

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

Condensed Interim Financial Statements
Unaudited Statements of Financial Position as at 31 December 2019

	Note	<u>GROUP</u>		<u>BANK</u>	
		31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
ASSETS					
Cash and short-term funds		46,843	36,373	46,843	35,989
Deposits and placements with banks and other financial institutions		-	500	-	500
Amounts due from clients and brokers	A12	57,782	77,008	57,782	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	1,446,611	1,367,915	1,446,611	1,367,915
Financial investments at amortised cost	A15	54	53,560	54	53,560
Loans, advances and financing	A16	369,686	449,354	369,686	449,354
Other assets	A17	9,688	9,008	9,688	8,882
Tax recoverable		3,481	1,437	3,481	958
Statutory deposits with Bank Negara Malaysia		41,691	43,996	41,691	43,996
Investment in an associate		285	280	230	230
Investment in joint venture		885	802	394	394
Right-of-use assets		969	-	969	-
Property, plant and equipment		511	727	511	727
Intangible assets		27,928	33,639	31,018	36,730
TOTAL ASSETS		2,070,806	2,135,383	2,073,350	2,137,027
LIABILITIES AND EQUITY					
Deposits from customers	A18	803,165	993,221	803,165	993,221
Deposits and placements of banks and other financial institutions	A19	533,899	389,994	533,899	389,994
Amounts due to clients and brokers	A20	34,193	51,164	34,193	51,164
Lease liabilities		1,034	-	1,034	-
Other liabilities	A21	30,232	52,356	30,232	52,921
Deferred tax liabilities		7,799	2,164	7,799	2,164
TOTAL LIABILITIES		1,410,322	1,488,899	1,410,322	1,489,464
Share capital		365,962	365,962	365,962	365,962
Reserves		294,522	280,522	297,066	281,601
TOTAL EQUITY		660,484	646,484	663,028	647,563
TOTAL LIABILITIES AND EQUITY		2,070,806	2,135,383	2,073,350	2,137,027
COMMITMENTS AND CONTINGENCIES	A30	348,363	320,776	348,363	320,776

ALLIANCE INVESTMENT BANK BERHAD
197401004393 (21605-D)
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Condensed Interim Financial Statements
Unaudited Consolidated Statements of Income
for the Financial Period Ended 31 December 2019

GROUP	Note	3rd Quarter Ended		Nine Months Ended	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
		RM'000	RM'000	RM'000	RM'000
Interest income	A22	20,016	18,565	62,006	52,971
Interest expense	A23	(11,058)	(10,001)	(34,356)	(28,319)
Net interest income		8,958	8,564	27,650	24,652
Net income from Islamic banking business	A35	1,415	1,089	5,262	3,380
		10,373	9,653	32,912	28,032
Fee and commission income		8,256	8,603	25,658	29,835
Fee and commission expense		(1,909)	(2,076)	(6,027)	(7,201)
Investment income		1,200	3,692	8,430	4,952
Other income		257	308	825	266
Other operating income	A24	7,804	10,527	28,886	27,852
Net income		18,177	20,180	61,798	55,884
Other operating expenses	A25	(11,313)	(10,548)	(32,345)	(30,613)
Operating profit before allowance		6,864	9,632	29,453	25,271
(Allowance for)/write-back of expected credit losses on loans, advances and financing and other financial assets	A26	(51)	(463)	638	(653)
Write-back of/(allowance for) expected credit losses on financial investments	A27	9,784	45	(13,986)	127
Allowance for impairment losses on non-financial assets	A28	-	-	(5,302)	-
Operating profit after allowance		16,597	9,214	10,803	24,745
Share of results in an associate		1	1	4	4
Share of results of joint venture		35	29	84	81
Profit before taxation		16,633	9,244	10,891	24,830
Taxation		(3,763)	(805)	(2,738)	(4,689)
Net profit for the financial period		12,870	8,439	8,153	20,141
Net profit for the financial period attributable to:					
Equity holder of the Bank		12,870	8,439	8,153	20,141
Earnings per share attributable to Equity holder of the Bank:					
- Basic/diluted (sen)	A29	3.5	2.3	2.2	5.5

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 Consolidated Statements of Comprehensive Income
for the Financial Period Ended 31 December 2019

GROUP	3rd Quarter Ended		Nine Months Ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	12,870	8,439	8,153	20,141
Other comprehensive (expense)/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 (loss)/gain from change in fair value	(1,355)	451	25,218	3,264
- Realised gain transferred to statement of income on disposal	-	-	(2,952)	(558)
- Transfer from/(to) deferred tax	325	(109)	(5,344)	(650)
- Changes in expected credit losses	39	(45)	(9,461)	(127)
Other comprehensive (expense)/income, net of tax	(991)	297	7,461	1,929
Total comprehensive income for the financial period	11,879	8,736	15,614	22,070
Total comprehensive income for the financial period attributable to:				
Equity holder of the Bank	11,879	8,736	15,614	22,070

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Condensed Interim Financial Statements
Unaudited Statements of Income
for the Financial Period Ended 31 December 2019

