

22. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
Licensed banks	359,943	440,429
Licensed investment banks	30,051	22,004
Other financial institutions	-	28,405
	<u>389,994</u>	<u>490,838</u>

23. AMOUNTS DUE TO CLIENTS AND BROKERS

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
Due to clients	<u>51,164</u>	<u>75,103</u>

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

The Group's 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 Group and the Bank no longer recognises trust monies balances in the statement of financial position, as the Group and the Bank do not have any control over the trust monies to obtain the future economic benefits embodied in the trust monies. The trust monies maintained by the Group and the Bank amounting to RM56,655,000 (2018: RM71,652,000) have been excluded accordingly.

24. OTHER LIABILITIES

	Note	<u>GROUP</u>		<u>BANK</u>	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other payables		39,676	21,746	40,265	22,334
Provision and accruals		6,125	6,444	6,101	6,410
Remisier's accounts		6,122	5,866	6,122	5,866
Amounts due to joint venture	(i)	160	168	160	168
Amount due to holding company	(i)	249	122	249	122
Allowance for expected credit losses on commitment and contingencies		24	-	24	-
		<u>52,356</u>	<u>34,346</u>	<u>52,921</u>	<u>34,900</u>

Note:

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

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

<u>GROUP/BANK</u>	12 months ECL	
	<u>(Stage 1)</u> RM'000	<u>Total</u> RM'000
At 1 April 2018		
As previously stated	-	-
Effects of adoption of MFRS 9	248	248
As restated	248	248
New financial assets originated or purchased	16	16
Financial assets derecognised other than write-off	(220)	(220)
Changes due to change in credit risk	(20)	(20)
Total write-back from income statement	(224)	(224)
At 31 March 2019	<u>24</u>	<u>24</u>

25. SHARE CAPITAL

	<u>GROUP/BANK</u>			
	<u>2019</u>		<u>2018</u>	
	Number of ordinary shares '000	RM'000	Number of ordinary shares '000	RM'000
Ordinary shares issue:				
At beginning of financial year	365,000	365,962	365,000	365,000
Transition to no-par value regime on 31 January 2017 under the Companies Act, 2016 [(Note 26(a))]	-	-	-	962
At end of financial year	<u>365,000</u>	<u>365,962</u>	<u>365,000</u>	<u>365,962</u>

26. RESERVES

	Note	<u>GROUP</u>		<u>BANK</u>	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-distributable:					
Share premium	(a)	-	-	-	-
Statutory reserve	(b)	-	-	-	-
Regulatory reserves	(c)	8,539	4,605	8,539	4,605
FVOCI reserves	(d)	21,446	-	21,446	-
Revaluation reserves	(e)	-	42,530	-	42,530
Employees' share scheme ("ESS") reserves	(f)	-	-	-	-
		<u>29,985</u>	<u>47,135</u>	<u>29,985</u>	<u>47,135</u>
Distributable:					
Retained profits		<u>250,537</u>	<u>222,495</u>	<u>251,616</u>	<u>226,603</u>
		<u>280,522</u>	<u>269,630</u>	<u>281,601</u>	<u>273,738</u>

Notes:

- (a) 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.
- (b) The requirement to maintain a statutory reserve fund is no longer required pursuant to BNM's Capital Fund Policy with effect from 3 May 2017.
- (c) Regulatory reserves represent the Group's and the Bank's compliance with BNM Revised Policy Documents in Financial Reporting and Financial Reporting for Islamic Banking Institutions effective 1 January 2018 whereby the Bank and its banking subsidiaries must maintain in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

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

26. RESERVES (Contd.)

- (d) FVOCI reserves are the cumulative gains and losses arising on the revaluation of debt instruments measured at FVOCI, net off cumulative gains and losses transferred to statement of income upon disposal and the cumulative allowance for credit losses on debt instruments.
- (e) The revaluation reserves are in respect of unrealised fair value gains and losses on financial investments available-for-sale, net off cumulative gains and losses transferred to statement of income upon disposal .
- (f) The ESS reserves and equity contribution from former parent relate to the equity-settled share options/share grants to former Executive Directors and employees. This reserve is made up of the estimated fair value of the share options/share grants based on the cumulative services received from former Executive Directors and employees over the vesting period. The scheme ended on 2 December 2017.

27. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME

The Alliance Financial Group Berhad Employees' Share Scheme ("AFG Bhd ESS") is governed by the By-Laws approved by 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.

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

- (i) The AFG Bhd ESS is implemented and administered by the Employees' Share Participating Scheme Committee ("ESPS Committee") in accordance with the By-Laws.
- (ii) The total number of shares which may be available under the AFG Bhd ESS shall not exceed in aggregate 10% of the total issued and paid-up share capital of AFG Bhd at any one time during the existence of the AFG Bhd ESS and out of which not more than 50% of the shares available under the AFG Bhd ESS shall be allocated, in aggregate, to Directors and senior management. In addition, not more than 10% of the shares available under the AFG Bhd ESS shall be allocated to any individual Director or employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up capital of AFG Bhd.
- (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.
- (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.

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

- (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 grants.

<u>GROUP/BANK</u> 2019	Share Grants			
	Number of Share Grants			
	At beginning of financial year '000	Vested '000	Lapsed/ forfeited '000	At end of financial year '000
2015 Share Scheme (1st grant)	-	-	-	-
2016 Share Scheme	-	-	-	-
	-	-	-	-

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

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

	<u>Vesting Schedule</u>	<u>Vesting Dates</u>
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

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

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

The fair value of grants under 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	2016
	(1st grant)	
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.

28. INTEREST INCOME

	<u>GROUP</u>		<u>BANK</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Loans, advances and financing	26,798	26,425	26,798	26,425
Money at call and deposit placements with financial institutions	193	199	193	194
Financial investments at fair value through other comprehensive income	40,861	-	40,861	-
Financial investments at amortised cost	3,197	-	3,197	-
Financial investments available-for-sale	-	36,621	-	36,621
Financial investments held-to-maturity	-	3,955	-	3,955
	<u>71,049</u>	<u>67,200</u>	<u>71,049</u>	<u>67,195</u>
Accretion of discount less amortisation of premium	871	2,118	871	2,118
	<u><u>71,920</u></u>	<u><u>69,318</u></u>	<u><u>71,920</u></u>	<u><u>69,313</u></u>

Included in interest income on loans, advances and financing for the current financial year is interest accrued on impaired loans of the Group and of the Bank of RM NIL. (2018: RM1,556,000)

29. INTEREST EXPENSE

	<u>GROUP</u>		<u>BANK</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits and placements of banks and other financial institutions	16,783	16,802	16,783	16,802
Deposits from customers	22,250	21,011	22,250	21,011
	<u>39,033</u>	<u>37,813</u>	<u>39,033</u>	<u>37,813</u>

30. OTHER OPERATING INCOME

	<u>GROUP</u>		<u>BANK</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(a) <u>Fee and commission income:</u>				
Brokerage fees	30,178	36,811	30,178	36,811
Corporate advisory fees	3,214	3,221	3,214	3,221
Guarantee fees	436	-	436	-
Arrangement and related fees	3,676	3,030	3,676	3,030
Processing fees	363	646	363	646
Service charges	316	498	316	498
Underwriting commissions	520	472	520	472
	<u>38,703</u>	<u>44,678</u>	<u>38,703</u>	<u>44,678</u>
(b) <u>Fee and commission expense:</u>				
Brokerage fees expense	(9,544)	(12,304)	(9,544)	(12,304)
(c) <u>Investment income:</u>				
Gain arising from sale/redemption of:				
- Financial assets at fair value through profit or loss	1	-	1	-
- Financial investments at fair value through other comprehensive income	565	-	565	-
- Financial investments available-for-sale	-	532	-	532
Unrealised gain from revaluation of:				
- Financial assets at fair value through profit or loss	3,844	-	3,844	-
- Financial assets at held-for-trading	-	515	-	515
Gross dividend income from:				
- Financial assets at fair value through profit or loss	550	-	550	-
- Financial investments available-for-sale	-	550	-	550
	<u>4,960</u>	<u>1,597</u>	<u>4,960</u>	<u>1,597</u>
(d) <u>Other income:</u>				
Foreign exchange gain	412	359	412	359
Rental income	-	89	-	89
Other non-operating income	44	882	719	872
	<u>456</u>	<u>1,330</u>	<u>1,131</u>	<u>1,320</u>
Total other operating income	<u>34,575</u>	<u>35,301</u>	<u>35,250</u>	<u>35,291</u>

