



ALLIANCE BANK

# Building Alliances to Improve Lives

2020 ANNUAL REPORT



Wirdalina Tauhed & Daughter  
Founder of Wirdora  
BizSmart® Challenge 2018 Finalist

## Corporate Profile

Alliance Bank Malaysia Berhad (“Alliance Bank”) was incorporated in Malaysia on 3 August 1982 under the name of Malaysian French Bank Berhad. In 1996, it assumed the name of Multi-Purpose Bank Berhad. Following the successful merger of seven financial institutions in January 2001, the Bank assumed its present name.

On 26 September 2017, the Bank was listed on the Official List of the Main Market of Bursa Malaysia Securities Berhad by assuming the listing status of its then holding company, Alliance Financial Group Berhad upon the completion of a corporate re-organisation exercise.

Today, Alliance Bank and its two principal subsidiaries, Alliance Investment Bank Berhad and Alliance Islamic Bank Berhad, is a dynamic, integrated financial services group offering banking and financial solutions through its consumer banking, SME banking, corporate and commercial banking, Islamic banking, investment banking, and stockbroking businesses.

The Bank provides fast, simple and responsive services that meet the needs of its customers via multi-pronged delivery channels which include retail branches, Privilege Banking Centres, Business Centres, and Investment Bank branches located nationwide, as well as mobile and Internet banking.

## Our Vision

Building Alliances to Improve Lives

## Our Brand Attributes

- Innovative
- Fast, Simple & Responsive
- Aligned to Customers’ Needs

## Our Key Behaviours



Commit to  
Excellence



Take  
Ownership



Collaborate



Understand  
& Act



Innovate  
& Simplify

## VIEW OUR REPORT ONLINE



Our Annual Report, Accounts and other information about Alliance Bank Malaysia Berhad can be found at <https://www.alliancebank.com.my/annualreport2020>



Indicates a page or note where more information can be found.



Indicates a website reference where more information can be found.