	Note	3rd Quarter Ended		Nine Months Ended	
		31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
<u>BANK</u>					
Interest income	A22	20,016	18,565	62,006	52,971
Interest expense	A23	(11,058)	(10,001)	(34,356)	(28,319)
Net interest income		8,958	8,564	27,650	24,652
Net income from Islamic banking business	A35	1,415	1,089	5,262	3,380
		10,373	9,653	32,912	28,032
Fee and commission income		8,256	8,603	25,658	29,835
Fee and commission expense		(1,909)	(2,076)	(6,027)	(7,201)
Investment income		1,200	3,692	8,430	4,952
Other income		257	308	825	941
Other operating income	A24	7,804	10,527	28,886	28,527
Net income		18,177	20,180	61,798	56,559
Other operating expenses	A25	(11,313)	(10,548)	(32,345)	(30,613)
Operating profit before allowance		6,864	9,632	29,453	25,946
(Allowance for)/write-back of expected credit losses on loans, advances and financing and other financial assets	A26	(51)	(463)	638	(653)
Write-back of/(allowance for) expected credit losses on financial investments	A27	9,784	45	(13,986)	127
Allowance for impairment losses on non-financial assets	A28	-	-	(5,302)	-
Profit before taxation		16,597	9,214	10,803	25,420
Taxation		(3,763)	(805)	(2,738)	(4,689)
Net profit for the financial period		12,834	8,409	8,065	20,731
Net profit for the financial period attributable to:					
Equity holder of the Bank		12,834	8,409	8,065	20,731
Earnings per share attributable to Equity holder of the Bank:					
- Basic/diluted (sen)	A29	3.5	2.3	2.2	5.7

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.

ALLIANCE INVESTMENT BANK BERHAD
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Condensed Interim Financial Statements
Unaudited Statements of Comprehensive Income
for the Financial Period Ended 31 December 2019

	3rd Quarter Ended		Nine Months Ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
<u>BANK</u>	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	12,834	8,409	8,065	20,731
Other comprehensive (expense)/income:				
Items that may be classified subsequently to profit or loss:				
Revaluation reserve on FVOCI				
- Net (loss)/gain from change in fair value	(1,355)	451	25,218	3,264
- Realised gain transferred to statement of income on disposal	-	-	(2,952)	(558)
- Transfer from/(to) deferred tax	325	(109)	(5,344)	(650)
- Changes in expected credit losses	39	(45)	(9,461)	(127)
Other comprehensive (expense)/income, net of tax	(991)	297	7,461	1,929
Total comprehensive income for the financial period	11,843	8,706	15,526	22,660
Total comprehensive income for the financial period attributable to:				
Equity holder of the Bank	11,843	8,706	15,526	22,660

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.

ALLIANCE INVESTMENT BANK BERHAD
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Condensed Interim Financial Statements
Unaudited Consolidated Statements of Changes in Equity for the Financial Period Ended 31 December 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 profit after taxation	-	-	-	-	8,153	8,153
Other comprehensive income	-	-	7,461	-	-	7,461
Total comprehensive income for the financial period	-	-	7,461	-	8,153	15,614
Transfer to regulatory reserves	-	350	-	-	(350)	-
Liquidation of subsidiary	-	-	-	-	(1,553)	(1,553)
At 31 December 2019	365,962	8,889	28,907	-	256,726	660,484
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	-	-	-	-	20,141	20,141
Other comprehensive income	-	-	1,929	-	-	1,929
Total comprehensive income for the financial period	-	-	1,929	-	20,141	22,070
Transfer to regulatory reserves	-	608	-	-	(608)	-
Dividend paid	-	-	-	-	(23,360)	(23,360)
At 31 December 2018	365,962	8,986	11,415	-	268,868	655,231

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 31 December 2019

	← 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	<u>365,962</u>	<u>8,539</u>	<u>21,446</u>	<u>-</u>	<u>251,555</u>	<u>647,502</u>
Net profit after taxation	-	-	-	-	8,065	8,065
Other comprehensive income	-	-	7,461	-	-	7,461
Total comprehensive income for the financial period	-	-	7,461	-	8,065	15,526
Transfer to regulatory reserves	-	350	-	-	(350)	-
At 31 December 2019	<u>365,962</u>	<u>8,889</u>	<u>28,907</u>	<u>-</u>	<u>259,270</u>	<u>663,028</u>
At 1 April 2018						
As previously stated	365,962	4,605	-	42,530	226,603	639,700
Effect of adoption of MFRS 9	-	3,773	9,486	(42,530)	50,200	20,929
As restated	<u>365,962</u>	<u>8,378</u>	<u>9,486</u>	<u>-</u>	<u>276,803</u>	<u>660,629</u>
Net profit after taxation	-	-	-	-	20,731	20,731
Other comprehensive income	-	-	1,929	-	-	1,929
Total comprehensive income for the financial period	-	-	1,929	-	20,731	22,660
Transfer to regulatory reserves	-	608	-	-	(608)	-
Dividend paid	-	-	-	-	(23,360)	(23,360)
At 31 December 2018	<u>365,962</u>	<u>8,986</u>	<u>11,415</u>	<u>-</u>	<u>273,566</u>	<u>659,929</u>

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.

