

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

Condensed Interim Financial Statements
Unaudited Statements of Financial Position as at 30 September 2019

	Note	<u>GROUP</u>		<u>BANK</u>	
		30 September 2019 RM'000	31 March 2019 RM'000	30 September 2019 RM'000	31 March 2019 RM'000
ASSETS					
Cash and short-term funds		29,902	36,373	29,519	35,989
Deposits and placements with banks and other financial institutions		-	500	-	500
Amounts due from clients and brokers	A12	54,175	77,008	54,175	77,008
Financial assets at fair value through profit or loss	A13	64,392	60,784	64,392	60,784
Financial investments at fair value through other comprehensive income	A14	1,400,906	1,367,915	1,400,906	1,367,915
Financial investments at amortised cost	A15	24,715	53,560	24,715	53,560
Loans, advances and financing	A16	479,910	449,354	479,910	449,354
Other assets	A17	10,351	9,008	10,224	8,882
Tax recoverable		5,181	1,437	4,702	958
Statutory deposits with Bank Negara Malaysia		47,416	43,996	47,416	43,996
Investment in an associate		283	280	230	230
Investment in joint venture		850	802	394	394
Right-of-use assets		1,271	-	1,271	-
Property, plant and equipment		572	727	572	727
Intangible assets		28,059	33,639	31,149	36,730
TOTAL ASSETS		2,147,983	2,135,383	2,149,575	2,137,027
LIABILITIES AND EQUITY					
Deposits from customers	A18	654,321	993,221	654,321	993,221
Deposits and placements of banks and other financial institutions	A19	772,075	389,994	772,075	389,994
Amounts due to clients and brokers	A20	30,480	51,164	30,480	51,164
Lease liabilities		1,351	-	1,351	-
Other liabilities	A21	32,708	52,356	33,273	52,921
Deferred tax liabilities		6,890	2,164	6,890	2,164
TOTAL LIABILITIES		1,497,825	1,488,899	1,498,390	1,489,464
Share capital		365,962	365,962	365,962	365,962
Reserves		284,196	280,522	285,223	281,601
TOTAL EQUITY		650,158	646,484	651,185	647,563
TOTAL LIABILITIES AND EQUITY		2,147,983	2,135,383	2,149,575	2,137,027
COMMITMENTS AND CONTINGENCIES	A30	302,374	320,776	302,374	320,776

Condensed Interim Financial Statements
Unaudited Consolidated Statements of Income
for the Financial Period Ended 30 September 2019

GROUP	Note	2nd Quarter Ended		Six Months Ended	
		30 September	30 September	30 September	30 September
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Interest income	A22	20,928	16,884	41,990	34,406
Interest expense	A23	(11,454)	(9,036)	(23,298)	(18,318)
Net interest income		9,474	7,848	18,692	16,088
Net income from Islamic banking business	A36	1,823	1,209	3,847	2,291
		11,297	9,057	22,539	18,379
Fee and commission income		8,152	11,092	17,402	21,232
Fee and commission expense		(2,179)	(2,573)	(4,118)	(5,125)
Investment income		6,800	791	7,230	1,260
Other income		212	(417)	568	(42)
Other operating income	A24	12,985	8,893	21,082	17,325
Net income		24,282	17,950	43,621	35,704
Other operating expenses	A25	(10,829)	(9,509)	(21,032)	(20,065)
Operating profit before allowance		13,453	8,441	22,589	15,639
(Allowance for)/write-back of expected credit losses on loans, advances and financing and other financial assets	A26	(132)	(422)	689	(190)
Write-back of/(allowance for) expected credit losses on financial investments	A27	896	(4)	(23,770)	82
Allowance for impairment losses on non-financial assets	A28	(5,302)	-	(5,302)	-
Operating profit/(loss) after allowance		8,915	8,015	(5,794)	15,531
Share of results in an associate		1	1	3	3
Share of results of joint venture		18	32	49	52
Profit/(loss) before taxation		8,934	8,048	(5,742)	15,586
Taxation		(2,626)	(2,138)	1,025	(3,884)
Net profit/(loss) for the financial period		6,308	5,910	(4,717)	11,702
Net profit/(loss) for the financial period attributable to:					
Equity holder of the Bank		6,308	5,910	(4,717)	11,702
Earnings/(loss) per share attributable to Equity holder of the Bank:					
- Basic/diluted (sen)	A29	1.7	1.6	(1.3)	3.2

Condensed Interim Financial Statements
Unaudited Consolidated Statements of Comprehensive Income
for the Financial Period Ended 30 September 2019

<u>GROUP</u>	2nd Quarter Ended		Six Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RM'000	RM'000	RM'000	RM'000
Net profit/(loss) for the financial period	6,308	5,910	(4,717)	11,702
Other comprehensive income:				
Items that may be classified subsequently to profit or loss:				
Revaluation reserve on financial investments at fair value through other comprehensive income ("FVOCI")				
- Net gain from change in fair value	12,130	7,655	26,573	2,813
- Realised gain transferred to statement of income on disposal	(2,382)	(559)	(2,952)	(558)
- Transfer to deferred tax	(2,340)	(1,703)	(5,669)	(541)
- Changes in expected credit losses	(21)	4	(9,500)	(82)
Other comprehensive income, net of tax	7,387	5,397	8,452	1,632
Total comprehensive income for the financial period	13,695	11,307	3,735	13,334
Total comprehensive income for the financial period attributable to:				
Equity holder of the Bank	13,695	11,307	3,735	13,334

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Condensed Interim Financial Statements
Unaudited Statements of Income
for the Financial Period Ended 30 September 2019

	Note	2nd Quarter Ended		Six Months Ended	
		30 September 2019	30 September 2018	30 September 2019	30 September 2018
BANK		RM'000	RM'000	RM'000	RM'000
Interest income	A22	20,928	16,884	41,990	34,406
Interest expense	A23	(11,454)	(9,036)	(23,298)	(18,318)
Net interest income		9,474	7,848	18,692	16,088
Net income from Islamic banking business	A36	1,823	1,209	3,847	2,291
		11,297	9,057	22,539	18,379
Fee and commission income		8,152	11,092	17,402	21,232
Fee and commission expense		(2,179)	(2,573)	(4,118)	(5,125)
Investment income		6,800	791	7,230	1,260
Other income		212	259	568	633
Other operating income	A24	12,985	9,569	21,082	18,000
Net income		24,282	18,626	43,621	36,379
Other operating expenses	A25	(10,829)	(9,509)	(21,032)	(20,065)
Operating profit before allowance		13,453	9,117	22,589	16,314
(Allowance for)/write-back of expected credit losses on loans, advances and financing and other financial assets	A26	(132)	(422)	689	(190)
Write-back of/(allowance for) expected credit losses on financial investments	A27	896	(4)	(23,770)	82
Allowance for impairment losses on non-financial assets	A28	(5,302)	-	(5,302)	-
Profit/(loss) before taxation		8,915	8,691	(5,794)	16,206
Taxation		(2,626)	(2,138)	1,025	(3,884)
Net profit/(loss) for the financial period		6,289	6,553	(4,769)	12,322
Net profit/(loss) for the financial period attributable to:					
Equity holder of the Bank		6,289	6,553	(4,769)	12,322
Earnings/(loss) per share attributable to Equity holder of the Bank:					
- Basic/diluted (sen)	A29	1.7	1.8	(1.3)	3.4

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 March 2019.

