

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

Condensed Interim Financial Statements
Unaudited Statements of Financial Position as at 30 September 2020

	Note	<u>GROUP</u>		<u>BANK</u>	
		30 September 2020 RM'000	31 March 2020 RM'000	30 September 2020 RM'000	31 March 2020 RM'000
ASSETS					
Cash and short-term funds		161,499	44,783	161,499	44,783
Amounts due from clients and brokers	A12	87,112	51,165	87,112	51,165
Financial assets at fair value through profit or loss	A13	70,194	64,392	70,194	64,392
Financial investments at fair value through other comprehensive income	A14	1,137,678	1,381,815	1,137,678	1,381,815
Financial investments at amortised cost	A15	16	16	16	16
Loans, advances and financing	A16	297,339	292,575	297,339	292,575
Other assets	A17	11,278	8,926	11,278	8,926
Tax recoverable		-	1,934	-	1,934
Statutory deposits with Bank Negara Malaysia		-	29,106	-	29,106
Investment in an associate		288	286	230	230
Investment in joint venture		956	903	394	394
Right-of-use assets		2,735	672	2,735	672
Property, plant and equipment		470	430	470	430
Intangible assets		23,881	24,578	26,441	27,138
TOTAL ASSETS		1,793,446	1,901,581	1,795,386	1,903,576
LIABILITIES AND EQUITY					
Deposits from customers	A18	424,624	485,007	424,624	485,007
Deposits and placements of banks and other financial institutions	A19	559,312	692,678	559,312	692,678
Amounts due to clients and brokers	A20	42,652	22,292	42,652	22,292
Lease liabilities		2,744	629	2,744	629
Other liabilities	A21	36,039	35,468	36,039	35,468
Provision for taxation		3,772	-	3,772	-
Deferred tax liabilities		15,725	6,669	15,725	6,669
TOTAL LIABILITIES		1,084,868	1,242,743	1,084,868	1,242,743
Share capital		365,962	365,962	365,962	365,962
Reserves		342,616	292,876	344,556	294,871
TOTAL EQUITY		708,578	658,838	710,518	660,833
TOTAL LIABILITIES AND EQUITY		1,793,446	1,901,581	1,795,386	1,903,576
COMMITMENTS AND CONTINGENCIES	A30	362,584	388,760	362,584	388,760

ALLIANCE INVESTMENT BANK BERHAD
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Condensed Interim Financial Statements
Unaudited Consolidated Statements of Income
for the Financial Period Ended 30 September 2020

GROUP	Note	2nd Quarter Ended		Six Months Ended	
		30 September 2020	30 September 2019	30 September 2020	30 September 2019
		RM'000	RM'000	RM'000	RM'000
Interest income	A22	14,578	20,928	30,528	41,990
Interest expense	A23	(4,792)	(11,474)	(11,333)	(23,343)
Net interest income		9,786	9,454	19,195	18,647
Net income from Islamic banking business	A35	2,482	1,823	5,359	3,847
		12,268	11,277	24,554	22,494
Fee and commission income		23,215	8,152	37,622	17,402
Fee and commission expense		(8,995)	(2,179)	(13,842)	(4,118)
Investment income		7,852	6,800	8,212	7,230
Other income		348	212	802	568
Other operating income	A24	22,420	12,985	32,794	21,082
Net income		34,688	24,262	57,348	43,576
Other operating expenses	A25	(9,300)	(10,809)	(19,008)	(20,987)
Operating profit before allowance		25,388	13,453	38,340	22,589
Write-back of/(allowance for) expected credit losses on loans, advances and financing and other financial assets	A26	269	(132)	(3)	689
(Allowance for)/write-back of expected credit losses on financial investments	A27	(181)	896	14	(23,770)
Allowance for impairment losses on non-financial assets	A28	-	(5,302)	-	(5,302)
Operating profit/(loss) after allowance		25,476	8,915	38,351	(5,794)
Share of results in an associate		-	1	2	3
Share of results of joint venture		31	18	53	49
Profit/(loss) before taxation		25,507	8,934	38,406	(5,742)
Taxation		(4,659)	(2,626)	(7,719)	1,025
Net profit/(loss) for the financial period		20,848	6,308	30,687	(4,717)
Net profit/(loss) for the financial period attributable to:					
Equity holder of the Bank		20,848	6,308	30,687	(4,717)
Earnings/(loss) per share attributable to Equity holder of the Bank:					
- Basic/diluted (sen)	A29	5.7	1.7	8.4	(1.3)

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 2020.

Condensed Interim Financial Statements
Unaudited Consolidated Statements of Comprehensive Income
for the Financial Period Ended 30 September 2020

GROUP	2nd Quarter Ended		Six Months Ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
Net profit/(loss) for the financial period	20,848	6,308	30,687	(4,717)
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	13,463	12,130	41,228	26,573
- Realised gain transferred to statement of income on disposal	(3,563)	(2,382)	(5,190)	(2,952)
- Transfer to deferred tax	(2,376)	(2,340)	(8,649)	(5,669)
- Changes in expected credit losses	181	(21)	(14)	(9,500)
Other comprehensive income, net of tax	7,705	7,387	27,375	8,452
Total comprehensive income for the financial period	28,553	13,695	58,062	3,735
Total comprehensive income for the financial period attributable to:				
Equity holder of the Bank	28,553	13,695	58,062	3,735

