



ALLIANCE BANK

Alliance Bank Malaysia Berhad (88103-W)

**REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2016**



ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

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ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Bank and of the Group for the financial year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of banking business and the provision of related financial services.

The principal activities of the subsidiaries are Islamic banking, investment banking including stockbroking services, nominees services, investment advisory services and related financial services.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	<u>BANK</u> RM'000	<u>GROUP</u> RM'000
Profit before taxation	599,786	691,398
Taxation	<u>(147,656)</u>	<u>(171,360)</u>
Net profit for the financial year	<u><u>452,130</u></u>	<u><u>520,038</u></u>

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

DIVIDENDS

The amount of dividends declared and paid by the Bank since 31 March 2015 were as follows:

	RM'000
(i) A second interim dividend of 8.46 sen, tax exempt under the single tier tax system on 796,517,043 ordinary shares in respect of the financial year ended 31 March 2015, was paid on 15 June 2015	67,386
(ii) A first interim dividend of 15.7 sen, tax exempt under the single tier tax system on 796,517,043 ordinary shares in respect of the financial year ended 31 March 2016, was paid on 18 December 2015	<u>125,053</u>
	<u><u>192,439</u></u>

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTD.)

DIVIDENDS (CONTD.)

Subsequent to the financial year end, on 30 May 2016, the Directors declared a second interim dividend of 12.66 sen, tax exempt under the single tier tax system, on 796,517,043 ordinary shares amounting to approximately RM100,839,000 in respect of current financial year. The accompanying financial statements do not reflect these dividend. The dividend will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ended 31 March 2016. The Directors do not propose any final dividend in respect of the financial year ended 31 March 2016.

ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME

The Alliance Financial Group Berhad Employees' Share Scheme ("AFG Bhd ESS") is governed by the Bye-Laws approved by its shareholders at an Extraordinary General Meeting held on 28 August 2007. The AFG Bhd ESS which comprises the Share Option Plan, the Share Grant Plan and the Share Save Plan took effect on 3 December 2007 and is in force for a period of 10 years.

Alliance Financial Group Berhad, the holding company of the Bank had on 22 June 2015, awarded a total of 1,844,700 share grants to employees of the Alliance Financial Group Berhad and its subsidiaries under the Share Grant Plan who have met the criteria of eligibility for participation in the AFG Bhd ESS.

The first 33% of the share grants are to be vested at the end of the first year and the remaining 67% of the share grants are to be vested at the end of the second year from the date on which an award is made.

There were no share options offered under the Share Option Plan and Share Save Plan during the financial year.

The salient features of the AFG Bhd ESS are disclosed in Note 29 to the financial statements.

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2016

For the Financial Year Ended ("FYE") 31 March 2016, the Group's net profit after taxation was RM520.0 million, an increase of RM10.2 million or 2.0% compared to FYE 2015, primarily due to increase in revenue.

Revenue grew by RM62.6 million or 4.6%, primarily from higher net interest income and other operating income.

Net interest income inclusive of net income from Islamic Banking Business grew by RM46.1 million due to expansion of total gross loans to RM38.7 billion. Net Interest Margin remained at 215bps despite rising cost of funds of 26bps.

Other operating income grew by 5.2% mainly from realized and unrealized gain from financial instruments and derivative and FX income.

Gross impaired loans increased moderately to 1.3%.

The loan loss coverage improved from 102.7% to 109.1%, reflecting a healthy book.

Operating expenses increased by RM42.1 million or 6.5% on higher personnel costs.

Customer deposits registered a healthy growth rate of 3.1% to RM46.1 billion.

The Current Account Savings Account ("CASA") ratio stood at 32.0%, while the loans-to-deposits ratio rose to 84.0% as at 31 March 2016, from 82.5% last year.

The Group's total capital ratio stood healthy at 17.4%, with a Common Equity Tier 1 Capital ratio of 11.8% as at 31 March 2016.

The Group declared a second interim dividend of RM100.8 million, bringing the total dividend declared for the financial year ended 31 March 2016 to RM225.9 million (FYE2015: RM232.9 million).

Performance by business segment:

The Group's businesses are presented in the following business segments: Consumer Banking, Business Banking, Financial Markets and Investment Banking. Please refer to Note 52 on Segment Information for the composition of each business segment.

Consumer Banking profit before tax was lower by RM12.0 million or 7.4% compared to last financial year. The revenue was RM22.3 million or 4.5% higher compared to last financial year. Operating profit was lower by 8.1% mainly due to higher operating expenses. Impairment on loans, advances and financing was lower by 10.6%. Segment asset growth was RM0.3 billion or 1.5% higher, while liabilities registered growth of RM2.8 billion or 14.8% higher.

Business Banking profit before tax was lower by RM9.4 million or 2.7% compared to the last financial year, mainly due to increase in operating expenses of RM34.6 million and increase of RM16.6 million in allowance for impairment on loans, advances and financing. Revenue was RM41.8 million or 7.3% higher compared to the last financial year. Operating profit was RM7.2 million or 2.1% higher. Segment asset growth was RM1.5 billion or 10.2%, while liabilities registered growth of RM1.4 billion or 7.7%.

Financial Markets profit before tax was RM16.1 million or 8.2% higher compared to the last financial year due to higher other operating income by RM28.0 million, higher impairment write-back by RM6.9 million and lower other operating expenses by RM10.1 million.

Investment Banking segment covers stockbroking, capital market activities and corporate advisory services. Investment Banking's loss of RM11.0 million for financial year ended 31 March 2016 was RM2.9 million, an improvement over the loss of RM13.9 million incurred during the last financial year.

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

ECONOMIC OUTLOOK AND PROSPECTS FOR FYE 31 MARCH 2017

Bank Negara Malaysia has forecasted that the Malaysian Gross Domestic Product (GDP) is to remain on a steady growth path, expanding between 4.0% and 4.5% in 2016 despite the challenging international economic and financial landscape.

Domestic demand will remain the key driver of growth. While household expenditure continues to grow moderately, private sector capital spending will be supported by ongoing infrastructure and investment projects in the manufacturing, services and construction sectors.

Meanwhile, Bank Negara Malaysia expects inflation to trend between 2.5% and 3.5% in 2016, due to domestic cost-push price pressures.

On the external sector, gross exports are forecasted to expand 2.4% in 2016, higher than the 1.9% growth recorded in 2015.

The well diversified nature of Malaysia's exports and modest improvement in global demand in 2016 will support overall trade performance.

BUSINESS OUTLOOK FOR FYE 31 MARCH 2017

The Malaysian economy is expected to grow at a moderate pace with gross domestic product ("GDP") growth of 4.0% and 4.5% in 2016. The Group will leverage on its franchise strength to deliver sustainable profitability and to fulfill the financial needs of our customers.

The Group will continue to improve balance sheet efficiency by focusing on better risk adjusted return loans namely Small Medium Enterprise ("SME"), commercial and consumer financing, and optimising funding cost and mix.

The Group strategy is to focus on the success of business owners (and their families); while helping them to create value for their other stakeholders, such as their employees, customers, and business partners.

In the coming year, we will be rolling out a number of new and differentiated value propositions to our customers. We will also be investing in the required Information Technology enablers to support the Bank's strategic initiatives and focus on streamlining to improve the efficiency of our operations.

We are also maximising the linkages across Consumer Banking, Business Banking, Financial Markets, Investment Banking and Islamic Banking to bring to bear the full suite of solutions and capabilities that the Group has to offer to our clients.

The Group expects that these actions will position its businesses for sustainable revenue and profitability for financial year 2017.

RATING BY EXTERNAL RATING AGENCY

The Bank is rated by Rating Agency Malaysia Berhad ("RAM"). Based on RAM's rating in September 2015, the Bank's short-term and long-term ratings are reaffirmed at P1 and A1 respectively. RAM has classified these rating categories as follows:

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

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

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

DIRECTORS

The names of the Directors of the Bank in office since the date of the last report and at the date of this report are:

Dato' Thomas Mun Lung Lee (Chairman)
 Kung Beng Hong
 Tan Yuen Fah
 Ou Shian Waei
 Kuah Hun Liang
 Lee Ah Boon
 Datuk Wan Azhar bin Wan Ahmad
 Lee Boon Huat
 Ho Hon Cheong (appointed on 26 August 2015)
 Thayaparan A/L S Sangarapillai (appointed on 10 May 2016)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements to which the Bank is a party, whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than those arising from the share options/share grants under the AFG Bhd ESS.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Bank or related corporations as shown in Note 40(c) and Note 42 to the financial statements of the Bank or financial statements of related corporations) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of Directors in office at the end of the financial year in shares, share options and share grants in the Bank and its related corporation during the financial year were as follows:

	Number of Ordinary Shares of RM1.00 Each			31.03.2016
	1.4.2015	Acquired	Sold	
Holding Company				
Alliance Financial Group Berhad				
Dato' Thomas Mun Lung Lee	35,000	-	-	35,000
- Indirect (held through spouse, Datin Teh Yew Kheng)				

Other than as disclosed above, none of the Directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

SHARE CAPITAL

There was no change in the issued and paid-up capital of the Bank during the financial year.

BAD AND DOUBTFUL DEBTS

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

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

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

CURRENT ASSETS

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

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

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

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

HOLDING COMPANY

The Directors regard Alliance Financial Group Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the holding company of the Bank.

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 53 to the financial statements.

SUBSEQUENT EVENTS

The subsequent events are disclosed in Note 54 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 May 2016.

Dato' Thomas Mun Lung Lee
Kuala Lumpur, Malaysia

Kung Beng Hong

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, Dato' Thomas Mun Lung Lee and Kung Beng Hong, being two of the Directors of Alliance Bank Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 11 to 143 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Bank and of the Group as at 31 March 2016 and of the results and the cash flows of the Bank and of the Group for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 May 2016.

Dato' Thomas Mun Lung Lee

Kung Beng Hong

Kuala Lumpur, Malaysia

**STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, Wong Lai Loong, being the officer primarily responsible for the financial management of Alliance Bank Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 143 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Wong Lai Loong
at Kuala Lumpur in the Federal Territory on
30 May 2016

Wong Lai Loong

Before me,

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ALLIANCE BANK MALAYSIA BERHAD**

(Incorporated in Malaysia)
(Company No: 88103-W)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Alliance Bank Malaysia Berhad on pages 11 to 143 which comprise the statements of financial position as at 31 March 2016 of the Bank and of the Group, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Bank and the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 54.

Directors' Responsibility for the Financial Statements

The directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair of the financial position of the Bank and the Group as of 31 March 2016 and of their financial performance and cash flows for the year ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT
ALLIANCE BANK MALAYSIA BERHAD (CONTD.)
(Incorporated in Malaysia)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SOO HOO KHOON YEAN
(No. 2682/10/17 (J))
Chartered Accountant

Kuala Lumpur
30 May 2016

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	<u>BANK</u>		<u>GROUP</u>	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
ASSETS					
Cash and short-term funds	3	4,200,877	2,443,337	4,934,198	2,690,353
Deposits and placements with banks and other financial institutions	4	195,865	298,167	195,865	298,167
Balances due from clients and brokers	5	-	-	104,659	102,743
Financial assets held-for-trading	6	132,229	10,037	132,229	10,037
Financial investments available-for-sale	7	7,252,922	7,882,199	8,565,696	9,753,856
Financial investments held-to-maturity	8	719,324	714,915	1,129,307	1,319,035
Derivative financial assets	9	133,651	132,460	133,651	132,460
Loans, advances and financing	10	31,245,478	29,853,853	38,410,724	36,566,032
Other assets	11	109,576	95,839	102,175	89,592
Tax recoverable		19,310	20,186	36,492	27,017
Statutory deposits with Bank Negara Malaysia	12	1,117,640	1,344,000	1,410,828	1,675,326
Investments in subsidiaries	13	892,820	792,820	-	-
Investment in associate	14	230	230	520	511
Investment in joint venture	15	-	-	566	410
Property, plant and equipment	16	84,625	95,458	86,427	97,343
Deferred tax assets	17	-	-	10,201	12,020
Intangible assets	18	247,299	244,522	362,982	359,935
TOTAL ASSETS		46,351,846	43,928,023	55,616,520	53,134,837
LIABILITIES AND EQUITY					
Deposits from customers	19	37,836,569	36,856,167	46,120,487	44,723,429
Deposits and placements of banks and other financial institutions	20	1,017,432	928,495	1,157,250	1,489,775
Balances due to clients and brokers	21	-	-	77,246	62,833
Bills and acceptances payable	22	-	801,578	-	801,578
Derivative financial liabilities	9	279,541	115,224	279,541	115,224
Amount due to Cagamas Berhad	23	502,725	7,003	502,725	7,003
Other liabilities	24	721,208	746,890	880,138	933,572
Provision for taxation		-	-	-	1,818
Provision for zakat		-	-	123	128
Deferred tax liabilities	17	3,887	3,241	15,617	13,041
Other borrowings	25	5,071	-	5,071	-
Subordinated obligations	26	1,839,613	613,267	1,840,147	613,267
TOTAL LIABILITIES		42,206,046	40,071,865	50,878,345	48,761,668
Share capital	27	796,517	796,517	796,517	796,517
Reserves	28	3,349,283	3,059,641	3,941,658	3,576,652
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNER OF THE PARENT		4,145,800	3,856,158	4,738,175	4,373,169
TOTAL LIABILITIES AND EQUITY		46,351,846	43,928,023	55,616,520	53,134,837
COMMITMENTS AND CONTINGENCIES	47	19,787,255	20,691,697	21,832,427	22,745,783

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

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

	Note	BANK		GROUP	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest income	30	1,873,504	1,713,858	1,920,169	1,771,835
Interest expense	31	(1,043,519)	(909,801)	(1,076,025)	(954,732)
Net interest income		829,985	804,057	844,144	817,103
Net income from Islamic banking business	32	-	-	244,151	225,057
		829,985	804,057	1,088,295	1,042,160
Fee and commission income	33	247,035	265,009	285,243	309,288
Fee and commission expense	33	(91,001)	(94,328)	(106,772)	(113,649)
Investment income	33	95,881	139,166	92,298	86,830
Other income	33	60,645	32,390	61,385	33,252
Other operating income	33	312,560	342,237	332,154	315,721
Net income		1,142,545	1,146,294	1,420,449	1,357,881
Other operating expenses	34	(539,750)	(493,603)	(688,653)	(646,575)
Operating profit before allowance		602,795	652,691	731,796	711,306
Allowance for losses on loans, advances and financing and other receivables	35	(4,707)	(28,955)	(48,328)	(39,604)
Write-back of impairment on securities	36	1,698	600	7,765	6,728
Operating profit after allowance		599,786	624,336	691,233	678,430
Share of results of associate	14	-	-	9	10
Share of profit of equity accounted, net of tax joint venture	15	-	-	156	16
Profit before taxation		599,786	624,336	691,398	678,456
Taxation	37	(147,656)	(141,107)	(171,360)	(168,656)
Net profit for the financial year		452,130	483,229	520,038	509,800
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Revaluation reserve on financial investments available-for-sale					
- Net gain from change in fair value		44,159	86,825	55,757	113,466
- Realised gain transferred to statement of income on disposal and impairment		(5,588)	(14,637)	(7,659)	(14,977)
- Transfer to deferred tax		(9,257)	(20,804)	(11,544)	(27,328)
Other comprehensive income, net of tax		29,314	51,384	36,554	71,161
Total comprehensive income for the financial year		481,444	534,613	556,592	580,961
Net profit for the financial year attributable to: Owner of the parent		452,130	483,229	520,038	509,800
Total comprehensive income attributable to: Owner of the parent		481,444	534,613	556,592	580,961
Earnings per share attributable to owner of the parent	38				
- Basic (sen)				65	64
- Diluted (sen)				65	64

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

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

	Irredeemable (Non-cumulative) Convertible		Non-distributable <u>reserves</u>				Distributable <u>reserves</u>		Total <u>equity</u> RM'000
	Ordinary <u>shares</u> RM'000	Preference Shares ('ICPS') RM'000	Share <u>premium</u> RM'000	Statutory <u>reserves</u> RM'000	Regulatory <u>reserves</u> RM'000	Revaluation <u>reserves</u> RM'000	Equity contribution <u>from parent</u> RM'000	Retained <u>profits</u> RM'000	
<u>BANK</u>									
At 1 April 2014	596,517	4,000	597,517	601,561	-	(7,546)	17,377	1,840,384	3,649,810
Net profit after taxation	-	-	-	-	-	-	-	483,229	483,229
Other comprehensive income	-	-	-	-	-	51,384	-	-	51,384
Total comprehensive income	-	-	-	-	-	51,384	-	483,229	534,613
Conversion of ICPS and Preference Shares premium	200,000	(4,000)	(196,000)	-	-	-	-	-	-
Share-based payment under ESS	-	-	-	-	-	-	5,630	-	5,630
Payment for ESS recharged from parent	-	-	-	-	-	-	(7,882)	-	(7,882)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	(4,043)	4,043	-
Transfer to retained profits on share options lapsed	-	-	-	-	-	-	(351)	351	-
Transfer to statutory reserves	-	-	-	120,807	-	-	-	(120,807)	-
Dividends paid (Note 39)	-	-	-	-	-	-	-	(326,013)	(326,013)
At 31 March 2015	796,517	-	401,517	722,368	-	43,838	10,731	1,881,187	3,856,158
At 1 April 2015	796,517	-	401,517	722,368	-	43,838	10,731	1,881,187	3,856,158
Net profit after taxation	-	-	-	-	-	-	-	452,130	452,130
Other comprehensive income	-	-	-	-	-	29,314	-	-	29,314
Total comprehensive income	-	-	-	-	-	29,314	-	452,130	481,444
Share-based payment under ESS	-	-	-	-	-	-	5,930	-	5,930
Payment for ESS recharged from parent	-	-	-	-	-	-	(5,293)	-	(5,293)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	(1,304)	1,304	-
Transfer to statutory reserves	-	-	-	113,033	-	-	-	(113,033)	-
Transfer to regulatory reserves	-	-	-	-	140,864	-	-	(140,864)	-
Dividends paid (Note 39)	-	-	-	-	-	-	-	(192,439)	(192,439)
At 31 March 2016	796,517	-	401,517	835,401	140,864	73,152	10,064	1,888,285	4,145,800

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

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016 (CONTD.)**

GROUP	←-----Attributable to Owner of the Parent-----→									
	Ordinary shares RM'000	ICPS RM'000	Share premium RM'000	Statutory reserves RM'000	Regulatory reserves RM'000	Capital reserves RM'000	Revaluation reserves RM'000	Equity contribution from parent RM'000	Retained profits RM'000	Total equity RM'000
At 1 April 2014	596,517	4,000	597,517	929,055	-	10,018	7,071	18,412	1,957,952	4,120,542
Net profit after taxation	-	-	-	-	-	-	-	-	509,800	509,800
Other comprehensive income	-	-	-	-	-	-	71,161	-	-	71,161
Total comprehensive income	-	-	-	-	-	-	71,161	-	509,800	580,961
Conversion of ICPS and Preference Shares premium	200,000	(4,000)	(196,000)	-	-	-	-	-	-	-
Share-based payment under ESS	-	-	-	-	-	-	-	5,868	-	5,868
Payment for ESS recharged from parent	-	-	-	-	-	-	-	(8,189)	-	(8,189)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	-	(4,323)	4,323	-
Transfer to retained profits on share options lapsed	-	-	-	-	-	-	-	(363)	363	-
Transfer to statutory reserves	-	-	-	140,610	-	-	-	-	(140,610)	-
Dividends paid (Note 39)	-	-	-	-	-	-	-	-	(326,013)	(326,013)
At 31 March 2015	796,517	-	401,517	1,069,665	-	10,018	78,232	11,405	2,005,815	4,373,169
At 1 April 2015	796,517	-	401,517	1,069,665	-	10,018	78,232	11,405	2,005,815	4,373,169
Net profit after taxation	-	-	-	-	-	-	-	-	520,038	520,038
Other comprehensive income	-	-	-	-	-	-	36,554	-	-	36,554
Total comprehensive income	-	-	-	-	-	-	36,554	-	520,038	556,592
Share-based payment under ESS	-	-	-	-	-	-	-	6,349	-	6,349
Payment for ESS recharged from parent	-	-	-	-	-	-	-	(5,496)	-	(5,496)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	-	(1,350)	1,350	-
Transfer to retained profits on share options lapsed	-	-	-	-	-	-	-	(12)	12	-
Transfer to statutory reserves	-	-	-	130,354	-	-	-	-	(130,354)	-
Transfer to regulatory reserves	-	-	-	-	157,174	-	-	-	(157,174)	-
Dividends paid (Note 39)	-	-	-	-	-	-	-	-	(192,439)	(192,439)
At 31 March 2016	796,517	-	401,517	1,200,019	157,174	10,018	114,786	10,896	2,047,248	4,738,175

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

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

	<u>BANK</u>		<u>GROUP</u>	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	599,786	624,336	691,398	678,456
Adjustments for:				
Accretion of discount less amortisation				
of premium of financial investments	(68,007)	(57,363)	(68,125)	(62,935)
Depreciation of property, plant and equipment	22,444	20,981	22,966	21,420
Amortisation of computer software	21,443	18,067	21,750	18,325
Dividends from financial				
investments available-for-sale	(2,440)	(1,959)	(3,190)	(2,179)
Dividends from subsidiaries	(5,974)	(52,896)	-	-
Loss/(gain) on disposal of				
property, plant and equipment	11	(2)	11	(2)
Property, plant and equipment written-off	736	837	762	957
Computer software written-off	74	278	74	658
Net loss from redemption of				
financial investments held-to-maturity	34	-	34	-
Net loss/(gain) from sale of				
financial assets held-for-trading	763	(873)	281	(873)
Net gain from sale of financial				
investments available-for-sale	(4,966)	(14,637)	(6,125)	(14,977)
Unrealised gain on revaluation				
of financial assets held-for-trading	(1,253)	(33)	(1,253)	(33)
Unrealised loss/(gain) on revaluation of				
derivative instruments	166,215	(36,249)	166,215	(36,249)
Unrealised gain arising from financial				
liabilities designated at fair value	(26,728)	(3,737)	(26,728)	(3,737)
Interest expense on other borrowings	71	-	71	-
Interest expense on securities sold under				
repurchase agreement	272	-	272	-
Interest expense on subordinated obligations	56,828	29,470	56,861	29,470
Interest income from financial assets				
held-for-trading	(4,211)	(428)	(4,242)	(428)
Interest income from financial				
investments available-for-sale	(290,488)	(294,924)	(306,319)	(315,183)
Interest income from financial investments				
held-to-maturity	(21,817)	(21,861)	(26,871)	(26,908)
Allowance for loans, advances and				
financing (net of recoveries)	20,297	60,852	64,806	81,668
Allowance for other receivables (net of recoveries)	2,719	2,279	4,092	2,041
Write-back of financial investments available-for-sale	-	-	(6,050)	(1,759)
Operating profit before working				
capital changes carried forward	465,809	272,138	580,690	367,732

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016 (CONTD.)**

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)				
Operating profit before working capital changes brought forward	465,809	272,138	580,690	367,732
Write-back of financial investments held-to-maturity	(1,698)	(600)	(1,715)	(4,969)
Share options/grants under				
Employees' Share Scheme	5,930	5,630	6,349	5,868
Share of results of associate	-	-	(9)	(10)
Share of results of joint venture	-	-	(156)	(16)
Zakat	-	-	56	57
Operating profit before working capital changes	<u>470,041</u>	<u>277,168</u>	<u>585,215</u>	<u>368,662</u>
Changes in working capital:				
Deposits from customers	1,004,041	3,944,442	1,420,697	5,464,649
Deposits and placements of banks and other financial institutions	88,937	(1,141,551)	(332,525)	(1,569,582)
Bills and acceptances payable	(801,578)	801,578	(801,578)	801,578
Other liabilities	(19,012)	18,281	(52,640)	75,894
Deposits and placements with banks and other financial institutions	102,302	357,138	102,302	357,138
Financial assets held-for-trading	(121,550)	101,034	(121,068)	101,034
Loans, advances and financing	(1,411,922)	(3,331,926)	(1,909,498)	(4,828,710)
Other assets	(13,972)	12,090	(17,199)	3,576
Balances due from clients and brokers	-	-	12,497	(8,479)
Statutory deposits with Bank Negara Malaysia	226,360	(52,050)	264,498	(91,182)
Amount due to Cagamas Berhad	495,722	(7,011)	495,722	(7,011)
Cash generated from/(used in) operations	<u>19,369</u>	<u>979,193</u>	<u>(353,577)</u>	<u>667,567</u>
Taxes and zakat paid	(155,391)	(168,976)	(189,861)	(203,874)
Net cash (used in)/generated from operating activities	<u>(136,022)</u>	<u>810,217</u>	<u>(543,438)</u>	<u>463,693</u>

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016 (CONTD.)**

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends from financial investments available-for-sale	2,440	1,959	3,190	2,179
Dividends from subsidiaries	5,974	52,896	-	-
Interest income from assets held-for-trading	4,211	428	4,242	428
Interest income from financial investments available-for-sale	307,522	294,924	318,150	315,183
Interest income from financial investments held-to-maturity	21,809	21,861	27,006	26,908
Purchase of property, plant and equipment	(12,516)	(26,844)	(12,981)	(27,506)
Purchase of computer software	(24,294)	(24,202)	(24,871)	(25,662)
Proceeds from redemption/disposal of financial investments held-to-maturity (net of purchase)	72,875	64,817	268,189	75,704
Proceeds from redemption/disposal of financial investments available-for-sale (net of purchase)	648,024	(267,798)	1,227,661	93,421
Proceeds from disposal of property, plant and equipment	158	2	158	2
Acquisition of subsidiary	(100,000)	-	-	-
Acquisition of joint venture company	-	-	-	(394)
Amount due from subsidiaries and related companies	(2,378)	28,614	337	-
Amount due from holding company	(105)	(95)	(105)	(576)
Net cash generated from investing activities	<u>923,720</u>	<u>146,562</u>	<u>1,810,976</u>	<u>459,687</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest expense paid on securities sold under repurchase agreement	(272)	-	(272)	-
Interest expense paid on subordinated obligations	(28,920)	(28,920)	(28,920)	(28,920)
Proceeds from issuance of other borrowings	5,000	-	5,000	-
Proceeds from issuance of subordinated notes	1,200,000	-	1,200,000	-
Transaction costs paid on issuance of subordinated notes	(1,562)	-	(1,062)	-
Amount due to subsidiaries	(6,081)	5,966	-	-
Amount due to holding company	(591)	411	(504)	336
Payment for ESS recharged from parent	(5,293)	(7,882)	(5,496)	(8,189)
Dividends paid to holding company	(192,439)	(326,013)	(192,439)	(326,013)
Net cash generated from/(used in) financing activities	<u>969,842</u>	<u>(356,438)</u>	<u>976,307</u>	<u>(362,786)</u>

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016 (CONTD.)**

	<u>BANK</u>		<u>GROUP</u>	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Net change in cash and cash equivalents	1,757,540	600,341	2,243,845	560,594
Cash and cash equivalents at beginning of financial year	<u>2,443,337</u>	<u>1,842,996</u>	<u>2,690,353</u>	<u>2,129,759</u>
Cash and cash equivalents at end of financial year	<u><u>4,200,877</u></u>	<u><u>2,443,337</u></u>	<u><u>4,934,198</u></u>	<u><u>2,690,353</u></u>
Cash and cash equivalents comprise the following:				
Cash and short-term funds	<u>4,200,877</u>	<u>2,443,337</u>	<u>4,934,198</u>	<u>2,690,353</u>
	<u><u>4,200,877</u></u>	<u><u>2,443,337</u></u>	<u><u>4,934,198</u></u>	<u><u>2,690,353</u></u>

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

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Bank is principally engaged in all aspects of banking business and the provision of related financial services.

The principal activities of the subsidiaries are Islamic banking, investment banking including stockbroking services, nominees services, investment advisory services and related financial services.

There have been no significant changes in the nature of these activities during the financial year.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office is located at 3rd Floor, Menara Multi-Purpose, Capital Square, No 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.