ALLIANCE INVESTMENT BANK BERHAD
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Condensed Interim Financial Statements
Unaudited Condensed Statements of Cash Flows for the Financial Period Ended 31 December 2019

	GROUP		BANK	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	10,891	24,830	10,803	25,420
Adjustments for non-cash items	(28,619)	(34,082)	(28,531)	(33,998)
Operating loss before changes in working capital	(17,728)	(9,252)	(17,728)	(8,578)
Changes in working capital	14,613	70,042	14,613	70,042
Net tax paid	(4,835)	(4,550)	(4,835)	(4,550)
Net cash (used in)/generated from operating activities	(7,950)	56,240	(7,950)	56,914
Net cash generated from/(used in) investing activities	18,767	(47,637)	19,151	(47,637)
Net cash used in financing activities	(347)	(23,360)	(347)	(23,360)
Net change in cash and cash equivalents	10,470	(14,757)	10,854	(14,083)
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	46,843	13,226	46,843	12,843
Cash and cash equivalent comprise the following:				
Cash and short-term funds	46,843	13,226	46,843	12,843

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.

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 third financial quarter and nine months ended 31 December 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 A34.

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 third financial quarter and nine months ended 31 December 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 third financial quarter and nine months ended 31 December 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 third financial quarter and nine months ended 31 December 2019.

A6 Issuance and Repayment of Debt and Equity Securities

There were no issuance nor repayment of debt and equity securities during the third financial quarter and nine months ended 31 December 2019.

A7 Dividend Paid

No dividend has been paid for the third financial quarter and nine months ended 31 December 2019.

A8 Significant Event

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

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 third financial quarter and nine months ended 31 December 2019.

A12 Amounts Due From Clients and Brokers

	GROUP/BANK	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Due from clients	57,782	77,182
Due from brokers	-	665
	57,782	77,847
Less: Allowance for expected credit losses	-	(839)
	57,782	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>	
	31 December	31 March
	2019	2019
	RM'000	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 31 December 2019, the Group's and the Bank's gross exposure of amounts due from clients and brokers that are credit impaired was at RM10,000 (31 March 2019: RM1,186,000) and was collateralised.

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

	<u>GROUP/BANK</u>	
	31 December	31 March
	2019	2019
	RM'000	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>	
	31 December	31 March
	2019	2019
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government securities	206,481	223,009
Malaysian Government investment issues	325,344	289,667
Negotiable instruments of deposits	-	10,947
Commercial papers	39,828	38,683
	<u>571,653</u>	<u>562,306</u>
<u>Unquoted securities in Malaysia:</u>		
Corporate bonds and sukuk	874,958	805,609
	<u>874,958</u>	<u>805,609</u>
Total financial investments at FVOCI	<u>1,446,611</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	8	-	-	8
Changes due to change in credit risk	(14)	(45)	-	(59)
Total write-back from income statement	(6)	(45)	-	(51)
Write-off	-	-	(9,410)	(9,410)
At 31 December 2019	242	71	-	313
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:

	31 December 2019 RM'000	31 March 2019 RM'000
GROUP/BANK		
At beginning of financial 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 financial period/year	-	9,410

A15 Financial Investments at Amortised Cost

	31 December 2019 RM'000	31 March 2019 RM'000
GROUP/BANK		
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government securities	-	20,343
Commercial Paper	-	3,805
	-	24,148
<u>Unquoted securities:</u>		
Corporate bonds and sukuk	24,645	42,581
Less: Allowance for expected credit losses	(24,591)	(13,169)
	54	29,412
Total financial investments at amortised cost	54	53,560

A15 Financial Investments at Amortised Cost (Contd.)

Movements in allowance for expected credit losses are as follows:

GROUP/BANK	12 months ECL	Lifetime ECL	Lifetime ECL	Total
	(Stage 1)	Not-credit Impaired (Stage 2)	Credit Impaired (Stage 3)	
	RM'000	RM'000	RM'000	RM'000
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	(10,701)	(10,142)
Total (write-back from)/charge to income statement	-	(270)	14,299	14,029
Write-off	-	-	(2,607)	(2,607)
At 31 December 2019	-	-	24,591	24,591
At 1 April 2018				
As previously stated	-	-	-	-
Effects of adoption of MFRS 9	-	-	12,899	12,899
As restated	-	-	12,899	12,899
New financial assets originated or purchased	-	270	-	270
At 31 March 2019	-	270	12,899	13,169

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

GROUP/BANK	31 December 2019 RM'000	31 March 2019 RM'000
At beginning of financial 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	(15,057)	-
Write-off during the financial period/year	(2,607)	-
At end of financial period/year	24,607	17,271

A16 Loans, Advances and Financing

GROUP/BANK	31 December 2019 RM'000	31 March 2019 RM'000
At amortised cost		
Term loans/financing	131,230	191,771
- Syndicated term loans	43,803	142,049
- Other term loans	87,427	49,722
Staff loans (Directors loan: RM Nil)	134	207
Revolving credits	8,014	5,007
Share margin financing	231,151	253,433
Gross loans, advances and financing	370,529	450,418
Less: Allowance for expected credit losses on loans, advances and financing	(843)	(1,064)
Total net loans, advances and financing	369,686	449,354

A16 Loans, Advances and Financing (Contd.)