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Condensed Interim Financial Statements
Unaudited Statements of Income
for the Financial Period Ended 30 September 2020

	Note	2nd Quarter Ended		Six Months Ended	
		30 September 2020	30 September 2019	30 September 2020	30 September 2019
BANK		RM'000	RM'000	RM'000	RM'000
Interest income	A22	14,578	20,928	30,528	41,990
Interest expense	A23	(4,792)	(11,474)	(11,333)	(23,343)
Net interest income		9,786	9,454	19,195	18,647
Net income from Islamic banking business	A35	2,482	1,823	5,359	3,847
		12,268	11,277	24,554	22,494
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Investment income		7,852	6,800	8,212	7,230
Other income		348	212	802	568
Other operating income	A24	22,420	12,985	32,794	21,082
Net income		34,688	24,262	57,348	43,576
Other operating expenses	A25	(9,300)	(10,809)	(19,008)	(20,987)
Operating profit before allowance		25,388	13,453	38,340	22,589
Write-back of/(allowance for) expected credit losses on loans, advances and financing and other financial assets	A26	269	(132)	(3)	689
(Allowance for)/write-back of expected credit losses on financial investments	A27	(181)	896	14	(23,770)
Allowance for impairment losses on non-financial assets	A28	-	(5,302)	-	(5,302)
Profit/(loss) before taxation		25,476	8,915	38,351	(5,794)
Taxation		(4,659)	(2,626)	(7,719)	1,025
Net profit/(loss) for the financial period		20,817	6,289	30,632	(4,769)
Net profit/(loss) for the financial period attributable to:					
Equity holder of the Bank		20,817	6,289	30,632	(4,769)
Earnings/(loss) per share attributable to Equity holder of the Bank:					
- Basic/diluted (sen)	A29	5.7	1.7	8.4	(1.3)

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 2020.

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Condensed Interim Financial Statements
Unaudited Statements of Comprehensive Income
for the Financial Period Ended 30 September 2020

	2nd Quarter Ended		Six Months Ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
<u>BANK</u>	RM'000	RM'000	RM'000	RM'000
Net profit/(loss) for the financial period	20,817	6,289	30,632	(4,769)
Other comprehensive income:				
Items that may be classified subsequently to profit or loss:				
Revaluation reserve on FVOCI				
- Net gain from change in fair value	13,463	12,130	41,228	26,573
- Realised gain transferred to statement of income on disposal	(3,563)	(2,382)	(5,190)	(2,952)
- Transfer to deferred tax	(2,376)	(2,340)	(8,649)	(5,669)
- Changes in expected credit losses	181	(21)	(14)	(9,500)
Other comprehensive income, net of tax	7,705	7,387	27,375	8,452
Total comprehensive income for the financial period	28,522	13,676	58,007	3,683
Total comprehensive income for the financial period attributable to:				
Equity holder of the Bank	28,522	13,676	58,007	3,683

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 2020.

ALLIANCE INVESTMENT BANK BERHAD
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Condensed Interim Financial Statements
Unaudited Consolidated Statements of Changes in Equity for the Financial Period Ended 30 September 2020

GROUP	← Attributable to Equity holder of the Bank →				
	Ordinary shares	Regulatory reserves	FVOCI reserves	Retained profits	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2020	365,962	7,540	26,449	258,887	658,838
Net profit after taxation	-	-	-	30,687	30,687
Other comprehensive income	-	-	27,375	-	27,375
Total comprehensive income for the financial period	-	-	27,375	30,687	58,062
Transfer from regulatory reserves	-	(788)	-	788	-
Dividend paid	-	-	-	(8,322)	(8,322)
At 30 September 2020	365,962	6,752	53,824	282,040	708,578
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

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 2020.

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Condensed Interim Financial Statements
Unaudited Statements of Changes in Equity for the Financial Period Ended 30 September 2020

	<u>Non-distributable reserves</u>			<u>Distributable reserves</u>	<u>Total equity</u> RM'000
	<u>Ordinary shares</u> RM'000	<u>Regulatory reserves</u> RM'000	<u>FVOCI reserves</u> RM'000	<u>Retained profits</u> RM'000	
<u>BANK</u>					
At 1 April 2020	365,962	7,540	26,449	260,882	660,833
Net profit after taxation	-	-	-	30,632	30,632
Other comprehensive income	-	-	27,375	-	27,375
Total comprehensive income for the financial period	-	-	27,375	30,632	58,007
Transfer from regulatory reserves	-	(788)	-	788	-
Dividend paid	-	-	-	(8,322)	(8,322)
At 30 September 2020	365,962	6,752	53,824	283,980	710,518
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

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 2020.

Condensed Interim Financial Statements

Unaudited Condensed Statements of Cash Flows for the Financial Period Ended 30 September 2020

	<u>GROUP</u>		<u>BANK</u>	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Profit/(loss) before taxation	38,406	(5,742)	38,351	(5,794)
Adjustments for non-cash items	(33,531)	(4,877)	(33,476)	(4,824)
Operating profit/(loss) before changes in working capital	4,875	(10,619)	4,875	(10,618)
Changes in working capital	(187,023)	(9,161)	(187,023)	(9,161)
Net tax paid	(1,605)	(3,527)	(1,605)	(3,527)
Net cash used in operating activities	(183,753)	(23,307)	(183,753)	(23,306)
Net cash generated from investing activities	309,126	17,269	309,126	17,269
Net cash used in financing activities	(8,657)	(433)	(8,657)	(433)
Net change in cash and cash equivalents	116,716	(6,471)	116,716	(6,470)
Cash and cash equivalents at beginning of financial period	44,783	36,373	44,783	35,989
Cash and cash equivalents at end of financial period	161,499	29,902	161,499	29,519
Cash and cash equivalent comprise the following:				
Cash and short-term funds	161,499	29,902	161,499	29,519

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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 2020 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 2020. 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 2020.