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## CORPORATE INFORMATION

### Board of Directors

**Tan Sri Dato' Ahmad bin Mohd Don**  
Chairman, Independent Non-Executive Director

**Thayaparan S. Sangarapillai**  
Independent Non-Executive Director

**Lee Boon Huat**  
Senior Independent Non-Executive Director

**Tan Chian Khong**  
Independent Non-Executive Director

**Lee Ah Boon**  
Non-Independent Non-Executive Director

**Susan Yuen Su Min**  
Independent Non-Executive Director

**Datuk Wan Azhar bin Wan Ahmad**  
Independent Non-Executive Director

**Lum Piew**  
Independent Non-Executive Director

**Ho Hon Cheong**  
Non-Independent Non-Executive Director

### Executive Committee

**Lee Ah Boon** (Chairman)  
Non-Independent Non-Executive Director

**Datuk Wan Azhar bin Wan Ahmad**  
Independent Non-Executive Director

**Lee Boon Huat**  
Senior Independent Non-Executive Director

**Tan Chian Khong**  
Independent Non-Executive Director

### Group Nomination & Remuneration Committee\*

**Susan Yuen Su Min** (Chairwoman)  
Independent Non-Executive Director

**Tan Sri Dato' Ahmad bin Mohd Don**  
Independent Non-Executive Director

**Datuk Wan Azhar bin Wan Ahmad**  
Independent Non-Executive Director

**Lee Ah Boon**  
Non-Independent Non-Executive Director

## Group Audit Committee\*

**Thayaparan S. Sangarapillai** (Chairman)  
Independent Non-Executive Director

**Datuk Wan Azhar bin Wan Ahmad**  
Independent Non-Executive Director

**Ho Hon Cheong**  
Non-Independent Non-Executive Director

**Tan Chian Khong**  
Independent Non-Executive Director

## Group Risk Management Committee\*

**Lee Boon Huat** (Chairman)  
Senior Independent Non-Executive Director

**Ho Hon Cheong**  
Non-Independent Non-Executive Director

**Lum Piew**  
Independent Non-Executive Director

**Tuan Haji Ibrahim bin Hassan**  
Independent Non-Executive Director of  
Alliance Islamic Bank Berhad

**Mazidah binti Abdul Malik**  
Independent Non-Executive Director of  
Alliance Investment Bank Berhad

## Shariah Committee^

**Associate Professor Dr Badruddin bin Hj Ibrahim**  
(Chairman)

**Ustaz Ahmad Fauwaz bin Ali @ Fadzil**

**Tuan Haji Rustam bin Mohd Idris**

**Professor Dr. Muhamad Rahimi bin Osman**

**Dr. Tuan Badrul Hisyam bin Tuan Soh**

## Group Chief Executive Officer

**Joel Kornreich**

## Group Company Secretary

**Lee Wei Yen**  
(MAICSA 7001798) (SSM PC No. 202008002080)

## Registered Office

3rd Floor, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur, Malaysia  
Tel : 03-2604 3333  
Fax : 03-2694 6200  
Website : [www.alliancebank.com.my](http://www.alliancebank.com.my)  
Email : [enquiry@alliancefg.com](mailto:enquiry@alliancefg.com)

## Share Registrar

ShareWorks Sdn Bhd  
No. 2-1, Jalan Sri Hartamas 8  
Sri Hartamas  
50480 Kuala Lumpur, Malaysia  
Tel : 03-6201 1120  
Fax : 03-6201 3121

## Auditors

PricewaterhouseCoopers PLT  
Level 10, 1 Sentral, Jalan Rakyat  
Kuala Lumpur Sentral  
50706 Kuala Lumpur, Malaysia

## Principal Banker

Alliance Bank Malaysia Berhad

## Bursa Malaysia Stock Name/Code

ABMB/2488

## International Securities Identification Number (ISIN)

MYL248800004

### Notes:

\* Operate on a Group basis covering the Bank and its principal subsidiaries, namely Alliance Islamic Bank Berhad and Alliance Investment Bank Berhad.

^ Resides in Alliance Islamic Bank Berhad.

## CORPORATE STRUCTURE

as at 15 June 2020



\* 20% shares are held by Alliance Bank Malaysia Berhad and the remaining 80% are held by its wholly owned subsidiaries namely, Alliance Investment Bank Berhad (20%), Alliance Direct Marketing Sdn Bhd (20%), AllianceGroup Nominees (Asing) Sdn Bhd (20%) and AllianceGroup Nominees (Tempatan) Sdn Bhd (20%).

# PRODUCTS AND SERVICES

## ALLIANCE BANK MALAYSIA BERHAD

### PERSONAL BANKING

#### Digital Banking

##### Allianceonline Internet Banking (24x7 service availability)

- Account Overview
- Alliance SavePlus Account Opening
- Alliance XChange Account Opening
- Alliance XChange Fixed Deposit
- Bill Payment (JomPAY)
- Cheque Services
- Credit Card Balance Transfer & Fast Cash
- Credit Card Payment (Pay to Alliance Bank/Interbank/ DuitNow/GIRO)
- e-Fixed Deposit
- e-Fixed Deposit Gold
- e-Foreign Telegraphic Transfer/Foreign Remittance
- e-IPO
- e-Statement
- FPX Payment
- Fund Transfer (Pay to Alliance Bank/Interbank/DuitNow/ GIRO)
- Loan Payment (Pay to Alliance Bank/Interbank/ DuitNow/GIRO)
- Prepaid Reload
- Transaction History
- View Foreign Exchange Rates/e-Rates/Interest Rates

##### Allianceonline Mobile Banking (24x7 service availability)

- Account Overview
- Alliance SavePlus Account Opening
- Bill Payment (JomPAY)
- Credit Card Payment (Pay to Alliance Bank/Interbank/ DuitNow/GIRO)
- e-Fixed Deposit
- Fund Transfer (Pay to Alliance Bank/Interbank/DuitNow/ GIRO)
- Loan Payment (Pay to Alliance Bank/Interbank/ DuitNow/GIRO)
- Mobile Secure Approval (MSA) & Mobile Security Code (MSC) Transaction Authorisation
- Prepaid Reload
- Smart Reminder
- Transaction History
- Transaction Push Notification