Condensed Interim Financial Statements
Unaudited Statements of Comprehensive Income
for the Financial Period Ended 30 September 2019

	2nd Quarter Ended		Six Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RM'000	RM'000	RM'000	RM'000
<u>BANK</u>				
Net profit/(loss) for the financial period	6,289	6,553	(4,769)	12,322
Other comprehensive income:				
Items that may be classified subsequently to profit or loss:				
Revaluation reserve on FVOCI				
- Net gain from change in fair value	12,130	7,655	26,573	2,813
- Realised gain transferred to statement of income on disposal	(2,382)	(559)	(2,952)	(558)
- Transfer to deferred tax	(2,340)	(1,703)	(5,669)	(541)
- Changes in expected credit losses	(21)	4	(9,500)	(82)
Other comprehensive income, net of tax	7,387	5,397	8,452	1,632
Total comprehensive income for the financial period	13,676	11,950	3,683	13,954
Total comprehensive income for the financial period attributable to:				
Equity holder of the Bank	13,676	11,950	3,683	13,954

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Condensed Interim Financial Statements
Unaudited Consolidated Statements of Changes in Equity for the Financial Period Ended 30 September 2019

	← Attributable to Equity holder of the Bank →					Total equity RM'000
	Ordinary shares RM'000	Regulatory reserves RM'000	FVOCI reserves RM'000	Revaluation reserves RM'000	Retained profits RM'000	
GROUP						
At 1 April 2019						
As previously stated	365,962	8,539	21,446	-	250,537	646,484
Effect of adoption of MFRS 16	-	-	-	-	(61)	(61)
As restated	365,962	8,539	21,446	-	250,476	646,423
Net loss after taxation	-	-	-	-	(4,717)	(4,717)
Other comprehensive income	-	-	8,452	-	-	8,452
Total comprehensive income/(expense) for the financial period	-	-	8,452	-	(4,717)	3,735
Transfer to regulatory reserves	-	772	-	-	(772)	-
At 30 September 2019	365,962	9,311	29,898	-	244,987	650,158
At 1 April 2018						
As previously stated	365,962	4,605	-	42,530	222,495	635,592
Effect of adoption of MFRS 9	-	3,773	9,486	(42,530)	50,200	20,929
As restated	365,962	8,378	9,486	-	272,695	656,521
Net profit after taxation	-	-	-	-	11,702	11,702
Other comprehensive income	-	-	1,632	-	-	1,632
Total comprehensive income for the financial period	-	-	1,632	-	11,702	13,334
Transfer from regulatory reserves	-	(128)	-	-	128	-
Dividends paid	-	-	-	-	(11,060)	(11,060)
At 30 September 2018	365,962	8,250	11,118	-	273,465	658,795

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 March 2019.

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Condensed Interim Financial Statements
Unaudited Statements of Changes in Equity for the Financial Period Ended 30 September 2019 (Contd.)

	← Non-distributable reserves →				Distributable reserves	Total equity RM'000
	Ordinary shares RM'000	Regulatory reserves RM'000	FVOCI reserves RM'000	Revaluation reserves RM'000	Retained profits RM'000	
<u>BANK</u>						
At 1 April 2019						
As previously stated	365,962	8,539	21,446	-	251,616	647,563
Effect of adoption of MFRS 16	-	-	-	-	(61)	(61)
As restated	365,962	8,539	21,446	-	251,555	647,502
Net loss after taxation	-	-	-	-	(4,769)	(4,769)
Other comprehensive income	-	-	8,452	-	-	8,452
Total comprehensive income/(expense) for the financial period	-	-	8,452	-	(4,769)	3,683
Transfer to regulatory reserves	-	772	-	-	(772)	-
At 30 September 2019	365,962	9,311	29,898	-	246,014	651,185
At 1 April 2018						
As previously stated	365,962	4,605	-	42,530	226,603	639,700
Effect of adoption of MFRS 9	-	3,773	9,486	(42,530)	50,200	20,929
As restated	365,962	8,378	9,486	-	276,803	660,629
Net profit after taxation	-	-	-	-	12,322	12,322
Other comprehensive income	-	-	1,632	-	-	1,632
Total comprehensive income for the financial period	-	-	1,632	-	12,322	13,954
Transfer from regulatory reserves	-	(128)	-	-	128	-
Dividend paid	-	-	-	-	(11,060)	(11,060)
At 30 September 2018	365,962	8,250	11,118	-	278,193	663,523

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 March 2019.

Condensed Interim Financial Statements
Unaudited Condensed Statements of Cash Flows for the Financial Period Ended 30 September 2019

	GROUP		BANK	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit before taxation	(5,742)	15,586	(5,794)	16,206
Adjustments for non-cash items	(4,877)	(20,098)	(4,824)	(20,044)
Operating loss before changes in working capital	(10,619)	(4,512)	(10,618)	(3,838)
Changes in working capital	(9,161)	(35,262)	(9,161)	(35,262)
Net tax paid	(3,527)	(2,018)	(3,527)	(2,018)
Net cash used in operating activities	(23,307)	(41,792)	(23,306)	(41,118)
Net cash generated from investing activities	17,269	44,622	17,269	44,622
Net cash used in financing activities	(433)	(10,886)	(433)	(10,886)
Net change in cash and cash equivalents	(6,471)	(8,056)	(6,470)	(7,382)
Cash and cash equivalents at beginning of financial period	36,373	27,983	35,989	26,926
Cash and cash equivalents at end of financial period	29,902	19,927	29,519	19,544
Cash and cash equivalent comprise the following:				
Cash and short-term funds	29,902	19,927	29,519	19,544

Explanatory Notes

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

A1 Basis of Preparation

The unaudited condensed interim financial statements for the second quarter and financial half year ended 30 September 2019 have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income, that is measured at fair value.