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 2020, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 April 2020:

- Amendments to MFRS 3 "Definition of a Business"
- Amendments to MFRS 101 "Presentation of Financial Statements" and MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors"
- Revised Conceptual Framework
- Amendments to MFRS 9, MFRS 139 and MFRS 7 "Interest Rate Benchmark Reform"

The adoption of the above standards, amendments to published standards and interpretation to existing standards are not expected to have any significant impact on the financial statements of the Group and the Bank.

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 judgement 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 2020 was not qualified.

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 2020.

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 2020.

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 2020.

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 2020.

A7 Dividend Paid

A single tier interim dividend of 2.28 sen per share, on 365,000,000 ordinary shares amounting to RM8,322,000 in respect of the financial year ended 31 March 2020, was paid on 9 July 2020.

A8 Significant Events

There were no significant events for the second quarter and financial half year ended 30 September 2020.

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

There were no material events 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

The Directors of the Bank have proposed dividends on ordinary shares in respect of financial year ending 31 March 2021 as follows:

- (a) A single tier special dividend of 54.79 sen per share on 365,000,000 ordinary shares amounting to approximately RM199,984,000; and
- (b) A single tier first interim dividend of 8.39 sen per share on 365,000,000 ordinary shares amounting to approximately RM30,623,000.

A12 Amounts Due From Clients and Brokers

	GROUP/BANK	
	30 September	31 March
	2020	2020
	RM'000	RM'000
Due from clients	80,076	51,168
Due from brokers	7,036	-
	87,112	51,168
Less: Allowance for expected credit losses	-	(3)
	87,112	51,165

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	31 March
	2020	2020
	RM'000	RM'000
At beginning of financial period/year	3	839
(Write-back of)/allowance made during the financial period/year (net)	(3)	3
Write-off during the financial period/year	-	(839)
At end of financial period/year	<u>-</u>	<u>3</u>

As at 30 September 2020, 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 2020: RM20,000).

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

	<u>GROUP/BANK</u>	
	30 September	31 March
	2020	2020
	RM'000	RM'000
At fair value		
<u>Unquoted securities:</u>		
Shares	70,194	64,392
Total financial assets at FVTPL	<u>70,194</u>	<u>64,392</u>

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

	<u>GROUP/BANK</u>	
	30 September	31 March
	2020	2020
	RM'000	RM'000
At fair value - debt instruments		
<u>Money market instruments:</u>		
Malaysian Government securities	149,723	206,333
Malaysian Government investment issues	297,401	326,011
Commercial papers	-	29,685
	<u>447,124</u>	<u>562,029</u>
<u>Unquoted securities in Malaysia:</u>		
Corporate bonds and sukuk	690,554	819,786
	<u>690,554</u>	<u>819,786</u>
Total financial investments at FVOCI	<u>1,137,678</u>	<u>1,381,815</u>

A14 Financial Investments at Fair Value Through Other Comprehensive Income ("FVOCI") (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 2020	241	57	-	298
Transfer to Stage 2	-	183	-	183
Financial assets derecognised other than write-off	(40)	-	-	(40)
Changes due to change in credit risk	(165)	8	-	(157)
Total (write-back from)/charge to income statement	(205)	191	-	(14)
At 30 September 2020	36	248	-	284
At 1 April 2019	248	116	9,410	9,774
New financial assets originated or purchased	9	-	-	9
Financial assets derecognised other than write-off	(2)	-	-	(2)
Changes due to change in credit risk	(14)	(59)	-	(73)
Total write-back from income statement	(7)	(59)	-	(66)
Write-off	-	-	(9,410)	(9,410)
At 31 March 2020	241	57	-	298

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

	GROUP/BANK	
	30 September 2020 RM'000	31 March 2020 RM'000
At beginning of financial period/year	-	9,410
Write-off during the financial period/year	-	(9,410)
At end of financial period/year	-	-

A15 Financial Investments at Amortised Cost

	GROUP/BANK	
	30 September 2020 RM'000	31 March 2020 RM'000
At amortised cost		
<u>Unquoted securities:</u>		
Corporate bonds and sukuk	291	24,413
Less: Allowance for expected credit losses	(275)	(24,397)
Total financial investments at amortised cost	16	16

A15 Financial Investments at Amortised Cost (Contd.)