(i) By maturity structure:

	GROUP/BANK	
	31 December 2019 RM'000	31 March 2019 RM'000
Within one year	239,654	258,884
One year to three years	43,869	6
Three years to five years	42,888	90,640
Over five years	44,118	100,888
Gross loans, advances and financing	370,529	450,418

(ii) By type of customer:

	GROUP/BANK	
	31 December 2019 RM'000	31 March 2019 RM'000
Domestic business enterprises		
- Small and medium enterprises	96,310	60,814
- Others	79,699	186,454
Individuals	191,784	200,383
Other domestic entities	2,736	2,737
Foreign entities	-	30
Gross loans, advances and financing	370,529	450,418

(iii) By interest/profit rate sensitivity:

	GROUP/BANK	
	31 December 2019 RM'000	31 March 2019 RM'000
Fixed rate loans/financing	2,295	3,651
Variable rate		
- Base lending rate plus	34,976	35,839
- Base rate plus	194,352	214,449
- Cost plus	138,906	196,479
Gross loans, advances and financing	370,529	450,418

(iv) By economic purposes:

	GROUP/BANK	
	31 December 2019 RM'000	31 March 2019 RM'000
Purchase of securities	231,151	253,433
Purchase of transport vehicles	-	2
Purchase of landed property	44,665	45,947
of which: - Residential	862	811
- Non-residential	43,803	45,136
Working capital	8,014	46,619
Others	86,699	104,417
Gross loans, advances and financing	370,529	450,418

A16 Loans, Advances and Financing (Contd.)

(v) By geographical distribution:

	GROUP/BANK	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Northern region	42,183	46,993
Central region	297,599	373,004
Southern region	30,747	30,421
Gross loans, advances and financing	370,529	450,418

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

	GROUP/BANK	
	31 December	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	553	1,085
Impaired during the financial period/year	198	81
Recovered during the financial period/year	-	(516)
Reclassified as unimpaired during the financial period/year	(171)	(83)
Financial assets derecognised other than write-off during the financial period/year	-	(6)
Amount written-off during the financial period/year	(2)	(8)
At end of financial period/year	578	553
Gross impaired loans as % of gross loans, advances and financing	0.16%	0.12%

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

	GROUP/BANK	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Purchase of transport vehicle	-	2
Purchase of landed properties	451	428
of which: - Residential	451	428
Others	127	123
Gross impaired loans	578	553

(viii) Credit impaired loans by geographical distribution:

	GROUP/BANK	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Central region	578	553
Gross impaired loans	578	553

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
Financial assets derecognised other than write-off	(107)	-	-	(107)
Changes due to change in credit risk	(151)	-	44	(107)
Total write-back from income statement	(161)	-	(59)	(220)
Write-off	-	-	(1)	(1)
At 31 December 2019	351	-	492	843
At 1 April 2018				
As previously stated under MFRS 139				840
Effects of adoption of MFRS 9				874
As restated	619	11	1,084	1,714
Transfer to Stage 1	-	(1)	-	(1)
Transfer to Stage 2	-	1	(2)	(1)
Transfer to Stage 3	-	(1)	-	(1)
New financial assets originated or purchased	558	-	-	558
Financial assets derecognised other than write-off	(218)	-	(6)	(224)
Changes due to change in credit risk	(447)	(10)	(516)	(973)
Total write-back from income statement	(107)	(11)	(524)	(642)
Write-off	-	-	(8)	(8)
At 31 March 2019	512	-	552	1,064

A17 Other Assets

	<u>GROUP</u>		<u>BANK</u>	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Other receivables, deposits and prepayments	11,893	10,828	11,893	10,702
Amount due from related company	-	277	-	277
Less : Allowance for expected credit losses on other receivable [Note (a)]	(2,205)	(2,097)	(2,205)	(2,097)
	9,688	9,008	9,688	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	171
Financial assets derecognised other than write-off	(160)
Changes due to change in credit risk	97
Total charge to income statement	108
At 31 December 2019	2,205
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 31 December 2019, the Group's and the Bank's gross exposure of other receivables that are under lifetime ECL was at RM2,205,000 (31 March 2019: RM2,097,000).

A18 Deposits from Customers

	<u>GROUP/BANK</u>	
	31 December 2019 RM'000	31 March 2019 RM'000
Fixed deposits	324,508	438,313
Money market deposits	478,657	554,908
	803,165	993,221

A18 Deposits from Customers (Contd.)

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

	GROUP/BANK	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Due within six months	803,165	993,221

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

	GROUP/BANK	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Business enterprises	545,043	367,945
Domestic non-bank financial institutions	258,122	625,276
	803,165	993,221

A19 Deposits and Placements of Banks and Other Financial Institutions

	GROUP/BANK	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Licensed banks	370,279	359,943
Licensed investment banks	163,620	30,051
	533,899	389,994

A20 Amounts Due To Clients And Brokers

	GROUP/BANK	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Due to clients	17,940	51,164
Due to brokers	16,253	-
	34,193	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 RM49,535,000 (31 March 2019: RM56,655,000) have been excluded accordingly.