The holding company is Alliance Financial Group Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 May 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

Malaysian Financial Reporting Standards ("MFRS") Framework

The financial statements of the Bank and the Group have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Bank and the Group have been prepared under the historical cost convention, as modified by the available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

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

- (i) Annual testing for impairment of goodwill (Note 18) - the measurement of the recoverable amount of cash-generating units are determined based on the value-in-use method, which requires the use of estimates for cash flow projections approved by management covering a 4-year period, estimated growth rates for cash flows beyond the fourth year are extrapolated in perpetuity and discount rates are applied to the cash flow projections.
- (ii) Allowance for losses on loans, advances and financing and other receivables (Note 35) - the Bank and the Group make allowance for losses on loans, advances and financing based on assessment of recoverability. Whilst management is guided by the relevant BNM guidelines and accounting standards, management makes judgment on the future and other key factors in respect of the estimation of the amount and timing of the cash flows in assessing allowance for impairment of loans, advances and financing. Among the factors considered are the Group's aggregate exposure to the borrowers, the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flows to service debt obligations and the aggregate amount and ranking of all other creditor claims.

Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Bank and the Group's financial year beginning on or after 1 April 2015 are as follows:

- Amendments to MFRS 119 Defined Benefit Plans "Employee Contributions"
- Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2010 - 2012 Cycle"
 - MFRS 2 "Share-based Payment"
 - MFRS 3 "Business Combinations"
 - MFRS 8 "Operating Segments"
 - MFRS13 "Fair Value Measurement"
 - MFRS116 "Property, Plant and Equipment" and MFRS 138 "Intangible Assets"
 - MFRS 124 " Related Party Disclosures"
- Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2011 - 2013 Cycle"
 - MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards"
 - MFRS 3 "Business Combinations"
 - MFRS 13 "Fair Value Measurement"
 - MFRS 140 "Investment Property"

The adoption of the new accounting standards, amendments and interpretations did not have a material impact on the financial statements of the Bank and the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

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

Financial year beginning on/after 1 April 2016

(a) Amendment to MFRS 11 "Joint Arrangements" (effective from 1 January 2016) requires an investor to apply the principles of MFRS 3 "Business Combination" when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.

(b) Amendments to MFRS 116 "Property, Plant and Equipment" and MFRS 138 "Intangible Assets" (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation and amortisation of an item property, plant and equipment and intangible asset are not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

(c) Amendments to MFRS 127 "Equity Method in Separate Financial Statements" (effective from 1 January 2016) allow an entity to use the equity method in its separate financial statement to account for investments in subsidiary companies, joint ventures and associates.

(d) Amendments to MFRS 10, 12 & 128 "Investment entities - Applying the Consolidation Exception" (effective 1 January 2016) clarify the exemption from preparing consolidated financial statements for an intermediate parent entity, a subsidiary providing services that support parent's investment activities, application of the equity method by a non-investment entity that has an interest in an associate or joint venture that is an investment entity, and the disclosures required.

(e) Amendments to MFRS 10 and MFRS 128 effective on 1 January 2016 clarify the accounting for sale or contribution of assets to an associate or joint venture by an investor. The accounting treatment depends on whether the non-monetary assets sold or contributed constitute a 'business' and only applies when an investor sells or contributes assets to its associate or joint venture.

(f) Amendments to MFRS 101 "Presentation of financial statements - Disclosure Initiative" (effective 1 January 2016) clarifies a number of disclosures requirements are designed to encourage companies to apply professional judgement in determining what information to disclose and how to structure it in their financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

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

Financial year beginning on/after 1 April 2016 (contd.)

- (g) Amendment to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2012 - 2014 Cycle" (effective 1 January 2016) - The Annual Improvements to MFRSs 2012 - 2014 Cycle consist of the following amendments:
- (i) MFRS 5 Non-current Assets Held for Sale and Discontinued Operations introduces specific guidance in MFRS 5 for cases in which an entity re-classifies an asset from held for sale to held for distribution or vice-versa and cases in which held-for distribution is discontinued. The amendment clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal and that changing the disposal method does not change the date of classification.
 - (ii) MFRS 7 Financial Instruments: Disclosures requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The amendment clarifies that a servicing contract that included a fee can constitute continuing involvement in a financial asset and an entity must assess the nature of the fee and arrangement in order to assess whether the disclosures are required. The amendments also clarify the applicability of the amendments to MFRS 7 on offsetting disclosures to condensed interim financial statements.
 - (iii) MFRS 119 Employee Benefits clarifies the meaning that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. When there is no deep market for high quality corporate bonds, government bonds denominated in similar currency must be used.
 - (iv) MFRS 134 Interim Financial Reporting clarifies the meaning of "elsewhere in the interim financial report" as used in MFRS 134 and states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and some other statement that is available to users of the financial statements on the same terms and at the same time.

The adoption of the above is not expected to have any significant financial impact on the Bank and the Group.

Financial year beginning on/after 1 April 2017

- (a) Amendments to MFRS/FRS 107 "Statement of Cash Flows - Disclosure Initiative" effective for annual periods on or after 1 January 2017. The amendments introduce an additional disclosure on changes in liabilities arising from financing activities. Changes in financial asset should also be disclosed if such cash flows were, or will be included in cash flows from financing activities.
- (b) Amendments to MFRS/FRS 112 "Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses" effective for annual periods on or after 1 January 2017. The amendment will change the deferred tax for assessment for deductible temporary difference on asset carried at fair value and assessment of future taxable profits available to offset deductible temporary differences. The amendment requires a retrospective application.

The adoption of the above is not expected to have any significant financial impact on the Bank and the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

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

Financial year beginning on/after 1 April 2018

- (a) MFRS 15 "Revenue from Contracts with Customers" (effective from 1 January 2018) replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Bank and the Group has yet to assess MFRS 15's full impact.

- (b) MFRS 9 "Financial Instruments" (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

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

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than income statement, unless this creates an accounting mismatch.

MFRS 9 introduced an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The Group has yet to assess MFRS 9's full impact.

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

Financial year beginning on/after 1 April 2019

- (a) MFRS 16 "Leases" will supersedes MFRS 117 "Leases" and the related interpretations. MFRS 16 eliminates the classification of leases between finance lease (on balance sheet) and operating lease (off balance sheet). It now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts.

The adoption of the above is not expected to have any significant financial impact on the Bank and the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Economic Entities in the Group

(i) Subsidiaries

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

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

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

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transfer assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

(iii) Disposal of Subsidiaries

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(iv) Associates

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculate the amount of the impairment as the different between the recoverable amount of the associate and its carrying value and recognised the amount adjacent to share of profit /(loss) of an associate of the income statement.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(v) Joint Arrangements

Joint arrangements are the arrangements of which there are contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint ventures require unanimous consent of the parties sharing control. A joint venture depends upon the rights and obligations of the parties to the arrangements. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangements.

The Group's interest in a joint venture is accounted for the financial statements by the equity method of accounting. Under the equity method of accounting, interest in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits and losses and movements in other comprehensive income. Dividends received or receivable from Joint Venture are recognised as a reduction in the carrying amount of the investment. When the Groups' share of losses in a joint venture equals or exceeds its interest in the joint venture (which included any long-term interest that, in substance, from part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

The Group determines of each reporting date whether there is any objective evidence that the investment in joint venture is impaired. If this is the case, the Group calculate the amount of the impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognised the amount adjacent to share of profit/(loss) of joint venture of the income statement.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

(c) Investments in Subsidiaries and Associates

In the Bank's separate financial statements, investments in subsidiaries and associates are carried at cost less accumulated impairment. The policy for the recognition and measurement of impairment is in accordance with Note 2(i)(v). On disposal of investments in subsidiaries and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(d) Intangible Assets

(i) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, over the fair value of the Group's share of the identifiable net assets at the date of acquisition.

Goodwill is measured at cost less accumulated impairment, if any. Goodwill is no longer amortised. Instead it is allocated to cash-generating units which are expected to benefit from the synergies of the business combination. Each cash-generating unit represents the lowest level at which the goodwill is monitored and is not larger than a reportable business segment. The carrying amount of goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. The policy for the recognition and measurement of impairment is in accordance with Note 2(i)(iv).

(ii) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring the specific software to use. The costs are amortised over their useful lives of five years and are stated at cost less accumulated amortisation and accumulated impairment, if any. Computer software is assessed for impairment whenever there is an indication that it may be impaired. The amortisation period and amortisation method are reviewed at least at the end of each reporting period.

The policy for the recognition and measurement of impairment is in accordance with Note 2(i)(v).

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

(iii) Other non-financial assets

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful assessment continues to be supportable.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Financial Assets

The Group allocates financial assets to the following categories: loans, advances and financing; financial assets held-for-trading; financial investments available-for-sale; and financial investments held-to-maturity. Management determines the classification of its financial instruments at initial recognition. The policy of the recognition and measurement of impairment is in accordance with Note 2(i).

(i) Loans, advances and financing

Loans, advances and financing are non-derivative financial assets with fixed or determinable payments that are not quoted in the active market.

Loans, advances and financing are initially recognised at fair value which is the cash consideration to originate or purchase the loan including any transaction costs and measured subsequently at amortised cost using the effective interest rate method, less impairment allowance.

An uncollectible loan, advance and financing or portion of a loan, advance and financing classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

(ii) Financial assets at fair value through profit or loss

Financial assets classified in this category consist of financial assets held-for-trading. Financial asset is classified as held-for-trading if it is acquired principally for the purpose of selling or repurchasing in the near term or it is part of a portion of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Regular purchases and sales are accounted for at settlement date.

Financial assets held-for-trading are stated at fair value and any gain or loss arising from a change in their fair values and the derecognition of financial assets held-for-trading are recognised in the statement of comprehensive income.

(iii) Financial investments held-to-maturity

Financial investments held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank and the Group have the positive intent and ability to hold to maturity. Regular purchases and sales are accounted for at settlement date.

Financial investments held-to-maturity are measured at amortised cost based on the effective yield method. Amortisation of premium, accretion of discount and impairment as well as gain or loss arising from derecognition of financial investments held-to-maturity are recognised in the statement of comprehensive income.

Any sale or reclassification of more than an insignificant amount of financial investments held-to-maturity not close to their maturity would result in the reclassification of all financial investments held-to-maturity to financial investments available-for-sale, and prevents the Group from classifying the similar class of financial instruments as financial investments held-to-maturity for the current and following two (2) financial years.

(iv) Financial investments available-for-sale

Financial investments available-for-sale are non-derivative financial assets that are not classified as held-for-trading or held-to-maturity. Regular purchases and sales are accounted for at settlement date. Financial investments available-for-sale are measured at fair value. The return and cost of the financial investments available-for-sale are credited and charged to the statement of comprehensive income using accreted/amortised cost based on effective yield method. Any gain or loss arising from a change in fair value after applying the accreted/amortised cost method are recognised directly in other comprehensive income or in equity through the statement of changes in equity. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income or in equity will be transferred to the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Financial Assets (contd.)

(v) Reclassification of financial assets

The Bank and the Group may choose to reclassify non-derivative assets out from the held-for-trading category, in rare circumstances, where the financial assets are no longer held for the purpose of selling or repurchasing in the short term. In addition, the Bank and the Group may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Bank and the Group have the intention and ability to hold the financial asset for the foreseeable future or until maturity.

Reclassifications are made at fair value as at the reclassification date, whereby the fair value becomes the new cost or amortised cost, as applicable. Any fair value gains or losses previously recognised in the statement of comprehensive income is not reversed.

As at reporting date, the Bank and the Group have not made any such reclassifications of financial assets.

(f) Financial Liabilities

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost. Financial liabilities measured at amortised cost include deposits from customers, deposits from banks and debt securities issued, other borrowed funds and bills and acceptances payable. Certain structure products include deposits from customers are designated at fair value through profit or loss.

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

- (i) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- (ii) Its performance is evaluated on a fair value basis, in accordance with a documented with management or investment strategy; or
- (iii) The item is a hybrid contract that contains one or more embedded derivative.

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

(g) Repurchase Agreements

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(h) Property, Plant and Equipment and Depreciation

Property, plant and equipment are initially recorded at cost net of the amount of goods and service tax (GST) except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the property, plant and equipment. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

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

Buildings	2%
Office furniture and fixtures	10%
Motor vehicles	10% - 16.6%
Office equipment	20%
Renovations	20%
Computer equipment	20% - 33.3%

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

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

(i) Impairment of Assets

The carrying amounts of the Group's assets except for deferred tax assets, are reviewed at the end of each reporting period to determine whether there are any indications of impairment. If any such indications exist, the asset's recoverable amount is estimated to determine the amount of impairment to be recognised. The policies on impairment of assets are summarised as follows:

(i) Loans, advances and financing

Loans, advances and financing of the Bank and the Group are classified as impaired when they fulfil either of the following criteria:

- (1) principal or interest or both are past due for three (3) months or more;
- (2) where a loan is in arrears for less than three (3) months, the loan exhibits indications of credit weaknesses; or
- (3) where a loan has been rescheduled or restructured, the loan will be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Impairment of Assets (contd.)

(i) Loans, advances and financing (contd.)

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

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

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

The Group first assesses individually whether objective evidence of impairment exists for all loans deemed to be individually significant, and individually or collectively for loans, advances and financing that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan whether significant or not, the loan is then collectively assessed for impairment. If there is objective evidence that an impairment has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If the individually assessment does not result in impairment provisions, the Group includes them in group of similar credit risk characteristics and collectively assesses them for impairment.

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

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

(ii) Financial investments held-to-maturity

For financial investments held-to-maturity in which there are objective evidence of impairment, impairment is measured as the difference between the financial instrument's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The amount of the impairment is recognised in the statement of comprehensive income.

Subsequent reversals in the impairment is recognised when the decrease can be objectively related to an event occurring after the impairment was recognised, to the extent that the financial instrument's carrying amount does not exceed its amortised cost if no impairment had been recognised. The reversal is recognised in the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Impairment of Assets (contd.)

(iii) Financial investments available-for-sale

For financial investments available-for-sale in which there are objective evidence of impairment, the cumulative unrealised losses that had been recognised directly in equity shall be transferred from equity to the statement of comprehensive income, even though the securities have not been derecognised. The cumulative impairment is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment previously recognised in the statement of comprehensive income.

In the case of quoted equity investments, a significant or prolonged decline in the fair value of the security below its cost is also considered in determining whether objective evidence of impairment exists. Where such evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised) is removed from equity and recognised in the statement of comprehensive income.

Impairment recognised on equity instruments classified as available-for-sale is not reversed subsequent to its recognition. Reversals of impairment on debt instruments classified as available-for-sale are recognised in the statement of comprehensive income if the increase in fair value can be objectively related to an event occurring after the recognition of the impairment in the statement of comprehensive income.

(iv) Goodwill/Intangible assets

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

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

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

(v) Other non-financial assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(i) Finance Leases

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

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

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

(ii) Operating Leases

Operating lease payments are recognised in the statement of comprehensive income on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expenses over the lease term on a straight-line basis.

The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land that normally has an indefinite economic life and where title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments at the end of the reporting period. In the case of a lease of land and buildings, the prepaid lease payments or the upfront payments made are allocated, whenever necessary, between the land and buildings elements in proportion to the relative fair values for leasehold interest in the land element and buildings element of the lease at the inception of the lease. The prepaid lease payments are amortised over the lease term in accordance with the pattern of benefits provided.

(k) Bills and Acceptances Payable

Bills and acceptances payable represent the Bank's own bills and acceptances rediscounted and outstanding in the market. Refer to 2(f).

(l) Equity Instruments

Ordinary shares and ICPS are classified as equity. Dividends on ordinary shares and ICPS are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(m) Subordinated Obligations and Other Borrowings

The interest-bearing instruments are classified as liabilities in the statement of financial position as there is a contractual obligation by the Group to make cash payments of either principal or interest or both to holders of the debt securities and the Group are contractually obliged to settle the financial instrument in cash or another financial instrument.

Subsequent to initial recognition, debt securities issued are recognised at amortised cost, with any difference between proceeds net of transaction costs and the redemption value being recognised in the income statements over the period of the borrowings on an effective interest method.

(n) Other Assets

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

(o) Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate of the amount can be made.

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

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

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

(p) Balances Due From Clients and Brokers

In accordance with the Rules of Bursa Securities, clients' accounts are classified as impaired accounts under the following circumstances:

<u>Types</u>	<u>Criteria for classification as impaired</u>	
	<u>Doubtful</u>	<u>Bad</u>
Contra losses	When account remains outstanding for 16 to 30 calendar days from the date of contra transaction.	When the account remains outstanding for more than 30 calendar days from the date of contra transaction.
Overdue purchase contracts	When the account remains outstanding from T+5 market days to 30 calendar days.	When the account remains outstanding for more than 30 calendar days.

Bad debts are written off when identified. Impairment allowances are made for balances due from clients and brokers which are considered doubtful or which have been classified as impaired, after taking into consideration collateral held by the Group and deposits of and amounts due to dealer representative in accordance with the Rules of Bursa Securities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(q) Recognition of Interest and Financing Income

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

Interest income is recognised in the statement of comprehensive income for all interest-bearing assets on an accrual basis. Interest income includes the amortisation of premium or accretion of discount. Income from the Islamic banking business is recognised on an accrual basis in accordance with the Shariah principles.

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

(r) Recognition of Interest and Financing Expenses

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

(s) Recognition of Fees and Other Income

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

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

Corporate advisory fees are recognised as income on the completion of each stage of the assignment.

Dividends are recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

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

(t) Derivatives Financial Instruments and Hedging Activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. The Group designate derivatives that qualify for hedge accounting as either:

- (i) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (ii) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (iii) Hedges of a net investment in a foreign operation (net investment hedge).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(t) Derivatives Financial Instruments and Hedging Activities (contd.)

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in statement of comprehensive income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in statement of changes in equity and is recognised when the forecast transaction is ultimately recognised in statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in statement of changes in equity is immediately transferred to statement of comprehensive income.

(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in statement of comprehensive income.

Gains and losses accumulated in equity are reclassified to statement of comprehensive income when the foreign operation is partially disposed of or sold.

(iv) Derivatives that do not qualify for hedge accounting

Certain derivatives instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(u) Foreign Currency Translations

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At the end of each reporting period, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date.

All exchange rate differences are taken to the statement of comprehensive income.

The financial statements are presented in Ringgit Malaysia, which is also the Bank's and the Group's primary functional currency.

(v) Income Tax

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the end of the reporting date. In the event of uncertain tax position, the tax is measured using the single best estimate of the most likely outcome.

Deferred tax is provided for, using the liability method, on temporary differences at the end of the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

(w) Foreclosed Properties

Foreclosed properties are stated at the lower of carrying amount and fair value less costs to sell.

(x) Cash and Cash Equivalents

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

(y) Zakat

This represents Islamic business zakat payable by Islamic banking subsidiary to comply with Shariah principles. Zakat is calculated using a growth method of 2.575 percent based on Gregorian calendar. The zakat payment does not cover the zakat obligation of the depositors. The zakat's computation for any financial year will be endorsed by the Shariah Committee. Eligible recipients include recognised zakat bodies, charitable organisations and individuals. The zakat working committee will recommend the eligible recipients for management approval and Shariah Committee endorsement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(z) Employee Benefits

(i) Short-term Benefits

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

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligations to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the statement of comprehensive income as incurred. As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF").

(iii) Equity Compensation Benefits

The Alliance Financial Group Berhad Employees' Share Scheme ("AFG Bhd ESS"), comprises the Share Option Plan, the Share Grant Plan and Share Save Plan. The AFG Bhd ESS are equity-settled, share-based compensation plans, in which the Group's Directors and employees are granted or are allowed to acquire ordinary shares of Alliance Financial Group Berhad.

The total fair value of the share options/grants offered/awarded to the eligible Directors and employees are recognised as an employee cost with a corresponding increase in the equity contribution from ultimate holding company within equity over the vesting period and taking into account the probability that the scheme will vest. The fair value of the share options/grants are measured at grant date, taking into account, if any, the market vesting conditions upon which the share options/grants were offered/awarded but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of share options/share grants that are expected to become exercisable/to vest.

At the end of each reporting period, the Bank and the Group revises its estimates of the number of share options/grants that are expected to become exercisable/to vest. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, and a corresponding adjustment to equity over the remaining vesting period.

Upon vesting, the ultimate holding company will recharge the cost to the Group. The differential of the amount between the fair value recognised on grant date and recharged amount is treated as distribution to ultimate holding company.

(aa) Contingent Liabilities and Contingent Assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(ab) Financial Guarantee Contract

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

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation, where appropriate.

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

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

(ac) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments. The Management Committee of the Group is identify as the chief operating decision-maker.

(ad) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3. CASH AND SHORT-TERM FUNDS

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and balances with banks and other financial institutions	567,052	690,832	632,589	778,903
Money at call and deposit placements maturing within one month	<u>3,633,825</u>	<u>1,752,505</u>	<u>4,301,609</u>	<u>1,911,450</u>
	<u>4,200,877</u>	<u>2,443,337</u>	<u>4,934,198</u>	<u>2,690,353</u>

4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Licensed banks	<u>195,865</u>	<u>298,167</u>	<u>195,865</u>	<u>298,167</u>

5. BALANCES DUE FROM CLIENTS AND BROKERS

	<u>GROUP</u>	
	2016 RM'000	2015 RM'000
Due from clients	97,680	60,289
Due from brokers	<u>7,816</u>	<u>43,294</u>
	105,496	103,583
Less:		
Allowance for other losses	<u>(837)</u>	<u>(840)</u>
	<u>104,659</u>	<u>102,743</u>

These represent amounts receivable by Alliance Investment Bank Berhad ("AIBB") 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.

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

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

	<u>GROUP</u>	
	2016 RM'000	2015 RM'000
Classified as doubtful	52	128
Classified as bad	<u>848</u>	<u>927</u>
	<u>900</u>	<u>1,055</u>

Other balances are neither past due nor impaired.

5. BALANCES DUE FROM CLIENTS AND BROKERS (CONTD.)

The movements in allowance for other losses are as follows:

	<u>GROUP</u>	
	2016	2015
	RM'000	RM'000
At beginning of financial year	840	1,194
Write-back during the financial year (net)	(3)	(354)
At end of financial year	837	840

6. FINANCIAL ASSETS HELD-FOR-TRADING

	<u>BANK</u>		<u>GROUP</u>	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At fair value				
<u>Money market instruments:</u>				
Malaysian Government investment certificates	40,441	-	40,441	-
<u>Unquoted securities:</u>				
Medium term notes	91,788	10,037	91,788	10,037
	132,229	10,037	132,229	10,037

7. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	<u>BANK</u>		<u>GROUP</u>	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At fair value				
<u>Money market instruments:</u>				
Malaysian Government securities	1,165,857	2,281,744	1,277,948	2,607,781
Malaysian Government investment certificates	1,489,465	1,797,682	2,338,432	2,723,129
Negotiable instruments of deposits	2,344,756	1,393,801	1,684,516	1,241,534
Bankers' acceptances	-	-	-	105,531
Khazanah bonds	202,673	194,349	202,673	194,349
	5,202,751	5,667,576	5,503,569	6,872,324
<u>Quoted securities in Malaysia:</u>				
Shares	26	22	26	22
Accumulated impairment	(11)	(11)	(11)	(11)
	15	11	15	11
<u>Unquoted securities:</u>				
Shares	102,657	94,376	153,781	141,651
Accumulated impairment	-	-	(1,440)	(1,440)
	102,657	94,376	152,341	140,211
Unit Trust Funds	-	-	4,992	-
	-	-	4,992	-
Debt securities and medium term notes	2,083,180	2,255,917	3,136,690	2,979,271
Accumulated impairment	(135,681)	(135,681)	(231,911)	(237,961)
	1,947,499	2,120,236	2,904,779	2,741,310
	2,050,156	2,214,612	3,062,112	2,881,521
	7,252,922	7,882,199	8,565,696	9,753,856

7. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (CONTD.)

The table below shows the movements in accumulated impairment during the financial year:

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At beginning of financial year	135,692	137,156	239,412	242,635
Write-back during the financial year	-	-	(6,050)	(1,759)
Written-off during the financial year	-	(1,464)	-	(1,464)
At end of financial year	<u>135,692</u>	<u>135,692</u>	<u>233,362</u>	<u>239,412</u>

8. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At amortised cost				
<u>Money market instruments:</u>				
Malaysian Government securities	578,740	579,201	700,570	701,521
Malaysian Government investment certificates	-	-	233,390	423,739
Khazanah bonds	140,247	135,377	190,602	183,932
	<u>718,987</u>	<u>714,578</u>	<u>1,124,562</u>	<u>1,309,192</u>
At cost				
<u>Unquoted securities:</u>				
Debt securities	1,631	3,329	18,938	37,668
Accumulated impairment	(1,294)	(2,992)	(14,193)	(27,825)
	<u>337</u>	<u>337</u>	<u>4,745</u>	<u>9,843</u>
	<u>719,324</u>	<u>714,915</u>	<u>1,129,307</u>	<u>1,319,035</u>

The table below shows the movements in accumulated impairment during the financial year:

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At beginning of financial year	2,992	5,001	27,825	34,203
Write-back during the financial year	(1,698)	(600)	(1,715)	(4,969)
Written-off during the financial year	-	(1,409)	(11,917)	(1,409)
At end of financial year	<u>1,294</u>	<u>2,992</u>	<u>14,193</u>	<u>27,825</u>

9. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and equity prices) of the underlying instruments. These instruments allow the Bank and the Group and the banking customers to transfer, modify or reduce their foreign exchange and interest rate risk via hedge relationships. The Group also transacts in these instruments for proprietary trading purposes. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 43.

The table below shows the Bank's and the Group's derivative financial instruments as at the end of the financial year. The contractual or underlying notional amounts of these derivative financial instruments and their corresponding gross positive (derivative financial asset) and gross negative (derivative financial liability) fair values as at the end of financial year are analysed below.

	2016			2015		
	Contract/ Notional Amount RM'000	Fair Value		Contract/ Notional Amount RM'000	Fair Value	
<u>BANK/GROUP</u>		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading Derivatives						
Foreign exchange and commodity contracts:						
- Currency forwards	1,316,549	25,079	(53,190)	1,083,171	70,152	(5,529)
- Currency swaps	5,559,540	90,660	(182,106)	3,285,411	56,355	(86,421)
- Currency spots	258,309	646	(615)	219,795	347	(869)
- Currency options	160,427	1,349	(404)	307,337	1,562	(803)
Interest rate related contracts:						
- Interest rate swaps	2,480,312	15,917	(10,333)	3,645,000	4,044	(9,276)
Equity related contracts:						
- Options	111,820	-	(27,061)	36,240	-	(3,624)
Hedging Derivatives						
Interest rate related contracts:						
- Interest rate swaps	200,219	-	(5,832)	280,422	-	(8,702)
Total derivative assets/(liabilities)	10,087,176	133,651	(279,541)	8,857,376	132,460	(115,224)

The Bank and the Group use fair value hedges to protect against the changes in fair value of financial assets and financial liabilities for a structured deposit due to movements in market interest rates. There was no ineffectiveness to be recorded from their fair value hedge.