31. OTHER OPERATING EXPENSES

	<u>GROUP</u>		<u>BANK</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	19,456	19,658	19,456	19,658
- Contribution to EPF	2,982	2,878	2,982	2,878
- Share options/grants under ESS	-	(10)	-	(10)
- Others	2,249	2,278	2,249	2,278
	<u>24,687</u>	<u>24,804</u>	<u>24,687</u>	<u>24,804</u>
<u>Establishment costs</u>				
- Depreciation of property, plant and equipment	515	640	515	640
- Amortisation of computer software	774	555	774	555
- Rental	1,488	1,594	1,488	1,594
- Water and electricity	663	524	663	524
- Repairs and maintenance	537	610	537	610
- Information technology expenses	4,100	3,065	4,100	3,065
- Others	1,387	1,410	1,387	1,410
	<u>9,464</u>	<u>8,398</u>	<u>9,464</u>	<u>8,398</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	694	494	694	494
- Entertainment	145	156	145	156
- Research cost	1,875	2,046	1,875	2,046
- Others	170	153	170	153
	<u>2,884</u>	<u>2,849</u>	<u>2,884</u>	<u>2,849</u>
<u>Administration and general expenses</u>				
- Communication expenses	470	638	470	637
- Printing and stationery	54	63	54	63
- Professional fees	1,449	2,639	1,449	2,615
- Others	2,484	3,272	2,484	3,269
	<u>4,457</u>	<u>6,612</u>	<u>4,457</u>	<u>6,584</u>
Total other operating expenses	<u>41,492</u>	<u>42,663</u>	<u>41,492</u>	<u>42,635</u>

Included in the other operating expenses are the following:

<u>Auditors' remuneration</u>				
- statutory audit fees	221	220	221	214
- audit related services	102	88	102	88
- tax compliance fees	34	34	34	34
- tax related fees	-	116	-	116
Computer software written-off	17	89	17	89

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

	<u>GROUP</u>		<u>BANK</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(Write-back of)/allowance for expected credit losses/impairment losses on loans, advances and financing				
(a) Expected credit losses				
- Net write-back during the financial year	(642)	-	(642)	-
(b) Collective assessment allowance				
- Net write-back during the financial year	-	(516)	-	(516)
(b) Bad debts on loans and financing				
- Recovered	(53)	(277)	(53)	(277)
- Written-off	38	-	38	-
(d) Commitment and contingencies				
- Net write-back during the financial year	(224)	-	(224)	-
	<u>(881)</u>	<u>(793)</u>	<u>(881)</u>	<u>(793)</u>
Allowance for/(write-back of) expected credit losses/impairment losses on:				
(a) Other receivables	104	229	104	229
(b) Amounts due from clients and brokers	(1)	5	(1)	5
	<u>(778)</u>	<u>(559)</u>	<u>(778)</u>	<u>(559)</u>

33. ALLOWANCE FOR EXPECTED CREDIT LOSSES ON FINANCIAL INVESTMENTS

	<u>GROUP</u>		<u>BANK</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial investments at fair value through other comprehensive income	97	-	97	-
Financial investments at amortised cost	270	-	270	-
	<u>367</u>	<u>-</u>	<u>367</u>	<u>-</u>

34. ALLOWANCE FOR IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS

	<u>GROUP</u>		<u>BANK</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Intangible assets - goodwill	<u>23,748</u>	<u>-</u>	<u>27,337</u>	<u>-</u>

35. TAXATION

	<u>GROUP</u>		<u>BANK</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income Tax:				
Current year	6,977	7,646	6,977	7,645
(Over)/under provision in prior years	<u>(543)</u>	<u>553</u>	<u>(543)</u>	<u>553</u>
	6,434	8,199	6,434	8,198
Deferred tax (Note 19)	<u>120</u>	<u>(802)</u>	<u>120</u>	<u>(802)</u>
	<u>6,554</u>	<u>7,397</u>	<u>6,554</u>	<u>7,396</u>

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

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

	<u>GROUP</u>		<u>BANK</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before taxation	<u>7,917</u>	<u>29,149</u>	<u>4,888</u>	<u>29,112</u>
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	1,900	6,996	1,173	6,987
Income not subject to tax	(855)	(146)	(990)	(132)
Expenses not deductible for tax purposes	5,973	346	6,835	340
(Over)/under provision of tax expense in prior years	<u>(464)</u>	<u>201</u>	<u>(464)</u>	<u>201</u>
Tax expense for the year	<u>6,554</u>	<u>7,397</u>	<u>6,554</u>	<u>7,396</u>

36. 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.

	<u>GROUP</u>	
	2019	2018
	RM'000	RM'000
Net profit attributable to Equity holder of the Bank	<u>1,363</u>	<u>21,752</u>
	2019	2018
	'000	'000
Numbers of ordinary shares in issued	<u>365,000</u>	<u>365,000</u>
	2019	2018
	Sen	Sen
Basic/diluted earnings per share	<u>0.37</u>	<u>5.96</u>

37. DIVIDEND

	2019	2018
	RM'000	RM'000
Dividends on ordinary shares:		
<u>Second Interim</u>		
3.03 sen per share, on 365,000,000 ordinary shares declared in financial year ended 31 March 2018, was paid on 21 June 2018.	11,060	-
<u>Second Interim</u>		
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
<u>First Interim</u>		
3.37 sen per share, on 365,000,000 ordinary shares declared in financial year ending 31 March 2019, was paid on 18 December 2018.	12,300	-
<u>First Interim</u>		
2.92 sen per share, on 365,000,000 ordinary shares declared in financial year ended 31 March 2018, was paid on 22 December 2017.	-	10,644
	<u>23,360</u>	<u>17,543</u>

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

38. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

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

Relationship	Related parties
- Key management personnel	Key management personnel refer to those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Bank, directly or indirectly, including Executive Directors and Non-Executive Directors of the Group and of the Bank (including close members of their families). Other members of key management personnel of the Group and of the Bank are the Business Support Heads who report directly to Chief Executive Officer or to the Board Committees (including close members of their families).
- Holding company	Holding company of the Bank as disclosed in Note 44.
- Subsidiaries	Subsidiaries of the Bank as disclosed in Note 15.
- Other related companies	Related companies of the Bank as disclosed in Note 44.
- Associate	Associate of the Bank as disclosed in Note 16.
- Joint venture	Joint venture of the Bank as disclosed in Note 17.

	<u>GROUP</u>		<u>BANK</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(a) Transactions				
Interest income				
- holding company	-	7	-	2
Other income				
- other related companies	400	330	400	330
- holding company	-	450	-	450
Rental income				
- holding company	(5)	89	(5)	89
Interest expenses				
- holding company	(9,515)	(5,342)	(9,515)	(5,342)
- other related companies	(298)	(1,533)	(298)	(1,533)
- joint venture	(39)	(32)	(39)	(32)

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

(a) Transactions (contd.)