##### Alliance Cash2Home (24x7 service availability)

- Account Overview
- Foreign Remittance
- Prepaid Reload
- Transaction History

### Wealth Management

#### Bancassurance

- Elite Cash Saver
- Elite Credit Shield
- Elite Income Saver
- Elite Legacy Builder
- Elite Life Guard
- Elite Max Saver
- Fire/House Owner (Conventional & Takaful)
- Home Content
- Mortgage Level Term Assurance
- Mortgage Level Term Takaful
- Mortgage Reducing Term Assurance
- Mortgage Reducing Term Takaful
- Motor Insurance (Conventional & Takaful)
- Personal Accident
- Personal Loan – Group Credit Family Takaful
- Personal Loan Reducing Term Assurance
- Safe Deposit Box Insurance
- Travel Insurance

#### Deposits

- Alliance Buddy Account
- Alliance Fixed Deposit Gold
- Alliance Hybrid Account
- Alliance My eSavings Account
- Alliance Premium Hybrid Account
- Alliance SavePlus Account
- Alliance XChange Account (via allianceonline Internet Banking)
- Alliance XChange Fixed Deposit (via allianceonline Internet Banking)
- Basic Savings Account
- Current Account/Basic Current Account
- eFixed Deposit (via allianceonline Internet Banking)
- eFixed Deposit Gold (via allianceonline Internet Banking)
- Fixed Deposit
- Foreign Currency Current Account
- Foreign Currency Fixed Deposit
- Safe Deposit Box

#### Unit Trust

- Balanced Funds
- Bond Funds
- Equity Funds
- Money Market Funds

#### Retail Broking & Investment Lending

- Alliance One Invest stock trading platform for retail clients (available on web and mobile app)
- Dedicated Omni-Channels to serve our customers
  - Call and Trade through Alliance Bank's Share Trading Centres (STC), relationship managed and serviced by Equity Specialists
  - Daily research reports, stock trading ideas & Model Portfolio from AllianceDBS Research
  - Online share trading via Internet & Mobile



## PRODUCTS AND SERVICES (CONT'D)

- Share Margin Financing
  - ESOS/IPO/Placement Financing Account
  - External Margin Account
  - Foreign Share Margin
  - Portfolio Financing Account
  - Share Margin + Trading 2-in-1 Account
- Share Trading Account
  - Cash Upfront Trading Account
  - Collateralised Trading Account
  - Flexi 7 Account (i.e.T+7 Trading Account)
  - Foreign Share Trading

### Retail Securities

- Foreign Currency Retail Securities
- MYR-denominated Retail Securities

### Structured Investment

- Basket Equity-Linked Knock-In Knock-Out Structured Investment
- Bonus Enhanced Equity-Linked Structured Investment
- CMS Spread Linked Structured Investment
- Dual Currency Investment
- Equity Linked Convertible Structured Investment
- Equity Linked Structured Investment
- Fund-Linked Structured Investment
- Interest-rate Linked Structured Investment
- Power Dual Currency Investment

### Conventional Loans

- Alliance CashFirst Personal Loan
- Alliance Conventional Commercial Property Loan
- Alliance Conventional Home Loan
- Alliance ONE Account
- Overdraft against Property
- Overdraft against Fixed Deposit

### Cards

#### Credit Cards

- Alliance Basic Credit Card
- Alliance Gold and Classic Credit Cards
- Alliance Platinum Credit Card
- Alliance Visa Infinite Credit Card
- Alliance You:nique Rates Credit Card
- Alliance You:nique Rebates Credit Card
- Alliance You:nique Rewards Credit Card

#### Debit Cards

- Alliance EcoWorld Debit Card
- Alliance Hybrid AP Platinum Debit Card
- Alliance Hybrid PB Platinum Debit Card
- Alliance Hybrid Standard Debit Card
- Alliance My eSaving Debit Card

### BUSINESS BANKING

#### SME

##### Bancassurance

- Business Credit Life Insurance/Refund of Premium (ROP)
- Business Shield for Merchant
- General Insurance Products

##### Business Credit Card

- Alliance Business Platinum Credit Card
- Alliance Visa Infinite Business Credit Card