10. LOANS, ADVANCES AND FINANCING

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Overdrafts	2,187,943	1,829,357	2,641,243	2,142,270
Term loans/financing				
- Housing loans/financing	12,284,139	11,675,464	14,842,860	14,257,710
- Syndicated term loans/financing	260,515	392,195	261,668	431,427
- Hire purchase receivables	734,007	797,001	1,351,475	1,564,527
- Other term loans/financing	10,342,136	9,505,072	13,039,019	11,751,901
Bills receivables	303,895	299,587	306,143	300,866
Trust receipts	150,244	157,148	179,935	182,437
Claims on customers under acceptance credits	1,989,818	2,058,188	2,519,809	2,567,211
Staff loans [include loans to Director of a subsidiary of RM123,000 (2015:RM155,000)]	12,116	14,422	34,395	37,691
Credit/charge card receivables	646,321	653,068	646,321	653,068
Revolving credits	1,475,415	1,275,633	1,660,665	1,467,301
Share margin financing	1,118,646	1,481,795	1,264,135	1,566,703
Gross loans, advances and financing	31,505,195	30,138,930	38,747,668	36,923,112
Add: Sales commissions and handling fees	34,845	39,713	38,365	33,927
Less: Allowance for impairment on loans, advances and financing				
- Individual assessment allowance	(58,061)	(46,191)	(68,331)	(56,303)
- Collective assessment allowance	(236,501)	(278,599)	(306,978)	(334,704)
Total net loans, advances and financing	<u>31,245,478</u>	<u>29,853,853</u>	<u>38,410,724</u>	<u>36,566,032</u>

(i) By maturity structure:

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Within one year	7,817,151	7,350,615	9,201,769	8,508,239
One year to three years	1,080,775	1,138,482	1,318,284	1,426,070
Three years to five years	1,474,458	1,395,031	2,050,419	1,825,760
Over five years	21,132,811	20,254,802	26,177,196	25,163,043
Gross loans, advances and financing	<u>31,505,195</u>	<u>30,138,930</u>	<u>38,747,668</u>	<u>36,923,112</u>

10. LOANS, ADVANCES AND FINANCING (CONTD.)(ii) By type of customer:

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Domestic non-bank financial institutions	339,935	542,938	375,434	576,252
Domestic business enterprises				
- Small and medium enterprises	7,170,303	6,044,630	8,956,673	7,481,367
- Others	5,959,540	5,778,514	7,058,880	6,890,104
Government and statutory bodies	6,816	8,258	6,816	8,258
Individuals	17,096,520	16,789,912	21,306,301	20,866,962
Other domestic entities	196,851	215,146	201,401	215,146
Foreign entities	735,230	759,532	842,163	885,023
Gross loans, advances and financing	<u>31,505,195</u>	<u>30,138,930</u>	<u>38,747,668</u>	<u>36,923,112</u>

(iii) By interest/profit rate sensitivity:

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed rate				
- Housing loans/financing	7,106	9,282	46,476	57,528
- Hire purchase receivables	689,079	744,962	1,306,547	1,512,488
- Other fixed rate loans/financing	1,195,668	1,345,930	2,379,044	2,248,229
Variable rate				
- Base lending rate plus	23,025,701	22,343,074	27,543,664	26,582,088
- Base rate plus	762,987	27,173	847,853	29,334
- Cost plus	5,583,485	5,439,567	6,350,612	6,253,494
- Other variable rate loans/financing	241,169	228,942	273,472	239,951
Gross loans, advances and financing	<u>31,505,195</u>	<u>30,138,930</u>	<u>38,747,668</u>	<u>36,923,112</u>

(iv) By economic purposes:

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Purchase of securities	1,140,290	1,512,265	1,285,780	1,597,174
Purchase of transport vehicles	597,735	652,535	1,218,632	1,426,986
Purchase of landed property	18,976,106	18,029,980	22,624,255	21,587,935
of which: - Residential	<u>13,289,744</u>	<u>12,589,545</u>	<u>15,846,729</u>	<u>15,137,475</u>
- Non-residential	<u>5,686,362</u>	<u>5,440,435</u>	<u>6,777,526</u>	<u>6,450,460</u>
Purchase of fixed assets excluding land and buildings	183,680	200,433	192,901	209,585
Personal use	1,459,164	1,380,111	2,560,230	2,276,090
Credit card	646,321	653,068	646,321	653,068
Construction	653,792	552,008	663,866	564,122
Mergers and acquisitions	117,688	117,687	117,688	117,687
Working capital	5,946,276	5,550,309	7,186,477	6,623,099
Others	1,784,143	1,490,534	2,251,518	1,867,366
Gross loans, advances and financing	<u>31,505,195</u>	<u>30,138,930</u>	<u>38,747,668</u>	<u>36,923,112</u>

10. LOANS, ADVANCES AND FINANCING (CONTD.)(v) By geographical distribution:

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Northern region	2,110,739	1,999,996	2,569,926	2,413,727
Central region	22,900,089	22,103,352	27,917,362	26,845,424
Southern region	3,480,489	3,204,564	4,581,547	4,246,477
Sabah region	2,092,217	2,189,040	2,586,488	2,634,948
Sarawak region	921,661	641,978	1,092,345	782,536
Gross loans, advances and financing	<u>31,505,195</u>	<u>30,138,930</u>	<u>38,747,668</u>	<u>36,923,112</u>

(vi) Movements in impaired loans, advances and financing ("impaired loans") are as follows:

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At beginning of year	321,497	353,880	380,712	442,781
Impaired during the year	504,902	560,117	688,435	688,569
Reclassified as unimpaired during the year	(274,846)	(335,872)	(342,996)	(412,159)
Recoveries	(127,829)	(184,976)	(157,779)	(235,458)
Amount written-off	(50,525)	(71,652)	(80,504)	(103,021)
At end of year	373,199	321,497	487,868	380,712
Individual allowance for impairment	(58,061)	(46,191)	(68,331)	(56,303)
Collective allowance for impairment (impaired portion)	(85,540)	(89,487)	(109,347)	(102,533)
Net impaired loans, advances and financing	<u>229,598</u>	<u>185,819</u>	<u>310,190</u>	<u>221,876</u>
Gross impaired loans as % of gross loans, advances and financing	<u>1.2%</u>	<u>1.1%</u>	<u>1.3%</u>	<u>1.0%</u>

10. LOANS, ADVANCES AND FINANCING (CONTD.)(vii) Movements in the allowance for impairment on loans, advances and financing are as follows:

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Individual assessment allowance				
At beginning of financial year	46,191	67,281	56,303	97,159
Allowance made during the financial year (net)	18,795	9,159	24,229	3,475
Amount written-off	(8,662)	(29,888)	(14,060)	(43,873)
Transfers from/(to)				
collective assessment allowance	1,737	(361)	1,859	(458)
At end of financial year	<u>58,061</u>	<u>46,191</u>	<u>68,331</u>	<u>56,303</u>
Collective assessment allowance				
At beginning of financial year	278,599	266,907	334,704	313,296
Allowance made during the financial year (net)	1,502	51,693	40,577	78,193
Amount written-off	(41,863)	(40,362)	(66,444)	(57,243)
Transfers (to)/from				
individual assessment allowance	(1,737)	361	(1,859)	458
At end of financial year	<u>236,501</u>	<u>278,599</u>	<u>306,978</u>	<u>334,704</u>

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

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Purchase of securities	-	515	-	515
Purchase of transport vehicles	9,583	4,356	14,742	8,263
Purchase of landed property	247,620	220,432	307,795	255,939
of which: - Residential	192,500	200,590	220,145	233,894
- Non-residential	55,120	19,842	87,650	22,045
Purchase of fixed assets excluding land and buildings	651	541	651	541
Personal use	22,783	18,056	37,029	27,164
Credit card	9,421	7,611	9,421	7,611
Construction	3,837	3,978	3,892	3,979
Working capital	61,879	59,664	96,211	67,634
Others	17,425	6,344	18,127	9,066
Gross impaired loans	<u>373,199</u>	<u>321,497</u>	<u>487,868</u>	<u>380,712</u>

10. LOANS, ADVANCES AND FINANCING (CONTD.)(ix) Impaired loans by geographical distribution:

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Northern region	42,935	42,274	46,072	45,294
Central region	272,288	221,285	372,422	267,873
Southern region	33,365	30,309	40,279	37,759
Sabah region	21,662	23,797	25,088	25,501
Sarawak region	2,949	3,832	4,007	4,285
Gross impaired loans	<u>373,199</u>	<u>321,497</u>	<u>487,868</u>	<u>380,712</u>

11. OTHER ASSETS

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other receivables	96,584	84,943	104,253	95,192
Deposits	8,388	8,751	9,089	9,251
Prepayment	13,712	13,817	14,871	15,020
Amount due from holding company	105	-	105	-
Amount due from subsidiaries and related companies	<u>12,906</u>	<u>10,528</u>	<u>239</u>	<u>576</u>
	131,695	118,039	128,557	120,039
Less:				
Allowance for other losses [Note (a)]	<u>(22,119)</u>	<u>(22,200)</u>	<u>(26,382)</u>	<u>(30,447)</u>
	<u>109,576</u>	<u>95,839</u>	<u>102,175</u>	<u>89,592</u>

Note:

(a) Movement in allowance for other losses of the Bank and the Group:

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At beginning of financial year	22,200	19,921	30,447	28,052
Allowance net of write-back	2,719	2,279	4,095	2,395
Amount written-off	<u>(2,800)</u>	<u>-</u>	<u>(8,160)</u>	<u>-</u>
At end of financial year	<u>22,119</u>	<u>22,200</u>	<u>26,382</u>	<u>30,447</u>

12. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

Non-interest bearing statutory deposits for the Bank and the Group of RM1,117,640 and RM1,410,828 (2015: RM1,344,000 and RM1,675,326) are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined as a set percentage of total eligible liabilities.

13. INVESTMENTS IN SUBSIDIARIES

	<u>BANK</u>	
	2016 RM'000	2015 RM'000
Unquoted shares, at cost		
At beginning of financial year	792,820	792,820
Acquired during the year	100,000	-
At end of financial year	<u>892,820</u>	<u>792,820</u>

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

<u>Name</u>	<u>Principal activities</u>	<u>Effective equity interest</u>	
		2016 %	2015 %
Alliance Direct Marketing Sdn. Bhd.	Dealing in sales and distribution of consumer and commercial banking products	100	100
AllianceGroup Nominees (Asing) Sdn. Bhd.	Nominee services	100	100
AllianceGroup Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
Alliance Investment Bank Berhad	Investment banking business including Islamic banking, provision of stockbroking services and related financial services	100	100
Alliance Islamic Bank Berhad	Islamic banking, finance business and the provision of related financial services	100	100
<i>Subsidiaries of Alliance Investment Bank Berhad</i>			
AIBB Nominees (Tempatan) Sdn. Bhd.	Dormant	100	100
AIBB Nominees (Asing) Sdn. Bhd.	Dormant	100	100

13. INVESTMENTS IN SUBSIDIARIES (CONTD.)

The Bank's subsidiaries, all of which incorporated in Malaysia, are (contd.):

<u>Name</u>	<u>Principal activities</u>	<u>Effective equity interest</u>	
		2016 %	2015 %
<i>Subsidiaries of Alliance Investment Bank Berhad (contd.)</i>			
ARSB Alliance Sdn. Bhd.	Dormant	100	100
KLCS Sdn. Bhd.	Dormant	100	100
Rothputra Nominees (Tempatan) Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100
Alliance Investment Futures Sdn. Bhd.	Liquidated	-	100

(a) Increase in Paid up Share Capital of Alliance Islamic Bank Berhad ("AIS")

On 16 December 2015, the Bank subscribed for 45,045,045 new ordinary shares of RM 1.00 each in Alliance Islamic Bank Berhad at an issue price of RM2.22 per share.

(b) Members' Voluntary Winding-up

Alliance Investment Futures Sdn. Bhd., subsidiary of the Bank has been dissolved on 9 December 2015 pursuant to Section 272(5) of the Company Act, 1965. There were no material effect on the earnings and net assets of the Group for the financial year ended 31 March 2016.

14. INVESTMENT IN ASSOCIATE

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted shares				
At beginning of financial year	230	230	511	501
Share of post acquisition profits	-	-	9	10
At the end of financial year	<u>230</u>	<u>230</u>	<u>520</u>	<u>511</u>
Represented by:				
Share of net tangible assets			<u>520</u>	<u>511</u>

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

<u>Name</u>	<u>Principal activities</u>	<u>Effective equity interest</u>	
		2016	2015
Alliance Trustee Berhad	Trustee services	40%	40%

14. INVESTMENT IN ASSOCIATE (CONTD.)

The summarised financial information of the associates are as follows:

	<u>GROUP</u>	
	2016	2015
	RM'000	RM'000
Assets and Liabilities		
Current assets		
Cash and short term funds	143	121
Other current assets	1,069	1,068
Total current assets	<u>1,212</u>	<u>1,189</u>
Non-current assets	103	103
Total assets	<u>1,315</u>	<u>1,292</u>
Current liabilities		
Other current liabilities	14	14
Total liabilities	<u>14</u>	<u>14</u>
Net assets	<u>1,301</u>	<u>1,278</u>

The summarised statement of comprehensive income are as follows:

Revenue	44	47
Profit before tax for the financial year	31	35
Profit after tax for the financial year	<u>23</u>	<u>26</u>

Reconciliation of summarised financial information:

	<u>GROUP</u>	
	2016	2015
	RM'000	RM'000
<u>Net assets</u>		
At beginning of financial year	1,278	1,252
Profit for the financial year	23	26
At the end of financial year	<u>1,301</u>	<u>1,278</u>
Carrying value at 40% share of the equity interest of an associate	<u>520</u>	<u>511</u>

15. INVESTMENTS IN JOINT VENTURE

	<u>GROUP</u>	
	2016 RM'000	2015 RM'000
Unquoted shares		
At beginning of financial year	410	-
Acquired during the financial year	-	394
Share of post acquisition profits	156	16
At the end of financial year	<u>566</u>	<u>410</u>
Represented by:		
Share of net tangible assets	<u>566</u>	<u>410</u>

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

<u>Name</u>	<u>Principal activities</u>	<u>Effective equity interest</u>	
		2016	2015
AllianceDBS Research Sdn. Bhd.	Research and stock analysis	51%	51%

Investment in AllianceDBS Research Sdn. Bhd. ("ADBS") is accounted for as an investment in joint venture in accordance with MFRS 128 "Investment in Associates and Joint Ventures" because both of the Group and the other joint venturer have joint control over the decision making of the entity and rights to be net assets of the entity.

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

	<u>GROUP</u>	
	2016 RM'000	2015 RM'000
Assets and Liabilities		
Current assets		
Cash and short term funds	1,354	2,256
Other current assets	373	242
Total current assets	<u>1,727</u>	<u>2,498</u>
Non-current assets	518	440
Total assets	<u>2,245</u>	<u>2,938</u>
Current liabilities		
Other liabilities (non trade)	1,136	2,134
Total liabilities	<u>1,136</u>	<u>2,134</u>
Net assets	<u>1,109</u>	<u>804</u>

15. INVESTMENTS IN JOINT VENTURE (CONTD.)

The summarised financial information of the joint venture are as follows (contd.):

	<u>GROUP</u>	
	2016	2015
	RM'000	RM'000
Revenue	5,710	6,069
Profit before tax for the financial year	171	41
Profit after tax for the financial year	<u>305</u>	<u>31</u>

The above profit includes the following:

Depreciation and amortisation	(37)	(82)
Taxation	<u>134</u>	<u>(10)</u>

Reconciliation of summarised financial information:

Net assets

At beginning of financial year	804	-
Acquired during the financial year	-	773
Profit for the financial year	<u>305</u>	<u>31</u>
At the end of financial year	<u>1,109</u>	<u>804</u>

Carrying value at 51% share of the equity interest of a joint venture

	<u>566</u>	<u>410</u>
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16. PROPERTY, PLANT AND EQUIPMENT

<u>BANK</u>	← Leasehold land →			<u>Buildings</u>	<u>Renovations</u>	<u>Office equipment and furniture</u>	<u>Computer equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	<u>Freehold land</u>	<u>50 years or more</u>	<u>Less than 50 years</u>						
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>COST</u>									
At beginning of financial year	1,953	11,673	1,850	29,456	115,279	51,420	85,787	1,280	298,698
Additions	-	-	-	-	5,446	5,153	1,917	-	12,516
Disposals	-	-	-	(83)	-	(10)	(89)	(190)	(372)
Written-off	-	-	-	-	(1,928)	(1,224)	(30,259)	-	(33,411)
At end of financial year	1,953	11,673	1,850	29,373	118,797	55,339	57,356	1,090	277,431
<u>ACCUMULATED DEPRECIATION</u>									
At beginning of financial year	-	2,745	959	9,646	87,715	33,537	68,157	481	203,240
Charge for the financial year	-	100	23	589	9,626	6,106	5,910	90	22,444
Disposals	-	-	-	(37)	-	(9)	(28)	(129)	(203)
Written-off	-	-	-	-	(1,377)	(1,121)	(30,177)	-	(32,675)
At end of financial year	-	2,845	982	10,198	95,964	38,513	43,862	442	192,806
NET CARRYING AMOUNT	1,953	8,828	868	19,175	22,833	16,826	13,494	648	84,625

16. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

<u>GROUP</u>	← Leasehold land →			<u>Buildings</u>	<u>Renovations</u>	<u>Office equipment and furniture</u>	<u>Computer equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	<u>Freehold land</u>	<u>50 years or more</u>	<u>Less than 50 years</u>						
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2016									
<u>COST</u>									
At beginning of financial year	1,953	11,673	1,850	30,415	117,645	50,024	101,584	1,205	316,349
Additions	-	-	-	-	5,765	5,181	2,035	-	12,981
Disposals	-	-	-	(83)	-	(15)	(89)	(190)	(377)
Written-off	-	-	-	-	(1,928)	(1,254)	(39,372)	-	(42,554)
At end of financial year	1,953	11,673	1,850	30,332	121,482	53,936	64,158	1,015	286,399
<u>ACCUMULATED DEPRECIATION</u>									
At beginning of financial year	-	2,745	959	10,606	88,662	31,609	83,980	445	219,006
Charge for the financial year	-	100	23	589	10,039	6,180	5,945	90	22,966
Disposals	-	-	-	(37)	-	(14)	(28)	(129)	(208)
Written-off	-	-	-	-	(1,377)	(1,150)	(39,265)	-	(41,792)
At end of financial year	-	2,845	982	11,158	97,324	36,625	50,632	406	199,972
<u>NET CARRYING AMOUNT</u>	1,953	8,828	868	19,174	24,158	17,311	13,526	609	86,427

16. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	← Leasehold land →			Buildings	Renovations	Office equipment and furniture	Computer equipment	Motor vehicles	Total
	Freehold land	50 years or more	Less than 50 years						
<u>BANK</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015									
<u>COST</u>									
At beginning of financial year	1,953	11,673	1,850	29,456	109,318	45,094	79,603	1,305	280,252
Additions	-	-	-	-	10,846	9,242	6,756	-	26,844
Disposals	-	-	-	-	-	-	-	(25)	(25)
Written-off	-	-	-	-	(4,885)	(2,916)	(572)	-	(8,373)
At end of financial year	1,953	11,673	1,850	29,456	115,279	51,420	85,787	1,280	298,698
<u>ACCUMULATED DEPRECIATION</u>									
At beginning of financial year	-	2,650	931	9,057	82,939	30,938	62,905	400	189,820
Charge for the financial year	-	95	28	589	9,352	5,225	5,586	106	20,981
Disposals	-	-	-	-	-	-	-	(25)	(25)
Written-off	-	-	-	-	(4,576)	(2,626)	(334)	-	(7,536)
At end of financial year	-	2,745	959	9,646	87,715	33,537	68,157	481	203,240
<u>NET CARRYING AMOUNT</u>	1,953	8,928	891	19,810	27,564	17,883	17,630	799	95,458

16. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

<u>GROUP</u>	← Leasehold land →			<u>Buildings</u>	<u>Renovations</u>	<u>Office equipment and furniture</u>	<u>Computer equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	<u>Freehold land</u>	<u>50 years or more</u>	<u>Less than 50 years</u>						
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015									
<u>COST</u>									
At beginning of financial year	1,953	11,673	1,850	30,415	111,800	43,916	95,585	1,230	298,422
Additions	-	-	-	-	11,385	9,317	6,804	-	27,506
Disposals	-	-	-	-	-	(10)	(45)	(25)	(80)
Written-off	-	-	-	-	(5,540)	(3,199)	(760)	-	(9,499)
At end of financial year	1,953	11,673	1,850	30,415	117,645	50,024	101,584	1,205	316,349
<u>ACCUMULATED DEPRECIATION</u>									
At beginning of financial year	-	2,650	931	10,017	84,163	29,150	78,933	364	206,208
Charge for the financial year	-	95	28	589	9,698	5,300	5,604	106	21,420
Disposals	-	-	-	-	-	(10)	(45)	(25)	(80)
Written-off	-	-	-	-	(5,199)	(2,831)	(512)	-	(8,542)
At end of financial year	-	2,745	959	10,606	88,662	31,609	83,980	445	219,006
<u>NET CARRYING AMOUNT</u>	1,953	8,928	891	19,809	28,983	18,415	17,604	760	97,343

Included in property, plant and equipment of the Bank and the Group are computer equipment under finance lease with a carrying amount of RM8,125,000 (2015: RM10,299,000).

Details of the terms and conditions of the finance lease arrangement and disclosed in Note 24.

17. DEFERRED TAX

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

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets, net	-	-	10,201	12,020
Deferred tax liabilities, net	(3,887)	(3,241)	(15,617)	(13,041)
	<u>(3,887)</u>	<u>(3,241)</u>	<u>(5,416)</u>	<u>(1,021)</u>

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At beginning of financial year	(3,241)	18,036	(1,021)	26,976
Recognised in statement of comprehensive income	8,611	(473)	7,149	(669)
Recognised in other comprehensive income	(9,257)	(20,804)	(11,544)	(27,328)
At end of financial year	<u>(3,887)</u>	<u>(3,241)</u>	<u>(5,416)</u>	<u>(1,021)</u>

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets	28,528	27,712	40,425	41,052
Deferred tax liabilities	(32,415)	(30,953)	(45,841)	(42,073)
	<u>(3,887)</u>	<u>(3,241)</u>	<u>(5,416)</u>	<u>(1,021)</u>

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets				
- to be recovered more than 12 months	-	-	8,068	11,014
- to be recovered within 12 months	28,528	27,712	32,357	30,038
	<u>28,528</u>	<u>27,712</u>	<u>40,425</u>	<u>41,052</u>
Deferred tax liabilities				
- to be settled more than 12 months	(26,635)	(29,887)	(40,016)	(40,996)
- to be settled within 12 months	(5,780)	(1,066)	(5,825)	(1,077)
	<u>(32,415)</u>	<u>(30,953)</u>	<u>(45,841)</u>	<u>(42,073)</u>

17. DEFERRED TAX (CONTD.)

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

	Other temporary differences RM'000	Total RM'000
BANK		
<u>Deferred tax assets</u>		
At 31 March 2014	25,684	25,684
Recognised in statement of comprehensive income	2,028	2,028
At 31 March 2015	27,712	27,712
Recognised in statement of comprehensive income	816	816
At 31 March 2016	28,528	28,528
	Financial investments <u>available-for-sale</u> RM'000	Property, plant and <u>equipment</u> RM'000
		Total RM'000
<u>Deferred tax liabilities</u>		
At 31 March 2014	(6,961)	14,609
Recognised in statement of comprehensive income	-	2,501
Recognised in other comprehensive income	20,804	-
At 31 March 2015	13,843	17,110
Recognised in statement of comprehensive income	-	(7,795)
Recognised in other comprehensive income	9,257	-
At 31 March 2016	23,100	9,315
	Unabsorbed tax losses and capital <u>allowance</u> RM'000	Other temporary differences RM'000
		Total RM'000
GROUP		
<u>Deferred tax assets</u>		
At 31 March 2014	4,299	35,049
Recognised in statement of comprehensive income	(2,287)	3,991
At 31 March 2015	2,012	39,040
Recognised in statement of comprehensive income	(916)	289
At 31 March 2016	1,096	39,329
	Financial investments <u>available-for-sale</u> RM'000	Property, plant and <u>equipment</u> RM'000
		Total RM'000
<u>Deferred tax liabilities</u>		
At 31 March 2014	(2,623)	14,995
Recognised in statement of comprehensive income	-	2,373
Recognised in other comprehensive income	27,328	-
At 31 March 2015	24,705	17,368
Recognised in statement of comprehensive income	-	(7,776)
Recognised in other comprehensive income	11,544	-
At 31 March 2016	36,249	9,592

As mentioned in Note 2 (v), the tax effects of unused tax losses which would give rise to deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised. In prior financial year, the estimated unused tax losses, the tax effects of which are not recognised in the financial statements due to uncertainty of their realisation, is as follows:

	GROUP	
	2016 RM'000	2015 RM'000
Deferred tax assets of the Group have not been recognised in respect of:		
Unabsorbed tax losses	-	496

The carried forward unused tax losses are subject to the agreement of the tax authorities.

18. INTANGIBLE ASSETS

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Goodwill</u>				
Cost:				
At beginning of financial year/end of financial year	186,272	186,272	301,997	301,997
Impairment:				
At beginning/end of financial year	(45)	(45)	(2,084)	(2,084)
Net carrying amount	<u>186,227</u>	<u>186,227</u>	<u>299,913</u>	<u>299,913</u>
<u>Computer software</u>				
Cost:				
At beginning of financial year	183,393	159,497	189,274	164,328
Additions	24,294	24,202	24,871	25,662
Disposal	-	-	-	(18)
Written-off	(46,074)	(306)	(48,167)	(698)
At end of financial year	<u>161,613</u>	<u>183,393</u>	<u>165,978</u>	<u>189,274</u>
Accumulated amortisation:				
At beginning of financial year	(125,098)	(107,059)	(129,252)	(110,985)
Charge for the financial year	(21,443)	(18,067)	(21,750)	(18,325)
Disposal	-	-	-	18
Written-off	46,000	28	48,093	40
At end of financial year	<u>(100,541)</u>	<u>(125,098)</u>	<u>(102,909)</u>	<u>(129,252)</u>
Net carrying amount	<u>61,072</u>	<u>58,295</u>	<u>63,069</u>	<u>60,022</u>
Total carrying amount of goodwill and computer software	<u>247,299</u>	<u>244,522</u>	<u>362,982</u>	<u>359,935</u>

18. INTANGIBLE ASSETS (CONTD.)**(a) Impairment Test on Goodwill**

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

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Business banking	81,448	81,448	100,822	100,822
Consumer banking	67,513	67,513	101,565	101,565
Financial markets	36,960	36,960	83,261	83,261
Corporate finance and capital market	40	40	1,838	1,838
Stock-broking business	266	266	12,427	12,427
	<u>186,227</u>	<u>186,227</u>	<u>299,913</u>	<u>299,913</u>

For annual impairment testing purposes, the recoverable amount of the CGUs, which are reportable business segments, are determined based on their value-in-use. The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial budget and projections approved by management. The key assumptions for the computation of value-in-use include the discount rates, cash flow projection and growth rates applied are as follows:

(i) Discount rate

The discount rate are based on the pre-tax weighted average cost of capital plus an appropriate risk premium, that reflect specific risks relating to the Bank. The pre-tax weighted average cost of capital is generally derived from an appropriate capital asset pricing model, which itself depends on inputs reflecting a number of financial and economic variables including the risk-free rate in the country.

	<u>GROUP</u>	
	2016 %	2015 %
Business banking	8.66	7.54
Consumer banking	8.66	7.54
Financial markets	8.66	7.54
Corporate finance and capital market	8.03	7.49
Stock-broking business	8.04	7.50

(ii) Cash flow projections and growth rate

Cash flow projections are based on four-year financial budget and projections approved by management. Cash flows beyond the fourth year are extrapolated in perpetuity using a terminal growth rate of 5.0% (2015: 5.1%) based on respective industry's average growth rate forecasted. Cash flows are extrapolated in perpetuity due to the long term perspective of these businesses within the Group.

Impairment is recognised in the statement of comprehensive income when the carrying amount of a CGU exceeds its recoverable amount. This annual impairment test review reveals that there was no evidence of impairment for the financial year.

The Bank and the Group had reallocated the goodwill for Corporate Banking, Commercial Banking and Small and Medium Enterprise Banking into Business Banking CGU in prior financial year. This change is to align the segment assessment in accordance with reporting structure.

(b) Sensitivity to Changes in Assumptions

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount of the CGU, which would warrant any impairment to be recognised.

19. DEPOSITS FROM CUSTOMERS

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Amortised cost				
Demand deposits	10,929,997	11,040,092	12,984,517	13,222,415
Savings deposits	1,467,810	1,453,258	1,787,163	1,767,621
Fixed/investment deposits	18,185,230	17,714,630	22,984,461	21,164,118
Money market deposits	1,684,628	2,520,874	2,596,081	4,173,244
Negotiable instruments of deposits	5,069,583	3,733,216	5,268,944	4,001,934
Structured deposits	260,185	330,602	260,185	330,602
	<u>37,597,433</u>	<u>36,792,672</u>	<u>45,881,351</u>	<u>44,659,934</u>
At fair value through profit and loss				
Structured deposits	239,136	63,495	239,136	63,495
	<u>37,836,569</u>	<u>36,856,167</u>	<u>46,120,487</u>	<u>44,723,429</u>

Note:

- (a) Structured deposits issued by the Bank include foreign currency time deposits with embedded foreign exchange, equity linked options and interest rate index linked placements.
- (b) The Bank and the Group has undertaken a fair value hedge on the interest rate risk of certain structured deposits amounting to RM200,913,000 (2015: RM281,371,000) using interest rate swaps.

	<u>BANK/GROUP</u>	
	2016 RM'000	2015 RM'000
Structured deposits	200,913	281,371
Fair value changes arising from fair value hedges	(5,832)	(8,702)
	<u>195,081</u>	<u>272,669</u>

The fair value loss of the interest rate swap in this hedge transaction as at financial year ended 31 March 2016 was RM5,832,000 (2015: RM8,702,000). There were no ineffectiveness.