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

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of Alliance Investment Bank Berhad ("the Bank") and the Group for the financial year ended 31 March 2019. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the financial year ended 31 March 2019.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 March 2019, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 April 2019:

- MFRS 16 "Leases"
- Amendments to MFRS 9 "Prepayment Features with Negative Compensation"
- Amendments to MFRS 128 "Long-term Interest In Associates and Joint Ventures"
- Annual Improvement to MFRS's 2015-2017 Cycles
 - Amendments to MFRS 3 "Business Combinations"
 - Amendments to MFRS 11 "Joint Arrangements"
 - Amendments to MFRS 112 "Income Taxes"
 - Amendments to MFRS 123 "Borrowing Costs"
- IC interpretation 23 "Uncertainty over Income Tax Treatments"

The adoption the above standards, amendments to published standards and interpretation to existing standards are not anticipated to have any significant impact on the financial statements of the Group and the Bank other than the adoption of MFRS 16 where the impact are shown in Note A35.

The following MFRS have been issued by the MASB and are effective for annual periods commencing on or after 1 April 2020, and have yet to be adopted by the Group and the Bank:

- Amendments to MFRS 3 "Definition of a Business" (effective from 1 January 2020)

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

A2 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the annual financial statements for the financial year ended 31 March 2019 was not subject to any qualification.

A3 Seasonality or Cyclicity of Operations

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical fluctuations during the second quarter and financial half year ended 30 September 2019.

A4 Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank during the second quarter and financial half year ended 30 September 2019.

A5 Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect during the second quarter and financial half year ended 30 September 2019.

A6 Issuance and Repayment of Debt and Equity Securities

There were no issuance nor repayment of debt and equity securities during the second quarter and financial half year ended 30 September 2019.

A7 Dividend Paid

No dividend has been paid for the second quarter and financial half year ended 30 September 2019.

A8 Significant Event

There was no significant event for the second quarter and financial half year ended 30 September 2019.

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

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

A10 Related Party Transactions

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

A11 Proposed Dividend

No dividend has been proposed or declared for the second quarter and financial half year ended 30 September 2019.

A12 Amounts Due From Clients and Brokers

	GROUP/BANK	
	30 September	31 March
	2019	2019
	RM'000	RM'000
Due from clients	38,331	77,182
Due from brokers	15,844	665
	54,175	77,847
Less: Allowance for expected credit losses	-	(839)
	54,175	77,008

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

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

A12 Amounts Due From Clients and Brokers (Contd.)

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

	<u>GROUP/BANK</u>	
	30 September 2019 RM'000	31 March 2019 RM'000
At beginning of financial period/year	839	840
Write-back during the financial period/year	-	(1)
Write-off during the financial period/year	(839)	-
At end of financial period/year	<u>-</u>	<u>839</u>

As at 30 September 2019, the Group's and the Bank's gross exposure of amounts due from clients and brokers that are credit impaired was at RM Nil (31 March 2019: RM1,186,000).

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

	<u>GROUP/BANK</u>	
	30 September 2019 RM'000	31 March 2019 RM'000
At fair value		
<u>Unquoted securities:</u>		
Shares	64,392	60,784
Total financial assets at FVTPL	<u>64,392</u>	<u>60,784</u>

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

	<u>GROUP/BANK</u>	
	30 September 2019 RM'000	31 March 2019 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government securities	205,556	223,009
Malaysian Government investment issues	325,900	289,667
Negotiable instruments of deposits	-	10,947
Commercial papers	39,458	38,683
	<u>570,914</u>	<u>562,306</u>
<u>Unquoted securities in Malaysia:</u>		
Corporate bonds and sukuk	829,992	805,609
	<u>829,992</u>	<u>805,609</u>
Total financial investments at FVOCI	<u>1,400,906</u>	<u>1,367,915</u>

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

Movements in allowances for expected credit losses are as follows:

	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
GROUP/BANK				
At 1 April 2019	248	116	9,410	9,774
New financial assets originated or purchased	2	-	-	2
Changes due to change in credit risk	(91)	(1)	-	(92)
Total write-back from income statement	(89)	(1)	-	(90)
Write-off	-	-	(9,410)	(9,410)
At 30 September 2019	159	115	-	274
At 1 April 2018				
As previously stated	-	-	-	-
Effects of adoption of MFRS 9	34	233	9,410	9,677
As restated	34	233	9,410	9,677
New financial assets originated or purchased	228	-	-	228
Financial assets derecognised other than write-off	(5)	-	-	(5)
Changes due to change in credit risk	(9)	(117)	-	(126)
Total charge to/(write-back from) income statement	214	(117)	-	97
At 31 March 2019	248	116	9,410	9,774

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

	30 September 2019 RM'000	31 March 2019 RM'000
GROUP/BANK		
At beginning of the period/year		
As previously stated	9,410	-
Effects of adoption of MFRS 9	-	9,410
As restated	9,410	9,410
Write-off during the financial period/year	(9,410)	-
At end of the period/year	-	9,410

A15 Financial Investments at Amortised Cost

	30 September 2019 RM'000	31 March 2019 RM'000
GROUP/BANK		
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government securities	20,307	20,343
Commercial Paper	-	3,805
	20,307	24,148
<u>Unquoted securities:</u>		
Corporate bonds and sukuk	41,429	42,581
Less: Allowance for expected credit losses	(37,021)	(13,169)
	4,408	29,412
Total financial investments at amortised cost	24,715	53,560

A15 Financial Investments at Amortised Cost (Contd.)

Movements in allowance for expected credit losses are as follows:

	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
GROUP/BANK				
At 1 April 2019	-	270	12,899	13,169
Transfer to Stage 3	-	(826)	25,000	24,174
Financial assets derecognised other than write-off	(3)	-	-	(3)
Changes due to change in credit risk	3	556	(878)	(319)
Total (write-back from)/charge to income statement	-	(270)	24,122	23,852
At 30 September 2019	-	-	37,021	37,021
At 1 April 2018				
As previously stated	-	-	-	-
Effects of adoption of MFRS 9	-	-	12,899	12,899
As restated	-	-	12,899	12,899
New financial assets originated or purchased	-	270	-	270
At 31 March 2019	-	270	12,899	13,169

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

	30 September 2019 RM'000	31 March 2019 RM'000
GROUP/BANK		
At beginning of the period/year		
As previously stated	17,271	-
Effects of adoption of MFRS 9	-	17,271
As restated	17,271	17,271
Impaired during the financial period/year	25,000	-
Write-back during the financial period/year	(878)	-
At end of the period/year	41,393	17,271

A16 Loans, Advances and Financing

	GROUP/BANK	
	30 September 2019 RM'000	31 March 2019 RM'000
At amortised cost		
Term loans/financing	228,939	191,771
- Syndicated term loans	140,285	142,049
- Other term loans	88,654	49,722
Staff loans (Directors loan: RM Nil)	140	207
Revolving credits	8,013	5,007
Share margin financing	243,709	253,433
Gross loans, advances and financing	480,801	450,418
Less: Allowance for expected credit losses on loans, advances and financing	(891)	(1,064)
Total net loans, advances and financing	479,910	449,354

A16 Loans, Advances and Financing (Contd.)