Movements in allowance for expected credit losses are as follows:

<u>GROUP/BANK</u>	12 months ECL	Lifetime ECL	Lifetime ECL	<u>Total</u>
	(Stage 1)	Not-credit Impaired (Stage 2)	Credit Impaired (Stage 3)	
	RM'000	RM'000	RM'000	RM'000
At 1 April 2020	-	-	24,397	24,397
Write-off	-	-	(24,122)	(24,122)
At 30 September 2020	-	-	275	275
At 1 April 2019	-	270	12,899	13,169
Transfer to Stage 3	-	(826)	25,000	24,174
New financial assets originated or purchased	-	-	196	196
Financial assets derecognised other than write-off	(3)	-	(196)	(199)
Changes due to change in credit risk	3	556	(10,894)	(10,335)
Total (write-back from)/charge to income statement	-	(270)	14,106	13,836
Write-off	-	-	(2,608)	(2,608)
At 31 March 2020	-	-	24,397	24,397

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

	<u>GROUP/BANK</u>	
	30 September 2020 RM'000	31 March 2020 RM'000
At beginning of financial period/year	24,413	17,271
Impaired during the financial period/year	-	25,000
Write-back during the financial period/year	-	(15,250)
Write-off during the financial period/year	(24,122)	(2,608)
At end of financial period/year	291	24,413

A16 Loans, Advances and Financing

	<u>GROUP/BANK</u>	
	30 September 2020 RM'000	31 March 2020 RM'000
At amortised cost		
Term loans	123,430	128,453
- Syndicated term loans	42,441	42,486
- Other term loans	80,989	85,967
Staff loans (Directors loan: RM Nil)	122	127
Revolving credits	8,007	8,008
Share margin financing	166,802	157,030
Gross loans, advances and financing	298,361	293,618
Less: Allowance for expected credit losses on loans, advances and financing	(1,022)	(1,043)
Total net loans, advances and financing	297,339	292,575

A16 Loans, Advances and Financing (Contd.)

(i) By maturity structure:

	<u>GROUP/BANK</u>	
	30 September	31 March
	2020	2020
	RM'000	RM'000
Within one year	218,624	165,380
One year to three years	-	43,860
Three years to five years	37,042	41,589
Over five years	42,695	42,789
Gross loans, advances and financing	298,361	293,618

(ii) By type of customers:

	<u>GROUP/BANK</u>	
	30 September	31 March
	2020	2020
	RM'000	RM'000
Domestic business enterprises		
- Small and medium enterprises	4,053	4,585
- Others	147,799	153,687
Individuals	144,729	133,611
Other domestic entities	1,710	1,714
Foreign entities	70	21
Gross loans, advances and financing	298,361	293,618

(iii) By interest/profit rate sensitivity:

	<u>GROUP/BANK</u>	
	30 September	31 March
	2020	2020
	RM'000	RM'000
Fixed rate	2,090	1,223
Variable rate		
- Base lending rate plus	34,404	25,729
- Base rate plus	130,603	130,383
- Cost plus	131,264	136,283
Gross loans, advances and financing	298,361	293,618

(iv) By economic purposes:

	<u>GROUP/BANK</u>	
	30 September	31 March
	2020	2020
	RM'000	RM'000
Purchase of securities	166,802	157,030
Purchase of landed property	42,889	43,282
of which: - Residential	448	796
- Non-residential	42,441	42,486
Working capital	8,007	8,008
Others	80,663	85,298
Gross loans, advances and financing	298,361	293,618

A16 Loans, Advances and Financing (Contd.)

(v) By economic sectors:

	GROUP/BANK	
	30 September	31 March
	2020	2020
	RM'000	RM'000
Manufacturing	37,324	41,903
Construction	52,011	52,419
Financing, insurance, real estate and business services	20,076	21,463
Community, social and personal services	42,441	42,486
Household	144,799	133,632
Others	1,710	1,715
Gross loans, advances and financing	<u>298,361</u>	<u>293,618</u>

(vi) By geographical distribution:

	GROUP/BANK	
	30 September	31 March
	2020	2020
	RM'000	RM'000
Northern region	34,997	19,960
Central region	245,078	262,726
Southern region	18,286	10,932
Gross loans, advances and financing	<u>298,361</u>	<u>293,618</u>

(vii) Movements in credit impaired loans, advances and financing ("impaired loans") under stage 3:

	GROUP/BANK	
	30 September	31 March
	2020	2020
	RM'000	RM'000
At beginning of financial period/year	428	553
Impaired during the financial period/year	3	231
Recovered during the financial period/year	(186)	(56)
Reclassified as unimpaired during the financial period/year	(32)	(171)
Financial assets derecognised other than write-off during the financial period/year	(81)	-
Amount written-off during the financial period/year	(78)	(129)
At end of financial period/year	<u>54</u>	<u>428</u>
Gross impaired loans as % of gross loans, advances and financing	<u>0.02%</u>	<u>0.15%</u>

(viii) Credit impaired loans by economic purposes:

	GROUP/BANK	
	30 September	31 March
	2020	2020
	RM'000	RM'000
Purchase of landed properties	54	428
<i>of which: - Residential</i>	<u>54</u>	<u>428</u>
Gross impaired loans	<u>54</u>	<u>428</u>

A16 Loans, Advances and Financing (Contd.)