- (c) During the financial year, the Bank designated certain structured deposits at fair value through profit or loss. This designation is permitted under MFRS 139 "Financial Instruments: Recognition and Measurement" as it includes embedded derivatives that are not closely related to its underlying deposits. The structured deposits are recorded at fair value. The carrying amount of the structured deposits were RM10,745,000 lower than the contractual amount at maturity.

	<u>BANK/GROUP</u>	
	2016 RM'000	2015 RM'000
Structured deposits	269,601	67,232
Fair value changes arising from designation at fair value through profit or loss	(30,465)	(3,737)
	<u>239,136</u>	<u>63,495</u>

The fair value changes of the structured deposits that are attributable to the changes in own credit risk are not significant.

19. DEPOSITS FROM CUSTOMERS (CONTD.)

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

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Due within six months	20,297,177	19,635,124	25,199,911	24,128,402
Six months to one year	4,583,847	4,279,806	5,464,888	5,156,361
One year to three years	52,640	47,655	53,992	48,134
Three years to five years	5,777	6,135	130,695	6,399
	<u>24,939,441</u>	<u>23,968,720</u>	<u>30,849,486</u>	<u>29,339,296</u>

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

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Domestic financial institutions	5,168,192	3,813,411	5,349,252	4,057,149
Domestic non-bank financial institutions	1,835,191	2,406,296	2,724,792	4,443,347
Government and statutory bodies	1,814,137	1,766,434	3,962,637	2,998,668
Business enterprises	11,717,603	11,332,469	14,773,608	14,250,724
Individuals	16,361,415	16,579,623	18,221,964	17,906,583
Foreign entities	533,915	523,371	593,398	591,360
Others	406,116	434,563	494,836	475,598
	<u>37,836,569</u>	<u>36,856,167</u>	<u>46,120,487</u>	<u>44,723,429</u>

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Licensed banks	708,074	601,968	708,074	852,198
Licensed Islamic banks	-	-	-	200,020
Bank Negara Malaysia	309,358	326,527	449,176	437,557
	<u>1,017,432</u>	<u>928,495</u>	<u>1,157,250</u>	<u>1,489,775</u>

21. BALANCES DUE TO CLIENTS AND BROKERS

	<u>GROUP</u>	
	2016	2015
	RM'000	RM'000
Due to clients	77,246	62,833
Due to brokers	-	-
	<u>77,246</u>	<u>62,833</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 normal trade credit terms for non-margin clients is three (3) market days according to the Bursa's FDSS trading rules.

Following the issuance of FRSIC Consensus 18, the Group no longer recognises trust monies balances in the statement of financial position, as the Group does 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 amounting to RM83,067,000 (2015: RM78,850,000) have been excluded accordingly.

22. BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represents the Bank's own bills and acceptances rediscounted and outstanding in the market.

23. AMOUNT DUE TO CAGAMAS BERHAD

This relates to proceeds received from conventional housing loans and hire purchase loans sold directly to Cagamas Berhad with recourse to the Bank. Under the agreement, the Bank undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on pre-determined and agreed upon prudential criteria set by Cagamas Berhad.

24. OTHER LIABILITIES

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other payables	631,078	660,943	756,515	821,776
Provision and accruals	82,005	68,976	93,172	79,527
Remisiers and dealers account	-	-	22,165	21,305
Finance lease liabilities	8,125	10,299	8,125	10,299
Amount due to subsidiaries	-	6,081	-	-
Amount due to holding company	-	591	161	665
	<u>721,208</u>	<u>746,890</u>	<u>880,138</u>	<u>933,572</u>

Finance lease liabilities of the Bank and the Group are payable as follows:

<u>BANK/GROUP</u>	Future minimum lease payments RM'000	Future finance charges RM'000	Present value of finance lease liabilities RM'000
At 31 March 2016			
Within one year	2,780	(460)	2,320
One year to five years	6,255	(450)	5,805
	<u>9,035</u>	<u>(910)</u>	<u>8,125</u>
At 31 March 2015			
Within one year	2,780	(605)	2,175
One year to five years	9,035	(911)	8,124
	<u>11,815</u>	<u>(1,516)</u>	<u>10,299</u>

The Bank leases computer equipment under finance lease. At the end of the lease term, the Bank has the option to acquire the assets at a nominal price deemed to be a bargain purchase option. There are no restrictive covenants imposed by the lease agreement and no arrangements have been entered into for contingent rental payments.

25. OTHER BORROWINGS

On 28 August 2015, the Bank obtained approval from Bank Negara Malaysia for establishment of Senior Medium Term Notes Programme ("Senior MTN Programme") and Commercial Papers Programme ("CPs Programme") to issue:

- (a) Senior MTN Programme of RM1.5 billion in nominal value up to (30) years from the first issuance.

	<u>BANK/GROUP</u>	
	2016 RM'000	2015 RM'000
At cost	5,000	-
Interest accrued	71	-
	<u>5,071</u>	<u>-</u>

On 14 December 2015, the Bank issued RM5.0 million Senior Medium Term Notes ("Senior MTNs") under the RM1.5 billion Senior MTN Programme.

The Senior MTNs have assigned a long term rating of A1 by RAM Rating Services Berhad with tenure of 2 years.

The coupon rate for the Senior MTNs is fixed at 4.75% per annum, payable semi-annually throughout the entire tenure.

The main features of the Senior MTNs are as follows:

- (i) Issue date: 14 December 2015
- (ii) Tenor of the facility/issue: 2 years after issue date
- (iii) Maturity date: 14 December 2017
- (iv) Interest rate/coupon: 4.75% per annum, payable semi-annually in arrears
- (v) Call option: Not available
- (vi) The Senior MTNs will constitute direct unsecured obligations of the issuer, to the extent and in the manner provided for in the Senior MTN and ranks at least pari passu with all other present and future unsecured obligations of the issuer.

- (b) CPs Programme of RM500 million in nominal value up to (7) years from the first issuance.

On 27 November 2015, the Bank issued RM5.0 million Commercial Papers ("CPs") under the RM500.0 million CPs Programme.

The discount rate for the CPs is fixed at 4.10% per annum with tenure of 2 months.

On 27 January 2016, the Bank has fully redeemed its RM5.0 million CPs which had matured on 27 January 2016.

26. SUBORDINATED OBLIGATIONS

On 28 August 2015, the Bank obtained approval from Bank Negara Malaysia for establishment of Subordinated Medium Term Notes Programme ("Sub-MTN Programme") to issue:

Subordinated Medium Term Notes ("Sub-MTNs") of RM2.0 billion in nominal value up to (30) years from the first issuance.

	Note	BANK		GROUP	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sub-MTNs					
RM600 million Sub-MTNs	(a)	613,927	613,267	613,927	613,267
RM900 million Sub-MTNs	(b)	920,953	-	921,344	-
RM300 million Sub-MTNs	(c)	304,733	-	304,876	-
		<u>1,839,613</u>	<u>613,267</u>	<u>1,840,147</u>	<u>613,267</u>

(a) RM600 million Sub-MTNs

	BANK		GROUP	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At cost	600,000	600,000	600,000	600,000
Accumulated unamortised discount	(18)	(598)	(18)	(598)
Interest accrued	13,945	13,865	13,945	13,865
	<u>613,927</u>	<u>613,267</u>	<u>613,927</u>	<u>613,267</u>

On 8 April 2011, the Bank issued RM600 million Sub-MTNs under the RM1.5 billion Sub-MTN Programme.

The Sub-MTNs have been assigned a long term rating of A2 by RAM Rating Services Berhad with tenure of 10 years, callable five (5) years after issue date and on every coupon payment date thereafter.

The coupon rate for the Sub-MTNs is fixed at 4.82% per annum, payable semi-annually throughout the entire tenure and was issued at a discount. The proceeds were used to redeem the RM600 million Subordinated Bonds of the Bank on 26 May 2011.

The main features of the Sub-MTNs are as follows:

- (i) Issue date: 8 April 2011
- (ii) Tenor of the facility/issue: 10 years from the issue date and callable five (5) years after the issue date
- (iii) Maturity date: 8 April 2021
- (iv) Interest rate/coupon: 4.82% per annum, payable semi-annually in arrears
- (v) Redemption option: The issuer may, at its option, redeem the Sub-MTNs at any coupon payment date on or after five (5) years from the issue date. The redemption amount will be at an amount equal to 100% of the principal amount together with accrued but unpaid coupon (if any) relating to the then current interest period (if any) up to (and excluding) the date on which the Sub-MTNs are redeemed.
- (vi) The Sub-MTNs will constitute direct and unsecured obligations of the issuer, subordinated in right and priority of payment, to the extent and in the manner provided in the Sub-MTNs, ranking pari passu among themselves.
- (vii) In the event of winding up or liquidation of the issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally in right of payment or which are subordinated to the Sub-MTNs.

On 8 April 2016, the Bank has fully redeemed its RM600 million Sub-MTNs as disclosed in Note 54.

26. SUBORDINATED OBLIGATIONS (CONTD.)

(b) RM900 million Sub-MTNs

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At cost	900,000	-	900,000	-
Transaction cost	(1,307)	-	(916)	-
Interest accrued	22,260	-	22,260	-
	<u>920,953</u>	<u>-</u>	<u>921,344</u>	<u>-</u>

On 27 October 2015, the Bank issued RM900 million Sub-MTNs under the RM2.0 billion Sub-MTN Programme.

The Subordinated Notes have been assigned a long term rating of A2 by RAM Rating Services Berhad with tenure of 10 years, callable five (5)-years after issue date.

The coupon rate for the Sub-MTNs is fixed at 5.75% per annum, payable semi-annually throughout the entire tenure.

The main features of the Sub-MTNs are as follows:

- (i) Issue date: 27 October 2015
- (ii) Tenor of the facility/issue: 10 years from the issue date and callable five (5) years after issue date
- (iii) Maturity date: 27 October 2025
- (iv) Interest rate/coupon: 5.75% per annum, payable semi-annually in arrears
- (v) Call date: 27 October 2020 and thereafter on every coupon payment date
- (vi) The Sub-MTNs will constitute direct and unsecured obligations of the issuer, subordinated in right and priority of payment, to the extent and in the manner provided in the Sub-MTNs, ranking pari passu among themselves.
- (vii) In the event of winding up or liquidation of the issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally in right of payment or which are subordinated to the Sub-MTNs.

26. SUBORDINATED OBLIGATIONS (CONTD.)

(c) RM300 million Sub-MTNs

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At cost	300,000	-	300,000	-
Transaction cost	(143)	-	-	-
Interest accrued	4,876	-	4,876	-
	<u>304,733</u>	<u>-</u>	<u>304,876</u>	<u>-</u>

On 18 December 2015, the Bank issued RM300 million Sub-MTNs under the RM2.0 billion Sub-MTN Programme.

The Sub-MTNs have been assigned a long term rating of A2 by RAM Rating Services Berhad with tenure of 10 years, callable five (5)-years after issue date.

The coupon rate for the Sub-MTNs is fixed at 5.65% per annum, payable semi-annually throughout the entire tenure.

The main features of the Sub-MTNs are as follows:

- (i) Issue date: 18 December 2015
- (ii) Tenor of the facility/issue: 10 years from the issue date and callable five (5) years after issue date
- (iii) Maturity date: 18 December 2025
- (iv) Interest rate/coupon: 5.65% per annum, payable semi-annually in arrears
- (v) Call date: 18 December 2020 and thereafter on every coupon payment date
- (vi) The Sub-MTNs will constitute direct and unsecured obligations of the issuer, subordinated in right and priority of payment, to the extent and in the manner provided in the Sub-MTNs, ranking pari passu among themselves.
- (vii) In the event of winding up or liquidation of the issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally in right of payment or which are subordinated to the Sub-MTNs.

27. SHARE CAPITAL

	<u>BANK/GROUP</u>	
	2016	2015
	RM'000	RM'000
Authorised:		
4,995,000,000 ordinary shares of RM1 each	4,995,000	4,995,000
500,000,000 irredeemable (non-cumulative) convertible preference shares ("ICPS") of RM0.01 each	<u>5,000</u>	<u>5,000</u>
	<u><u>5,000,000</u></u>	<u><u>5,000,000</u></u>
Issued and fully paid:		
Ordinary shares:		
At 1 April	796,517	596,517
Conversion of 200,000,000 ordinary shares of RM1 each during the financial year	<u>-</u>	<u>200,000</u>
At 31 March	<u><u>796,517</u></u>	<u><u>796,517</u></u>
ICPS:		
At 1 April	-	4,000
Conversion of 400,000,000 ICPS of RM0.01 each to ordinary shares during the financial year	<u>-</u>	<u>(4,000)</u>
At 31 March	<u><u>-</u></u>	<u><u>-</u></u>

Terms of the ICPS are as follows:

- (a) The Bank shall be entitled at its option at any time from the issue date to convert all or any of the ICPS on the basis of Two (2) ICPS for One (1) ordinary share at Ringgit Malaysia Two (RM2.00) only per share at any time and the ordinary shares resulting from such conversion shall rank pari passu in all respects with the remaining ordinary shares;
- (b) The holders of ICPS shall be entitled to receive notice of and attend all General Meetings and be heard but have no right to vote except on resolutions for winding-up of the Bank, for any reduction in capital of the Bank or for any amendment of the Memorandum of Articles of Association of the Bank affecting the rights of the holders;
- (c) Upon any winding-up of the Bank, the holder of the ICPS shall be entitled to the repayment of capital of RM0.01 in priority to the ordinary shares but shall not be entitled to any participation in surplus assets and profits;
- (d) The holders of the ICPS shall rank pari passu amongst themselves and shall rank after all secured and unsecured obligations but will rank ahead of the ordinary shares of the Bank; and
- (e) The holders of the ICPS shall have a right to receive a non-cumulative preferential dividend of five (5) sen per annum per share, provided that there are profits available for distribution.

On 30 December 2014, the Bank has converted existing 400,000,000 Irredeemable Convertible Preference Shares ("ICPS") of RM0.01 each to 200,000,000 New Ordinary Shares of RM1.00 each at the conversion price of RM2.00 each after having obtained approval from Bank Negara Malaysia.

28. RESERVES

	Note	<u>BANK</u>		<u>GROUP</u>	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Non-distributable:</u>					
Statutory reserves	(a)	835,401	722,368	1,200,019	1,069,665
Regulatory reserves	(b)	140,864	-	157,174	-
Capital reserves	(c)	-	-	10,018	10,018
Revaluation reserves	(d)	73,152	43,838	114,786	78,232
Equity contribution from parent	(e)	10,064	10,731	10,896	11,405
Share premium	(f)	401,517	401,517	401,517	401,517
		<u>1,460,998</u>	<u>1,178,454</u>	<u>1,894,410</u>	<u>1,570,837</u>
<u>Distributable:</u>					
Retained profits		<u>1,888,285</u>	<u>1,881,187</u>	<u>2,047,248</u>	<u>2,005,815</u>
		<u><u>3,349,283</u></u>	<u><u>3,059,641</u></u>	<u><u>3,941,658</u></u>	<u><u>3,576,652</u></u>

- (a) The statutory reserves is maintained in compliance with Section 47(2)(f) of the Financial Services Act, 2013 ("FSA") and Section 57(2)(f) of the Islamic Financial Services Act, 2013 ("IFSA") which requires a banking institution to maintain a reserve fund and minimum capital funds at all times. The reserve fund is not distributable as dividends.
- (b) Regulatory reserves is maintained as an additional credit risk absorbent in excess of the requirement of accounting standards to comply with regulatory requirements.
- (c) Capital reserves is in respect of retained profits capitalised for a bonus issue by a subsidiary company.
- (d) The revaluation reserves are in respect of unrealised fair value gains and losses on financial investments available-for-sale.
- (e) The equity contribution from parent relates to the equity-settled share options/share grants to Directors and employees. This reserve is made up of the estimated fair value of the share options/share grants based on the cumulative services received from Directors and employees over the vesting period.
- (f) Share premium relates to:

	<u>BANK/GROUP</u>	
	2016 RM'000	2015 RM'000
- Ordinary shares	<u>401,517</u>	<u>401,517</u>
	<u><u>401,517</u></u>	<u><u>401,517</u></u>

29. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME

The Alliance Financial Group Berhad Employees' Share Scheme ("AFG Bhd ESS") is governed by the Bye-Laws approved by the shareholders at an Extraordinary General Meeting held on 28 August 2007. The AFG Bhd ESS which comprises the Share Option Plan, the Share Grant Plan and the Share Save Plan took effect on 3 December 2007 and is in force for a period of 10 years.

There were no share options offered under the Share Option Plan and Share Save Plan during the financial year.

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

- (i) The AFG Bhd ESS is implemented and administered by the Employees' Share Participating Scheme Committee ("ESPS Committee") in accordance with the Bye-Laws.
- (ii) The total number of shares which may be available under the AFG Bhd ESS shall not exceed in aggregate 10% of the total issued and paid-up share capital of AFG Bhd at any one time during the existence of the AFG Bhd ESS and out of which not more than 50% of the shares available under the AFG Bhd ESS shall be allocated, in aggregate, to Directors and senior management. In addition, not more than 10% of the shares available under the AFG Bhd ESS shall be allocated to any individual Director or employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up capital of AFG Bhd.
- (iii) The subscription price for each share under the Share Option Plan, Share Grant Plan and Share Save Plan may be at a discount (as determined by the ESPS Committee or such other pricing mechanism as may from time to time be permitted by Bursa Malaysia Securities Berhad or such other relevant regulatory authorities), provided that the discount shall not be more than 10% from the 5-day weighted average market price of AFG Bhd's shares transacted on Bursa Malaysia Securities Berhad immediately preceding the date on which an offer is made or at par value of the shares, whichever is higher.
- (iv) The ESPS Committee may at its discretion offer to any Director or employee of a corporation in the Group to participate in the AFG Bhd ESS if the Director or employee:
 - (a) has attained the age of 18 years;
 - (b) in the case of a Director, is on the board of directors of a corporation in the Group;
 - (c) in the case of an employee, is employed by a corporation in the Group; and
 - (d) is not a participant of any other employee share option scheme implemented by any other corporation within the Group which is in force for the time being

provided that the non-executive directors of the Group who are not employed by a corporation in the Group shall not be eligible to participate in the Share Save Plan.
- (v) Under the Share Option Plan and Share Grant Plan, the ESPS Committee may stipulate the performance targets, performance period, value and/or other conditions deemed appropriate.
- (vi) Under the Share Save Plan, the ESPS Committee may at its discretion offer Share Save Option(s) to any employees of the Group to subscribe for AFG Bhd's shares and the employee shall authorise deductions to be made from his/her salary.
- (vii) AFG Bhd may decide to satisfy the exercise of options / awards of shares under the AFG Bhd ESS through the issue of new shares, transfer of existing shares or a combination of both new and existing shares.
- (viii) AFG Bhd may appoint or authorise the trustee of the AFG Bhd ESS to acquire its shares from the open market to give effect to the AFG Bhd ESS.

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

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options/grants during the financial year:

BANK 2016	Share Options						Share Grants					
	Number of Share Options						Number of Share Grants					
	At beginning of financial year '000	Offered/ awarded '000	Transfer '000	Vested/ exercised '000	Lapsed/ forfeited '000	At end of financial year '000	At beginning of financial year '000	Offered/ awarded '000	Transfer '000	Vested '000	Lapsed/ forfeited '000	At end of financial year '000
2013 Share Scheme (1st grant)	6,867	-	-	-	(6,867)	-	443	-	2	(420)	(25)	-
2013 Share Scheme (2nd grant)	825	-	-	-	(825)	-	29	-	-	(29)	-	-
2014 Share Scheme	9,139	-	36	-	(3,637)	5,538	480	-	2	(254)	(66)	162
2015 Share Scheme (1st grant)	-	-	-	-	-	-	1,729	-	6	(653)	(294)	788
2015 Share Scheme (2nd grant)	-	-	-	-	-	-	34	-	-	(11)	-	23
2016 Share Scheme	-	-	-	-	-	-	-	1,599	12	(113)	(263)	1,235
	<u>16,831</u>	<u>-</u>	<u>36</u>	<u>-</u>	<u>(11,329)</u>	<u>5,538</u>	<u>2,715</u>	<u>1,599</u>	<u>22</u>	<u>(1,480)</u>	<u>(648)</u>	<u>2,208</u>
WAEP	<u>4.84</u>	<u>-</u>	<u>5.36</u>	<u>-</u>	<u>4.59</u>	<u>5.36</u>						
2015	Share Options						Share Grants					
	Number of Share Options						Number of Share Grants					
	At beginning of financial year '000	Offered/ awarded '000	Transfer '000	Vested/ exercised '000	Lapsed '000	At end of financial year '000	At beginning of financial year '000	Offered/ awarded '000	Transfer '000	Vested '000	Lapsed '000	At end of financial year '000
2012 Share Scheme	5,759	-	-	(4,084)	(1,675)	-	623	-	-	(601)	(22)	-
2013 Share Scheme (1st grant)	9,814	-	18	(1,048)	(1,917)	6,867	1,257	-	12	(748)	(78)	443
2013 Share Scheme (2nd grant)	825	-	-	-	-	825	58	-	-	(29)	-	29
2014 Share Scheme	12,397	-	76	(1,047)	(2,287)	9,139	1,114	-	9	(593)	(50)	480
2015 Share Scheme (1st grant)	-	-	-	-	-	-	-	1,885	-	(122)	(34)	1,729
2015 Share Scheme (2nd grant)	-	-	-	-	-	-	-	34	-	-	-	34
	<u>28,795</u>	<u>-</u>	<u>94</u>	<u>(6,179)</u>	<u>(5,879)</u>	<u>16,831</u>	<u>3,052</u>	<u>1,919</u>	<u>21</u>	<u>(2,093)</u>	<u>(184)</u>	<u>2,715</u>
WAEP	<u>4.58</u>	<u>-</u>	<u>5.14</u>	<u>3.99</u>	<u>4.48</u>	<u>4.84</u>						

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

The following table illustrates the number and WAEP of, and movements in, share options/grants during the financial year (contd.):

<u>GROUP</u> 2016	Share Options						Share Grants					
	Number of Share Options						Number of Share Grants					
	At beginning of financial year '000	Offered/ awarded '000	Transfer '000	Vested/ exercised '000	Lapsed/ forfeited '000	At end of financial year '000	At beginning of financial year '000	Offered/ awarded '000	Transfer '000	Vested '000	Lapsed/ forfeited '000	At end of financial year '000
2013 Share Scheme (1st grant)	7,179	-	(118)	-	(7,061)	-	466	-	(9)	(429)	(28)	-
2013 Share Scheme (2nd grant)	1,050	-	-	-	(1,050)	-	37	-	-	(37)	-	-
2014 Share Scheme	9,931	-	(172)	-	(3,637)	6,122	514	-	(9)	(266)	(66)	173
2015 Share Scheme (1st grant)	-	-	-	-	-	-	1,852	-	(26)	(684)	(294)	848
2015 Share Scheme (2nd grant)	-	-	-	-	-	-	34	-	-	(11)	-	23
2016 Share Scheme	-	-	-	-	-	-	-	1,745	-	(113)	(270)	1,362
	<u>18,160</u>	<u>-</u>	<u>(290)</u>	<u>-</u>	<u>(11,748)</u>	<u>6,122</u>	<u>2,903</u>	<u>1,745</u>	<u>(44)</u>	<u>(1,540)</u>	<u>(658)</u>	<u>2,406</u>
WAEP	<u>4.85</u>	<u>-</u>	<u>4.90</u>	<u>-</u>	<u>4.58</u>	<u>5.36</u>						
2015	Share Options						Share Grants					
	Number of Share Options						Number of Share Grants					
	At beginning of financial year '000	Offered/ awarded '000	Transfer '000	Vested/ exercised '000	Lapsed '000	At end of financial year '000	At beginning of financial year '000	Offered/ awarded '000	Transfer '000	Vested '000	Lapsed '000	At end of financial year '000
2012 Share Scheme	6,040	-	-	(4,243)	(1,797)	-	656	-	-	(628)	(28)	-
2013 Share Scheme (1st grant)	10,326	-	-	(1,063)	(2,084)	7,179	1,342	-	-	(782)	(94)	466
2013 Share Scheme (2nd grant)	1,050	-	-	-	-	1,050	74	-	-	(37)	-	37
2014 Share Scheme	13,301	-	-	(1,047)	(2,323)	9,931	1,178	-	-	(611)	(53)	514
2015 Share Scheme (1st grant)	-	-	-	-	-	-	-	2,066	-	(122)	(92)	1,852
2015 Share Scheme (2nd grant)	-	-	-	-	-	-	-	34	-	-	-	34
	<u>30,717</u>	<u>-</u>	<u>-</u>	<u>(6,353)</u>	<u>(6,204)</u>	<u>18,160</u>	<u>3,250</u>	<u>2,100</u>	<u>-</u>	<u>(2,180)</u>	<u>(267)</u>	<u>2,903</u>
WAEP	<u>4.59</u>	<u>-</u>	<u>-</u>	<u>3.98</u>	<u>4.46</u>	<u>4.85</u>						

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

	<u>WAEP</u> RM	<u>Exercise Period</u>
2013 Share Options (1st grant)	4.22	06.07.2015 - 06.07.2017
2013 Share Options (2nd grant)	4.25	31.01.2016 - 31.01.2017
2014 Share Options	5.36	16.08.2016 - 16.08.2017

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

(a) Details of share options/grants at the end of financial year (contd.):

		<u>Vesting Dates</u>
2013 Share Grants (1st grant)	- First 50% of the share grants - Second 50% of the share grants	06.07.2014 06.07.2015
2013 Share Grants (2nd grant)	- First 50% of the share grants - Second 50% of the share grants	31.01.2015 31.01.2016
2014 Share Grants	- First 33.3% of the share grants - Second 33.3% of the share grants - Third 33.4% of the share grants	16.08.2014 16.08.2015 16.08.2016
2015 Share Grants (1st grant)	- First 33.3% of the share grants - Second 33.3% of the share grants - Third 33.4% of the share grants	23.06.2015 23.06.2016 23.06.2017
2015 Share Grants (2nd grant)	- First 33.3% of the share grants - Second 33.3% of the share grants - Third 33.4% of the share grants	26.01.2016 26.01.2017 26.11.2017
2016 Share Grants	- First 33% of the share grants - Second 67% of the share grants	22.06.2016 22.06.2017

(b) Allocation of shares options/grants to Executive Directors and senior management of the Group:

- (i) The aggregate maximum allocation of shares options/grants to Executive Directors and senior management of the Group during the financial year and since commencement of the ESS is 50% of shares available under the ESS.
- (ii) The actual percentage allocation of share grants to Executive Directors and senior management is 41.0% as at 31 March 2016. As for financial year ended 31 March 2015, the actual allocation of share grants to Executive Directors and senior management was 42.8%.

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

(c) Fair value of share options/grants offered/awarded:

The fair value of share options/share grants under the Share Option Plan and the Share Grant Plan during the financial year was estimated by an external valuer using a binomial model, taking into account the terms and conditions upon which the share options/share grants were offered/awarded. The rates are based on observable prices. The fair value of share options and share grants measured at offer/award date and the assumptions are as follows:

	Share Options		
	2013 (1st grant)	2013 (2nd grant)	2014
Fair value of the shares as at grant date,			
- 06 July 2012 (RM)	0.6900	-	-
- 31 January 2013 (RM)	-	0.5000	-
- 16 August 2013 (RM)	-	-	0.7200
Weighted average share price (RM)	4.2200	4.2500	5.3600
Weighted average exercise price (RM)	4.2200	4.2500	5.3600
Expected volatility (%)	0.2345	0.2019	0.2084
Expected life (years)	5	4	4
Risk free rate (%)	2.96 to 3.97	2.99 to 3.90	3.09 to 3.83
Expected dividend yield (%)	3.46	3.51	3.90

	Share Grants					
	2013 (1st grant)	2013 (2nd grant)	2014	2015 (1st grant)	2015 (2nd grant)	2016
Fair value of the shares as at grant date,						
- 06 July 2012 (RM)	3.8000	-	-	-	-	-
- 31 January 2013 (RM)	-	3.8200	-	-	-	-
- 16 August 2013 (RM)	-	-	4.7700	-	-	-
- 23 June 2014 (RM)	-	-	-	4.3400	-	-
- 26 January 2015 (RM)	-	-	-	-	4.3500	-
- 22 June 2015 (RM)	-	-	-	-	-	4.0600
Weighted average share price (RM)	4.2200	4.2500	5.3600	4.7400	4.7430	4.3700
Expected volatility (%)	0.2345	0.2019	0.2084	0.2418	0.1884	0.1736
Risk free rate (%)	2.96 to 3.97	2.99 to 3.90	3.09 to 3.83	3.17 to 4.43	3.36 to 4.39	2.99 to 4.29
Expected dividend yield (%)	3.46	3.51	3.90	4.36	4.31	4.31

The expected life of the share options is based on the exercisable period of the option and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the share option/share grant were incorporated into the measurement of fair value.