	<u>GROUP</u>		<u>BANK</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Rental expense				
- holding company	(384)	(262)	(384)	(262)
Dividend paid				
- holding company	(23,360)	(17,543)	(23,360)	(17,543)
Overhead expenses				
- holding company	(9,964)	(11,648)	(9,964)	(11,648)
- other related companies	(56)	(382)	(56)	(312)
- joint venture [Note]	(1,813)	(2,046)	(1,813)	(2,046)

Note:

The Group and the Bank have paid RM1,746,000 (2018: 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

Money at call and deposit placements with financial institutions				
- holding company	32,163	21,561	32,163	21,561
Investment in securities				
- other related companies	11,089	4,959	11,089	4,959
Subordinated Sukuk				
- other related companies	100,049	-	100,049	-
Other assets				
- other related companies	277	-	277	-
Deposits from customers				
- holding company	-	(15,003)	-	(15,003)
- other related companies	(111,455)	(46,839)	(111,455)	(46,839)
- joint venture	(2,002)	(1,502)	(2,002)	(1,502)
Deposits and placements of banks and other financial institutions				
- holding company	(119,852)	(300,054)	(119,852)	(300,054)
Other liabilities				
- holding company	(249)	(122)	(249)	(122)
- joint venture	(160)	(168)	(160)	(168)

38. 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:

	<u>GROUP</u>		<u>BANK</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CEO and other key management:				
Short-term employee benefits				
- Salary and other remuneration	5,131	5,078	5,131	5,078
- Contribution to EPF	756	738	756	738
- Benefits-in-kind	55	53	55	53
	<u>5,942</u>	<u>5,869</u>	<u>5,942</u>	<u>5,869</u>
Non-executive Directors:				
Short-term employee benefits				
- Fees payable	395	476	395	476
- Allowances	143	104	143	104
	<u>538</u>	<u>580</u>	<u>538</u>	<u>580</u>
Included in the total key management personnel are:				
CEO and Non-executive Directors' remuneration excluding past Directors (Note 40)	<u>2,685</u>	<u>2,689</u>	<u>2,685</u>	<u>2,689</u>

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

<u>GROUP/BANK</u>	Share Grants	
	2019 '000	2018 '000
At beginning of financial year	-	38
Vested	-	(38)
At the end of financial year	<u>-</u>	<u>-</u>

The above share options/grants were offered/awarded on the same terms and conditions as those offered to other employees of the Bank (Note 27).

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

<u>GROUP/BANK</u>	<u>2019</u>		<u>2018</u>	
	<u>Unrestricted</u> RM'000	<u>Deferred</u> RM'000	<u>Unrestricted</u> RM'000	<u>Deferred</u> RM'000
<u>Fixed remuneration</u>				
Cash	<u>5,035</u>	<u>-</u>	<u>4,899</u>	<u>-</u>

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

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

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

<u>GROUP/BANK</u>	<u>2019</u>		<u>2018</u>		<u>2019</u>		<u>2018</u>	
	<u>Number</u>	<u>Unrestricted</u> RM'000	<u>Number</u>	<u>Deferred</u> RM'000	<u>Number</u>	<u>Unrestricted</u> RM'000	<u>Number</u>	<u>Deferred</u> RM'000
<u>Variable remuneration</u>								
Cash	7	<u>1,032</u>	4	<u>413</u>	7	<u>1,244</u>	4	<u>306</u>
Total fixed & variable remuneration		<u>6,067</u>		<u>413</u>		<u>6,143</u>		<u>306</u>

39. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	<u>GROUP/BANK</u>	
	<u>2019</u> RM'000	<u>2018</u> RM'000
Outstanding credit exposures with connected parties	<u>96,913</u>	<u>99,415</u>
of which:		
Total credit exposure which is impaired or default	<u>-</u>	<u>-</u>
Total credit exposures	<u>2,089,566</u>	<u>1,874,669</u>
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	<u>4.64%</u>	<u>5.30%</u>
- which is impaired or in default	<u>-</u>	<u>-</u>

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with para 9.1 of Bank Negara Malaysia's revised 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;

39. 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.

40. CEO AND DIRECTORS' REMUNERATION

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

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CEO and other key management				
- Salary and other remuneration	1,464	1,385	1,464	1,385
- Bonuses	390	436	390	436
- Contribution to EPF	251	246	251	246
- Benefits-in-kind	42	42	42	42
	<u>2,147</u>	<u>2,109</u>	<u>2,147</u>	<u>2,109</u>
Non-executive Directors				
- Fees payable	395	476	395	476
- Allowances	143	104	143	104
	<u>538</u>	<u>580</u>	<u>538</u>	<u>580</u>
	<u>2,685</u>	<u>2,689</u>	<u>2,685</u>	<u>2,689</u>
Past Director				
- Fees payable	147	70	147	70
- Allowances	22	38	22	38
	<u>169</u>	<u>108</u>	<u>169</u>	<u>108</u>
	<u>2,854</u>	<u>2,797</u>	<u>2,854</u>	<u>2,797</u>
Total Directors' remuneration excluding benefits-in-kind	<u>2,812</u>	<u>2,755</u>	<u>2,812</u>	<u>2,755</u>

Note:

- (a) Other than Directors fees and allowances, there were no amount paid or payable for services rendered by any Directors of the Group and the Bank during the financial year.
- (b) The Directors of the Group and the Bank are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as Directors of the Group and the Bank, provided that such Directors has not acted negligently, fraudulently or dishonestly, or is in breach of his or her duty of trust. The total apportioned amount of insurance effected for Directors under the Group and the Bank is RM5,000 (2018: RM6,000).

40. CEO AND DIRECTORS' REMUNERATION (CONTD.)

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

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

<u>GROUP/BANK</u> 2018	Salary and other remuneration	Bonuses	Contribution to EPF	Fees Payable	Allowances	Benefits-in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Chief Executive Officer:</u>							
Mahesh s/o Shri Pranalal Rupawalla	1,385	436	246	-	-	42	2,109
	1,385	436	246	-	-	42	2,109
<u>Non-executive Directors:</u>							
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
<u>Past Director:</u>							
Dato' Majid Bin Mohamad	-	-	-	70	38	-	108
	-	-	-	70	38	-	108
Total CEO and Directors' remuneration	1,385	436	246	546	142	42	2,797

41. FINANCIAL RISK MANAGEMENT POLICIES

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

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

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

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

(a) Credit Risk

Credit risk is the risk of financial loss resulting from the failure of the 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 securities in the statements of financial position. The lending/financing activities in the Group are guided by the Group's Credit Risk Management Framework, in line with regulatory guidelines and best practices.

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 45 to the financial statements.

(i) Maximum exposure to credit risk

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

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

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

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

	<u>GROUP</u>		<u>BANK</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Credit risk exposure: on-balance sheet				
Cash and short-term funds (exclude cash in hand)	36,373	27,983	35,989	26,926
Deposits and placements with banks and other financial institutions	500	-	500	-
Amounts due from clients and brokers	77,008	101,305	77,008	101,305
Financial investments at fair value through other comprehensive income	1,367,915	-	1,367,915	-
Financial investments at amortised cost	53,560	-	53,560	-
Financial assets held-for-trading	-	14,978	-	14,978
Financial investments available- for-sale (exclude equity securities)	-	1,032,206	-	1,032,206
Financial investments held-to-maturity	-	78,969	-	78,969
Loans, advances and financing	449,354	452,895	449,354	452,895
Statutory deposits with Bank Negara Malaysia	43,996	38,762	43,996	38,762
Other assets (exclude prepayment)	7,861	8,473	7,735	8,345
	<u>2,036,567</u>	<u>1,755,571</u>	<u>2,036,057</u>	<u>1,754,386</u>
Credit risk exposure: off-balance sheet				
Credit related commitments and contingencies	<u>320,776</u>	<u>328,529</u>	<u>320,776</u>	<u>328,529</u>
Total off-balance sheet	<u>320,776</u>	<u>328,529</u>	<u>320,776</u>	<u>328,529</u>
Total maximum exposure	<u>2,357,343</u>	<u>2,084,100</u>	<u>2,356,833</u>	<u>2,082,915</u>

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(ii) Credit risk concentrations

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

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

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(ii) Credit risk concentrations (contd.)

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

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

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(iii) Collaterals

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

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

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
Gross loans, advances and financing	450,418	453,735
Less: Allowance for expected credit losses/impairment losses		
- Expected credit losses	(1,064)	-
- Collective assessment allowance	-	(840)
Net loans, advances and financing	<u>449,354</u>	<u>452,895</u>
Percentage of collateral held for loans, advances and financing	<u>66.6%</u>	<u>65.2%</u>

(iv) Credit risk measurement

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

(a) Definition of significant increase in credit risk

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

The following events are taken into consideration during the assessment:

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

(b) Definition of credit impaired financial assets

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

Quantitative criteria:

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

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(iv) Credit risk measurement (contd.)