##### Cash Management

- Account Management (via Alliance BizSmart®)
  - Consolidated Account Overview
  - e-Statement
  - Tax Invoice/Merchant Report
  - Transaction History Download
- Alliance BizSmart® Mobile Approval Application (24x7 service availability)
- Alliance BizSmart® Online Banking (24x7 service availability)
- Collection Management
  - Auto Debit Service
  - Biz-Xpress Card: With functions such as Deposit, Local Cash, Withdrawal, mydebit (local purchases) and overseas cash withdrawal via Cirrus network
  - JomPAY Collection
  - Payee Corporation Service (FPX Payment)
  - Direct Debit Service
- Deposit Account Offering
  - Business Current Account
  - Business eFD (via Alliance BizSmart®)
  - Business Fixed Deposit
  - Business Foreign Currency Current Account
  - Business Foreign Currency Fixed Deposit
- Liquidity Management
  - Auto Sweeping Service
  - Business Rewards Services
- Payment Management (via Alliance BizSmart®)
  - Bill Payment (JomPAY/Direct Bill)
  - Bulk Payment
  - Bulk Payment with Payment Advice
  - Business Current Account
  - Business Fixed Deposit
  - DuitNow/Instant Transfer
  - E-Dividend Payment
  - Foreign Telegraphic Transfer
  - Fund Transfer (Pay to Alliance Bank/Interbank GIRO/RENTAS)
  - MyGST Payment
  - Payroll (Salary/EPF/SOCISO/SOCISO-EIS/Monthly Contribution/PCB-LHDN Payment)
  - Prepaid Reload
  - Zakat Selangor

##### Credit Facilities

- Business Premises Financing
- Equipment Financing
- Foreign Exchange
- Oil Palm Plantation Financing



- Schemes promoted by CGC/BNM/Government
- SME Express Cash
- Working Capital Financing

#### Employee Account Opening

- Employee Account Opening for Foreign Workers (via Alliance Cash2Home)
- Employee Account Opening for Local and Foreign Workers (via BizSmart®)
- Employee Account Opening for Local Workers (via allianceonline Mobile Banking)

#### Trade Facilities

- Bank Guarantees (BGs)
- Bankers Acceptances
- Collection Bills
- Export Bills Purchased/Discounting
- Export Credit Refinancing
- Export LC Advising/Confirmation
- Export LC Negotiation
- Foreign Currency Trade Loan
- Letter of Credits
- Promissory Notes
- Shipping Guarantees
- Trust Receipts
- Vendor Financing

### Corporate & Commercial

#### Business Credit Card

- Alliance Business Platinum Card
- Alliance Visa Infinite Business Credit Card

#### Cash Management

- Account Management (via Alliance BizSmart®)
  - Consolidated Account Overview
  - e-Statement
  - Tax Invoice/Merchant Report
  - Transaction History Download
- Alliance BizSmart® Online Banking (24x7 service availability)
- Alliance BizSmart® Mobile Approval Application (24x7 service availability)
- Collection Management
  - Auto Debit Service
  - Bank Cheque Collection Service
  - Biz-Xpress Card: Deposit cum Withdrawal function via Self-Service Terminals (ATM/CDM/CES)
  - Cash Concentration Solution
  - Cash in Transit
  - Direct Debit Service
  - JomPAY Collection
  - Payee Corporation Service (FPX Payment)
- Deposit Account Offering
  - Business Current Account
  - Business eFD (via Alliance BizSmart®)
  - Business Fixed Deposit
  - Business Foreign Currency Current Account
  - Business Foreign Currency Fixed Deposit

- Liquidity Management
  - Auto Sweeping Service
  - Business Rewards Services
- Payment Management (via Alliance BizSmart®)
  - Bill Payment (JomPAY/Direct Bill)
  - Bulk Payment
  - Bulk Payment with Payment Advice
  - DuitNow/Instant Transfer
  - E-Dividend Payment
  - Foreign Telegraphic Transfer
  - Fund Transfer (Pay to Alliance Bank/Interbank GIRO/RENTAS)
  - MyGST Payment
  - Payroll (Salary/EPF/SOCSO/SOCSO-EIS/Monthly Contribution/PCB-LHDN Payment)
  - Prepaid Reload
  - Zakat Selangor

#### Credit Facilities

- Bridging Loan
- Business Premises Financing
- Foreign Currency Loan
- Syndicated Loan
- Term Loan
- Working Capital Financing

#### Foreign Exchange

#### Interest Rate Swap

#### Trade Facilities

- Bank Guarantees (BGs)
- Bankers Acceptances
- Collection Bills
- Export Bills Purchased/Discounting
- Export Credit Refinancing
- Export LC Advising/Confirmation
- Export LC Negotiation
- Foreign Currency Trade Loan
- Letter of Credits
- Promissory Notes
- Shipping Guarantees
- Trust Receipts
- Vendor Financing