The risk-free rate is employed using a range of risk-free rates for Malaysian Government Securities ("MGS") tenure from 1-year to 20-year MGS.

30. INTEREST INCOME

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loans, advances and financing	1,458,508	1,300,772	1,486,756	1,330,504
Money at call and deposit placements with financial institutions	19,791	27,935	17,172	25,301
Financial assets held-for-trading	4,211	428	4,242	428
Financial investments available-for-sale	290,488	294,924	306,319	315,183
Financial investments held-to-maturity	21,817	21,861	26,871	26,908
Others	10,682	10,575	10,684	10,576
	<u>1,805,497</u>	<u>1,656,495</u>	<u>1,852,044</u>	<u>1,708,900</u>
Accretion of discount less amortisation of premium	68,007	57,363	68,125	62,935
	<u>1,873,504</u>	<u>1,713,858</u>	<u>1,920,169</u>	<u>1,771,835</u>

31. INTEREST EXPENSE

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits and placements of banks and other financial institutions	42,439	52,678	51,545	74,748
Deposits from customers	916,350	810,467	939,717	833,328
Securities sold under repurchase agreements	272	-	272	-
Other borrowings	71	-	71	-
Subordinated obligations	56,828	29,470	56,861	29,470
Others	27,559	17,186	27,559	17,186
	<u>1,043,519</u>	<u>909,801</u>	<u>1,076,025</u>	<u>954,732</u>

32. NET INCOME FROM ISLAMIC BANKING BUSINESS

	<u>GROUP</u>	
	2016 RM'000	2015 RM'000
Income derived from investment of depositors' funds and others	429,182	364,828
Income derived from investment of Islamic Banking funds	38,139	33,641
Income attributable to the depositors and financial institutions	(249,579)	(201,714)
	<u>217,742</u>	<u>196,755</u>
Add: Income due to head office eliminated at Group level	26,409	28,302
	<u>244,151</u>	<u>225,057</u>

Note:

Net income from Islamic banking business comprises income generated from both Alliance Islamic Bank Berhad ("AIS"), and Islamic banking business currently residing in Alliance Investment Bank Berhad ("AIBB"). Both AIS and AIBB are wholly-owned subsidiaries of the Bank.

33. OTHER OPERATING INCOME

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(a) <u>Fee and commission income:</u>				
Commissions	77,843	78,212	77,843	78,212
Service charges and fees	30,650	30,789	31,250	31,752
Portfolio management fees	-	-	-	29
Corporate advisory fees	-	-	1,639	762
Underwriting commissions	-	-	375	526
Brokerage fees	-	-	33,793	39,476
Guarantee fees	15,161	12,926	15,430	13,195
Processing fees	6,553	13,377	8,061	15,588
Commitment fees	15,421	15,193	15,445	15,214
Other fee income	101,407	114,512	101,407	114,534
	<u>247,035</u>	<u>265,009</u>	<u>285,243</u>	<u>309,288</u>
(b) <u>Fee and commission expense:</u>				
Commissions expense	(2,050)	(2,275)	(2,050)	(2,275)
Brokerage fees expense	(7)	(7)	(15,778)	(19,328)
Guarantee fees expense	(898)	(737)	(898)	(737)
Other fee expense	(88,046)	(91,309)	(88,046)	(91,309)
	<u>(91,001)</u>	<u>(94,328)</u>	<u>(106,772)</u>	<u>(113,649)</u>
(c) <u>Investment income:</u>				
(Loss)/Gain arising from sale/redemption of:				
- Financial assets held-for-trading	(763)	873	(281)	873
- Financial investments held-to-maturity	(34)	-	(34)	-
- Financial investments available-for-sale	4,966	14,637	6,125	14,977
Marked-to-market revaluation of:				
- Financial assets held-for-trading	1,253	33	1,253	33
- Derivative instruments	(166,215)	36,249	(166,215)	36,249
- Unrealised gain arising from financial liabilities designated at fair value	26,728	3,737	26,728	3,737
Realised gain on derivative instruments	221,532	28,782	221,532	28,782
Gross dividend income from:				
- Financial investments available-for-sale	2,440	1,959	3,190	2,179
- Subsidiaries	5,974	52,896	-	-
	<u>95,881</u>	<u>139,166</u>	<u>92,298</u>	<u>86,830</u>
(d) <u>Other income:</u>				
Foreign exchange gain	32,342	4,277	32,646	4,628
Rental income	379	368	-	-
(Loss)/Gain on disposal of property, plant and equipment	(11)	2	(11)	2
Others	27,935	27,743	28,750	28,622
	<u>60,645</u>	<u>32,390</u>	<u>61,385</u>	<u>33,252</u>
Total other operating income	<u>312,560</u>	<u>342,237</u>	<u>332,154</u>	<u>315,721</u>

34. OTHER OPERATING EXPENSES

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	256,500	221,009	333,812	297,818
- Contribution to EPF	41,054	37,811	53,210	50,161
- Share options/grants under ESS	5,930	5,630	6,349	5,868
- Others	30,580	39,031	38,988	51,582
	<u>334,064</u>	<u>303,481</u>	<u>432,359</u>	<u>405,429</u>
<u>Establishment costs</u>				
- Depreciation of property, plant and equipment	22,444	20,981	22,966	21,420
- Amortisation of computer software	21,443	18,067	21,750	18,325
- Rental of premises	23,460	21,342	30,581	27,948
- Water and electricity	6,008	6,634	8,207	9,104
- Repairs and maintenance	6,850	8,648	9,164	11,402
- Information technology expenses	32,583	29,321	41,529	38,790
- Others	3,920	5,518	14,156	16,616
	<u>116,708</u>	<u>110,511</u>	<u>148,353</u>	<u>143,605</u>
<u>Marketing expenses</u>				
- Promotion and advertisement	3,527	6,580	4,459	7,239
- Branding and publicity	11,155	13,773	13,984	18,266
- Others	4,666	4,444	7,758	7,746
	<u>19,348</u>	<u>24,797</u>	<u>26,201</u>	<u>33,251</u>
<u>Administration and general expenses</u>				
- Communication expenses	10,509	10,524	13,345	14,082
- Printing and stationery	2,714	3,456	3,454	4,198
- Insurance	18,420	9,799	20,410	10,488
- Professional fees	15,435	13,516	19,010	17,863
- Others	22,552	17,519	25,521	17,659
	<u>69,630</u>	<u>54,814</u>	<u>81,740</u>	<u>64,290</u>
Total other operating expenses	<u>539,750</u>	<u>493,603</u>	<u>688,653</u>	<u>646,575</u>

Included in the other operating expenses are the following:

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Auditors' remuneration				
- statutory audit fees	726	660	1,067	1,002
- under provision in prior year	-	170	-	170
- audit related fees	419	378	651	602
- tax compliance fees	49	47	103	89
- tax related services	20	1,166	20	1,166
Hire of equipment	5,881	4,906	5,888	5,042
Property, plant and equipment written-off	736	837	762	957
Computer software written-off	74	278	74	658
	<u>74</u>	<u>278</u>	<u>74</u>	<u>658</u>

35. ALLOWANCE FOR LOSSES ON LOANS, ADVANCES AND FINANCING AND OTHER RECEIVABLES

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Allowance for/(write-back of) impaired loans and financing and other receivables:				
(a) Individual assessment allowance				
- Made during the year (net)	18,795	9,159	24,229	3,475
(b) Collective assessment allowance				
- Made during the year (net)	1,502	51,693	40,577	78,193
(c) Bad debts on loans and financing				
- Recovered	(28,264)	(46,662)	(37,799)	(61,849)
- Written-off	9,955	12,486	17,229	17,744
	<u>1,988</u>	<u>26,676</u>	<u>44,236</u>	<u>37,563</u>
Allowance for other receivables	2,719	2,279	4,092	2,041
	<u>4,707</u>	<u>28,955</u>	<u>48,328</u>	<u>39,604</u>

During the current financial year, the Bank and the Group carried out an exercise to refine its MFRS139 collective assessment impairment estimation for certain loan portfolios. The refinement is part of the management's on-going initiative to enhance the loans loss methodologies. This has resulted a write-back of collective assessment allowance of RM17,166,000 and RM20,432,000 in the Bank and the Group respectively.

36. WRITE-BACK OF IMPAIRMENT ON SECURITIES

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Write-back of impairment on securities:				
- Financial investments available-for-sale	-	-	(6,050)	(1,759)
- Financial investments held-to-maturity	(1,698)	(600)	(1,715)	(4,969)
	<u>(1,698)</u>	<u>(600)</u>	<u>(7,765)</u>	<u>(6,728)</u>

37. TAXATION

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income tax:				
Provision for current financial year	149,059	136,886	170,984	164,040
Under provision in prior years	7,208	3,748	7,525	3,947
	<u>156,267</u>	<u>140,634</u>	<u>178,509</u>	<u>167,987</u>
Deferred tax (Note 17)	(8,611)	473	(7,149)	669
	<u>147,656</u>	<u>141,107</u>	<u>171,360</u>	<u>168,656</u>

Income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the financial year.

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

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before taxation	<u>599,786</u>	<u>624,336</u>	<u>691,398</u>	<u>678,456</u>
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	143,949	156,084	165,936	169,614
Effect of income not subject to tax	(1,888)	(20,004)	(674)	(6,910)
Effect of expenses not deductible for tax purposes	4,498	4,203	4,865	5,102
Over provision of deferred tax in prior years	(6,111)	(2,924)	(6,292)	(3,097)
Under provision of tax expense in prior years	7,208	3,748	7,525	3,947
Tax expense for the financial year	<u>147,656</u>	<u>141,107</u>	<u>171,360</u>	<u>168,656</u>

38. EARNINGS PER SHARE**(a) Basic**

Basic earnings per share amounts are calculated by dividing profit for the year attributable to owner of the parent by the weighted average number of ordinary shares in issue during the financial year.

	<u>GROUP</u>	
	2016 RM'000	2015 RM'000
Profit for the year attributable to owner of the parent	<u>520,038</u>	<u>509,800</u>
	2016 '000	2015 '000
Weighted average numbers of ordinary shares in issue	<u>796,517</u>	<u>796,517</u>
	2016 sen	2015 sen
Basic earnings per share	<u>65</u>	<u>64</u>

(b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the year attributable to owner of the parent and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e. Irredeemable (non-cumulative) Convertible Preference Shares ("ICPS").

	<u>GROUP</u>	
	2016 RM'000	2015 RM'000
Profit for the year attributable to owner of the parent	<u>520,038</u>	<u>509,800</u>
	2016 '000	2015 '000
Weighted average numbers of ordinary shares in issue	<u>796,517</u>	<u>796,517</u>
	2016 sen	2015 sen
Diluted earnings per share	<u>65</u>	<u>64</u>

39. DIVIDENDS

(a) Dividends on Ordinary Shares:

	<u>Recognised during the year</u>	
	2016 RM'000	2015 RM'000
<u>Second Interim</u>		
26.9 sen, tax exempt under the single tier tax on 596,517,043 ordinary shares, declared in financial year ended 31 March 2014, was paid on 22 May 2014	-	160,463
<u>First Interim</u>		
24.4 sen, tax exempt under the single tier tax on 596,517,043 ordinary shares, declared in financial year ending 31 March 2015, was paid on 26 November 2014	-	145,550
<u>Second Interim</u>		
8.46 sen, tax exempt under the single tier tax on 796,517,043 ordinary shares, declared in financial year ended 31 March 2015, was paid on 15 June 2015	67,386	-
<u>First Interim</u>		
15.7 sen, tax exempt under the single tier tax on 796,517,043 ordinary shares, declared in financial year ending 31 March 2016, was paid on 18 December 2015	125,053	-
	192,439	306,013

Subsequent to the financial year end, on 30 May 2016, the Directors declared a second interim dividend of 12.66 sen, tax exempt under the single tier tax system, on 796,517,043 ordinary shares amounting to approximately RM100,839,000 in respect of current financial year. The accompanying financial statements do not reflect these dividend. The dividend will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2016.

The following is the analysis of dividends per share in respect of the financial year when the dividends were declared or paid:

	<u>Net dividends per Ordinary Share</u>	
	2016 Sen	2015 Sen
Declared subsequent to financial year end:		
Second interim dividend of 12.66 sen, tax exempt under single tier tax	12.66	-
Second interim dividend of 8.46 sen, tax exempt under single tier tax	-	8.46
Paid:		
First Interim dividend of 15.7, tax exempt under single tier tax	15.70	-
First Interim dividend of 24.4, tax exempt under single tier tax	-	24.40
	28.36	32.86

39. DIVIDENDS (CONTD.)

(b) Dividends on ICPS:

	<u>Recognised during the year</u>		<u>Net dividends per Preference Share</u>	
	2016 RM'000	2015 RM'000	2016 Sen	2015 Sen
<u>Final</u>				
5 sen per share, tax exempt dividend under the single tier tax on 400,000,000 preference shares, declared in financial year ended 31 March 2015, and paid on 26 November 2014	-	20,000	-	5.00

40. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(a) <u>Transactions</u>				
Interest income				
- subsidiaries	29,221	30,159	-	-
- key management personnel	53	104	63	111
Dividend income				
- subsidiaries	5,974	52,896	-	-
Management fees				
- subsidiaries	266	437	-	-
Rental income				
- subsidiaries	379	368	-	-
Other operating expenses recharged				
- holding company	904	1,180	904	1,180
- subsidiaries	99,167	99,889	-	-
- joint venture	185	-	185	-

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

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(a) <u>Transactions (contd.)</u>				
Interest expenses				
- holding company	-	-	(1,846)	(1,975)
- subsidiaries	(41)	(392)	-	-
- related companies	-	(21)	(1,518)	(901)
- an associate	(40)	(38)	(40)	(38)
- joint venture	-	-	-	(16)
- key management personnel	(113)	(106)	(132)	(122)
Other operating expenses				
- holding company	(4,199)	(4,252)	(6,122)	(6,040)
- related companies	-	(126)	-	-
- joint venture	-	-	(221)	(27)
Commission paid				
- subsidiaries	(40,630)	(37,005)	-	-
Dividend paid				
- holding company	(192,439)	(326,013)	(192,439)	(326,013)
(b) <u>Balances</u>				
Deposits from customers				
- holding company	(18)	(15)	(47,332)	(69,527)
- subsidiaries	(31,460)	(63,877)	-	-
- related companies	(11)	(1,617)	(47,002)	(45,898)
- an associate	(1,206)	(1,183)	(1,206)	(1,183)
- joint venture	(351)	-	(351)	(2,023)
- key management personnel	(8,412)	(4,262)	(9,668)	(5,476)
Financial investments available-for-sale				
- subsidiaries	836,325	739,540	-	-
Loans, advances and financing				
- key management personnel	2,677	2,920	3,955	4,150
Money at call and deposit placements with financial institutions				
- subsidiaries	284,805	338,930	-	-
- joint venture	-	-	351	-
Other assets				
- holding company	105	-	105	-
- subsidiaries	12,878	10,433	-	-
- related companies	49	43	49	43
- joint venture	42	52	190	533
Other liabilities				
- holding company	-	(591)	(161)	(665)
- subsidiaries	(7,252)	(6,956)	-	-

40. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)(b) Balances (contd.)

Key management personnel refer to those persons having authority and responsibility for planning, directing and controlling the activities of the Bank and the Group, directly or indirectly, including Executive Directors and Non-Executive Directors of the Bank and the Group (including close members of their families). Other members of key management personnel of the Bank and the Group are the Group Chief Executive Officer, Group Chief Operating Officer, Group Chief Financial Officer, Group Chief Risk Officer, Group Chief Credit Officer and Group Chief Administrative Officer.

(c) Compensation of key management personnel

Remuneration of CEO, Directors and other members of key management excluding past CEO and Directors for the financial year is as follows:

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Short-term employee benefits				
- Fees	765	639	1,358	1,305
- Salary and other remuneration, including meeting allowances	9,994	6,189	12,531	8,400
- Contribution to EPF	1,252	830	1,577	1,133
- Share options/grants under ESS	391	1,476	632	1,674
Benefits-in-kind	84	25	84	25
	<u>12,486</u>	<u>9,159</u>	<u>16,182</u>	<u>12,537</u>

Included in the total key management personnel are:

CEO and Directors' remuneration, excluding past CEO and Directors (Note 42)	<u>8,585</u>	<u>1,996</u>	<u>12,281</u>	<u>5,375</u>
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40. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)(c) Compensation of key management personnel (contd.)

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

	Share Options		Share Grants	
	2016 '000	2015 '000	2016 '000	2015 '000
<u>BANK</u>				
At beginning of financial year	2,176	8,391	395	732
Offered/awarded	-	-	246	292
Vested	-	(3,039)	(360)	(607)
Lapsed	(1,721)	(3,176)	(103)	(22)
At end of financial year	<u>455</u>	<u>2,176</u>	<u>178</u>	<u>395</u>

	Share Options		Share Grants	
	2016 '000	2015 '000	2016 '000	2015 '000
<u>GROUP</u>				
At beginning of financial year	2,597	8,812	446	755
Offered/awarded	-	-	336	329
Vested	-	(3,039)	(381)	(616)
Lapsed	(1,871)	(3,176)	(103)	(22)
At end of financial year	<u>726</u>	<u>2,597</u>	<u>298</u>	<u>446</u>

The above share options/grants were offered/awarded on the same terms and conditions as those offered to other employees of AFG Berhad Group (Note 29).

41. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	<u>BANK</u>	
	2016	2015
	RM'000	RM'000
Outstanding credit exposures with connected parties	<u>65,946</u>	<u>109,088</u>
of which:		
Total credit exposure which is impaired or in default	<u>-</u>	<u>-</u>
Total credit exposures	<u>39,847,975</u>	<u>40,521,917</u>
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	<u>0.17%</u>	<u>0.27%</u>
- which is impaired or in default	<u>0.00%</u>	<u>0.00%</u>

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with paragraph 9.1 of Bank Negara Malaysia's Guidelines on Credit Transactions and Exposures with Connected Parties, which became effective on 1 January 2008.

Based on these guidelines, a connected party refers to the following:

- (i) Directors of the Bank and their close relatives;
- (ii) Controlling shareholder and his close relatives;
- (iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank, and his close relatives;
- (iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;
- (v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
- (vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and
- (vii) Subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above includes the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan commitments. It also includes holdings of equities and private debt securities issued by the connected parties.

42. CEOs AND DIRECTORS' REMUNERATION

Remuneration in aggregate for all Chief Executive Officers ("CEO")/Directors charged to the statement of comprehensive income for the year is as follows:

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Chief Executive Officers:				
- Salary and other remuneration	4,195	516	5,774	2,004
- Bonuses	2,000	-	2,625	475
- Contribution to EPF	816	80	1,141	383
- Share options/grants under ESS	-	-	241	199
- Benefits-in-kind	52	-	52	-
	<u>7,063</u>	<u>596</u>	<u>9,833</u>	<u>3,061</u>
Non-executive Directors:				
- Fees	765	639	1,358	1,305
- Allowances	726	737	1,059	985
- Benefits-in-kind	31	24	31	24
	<u>1,522</u>	<u>1,400</u>	<u>2,448</u>	<u>2,314</u>
	<u>8,585</u>	<u>1,996</u>	<u>12,281</u>	<u>5,375</u>
Past Chief Executive Officers/Directors:				
- Salary and other remuneration, including meeting allowance	7	1,434	74	1,434
- Bonuses	-	1,250	-	1,250
- Fees	7	-	143	-
- Contribution to EPF	-	829	-	829
- Share options/grants under ESS	-	2,003	-	2,003
- Benefits-in-kind	-	27	-	27
	<u>14</u>	<u>5,543</u>	<u>217</u>	<u>5,543</u>
	<u>8,599</u>	<u>7,539</u>	<u>12,498</u>	<u>10,918</u>
Total Directors' remuneration excluding benefits-in-kind	<u>8,516</u>	<u>7,488</u>	<u>12,415</u>	<u>10,867</u>

42 CEOs AND DIRECTORS' REMUNERATION (CONTD.)

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

<u>BANK</u> 2016	<u>Salary and other remuneration</u> RM'000	<u>Bonuses</u> RM'000	<u>Contribution to EPF</u> RM'000	<u>Fees</u> RM'000	<u>Allowances</u> RM'000	<u>Share options/grants under ESS</u> RM'000	<u>Benefits-in-kind</u> RM'000	<u>Total</u> RM'000
<u>Chief Executive Officer:</u>								
Joel Kornreich	4,195	2,000	816	-	-	-	52	7,063
	<u>4,195</u>	<u>2,000</u>	<u>816</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52</u>	<u>7,063</u>
<u>Non-executive Directors:</u>								
Dato' Thomas Mun Lung Lee	-	-	-	159	65	-	31	255
Tan Yuen Fah	-	-	-	80	54	-	-	134
Lee Ah Boon	-	-	-	80	100	-	-	180
Ou Shian Waei	-	-	-	80	100	-	-	180
Kung Beng Hong	-	-	-	80	141	-	-	221
Kuah Hun Liang	-	-	-	80	71	-	-	151
Datuk Wan Azhar bin Wan Ahmad	-	-	-	79	84	-	-	163
Lee Boon Huat	-	-	-	79	72	-	-	151
Ho Hon Cheong	-	-	-	48	39	-	-	87
Megat Dziauddin Bin Megat Mahmud	-	-	-	7	7	-	-	14
	<u>-</u>	<u>-</u>	<u>-</u>	<u>772</u>	<u>733</u>	<u>-</u>	<u>31</u>	<u>1,536</u>
Total CEO and Directors' remuneration	<u>4,195</u>	<u>2,000</u>	<u>816</u>	<u>772</u>	<u>733</u>	<u>-</u>	<u>83</u>	<u>8,599</u>

42 CEOs AND DIRECTORS' REMUNERATION (CONTD.)

The total remuneration (including benefit-in-kind) of the CEOs and Directors of the Bank and the Group are as follows (contd.):

<u>GROUP</u> 2016	<u>Salary and other remuneration</u> RM'000	<u>Bonuses</u> RM'000	<u>Contribution to EPF</u> RM'000	<u>Fees</u> RM'000	<u>Allowances</u> RM'000	<u>Share options/grants under ESS</u> RM'000	<u>Benefits- in-kind</u> RM'000	<u>Total</u> RM'000
<u>Chief Executive Officers:</u>								
Joel Kornreich	4,195	2,000	816	-	-	-	52	7,063
Mahesh s/o Shri Pranlal Rupawalla	959	400	201	-	-	89	-	1,649
Foziakhatoon Binti Amanulla Khan	620	225	124	-	-	152	-	1,121
	<u>5,774</u>	<u>2,625</u>	<u>1,141</u>	<u>-</u>	<u>-</u>	<u>241</u>	<u>52</u>	<u>9,833</u>
<u>Non-executive Directors:</u>								
Dato' Thomas Mun Lung Lee	-	-	-	232	71	-	31	334
Tan Yuen Fah	-	-	-	80	54	-	-	134
Lee Ah Boon	-	-	-	80	100	-	-	180
Ou Shian Waei	-	-	-	80	100	-	-	180
Kung Beng Hong	-	-	-	172	184	-	-	356
Kuah Hun Liang	-	-	-	146	119	-	-	265
Hj Md Ali bin Md Sarif	-	-	-	66	61	-	-	127
Dato' Majid Bin Mohamad	-	-	-	132	62	-	-	194
Datuk Wan Azhar bin Wan Ahmad	-	-	-	103	89	-	-	192
Lee Boon Huat	-	-	-	79	72	-	-	151
Ho Hon Cheong	-	-	-	48	39	-	-	87
Premod Paul Thomas	-	-	-	67	56	-	-	123
Mazidah Binti Abdul Malik	-	-	-	14	4	-	-	18
Megat Dziauddin Bin Megat Mahmud	-	-	-	145	61	-	-	206
Dr. Abdul Rahman bin Awang	-	-	-	57	61	-	-	118
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,501</u>	<u>1,133</u>	<u>-</u>	<u>31</u>	<u>2,665</u>
Total CEO and Directors' remuneration	<u>5,774</u>	<u>2,625</u>	<u>1,141</u>	<u>1,501</u>	<u>1,133</u>	<u>241</u>	<u>83</u>	<u>12,498</u>

42 CEOs AND DIRECTORS' REMUNERATION (CONTD.)

The total remuneration (including benefit-in-kind) of the Directors of the Bank and the Group are as follows (contd.):

<u>BANK</u> 2015	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees RM'000	Allowances RM'000	Share options/grants under ESS RM'000	Benefits- in-kind RM'000	Total RM'000
<u>Chief Executive Officer:</u>								
Joel Kornreich	516	-	80	-	-	-	-	596
Sng Seow Wah	1,434	1,250	829	-	-	2,003	27	5,543
	<u>1,950</u>	<u>1,250</u>	<u>909</u>	<u>-</u>	<u>-</u>	<u>2,003</u>	<u>27</u>	<u>6,139</u>
<u>Non-executive Directors:</u>								
Dato' Thomas Mun Lung Lee	-	-	-	159	78	-	24	261
Tan Yuen Fah	-	-	-	80	63	-	-	143
Megat Dziauddin Bin Megat Mahmud	-	-	-	80	107	-	-	187
Lee Ah Boon	-	-	-	80	95	-	-	175
Ou Shian Waei	-	-	-	80	159	-	-	239
Kung Beng Hong	-	-	-	80	181	-	-	261
Kuah Hun Liang	-	-	-	80	54	-	-	134
	<u>-</u>	<u>-</u>	<u>-</u>	<u>639</u>	<u>737</u>	<u>-</u>	<u>24</u>	<u>1,400</u>
Total Directors' remuneration	<u>1,950</u>	<u>1,250</u>	<u>909</u>	<u>639</u>	<u>737</u>	<u>2,003</u>	<u>51</u>	<u>7,539</u>

42 CEOs AND DIRECTORS' REMUNERATION (CONTD.)

The total remuneration (including benefit-in-kind) of the Directors of the Bank and the Group are as follows (contd.):

<u>GROUP</u>	<u>Salary and other remuneration</u>	<u>Bonuses</u>	<u>Contribution to EPF</u>	<u>Fees</u>	<u>Allowances</u>	<u>Share options/grants under ESS</u>	<u>Benefits-in-kind</u>	<u>Total</u>
2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Chief Executive Officers:</u>								
Joel Kornreich	516	-	80	-	-	-	-	596
Mahesh s/o Shri Pranalal Rupawalla	907	250	185	-	-	-	-	1,342
Foziakhatoon Binti Amanulla Khan	581	225	118	-	-	199	-	1,123
Sng Seow Wah	1,434	1,250	829	-	-	2,003	27	5,543
	<u>3,438</u>	<u>1,725</u>	<u>1,212</u>	<u>-</u>	<u>-</u>	<u>2,202</u>	<u>27</u>	<u>8,604</u>
<u>Non-executive Directors:</u>								
Dato' Thomas Mun Lung Lee	-	-	-	291	91	-	24	406
Tan Yuen Fah	-	-	-	80	63	-	-	143
Megat Dziauddin Bin Megat Mahmud	-	-	-	278	130	-	-	408
Lee Ah Boon	-	-	-	80	95	-	-	175
Ou Shian Waei	-	-	-	80	159	-	-	239
Kung Beng Hong	-	-	-	146	230	-	-	376
Kuah Hun Liang	-	-	-	146	92	-	-	238
Dr. Abdul Rahman bin Awang	-	-	-	66	57	-	-	123
Md. Ali bin Md. Sarif	-	-	-	66	55	-	-	121
Dato' Majid Bin Mohamad	-	-	-	72	13	-	-	85
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,305</u>	<u>985</u>	<u>-</u>	<u>24</u>	<u>2,314</u>
Total Directors' remuneration	<u>3,438</u>	<u>1,725</u>	<u>1,212</u>	<u>1,305</u>	<u>985</u>	<u>2,202</u>	<u>51</u>	<u>10,918</u>

43. FINANCIAL RISK MANAGEMENT POLICIES

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

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

(a) Credit Risk

Credit risk is the risk of financial loss resulting from the failure of the Bank's borrowers or counterparties to fulfil their contractual obligations to repay their loans or settle commitments. Exposure to credit risk may be categorised as primary or secondary.