(i) By maturity structure:

	GROUP/BANK	
	30 September	31 March
	2019	2019
	RM'000	RM'000
Within one year	252,209	258,884
One year to three years	43,841	6
Three years to five years	139,429	90,640
Over five years	45,322	100,888
Gross loans, advances and financing	480,801	450,418

(ii) By type of customer:

	GROUP/BANK	
	30 September	31 March
	2019	2019
	RM'000	RM'000
Domestic business enterprises		
- Small and medium enterprises	107,175	60,814
- Others	179,003	186,454
Individuals	191,862	200,383
Other domestic entities	2,735	2,737
Foreign entities	26	30
Gross loans, advances and financing	480,801	450,418

(iii) By interest/profit rate sensitivity:

	GROUP/BANK	
	30 September	31 March
	2019	2019
	RM'000	RM'000
Fixed rate loans/financing	2,643	3,651
Variable rate		
- Base lending rate plus	31,562	35,839
- Base rate plus	209,989	214,449
- Cost plus	236,607	196,479
Gross loans, advances and financing	480,801	450,418

(iv) By economic purposes:

	GROUP/BANK	
	30 September	31 March
	2019	2019
	RM'000	RM'000
Purchase of securities	243,709	253,433
Purchase of transport vehicles	-	2
Purchase of landed property	45,792	45,947
of which: - Residential	875	811
- Non-residential	44,917	45,136
Working capital	48,964	46,619
Others	142,336	104,417
Gross loans, advances and financing	480,801	450,418

A16 Loans, Advances and Financing (Contd.)

(v) By geographical distribution:

	GROUP/BANK	
	30 September	31 March
	2019	2019
	RM'000	RM'000
Northern region	37,779	46,993
Central region	415,727	373,004
Southern region	27,295	30,421
Gross loans, advances and financing	<u>480,801</u>	<u>450,418</u>

(vi) Movements in credit impaired loans, advances and financing ('impaired loans') under stage 3:

	GROUP/BANK	
	30 September	31 March
	2019	2019
	RM'000	RM'000
At beginning of financial period/year		
As previously stated	553	2,641
Effect of adoption of MFRS 9	-	(1,556)
As restated	<u>553</u>	<u>1,085</u>
Impaired during the financial period/year	166	81
Recovered during the financial period/year	-	(516)
Reclassified as unimpaired during the financial period/year	(137)	(83)
Financial assets derecognised other than write-off during the financial period/year	-	(6)
Amount written-off during the financial period/year	<u>(2)</u>	<u>(8)</u>
At end of financial period/year	<u>580</u>	<u>553</u>
Gross impaired loans as % of gross loans, advances and financing	<u>0.12%</u>	<u>0.12%</u>

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

	GROUP/BANK	
	30 September	31 March
	2019	2019
	RM'000	RM'000
Purchase of transport vehicle	-	2
Purchase of landed properties	453	428
of which: - Residential	<u>453</u>	<u>428</u>
Others	127	123
Gross impaired loans	<u>580</u>	<u>553</u>

(viii) Credit impaired loans by geographical distribution:

	GROUP/BANK	
	30 September	31 March
	2019	2019
	RM'000	RM'000
Central region	580	553
Gross impaired loans	<u>580</u>	<u>553</u>

A16 Loans, Advances and Financing (Contd.)

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

GROUP/BANK	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
At 1 April 2019	512	-	552	1,064
Transfer to Stage 2	-	1	(103)	(102)
Transfer to Stage 3	-	(1)	-	(1)
New financial assets originated or purchased	97	-	-	97
Changes due to change in credit risk	(210)	-	44	(166)
Total write-back from income statement	(113)	-	(59)	(172)
Write-off	-	-	(1)	(1)
At 30 September 2019	399	-	492	891
At 1 April 2018				840
As previously stated under MFRS 139				874
Effects of adoption of MFRS 9				1,714
As restated	619	11	1,084	1,714
Transfer to Stage 1	-	(1)	-	(1)
Transfer to Stage 2	-	1	(2)	(1)
Transfer to Stage 3	-	(1)	-	(1)
New financial assets originated or purchased	558	-	-	558
Financial assets derecognised other than write-off	(218)	-	(6)	(224)
Changes due to change in credit risk	(447)	(10)	(516)	(973)
Total write-back from income statement	(107)	(11)	(524)	(642)
Write-off	-	-	(8)	(8)
At 31 March 2019	512	-	552	1,064

A17 Other Assets

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2019 RM'000	31 March 2019 RM'000	30 September 2019 RM'000	31 March 2019 RM'000
Other receivables, deposits and prepayments	12,423	10,828	12,296	10,702
Amount due from related company	47	277	47	277
Less : Allowance for expected credit losses on other receivable [Note (a)]	(2,119)	(2,097)	(2,119)	(2,097)
	10,351	9,008	10,224	8,882

Note:

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

<u>GROUP/BANK</u>	<u>Lifetime ECL</u> RM'000
At 1 April 2019	2,097
New financial assets originated or purchased	118
Financial assets derecognised other than write-off	(131)
Changes due to change in credit risk	35
Total charge to income statement	22
At 30 September 2019	2,119
At 1 April 2018	1,993
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 charge to income statement	104
At 31 March 2019	2,097

As at 30 September 2019, the Group's and the Bank's gross exposure of other receivables that are under lifetime ECL was at RM3,395,000 (31 March 2019: RM2,097,000).

A18 Deposits from Customers

	<u>GROUP/BANK</u>	
	30 September 2019 RM'000	31 March 2019 RM'000
Fixed deposits	319,669	438,313
Money market deposits	334,652	554,908
	654,321	993,221

A18 Deposits from Customers (Contd.)

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

	GROUP/BANK	
	30 September	31 March
	2019	2019
	RM'000	RM'000
Due within six months	654,321	993,221

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

	GROUP/BANK	
	30 September	31 March
	2019	2019
	RM'000	RM'000
Business enterprises	443,723	367,945
Domestic non-bank financial institutions	210,598	625,276
	654,321	993,221

A19 Deposits and Placements of Banks and Other Financial Institutions

	GROUP/BANK	
	30 September	31 March
	2019	2019
	RM'000	RM'000
Licensed banks	616,996	359,943
Licensed investment banks	105,032	30,051
Other financial institutions	50,047	-
	772,075	389,994

A20 Amounts Due To Clients And Brokers

	GROUP/BANK	
	30 September	31 March
	2019	2019
	RM'000	RM'000
Due to clients	30,480	51,164

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

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

Following the issuance of FRSIC Consensus 18, the Group and the Bank no longer recognises trust monies balances in the statement of financial position, as the Group and the Bank do not have any control over the trust monies to obtain the future economic benefits embodied in the trust monies. The trust monies maintained by the Group and the Bank amounting to RM48,162,000 (31 March 2019: RM56,655,000) have been excluded accordingly.