### FINANCIAL MARKETS

- Banker Acceptances
- Equity Linked Investments
- Foreign Exchange Transactions
- Hedging Solution
  - Cross-currency Swap
  - Currency options
  - Interest Rate Swap
- Money Market Deposit
- Negotiable Instrument of Deposit
- Structured Investments

## PRODUCTS AND SERVICES (CONT'D)

### ALLIANCE ISLAMIC BANK BERHAD

#### Alliance Cash2Home

##### (24x7 service availability)

- Account Overview
- Foreign Remittance
- Prepaid Reload
- Transaction History

#### Bancatakaful

- Z-Alliance Secure PA Takaful
- Z-Alliance Travel Takaful
- Z-Alliance Home Safe Takaful
- Z-Alliance Home Owner Premier

#### Business Financing

- Business Premise Financing-i
- Cashline Facility-i
- Commodity Murabahah Revolving Credit-i
- Commodity Murabahah Term Financing-i
- Industrial Hire Purchase-i
- Revolving Credit Facility-i
- Schemes promoted by CGC/BNM/SME Corp/ Government

#### Cards

- Alliance Hybrid AP Platinum Debit Card-i
- Alliance Hybrid PB Platinum Debit Card-i
- Alliance Hybrid Standard Debit Card-i
- Alliance Junior Debit Card-i
- Alliance My eSavings Debit Card-i

#### Consumer Financing

- Alliance ONE Account
- Cashline Facility-i
- CashVantage Financing-i
- i-Wish Home Financing-i
- Term Financing-i

#### Deposits

- Alliance Hybrid Account-i
- Alliance My eSavings Account-i
- Alliance SavePlus Account-i
- Alliance Term Deposit-i

- allianceonline Banking
- Basic Current Account-i
- Basic Savings Account-i
- Current Account-i
- e-Alliance Term Deposit-i (via allianceonline)
- Alliance Junior Smart Saver-i
- Junior Smart Term Deposit-i
- Savings Account-i

#### Financial Markets

- IPRS Murabahah-i
- Islamic Acceptance of Bills
- Money Market Deposit-i
- Negotiable Islamic Deposits Certificate

#### Halal in One Programme

#### Trade Financing and Services

- Accepted Bills-i
- Bank Guarantee-i
- Export Bills for Collection-i
- Export Bills Negotiated-i
- Export Bills Purchased-i/Discounted-i
- Export Credit Refinancing-i (Pre-shipment/ Post-shipment)
- Export Letter of Credit-i (Advising/Confirmation/ Transferring)
- Import Bills for Collection-i
- Letter of Credit-i
- Murabahah Trust Receipt-i
- Murabahah Working Capital Financing-i
- Shipping Guarantee-i

#### Unit Trust

- ASNB Fixed Price Funds
- ASNB Variable Price Funds
- Islamic Balanced Funds
- Islamic Equity Funds

## ALLIANCE INVESTMENT BANK BERHAD

### Corporate Banking

- Credit Facilities
  - Bridging Loan
  - Foreign Currency Loan
  - Syndicated Loan
  - Term Loan
  - Working Capital Financing
- Trade Facilities
  - Bank Guarantees (BG)
  - Bankers Acceptances (BA)

### Corporate Finance

- Independent Advice to Minority Shareholders for related party transactions, General Offers and General Offer Exemption
- Initial Public Offerings
  - Involving public issues of new securities and/or offers for sale of existing securities in companies seeking listing and quotation on the Main Market, the ACE Market and the LEAP Market of Bursa Malaysia Securities Berhad
- Merger, Takeover, Acquisition and Corporate Restructuring Advisory
- Other General Corporate Advisory such as bonus issue, share split and employee share option scheme
- Secondary Offerings
  - Involving raising of funds subsequent to the initial public offerings through rights issues, restricted issues, private placements and special issues of both equity and equity linked instruments