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

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

Qualitative criteria:

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. The Group and the Bank consider the following instances:

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

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

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

Exposure at default ("EAD")

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

EAD for retail portfolio is calculated based upon either:

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

Probability at default ("PD")

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

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

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

Loss given default ("LGD")

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

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(iv) Credit risk measurement (contd.)

(d) Forward-looking information

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

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

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

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

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

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

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

(f) Modification of contractual cash flows

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

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

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

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality

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

<u>Credit Quality</u>	<u>Credit Grading</u>	<u>Definition</u>
Low	1 - 12	Borrowers with good capacity to meet financial commitments.
Medium	13 - 16	Borrower which is in a fairly acceptable capacity to meet financial commitments.
High	17 – 19	Borrower which is in an uncertain capacity to meet financial commitments but have not been impaired.
Unrated	Unrated	Borrower which is unrated.
Credit Impaired	Credit Impaired	Defaulted, or judgmentally impaired due to lack of capacity to fulfil financial commitments.

Other financial assets are categorized in the following manner:

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

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

<u>GROUP</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
2019	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds (exclude cash in hand)				
Investment graded	36,331	-	-	36,331
Sovereign/Government backed	42	-	-	42
Net carrying amount	<u>36,373</u>	<u>-</u>	<u>-</u>	<u>36,373</u>
Deposits and placements with banks and other financial institutions				
Investment graded	500	-	-	500
Net carrying amount	<u>500</u>	<u>-</u>	<u>-</u>	<u>500</u>
Financial investments at fair value through other comprehensive income (exclude equity securities)				
Investment graded	508,426	14,861	-	523,287
Sovereign/Government backed	835,218	-	-	835,218
Credit Impaired	-	-	9,410	9,410
Gross carrying amount	<u>1,343,644</u>	<u>14,861</u>	<u>9,410</u>	<u>1,367,915</u>
Expected credit losses [(Note a)]	(248)	(116)	(9,410)	(9,774)

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality (contd.)

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

<u>GROUP</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
2019	RM'000	RM'000	RM'000	RM'000
Financial investments at amortised cost				
Sovereign/Government backed	20,344	-	-	20,344
Unrated	3,841	25,273	-	29,114
Credit Impaired	-	-	17,271	17,271
Gross carrying amount	24,185	25,273	17,271	66,729
Expected credit losses	-	(270)	(12,899)	(13,169)
Net carrying amount	24,185	25,003	4,372	53,560
Loans, advances and financing				
Low	404,346	-	-	404,346
Medium	45,136	-	-	45,136
Unrated	288	95	-	383
Credit Impaired	-	-	553	553
Gross carrying amount	449,770	95	553	450,418
Expected credit losses	(512)	-	(552)	(1,064)
Net carrying amount	449,258	95	1	449,354
Statutory deposits with Bank Negara Malaysia				
Sovereign/Government backed	43,996	-	-	43,996
Net carrying amount	43,996	-	-	43,996
Commitment and contingencies				
Low	273,047	-	-	273,047
Medium	1,575	-	-	1,575
Unrated	46,154	-	-	46,154
Gross carrying amount	320,776	-	-	320,776
Expected credit losses	(24)	-	-	(24)

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

Simplified Approach

	Current to less than 16 days <u>past due</u> RM'000	6 days to 30 days <u>past due</u> RM'000	More than 30 days <u>past due</u> RM'000	<u>Total</u> RM'000
Amounts due from clients and brokers				
Gross carrying amount	76,941	31	875	77,847
Expected credit losses	-	-	(839)	(839)
Net carrying amount	76,941	31	36	77,008
		More than 90 Current days past due RM'000	RM'000	<u>Total</u> RM'000
Other assets (exclude prepayment)				
Gross carrying amount		7,861	2,097	9,958
Expected credit losses		-	(2,097)	(2,097)
Net carrying amount		7,861	-	7,861

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality (contd.)

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

<u>BANK</u> 2019	<u>Stage 1</u> RM'000	<u>Stage 2</u> RM'000	<u>Stage 3</u> RM'000	<u>Total</u> RM'000
Cash and short-term funds (exclude cash in hand)				
Investment graded	35,947	-	-	35,947
Sovereign/Government backed	42	-	-	42
Net carrying amount	<u>35,989</u>	<u>-</u>	<u>-</u>	<u>35,989</u>
Deposits and placements with banks and other financial institutions				
Investment graded	500	-	-	500
Net carrying amount	<u>500</u>	<u>-</u>	<u>-</u>	<u>500</u>
Financial investments at fair value through other comprehensive income (exclude equity securities)				
Investment graded	508,426	14,861	-	523,287
Sovereign/Government backed	835,218	-	-	835,218
Credit Impaired	-	-	9,410	9,410
Gross carrying amount	<u>1,343,644</u>	<u>14,861</u>	<u>9,410</u>	<u>1,367,915</u>
Expected credit losses [(Note a)]	(248)	(116)	(9,410)	(9,774)
Financial investments at amortised cost				
Sovereign/Government backed	20,344	-	-	20,344
Unrated	3,841	25,273	-	29,114
Credit Impaired	-	-	17,271	17,271
Gross carrying amount	<u>24,185</u>	<u>25,273</u>	<u>17,271</u>	<u>66,729</u>
Expected credit losses	-	(270)	(12,899)	(13,169)
Net carrying amount	<u>24,185</u>	<u>25,003</u>	<u>4,372</u>	<u>53,560</u>
Loans, advances and financing				
Low	404,346	-	-	404,346
Medium	45,136	-	-	45,136
Unrated	288	95	-	383
Credit Impaired	-	-	553	553
Gross carrying amount	<u>449,770</u>	<u>95</u>	<u>553</u>	<u>450,418</u>
Expected credit losses	(512)	-	(552)	(1,064)
Net carrying amount	<u>449,258</u>	<u>95</u>	<u>1</u>	<u>449,354</u>
Statutory deposits with Bank Negara Malaysia				
Sovereign / Government backed	43,996	-	-	43,996
Net carrying amount	<u>43,996</u>	<u>-</u>	<u>-</u>	<u>43,996</u>
Commitment and contingencies				
Low	273,047	-	-	273,047
High				
Medium	1,575	-	-	1,575
Unrated	46,154	-	-	46,154
Gross carrying amount	<u>320,776</u>	<u>-</u>	<u>-</u>	<u>320,776</u>
Expected credit losses	(24)	-	-	(24)

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

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality (contd.)

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

Simplified Approach

<u>BANK</u> 2019	Current to less than 16 days <u>past due</u> RM'000	6 days to 30 days <u>past due</u> RM'000	More than 30 days <u>past due</u> RM'000	<u>Total</u> RM'000
Amounts due from clients and brokers				
Gross carrying amount	76,941	31	875	77,847
Expected credit losses	-	-	(839)	(839)
Net carrying amount	<u>76,941</u>	<u>31</u>	<u>36</u>	<u>77,008</u>

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

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

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

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

Distribution of loans, advances and financing by credit quality

	<u>GROUP/BANK</u> 2018 RM'000
Neither past due nor impaired	450,976
Past due but not impaired	118
Impaired	2,641
Gross loans, advances and financing	<u>453,735</u>
Less: Allowance for impairment losses	
- Collective assessment	(840)
Net loans, advances and financing	<u><u>452,895</u></u>

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality (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:

	<u>GROUP/BANK</u> 2018 RM'000
Grading classification	
- Good	450,976
- Fair	-
	<u>450,976</u>

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.

	<u>GROUP/BANK</u> 2018 RM'000
Past due up to 1 month	77
Past due > 1 - 2 months	41
	<u>118</u>

Loans, advances and financing assessed as impaired

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

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

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality (contd.)

Other financial assets

Financial instrument include cash and short term funds, deposits and placements with other financial institutions, amounts 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:

<u>GROUP</u>	Neither past due nor <u>impaired</u>	<u>Impaired</u>	Allowance for impairment <u>losses</u>	<u>Total</u>
2018	RM'000	RM'000	RM'000	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
	<u>1,298,065</u>	<u>29,753</u>	<u>(25,142)</u>	<u>1,302,676</u>

<u>BANK</u>	Neither past due nor <u>impaired</u>	<u>Impaired</u>	Allowance for impairment <u>losses</u>	<u>Total</u>
2018	RM'000	RM'000	RM'000	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
	<u>1,296,878</u>	<u>29,753</u>	<u>(25,142)</u>	<u>1,301,489</u>

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality (contd.)