(ix) Credit impaired loans by economic sectors:

	GROUP/BANK	
	30 September	31 March
	2020	2020
	RM'000	RM'000
Household	54	428
Gross impaired loans	54	428

(x) Credit impaired loans by geographical distribution:

	GROUP/BANK	
	30 September	31 March
	2020	2020
	RM'000	RM'000
Central region	54	428
Gross impaired loans	54	428

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

	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
GROUP/BANK				
At 1 April 2020	701	-	342	1,043
Transfer to Stage 2	(222)	786	-	564
Financial assets derecognised other than write-off	(12)	-	(81)	(93)
Changes due to change in credit risk	(75)	(156)	(183)	(414)
Total (write-back from)/charge to income statement	(309)	630	(264)	57
Write-off	-	-	(78)	(78)
At 30 September 2020	392	630	-	1,022
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	199	-	21	220
Total charge to/(write-back from) income statement	189	-	(82)	107
Write-off	-	-	(128)	(128)
At 31 March 2020	701	-	342	1,043

A17 Other Assets

	GROUP/BANK	
	30 September	31 March
	2020	2020
	RM'000	RM'000
Other receivables, deposits and prepayments	13,567	11,202
Amount due from related company	47	-
	<u>13,614</u>	<u>11,202</u>
Less : Allowance for expected credit losses on other receivable [Note (a)]	<u>(2,336)</u>	<u>(2,276)</u>
	<u><u>11,278</u></u>	<u><u>8,926</u></u>

Note:

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

	GROUP/BANK	
	Lifetime ECL	
	30 September	31 March
	2020	2020
	RM'000	RM'000
At beginning of financial period/year	2,276	2,097
New financial assets originated or purchased	45	251
Financial assets derecognised other than write-off	(45)	(179)
Changes due to change in credit risk	60	107
Total charge to income statement	60	179
At end of financial period/year	<u>2,336</u>	<u>2,276</u>

As at 30 September 2020, the Group's and the Bank's gross exposure of other receivables that are under lifetime expected credit losses was at RM2,336,000 (31 March 2020: RM2,276,000).

A18 Deposits from Customers

	GROUP/BANK	
	30 September	31 March
	2020	2020
	RM'000	RM'000
Fixed deposits	229,776	277,025
Money market deposits	194,848	207,982
	<u>424,624</u>	<u>485,007</u>

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

	GROUP/BANK	
	30 September	31 March
	2020	2020
	RM'000	RM'000
Due within six months	<u>424,624</u>	<u>485,007</u>

A18 Deposits from Customers (Contd.)

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

	GROUP/BANK	
	30 September	31 March
	2020	2020
	RM'000	RM'000
Business enterprises	196,014	213,747
Domestic non-bank financial institutions	228,610	271,260
	<u>424,624</u>	<u>485,007</u>

A19 Deposits and Placements of Banks and Other Financial Institutions

	GROUP/BANK	
	30 September	31 March
	2020	2020
	RM'000	RM'000
Licensed banks	459,282	442,541
Licensed investment banks	100,030	250,137
	<u>559,312</u>	<u>692,678</u>

A20 Amounts Due To Clients And Brokers

	GROUP/BANK	
	30 September	31 March
	2020	2020
	RM'000	RM'000
Due to clients	42,652	18,133
Due to brokers	-	4,159
	<u>42,652</u>	<u>22,292</u>

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

The Group's and the Bank's normal trade credit terms for trade payable for non-margin client is 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 RM99,499,000 (31 March 2020: RM100,252,000) have been excluded accordingly.

A21 Other Liabilities

	GROUP/BANK	
	30 September 2020 RM'000	31 March 2020 RM'000
Other payables	22,514	21,799
Provision and accruals	4,897	6,723
Remisier's accounts	8,001	6,452
Amount due to joint venture	118	138
Amount due to related company	-	3
Amount due to holding company	447	254
Allowance for expected credit losses on commitments and contingencies	62	99
	36,039	35,468

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

GROUP/BANK	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit impaired (Stage 2) RM'000	Total RM'000
	At 1 April 2020	99	-
Transfer to Stage 2	(6)	36	30
Financial assets derecognised other than write-off	(7)	-	(7)
Changes due to change in credit risk	(59)	(1)	(60)
Total (write-back from)/charge to income statement	(72)	35	(37)
At 30 September 2020	27	35	62
At 1 April 2019	24	-	24
New financial assets originated or purchased	34	-	34
Financial assets derecognised other than write-off	(3)	-	(3)
Changes due to change in credit risk	44	-	44
Total charge to income statement	75	-	75
At 31 March 2020	99	-	99

A22 Interest Income

	2nd Quarter Ended		Six Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
GROUP/BANK				
Loans, advances and financing	3,311	6,816	7,174	14,010
Money at call and deposit placements with financial institutions	9	38	37	84
Financial investments at FVOCI	11,290	13,152	23,213	26,108
Financial investments at amortised cost	-	613	-	981
	14,610	20,619	30,424	41,183
Accretion of discount less amortisation of premium	(32)	309	104	807
	14,578	20,928	30,528	41,990

A23 Interest Expense

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
GROUP/BANK				
Deposits and placements of banks and other financial institutions	2,758	5,430	6,232	9,332
Deposits from customers	2,029	6,024	5,088	13,966
Lease liabilities	5	20	13	45
	4,792	11,474	11,333	23,343