A21 Other Liabilities

	<u>GROUP</u>		<u>BANK</u>	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Other payables	17,941	39,676	17,941	40,265
Provision and accruals	4,979	6,125	4,979	6,101
Remisier's accounts	6,291	6,122	6,291	6,122
Amount due to joint venture	139	160	139	160
Amount due to holding company	842	249	842	249
Allowance for expected credit losses on commitment and contingencies	40	24	40	24
	30,232	52,356	30,232	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	34
Financial assets derecognised other than write-off	(2)
Changes due to change in credit risk	(16)
Total charge to income statement	16
At 31 December 2019	40
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

	3rd Quarter Ended		Nine Months Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
GROUP				
Loans, advances and financing	6,516	7,228	20,526	20,198
Money at call and deposit placements with financial institutions	38	45	122	151
Financial investments at FVOCI	13,288	10,603	39,396	29,338
Financial investments at amortised cost	142	619	1,123	2,438
	19,984	18,495	61,167	52,125
Accretion of discount less amortisation of premium	32	70	839	846
	20,016	18,565	62,006	52,971

	3rd Quarter Ended		Nine Months Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
BANK				
Loans, advances and financing	6,516	7,228	20,526	20,198
Money at call and deposit placements with financial institutions	38	45	122	151
Financial investments at FVOCI	13,288	10,603	39,396	29,338
Financial investments at amortised cost	142	619	1,123	2,438
	19,984	18,495	61,167	52,125
Accretion of discount less amortisation of premium	32	70	839	846
	20,016	18,565	62,006	52,971

A23 Interest Expense

	3rd Quarter Ended		Nine Months Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
GROUP				
Deposits and placements of banks and other financial institutions	5,444	4,460	14,776	12,609
Deposits from customers	5,614	5,541	19,580	15,710
	11,058	10,001	34,356	28,319

	3rd Quarter Ended		Nine Months Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
BANK				
Deposits and placements of banks and other financial institutions	5,444	4,460	14,776	12,609
Deposits from customers	5,614	5,541	19,580	15,710
	11,058	10,001	34,356	28,319

A24 Other Operating Income

	3rd Quarter Ended		Nine Months Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
GROUP				
(a) Fee and commission income:				
Brokerage fees	6,134	6,579	18,645	22,931
Corporate advisory fees	1,324	1,189	2,884	2,705
Guarantee fees	7	429	20	429
Processing fees	116	71	304	278
Arrangement and related fees	178	265	1,777	3,097
Service charges and fees	93	70	268	247
Underwriting commissions and placement fees	404	-	1,760	148
	8,256	8,603	25,658	29,835
(b) Fee and commission expense:				
Brokerage fees expense	(1,909)	(2,076)	(6,027)	(7,201)
(c) Investment income:				
Gain arising from sale/redemption of:				
- Financial assets at fair value through profit or loss	-	-	120	1
- Financial investments at fair value through other comprehensive income	-	-	2,952	558
Unrealised gain from revaluation of:				
- Financial assets at fair value through profit or loss	-	3,572	3,608	3,843
Gross dividend income from:				
- Financial assets at fair value through profit or loss	1,200	120	1,750	550
	1,200	3,692	8,430	4,952
(d) Other income:				
Foreign exchange gain	63	80	259	344
Other non-operating income/(loss)	194	228	566	(78)
	257	308	825	266
Total other operating income	7,804	10,527	28,886	27,852

A24 Other Operating Income (Contd.)

	3rd Quarter Ended		Nine Months Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
<u>BANK</u>				
(a) <u>Fee and commission income:</u>				
Brokerage fees	6,134	6,579	18,645	22,931
Corporate advisory fees	1,324	1,189	2,884	2,705
Guarantee fees	7	429	20	429
Processing fees	116	71	304	278
Arrangement and related fees	178	265	1,777	3,097
Service charges and fees	93	70	268	247
Underwriting commissions and placement fees	404	-	1,760	148
	8,256	8,603	25,658	29,835
(b) <u>Fee and commission expense:</u>				
Brokerage fees expense	(1,909)	(2,076)	(6,027)	(7,201)
(c) <u>Investment income:</u>				
Gain arising from sale/redemption of:				
- Financial assets at fair value through profit or loss	-	-	120	1
- Financial investments at fair value through other comprehensive income	-	-	2,952	558
Unrealised gain from revaluation of:				
- Financial assets at fair value through profit or loss	-	3,572	3,608	3,843
Gross dividend income from:				
- Financial assets at fair value through profit or loss	1,200	120	1,750	550
	1,200	3,692	8,430	4,952
(d) <u>Other income:</u>				
Foreign exchange gain	63	80	259	344
Other non-operating income	194	228	566	597
	257	308	825	941
Total other operating income	7,804	10,527	28,886	28,527

A25 Other Operating Expenses

	3rd Quarter Ended		Nine Months Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
GROUP				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	5,196	4,781	15,425	14,924
- Contribution to EPF	828	759	2,455	2,266
- Others	759	574	2,262	1,565
	6,783	6,114	20,142	18,755
<u>Establishment costs</u>				
- Depreciation of property, plant and equipment	86	104	274	420
- Depreciation of right-of-use assets	275	-	842	-
- Amortisation of computer software	309	182	897	541
- Rental	53	361	308	1,072
- Water and electricity	133	281	406	485
- Repairs & maintenance	92	106	134	352
- Information technology expenses	1,123	1,133	3,352	2,941
- Others	449	486	1,153	982
	2,520	2,653	7,366	6,793
<u>Marketing expenses</u>				
- Advertisement and publicity	219	271	425	549
- Research cost	415	478	1,204	1,442
- Others	106	83	272	258
	740	832	1,901	2,249
<u>Administration and general expenses</u>				
- Communication expenses	69	99	280	309
- Printing and stationeries	14	12	40	39
- Professional fees	696	376	1,307	1,084
- Others	491	462	1,309	1,384
	1,270	949	2,936	2,816
Total other operating expenses	11,313	10,548	32,345	30,613

A25 Other Operating Expenses (Contd.)