Credit risk arises from loans/financing, advances, investment in securities, amongst others. The amount of credit exposure is represented by the carrying amount of loans/financing, advances and investment securities in the statements of financial position. The lending/financing activities in the Group are guided by the Group's Credit Risk Management Framework, in line with regulatory guidelines and best practices.

Credit risk also arises from financial transactions with counterparties (including interbank market activities, derivative instruments used for hedging and debt instruments), of which the amount of credit exposure in respect of these instruments is equal to the carrying amount of these assets in the statements of financial position. This exposure is monitored on an on-going basis against predetermined counterparty limits.

The credit exposure arising from off-balance sheet activities, i.e. commitments and contingencies is set out in Note 47 to the financial statements.

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(a) Credit Risk (contd.)****(i) Maximum exposure to credit risk**

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

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

	<u>BANK</u>		<u>GROUP</u>	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Credit risk exposure of on-balance sheet:				
Cash and short-term funds (exclude cash in hand)	3,907,289	2,135,629	4,640,610	2,382,645
Deposits and placements with banks and other financial institutions	195,865	298,167	195,865	298,167
Balances due from clients and brokers	-	-	104,659	102,743
Financial assets held-for-trading	132,229	10,037	132,229	10,037
Financial investments available-for-sale (exclude equity securities)	7,150,250	7,787,813	8,413,340	9,613,634
Financial investments held-to-maturity	719,324	714,915	1,129,307	1,319,035
Derivative financial assets	133,651	132,460	133,651	132,460
Loans, advances and financing	31,210,633	29,814,140	38,372,359	36,532,105
Statutory deposits with Bank Negara Malaysia	1,117,640	1,344,000	1,410,828	1,675,326
	<u>44,566,881</u>	<u>42,237,161</u>	<u>54,532,848</u>	<u>52,066,152</u>
Credit risk exposure of off-balance sheet:				
Financial guarantees	453,338	536,139	568,644	634,879
Credit related commitments and contingencies	9,246,741	11,298,182	11,176,607	13,253,528
	<u>9,700,079</u>	<u>11,834,321</u>	<u>11,745,251</u>	<u>13,888,407</u>
Total maximum exposure	<u>54,266,960</u>	<u>54,071,482</u>	<u>66,278,099</u>	<u>65,954,559</u>

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(ii) Credit risk concentrations

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

	Government and Central Bank	Financial, Insurance, Business Services and Real Estate	Transport, Storage and Communication Services	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction	Household	Others	Total
<u>BANK</u> 2016	<u>Bank</u> RM'000	<u>Real Estate</u> RM'000	<u>Services</u> RM'000	<u>Retail Trade</u> RM'000	<u>Construction</u> RM'000	<u>Household</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
Cash and short-term funds	1,698,304	2,208,985	-	-	-	-	-	3,907,289
Deposits and placements with banks and other financial institutions	-	195,865	-	-	-	-	-	195,865
Financial assets held-for-trading	40,441	40,805	50,983	-	-	-	-	132,229
Financial investments available-for-sale	2,736,023	3,623,301	501,473	204,742	84,711	-	-	7,150,250
Financial investments held-to-maturity	578,740	140,584	-	-	-	-	-	719,324
Derivative financial assets	13,175	92,277	-	-	-	-	28,199	133,651
Loans, advances and financing	-	4,186,361	251,850	8,057,036	568,098	17,736,055	411,233	31,210,633
Statutory deposits with Bank Negara Malaysia	1,117,640	-	-	-	-	-	-	1,117,640
	<u>6,184,323</u>	<u>10,488,178</u>	<u>804,306</u>	<u>8,261,778</u>	<u>652,809</u>	<u>17,736,055</u>	<u>439,432</u>	<u>44,566,881</u>
Financial guarantees	-	67,078	20,914	314,252	25,715	2,675	22,704	453,338
Credit related commitments and contingencies	-	726,807	81,692	3,136,796	1,058,712	4,157,877	84,857	9,246,741
	<u>-</u>	<u>793,885</u>	<u>102,606</u>	<u>3,451,048</u>	<u>1,084,427</u>	<u>4,160,552</u>	<u>107,561</u>	<u>9,700,079</u>
Total credit risk	<u>6,184,323</u>	<u>11,282,063</u>	<u>906,912</u>	<u>11,712,826</u>	<u>1,737,236</u>	<u>21,896,607</u>	<u>546,993</u>	<u>54,266,960</u>

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(ii) Credit risk concentrations (contd.)

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

GROUP	Government	Financial,	Transport,	Agriculture,	Construction	Household	Others	Total
	and Central	Insurance,	Storage and	Manufacturing,				
	Bank	Business	Communication	Wholesale &				
2016	RM'000	Services and	Services	Retail Trade	RM'000	RM'000	RM'000	RM'000
		Real Estate						
		RM'000	RM'000	RM'000				
Cash and short-term funds	2,712,615	1,927,995	-	-	-	-	-	4,640,610
Deposits and placements with banks and other financial institutions	-	195,865	-	-	-	-	-	195,865
Balances due from clients and brokers	-	7,816	-	-	-	-	96,843	104,659
Financial assets held-for-trading	40,441	40,805	50,983	-	-	-	-	132,229
Financial investments available-for-sale	3,717,205	3,529,144	780,619	226,243	160,129	-	-	8,413,340
Financial investments held-to-maturity	933,960	195,347	-	-	-	-	-	1,129,307
Derivative financial assets	13,175	92,277	-	-	-	-	28,199	133,651
Loans, advances and financing	-	4,803,818	293,280	10,097,608	696,968	22,013,943	466,742	38,372,359
Statutory deposits with Bank Negara Malaysia	1,410,828	-	-	-	-	-	-	1,410,828
	8,828,224	10,793,067	1,124,882	10,323,851	857,097	22,013,943	591,784	54,532,848
Financial guarantees	-	69,812	20,954	392,415	59,909	2,675	22,879	568,644
Credit related commitments and contingencies	-	1,019,751	86,904	4,033,902	1,131,450	4,486,937	417,663	11,176,607
	-	1,089,563	107,858	4,426,317	1,191,359	4,489,612	440,542	11,745,251
Total credit risk	8,828,224	11,882,630	1,232,740	14,750,168	2,048,456	26,503,555	1,032,326	66,278,099

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(ii) Credit risk concentrations (contd.)

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

	Government and Central <u>Bank</u> RM'000	Financial, Insurance, Business and <u>Real Estate</u> RM'000	Transport, Storage and Communication <u>Services</u> RM'000	Agriculture, Manufacturing, Wholesale & <u>Retail Trade</u> RM'000	<u>Construction</u> RM'000	<u>Household</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
BANK								
2015								
Cash and short-term funds	694,538	1,441,091	-	-	-	-	-	2,135,629
Deposits and placements with banks and other financial institutions	-	298,167	-	-	-	-	-	298,167
Financial assets held-for-trading	-	-	5,007	-	5,030	-	-	10,037
Financial investments available-for-sale	4,160,080	2,876,820	253,331	305,182	121,143	-	71,257	7,787,813
Financial investments held-to-maturity	714,578	337	-	-	-	-	-	714,915
Derivative financial assets	-	61,004	-	-	-	-	71,456	132,460
Loans, advances and financing	-	3,973,410	188,195	7,374,679	456,952	17,448,493	372,411	29,814,140
Statutory deposits with Bank Negara Malaysia	1,344,000	-	-	-	-	-	-	1,344,000
	6,913,196	8,650,829	446,533	7,679,861	583,125	17,448,493	515,124	42,237,161
Financial guarantees	-	116,003	24,423	335,941	20,385	-	39,387	536,139
Credit related commitments and contingencies	-	1,214,737	76,195	2,936,046	1,259,578	5,766,339	45,287	11,298,182
	-	1,330,740	100,618	3,271,987	1,279,963	5,766,339	84,674	11,834,321
Total credit risk	6,913,196	9,981,569	547,151	10,951,848	1,863,088	23,214,832	599,798	54,071,482

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(ii) Credit risk concentrations (contd.)

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

GROUP	Government	Financial,	Transport,	Agriculture,	Construction	Household	Others	Total
	and Central	Insurance,	Storage and	Manufacturing,				
	Bank	Business	Communication	Wholesale &				
2015	RM'000	Services and	Services	Retail Trade	RM'000	RM'000	RM'000	RM'000
		Real Estate						
		RM'000	RM'000	RM'000				
Cash and short-term funds	978,808	1,403,837	-	-	-	-	-	2,382,645
Deposits and placements with banks and other financial institutions	-	298,167	-	-	-	-	-	298,167
Balances due from clients and brokers	-	43,293	-	-	-	-	59,450	102,743
Financial assets held-for-trading	-	-	5,007	-	5,030	-	-	10,037
Financial investments available-for-sale	5,431,621	3,195,943	370,689	362,298	166,556	-	86,527	9,613,634
Financial investments held-to-maturity	1,309,191	4,745	5,099	-	-	-	-	1,319,035
Derivative financial assets	-	61,004	-	-	-	-	71,456	132,460
Loans, advances and financing	-	4,612,209	224,525	9,109,575	570,940	21,619,482	395,374	36,532,105
Statutory deposits with Bank Negara Malaysia	1,675,326	-	-	-	-	-	-	1,675,326
	9,394,946	9,619,198	605,320	9,471,873	742,526	21,619,482	612,807	52,066,152
Financial guarantees	-	118,636	24,434	409,048	42,940	-	39,821	634,879
Credit related commitments and contingencies	-	1,611,298	83,091	3,685,935	1,423,028	6,092,350	357,826	13,253,528
	-	1,729,934	107,525	4,094,983	1,465,968	6,092,350	397,647	13,888,407
Total credit risk	9,394,946	11,349,132	712,845	13,566,856	2,208,494	27,711,832	1,010,454	65,954,559

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(a) Credit Risk (contd.)****(iii) Collaterals**

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

- For personal housing loans/financing, mortgages over residential properties;
- For commercial property loans/financing, charges over the properties being financed;
- For hire purchase, ownership claimed over the vehicles or equipment financed; and
- For other loans/financing, charges over business assets such as premises, financial/trade receivables, or deposits.

(iv) Credit quality - Loans, advances and financing

All loans, advances and financing are categorised as either:

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

Past due loans/financing, advances and financing refer to loans that are overdue by one day or more. Impaired loans/financing are classified in accordance to the BNM guideline "Classification and Impairment Provision for Loan/Financing".

Distribution of loans, advances and financing by credit quality

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Neither past due nor impaired	30,215,853	28,906,361	37,029,553	35,337,986
Past due but not impaired	916,143	911,072	1,230,247	1,204,414
Impaired	373,199	321,497	487,868	380,712
Gross loans, advances and financing	31,505,195	30,138,930	38,747,668	36,923,112
Sales commissions and handling fees	34,845	39,713	38,365	33,927
Less: Allowance for impairment				
- Individual assessment	(58,061)	(46,191)	(68,331)	(56,303)
- Collective assessment	(236,501)	(278,599)	(306,978)	(334,704)
Net loans, advances and financing	<u>31,245,478</u>	<u>29,853,853</u>	<u>38,410,724</u>	<u>36,566,032</u>
Financial effect of collateral held for loans, advances and financing	<u>77.4%</u>	<u>75.6%</u>	<u>76.3%</u>	<u>75.2%</u>

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(a) Credit Risk (contd.)****(iv) Credit quality - Loans, advances and financing (contd.)****Credit quality of loans, advances and financing neither past due nor impaired**

Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group's internal credit grading system is as follows:

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Grading classification				
- Good	28,664,064	27,008,047	35,167,665	32,992,238
- Fair	1,551,789	1,898,314	1,861,888	2,345,748
	<u>30,215,853</u>	<u>28,906,361</u>	<u>37,029,553</u>	<u>35,337,986</u>

The definition of the grading classification can be summarised as follows:

Good: Refers to loans, advances and financing which have never been past due in the last 6 months and have never undergone any restructuring or rescheduling exercise previously.

Fair: Refers to loans, advances and financing which have been past due at some point within the last 6 months, or have undergone restructuring or rescheduling exercise previously.

Loans, advances and financing that are past due but not impaired

An aging analysis of loans, advances and financing that are past due but not impaired is set out below.

For the purpose of this analysis an asset is considered past due and included below when any payment due under strict contractual terms is received late or missed. The amount included is the entire financial assets, not just the payment of principal or interest/profit or both overdue.

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Past due up to 1 month	762,974	711,650	1,008,966	935,615
Past due > 1 - 2 months	137,024	183,659	193,473	242,781
Past due > 2 - 3 months	16,145	15,763	27,808	26,018
	<u>916,143</u>	<u>911,072</u>	<u>1,230,247</u>	<u>1,204,414</u>

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(a) Credit Risk (contd.)****(iv) Credit quality - Loans, advances and financing (contd.)****Loans, advances and financing assessed as impaired**

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

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Gross impaired loans	373,199	321,497	487,868	380,712
Gross individually assessed impaired loans [Note]	113,924	82,135	127,479	93,100
Less: Allowance for impairment - Individual assessment	(58,061)	(46,191)	(68,331)	(56,303)
Net individually assessed impaired loans	55,863	35,944	59,148	36,797

Note:

Exclude individually assessed impaired loans which were fully collateralised and subsequently assessed under collective allowance for the Bank (2016: RM44,229,000; 2015: RM21,307,000) and the Group (2016: RM106,867,000; 2015: RM29,512,000).

(v) Credit quality - financial instruments and financial assets

Financial instrument include cash and short term funds, deposits and placements with other financial institutions, debt securities, derivative financial assets and statutory deposit with BNM. Cash and short term funds herein excludes cash in hand. Debt securities include financial assets held-for-trading, financial investments available-for-sale and financial investments held-to-maturity. Financial assets held-for-trading and financial investments available-for-sale are measured on a fair value basis. The fair value will reflect the credit risk of the issuer.

Distribution of financial instruments by credit quality are summarised as below:

<u>BANK</u> 2016	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Allowance for impairment RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	3,907,289	-	-	-	3,907,289
Deposits and placements with banks and other financial institutions	195,865	-	-	-	195,865
Financial assets held-for-trading	132,229	-	-	-	132,229
Financial investments available-for-sale (exclude equity securities)	7,150,250	-	135,681	(135,681)	7,150,250
Financial investments held-to-maturity	719,324	-	1,294	(1,294)	719,324
Derivative financial assets	133,651	-	-	-	133,651
Statutory deposits with Bank Negara Malaysia	1,117,640	-	-	-	1,117,640
	13,356,248	-	136,975	(136,975)	13,356,248

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality - financial instruments and financial assets (contd.)

Distribution of financial instruments by credit quality are summarised as below (contd.):

<u>GROUP</u> 2016	<u>Neither past due nor impaired</u> RM'000	<u>Past due but not impaired</u> RM'000	<u>Impaired</u> RM'000	<u>Allowance for impairment</u> RM'000	<u>Total</u> RM'000
Cash and short-term funds (exclude cash in hand)	4,640,610	-	-	-	4,640,610
Deposits and placements with banks and other financial institutions	195,865	-	-	-	195,865
Balances due from clients and brokers	104,596	-	900	(837)	104,659
Financial assets held-for-trading	132,229	-	-	-	132,229
Financial investments available-for-sale (exclude equity securities)	8,413,340	-	231,911	(231,911)	8,413,340
Financial investments held-to-maturity	1,124,935	-	18,565	(14,193)	1,129,307
Derivative financial assets	133,651	-	-	-	133,651
Statutory deposits with Bank Negara Malaysia	1,410,828	-	-	-	1,410,828
	<u>16,156,054</u>	<u>-</u>	<u>251,376</u>	<u>(246,941)</u>	<u>16,160,489</u>

<u>BANK</u> 2015	<u>Neither past due nor impaired</u> RM'000	<u>Past due but not impaired</u> RM'000	<u>Impaired</u> RM'000	<u>Allowance for impairment</u> RM'000	<u>Total</u> RM'000
Cash and short-term funds (exclude cash in hand)	2,135,629	-	-	-	2,135,629
Deposits and placements with banks and other financial institutions	298,167	-	-	-	298,167
Financial assets held-for-trading	10,037	-	-	-	10,037
Financial investments available-for-sale (exclude equity securities)	7,787,813	-	135,681	(135,681)	7,787,813
Financial investments held-to-maturity	714,915	-	2,992	(2,992)	714,915
Derivative financial assets	132,460	-	-	-	132,460
Statutory deposits with Bank Negara Malaysia	1,344,000	-	-	-	1,344,000
	<u>12,423,021</u>	<u>-</u>	<u>138,673</u>	<u>(138,673)</u>	<u>12,423,021</u>

<u>GROUP</u> 2015	<u>Neither past due nor impaired</u> RM'000	<u>Past due but not impaired</u> RM'000	<u>Impaired</u> RM'000	<u>Allowance for impairment</u> RM'000	<u>Total</u> RM'000
Cash and short-term funds (exclude cash in hand)	2,382,645	-	-	-	2,382,645
Deposits and placements with banks and other financial institutions	298,167	-	-	-	298,167
Balances due from clients and brokers	102,528	-	1,055	(840)	102,743
Financial assets held-for-trading	10,037	-	-	-	10,037
Financial investments available-for-sale (exclude equity securities)	9,613,634	-	237,961	(237,961)	9,613,634
Financial investments held-to-maturity	1,314,663	-	32,197	(27,825)	1,319,035
Derivative financial assets	132,460	-	-	-	132,460
Statutory deposits with Bank Negara Malaysia	1,675,326	-	-	-	1,675,326
	<u>15,529,460</u>	<u>-</u>	<u>271,213</u>	<u>(266,626)</u>	<u>15,534,047</u>

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(a) Credit Risk (contd.)****(v) Credit quality - financial instruments and financial assets (contd.)**

Most listed and some unlisted securities are rated by external rating agencies. The Bank and the Group uses external credit ratings provided by RAM, MARC, FITCH, Moody's and S&P. The table below presents an analysis of debt securities by rating agency:

	Cash and short-term funds RM'000	Deposits and placement with financial institutions RM'000	Financial assets held-for- trading RM'000	Financial investments available-for sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Total RM'000
<u>BANK</u>								
2016								
<i>By rating agencies</i>								
<u>RAM</u>								
AAA	937,247	-	61,256	441,790	-	43,538	-	1,483,831
AA1	-	-	-	1,171,803	-	9,231	-	1,181,034
AA2	259,380	-	-	25,047	-	38,017	-	322,444
AA3	50,076	-	-	405,113	-	-	-	455,189
A3	150,143	-	-	-	-	4	-	150,147
<u>MARC</u>								
AAA	-	-	10,280	717,682	-	13,175	-	741,137
AA-	310,064	-	-	265,976	-	-	-	576,040
<u>FITCH</u>								
AA	1,019	-	-	-	-	-	-	1,019
<u>Moody's</u>								
AA1	634	-	-	-	-	-	-	634
AA2	2,139	-	-	-	-	4	-	2,143
AA3	1,164	-	-	-	-	60	-	1,224
A1	-	-	-	-	-	29	-	29
A2	2,888	-	-	-	-	-	-	2,888
A3	1,954	-	-	-	-	-	-	1,954
<u>S&P</u>								
AA-	759	-	-	-	-	2	-	761
A	340	-	-	-	-	-	-	340
BBB+	157	-	-	-	-	-	-	157
Government backed	1,698,304	-	60,693	3,283,114	718,987	-	1,117,640	6,878,738
Unrated [Note]	491,021	195,865	-	839,725	337	29,591	-	1,556,539
	3,907,289	195,865	132,229	7,150,250	719,324	133,651	1,117,640	13,356,248

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(a) Credit Risk (contd.)****(v) Credit quality - financial instruments and financial assets (contd.)**

Most listed and some unlisted securities are rated by external rating agencies. The Bank and the Group uses external credit ratings provided by RAM, MARC, FITCH, Moody's and S&P. The table below presents an analysis of debt securities by rating agency (contd.):

	Cash and short-term funds RM'000	Deposits and placement with financial institutions RM'000	Financial assets held-for- trading RM'000	Financial investments available-for sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Total RM'000
<u>GROUP</u>								
2016								
<i>By rating agencies</i>								
<u>RAM</u>								
AAA	938,495	-	61,256	691,709	-	43,538	-	1,734,998
AA1	-	-	-	1,253,070	-	9,231	-	1,262,301
AA2	259,405	-	-	204,533	-	38,017	-	501,955
AA3	50,076	-	-	450,682	-	-	-	500,758
A1	2,542	-	-	-	-	-	-	2,542
A3	150,143	-	-	-	-	4	-	150,147
<u>MARC</u>								
AAA	-	-	10,280	922,122	-	13,175	-	945,577
AA-	310,064	-	-	326,688	-	-	-	636,752
<u>FITCH</u>								
AA	1,019	-	-	-	-	-	-	1,019
<u>Moody's</u>								
AA1	634	-	-	-	-	-	-	634
AA2	2,139	-	-	-	-	4	-	2,143
AA3	1,164	-	-	-	-	60	-	1,224
A1	-	-	-	-	-	29	-	29
A2	2,888	-	-	-	-	-	-	2,888
A3	1,954	-	-	-	-	-	-	1,954
<u>S&P</u>								
AA-	759	-	-	-	-	2	-	761
A	340	-	-	-	-	-	-	340
BBB+	157	-	-	-	-	-	-	157
Government backed	2,712,615	-	60,693	4,559,543	1,124,562	-	1,410,828	9,868,241
Unrated [Note]	206,216	195,865	-	4,993	4,745	29,591	-	441,410
	<u>4,640,610</u>	<u>195,865</u>	<u>132,229</u>	<u>8,413,340</u>	<u>1,129,307</u>	<u>133,651</u>	<u>1,410,828</u>	<u>16,055,830</u>

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(a) Credit Risk (contd.)****(v) Credit quality - financial instruments and financial assets (contd.)**

Most listed and some unlisted securities are rated by external rating agencies. The Bank and the Group uses external credit ratings provided by RAM, MARC, FITCH, Moody's and S&P. The table below presents an analysis of debt securities by rating agency (contd.):

	Cash and short-term funds RM'000	Deposits and placement with financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Derivative financial assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Total RM'000
<u>BANK</u>								
2015								
<i>By rating agencies</i>								
<u>RAM</u>								
AAA	100,009	54,738	-	430,672	-	2,278	-	587,697
AA1	-	-	-	166,900	-	16,385	-	183,285
AA2	250,422	74,101	-	20,286	-	5,616	-	350,425
AA3	-	-	5,030	35,776	-	10,597	-	51,403
A1	80,007	-	-	-	-	12,674	-	92,681
A2	-	-	-	-	-	4,336	-	4,336
A3	80,014	-	-	-	-	4	-	80,018
<u>MARC</u>								
AAA	-	-	-	449,889	-	4,799	-	454,688
AA-	205,012	-	-	151,027	-	252	-	356,291
<u>FITCH</u>								
A+	9,285	-	-	-	-	-	-	9,285
A-	149	-	-	-	-	-	-	149
A	682	-	-	-	-	-	-	682
<u>Moody's</u>								
AA1	5,136	-	-	-	-	-	-	5,136
AA2	-	-	-	-	-	116	-	116
A1	74,523	-	-	-	-	-	-	74,523
A2	-	-	-	-	-	3,085	-	3,085
BAA1	200	-	-	-	-	-	-	200
BAA3	163,074	-	-	-	-	-	-	163,074
<u>S&P</u>								
A+	10,693	-	-	-	-	-	-	10,693
A	610	169,328	-	-	-	-	-	169,938
AA-	1,146	-	-	-	-	-	-	1,146
BBB+	40	-	-	-	-	-	-	40
Government backed	694,538	-	5,007	5,139,462	714,578	-	1,344,000	7,897,585
Unrated [Note]	460,089	-	-	1,393,801	337	72,318	-	1,926,545
	<u>2,135,629</u>	<u>298,167</u>	<u>10,037</u>	<u>7,787,813</u>	<u>714,915</u>	<u>132,460</u>	<u>1,344,000</u>	<u>12,423,021</u>

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(a) Credit Risk (contd.)****(v) Credit quality - financial instruments and financial assets (contd.)**

Most listed and some unlisted securities are rated by external rating agencies. The Bank and the Group uses external credit ratings provided by RAM, MARC, FITCH, Moody's and S&P. The table below presents an analysis of debt securities by rating agency (contd.):

	Cash and short-term funds RM'000	Deposits and placement with financial institutions RM'000	Financial assets held-for- trading RM'000	Financial investments available-for sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Total RM'000
GROUP								
2015								
<i>By rating agencies</i>								
RAM								
AAA	120,947	54,738	-	506,998	-	2,278	-	684,961
AA1	30,003	-	-	202,612	-	16,385	-	249,000
AA2	250,429	74,101	-	20,286	-	5,616	-	350,432
AA3	250,022	-	5,030	61,127	-	10,597	-	326,776
A1	112,151	-	-	-	-	12,674	-	124,825
A2	-	-	-	-	-	4,336	-	4,336
A3	80,014	-	-	-	-	4	-	80,018
MARC								
AAA	-	-	-	592,948	-	4,799	-	597,747
AA-	205,012	-	-	196,343	-	252	-	401,607
FITCH								
A+	9,285	-	-	-	-	-	-	9,285
A-	149	-	-	-	-	-	-	149
A	682	-	-	-	-	-	-	682
Moody's								
AA1	5,136	-	-	-	-	-	-	5,136
AA2	-	-	-	-	-	116	-	116
A1	74,523	-	-	-	-	-	-	74,523
A2	-	-	-	-	-	3,085	-	3,085
BAA1	200	-	-	-	-	-	-	200
BAA3	163,074	-	-	-	-	-	-	163,074
S&P								
A+	10,693	-	-	-	-	-	-	10,693
A	610	169,328	-	-	-	-	-	169,938
AA-	1,146	-	-	-	-	-	-	1,146
BBB+	40	-	-	-	-	-	-	40
Government backed	978,808	-	5,007	6,686,255	1,314,290	-	1,675,326	10,659,686
Unrated [Note]	89,721	-	-	1,347,065	4,745	72,318	-	1,513,849
	2,382,645	298,167	10,037	9,613,634	1,319,035	132,460	1,675,326	15,431,304

Note: Unrated financial instruments comprise of placement with financial institutions where credit rating is not available, investments in bankers' acceptances, negotiable instruments of deposits and debt securities that are no longer rated, or are exempted from credit rating.

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(b) Market Risk**

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

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

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

(i) Interest rate/profit rate risk

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

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

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

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

BANK 2016	Non-trading book						Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000			
Assets									
Cash and short-term funds	3,632,334	-	-	-	-	-	568,543	-	4,200,877
Deposits and placements with banks and other financial institutions	-	195,675	-	-	-	-	190	-	195,865
Financial assets held-for-trading	-	-	-	-	-	-	-	132,229	132,229
Financial investments available-for-sale	815,002	805,261	35,156	607,061	3,410,508	1,427,188	152,746	-	7,252,922
Financial investments held-to-maturity	-	-	-	63,775	651,723	-	3,826	-	719,324
Derivative financial assets									
- Trading derivatives	-	-	-	-	-	-	-	133,651	133,651
Loans, advances and financing	26,623,068	1,268,485	334,821	398,393	1,690,991	851,083	78,637 *	-	31,245,478
Other non-interest sensitive balances	-	-	-	-	-	-	2,471,500	-	2,471,500
Total assets	31,070,404	2,269,421	369,977	1,069,229	5,753,222	2,278,271	3,275,442	265,880	46,351,846
Liabilities									
Deposits from customers	17,903,122	5,126,094	3,824,880	4,626,918	405,142	16,953	5,933,460	-	37,836,569
Deposits and placements of banks and other financial institutions	119,150	198,699	9,310	423,956	261,847	-	4,470	-	1,017,432
Derivative financial liabilities									
- Trading derivatives	-	-	-	-	-	-	-	273,709	273,709
- Hedging derivatives	-	-	-	-	5,832	-	-	-	5,832
Amount due to Cagamas Berhad	-	-	-	-	500,000	-	2,725	-	502,725
Other borrowings	-	-	-	-	5,000	-	71	-	5,071
Subordinated obligations	599,982	-	-	-	1,198,551	-	41,080	-	1,839,613
Other non-interest sensitive balances	-	-	-	-	-	-	725,095	-	725,095
Total liabilities	18,622,254	5,324,793	3,834,190	5,050,874	2,376,372	16,953	6,706,901	273,709	42,206,046
Equity	-	-	-	-	-	-	4,145,800	-	4,145,800
Total liabilities and equity	18,622,254	5,324,793	3,834,190	5,050,874	2,376,372	16,953	10,852,701	273,709	46,351,846
On-balance sheet interest sensitivity gap	12,448,150	(3,055,372)	(3,464,213)	(3,981,645)	3,376,850	2,261,318	(7,577,259)	(7,829)	-

* Impaired loans, individual assessment allowance and collective assessment allowance of the Bank and the Group are classified under the non-interest sensitive column.