Other financial assets (contd.)

Most listed and some unlisted securities are rated by external rating agencies. The Group and the Bank 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:

	Cash & short term funds	Financial assets held-for- trading	Financial investments available-for- sale	Financial investments held-to- maturity	Statutory Deposits with Bank Negara Malaysia	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
GROUP						
2018						
<i>By rating agencies</i>						
<u>RAM</u>						
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
<u>MARC</u>						
AA	-	-	40,211	-	-	40,211
AAA	-	-	11,348	-	-	11,348
AA-	-	-	20,075	-	-	20,075
Government ba	44	-	706,752	74,561	38,762	820,119
Unrated [Note]	-	-	-	4,408	-	4,408
	<u>27,983</u>	<u>14,978</u>	<u>1,032,206</u>	<u>78,969</u>	<u>38,762</u>	<u>1,192,898</u>
BANK						
2018						
<i>By rating agencies</i>						
<u>RAM</u>						
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
<u>MARC</u>						
AA	-	-	40,211	-	-	40,211
AAA	-	-	11,348	-	-	11,348
AA-	-	-	20,075	-	-	20,075
Government ba	44	-	706,752	74,561	38,762	820,119
Unrated [Note]	-	-	-	4,408	-	4,408
	<u>26,926</u>	<u>14,978</u>	<u>1,032,206</u>	<u>78,969</u>	<u>38,762</u>	<u>1,191,841</u>

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.

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(vi) Sensitivity test

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

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

GROUP/BANK			
2019			
<u>Measurement variables</u>	<u>MEV Change (%)</u>	+	-
		RM'000	RM'000
<u>Non-retail</u>			
3 months KLIBOR	0.4	245	(146)

(b) Market Risk

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

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

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

(i) Interest/profit rate risk

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

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

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

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

(i) Interest/profit rate risk

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

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

GROUP	Non-trading book						Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
	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					
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	

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

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

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

	← Non-trading book →						Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
	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					
BANK										
2018										
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	

Note:

Includes statutory deposits and other assets.

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

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

(ii) Value at risk ('VaR')

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

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

<u>GROUP/BANK</u>	<u>Balance</u> RM'000	<u>Average</u> <u>for the year</u> RM'000	<u>Minimum</u> RM'000	<u>Maximum</u> RM'000
2019				
Government securities	(1,572)	(1,286)	(1,098)	(1,572)
Private debt securities	<u>(697)</u>	<u>(444)</u>	<u>(367)</u>	<u>(697)</u>
2018				
Government securities	(650)	(1,566)	(591)	(4,133)
Private debt securities	<u>(985)</u>	<u>(2,959)</u>	<u>(985)</u>	<u>(5,856)</u>

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

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

	2019		2018	
	<u>GROUP/BANK</u> <u>- 100 bps</u> <u>Increase/(Decrease)</u> RM'000	<u>GROUP/BANK</u> <u>+ 100 bps</u> <u>Increase/(Decrease)</u> RM'000	<u>GROUP/BANK</u> <u>- 100 bps</u> <u>Increase/(Decrease)</u> RM'000	<u>GROUP/BANK</u> <u>+ 100 bps</u> <u>Increase/(Decrease)</u> RM'000
Impact on net profit after tax	<u>7,858</u>	<u>(7,858)</u>	<u>6,253</u>	<u>(6,253)</u>
Impact on equity	<u>44,080</u>	<u>(41,162)</u>	<u>29,960</u>	<u>(28,292)</u>

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

Other risk measures

(iv) Stress test

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

(v) Sensitivity analysis

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

(c) Liquidity Risk

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

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

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

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

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

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

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

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

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

	Up to <u>1 month</u> RM'000	>1-3 <u>months</u> RM'000	>3-6 <u>months</u> RM'000	>6-12 <u>months</u> RM'000	<u>>1 year</u> RM'000	<u>Total</u> RM'000
GROUP						
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

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

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

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

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

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

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

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

	Up to <u>1 month</u> RM'000	>1-3 <u>months</u> RM'000	>3-6 <u>months</u> RM'000	>6-12 <u>months</u> RM'000	<u>>1 year</u> RM'000	<u>Total</u> RM'000
<u>BANK</u>						
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

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

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

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

	<u>Up to 1 month</u>	<u>>1-3 months</u>	<u>>3-6 months</u>	<u>>6-12 months</u>	<u>>1-5 year</u>	<u>Over 5 years</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
GROUP							
2019							
Liabilities							
Deposits from customers	903,064	90,854	-	-	-	-	993,918
Deposits and placements of banks and other financial institutions	390,034	-	-	-	-	-	390,034
Amounts due to clients and brokers	51,164	-	-	-	-	-	51,164
Other financial liabilities	22,040	-	-	-	30,313	-	52,353
Total financial liabilities	1,366,302	90,854	-	-	30,313	-	1,487,469

Credit risk exposure of off-balance sheet

Credit related commitments and contingencies	248,047	46,154	525	-	1,050	25,000	320,776
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	<u>Up to 1 month</u>	<u>>1-3 months</u>	<u>>3-6 months</u>	<u>>6-12 months</u>	<u>>1-5 year</u>	<u>Over 5 years</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
GROUP							
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
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41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

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

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

	<u>Up to 1 month</u>	<u>>1-3 months</u>	<u>>3-6 months</u>	<u>>6-12 months</u>	<u>>1-5 year</u>	<u>Over 5 years</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
BANK							
2019							
Liabilities							
Deposits from customers	903,064	90,854	-	-	-	-	993,918
Deposits and placements of banks and other financial institutions	390,034	-	-	-	-	-	390,034
Amounts due to clients and brokers	51,164	-	-	-	-	-	51,164
Other financial liabilities	22,040	-	-	-	30,880	-	52,920
Total financial liabilities	1,366,302	90,854	-	-	30,880	-	1,488,036

Credit risk exposure of off-balance sheet

Credit related commitments and contingencies	248,047	46,154	525	-	1,050	25,000	320,776
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	<u>Up to 1 month</u>	<u>>1-3 months</u>	<u>>3-6 months</u>	<u>>6-12 months</u>	<u>>1-5 year</u>	<u>Over 5 years</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
BANK							
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
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41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(d) Operational and Shariah Compliance Risk

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

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

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

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

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

42. CAPITAL COMMITMENTS

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
Capital expenditure:		
Authorised and contracted for	183	431
Authorised and not contracted for	1,765	1,258
	<u>1,948</u>	<u>1,689</u>

43. LEASE COMMITMENTS

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

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
Within one year	1,226	1,217
Between one year and five years	839	1,857
	<u>2,065</u>	<u>3,074</u>

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

44. 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.

45. COMMITMENTS AND CONTINGENCIES

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

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

	2019 Principal Amount RM'000	2018 Principal Amount RM'000
<u>GROUP/BANK</u>		
<u>Credit-related exposures</u>		
Transaction-related contingent items	1,575	10,500
Forward asset purchases	25,000	-
Obligations under an on-going underwriting agreement	46,154	-
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	248,047	295,937
- maturity exceeding one year	-	22,092
Total	<u>320,776</u>	<u>328,529</u>

46. CAPITAL ADEQUACY

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

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

	<u>GROUP</u>		<u>BANK</u>	
	2019	2018	2019	2018
<u>Before deducting proposed dividends</u>				
CET I capital ratio	78.128%	86.862%	78.200%	86.830%
Tier I capital ratio	78.128%	86.862%	78.200%	86.830%
Total capital ratio	79.121%	87.672%	79.196%	87.642%
<u>After deducting proposed dividends</u>				
CET I capital ratio	78.128%	85.118%	78.200%	85.079%
Tier I capital ratio	78.128%	85.118%	78.200%	85.079%
Total capital ratio	79.121%	85.928%	79.196%	85.892%