	3rd Quarter Ended		Nine Months Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
<u>BANK</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	5,196	4,781	15,425	14,924
- Contribution to EPF	828	759	2,455	2,266
- Others	759	574	2,262	1,565
	6,783	6,114	20,142	18,755
<u>Establishment costs</u>				
- Depreciation of property, plant and equipment	86	104	274	420
- Depreciation of right-of-use assets	275	-	842	-
- Amortisation of computer software	309	182	897	541
- Rental	53	361	308	1,072
- Water and electricity	133	281	406	485
- Repairs & maintenance	92	106	134	352
- Information technology expenses	1,123	1,133	3,352	2,941
- Others	449	486	1,153	982
	2,520	2,653	7,366	6,793
<u>Marketing expenses</u>				
- Advertisement and publicity	219	271	425	549
- Research cost	415	478	1,204	1,442
- Others	106	83	272	258
	740	832	1,901	2,249
<u>Administration and general expenses</u>				
- Communication expenses	69	99	280	309
- Printing and stationeries	14	12	40	39
- Professional fees	696	376	1,307	1,084
- Others	491	462	1,309	1,384
	1,270	949	2,936	2,816
Total other operating expenses	11,313	10,548	32,345	30,613

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

	3rd Quarter Ended		Nine Months Ended	
	31 December	31 December	31 December	31 December
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
GROUP/BANK				
(Write-back of)/allowance for expected credit losses on:				
(a) Loan, advances and financing				
- (Write-back)/allowance made during the financial period	(48)	143	(220)	(268)
(b) Credit impaired loans, advances and financing				
- Recovered during the financial period	(2)	(26)	(535)	(51)
- Write-off during the financial period	-	1	1	38
(c) Commitment and contingencies on loans, advances and financing				
- Allowance made/(write-back) during the financial period	15	2	8	(36)
	(35)	120	(746)	(317)
Allowance for/(write-back of) expected credit losses on:				
(a) Other receivables	86	346	108	961
(b) Amounts due from clients and brokers	-	(3)	-	9
	51	463	(638)	653

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

	3rd Quarter Ended		Nine Months Ended	
	31 December	31 December	31 December	31 December
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
GROUP/BANK				
(a) Financial investments at fair value through other comprehensive income				
- Allowance made/(write-back) during the financial period	39	(45)	(51)	(127)
(b) Financial investments at amortised cost				
- (Write-back)/allowance made during the financial period	(9,823)	-	14,029	-
- Commitment and contingencies	-	-	8	-
	(9,784)	(45)	13,986	(127)

A28 Allowance for Impairment Losses on Non-Financial Assets

	3rd Quarter Ended		Nine Months Ended	
	31 December	31 December	31 December	31 December
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
GROUP/BANK				
Intangible assets - goodwill	-	-	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 Per Share

Basic/Diluted

Basic/diluted earnings per share is calculated by dividing profit 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.

	3rd Quarter Ended		Nine Months Ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
GROUP				
Net profit attributable to Equity holder of the Bank (RM'000)	12,870	8,439	8,153	20,141
Weighted average numbers of ordinary shares in issued ('000)	365,000	365,000	365,000	365,000
Basic/diluted earnings per share (sen)	3.5	2.3	2.2	5.5
BANK				
Net profit attributable to Equity holder of the Bank (RM'000)	12,834	8,409	8,065	20,731
Weighted average numbers of ordinary shares in issued ('000)	365,000	365,000	365,000	365,000
Basic/diluted earnings per share (sen)	3.5	2.3	2.2	5.7

A30 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 exposures and their related counterparty credit risk of the Group and the Bank are as follows:

	GROUP/BANK	
	31 December 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	79,000	46,154
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	266,447	248,047
- maturity exceeding one year	1,341	-
Total	348,363	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>	
	31 December 2019	31 March 2019	31 December 2019	31 March 2019
<u>Before deducting proposed dividends</u>				
CET 1 capital ratio	90.894%	78.128%	90.859%	78.200%
Tier 1 capital ratio	90.894%	78.128%	90.859%	78.200%
Total capital ratio	91.858%	79.121%	91.823%	79.196%
<u>After deducting proposed dividends</u>				
CET 1 capital ratio	90.894%	78.128%	90.859%	78.200%
Tier 1 capital ratio	90.894%	78.128%	90.859%	78.200%
Total capital ratio	91.858%	79.121%	91.823%	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>	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 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	246,287	250,537	248,838	251,616
FVOCI reserves	28,594	11,672	28,594	11,672
Regulatory reserves	8,889	8,539	8,889	8,539
	649,732	636,710	652,283	637,789
Less: Regulatory adjustments				
- Goodwill and other intangibles	(27,928)	(33,639)	(31,018)	(36,730)
- 55% of FVOCI reserves	(15,727)	(6,420)	(15,727)	(6,420)
- Investment in subsidiaries, associate and joint venture	(1,170)	(1,082)	(624)	(624)
- Regulatory reserves	(8,889)	(8,539)	(8,889)	(8,539)
- Additional Tier 1 Sukuk Wakalah	(60,000)	(100,000)	(60,000)	(100,000)
Total CET I Capital / Total Tier I Capital	536,018	487,030	536,025	485,476
<u>Tier II Capital</u>				
Expected credit losses and regulatory reserves	5,685	6,188	5,685	6,183
Total Tier II Capital	5,685	6,188	5,685	6,183
Total Capital	541,703	493,218	541,710	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>	
	31 December 2019 RM'000	31 March 2019 RM'000	31 December 2019 RM'000	31 March 2019 RM'000
Credit risk	454,814	495,078	454,814	494,665
Operational risk	134,904	128,294	135,138	126,149
Total RWA and capital requirements	589,718	623,372	589,952	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				
31 December 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	-	571,653	-	571,653
- Unquoted securities	-	874,958	-	874,958