### Debt Capital Markets

- Advisory and arrangement of Corporate Bonds and Sukuk (CBS) involving:
  - Asset Securitisation
  - Commercial Papers Programmes
  - Guaranteed bonds and sukuk
  - Medium Term Notes Programmes
  - Project Financing
  - Structured Financing
  - Unrated bonds and sukuk
- Arrangement of Syndicated Corporate Loans and Financing

### Equity Syndication

- Book-Building/Accelerated Book-Building of Equity and Equity-Linked Instruments
- Primary and Secondary Private Placements of Equity and Equity-Linked Instruments
- Underwriting and Private Placements of Initial Public Offerings
- Underwriting and Private Placements of Real Estate Investment Trusts (REITs)
- Underwritings of Rights Issues

### Financial Markets

- Cross-currency Swap
- Currency Options
- Hedging Solution
- Interest Rate Swap
- Money Market Deposit
- Negotiable Instrument of Deposit

### Islamic Banking

- Islamic Accepted Bills
- Kafalah Bank Guarantee
- Murabahah Working Capital Financing

### Stockbroking

#### Alliance Retail Broking

- Alliance One Invest stock trading platform for retail clients (available on web and mobile app)
- Corporate Action Services
- Dedicated Omni-Channels to serve our customers
  - Call and Trade through Alliance Investment Bank's Branches, relationship managed and serviced by Dealers' Representatives such as Dealers or Remisiers
  - Self Directed clients are supported by Centralised Dealing Team
  - Online share trading via Internet & Mobile
  - Daily research reports, stock trading ideas & Model Portfolio from AllianceDBS Research
- Share Margin Financing
- Share Trading Account
  - Cash Upfront Trading Account
  - Collateralised Trading Account
  - Flexi 7 Account (i.e. T+7 Trading Account)
  - Foreign Share Trading
- e-Services
  - Direct Credit
  - e-Dividend

#### Institutional Stockbroking

- Direct Market Access (DMA)
- Institutional Share Trading
- Inter-broke Services

## ALLIANCEDBS RESEARCH SDN BHD

- Corporate Research
- Economic Research
- Equity Research
- Industry Research
- Investment Advisory Services

## ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD

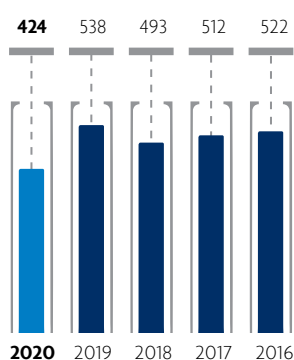
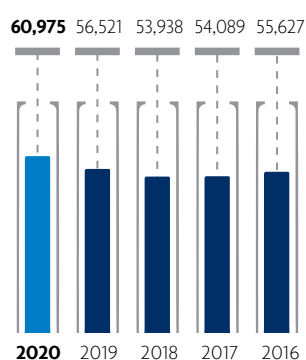
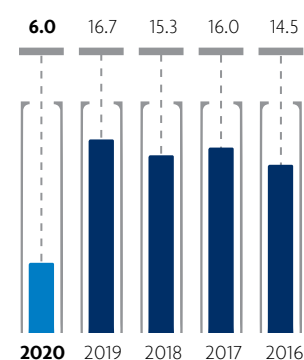
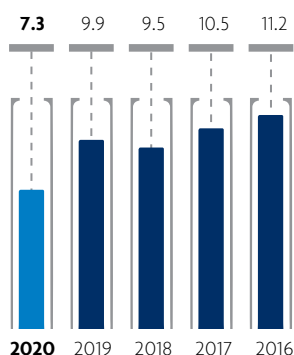
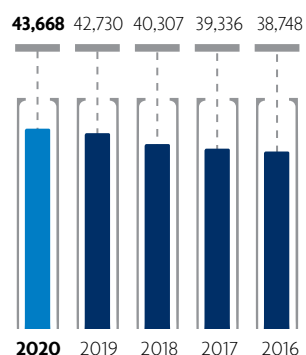
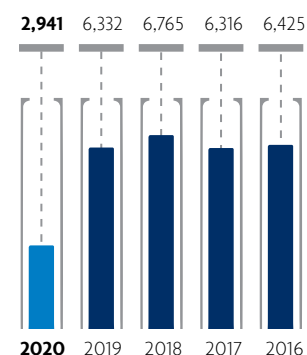
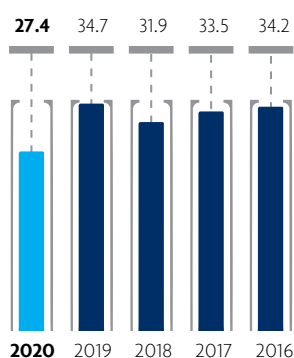
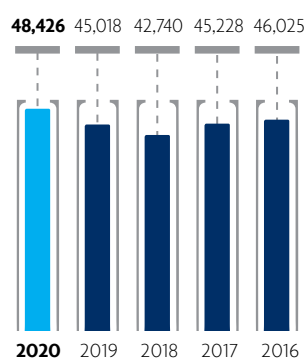
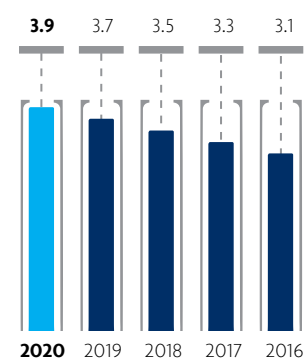
## ALLIANCEGROUP NOMINEES (ASING) SDN BHD

# FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 MARCH	2020	2019	2018	2017	2016
<b>OPERATING RESULTS (RM MILLION)</b>					
Net income	1,689	1,622	1,572	1,469	1,424
Profit before taxation	568	708	685	681	695
Net profit after taxation	424	538	493	512	522
<b>KEY BALANCE SHEET DATA (RM MILLION)</b>					
Total assets	60,975	56,521	53,938	54,089	55,627
Gross loans, advances and financing	43,668	42,730	40,307	39,336	38,748
Total liabilities	54,986	50,788	48,479	48,975	50,785
Deposits from customers	48,426	45,018	42,740	45,228	46,025
Paid-up capital	1,548	1,548	1,548	1,548	1,548
Shareholders' equity	5,989	5,733	5,460	5,114	4,842
Commitments and contingencies	36,972	24,182	22,641	26,494	21,832
<b>SHARE INFORMATION AND VALUATIONS</b>					
<b>Share Information</b>					
Earnings per share (sen)	27.4	34.7	31.9	33.5	34.2
Diluted earnings per share (sen)	27.4	34.7	31.9	33.5	34.2
Dividend per share (sen)	6.0	16.7	15.3	16.0	14.5
Net assets per share (RM)	3.87	3.70	3.53	3.30	3.13
Share price as at 31 March (RM)	1.90	4.09	4.37	4.08	4.15
Market capitalisation (RM million)	2,941	6,332	6,765	6,316	6,425
<b>Share Valuations</b>					
Dividend yield (%)	3.16	4.08	3.50	3.92	3.49
Dividend payout ratio (%)	21.9	48.1	48.0	48.4	43.0
Price to earnings multiple (times)	6.9	11.8	13.7	12.2	12.1
Price to book multiple (times)	0.5	1.1	1.2	1.2	1.3
<b>FINANCIAL RATIOS (%)</b>					
<b>Profitability Ratios</b>					
Net interest margin on average interest-earning assets	2.4	2.5	2.4	2.2	2.1
Net return on average equity	7.3	9.9	9.5	10.5	11.2
Net return on average assets	0.7	1.0	0.9	0.9	1.0
Net return on average risk-weighted assets	1.1	1.5	1.4	1.5	1.5
Cost to income ratio	47.8	47.8	50.5	47.1	48.4
<b>Asset Quality Ratios</b>					
Loan loss coverage	101.4 <sup>1</sup>	142.9 <sup>1</sup>	96.7 <sup>1</sup>	136.7 <sup>1</sup>	109.1 <sup>1</sup>
Gross impaired loans ratio	2.0	1.1	1.4	1.0	1.3
Net impaired loans ratio	1.3	0.6	1.0	0.6	0.8
<b>Liquidity Ratios</b>					
CASA ratio	37.4	35.5	37.3	34.2	32.1
Loan to Deposit ratio	90.2	94.9	94.3	87.0	84.2
Loan to Funds ratio	83.6	86.6	85.3	83.8	80.1
<b>Capital Adequacy Ratios</b>					
Common Equity Tier I (CET I) capital ratio	13.83	13.39	13.39	12.55	11.78
Tier I capital ratio	14.59	14.07	13.82	12.55	11.78
Total capital ratio	18.90	18.51	18.34	17.18	17.36

<sup>1</sup> Including Regulatory Reserve provision.