46. CAPITAL ADEQUACY (CONTD.)

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

	<u>GROUP</u>		<u>BANK</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<u>CET I Capital</u>				
Paid-up share capital	365,962	365,962	365,962	365,962
Retained profits	250,537	222,495	251,616	226,603
FVOCI reserves/Revaluation reserve	11,672	42,530	11,672	42,530
Regulatory reserves	8,539	4,605	8,539	4,605
	<u>636,710</u>	<u>635,592</u>	<u>637,789</u>	<u>639,700</u>
Less: Regulatory adjustments				
- Goodwill and other intangibles	(33,639)	(55,749)	(36,730)	(62,429)
- 55% of FVOCI reserve/ revaluation reserve	(6,420)	(23,392)	(6,420)	(23,392)
- Investment in subsidiaries, joint venture and associate	(1,082)	(967)	(624)	(624)
- Regulatory reserves	(8,539)	(4,605)	(8,539)	(4,605)
- Additional Tier 1 Sukuk Wakalah	(100,000)	-	(100,000)	-
Total CET I Capital/Total Tier I Capital	<u>487,030</u>	<u>550,879</u>	<u>485,476</u>	<u>548,650</u>
<u>Tier II Capital</u>				
Expected credit losses/collective assessment allowance and regulatory reserve	6,188	5,133	6,183	5,133
Total Tier II Capital	<u>6,188</u>	<u>5,133</u>	<u>6,183</u>	<u>5,133</u>
Total Capital	<u>493,218</u>	<u>556,012</u>	<u>491,659</u>	<u>553,783</u>

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

	<u>GROUP</u>		<u>BANK</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Credit risk	495,078	518,478	494,665	517,333
Market risk	-	468	-	468
Operational risk	128,294	115,252	126,149	114,069
Total RWA and capital requirements	<u>623,372</u>	<u>634,198</u>	<u>620,814</u>	<u>631,870</u>

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

47. CAPITAL

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

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

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

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

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

48. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

(i) Financial instruments in Level 1

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

(ii) Financial instruments in Level 2

Where fair value is determined using quoted prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include government securities, corporate private debt securities and corporate notes.

(iii) Financial instruments in Level 3

The Group and the Bank classifies financial instruments as Level 3 when there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

The valuation techniques and inputs used generally depend on the contractual terms and the risks inherent in the instrument as well as the availability of pricing information in the market. Principal techniques used include net tangible asset, net asset value, discounted cash flows, and other appropriate valuation models. These includes private equity investments.

48. FAIR VALUE MEASUREMENTS (CONTD.)

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

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

<u>GROUP/BANK</u> 2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial Assets				
Financial assets at fair value through profit or loss				
- Unquoted securities	-	-	60,784	60,784
Financial investments at fair value through other comprehensive income				
- Money market instruments	-	562,306	-	562,306
- Unquoted securities	-	805,609	-	805,609

<u>GROUP/BANK</u> 2018				
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

There were no transfers between levels 1 and 2 of the fair value hierarchy for the Group and the Bank during the financial year ended 31 March 2019 and 31 March 2018.

Reconciliation of movements in level 3 financial instruments:

	<u>GROUP/BANK</u>	
	2019 RM'000	2018 RM'000
At beginning of financial year	57,212	58,862
Disposal	-	(4,970)
Total gain recognised in:		
- Other comprehensive income		
Disposal/redemption		
(i) Revaluation reserves	-	3,350
- Statement of income		
(i) Unrealised gain from revaluation	3,572	-
(ii) Loss arising from sales of financial investments available-for-sale	-	(30)
At end of financial year	<u>60,784</u>	<u>57,212</u>

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

48. FAIR VALUE MEASUREMENTS (CONTD.)

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

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

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

<u>GROUP/BANK</u> 2018	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total 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
Financial liabilities					
Deposits and placements of banks and other financial institutions	-	490,838	-	490,838	490,838

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.

48. FAIR VALUE MEASUREMENTS (CONTD.)

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

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

(i) Financial investments amortised cost/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.

49. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

49. 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
<u>GROUP/BANK</u>			
2019			
Amounts due from clients and brokers	144,882	(67,874)	77,008
Total	<u>144,882</u>	<u>(67,874)</u>	<u>77,008</u>
<u>GROUP/BANK</u>			
2018			
Amounts due from clients and brokers	188,129	(86,824)	101,305
Total	<u>188,129</u>	<u>(86,824)</u>	<u>101,305</u>

(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>GROUP/BANK</u>			
2019			
Amounts due to clients and brokers	119,038	(67,874)	51,164
Total	<u>119,038</u>	<u>(67,874)</u>	<u>51,164</u>
<u>GROUP/BANK</u>			
2018			
Amounts due to clients and brokers	161,927	(86,824)	75,103
Total	<u>161,927</u>	<u>(86,824)</u>	<u>75,103</u>

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

50. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

51. SUBSEQUENT EVENTS

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

52. CHANGES IN ACCOUNTING POLICY

(a) Adoption of MFRS 9 "Financial Instruments"

The Group and the Bank have adopted MFRS 9 retrospectively with the date of initial application of 1 April 2018.

In accordance with the transition provision provided in MFRS 9, comparative for 2018 was not restated and continue to be reported under the previous accounting policies governed under MFRS 139. The cumulative effect of initially applying MFRS 9 were recorded as an adjustment to the opening balances of the retained profits as at 1 April 2018.

(i) Classification and Measurement

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

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

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

- (i) For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.
- (ii) When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

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

52. CHANGES IN ACCOUNTING POLICY (CONTD.)

(a) Adoption of MFRS 9 "Financial Instruments" (contd.)

(ii) Impairment of Financial Assets

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

As a result of the adoption of the MFRS 9 ECL model in determining the allowances for ECL, the total ECL allowances computed under MFRS 9 is higher by RM4,829,000 for the Group and the Bank respectively, than the total allowances of impairment losses on financial assets under MFRS 139.

52. CHANGES IN ACCOUNTING POLICY (CONTD.)

(b) Financial Effect

A reconciliation of the statement of financial position of the Group and the Bank upon adoption of MFRS 9 as at 1 April 2018 are as follows:

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018

	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount 31 March 2018 RM'000	Reclassification RM'000	Remeasurement RM'000	Expected credit losses RM'000	Restated 1 April 2018 RM'000
GROUP							
ASSETS							
Cash and short-term funds	Loans and receivables	Amortised Cost	27,983	-	-	-	27,983
Amounts due from clients and brokers	Loans and receivables	Amortised Cost	101,305	-	-	-	101,305
Financial investments at fair value through profit or loss ("FVTPL")	NA	FVTPL	-	72,190	-	-	72,190
Financial investments at fair value through other comprehensive income ("FVOCI")	NA	FVOCI	-	1,041,616	-	-	1,041,616
Financial investments at amortised cost	NA	Amortised Cost	-	119,130	-	-	119,130
Financial assets held-for-trading	HFT	NA	14,978	(14,978)	-	-	-
Financial investments available-for-sale ("AFS")	AFS	NA	1,089,418	(1,089,418)	-	-	-
- Debt instrument	AFS	NA	1,032,206	(1,032,206)	-	-	-
- Unquoted equity instrument	AFS	NA	57,212	(57,212)	-	-	-
Financial investments held-to-maturity ("HTM")	HTM	NA	78,969	(78,969)	-	-	-
Loans, advances and financing	Loans and receivables	Amortised Cost	452,895	(40,161)	(1,556)	(874)	410,304
Other assets	Loans and receivables	Amortised Cost	9,437	-	-	-	9,437
Tax recoverable			490	-	244	333	1,067
Statutory deposits with Bank Negara Malaysia	Loans and 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	-	-	1,703
Intangible assets			55,749	-	-	-	55,749
TOTAL ASSETS			1,872,136	11,113	(1,312)	(541)	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	Amortised Cost	Amortised Cost	34,346	-	-	248	34,594
Provision for taxation			129	-	(129)	-	-
Deferred tax liabilities			11,788	(11,788)	-	-	-
TOTAL LIABILITIES			1,236,544	(11,788)	(129)	248	1,224,875
Share capital			365,962	-	-	-	365,962
Reserves			269,630	22,901	(1,183)	(789)	290,559
- Regulatory reserve			4,605	-	-	3,773	8,378
- FVOCI reserve			-	9,219	-	267	9,486
- Revaluation reserve			42,530	(42,530)	-	-	-
- Retained profits			222,495	56,212	(1,183)	(4,829)	272,695
TOTAL EQUITY			635,592	22,901	(1,183)	(789)	656,521
TOTAL LIABILITIES AND EQUITY			1,872,136	11,113	(1,312)	(541)	1,881,396

52. CHANGES IN ACCOUNTING POLICY (CONTD.)

(b) Financial Effect (contd.)