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 31 December 2019 and 31 March 2019.

Reconciliation of movements in Level 3 financial instruments:

	GROUP/BANK	
	31 December 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>			
31 December 2019			
Amounts due from clients and brokers	86,469	(28,687)	57,782
Total	86,469	(28,687)	57,782
31 March 2019			
Amounts due from clients and brokers	144,882	(67,874)	77,008
Total	144,882	(67,874)	77,008

(b) Financial liabilities

	Gross amounts of recognised financial liabilities <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>			
31 December 2019			
Amounts due to clients and brokers	62,880	(28,687)	34,193
Total	62,880	(28,687)	34,193
31 March 2019			
Amounts due to clients and brokers	119,038	(67,874)	51,164
Total	119,038	(67,874)	51,164

A34 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.

A34 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>			
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	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

A35 Islamic Banking Business

A35a Unaudited Statements of Financial Position as at 31 December 2019

		GROUP/BANK	
		31 December	31 March
		2019	2019
Note		RM'000	RM'000
ASSETS			
Cash and short-term funds		8,596	27
Financial investments at fair value through other comprehensive income	A35d	109,370	110,995
Other assets		4,768	4,756
Deferred tax assets		-	1
Total Assets		122,734	115,779
LIABILITIES AND ISLAMIC BANKING FUNDS			
Provision for taxation		3,504	2,294
Deferred tax liabilities		407	-
Total Liabilities		3,911	2,294
Islamic Banking Funds		56,000	56,000
Reserves		62,823	57,485
Total Islamic Banking Funds		118,823	113,485
TOTAL LIABILITES AND ISLAMIC BANKING FUNDS		122,734	115,779

A35 Islamic Banking Business (Contd.)

A35b Unaudited Consolidated Statements of Comprehensive Income for the Financial Period Ended 31 December 2019

	3rd Quarter Ended		Nine Months Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
GROUP/BANK				
Income derived from investment of Islamic Banking Funds	1,415	1,089	5,266	3,380
Total distributable income	1,415	1,089	5,266	3,380
Income attributable to the depositors and financial institutions	-	-	(4)	-
Total net income	1,415	1,089	5,262	3,380
Other operating expenses	(1)	-	(8)	(1)
Allowance for expected credit losses on financial investments	(79)	-	(211)	-
Profit before taxation	1,335	1,089	5,043	3,379
Taxation	(320)	(262)	(1,210)	(811)
Net profit after taxation	1,015	827	3,833	2,568
Other comprehensive (expense)/income:				
Items that may be classified subsequently to profit or loss:				
Revaluation reserve on financial investments at FVOCI				
- Net (loss)/gain from change in fair value	(292)	(35)	2,706	647
- Realised gain transferred to statement of income on disposal	-	-	(1,003)	(120)
- Transfer from/(to) deferred tax	70	9	(409)	(126)
- Changes in expected credit losses	79	-	211	-
Other comprehensive (expense)/income, net of tax	(143)	(26)	1,505	401
Total comprehensive income for the financial period	872	801	5,338	2,969

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	1,415	1,089	5,266	3,380
Income attributable to depositors and financial institutions	-	-	(4)	-
	1,415	1,089	5,262	3,380

A35 Islamic Banking Business (Contd.)

A35c Unaudited Statement of Changes in Equity for the Financial Period Ended 31 December 2019

	Non-distributable reserves		Distributable reserves		Total equity RM'000
	Funds allocated from Head Office (HO) RM'000	Regulatory reserves RM'000	FVOCI reserves RM'000	Retained profits RM'000	
GROUP/BANK					
At 1 April 2019	56,000	-	(4)	57,489	113,485
Net profit after taxation	-	-	-	3,833	3,833
Other comprehensive income	-	-	1,505	-	1,505
Total comprehensive income for the financial period	-	-	1,505	3,833	5,338
Transfer to regulatory reserves	-	51	-	(51)	-
At 31 December 2019	56,000	51	1,501	61,271	118,823
At 1 April 2018	56,000	-	(488)	55,297	110,809
Net profit after taxation	-	-	-	2,568	2,568
Other comprehensive income	-	-	401	-	401
Total comprehensive income for the financial period	-	-	401	2,568	2,969
Dividend paid	-	-	-	(1,736)	(1,736)
At 31 December 2018	56,000	-	(87)	56,129	112,042

A35d Financial Investments at Fair Value Through Other Comprehensive Income ("FVOCI")

	GROUP/BANK	
	31 December 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	11,068	-
	11,068	10,947
<u>Unquoted securities:</u>		
Sukuk	98,302	100,048
	98,302	100,048
Total financial investments at FVOCI	109,370	110,995

Movements in allowance for expected credit losses are as follows:

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

A35 Islamic Banking Business (Contd.)