A21 Other Liabilities

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2019 RM'000	31 March 2019 RM'000	30 September 2019 RM'000	31 March 2019 RM'000
Other payables	22,108	39,676	22,697	40,265
Provision and accruals	4,140	6,125	4,116	6,101
Remisier's accounts	5,846	6,122	5,846	6,122
Amount due to joint venture	134	160	134	160
Amount due to holding company	455	249	455	249
Allowance for expected credit losses on commitment and contingencies	25	24	25	24
	32,708	52,356	33,273	52,921

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

<u>GROUP/BANK</u>	12 months ECL (Stage 1) RM'000
At 1 April 2019	24
New financial assets originated or purchased	30
Financial assets derecognised other than write-off	(2)
Changes due to change in credit risk	(27)
Total charge to income statement	1
At 30 September 2019	25
At 1 April 2018	-
As previously stated	-
Effects of adoption of MFRS 9	248
As restated	248
New financial assets originated or purchased	16
Financial assets derecognised other than write-off	(220)
Changes due to change in credit risk	(20)
Total write-back from income statement	(224)
At 31 March 2019	24

A22 Interest Income

	2nd Quarter Ended		Six Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RM'000	RM'000	RM'000	RM'000
GROUP				
Loans, advances and financing	6,816	6,296	14,010	12,970
Money at call and deposit placements with financial institutions	38	46	84	106
Financial investments at FVOCI	13,152	9,360	26,108	18,735
Financial investments at amortised cost	613	822	981	1,819
	20,619	16,524	41,183	33,630
Accretion of discount less amortisation of premium	309	360	807	776
	20,928	16,884	41,990	34,406

	2nd Quarter Ended		Six Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RM'000	RM'000	RM'000	RM'000
BANK				
Loans, advances and financing	6,816	6,296	14,010	12,970
Money at call and deposit placements with financial institutions	38	46	84	106
Financial investments at FVOCI	13,152	9,360	26,108	18,735
Financial investments at amortised cost	613	822	981	1,819
	20,619	16,524	41,183	33,630
Accretion of discount less amortisation of premium	309	360	807	776
	20,928	16,884	41,990	34,406

A23 Interest Expense

	2nd Quarter Ended		Six Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RM'000	RM'000	RM'000	RM'000
GROUP				
Deposits and placements of banks and other financial institutions	5,430	3,847	9,332	8,149
Deposits from customers	6,024	5,189	13,966	10,169
	11,454	9,036	23,298	18,318

	2nd Quarter Ended		Six Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RM'000	RM'000	RM'000	RM'000
BANK				
Deposits and placements of banks and other financial institutions	5,430	3,847	9,332	8,149
Deposits from customers	6,024	5,189	13,966	10,169
	11,454	9,036	23,298	18,318

A24 Other Operating Income

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
GROUP				
(a) <u>Fee and commission income:</u>				
Brokerage fees	6,253	8,067	12,511	16,352
Corporate advisory fees	525	729	1,560	1,516
Guarantee fees	6	-	13	-
Processing fees	105	102	188	207
Arrangement and related fees	1,167	1,951	1,599	2,832
Service charges and fees	84	95	175	177
Underwriting commissions and placement fees	12	148	1,356	148
	8,152	11,092	17,402	21,232
(b) <u>Fee and commission expense:</u>				
Brokerage fees expense	(2,179)	(2,573)	(4,118)	(5,125)
(c) <u>Investment income:</u>				
Gain arising from sale/redemption of:				
- Financial assets at fair value through profit or loss	120	-	120	1
- Financial investments at fair value through other comprehensive income	2,952	559	2,952	558
Unrealised gain from revaluation of:				
- Financial assets at fair value through profit or loss	3,608	162	3,608	271
Gross dividend income from:				
- Financial assets at fair value through profit or loss	120	70	550	430
	6,800	791	7,230	1,260
(d) <u>Other income:</u>				
Foreign exchange gain	94	112	196	264
Other non-operating income/(expense)	118	(529)	372	(306)
	212	(417)	568	(42)
Total other operating income	12,985	8,893	21,082	17,325

A24 Other Operating Income (Contd.)

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>BANK</u>				
(a) <u>Fee and commission income:</u>				
Brokerage fees	6,253	8,067	12,511	16,352
Corporate advisory fees	525	729	1,560	1,516
Guarantee fees	6	-	13	-
Processing fees	105	102	188	207
Arrangement and related fees	1,167	1,951	1,599	2,832
Service charges and fees	84	95	175	177
Underwriting commissions and placement fees	12	148	1,356	148
	8,152	11,092	17,402	21,232
(b) <u>Fee and commission expense:</u>				
Brokerage fees expense	(2,179)	(2,573)	(4,118)	(5,125)
(c) <u>Investment income:</u>				
Gain arising from sale/redemption of:				
- Financial assets at fair value through profit or loss	120	-	120	1
- Financial investments at fair value through other comprehensive income	2,952	559	2,952	558
Unrealised gain from revaluation of:				
- Financial assets at fair value through profit or loss	3,608	162	3,608	271
Gross dividend income from:				
- Financial assets at fair value through profit or loss	120	70	550	430
	6,800	791	7,230	1,260
(d) <u>Other income:</u>				
Foreign exchange gain	94	112	196	264
Other non-operating income	118	147	372	369
	212	259	568	633
Total other operating income	12,985	9,569	21,082	18,000

A25 Other Operating Expenses

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
GROUP				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	5,405	4,593	10,229	10,143
- Contribution to EPF	845	708	1,627	1,507
- Others	375	568	1,503	991
	6,625	5,869	13,359	12,641
<u>Establishment costs</u>				
- Depreciation of property, plant and equipment	94	165	188	316
- Depreciation of right-of-use assets	284	-	567	-
- Amortisation of computer software	294	231	588	359
- Rental	126	351	255	711
- Water and electricity	193	106	273	204
- Repairs & maintenance	6	145	42	246
- Information technology expenses	1,286	706	2,229	1,808
- Others	351	243	704	496
	2,634	1,947	4,846	4,140
<u>Marketing expenses</u>				
- Advertisement and publicity	127	115	206	278
- Research cost	373	504	789	964
- Others	90	86	166	175
	590	705	1,161	1,417
<u>Administration and general expenses</u>				
- Communication expenses	109	107	211	210
- Printing and stationeries	14	12	26	27
- Professional fees	283	406	611	708
- Others	574	463	818	922
	980	988	1,666	1,867
Total other operating expenses	10,829	9,509	21,032	20,065

A25 Other Operating Expenses (Contd.)