A reconciliation of the statement of financial position of the Group and the Bank upon adoption of MFRS 9 as at 1 April 2018 are as follows: (contd.)

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018

	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount 31 March 2018 RM'000	Reclassification RM'000	Remeasurement RM'000	Expected credit losses RM'000	Restated 1 April 2018 RM'000
BANK							
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 fair value through profit or loss ("FVTPL")	HFT	FVTPL	-	72,190	-	-	72,190
Financial investments at fair value through other comprehensive income ("FVOCI")	AFS	FVOCI	-	1,041,616	-	-	1,041,616
Financial investments at amortised cost	HTM	Amortised Cost	-	119,130	-	-	119,130
Financial assets held-for-trading	HFT	NA	14,978	(14,978)	-	-	-
Financial investments available-for-sale ("AFS")	AFS	NA	1,089,418	(1,089,418)	-	-	-
- Debt instrument	AFS	NA	1,032,206	(1,032,206)	-	-	-
- Unquoted equity instrument	AFS	NA	57,212	(57,212)	-	-	-
Financial investments held-to-maturity ("HTM")	HTM	NA	78,969	(78,969)	-	-	-
Loans, advances and financing	Loans and receivables	Amortised Cost	452,895	(40,161)	(1,556)	(874)	410,304
Other assets	Loans and receivables	Amortised Cost	9,309	-	-	-	9,309
Tax Recoverable			-	-	244	333	577
Statutory deposits	Loans and 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	-	-	1,703
Intangible assets			62,429	-	-	-	62,429
TOTAL ASSETS			1,876,798	11,113	(1,312)	(541)	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	Amortised Cost	Amortised Cost	34,900	-	-	248	35,148
Provision for taxation			129	-	(129)	-	-
Deferred tax liabilities			11,788	(11,788)	-	-	-
TOTAL LIABILITIES			1,237,098	(11,788)	(129)	248	1,225,429
Share capital			365,962	-	-	-	365,962
Reserves			273,738	22,901	(1,183)	(789)	294,667
- Regulatory reserve			4,605	-	-	3,773	8,378
- FVOCI reserve			-	9,219	-	267	9,486
- Revaluation reserve			42,530	(42,530)	-	-	-
- Retained profits			226,603	56,212	(1,183)	(4,829)	276,803
TOTAL EQUITY			639,700	22,901	(1,183)	(789)	660,629
TOTAL LIABILITIES AND EQUITY			1,876,798	11,113	(1,312)	(541)	1,886,058

52. CHANGES IN ACCOUNTING POLICY (CONTD.)

(b) Financial Effect (contd.)

The following table reconciles the prior year's allowance for impairment losses measured in accordance with MFRS 139 incurred loss model to the new expected credit losses measured in accordance with MFRS 9 ECL as at 1 April 2018:

GROUP/BANK	MFRS 139			MFRS 9
	carrying amount	Reclassification	Remeasurement	carrying amount
	31 March 2018			1 April 2018
	RM'000	RM'000	RM'000	RM'000
Amounts due from clients and brokers	840	-	-	840
Financial investments at amortised cost	-	12,899	-	12,899
Financial investments available-for-sale	9,410	(9,410)	-	-
Financial investments held-to-maturity	12,899	(12,899)	-	-
Loans, advances and financing	840	-	874	1,714
Other assets	1,993	-	-	1,993
Other liabilities	-	-	248	248
FVOCI reserve	-	9,410	267	9,677
	<u>25,982</u>	<u>-</u>	<u>1,389</u>	<u>27,371</u>

The following table reconciles the Statement of Changes in Equity as at 31 March 2018 and 1 April 2018 from the adoption of MFRS 9 :

	GROUP	BANK
	RM'000	RM'000
Regulatory reserve		
Closing balance under MFRS 139 as at 31 March 2018	4,605	4,605
- Transfer from retained profits	<u>3,773</u>	<u>3,773</u>
Opening balance under MFRS 9 as at 1 April 2018	<u>8,378</u>	<u>8,378</u>
FVOCI reserve		
Closing balance under MFRS 139 as at 31 March 2018	-	-
- Transfer from revaluation reserve	42,530	42,530
- Effect of reclassification from financial investments available-for-sale to financial assets to fair value through profit and loss	(42,721)	(42,721)
- Recognition of expected credit losses under MFRS 9	<u>9,677</u>	<u>9,677</u>
Opening balance under MFRS 9 as at 1 April 2018	<u>9,486</u>	<u>9,486</u>
Revaluation reserve		
Closing balance under MFRS 139 as at 31 March 2018	42,530	42,530
- Transfer to FVOCI reserve	<u>(42,530)</u>	<u>(42,530)</u>
Opening balance under MFRS 9 as at 1 April 2018	<u>-</u>	<u>-</u>
Retained profits		
Closing balance under MFRS 139 as at 31 March 2018	222,495	226,603
- Effect of reclassification from financial investments available-for-sale to financial assets to fair value through profit and loss	42,721	42,721
- Tax effect arising from reclassification from financial investments available-for-sale to financial assets to fair value through profit and loss	13,491	13,491
- Remeasurement of financial assets	(1,556)	(1,556)
- Tax effect arising from remeasurement of financial assets	373	373
- Recognition of expected credit losses under MFRS 9	(1,389)	(1,389)
- Tax effect arising from recognition of expected credit losses under MFRS 9	333	333
- Transfer from regulatory reserve	<u>(3,773)</u>	<u>(3,773)</u>
Opening balance under MFRS 9 as at 1 April 2018	<u>272,695</u>	<u>276,803</u>

53. COMPARATIVES

- (a) Interest income and interest expense that are measured at fair value through profit or loss will be reclassified to investment income in accordance to amendment to MFRS 101, where interest income on items that are not measured at amortised cost or fair value through other comprehensive income will no longer be able to be included in interest revenue.

The financial effects to the statement of income as at 31 March 2018 are as follows:

	As previously stated RM'000	Reclassification RM'000	As restated RM'000
<u>GROUP</u>			
Interest income	69,876	(558)	69,318
Other operating income	34,743	558	35,301
- <i>Investment Income</i>	1,039	558	1,597
<u>BANK</u>			
Interest income	69,871	(558)	69,313
Other operating income	34,733	558	35,291
- <i>Investment Income</i>	1,039	558	1,597

54. ISLAMIC BANKING BUSINESS

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	GROUP/BANK	
		2019 RM'000	2018 RM'000
ASSETS			
Cash and short-term funds	(a)	27	26
Financial investments at fair value through other comprehensive income	(b)	110,995	-
Financial investments available-for-sale	(c)	-	105,186
Other assets	(d)	4,756	6,499
Deferred tax	(e)	1	154
Total Assets		<u>115,779</u>	<u>111,865</u>
LIABILITIES AND ISLAMIC BANKING FUNDS			
Provision for taxation		2,294	1,054
Other liabilities		-	2
Total Liabilities		<u>2,294</u>	<u>1,056</u>
Islamic Banking Funds		56,000	56,000
Reserves		57,485	54,809
		<u>113,485</u>	<u>110,809</u>
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		<u>115,779</u>	<u>111,865</u>