A24 Other Operating Income

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
GROUP/BANK				
(a) <u>Fee and commission income:</u>				
Brokerage fees	21,169	6,253	34,179	12,511
Corporate advisory fees	1,145	525	1,921	1,560
Guarantee fees	6	6	13	13
Processing fees	230	105	370	188
Arrangement and related fees	394	1,167	715	1,599
Service charges and fees	249	84	398	175
Underwriting commissions and placement fees	22	12	26	1,356
	23,215	8,152	37,622	17,402
(b) <u>Fee and commission expense:</u>				
Brokerage fees expense	(8,995)	(2,179)	(13,842)	(4,118)
(c) <u>Investment income:</u>				
Gain arising from sale/redemption of:				
- Financial assets at fair value through profit or loss	-	120	-	120
- Financial investments at fair value through other comprehensive income	1,860	2,952	1,860	2,952
Unrealised gain from revaluation of:				
- Financial assets at fair value through profit or loss	5,802	3,608	5,802	3,608
Gross dividend income from:				
- Financial assets at fair value through profit or loss	190	120	550	550
	7,852	6,800	8,212	7,230
(d) <u>Other income:</u>				
Foreign exchange gain	63	94	342	196
Other non-operating income	285	118	460	372
	348	212	802	568
Total other operating income	22,420	12,985	32,794	21,082

A25 Other Operating Expenses

	2nd Quarter Ended		Six Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
GROUP/BANK				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	4,292	5,405	9,051	10,229
- Contribution to EPF	727	845	1,527	1,627
- Others	616	375	1,251	1,503
	5,635	6,625	11,829	13,359
<u>Establishment costs</u>				
- Depreciation of property, plant and equipment	74	94	146	188
- Depreciation of right-of-use assets	272	284	544	567
- Amortisation of computer software	305	294	617	588
- Rental	10	126	21	255
- Water and electricity	100	193	235	273
- Repairs & maintenance	48	6	69	42
- Information technology expenses	1,386	1,286	2,597	2,229
- Others	144	331	401	659
	2,339	2,614	4,630	4,801
<u>Marketing expenses</u>				
- Advertisement and publicity	70	127	114	206
- Research cost	254	373	660	789
- Others	46	90	76	166
	370	590	850	1,161
<u>Administration and general expenses</u>				
- Communication expenses	175	109	287	211
- Printing and stationeries	13	14	33	26
- Professional fees	434	283	744	611
- Others	334	574	635	818
	956	980	1,699	1,666
Total other operating expenses	9,300	10,809	19,008	20,987

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

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	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	(235)	29	57	(172)
(b) Credit impaired loans, advances and financing				
- Recovered during the financial period	(72)	-	(74)	(533)
- Write-off during the financial period	-	1	-	1
(c) Commitments and contingencies on loans, advances and financing				
- Write-back during the financial period	-	(2)	(37)	(7)
	<u>(307)</u>	<u>28</u>	<u>(54)</u>	<u>(711)</u>
Allowance for/(write-back of) expected credit losses on:				
(a) Other receivables	42	112	60	22
(b) Amounts due from clients and brokers	(4)	(8)	(3)	-
	<u>(269)</u>	<u>132</u>	<u>3</u>	<u>(689)</u>

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

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	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	181	(21)	(14)	(90)
(b) Financial investments at amortised cost				
- (Write-back)/allowance made during the financial period	-	(878)	-	23,852
- Commitments and contingencies	-	3	-	8
	<u>181</u>	<u>(896)</u>	<u>(14)</u>	<u>23,770</u>

A28 Allowance for Impairment Losses on Non-Financial Assets

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
GROUP/BANK				
Intangible assets - goodwill	-	5,302	-	5,302
	<u>-</u>	<u>5,302</u>	<u>-</u>	<u>5,302</u>

A29 Earnings Per Share

Basic/Diluted

Basic/diluted earnings/(loss) 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.

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
GROUP				
Net profit/(loss) attributable to Equity holder of the Bank (RM'000)	20,848	6,308	30,687	(4,717)
Weighted average numbers of ordinary shares in issued ('000)	365,000	365,000	365,000	365,000
Basic/diluted earnings/(loss) per share (sen)	5.7	1.7	8.4	(1.3)
BANK				
Net profit/(loss) attributable to Equity holder of the Bank (RM'000)	20,817	6,289	30,632	(4,769)
Weighted average numbers of ordinary shares in issued ('000)	365,000	365,000	365,000	365,000
Basic/diluted earnings/(loss) per share (sen)	5.7	1.7	8.4	(1.3)

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	
	30 September	31 March
	2020	2020
	RM'000	RM'000
<u>Commitments and Contingencies</u>		
Transaction-related contingent items	1,050	1,575
Obligations under an on-going underwriting agreement	30,000	51,150
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	330,193	334,694
- maturity exceeding one year	1,341	1,341
Total	362,584	388,760

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 2020	31 March 2020	30 September 2020	31 March 2020
<u>Before deducting proposed dividends</u>				
CET 1 capital ratio	99.722%	98.780%	99.689%	98.737%
Tier 1 capital ratio	99.722%	98.780%	99.689%	98.737%
Total capital ratio	100.612%	99.725%	100.579%	99.682%
<u>After deducting proposed dividends</u>				
CET 1 capital ratio	64.177%	97.288%	64.156%	97.246%
Tier 1 capital ratio	64.177%	97.288%	64.156%	97.246%
Total capital ratio	65.067%	98.233%	65.046%	98.190%