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>BANK</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	5,405	4,593	10,229	10,143
- Contribution to EPF	845	708	1,627	1,507
- Others	375	568	1,503	991
	6,625	5,869	13,359	12,641
<u>Establishment costs</u>				
- Depreciation of property, plant and equipment	94	165	188	316
- Depreciation of right-of-use assets	284	-	567	-
- Amortisation of computer software	294	231	588	359
- Rental	126	351	255	711
- Water and electricity	193	106	273	204
- Repairs & maintenance	6	145	42	246
- Information technology expenses	1,286	706	2,229	1,808
- Others	351	243	704	496
	2,634	1,947	4,846	4,140
<u>Marketing expenses</u>				
- Advertisement and publicity	127	115	206	278
- Research cost	373	504	789	964
- Others	90	86	166	175
	590	705	1,161	1,417
<u>Administration and general expenses</u>				
- Communication expenses	109	107	211	210
- Printing and stationeries	14	12	26	27
- Professional fees	283	406	611	708
- Others	574	463	818	922
	980	988	1,666	1,867
Total other operating expenses	10,829	9,509	21,032	20,065

A26 Allowance for/(Write-back of) Expected Credit Losses on Loans, Advances and Financing and Other Financial Assets

	2nd Quarter Ended		Six Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
GROUP				
Allowance for/(write-back of) expected credit losses on:				
(a) Loan, advances and financing				
- Allowance made/(write-back) during the financial period	29	(58)	(172)	(411)
(b) Credit impaired loans, advances and financing				
- Recovered during the financial period	-	(1)	(533)	(25)
- Write-off during the financial period	1	37	1	37
(c) Commitment and contingencies on loans, advances and financing				
- Write-back during the financial period	(2)	(49)	(7)	(38)
	<u>28</u>	<u>(71)</u>	<u>(711)</u>	<u>(437)</u>
Allowance for/(write-back of) expected credit losses on:				
(a) Other receivables	112	488	22	615
(b) Amounts due from clients and brokers	(8)	5	-	12
	<u>132</u>	<u>422</u>	<u>(689)</u>	<u>190</u>
BANK				
Allowance for/(write-back of) expected credit losses on:				
(a) Loan, advances and financing				
- Allowance made/(write-back) during the financial period	29	(58)	(172)	(411)
(b) Credit impaired loans, advances and financing				
- Recovered during the financial period	-	(1)	(533)	(25)
- Write-off during the financial period	1	37	1	37
(c) Commitment and contingencies on loans, advances and financing				
- Write-back during the financial period	(2)	(49)	(7)	(38)
	<u>28</u>	<u>(71)</u>	<u>(711)</u>	<u>(437)</u>
Allowance for/(write-back of) expected credit losses on:				
(a) Other receivables	112	488	22	615
(b) Amounts due from clients and brokers	(8)	5	-	12
	<u>132</u>	<u>422</u>	<u>(689)</u>	<u>190</u>

A27 (Write-back of)/Allowance for Expected Credit Losses on Financial Investments

	2nd Quarter Ended		Six Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
GROUP				
(a) Financial investments at fair value through other comprehensive income				
- (Write-back)/allowance made during the financial period	(21)	4	(90)	(82)
(b) Financial investments at amortised cost				
- (Write-back)/allowance made during the financial period	(878)	-	23,852	-
- Commitment and contingencies	3	-	8	-
	(896)	4	23,770	(82)

BANK

(a) Financial investments at fair value through other comprehensive income				
- (Write-back)/allowance made during the financial period	(21)	4	(90)	(82)
(b) Financial investments at amortised cost				
- (Write-back)/allowance made during the financial period	(878)	-	23,852	-
- Commitment and contingencies	3	-	8	-
	(896)	4	23,770	(82)

A28 Allowance for Impairment Losses on Non-Financial Assets

	2nd Quarter Ended		Six Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
GROUP/BANK				
Intangible assets - goodwill	5,302	-	5,302	-

During the financial period, an impairment loss of RM5,302,000 for the Group and the Bank have been recognised 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.

A29 Earnings/(Loss) Per Share

Basic/Diluted

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

	2nd Quarter Ended		Six Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
GROUP				
Net profit/(loss) attributable to Equity holder of the Bank (RM'000)	6,308	5,910	(4,717)	11,702
Weighted average numbers of ordinary shares in issued ('000)	365,000	365,000	365,000	365,000
Basic/diluted earnings/(loss) per share (sen)	1.7	1.6	(1.3)	3.2
BANK				
Net profit/(loss) attributable to Equity holder of the Bank (RM'000)	6,289	6,553	(4,769)	12,322
Weighted average numbers of ordinary shares in issued ('000)	365,000	365,000	365,000	365,000
Basic/diluted earnings/(loss) per share (sen)	1.7	1.8	(1.3)	3.4

A30 Commitments and Contingencies

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

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

	GROUP/BANK	
	30 September 2019 RM'000	31 March 2019 RM'000
GROUP/BANK		
<u>Commitment and Contingencies</u>		
Transaction-related contingent items	1,575	1,575
Forward asset purchases	-	25,000
Obligations under an on-going underwriting agreement	80,000	46,154
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	219,458	248,047
- maturity exceeding one year	1,341	-
Total	302,374	320,776

A31 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.

A31 Capital Adequacy (Contd.)

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

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2019	31 March 2019	30 September 2019	31 March 2019
<u>Before deducting proposed dividends</u>				
CET 1 capital ratio	85.570%	78.128%	85.346%	78.200%
Tier 1 capital ratio	85.570%	78.128%	85.346%	78.200%
Total capital ratio	86.556%	79.121%	86.331%	79.196%
<u>After deducting proposed dividends</u>				
CET 1 capital ratio	85.570%	78.128%	85.346%	78.200%
Tier 1 capital ratio	85.570%	78.128%	85.346%	78.200%
Total capital ratio	86.556%	79.121%	86.331%	79.196%

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

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2019 RM'000	31 March 2019 RM'000	30 September 2019 RM'000	31 March 2019 RM'000
<u>CET I Capital</u>				
Paid-up share capital	365,962	365,962	365,962	365,962
Retained profits	244,987	250,537	246,014	251,616
FVOCI reserves	29,624	11,672	29,624	11,672
Regulatory reserves	9,311	8,539	9,311	8,539
	649,884	636,710	650,911	637,789
Less: Regulatory adjustments				
- Goodwill and other intangibles	(28,059)	(33,639)	(31,149)	(36,730)
- 55% of FVOCI reserves	(16,293)	(6,420)	(16,293)	(6,420)
- Investment in subsidiaries, associate and joint venture	(1,133)	(1,082)	(624)	(624)
- Regulatory reserves	(9,311)	(8,539)	(9,311)	(8,539)
- Additional Tier 1 Sukuk Wakalah	(60,000)	(100,000)	(60,000)	(100,000)
Total CET I Capital / Total Tier I Capital	535,088	487,030	533,534	485,476
<u>Tier II Capital</u>				
Expected credit losses and regulatory reserves	6,164	6,188	6,159	6,183
Total Tier II Capital	6,164	6,188	6,159	6,183
Total Capital	541,252	493,218	539,693	491,659

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

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2019 RM'000	31 March 2019 RM'000	30 September 2019 RM'000	31 March 2019 RM'000
Credit risk	493,159	495,078	492,746	494,665
Operational risk	132,164	128,294	132,396	126,149
Total RWA and capital requirements	625,323	623,372	625,142	620,814

A32 Fair Value Measurements

(a) Determination of fair value and fair value hierarchy

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

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

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

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

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

(i) Financial instruments in Level 1

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

(ii) Financial instruments in Level 2

Where fair value is determined using quoted prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the 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 classify 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 include private equity investments.