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

GROUP	Non-trading book						Non-interest/ profit sensitive	Trading book	Total
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years			
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets									
Cash and short-term funds	4,305,504	-	-	-	-	-	628,694	-	4,934,198
Deposits and placements with banks and other financial institutions	-	195,675	-	-	-	-	190	-	195,865
Balances due from clients and brokers	1,752	-	-	-	-	-	102,907	-	104,659
Financial assets held-for-trading	-	-	-	-	-	-	-	132,229	132,229
Financial investments available-for-sale	814,808	889,933	45,201	349,345	4,273,267	1,972,452	220,690	-	8,565,696
Financial investments held-to-maturity	-	-	-	213,885	903,291	-	12,131	-	1,129,307
Derivative financial assets									
- Trading derivatives	-	-	-	-	-	-	-	133,651	133,651
Loans, advances and financing	31,447,934	1,666,201	411,177	423,615	2,424,167	1,925,071	112,559*	-	38,410,724
Other non-interest/profit sensitive balances	-	-	-	-	-	-	2,010,191	-	2,010,191
Total assets	36,569,998	2,751,809	456,378	986,845	7,600,725	3,897,523	3,087,362	265,880	55,616,520
Liabilities									
Deposits from customers	22,097,941	6,298,558	5,001,682	5,508,456	529,535	16,953	6,667,362	-	46,120,487
Deposits and placements of banks and other financial institutions	119,978	200,244	10,300	431,279	390,496	-	4,953	-	1,157,250
Balances due to clients and brokers	-	-	-	-	-	-	77,246	-	77,246
Derivative financial liabilities									
- Trading derivatives	-	-	-	-	-	-	-	273,709	273,709
- Hedging derivatives	-	-	-	-	5,832	-	-	-	5,832
Amount due to Cagamas Berhad	-	-	-	-	500,000	-	2,725	-	502,725
Other borrowings	-	-	-	-	5,000	-	71	-	5,071
Subordinated obligations	599,982	-	-	-	1,199,085	-	41,080	-	1,840,147
Other non-interest/profit sensitive balances	-	-	-	-	-	-	895,878	-	895,878
Total liabilities	22,817,901	6,498,802	5,011,982	5,939,735	2,629,948	16,953	7,689,315	273,709	50,878,345
Equity	-	-	-	-	-	-	4,738,175	-	4,738,175
Total liabilities and equity	22,817,901	6,498,802	5,011,982	5,939,735	2,629,948	16,953	12,427,490	273,709	55,616,520
On-balance sheet interest sensitivity gap	13,752,097	(3,746,993)	(4,555,604)	(4,952,890)	4,970,777	3,880,570	(9,340,128)	(7,829)	-

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

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

BANK 2015	Non-trading book						Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000			
Assets									
Cash and short-term funds	1,751,838	-	-	-	-	-	691,499	-	2,443,337
Deposits and placements with banks and other financial institutions	-	74,050	223,534	-	-	-	583	-	298,167
Financial assets held-for-trading	-	-	-	-	-	-	-	10,037	10,037
Financial investments available-for-sale	470,070	200,079	195,387	185,169	4,762,251	1,907,759	161,484	-	7,882,199
Financial investments held-to-maturity	-	-	-	-	711,098	-	3,817	-	714,915
Derivative financial assets									
- Trading derivatives	-	-	-	-	-	-	-	132,460	132,460
Loans, advances and financing	24,936,782	921,155	375,085	809,340	1,748,769	1,066,015	(3,293)*	-	29,853,853
Other non-interest sensitive balances	-	-	-	-	-	-	2,593,055	-	2,593,055
Total assets	27,158,690	1,195,284	794,006	994,509	7,222,118	2,973,774	3,447,145	142,497	43,928,023
Liabilities									
Deposits from customers	16,707,276	4,753,565	4,753,465	4,280,233	298,713	70,171	5,992,744	-	36,856,167
Deposits and placements of banks and other financial institutions	439,072	203,895	45,048	39,046	196,457	-	4,977	-	928,495
Derivative financial liabilities									
- Trading derivatives	-	-	-	-	-	-	-	106,522	106,522
- Hedging derivatives	-	-	-	-	8,168	534	-	-	8,702
Amount due to Cagamas Berhad	-	-	-	7,003	-	-	-	-	7,003
Subordinated obligations	-	-	-	-	599,402	-	13,865	-	613,267
Other non-interest sensitive balances	-	-	-	-	-	-	750,131	-	750,131
Total liabilities	17,547,646	5,323,405	4,832,848	4,326,282	1,102,740	70,705	6,761,717	106,522	40,071,865
Equity	-	-	-	-	-	-	3,856,158	-	3,856,158
Total liabilities and equity	17,547,646	5,323,405	4,832,848	4,326,282	1,102,740	70,705	10,617,875	106,522	43,928,023
On-balance sheet interest sensitivity gap	9,611,044	(4,128,121)	(4,038,842)	(3,331,773)	6,119,378	2,903,069	(7,170,730)	35,975	-

* Impaired loans, individual assessment allowance and collective assessment allowance of the Bank and the Group are classified under the non-interest sensitive column.

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

GROUP	Non-trading book						Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000			
Assets									
Cash and short-term funds	1,881,842	-	-	-	-	-	808,511	-	2,690,353
Deposits and placements with banks and other financial institutions	-	74,050	223,534	-	-	-	583	-	298,167
Balances due from clients and brokers	2,736	-	-	-	-	-	100,007	-	102,743
Financial assets held-for-trading	-	-	-	-	-	-	-	10,037	10,037
Financial investments available-for-sale	733,200	680,273	224,935	266,212	5,124,068	2,506,232	218,936	-	9,753,856
Financial investments held-to-maturity	-	-	189,922	5,034	1,111,814	-	12,265	-	1,319,035
Derivative financial assets									
- Trading derivatives	-	-	-	-	-	-	-	132,460	132,460
Loans, advances and financing	29,497,781	1,207,152	479,089	823,136	2,366,784	2,202,385	(10,295)*	-	36,566,032
Other non-interest/profit sensitive balances	-	-	-	-	-	-	2,262,154	-	2,262,154
Total assets	32,115,559	1,961,475	1,117,480	1,094,382	8,602,666	4,708,617	3,392,161	142,497	53,134,837
Liabilities									
Deposits from customers	21,825,944	5,833,877	5,459,922	5,151,143	299,455	70,171	6,082,917	-	44,723,429
Deposits and placements of banks and other financial institutions	690,227	408,434	54,477	55,502	275,557	-	5,578	-	1,489,775
Balances due to clients and brokers	-	-	-	-	-	-	62,833	-	62,833
Derivative financial liabilities									
- Trading derivatives	-	-	-	-	-	-	-	106,522	106,522
- Hedging derivatives	-	-	-	-	8,168	534	-	-	8,702
Amount due to Cagamas Berhad	-	-	-	7,003	-	-	-	-	7,003
Subordinated obligations	-	-	-	-	599,402	-	13,865	-	613,267
Other non-interest/profit sensitive balances	-	-	-	-	-	-	948,559	-	948,559
Total liabilities	22,917,469	6,608,256	5,548,734	5,213,648	1,182,582	70,705	7,113,752	106,522	48,761,668
Equity	-	-	-	-	-	-	4,373,169	-	4,373,169
Total liabilities and equity	22,917,469	6,608,256	5,548,734	5,213,648	1,182,582	70,705	11,486,921	106,522	53,134,837
On-balance sheet interest sensitivity gap	9,198,090	(4,646,781)	(4,431,254)	(4,119,266)	7,420,084	4,637,912	(8,094,760)	35,975	-

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

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(b) Market Risk (contd.)****(ii) Foreign currency exchange risk**

Foreign currency exchange risk refers to the risk that fair value or future cash flows of a financial instruments will fluctuate because of the movements in the exchange rates for foreign exchange positions taken by the Group from time to time. For the Group, foreign exchange risk is concentrated in its commercial banking. Foreign currency exchange risk is managed via approved risk limits and open positions are regularly revalued against current exchange rates and reported to Management.

The following table summarises the assets, liabilities and net open position by currency as at the end of the financial reporting date, which are mainly in US Dollars, Pound Sterling, Euro Dollars, Australian Dollars and Singapore Dollars. Other foreign exchange exposures include exposure to Japanese Yen, Chinese Yuan and New Zealand Dollars. The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Group.

<u>BANK/GROUP</u>	<u>US Dollars</u>	<u>Pound</u>	<u>Euro Dollars</u>	<u>Australian</u>	<u>Singapore</u>	<u>Others</u>	<u>Total</u>
2016	RM'000	Sterling RM'000	RM'000	Dollars RM'000	Dollars RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	301,249	1,954	2,888	121,867	4,550	10,944	443,452
Deposits and placements with banks and other financial institutions	195,865	-	-	-	-	-	195,865
Loans, advances and financing	565,178	19,917	25,493	-	-	1,843	612,431
Other financial assets	23,566	-	10	-	-	-	23,576
Total financial assets	1,085,858	21,871	28,391	121,867	4,550	12,787	1,275,324
Liabilities							
Deposits from customers	535,189	74,338	30,676	148,448	37,248	38,834	864,733
Deposits and placements of banks and other financial institutions	707,618	-	-	-	-	198	707,816
Other financial liabilities	152	9	1	3	3	23	191
Total financial liabilities	1,242,959	74,347	30,677	148,451	37,251	39,055	1,572,740
On-balance sheet open position	(157,101)	(52,476)	(2,286)	(26,584)	(32,701)	(26,268)	(297,416)
Off-balance sheet open position	148,950	50,664	8,497	28,364	26,112	35,307	297,894
Net open position	(8,151)	(1,812)	6,211	1,780	(6,589)	9,039	478

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

(ii) Foreign currency exchange risk (contd.)

<u>BANK/GROUP</u>	<u>US Dollars</u>	<u>Pound Sterling</u>	<u>Euro Dollars</u>	<u>Australian Dollars</u>	<u>Singapore Dollars</u>	<u>Others</u>	<u>Total</u>
2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	255,461	681	2,091	-	5,136	7,504	270,873
Deposits and placements with banks and other financial institutions	74,101	54,738	-	169,328	-	-	298,167
Loans, advances and financing	364,380	11,779	25,653	-	652	1,789	404,253
Other financial assets	5,173	43	-	195	-	-	5,411
Total financial assets	699,115	67,241	27,744	169,523	5,788	9,293	978,704
Liabilities							
Deposits from customers	340,641	57,421	36,000	166,727	20,995	20,330	642,114
Deposits and placements of banks and other financial institutions	333,456	-	-	616	-	2,162	336,234
Other financial liabilities	38	4	5	2	-	10	59
Total financial liabilities	674,135	57,425	36,005	167,345	20,995	22,502	978,407
On-balance sheet open position	24,980	9,816	(8,261)	2,178	(15,207)	(13,209)	297
Off-balance sheet open position	62,462	(6,284)	20,535	5,142	14,339	23,982	120,176
Net open position	87,442	3,532	12,274	7,320	(868)	10,773	120,473

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(b) Market Risk (Contd.)****(iii) Value at risk ("VaR")**

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

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

<u>BANK</u>	<u>Balance</u>	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
2016	RM'000	for the year	RM'000	RM'000
		RM'000		
Instruments:				
FX related derivatives	(1,108)	(10,444)	(163)	(324,920)
Government securities	(11,549)	(14,477)	(11,085)	(19,602)
Private debt securities	(1,577)	(3,849)	(1,575)	(5,996)
<u>GROUP</u>				
2016				
FX related derivatives	(1,108)	(10,444)	(163)	(324,920)
Government securities	(15,702)	(18,527)	(4,069)	(24,907)
Private debt securities	(4,541)	(6,140)	(1,646)	(7,902)
<u>BANK</u>				
2015				
Instruments:				
FX related derivatives	(190)	(2,100)	(101)	(88,073)
Government securities	(15,755)	(19,600)	(13)	(58,664)
Private debt securities	(4,485)	(5,126)	(5)	(10,506)
<u>GROUP</u>				
2015				
FX related derivatives	(190)	(2,100)	(101)	(88,073)
Government securities	(20,258)	(25,469)	(18)	(66,989)
Private debt securities	(6,368)	(6,581)	(6)	(13,181)

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(b) Market Risk (contd.)****(iv) Interest rate risk/rate of return risk in the banking book**

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

	2016 BANK		2016 GROUP	
	- 100 bps Increase/(Decrease) RM'000	+ 100 bps RM'000	- 100 bps Increase/(Decrease) RM'000	+ 100 bps RM'000
Impact on net profit after tax	<u>(67,052)</u>	<u>67,052</u>	<u>(71,567)</u>	<u>71,567</u>
Impact on equity	<u>133,793</u>	<u>(127,706)</u>	<u>181,229</u>	<u>(172,433)</u>
	2015 BANK		2015 GROUP	
	- 100 bps Increase/(Decrease) RM'000	+ 100 bps RM'000	- 100 bps Increase/(Decrease) RM'000	+ 100 bps RM'000
Impact on net profit after tax	<u>(34,453)</u>	<u>34,453</u>	<u>(36,905)</u>	<u>36,905</u>
Impact on equity	<u>193,834</u>	<u>(183,954)</u>	<u>239,248</u>	<u>(226,798)</u>

Note:

The foreign currency impact on net interest income is considered insignificant as the individual exposure is less than 5% of Banking Book assets/liabilities.

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(b) Market Risk (contd.)****(v) Other risk measures****(i) Stress test**

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

(ii) Sensitivity analysis

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

(iii) Displaced Commercial Risk

Displaced commercial risk arises from the Group's Islamic financial services offered under the Alliance Islamic Bank Berhad. It refers to the risk of losses which the Islamic Bank absorbs to make sure that Investment Account Holders are paid in rate of return equivalent to a competitive market rate of return. This risk arises when the actual rate of return is lower than returns expected by Investment Account Holders.

(c) Liquidity Risk

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

The Bank's liquidity risk profile is managed using Bank Negara Malaysia's Liquidity Coverage Ratio Guideline, other internal policies and GALCO benchmarks. A contingency funding plan is also established by the Group as a forward-looking measure to ensure that liquidity risk can be addressed according to the degrees of key risk indicators, and which incorporates alternative funding strategies which are ready to be implemented on a timely basis to mitigate the impact of unforeseen adverse changes in liquidity in the market place.

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(c) Liquidity risk (contd.)****(i) Liquidity risk for assets and liabilities based on remaining contractual maturities**

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

<u>BANK</u>	<u>Up to</u>	<u>>1-3</u>	<u>>3-6</u>	<u>>6-12</u>	<u>>1 year</u>	<u>Total</u>
2016	<u>1 month</u>	<u>months</u>	<u>months</u>	<u>months</u>	<u>RM'000</u>	<u>RM'000</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Cash and short-term funds	4,200,877	-	-	-	-	4,200,877
Deposits and placements with banks and other financial institutions	-	195,865	-	-	-	195,865
Financial investments	833,126	829,801	47,396	670,836	5,723,316	8,104,475
Loans, advances and financing	6,514,246	1,412,124	714,970	522,005	22,082,133	31,245,478
Other asset balances	118,321	28,059	18,559	18,342	2,421,870	2,605,151
Total assets	11,666,570	2,465,849	780,925	1,211,183	30,227,319	46,351,846
Liabilities						
Deposits from customers	23,730,948	5,164,425	3,866,005	4,653,080	422,111	37,836,569
Deposits and placements of banks and other financial institutions	118,095	200,365	9,170	416,356	273,446	1,017,432
Amount due to Cagamas Berhad	-	2,725	-	-	500,000	502,725
Other borrowings	-	71	-	-	5,000	5,071
Subordinated obligations	636,186	4,876	-	-	1,198,551	1,839,613
Other liability balances	464,818	95,090	83,774	143,369	217,585	1,004,636
Total liabilities	24,950,047	5,467,552	3,958,949	5,212,805	2,616,693	42,206,046
Equity	-	-	-	-	4,145,800	4,145,800
Total liabilities and equity	24,950,047	5,467,552	3,958,949	5,212,805	6,762,493	46,351,846
Net maturity mismatch	(13,283,477)	(3,001,703)	(3,178,024)	(4,001,622)	23,464,826	-

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(c) Liquidity risk (contd.)****(i) Liquidity risk for assets and liabilities based on remaining contractual maturities (contd.)**

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

<u>GROUP</u>	<u>Up to</u>	<u>>1-3</u>	<u>>3-6</u>	<u>>6-12</u>	<u>>1 year</u>	<u>Total</u>
2016	<u>1 month</u>	<u>months</u>	<u>months</u>	<u>months</u>	<u>RM'000</u>	<u>RM'000</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Cash and short-term funds	4,934,198	-	-	-	-	4,934,198
Deposits and placements with banks and other financial institutions	-	195,865	-	-	-	195,865
Balances due from clients and brokers	88,511	-	-	-	16,148	104,659
Financial investments	841,010	927,493	60,181	560,213	7,438,335	9,827,232
Loans, advances and financing	7,671,645	1,783,082	956,625	756,060	27,243,312	38,410,724
Other asset balances	107,039	28,296	18,915	19,054	1,970,538	2,143,842
Total assets	13,642,403	2,934,736	1,035,721	1,335,327	36,668,333	55,616,520
Liabilities						
Deposits from customers	28,622,298	6,352,985	5,064,745	5,534,045	546,414	46,120,487
Deposits and placements of banks and other financial institutions	118,923	202,393	10,160	423,679	402,095	1,157,250
Balances due to clients and brokers	77,246	-	-	-	-	77,246
Amount due to Cagamas Berhad	-	2,725	-	-	500,000	502,725
Other borrowings	-	71	-	-	5,000	5,071
Subordinated obligations	636,186	4,876	-	-	1,199,085	1,840,147
Other liability balances	555,076	95,378	84,207	144,258	296,500	1,175,419
Total liabilities	30,009,729	6,658,428	5,159,112	6,101,982	2,949,094	50,878,345
Equity	-	-	-	-	4,738,175	4,738,175
Total liabilities and equity	30,009,729	6,658,428	5,159,112	6,101,982	7,687,269	55,616,520
Net maturity mismatch	(16,367,326)	(3,723,692)	(4,123,391)	(4,766,655)	28,981,064	-

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(c) Liquidity risk (contd.)****(i) Liquidity risk for assets and liabilities based on remaining contractual maturities (contd.)**

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

<u>BANK</u> 2015	<u>Up to</u> <u>1 month</u> RM'000	<u>>1-3</u> <u>months</u> RM'000	<u>>3-6</u> <u>months</u> RM'000	<u>>6-12</u> <u>months</u> RM'000	<u>>1 year</u> RM'000	<u>Total</u> RM'000
Assets						
Cash and short-term funds	2,443,337	-	-	-	-	2,443,337
Deposits and placements with banks and other financial institutions	-	74,101	224,066	-	-	298,167
Financial investments	493,427	232,399	210,486	185,170	7,485,669	8,607,151
Loans, advances and financing	4,665,869	1,087,894	647,632	88,284	23,364,174	29,853,853
Other asset balances	72,131	48,312	58,425	23,673	2,522,974	2,725,515
Total assets	7,674,764	1,442,706	1,140,609	297,127	33,372,817	43,928,023
Liabilities						
Deposits from customers	22,659,157	4,796,859	4,789,945	4,297,809	312,397	36,856,167
Deposits and placements of banks and other financial institutions	442,217	205,543	45,048	39,046	196,641	928,495
Bills and acceptances payable	401,298	365,945	34,335	-	-	801,578
Amount due to Cagamas Berhad	-	-	-	7,003	-	7,003
Subordinated obligations	13,865	-	-	-	599,402	613,267
Other liability balances	490,859	34,366	88,256	44,433	207,441	865,355
Total liabilities	24,007,396	5,402,713	4,957,584	4,388,291	1,315,881	40,071,865
Equity	-	-	-	-	3,856,158	3,856,158
Total liabilities and equity	24,007,396	5,402,713	4,957,584	4,388,291	5,172,039	43,928,023
Net maturity mismatch	(16,332,632)	(3,960,007)	(3,816,975)	(4,091,164)	28,200,778	-

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(c) Liquidity risk (contd.)****(i) Liquidity risk for assets and liabilities based on remaining contractual maturities (contd.)**

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

<u>GROUP</u>	Up to	>1-3	>3-6	>6-12	>1 year	<u>Total</u>
2015	<u>1 month</u>	<u>months</u>	<u>months</u>	<u>months</u>	<u>RM'000</u>	<u>RM'000</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Cash and short-term funds	2,690,353	-	-	-	-	2,690,353
Deposits and placements with banks and other financial institutions	-	74,101	224,066	-	-	298,167
Balances due from clients and brokers	87,182	-	-	-	15,561	102,743
Financial investments	763,802	749,459	432,250	343,373	8,794,044	11,082,928
Loans, advances and financing	5,885,695	1,380,795	910,036	281,555	28,107,951	36,566,032
Other asset balances	59,733	48,392	58,544	23,913	2,204,032	2,394,614
Total assets	9,486,765	2,252,747	1,624,896	648,841	39,121,588	53,134,837
Liabilities						
Deposits from customers	27,847,603	5,883,504	5,504,818	5,174,364	313,140	44,723,429
Deposits and placements of banks and other financial institutions	693,445	410,610	54,477	55,502	275,741	1,489,775
Balances due to clients and brokers	62,833	-	-	-	-	62,833
Bills and acceptances payable	401,298	365,945	34,335	-	-	801,578
Amount due to Cagamas Berhad	-	-	-	7,003	-	7,003
Subordinated obligations	13,865	-	-	-	599,402	613,267
Other liability balances	603,736	34,544	88,523	44,965	292,015	1,063,783
Total liabilities	29,622,780	6,694,603	5,682,153	5,281,834	1,480,298	48,761,668
Equity	-	-	-	-	4,373,169	4,373,169
Total liabilities and equity	29,622,780	6,694,603	5,682,153	5,281,834	5,853,467	53,134,837
Net maturity mismatch	(20,136,015)	(4,441,856)	(4,057,257)	(4,632,993)	33,268,121	-

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(c) Liquidity risk (contd.)****(ii) Contractual maturity of financial liabilities on an undiscounted basis**

The table below presents the cash flows payable by the Bank and the Group under financial liabilities by remaining contractual maturities at the end of the reporting period. The amount disclosed in the table are the contractual undiscounted cash flows of all financial liabilities (i.e. nominal values), which the Bank and the Group manages the inherent liquidity risk based on discounted expected cash inflows.

<u>BANK</u> 2016	<u>Up to 1 month</u> RM'000	<u>>1-3 months</u> RM'000	<u>>3-6 months</u> RM'000	<u>>6-12 months</u> RM'000	<u>>1-5 years</u> RM'000	<u>Over 5 years</u> RM'000	<u>Total</u> RM'000
Non derivative financial liabilities							
Deposits from customers	23,747,121	5,201,587	3,929,420	4,786,207	438,890	17,543	38,120,768
Deposits and placements of banks and other financial institutions	119,620	201,513	9,310	432,640	272,394	-	1,035,477
Amount due to Cagamas Berhad	-	5,450	5,450	10,900	535,000	-	556,800
Other borrowings	-	119	-	119	5,238	-	5,476
Subordinated obligations	614,460	34,350	-	34,350	1,474,800	-	2,157,960
Other financial liabilities	464,818	95,219	83,895	143,579	218,036	-	1,005,547
	<u>24,946,019</u>	<u>5,538,238</u>	<u>4,028,075</u>	<u>5,407,795</u>	<u>2,944,358</u>	<u>17,543</u>	<u>42,882,028</u>
<u>Items not recognised in the statements of financial position</u>							
Financial guarantees	67,553	67,295	62,027	194,820	61,643	-	453,338
Credit related commitments and contingencies	8,360,186	49,609	42,522	263,000	528,410	3,014	9,246,741
	<u>8,427,739</u>	<u>116,904</u>	<u>104,549</u>	<u>457,820</u>	<u>590,053</u>	<u>3,014</u>	<u>9,700,079</u>
Derivatives financial liabilities							
<u>Derivatives settled on a net basis</u>							
Interest rate derivatives and equity option	(38)	(347)	(6,253)	(9,162)	(9,518)	-	(25,318)
Hedging derivatives	(107)	(430)	(595)	(916)	(1,248)	-	(3,296)
Net outflow	<u>(145)</u>	<u>(777)</u>	<u>(6,848)</u>	<u>(10,078)</u>	<u>(10,766)</u>	<u>-</u>	<u>(28,614)</u>
<u>Derivatives settled on a gross basis</u>							
Outflow	(1,087,979)	(929,712)	(838,185)	(847,127)	-	-	(3,703,003)
Inflow	1,061,062	867,657	781,293	776,282	-	-	3,486,294
	<u>(26,917)</u>	<u>(62,055)</u>	<u>(56,892)</u>	<u>(70,845)</u>	<u>-</u>	<u>-</u>	<u>(216,709)</u>

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

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

<u>GROUP</u> 2016	<u>Up to 1 month</u> RM'000	<u>>1-3 months</u> RM'000	<u>>3-6 months</u> RM'000	<u>>6-12 months</u> RM'000	<u>>1-5 years</u> RM'000	<u>Over 5 years</u> RM'000	<u>Total</u> RM'000
Non derivative financial liabilities							
Deposits from customers	28,641,369	6,395,986	5,143,217	5,700,114	586,071	17,543	46,484,300
Deposits and placements of banks and other financial institutions	120,448	204,097	10,300	440,983	406,483	-	1,182,311
Balances due to clients and brokers	77,246	-	-	-	-	-	77,246
Amount due to Cagamas Berhad	-	5,450	5,450	10,900	535,000	-	556,800
Other borrowings							
Subordinated obligations	614,460	34,350	-	34,350	1,474,800	-	2,157,960
Other financial liabilities	555,076	95,507	84,328	144,468	296,951	-	1,176,330
	<u>30,008,599</u>	<u>6,735,390</u>	<u>5,243,295</u>	<u>6,330,815</u>	<u>3,299,305</u>	<u>17,543</u>	<u>51,634,947</u>
<u>Items not recognised in the statements of financial position</u>							
Financial guarantees	88,110	78,605	73,722	226,529	101,656	22	568,644
Credit related commitments and contingencies	10,242,592	53,089	56,077	268,906	552,929	3,014	11,176,607
	<u>10,330,702</u>	<u>131,694</u>	<u>129,799</u>	<u>495,435</u>	<u>654,585</u>	<u>3,036</u>	<u>11,745,251</u>
Derivatives financial liabilities							
<u>Derivatives settled on a net basis</u>							
Interest rate derivatives and equity option	(38)	(347)	(6,253)	(9,162)	(9,518)	-	(25,318)
Hedging derivatives	(107)	(430)	(595)	(916)	(1,248)	-	(3,296)
Net outflow	<u>(145)</u>	<u>(777)</u>	<u>(6,848)</u>	<u>(10,078)</u>	<u>(10,766)</u>	<u>-</u>	<u>(28,614)</u>
<u>Derivatives settled on a gross basis</u>							
Outflow	(1,087,979)	(929,712)	(838,185)	(847,127)	-	-	(3,703,003)
Inflow	1,061,062	867,657	781,293	776,282	-	-	3,486,294
	<u>(26,917)</u>	<u>(62,055)</u>	<u>(56,892)</u>	<u>(70,845)</u>	<u>-</u>	<u>-</u>	<u>(216,709)</u>