(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 2020 RM'000	31 March 2020 RM'000	30 September 2020 RM'000	31 March 2020 RM'000
<u>CET I Capital</u>				
Paid-up share capital	365,962	365,962	365,962	365,962
Retained profits	282,040	258,887	283,980	260,882
FVOCI reserves	53,540	26,151	53,540	26,151
Regulatory reserves	6,752	7,540	6,752	7,540
	708,294	658,540	710,234	660,535
Less: Regulatory adjustments				
- Goodwill and other intangibles	(23,881)	(24,578)	(26,441)	(27,138)
- 55% of FVOCI reserves	(29,447)	(14,383)	(29,447)	(14,383)
- Investment in associate and joint venture	(1,244)	(1,189)	(624)	(624)
- Regulatory reserves	(6,752)	(7,540)	(6,752)	(7,540)
- Additional Tier 1 Sukuk Wakalah	-	(60,000)	-	(60,000)
Total CET I Capital / Total Tier I Capital	646,970	550,850	646,970	550,850
<u>Tier II Capital</u>				
Expected credit losses and regulatory reserves	5,776	5,269	5,776	5,269
Total Tier II Capital	5,776	5,269	5,776	5,269
Total Capital	652,746	556,119	652,746	556,119

(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 2020 RM'000	31 March 2020 RM'000	30 September 2020 RM'000	31 March 2020 RM'000
Credit risk	462,085	421,514	462,085	421,514
Market risk	39,487	22	39,487	22
Operational risk	147,204	136,115	147,417	136,358
Total RWA and capital requirements	648,776	557,651	648,989	557,894

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 2020				
Financial Assets				
Financial assets at fair value through profit or loss				
- Unquoted securities	-	-	70,194	70,194
Financial investments at fair value through other comprehensive income				
- Money market instruments	-	447,124	-	447,124
- Unquoted securities	-	690,554	-	690,554
31 March 2020				
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 instrument	-	562,029	-	562,029
- Unquoted securities	-	819,786	-	819,786

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 2020 and 31 March 2020.

Reconciliation of movements in Level 3 financial instruments:

	GROUP/BANK	
	30 September 2020 RM'000	31 March 2020 RM'000
At beginning of financial period/year	64,392	60,784
Statement of income		
- Unrealised gain from revaluation	5,802	3,608
At end of financial period/year	70,194	64,392

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 2020			
Amounts due from clients and brokers	139,128	(52,016)	87,112
Total	139,128	(52,016)	87,112
31 March 2020			
Amounts due from clients and brokers	84,014	(32,849)	51,165
Total	84,014	(32,849)	51,165

(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 2020			
Amounts due to clients and brokers	94,668	(52,016)	42,652
Total	94,668	(52,016)	42,652
31 March 2020			
Amounts due to clients and brokers	55,141	(32,849)	22,292
Total	55,141	(32,849)	22,292

A34 Credit Transactions and Exposures with Connected Parties

	GROUP/BANK	
	30 September	31 March
	2020	2020
	RM'000	RM'000
Outstanding credit exposures with connected parties	20,476	-
of which:		
Total credit exposure which is impaired or default	-	-
Total credit exposures	1,852,229	1,910,813
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	1.11%	0.00%
- which is impaired or in default	-	-

A35 Islamic Banking Business

A35a Unaudited Statements of Financial Position as at 30 September 2020

		GROUP/BANK	
		30 September	31 March
		2020	2020
	Note	RM'000	RM'000
ASSETS			
Cash and short-term funds		79,845	11,176
Financial investments at fair value through other comprehensive income	A35d	44,955	107,472
Other assets		12	4,768
Total Assets		124,812	123,416
LIABILITIES AND ISLAMIC BANKING FUNDS			
Other liabilities		133	-
Provision for taxation		5,175	3,839
Deferred tax liabilities		427	237
Total Liabilities		5,735	4,076
Islamic Banking Funds		56,000	56,000
Reserves		63,077	63,340
Total Islamic Banking Funds		119,077	119,340
TOTAL LIABILITES AND ISLAMIC BANKING FUNDS		124,812	123,416

A35 Islamic Banking Business (Contd.)

A35b Unaudited Consolidated Statements of Comprehensive Income for the Financial Period Ended 30 September 2020

	2nd Quarter Ended		Six Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
GROUP/BANK				
Income derived from investment of Islamic Banking Funds	2,482	1,823	5,359	3,851
Total distributable income	2,482	1,823	5,359	3,851
Income attributable to the depositors and financial institutions	-	-	-	(4)
Total net income	2,482	1,823	5,359	3,847
Other operating expenses	(2)	(7)	(3)	(7)
Write-back of/(allowance for) expected credit losses on financial investments	34	24	211	(132)
Profit before taxation	2,514	1,840	5,567	3,708
Taxation	(602)	(442)	(1,335)	(890)
Net profit after taxation	1,912	1,398	4,232	2,818
Other comprehensive income:				
Items that may be classified subsequently to profit or loss:				
Revaluation reserve on financial investments at FVOCI				
- Net gain from change in fair value	1,398	835	4,126	2,998
- Realised gain transferred to statement of income on disposal	(1,703)	(433)	(3,330)	(1,003)
- Transfer from/(to) deferred tax	73	(97)	(191)	(479)
- Changes in expected credit losses	(34)	(24)	(211)	132
Other comprehensive (expense)/income, net of tax	(266)	281	394	1,648
Total comprehensive income for the financial period	1,646	1,679	4,626	4,466
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	2,482	1,823	5,359	3,851
Income attributable to depositors and financial institutions	-	-	-	(4)
	2,482	1,823	5,359	3,847

A35 Islamic Banking Business (Contd.)