A32 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:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
GROUP/BANK				
30 September 2019				
Financial Assets				
Financial assets at fair value through profit or loss				
- Unquoted securities	-	-	64,392	64,392
Financial investments at fair value through other comprehensive income				
- Money market instruments	-	570,914	-	570,914
- Unquoted securities	-	829,992	-	829,992

GROUP/BANK				
31 March 2019				
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 instrument	-	562,306	-	562,306
- Unquoted securities	-	805,609	-	805,609

There were no transfers between levels 1 and 2 of the fair value hierarchy for the Group and the Bank during the financial period/year ended 30 September 2019 and 31 March 2019.

Reconciliation of movements in Level 3 financial instruments:

	GROUP/BANK	
	30 September 2019 RM'000	31 March 2019 RM'000
At beginning of financial period/year	60,784	57,212
- Statement of income		
(i) Unrealised gain from revaluation	3,608	3,572
At end of financial period/year	64,392	60,784

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

A33 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.

(a) Financial assets

	Gross amounts of recognised financial assets <u>RM'000</u>	Gross amounts of recognised financial liabilities set off in the statement of financial position <u>RM'000</u>	Net amounts of financial assets presented in the statement of financial position <u>RM'000</u>
<u>GROUP/BANK</u>			
30 September 2019			
Amounts due from clients and brokers	76,534	(22,359)	54,175
Total	<u>76,534</u>	<u>(22,359)</u>	<u>54,175</u>
31 March 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>

(b) Financial liabilities

	Gross amounts of recognised financial liabilities <u>RM'000</u>	Gross amounts of recognised financial assets set off in the statement of financial position <u>RM'000</u>	Net amounts of financial liabilities presented in the statement of financial position <u>RM'000</u>
<u>GROUP/BANK</u>			
30 September 2019			
Amounts due to clients and brokers	52,839	(22,359)	30,480
Total	<u>52,839</u>	<u>(22,359)</u>	<u>30,480</u>
31 March 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>

A34 Credit Transactions and Exposures with Connected Parties

	GROUP/BANK	
	30 September	31 March
	2019	2019
	RM'000	RM'000
Outstanding credit exposures with connected parties	95,368	96,913
of which:		
Total credit exposure which is impaired or default	-	-
Total credit exposures	2,143,615	2,089,566
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	4.45%	4.64%
- which is impaired or in default	-	-

A35 Changes in Accounting Policy

The Group and the Bank have adopted MFRS 16 "Leases" issued by MASB with its mandatory adoption date of 1 April 2019.

MFRS 16 "Leases" supersedes MFRS 117 "Leases" and the related interpretations. As permitted by MFRS 16, the Group and the Bank have adopted the simplified retrospective approach and will not restate comparative amounts for the year prior to first adoption.

Under MFRS 117 "Leases", leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

The Group and the Bank recognised lease liabilities in relation to leases which had previously been classified as operating leases under MFRS 117 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted by the Group's and the Bank's borrowing rate (5.51% - 5.53%) as at 1 April 2019. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period.

Right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

Payments associated with leases where does not have the right to control the use of an identified asset, short-term leases and leases of low-value assets are recognised as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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

A35 Changes in Accounting Policy (Contd.)

The financial impacts are as follows:

Statement of Financial Position as at 1 April 2019

	As previously <u>stated</u> RM'000	Adoption of <u>MFRS 16</u> RM'000	<u>As restated</u> RM'000
<u>GROUP</u>			
Asset			
Right-of-use assets	-	1,837	1,837
Liabilities			
Lease liabilities	-	1,917	1,917
Deferred tax liabilities	2,164	(19)	2,145
Equity			
Retained profits	250,537	(61)	250,476
<u>BANK</u>			
Assets			
Right-of-use assets	-	1,837	1,837
Liabilities			
Lease liabilities	-	1,917	1,917
Deferred tax liabilities	2,164	(19)	2,145
Equity			
Retained profits	251,616	(61)	251,555

A36 Islamic Banking Business

A36a Unaudited Statements of Financial Position as at 30 September 2019

		<u>GROUP/BANK</u>	
		30 September	31 March
		2019	2019
Note		RM'000	RM'000
ASSETS			
Cash and short-term funds		8,332	27
Financial investments at fair value through other comprehensive income	A36d	108,512	110,995
Other assets		4,768	4,756
Deferred tax assets		-	1
Total Assets		<u>121,612</u>	<u>115,779</u>
LIABILITIES AND ISLAMIC BANKING FUNDS			
Provision for taxation		3,184	2,294
Deferred tax liabilities		477	-
Total Liabilities		<u>3,661</u>	<u>2,294</u>
Islamic Banking Funds		56,000	56,000
Reserves		61,951	57,485
Total Islamic Banking Funds		<u>117,951</u>	<u>113,485</u>
TOTAL LIABILITES AND ISLAMIC BANKING FUNDS		<u>121,612</u>	<u>115,779</u>

A36 Islamic Banking Business (Contd.)

A36b Unaudited Consolidated Statements of Comprehensive Income for the Financial Period Ended 30 September 2019

	2nd Quarter Ended		Six Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
GROUP/BANK				
Income derived from investment of Islamic Banking Funds	1,823	1,209	3,851	2,291
Total distributable income	1,823	1,209	3,851	2,291
Income attributable to the depositors and financial institutions	-	-	(4)	-
Total net income	1,823	1,209	3,847	2,291
Other operating expenses	(7)	(1)	(7)	(1)
Write-back of/(allowance for) expected credit losses on financial investments	24	-	(132)	-
Profit before taxation	1,840	1,208	3,708	2,290
Taxation	(442)	(289)	(890)	(549)
Net profit after taxation	1,398	919	2,818	1,741
Other comprehensive income:				
Items that may be classified subsequently to profit or loss:				
Revaluation reserve on financial investments at FVOCI				
- Net gain from change in fair value	835	1,025	2,998	562
- Realised gain transferred to statement of income on disposal	(433)	-	(1,003)	-
- Transfer to deferred tax	(97)	(247)	(479)	(135)
- Changes in expected credit losses	(24)	-	132	-
Other comprehensive income, net of tax	281	778	1,648	427
Total comprehensive income for the financial period	1,679	1,697	4,466	2,168

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

Income derived from investment of Islamic Banking Funds	1,823	1,209	3,851	2,291
Income attributable to depositors and financial institutions	-	-	(4)	-
	1,823	1,209	3,847	2,291

A36 Islamic Banking Business (Contd.)