A35e 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	
	31 December	31 March
	2019	2019
<u>Before deducting proposed dividends</u>		
CET 1 capital ratio	263.723%	90.655%
Tier 1 capital ratio	263.723%	90.655%
Total capital ratio	264.465%	90.655%
<u>After deducting proposed dividends</u>		
CET 1 capital ratio	263.723%	90.655%
Tier 1 capital ratio	263.723%	90.655%
Total capital ratio	264.465%	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	
	31 December	31 March
	2019	2019
	RM'000	RM'000
<u>CET I Capital</u>		
Funds allocated from Head Office	56,000	56,000
Retained profits	60,256	57,489
FVOCI reserves	1,290	(4)
Regulatory reserves	51	-
	117,597	113,485
Less: Regulatory adjustments		
- 55% of FVOCI reserves	(709)	-
- Deferred tax assets	-	(1)
- Regulatory reserves	(51)	-
- Additional Tier 1 Sukuk Wakalah	(60,000)	(100,000)
Total CET I Capital / Total Tier I Capital	56,837	13,484
<u>Tier II Capital</u>		
Expected credit losses	160	-
Total Capital Base	56,997	13,484

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

	GROUP/BANK	
	31 December	31 March
	2019	2019
	RM'000	RM'000
Credit risk	12,806	6,970
Operational risk	8,746	7,904
Total RWA and capital requirements	21,552	14,874

PART B – Review of Performance & Current Year Prospect

B1 Review of Performance

Profitability:

The Group's Net Profit After Taxation was recorded at RM8.2 million. The NPAT declined by RM12.0 million year-on-year ("YOY"), mainly due to credit losses stemming from the impairment of a large corporate account.

Operating profit before allowance grew RM4.2 million, or 16.6% YOY for the period ended 31 December 2019 ("3QFY20"). Net income grew by RM5.9 million or 10.6% to RM61.8 million driven by net interest income growth of RM4.0 million or 14.3% YOY from the higher treasury asset growth. Net interest margin ("NIM") decreased by 12 bps YOY to 2.13%.

Slower Loans Growth:

Gross loans and advances decreased 20.3% YOY to RM370.5 million as a result of repayment of Corporate loans.

Higher Other Operating Income:

The Group recorded other operating income of RM29.9 million, an increase of RM1.9 million or 6.9% mainly due to the fee income of RM1.6 million upon completion of an IPO advisory engagement and one-off special dividend from RAM of RM1.2 million.

Improved Efficiency

Cost to income ratio ("CIR") improved to 52.3%, a reduction of 2.5% from a year ago attributed to a higher net income growth and lower marketing expenses by RM0.3 million.

Asset Quality:

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

Proactive Capital Management:

The Group continues to maintain strong capital adequacy levels, with Common Equity Tier-1 ("CET 1") ratio and Tier-1 Capital ratio both at 90.9%, and total capital ratio at 91.9%.

B2 Current Year Prospect

Market sentiment has improved considerably given the positive progress on US-China trade talks and sustained accommodative monetary policy pursued by central bankers globally which has raised the prospects of a better economic outlook in 2020. Nevertheless, the ebb and flow of the trade conflict and geopolitical uncertainties such as the recent US-Iran conflict will remain the overarching concern for market sentiment amid concerns over a synchronised economic slowdown.

On the fiscal side, the government's pro-growth Budget 2020 is likely to sustain economic growth which is projected at 4.8%, supported by resilient private consumption following healthy labour market condition and stable inflation. Government's initiatives such as Malaysians@Work and higher minimum wage is set to provide more job opportunities and improve Malaysians' income and purchasing power.

Meanwhile, to help further in stimulating the economy, Bank Negara Malaysia (BNM) could be looking at another round of interest rate cut in 1Q20, should there be more downside risk to our economic growth, in view of the persistently weak consumer and business sentiments, which is undermining private investment activities.

The uncertainties of the Stockbroking market conditions and the continuing threats to corporate earnings growth could prompt most retail investors to remain on the sidelines for longer. The lacklustre economic outlook is also seen as an impediment to the market's medium term performance and could reinforce the subdued market conditions heading into 2020.

ALLIANCE INVESTMENT BANK BERHAD

197401004393 (21605-D)

(Incorporated in Malaysia)

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

B2 Current Year Prospect (Contd.)

The outlook for Institutional Stockbroking remains challenging as asset managers are still maintaining a cautious stand given the lacklustre economic growth. As such their asset allocation remains heavily in favour of lower risk asset classes such as money market & bonds.

In the current environment, we do not foresee a significant increase in corporate activities, except IPO deals which are expected to improve in year 2020, for our target market segment.

Notwithstanding the challenging economic outlook, we expect the Group performance to be satisfactory.