A35c Unaudited Statement of Changes in Equity for the Financial Period Ended 30 September 2020

	Funds allocated from Head <u>Office (HO)</u> RM'000	Non-distributable <u>reserves</u> Regulatory <u>reserves</u> RM'000	FVOCI <u>reserves</u> RM'000	Distributable <u>reserves</u> Retained <u>profits</u> RM'000	Total <u>equity</u> RM'000
<u>GROUP/BANK</u>					
At 1 April 2020	56,000	48	960	62,332	119,340
Net profit after taxation	-	-	-	4,232	4,232
Other comprehensive income	-	-	394	-	394
Total comprehensive income for the financial period	-	-	394	4,232	4,626
Transfer from regulatory reserves	-	(48)	-	48	-
Dividend paid	-	-	-	(4,889)	(4,889)
At 30 September 2020	56,000	-	1,354	61,723	119,077
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

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

	<u>GROUP/BANK</u>	
	30 September 2020 RM'000	31 March 2020 RM'000
At fair value - debt instruments		
<u>Money market instruments:</u>		
Malaysian Government investment issues	34,439	10,995
	34,439	10,995
<u>Unquoted securities:</u>		
Sukuk	10,516	96,477
	10,516	96,477
Total financial investments at FVOCI	44,955	107,472

Movements in allowance for expected credit losses are as follows:

	12 months ECL (Stage 1)	
	30 September 2020 RM'000	31 March 2020 RM'000
<u>GROUP/BANK</u>		
At beginning of financial period/year	211	-
Financial assets derecognised other than write-off	(34)	-
Changes due to change in credit risk	(177)	55
Other adjustments	-	156
Total (write-back from)/charge to income statement	(211)	211
At end of financial period/year	-	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	
	30 September 2020	31 March 2020
<u>Before deducting proposed dividends</u>		
CET 1 capital ratio	476.607%	272.347%
Tier 1 capital ratio	476.607%	272.347%
Total capital ratio	476.607%	273.076%
<u>After deducting proposed dividends</u>		
CET 1 capital ratio	298.490%	249.652%
Tier 1 capital ratio	298.490%	249.652%
Total capital ratio	298.490%	250.381%

- (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 2020 RM'000	31 March 2020 RM'000
<u>CET I Capital</u>		
Funds allocated from Head Office	56,000	56,000
Retained profits	61,723	62,332
FVOCI reserves	1,354	749
Regulatory reserves	-	48
	119,077	119,129
Less: Regulatory adjustments		
- 55% of FVOCI reserves	(745)	(412)
- Regulatory reserves	-	(48)
- Additional Tier 1 Sukuk Wakalah	-	(60,000)
Total CET I Capital / Total Tier I Capital	118,332	58,669
<u>Tier II Capital</u>		
Expected credit losses	-	157
Total Capital Base	118,332	58,826

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

	GROUP/BANK	
	30 September 2020 RM'000	31 March 2020 RM'000
Credit risk	15,978	12,560
Operational risk	8,850	8,982
Total RWA and capital requirements	24,828	21,542

PART B – Review of Performance & Current Year Prospect

B1 Review of Performance

Profitability:

The Bank's net profit after taxation grew RM35.4 million year-on-year (YOY) to RM30.7 million for the six months ended 30 September 2020 due to higher other operating income from brokerage, lower operating expenses and lower credit cost.

Net income reported a growth of 31.6% or RM13.8 million YOY driven by higher other operating income while net interest income was slightly lower by RM0.3 million. Net interest margin (NIM) improved to 2.53%.

Loans Growth:

Gross loans and advances declined by 37.9% to RM298.4 million mainly due to the repayment of Corporate loans.

Higher Other Operating Income:

Other operating income increased by 63.6% to RM14.0 million mainly due to higher brokerage fees in line with higher Bursa trading volume and higher investment income.

Operating Expenses

Operating Expenses improved by 9.4% or RM2.0 million from all lines of expenses. Cost to income ratio was lower at 33.1%, an improvement of 15.0%.

Asset Quality:

Credit cost has improved compared to the last corresponding period where the Bank had taken an impairment for a RM25.0 million debt instrument and goodwill impairment of RM5.3 million.

Proactive Capital Management:

Both Total Capital and Common Equity Tier 1 ratios remained strong at 65.1% and 64.2% respectively as at 30 September 2020.

B2 Current Year Prospect

The global economic outlook and recovery remains highly dependent upon the effects of the COVID-19 pandemic. Nonetheless, the relaxation of the movement control order ("MCO") along with the aggressive fiscal and monetary policy measures will provide some support to economic activities.

In the context of the stockbroking business, Bursa retail trade rebounded sharply in the third quarter of 2020. The Bank expects to see an increase in fee income from this business segment.

For capital markets, the uncertain economic conditions and weakened market valuation has disrupted our project timeline for the completion of existing mandates. For FYE2021 we see our business performing sustainably going forward.

We will continue to prioritise the health and safety of our employees and invest in developing their skills and knowledge. Our focus remains on helping our clients to emerge from this challenging period on better footing. Addressing the needs of our customers at this juncture will help us strengthen our relationships for the long term success of both the Bank and our clients.