A36c Unaudited Statement of Changes in Equity for the Financial Period Ended 30 September 2019

	Funds allocated from Head Office (HO) RM'000	Non-distributable reserves FVOCI reserves RM'000	Distributable reserves Retained profits RM'000	Total equity RM'000
<u>GROUP/BANK</u>				
At 1 April 2019	56,000	(4)	57,489	113,485
Net profit after taxation	-	-	2,818	2,818
Other comprehensive income	-	1,648	-	1,648
Total comprehensive income for the financial period	-	1,648	2,818	4,466
At 30 September 2019	56,000	1,644	60,307	117,951
At 1 April 2018	56,000	(488)	55,297	110,809
Net profit after taxation	-	-	1,741	1,741
Other comprehensive income	-	427	-	427
Total comprehensive income for the financial period	-	427	1,741	2,168
At 30 September 2018	56,000	(61)	57,038	112,977

A36d Financial Investments at Fair Value Through Other Comprehensive Income ("FVOCI")

	<u>GROUP/BANK</u>	
	30 September 2019 RM'000	31 March 2019 RM'000
At fair value		
<u>Money market instruments:</u>		
Negotiable instruments of deposits	-	10,947
Malaysian Government investment issues	11,048	-
	11,048	10,947
<u>Unquoted securities:</u>		
Sukuk	97,464	100,048
	97,464	100,048
Total financial investments at FVOCI	108,512	110,995

Movements in allowance for expected credit losses are as follows:

	12 months ECL (Stage 1) RM'000
<u>GROUP/BANK</u>	
At 1 April 2019	-
Changes due to change in credit risk	(24)
Other adjustments	156
Total charge to income statement	132
At 30 September 2019	132

A36 Islamic Banking Business (Contd.)

A36e 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 Islamic banking business are as follows:

	GROUP/BANK	
	30 September 2019	31 March 2019
<u>Before deducting proposed dividends</u>		
CET 1 capital ratio	273.476%	90.655%
Tier 1 capital ratio	273.476%	90.655%
Total capital ratio	274.110%	90.655%
<u>After deducting proposed dividends</u>		
CET 1 capital ratio	273.476%	90.655%
Tier 1 capital ratio	273.476%	90.655%
Total capital ratio	274.110%	90.655%

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

	GROUP/BANK	
	30 September 2019	31 March 2019
	RM'000	RM'000
<u>CET I Capital</u>		
Funds allocated from Head Office	56,000	56,000
Retained profits	60,307	57,489
FVOCI reserves	1,512	(4)
	117,819	113,485
Less: Regulatory adjustments		
- 55% of FVOCI reserves	(832)	-
- Deferred tax assets	-	(1)
- Additional Tier 1 Sukuk Wakalah	(60,000)	(100,000)
Total CET I Capital / Total Tier I Capital	56,987	13,484
<u>Tier II Capital</u>		
Expected credit losses	132	-
Total Capital Base	57,119	13,484

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

	GROUP/BANK	
	30 September 2019	31 March 2019
	RM'000	RM'000
Credit risk	12,334	6,970
Operational risk	8,504	7,904
Total RWA and capital requirements	20,838	14,874

PART B – Review of Performance & Current Year Prospect

B1 Review of Performance

Profitability:

The Group Net Loss After Taxation was recorded at RM4.7 million. The NPAT declined of RM16.4 million year-on-year (“YOY”) was mainly due to credit losses stemming from the impairment of a large corporate account.

Operating profit before allowance grew RM6.9 million, or 44.4% YOY for the first half ended 30 September 2019 (“1HFY20”). Despite the Overnight Policy Rate (“OPR”) cut in May 2019, net income grew by RM7.9 million or 22.2% to RM43.6 million. This was driven by net interest income growth of RM3.3 million or 17.9% YOY from the higher treasury asset growth. Net interest margin (“NIM”) decreased by 13 bps YOY to 2.14%.

Better Loans Growth:

Gross loans and advances grew 15.8% YOY to RM480.8 million because Corporate loans expanded 58.9% or RM87.5 million YOY to RM236.2 million.

Higher Other Operating Income:

The Group recorded other operating income of RM22.1 million, an increase of RM4.6 million or 26.6% mainly due to the one-off MTM revaluation gain of RM3.6 million from unquoted shares and fee income of RM1.6 million upon completion of an IPO advisory engagement.

Improved Efficiency

Cost to income ratio (“CIR”) improved to 48.2%, a reduction of 8.0% from a year ago attributed from higher net income growth and lower marketing and administration expenses by RM0.5 million.

Asset Quality:

The increased in credit cost was mainly due to credit losses of a large account.

Proactive Capital Management:

The Group continue to maintain our strong capital levels, with Tier-1 Capital ratio and Common Equity Tier-1 (“CET 1”) ratio both at 85.6% and total capital ratio at 86.6%.

B2 Current Year Prospect

In 2019, Bank Negara Malaysia maintains their view in their 2Q19 Quarterly Bulletin that the Malaysian Gross Domestic Product (GDP) growth will expand at a steady pace between 4.3% and 4.8% year-on-year, as the slowdown in global growth persists, while declining global trade activity provides 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 supported by ongoing and new capital spending in the manufacturing and services sectors, amidst slowdown in public investment spending.

Meanwhile, Bank Negara Malaysia expects inflation to trend higher in the second half of the year, due to the normalisation effect from its low base from the previous year as the impact of consumption tax changes from GST to SST dissipates. We expect inflation to grow at around 0.8% year-on-year.

On the external sector, gross exports growth is forecasted to expand slower at 1.0% - 2.0% compared to a 6.8% growth in 2018, due to weaker demand from trade partners and the impact of on-going trade tensions.

PART B – Review of Performance & Current Year Prospect (Contd.)

B2 Current Year Prospect (Contd.)

Overall, global growth is expected to expand at a more moderate pace due to headwinds such as the on-going trade war between the US and China which has yet to be resolved and Brexit. Volatility in commodity prices 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.

Against the backdrop of the economic conditions described above, we expect the domestic capital markets to remain lacklustre. Accordingly, the outlook for our stockbroking business remains challenging. We do not foresee a significant increase in corporate activities for our target market segment. Hence growth in revenues from corporate finance advisory is likely to be moderate.