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

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

<u>BANK</u> 2015	<u>Up to 1 month</u> RM'000	<u>>1-3 months</u> RM'000	<u>>3-6 months</u> RM'000	<u>>6-12 months</u> RM'000	<u>>1-5 years</u> RM'000	<u>Over 5 years</u> RM'000	<u>Total</u> RM'000
Non derivative financial liabilities							
Deposits from customers	22,617,795	4,842,732	4,869,593	4,383,611	337,712	75,688	37,127,131
Deposits and placements of banks and other financial institutions	442,252	207,327	45,048	40,813	203,225	-	938,665
Bills and acceptances payable	401,298	365,945	34,335	-	-	-	801,578
Amount due to Cagamas Berhad	334	-	335	6,629	-	-	7,298
Subordinated obligations	14,460	-	-	14,460	614,460	-	643,380
Other financial liabilities	490,859	34,530	88,413	44,718	208,351	-	866,871
	<u>23,966,998</u>	<u>5,450,534</u>	<u>5,037,724</u>	<u>4,490,231</u>	<u>1,363,748</u>	<u>75,688</u>	<u>40,384,923</u>
<u>Items not recognised in the statements of financial position</u>							
Financial guarantees	61,919	95,017	138,775	147,489	92,939	-	536,139
Credit related commitments and contingencies	6,830,490	39,981	82,431	189,417	562,957	3,592,906	11,298,182
	<u>6,892,409</u>	<u>134,998</u>	<u>221,206</u>	<u>336,906</u>	<u>655,896</u>	<u>3,592,906</u>	<u>11,834,321</u>
Derivatives financial liabilities							
<u>Derivatives settled on a net basis</u>							
Interest rate derivatives and equity option	7	91	(19)	(636)	(13,624)	-	(14,181)
Hedging derivatives	(197)	(453)	(614)	(1,229)	(7,078)	(1,666)	(11,237)
Net outflow	<u>(190)</u>	<u>(362)</u>	<u>(633)</u>	<u>(1,865)</u>	<u>(20,702)</u>	<u>(1,666)</u>	<u>(25,418)</u>
<u>Derivatives settled on a gross basis</u>							
Outflow	(1,283,877)	(188,611)	(769,969)	(152,067)	-	-	(2,394,524)
Inflow	1,279,340	185,312	699,946	145,999	-	-	2,310,597
	<u>(4,537)</u>	<u>(3,299)</u>	<u>(70,023)</u>	<u>(6,068)</u>	<u>-</u>	<u>-</u>	<u>(83,927)</u>

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

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

<u>GROUP</u> 2015	<u>Up to 1 month</u> RM'000	<u>>1-3 months</u> RM'000	<u>>3-6 months</u> RM'000	<u>>6-12 months</u> RM'000	<u>>1-5 years</u> RM'000	<u>Over 5 years</u> RM'000	<u>Total</u> RM'000
Non derivative financial liabilities							
Deposits from customers	27,810,286	5,937,887	5,592,910	5,284,367	338,495	75,688	45,039,633
Deposits and placements of banks and other financial institutions	693,504	413,544	54,477	57,985	285,583	-	1,505,093
Balances due to clients and brokers	62,833	-	-	-	-	-	62,833
Bills and acceptances payable	401,298	365,945	34,335	-	-	-	801,578
Amount due to Cagamas Berhad	334	-	335	6,629	-	-	7,298
Subordinated obligations	14,460	-	-	14,460	614,460	-	643,380
Other financial liabilities	603,736	34,708	88,680	45,250	292,925	-	1,065,299
	<u>29,586,451</u>	<u>6,752,084</u>	<u>5,770,737</u>	<u>5,408,691</u>	<u>1,531,463</u>	<u>75,688</u>	<u>49,125,114</u>
<u>Items not recognised in the statements of financial position</u>							
Financial guarantees	79,534	109,188	147,240	179,563	119,332	22	634,879
Credit related commitments and contingencies	8,143,473	43,690	85,211	194,970	593,788	4,192,396	13,253,528
	<u>8,223,007</u>	<u>152,878</u>	<u>232,451</u>	<u>374,533</u>	<u>713,120</u>	<u>4,192,418</u>	<u>13,888,407</u>
Derivatives financial liabilities							
<u>Derivatives settled on a net basis</u>							
Interest rate derivatives and equity option	7	91	(19)	(636)	(13,624)	-	(14,181)
Hedging derivatives	(197)	(453)	(614)	(1,229)	(7,078)	(1,666)	(11,237)
Net outflow	<u>(190)</u>	<u>(362)</u>	<u>(633)</u>	<u>(1,865)</u>	<u>(20,702)</u>	<u>(1,666)</u>	<u>(25,418)</u>
<u>Derivatives settled on a gross basis</u>							
Outflow	(1,283,877)	(188,611)	(769,969)	(152,067)	-	-	(2,394,524)
Inflow	1,279,340	185,312	699,946	145,999	-	-	2,310,597
	<u>(4,537)</u>	<u>(3,299)</u>	<u>(70,023)</u>	<u>(6,068)</u>	<u>-</u>	<u>-</u>	<u>(83,927)</u>

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(d) Operational and Shariah Compliance Risk**

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

Group Operational Risk Management Department, as the second line of defense formulates and implements operational risk framework within the Group while the line of businesses are responsible for the management of their day to day operational and Shariah Compliance risks.

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

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

The Group applies the Basic Indicator Approach for operational risk capital charge computation.

44. CAPITAL COMMITMENTS

	<u>BANK</u>		<u>GROUP</u>	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Capital expenditure:				
Authorised and contracted for	15,864	22,594	15,864	22,594
Authorised but not contracted for	94,250	47,836	94,250	47,836
	<u>110,114</u>	<u>70,430</u>	<u>110,114</u>	<u>70,430</u>

45. LEASE COMMITMENTS

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

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Within one year	22,685	25,125	22,768	25,235
Between one five years	13,583	28,305	13,629	28,466
	<u>36,268</u>	<u>53,430</u>	<u>36,397</u>	<u>53,701</u>

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

46. HOLDING AND RELATED COMPANIES

The Directors regard Alliance Financial Group Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the holding company of the Bank.

Related companies in these financial statements refer to member companies in the Alliance Financial Group Berhad Group.

47. COMMITMENTS AND CONTINGENCIES

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

The off-balance sheet exposures of the Bank and the Group are as follows:

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	625,635	714,754	717,319	789,038
Transaction-related contingent items	618,043	596,203	677,126	653,199
Short-term self-liquidating trade-related contingencies	113,621	140,377	137,524	164,832
Irrevocable commitments to extend credit:				
- maturity exceeding one year	1,940,980	3,589,874	2,287,572	4,189,365
- maturity not exceeding one year	4,803,945	5,335,806	6,327,855	6,634,666
Unutilised credit card lines	1,597,855	1,457,307	1,597,855	1,457,307
	<u>9,700,079</u>	<u>11,834,321</u>	<u>11,745,251</u>	<u>13,888,407</u>
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- one year or less	7,255,690	4,794,524	7,255,690	4,794,524
- over one year to three years	39,135	69,675	39,135	69,675
- over three years	-	31,515	-	31,515
Interest rate related contracts:				
- one year or less	380,000	2,085,000	380,000	2,085,000
- over one year to three years	809,755	828,153	809,755	828,153
- over three years	1,490,776	1,012,269	1,490,776	1,012,269
Equity related contracts:				
- one year or less	92,940	23,460	92,940	23,460
- over one year to three years	18,880	12,780	18,880	12,780
	<u>10,087,176</u>	<u>8,857,376</u>	<u>10,087,176</u>	<u>8,857,376</u>
	<u>19,787,255</u>	<u>20,691,697</u>	<u>21,832,427</u>	<u>22,745,783</u>

48. CAPITAL ADEQUACY

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

The minimum regulatory capital adequacy ratios, as required under BNM's Capital Adequacy Framework (Capital Components) which includes transitional arrangements for year 2015, are set out as follows:

	CET I Capital Ratio	Tier I Capital Ratio	Total Capital Ratio
Calendar Year	%	%	%
2015 onwards*	4.5	6.0	8.0

* Before including capital conservation buffer of 2.5% and countercyclical capital buffer

Banking institutions are also required to maintain a capital conservation buffer of up to 2.5% and a countercyclical capital buffer above. Under the transition arrangements, capital conservation buffer will be phased-in as follows:

Calendar Year	Capital Conservation Buffer
2016	0.625%
2017	1.250%
2018	1.875%
2019 onwards	2.500%

On 13 October 2015, BNM issued the revised Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) ("Revised Framework") which is effective from 1 January 2016. Under the Revised Framework, a countercyclical capital buffer is required to be maintained if this buffer is applied by regulators in countries which the Group has exposures to, determined based on the weighted average of prevailing countercyclical capital buffer rates applied in that jurisdictions. The countercyclical buffer which is in a range of between 0% and 2.5% is not a requirement for exposures in Malaysia but may be applied by regulators in the future.

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

	<u>BANK</u>		<u>GROUP</u>	
	2016	2015	2016	2015
<u>Before deducting proposed dividends</u>				
CET 1 capital ratio	11.237%	11.291%	12.070%	11.301%
Tier 1 capital ratio	11.237%	11.291%	12.070%	11.301%
Total capital ratio	16.528%	11.751%	17.657%	13.160%
<u>After deducting proposed dividends</u>				
CET 1 capital ratio	10.880%	11.058%	11.775%	11.108%
Tier 1 capital ratio	10.880%	11.058%	11.775%	11.108%
Total capital ratio	16.170%	11.518%	17.362%	12.967%

48. CAPITAL ADEQUACY (CONTD.)

(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>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>CET I Capital</u>				
Paid-up share capital	796,517	796,517	796,517	796,517
Share premium	401,517	401,517	401,517	401,517
Retained profits	1,888,285	1,881,187	2,047,248	2,005,815
Statutory reserves	835,401	722,368	1,200,019	1,069,665
Revaluation reserves	73,152	43,838	114,786	78,232
Capital reserves	-	-	10,018	10,018
	<u>3,994,872</u>	<u>3,845,427</u>	<u>4,570,105</u>	<u>4,361,764</u>
Less: Regulatory adjustment				
- Goodwill and other intangibles	(247,299)	(244,522)	(362,982)	(359,935)
- Deferred tax assets	-	-	(10,201)	(12,020)
- 55% of revaluation reserves	(40,234)	(24,111)	(63,132)	(43,028)
- Investment in subsidiaries, associates and joint venture	(535,830)	(317,220)	(2,824)	(1,816)
Total CET I Capital/Total Tier I Capital	<u>3,171,509</u>	<u>3,259,574</u>	<u>4,130,966</u>	<u>3,944,965</u>
<u>Tier II Capital</u>				
Subordinated obligations	1,558,540	419,581	1,559,074	419,581
Collective assessment allowance and regulatory reserves	291,825	189,112	354,805	232,171
Less: Regulatory adjustment				
- Investment in subsidiaries and associates	(357,220)	(475,830)	(1,882)	(2,725)
Total Tier II Capital	<u>1,493,145</u>	<u>132,863</u>	<u>1,911,997</u>	<u>649,027</u>
Total Capital	<u>4,664,654</u>	<u>3,392,437</u>	<u>6,042,963</u>	<u>4,593,992</u>

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

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Credit risk	25,743,934	26,471,112	31,241,896	32,011,298
Market risk	118,013	125,778	123,843	125,778
Operational risk	2,361,359	2,271,723	2,858,987	2,770,484
Total RWA and capital requirements	<u>28,223,306</u>	<u>28,868,613</u>	<u>34,224,726</u>	<u>34,907,560</u>

Detailed information on the risk exposures above is presented in the Bank's Pillar 3 Report.

48. CAPITAL ADEQUACY (CONTD.)

(c) The capital adequacy ratios of the banking subsidiaries are as follows:

	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
2016		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	13.375%	103.287%
Tier I capital ratio	13.375%	103.287%
Total capital ratio	14.399%	103.641%
<u>After deducting proposed dividends</u>		
CET I capital ratio	13.044%	101.292%
Tier I capital ratio	13.044%	101.292%
Total capital ratio	14.068%	101.646%
2015		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	11.013%	94.504%
Tier I capital ratio	11.013%	94.504%
Total capital ratio	11.731%	94.504%
<u>After deducting proposed dividends</u>		
CET I capital ratio	11.013%	93.448%
Tier I capital ratio	11.013%	93.448%
Total capital ratio	11.731%	93.448%

49. CAPITAL

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

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

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

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

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

50. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

(i) Financial instruments in Level 1

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

(ii) Financial instruments in Level 2

Where fair value is determined using quoted prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group 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, corporate notes, repurchase agreements and most of the Group's derivatives.

(iii) Financial instruments in Level 3

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

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

50. FAIR VALUE MEASUREMENTS (CONTD.)**(b) Financial instruments measured at fair value and the fair value hierarchy**

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

<u>BANK</u> 2016	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Assets</u>				
Financial assets held-for-trading				
- Money market instruments	-	40,441	-	40,441
- Unquoted securities	-	91,788	-	91,788
Financial investments available-for-sale				
- Money market instruments	-	5,202,751	-	5,202,751
- Quoted securities in Malaysia	15	-	-	15
- Unquoted securities	-	1,947,499	102,657	2,050,156
Derivative financial assets	-	133,651	-	133,651
<u>Liabilities</u>				
Derivative financial liabilities	-	279,541	-	279,541
 <u>GROUP</u> 2016				
<u>Assets</u>				
Financial assets held-for-trading				
- Money market instruments	-	40,441	-	40,441
- Unquoted securities	-	91,788	-	91,788
Financial investments available-for-sale				
- Money market instruments	-	5,503,569	-	5,503,569
- Quoted securities in Malaysia	15	-	-	15
- Unquoted securities	-	2,909,771	152,341	3,062,112
Derivative financial assets	-	133,651	-	133,651
<u>Liabilities</u>				
Derivative financial liabilities	-	279,541	-	279,541

50. FAIR VALUE MEASUREMENTS (CONTD.)**(b) Financial instruments measured at fair value and the fair value hierarchy (contd.)**

The following tables show the Group's financial instruments which are measured at fair value at the reporting date analyzed by the various levels within the fair value hierarchy (contd.):

<u>BANK</u> 2015	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Assets</u>				
Financial assets held-for-trading				
- Unquoted securities	-	10,037	-	10,037
Financial investments available-for-sale				
- Money market instruments	-	5,667,576	-	5,667,576
- Quoted securities in Malaysia	11	-	-	11
- Unquoted securities	-	2,120,236	94,376	2,214,612
Derivative financial assets	-	132,460	-	132,460
<u>Liabilities</u>				
Derivative financial liabilities	-	115,224	-	115,224
<u>GROUP</u>				
2015				
<u>Assets</u>				
Financial assets held-for-trading				
- Unquoted securities	-	10,037	-	10,037
Financial investments available-for-sale				
- Money market instruments	-	6,872,324	-	6,872,324
- Quoted securities in Malaysia	11	-	-	11
- Unquoted securities	-	2,741,310	140,211	2,881,521
Derivative financial assets	-	132,460	-	132,460
<u>Liabilities</u>				
Derivative financial liabilities	-	115,224	-	115,224

There were no transfers between levels 1 and 2 of the fair value hierarchy for the Bank and the Group during the financial year ended 31 March 2016 and 31 March 2015.

50. FAIR VALUE MEASUREMENTS (CONTD.)**(b) Financial instruments measured at fair value and the fair value hierarchy (contd.)**

Reconciliation of movements in level 3 financial instruments:

	<u>BANK</u>		<u>GROUP</u>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At beginning of financial year	94,376	100,111	140,211	141,100
Total (losses)/gains recognised in:				
- Statement of comprehensive income				
(i) (Loss)/Gain arising from sales financial investments available-for-sales	(549)	11,224	(549)	11,224
- Other comprehensive income/(expense)				
(i) Revaluation reserves	8,856	(2,870)	12,705	1,976
Disposal	(26)	(14,089)	(26)	(14,089)
At end of financial year	<u>102,657</u>	<u>94,376</u>	<u>152,341</u>	<u>140,211</u>

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

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

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

BANK 2016	<u>Fair value</u>				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
Financial assets					
Financial investments held-to-maturity	-	730,910	-	730,910	719,324
Loans, advances and financing	-	-	31,526,230	31,526,230	31,245,478
Financial liabilities					
Deposits from customers	-	37,836,863	-	37,836,863	37,836,569
Deposits and placements of banks and other financial institutions	-	1,001,589	-	1,001,589	1,017,432
Amount due to Cagamas Berhad	-	500,840	-	500,840	502,725
Other borrowings	-	5,015	-	5,015	5,071
Subordinated obligations	-	1,819,959	-	1,819,959	1,839,613

50. FAIR VALUE MEASUREMENTS (CONTD.)

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

GROUP	Fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	
2016	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Financial investments held-to-maturity	-	1,148,526	-	1,148,526	1,129,307
Loans, advances and financing	-	-	38,798,310	38,798,310	38,410,724
Financial liabilities					
Deposits from customers	-	46,122,698	-	46,122,698	46,120,487
Deposits and placements of banks and other financial institutions	-	1,133,927	-	1,133,927	1,157,250
Amount due to Cagamas Berhad	-	500,840	-	500,840	502,725
Other borrowings	-	5,015	-	5,015	5,071
Subordinated obligations	-	1,820,493	-	1,820,493	1,840,147
BANK					
2015	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Financial investments held-to-maturity	-	722,841	-	722,841	714,915
Loans, advances and financing	-	-	30,193,176	30,193,176	29,853,853
Financial liabilities					
Deposits from customers	-	36,856,323	-	36,856,323	36,856,167
Deposits and placements of banks and other financial institutions	-	916,254	-	916,254	928,495
Amount due to Cagamas Berhad	-	6,717	-	6,717	7,003
Subordinated obligations	-	605,088	-	605,088	613,267
GROUP					
2015	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Financial investments held-to-maturity	-	1,327,672	-	1,327,672	1,319,035
Loans, advances and financing	-	-	36,904,492	36,904,492	36,566,032
Financial liabilities					
Deposits from customers	-	44,723,650	-	44,723,650	44,723,429
Deposits and placements of banks and other financial institutions	-	1,473,294	-	1,473,294	1,489,775
Amount due to Cagamas Berhad	-	6,717	-	6,717	7,003
Subordinated obligations	-	605,088	-	605,088	613,267

50. FAIR VALUE MEASUREMENTS (CONTD.)**(c) Fair values of financial instruments not carried at fair value (contd.)**

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

(i) Financial investments held-to-maturity

The fair values are estimated based on quoted or observable market prices at the end of the reporting period. Where such quoted or observable market prices are not available, the fair values are estimated using pricing models or discounted cash flow techniques. Where discounted cash flow technique is used, the expected future cash flows are discounted using prevailing market rates for a similar instrument at the end of the reporting period.

(ii) Loans, advances and financing

The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate loans and Islamic financing with remaining maturity of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at applicable prevailing rates at end of the reporting period offered to new borrowers with similar credit profiles. In respect of impaired loans, the fair values represented by their carrying values, net of impairment allowances, being the expected recoverable amount.

(iii) Deposits from customers, deposits and placements of banks and other financial institutions and bills and acceptances payable

The fair values of deposit liabilities payable on demand (demand and savings deposits), or deposits with maturity of less than one year are estimated to approximate their carrying amounts. The fair values of fixed deposits with remaining maturities of more than one year are estimated based on expected future cash flows discounted at applicable prevailing rates offered for deposits of similar remaining maturities. For negotiable instruments of deposits, the fair values are estimated based on quoted or observable market prices as at the end of the reporting period. Where such quoted or observable market prices are not available, the fair values of negotiable instruments of deposits are estimated using the discounted cash flow technique.

(iv) Amount due to Cagamas Berhad

The fair values of amount due to Cagamas are determined based on the discounted cash flows of future instalment payments at applicable prevailing Cagamas rates as at the end of the reporting period.

(v) Other borrowings and subordinated obligations

The fair value of the other borrowings and subordinated bonds/notes is estimated based on the discounted cash flows techniques using the current yield curve appropriate for the remaining term to maturity.

51. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In accordance with MFRS 132 Financial Instruments: Presentation, the Bank and the Group reports financial assets and financial liabilities on a net basis on the balance sheet, 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 balance sheet; and
- (ii) all financial assets and liabilities that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for balance sheet netting.

(a) Financial assets

	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set off in the balance sheet RM'000	Net amounts of financial assets presented in the balance sheet RM'000	Related amounts not set off in the balance sheet		Net Amount RM'000
				Financial Instruments RM'000	Cash collateral received RM'000	
BANK						
2016						
Derivative financial assets	133,651	-	133,651	(61,231)	-	72,420
GROUP						
2016						
Derivative financial assets	133,651	-	133,651	(61,231)	-	72,420
Balances due from clients and brokers	189,714	(85,055)	104,659	-	-	104,659
Total	323,365	(85,055)	238,310	(61,231)	-	177,079
BANK						
2015						
Derivative financial assets	132,460	-	132,460	(25,019)	-	107,441
GROUP						
2015						
Derivative financial assets	132,460	-	132,460	(25,019)	-	107,441
Balances due from clients and brokers	149,558	(46,815)	102,743	-	-	102,743
Total	282,018	(46,815)	235,203	(25,019)	-	210,184

51. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD.)**(b) Financial liabilities**

	Gross amounts of recognised financial liabilities RM'000	Gross amounts of recognised financial assets set off in the balance sheet RM'000	Net amounts of financial liabilities presented in the balance sheet RM'000	Related amounts not set off in the balance sheet		Net Amount RM'000
				Financial Instruments RM'000	Cash collateral received RM'000	
<u>BANK</u>						
2016						
Derivative financial liabilities	279,541	-	279,541	(61,231)	(29,052)	189,258
<u>GROUP</u>						
2016						
Derivative financial liabilities	279,541	-	279,541	(61,231)	(29,052)	189,258
Balances due to clients and brokers	162,301	(85,055)	77,246	-	-	77,246
Total	441,842	(85,055)	356,787	(61,231)	(29,052)	266,504
<u>BANK</u>						
2015						
Derivative financial liabilities	115,224	-	115,224	(25,019)	(5,184)	85,021
<u>GROUP</u>						
2015						
Derivative financial liabilities	115,224	-	115,224	(25,019)	(5,184)	85,021
Balances due to clients and brokers	109,648	(46,815)	62,833	-	-	62,833
Total	224,872	(46,815)	178,057	(25,019)	(5,184)	147,854

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

52. SEGMENT INFORMATION

The following segment information has been prepared in accordance with MFRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments. The operating segments results are prepared based on the Group's internal management reporting reflective of the organisation's management reporting structure.

Funds are allocated between segments and inter-segment funding cost transfers are reflected in net interest income. In addition to the operating segments, the segment information disclosed also includes inter-segment eliminations. Transactions between reportable segments are eliminated based on principles of consolidation as described in accounting policy . Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in inter-segment eliminations.

The Group is organised into the following key operating segments:

(i) Consumer Banking

Consumer Banking provides a wide range of personal banking solutions covering mortgages, term loans, personal loans, hire purchase facilities, credit cards and wealth management (cash management, investment services, share trading, bancassurance and will writing). Consumer Banking customers are serviced via branch network, call centre, electronic/internet banking channels, and direct sales channels.

(ii) Business Banking

Business Banking segment covers Small and Medium Enterprise ("SME"), Corporate and Commercial Banking. SME Banking customers comprise self-employed, small and medium scale enterprises. Corporate and Commercial Banking serves public-listed and large corporate business customers including family-owned businesses. Business Banking provides a wide range of products and services including loans, trade finance, cash management, treasury and structured solutions.

(iii) Financial Markets

Financial Markets provide foreign exchange, money market, hedging and investment (capital market instruments) solutions for banking customers. It also manages the assets and liabilities, liquidity and statutory reserve requirements of the banking entities in the Group.

(iv) Investment Banking

Investment Banking covers stockbroking activities and corporate advisory which includes initial public offering, equity fund raising, debt fund raising, mergers and acquisitions and corporate restructuring.

(v) Others

Others refer to mainly other business operations such as unit trust, asset management, alternative distribution channels, trustee services and head office.

52. Segment information (contd.)

Group	Consumer Banking RM'000	Business Banking RM'000	Financial Markets RM'000	Investment Banking RM'000	Others RM'000	Total Operations RM'000	Inter-segment Elimination RM'000	Total RM'000
As at 31 March 2016								
Net interest income								
- External income	449,008	326,818	71,312	4,730	86	851,954	(7,810)	844,144
- inter-segment	(128,972)	63,271	69,387	(3,686)	-	-	-	-
	320,036	390,089	140,699	1,044	86	851,954	(7,810)	844,144
Net income from Islamic banking business	90,296	73,656	53,790	-	-	217,742	26,409	244,151
Other operating income	105,953	147,477	57,880	23,540	22,436	357,286	(25,132)	332,154
Net income	516,285	611,222	252,369	24,584	22,522	1,426,982	(6,533)	1,420,449
Other operating expenses	(303,974)	(251,403)	(42,596)	(34,917)	(18,862)	(651,752)	7,815	(643,937)
Depreciation and amortisation	(24,216)	(16,269)	(3,600)	(631)	-	(44,716)	-	(44,716)
Operating profit	188,095	343,550	206,173	(10,964)	3,660	730,514	1,282	731,796
Allowance for losses on loans, advances and financing and other receivables	(38,209)	(10,035)	(60)	(24)	-	(48,328)	-	(48,328)
Write-back of impairment	-	16	7,749	-	-	7,765	-	7,765
Segment result	149,886	333,531	213,862	(10,988)	3,660	689,951	1,282	691,233
Share of results in an associate								9
Share of profit of joint venture accounted for using the equity method								156
Taxation								(171,360)
Net profit for the financial year								520,038
Segment assets	22,172,958	16,079,638	18,758,136	284,496	19,946	57,315,174	(2,195,842)	55,119,332
Reconciliation of segment assets to consolidated assets:								
Investments in associates								520
Investments in joint ventures								566
Property, plant and equipment								86,427
Unallocated assets								46,693
Intangible assets								362,982
Total assets								55,616,520
Segment Liabilities	22,087,698	20,354,741	9,572,956	104,007	13,446	52,132,848	(1,270,243)	50,862,605
Unallocated liabilities								15,740
Total liabilities								50,878,345

52. Segment information (contd.)

Group	Consumer	Business	Financial	Investment	Others	Total	Inter-segment	Total
As at 31 March 2015	Banking	Banking	Markets	Banking	Others	Operations	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net interest income								
- External income	381,726	304,902	136,548	6,733	51	829,960	(12,857)	817,103
- inter-segment	(79,848)	41,971	42,814	(4,937)	-	-	-	-
	301,878	346,873	179,362	1,796	51	829,960	(12,857)	817,103
Net income from Islamic banking business	84,601	68,240	43,914	-	-	196,755	28,302	225,057
Other operating income	107,491	154,316	29,864	25,290	26,648	343,609	(27,888)	315,721
Net income	493,970	569,429	253,140	27,086	26,699	1,370,324	(12,443)	1,357,881
Other operating expenses	(267,350)	(219,669)	(52,549)	(41,344)	(34,453)	(615,365)	8,535	(606,830)
Depreciation and amortisation	(22,022)	(13,385)	(3,786)	(552)	-	(39,745)	-	(39,745)
Operating profit	204,598	336,375	196,805	(14,810)	(7,754)	715,214	(3,908)	711,306
(Allowance for)/write-back of impairment on loans, advances and financing and other receivables	(42,719)	2,136	80	899	-	(39,604)	-	(39,604)
Write-back of impairment	-	4,395	833	-	1,500	6,728	-	6,728
Segment result	161,879	342,906	197,718	(13,911)	(6,254)	682,338	(3,908)	678,430
Share of profit of joint venture accounted for using the equity method								10 16
Taxation								(168,656)
Net profit for the financial year								509,800
Segment assets	21,836,416	14,592,555	18,280,083	63,524	18,956	54,791,534	(2,153,933)	52,637,601
Reconciliation of segment assets to consolidated assets:								
Investments in associates								511
Investments in joint ventures								410
Property, plant and equipment								97,343
Unallocated assets								39,037
Intangible assets								359,935
Total assets								53,134,837
Segment Liabilities	19,239,768	18,905,387	11,826,134	89,021	14,834	50,075,144	(1,328,463)	48,746,681
Unallocated liabilities								14,987
Total liabilities								48,761,668

53. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) The details of issuance of new debts are disclosed in Note 25 and Note 26.
- (b) Changes in the composition of the Group are disclosed in Note 13.

54. SUBSEQUENT EVENTS

On 8 April 2016, the Bank fully redeemed its RM600 million Sub-MTNs, which was issued on 8 April 2011 under the RM1.5 billion Sub-MTN Programme.