54. ISLAMIC BANKING BUSINESS (CONTD.)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Note	GROUP/BANK	
		2019 RM'000	2018 RM'000
Income derived from investment of islamic banking funds	(f)	5,169	4,439
Total distributable/net income		<u>5,169</u>	<u>4,439</u>
Income attributable to the depositors and financial institutions	(g)	-	(42)
Total net income		<u>5,169</u>	<u>4,397</u>
Other operating expenses	(h)	(1)	(6)
Profit before taxation		<u>5,168</u>	<u>4,391</u>
Taxation	(i)	(1,240)	(1,054)
Net profit for the financial year		<u><u>3,928</u></u>	<u><u>3,337</u></u>
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Revaluation reserve on financial investments at fair value through other comprehensive income			
- Net gain from change in fair value		1,468	-
- Realised gain transferred to statement of income on disposal		(831)	-
- Transfer to deferred tax		(153)	-
		<u>484</u>	<u>-</u>
Revaluation reserve on financial investments available-for-sale			
- Net gain from change in fair value		-	47
- Realised gain transferred to statement of income on disposal		-	(19)
- Transfer to deferred tax		-	(7)
		<u>-</u>	<u>21</u>
Other comprehensive income, net of tax		<u>484</u>	<u>21</u>
Total comprehensive income for the financial year		<u><u>4,412</u></u>	<u><u>3,358</u></u>

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

Income derived from investment of Islamic banking funds	5,169	4,439
Income attributable to the depositors and financial institutions	-	(42)
	<u>5,169</u>	<u>4,397</u>

54. ISLAMIC BANKING BUSINESS (CONTD.)

**STATEMENT OF CHANGES IN ISLAMIC BANKING FUNDS
FOR THE YEAR ENDED 31 MARCH 2019**

GROUP/BANK	Funds allocated from Head <u>Office (HO)</u> RM'000	FVOCI <u>reserves</u> RM'000	Retained <u>profits</u> RM'000	<u>Total</u> RM'000
At 1 April 2018	56,000	(488)	55,297	110,809
Net profit for the financial year	-	-	3,928	3,928
Other comprehensive income	-	484	-	484
Total comprehensive income	-	484	3,928	4,412
Dividends paid	-	-	(1,736)	(1,736)
At 31 March 2019	56,000	(4)	57,489	113,485
At 1 April 2017	56,000	(509)	51,960	107,451
Net profit for the financial year	-	-	3,337	3,337
Other comprehensive income	-	21	-	21
Total comprehensive income	-	21	3,337	3,358
At 31 March 2018	56,000	(488)	55,297	110,809

54. ISLAMIC BANKING BUSINESS (CONTD.)

STATEMENTS OF CASH FLOWS FOR YEAR ENDED 31 MARCH 2019

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,168	4,391
Adjustments for:-		
Accretion of discount less amortisation of premium of securities	(691)	(90)
Income from financial investments at fair value through other comprehensive income	(4,469)	-
Income from financial investments available-for-sale	-	(4,349)
Operating profit/(loss) before working capital changes	<u>8</u>	<u>(48)</u>
Changes in working capital:		
Other assets	<u>1,741</u>	<u>(5)</u>
Cash generated from/(used in) operations	1,749	(53)
Tax paid	-	-
Net cash generated from/(used in) operating activities	<u>1,749</u>	<u>(53)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial investments at fair value through other comprehensive income (net of proceeds from disposal)	(4,548)	-
Purchase of financial investments available-for-sale (net of proceeds from disposal)	-	(4,284)
Income from financial investments at fair value through other comprehensive income	4,536	-
Income from financial investments available-for-sale	-	4,337
Net cash (used in)/generated from investing activity	<u>(12)</u>	<u>53</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to holding company	<u>(1,736)</u>	-
Net cash used in financing activities	<u>(1,736)</u>	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	1	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	<u>26</u>	<u>26</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	<u><u>27</u></u>	<u><u>26</u></u>
Cash and cash equivalents comprise the following:		
Cash and short term funds	<u><u>27</u></u>	<u><u>26</u></u>

54. ISLAMIC BANKING BUSINESS (CONTD.)

(a) Cash and short-term funds

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
Cash and balances with banks and other financial institutions	<u>27</u>	<u>26</u>

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

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Negotiable instruments of deposit	<u>10,947</u>	-
	<u>10,947</u>	-
<u>Unquoted securities:</u>		
Sukuk	<u>100,048</u>	-
	<u>100,048</u>	-
Total financial investments at fair value through other comprehensive income	<u>110,995</u>	-

(c) Financial investments available-for-sale

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Negotiable instruments of deposits	-	4,880
<u>Unquoted securities:</u>		
Sukuk	-	100,306
	<u>-</u>	<u>105,186</u>

(d) Other assets

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
Other debtors, deposits and prepayments	<u>4,756</u>	<u>6,499</u>

54. ISLAMIC BANKING BUSINESS (CONTD.)

(e) Deferred tax

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
Deferred tax assets, net	<u>1</u>	<u>154</u>

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
At beginning of financial year	154	161
Recognised in equity	(153)	(7)
At end of financial year	<u>1</u>	<u>154</u>

<u>GROUP/BANK</u>	Financial investments at fair value through other comprehensive income	Financial investments available- for-sale	Total
<u>Deferred tax assets/(liabilities)</u>	RM'000	RM'000	RM'000
At 31 March 2017	-	161	161
Recognised in equity	-	(7)	(7)
At 31 March 2018	-	<u>154</u>	<u>154</u>
At 1 April 2018			
As previously stated	-	154	154
Effects of adoption of MFRS 9	154	(154)	-
As restated	-	<u>154</u>	<u>154</u>
Recognised in equity	-	(153)	(153)
At 31 March 2019	-	<u>1</u>	<u>1</u>

(f) Income Derived from Investment of Islamic Banking Funds

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
Finance income and hibah		
Financial investments at fair value through other comprehensive income	4,469	-
Money at call and deposit with financial institutions	9	-
Financial investments available-for-sale	-	4,349
	<u>4,478</u>	<u>4,349</u>
Accretion of discount less amortisation of premium	691	90
Total finance income and hibah	<u>5,169</u>	<u>4,439</u>

54. ISLAMIC BANKING BUSINESS (CONTD.)

(g) Income Attributable to Depositors and Financial Institutions

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
Deposits and placements of banks and other financial institutions		
- Mudharabah Fund	-	42
	<u>-</u>	<u>42</u>
	<u>-</u>	<u>42</u>

(h) Other Operating Expenses

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
Administration and general expenses		
- Others	1	6
Total operating expenses	<u>1</u>	<u>6</u>
	<u>1</u>	<u>6</u>

(i) Taxation

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
Income tax:		
Current year	1,240	1,054
	<u>1,240</u>	<u>1,054</u>

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

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
Profit before taxation	<u>5,168</u>	<u>4,391</u>
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	<u>1,240</u>	<u>1,054</u>
Tax expense for the year	<u>1,240</u>	<u>1,054</u>

(j) Profit Rate Risk

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

54. ISLAMIC BANKING BUSINESS (CONTD.)

(j) Profit Rate Risk (contd.)

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

54. ISLAMIC BANKING BUSINESS (CONTD.)

(j) Profit Rate Risk (contd.)

<u>GROUP/BANK</u>	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

54. ISLAMIC BANKING BUSINESS

(k) Capital Adequacy

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

The capital adequacy ratio are as follows:

	<u>GROUP/BANK</u>	
	2019	2018
<u>Before deducting proposed dividends</u>		
CET I capital ratio	90.655%	743.849%
Tier I capital ratio	90.655%	743.849%
Total capital ratio	90.655%	743.849%
<u>After deducting proposed dividends</u>		
CET I capital ratio	90.655%	743.849%
Tier I capital ratio	90.655%	743.849%
Total capital ratio	90.655%	743.849%

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

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
<u>CET I Capital</u>		
Funds allocated from Head Office	56,000	56,000
Retained profits	57,489	55,297
Revaluation reserves	(4)	(488)
	113,485	110,809
Less: Regulatory adjustments		
- Deferred tax assets	(1)	(154)
- Additional Tier 1 Sukuk Wakalah	(100,000)	-
Total CET I Capital/Total Tier I Capital	13,484	110,655
Tier II Capital		
Expected credit losses/collective assessment allowance	-	-
Total Capital Base	13,484	110,655

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

	<u>GROUP/BANK</u>	
	2019	2018
	RM'000	RM'000
Credit risk	6,970	7,474
Operational risk	7,904	7,402
Total RWA and capital requirements	14,874	14,876