## IMPROVED EARNINGS

Profit After Taxation  
(RM million)STEADY BALANCE  
SHEET GROWTHTotal Assets  
(RM million)ENHANCED  
SHAREHOLDERS VALUEDividend Per Share  
(Sen)Net Return on Average  
Equity  
(%)Gross Loans, Advances and  
Financing  
(RM million)Market Capitalisation  
(RM million)Earnings Per Share  
(sen)Deposits from Customers  
(RM million)Net Assets Per Share  
(RM)

# STATEMENT BY CHAIRMAN OF ALLIANCE BANK MALAYSIA BERHAD



**Dear Shareholders,**

**I am pleased to present to you our Annual Report for the financial year ended 31 March 2020 ("FY2020").**

In FY2020, the banking sector was impacted by multiple external headwinds and challenges. According to the International Monetary Fund ("IMF"), 2019 global growth was the lowest in the past decade at 2.9%. While Malaysia recorded Gross Domestic Product ("GDP") growth of 4.3% in 2019, by early 2020 the economy had slowed down as a result of the global COVID-19 pandemic. The Malaysian banking sector was also impacted by a series of Overnight Policy Rate ("OPR") cuts in 2019 and early 2020.

**Ahmad bin Mohd Don**  
Chairman, Alliance Bank Malaysia Berhad

Despite a challenging economic environment and muted growth in the banking sector, we recorded improvements in pre-provision operating profit by 4.1% year-on-year (“YOY”) to RM882.3 million. We also maintained a strong balance sheet and healthy capital levels.

On a year-on-year basis, revenue grew by 4.1% to RM1.69 billion, and net interest margin was 2.40%. Margin erosion from the OPR cut was mitigated by the Bank’s stronger growth in higher yielding loans. The Bank has also been repricing its deposit products and strategically rebalancing its available-for-sale investment portfolio to cushion the OPR cut impact. Non-interest income increased by 25.2% YOY.

Over the past year, the Bank’s net credit cost was impacted by the full provision for a few significant corporate accounts and deterioration in our pre-June 2018’s Alliance ONE Account portfolio and classic mortgage. The Bank has since intensified collection efforts in the consumer banking portfolio, tightened its underwriting, and initiated recovery action on the affected corporate accounts. The Bank’s FY2020 net credit cost stood at 72.1 bps including early COVID-19 impact of 8 bps. Net profit after tax was RM424.3 million.

## OUR FY2020 PRIORITIES

Everything that we do, from building or innovating a product, to rolling out a solution, begins with being empathetic to our customers’ needs. We call this the Alliance Way. We leverage on digitisation to bring about improved customer experience, one that is faster and more responsive.

Our unique Alliance ONE Account, which is a loan consolidation proposition that gives customers the control, convenience and flexibility over their monthly loan obligations, recorded a growth of 53.1% YOY to cross the RM5.0 billion threshold. We enhanced our SME Banking propositions with more convenient digitised processes, supported by empathetic and proactive service from our Relationship Managers. SME loans grew by 8% YOY to RM9.4 billion.

The Alliance@Work initiative made further inroads into the SME segment, by offering value added services that meet business owners’ needs, as well as the needs of their stakeholders comprising their families, employees and clients. In FY2020, we acquired more than 1,700 company payroll accounts, and onboarded 30,000 employee Current Account/Savings Accounts (“CASA”).

In January 2020, we signed a Memorandum of Understanding (“MoU”) with Celcom Axiata Berhad to help SME owners grow and manage their businesses better with a combination of connectivity and banking solutions. This collaboration is the first of many to come under our ecosystem partnership ambitions.

We expanded our Bank-wide digitisation efforts, in line with our ambition to revamp our branch experience through the Branch-in-a-Tablet initiative. This resulted in the Bank delivering faster turnaround times on Consumer and Business CASA openings, and providing customers with online applications that require less documentation and speedier disbursements. Today, up to 90% of our Consumer CASA openings are conducted via the tablet.

## CONSERVATIVE CAPITAL MANAGEMENT FOR FUTURE BUSINESS EXPANSION

We continued to create value for our shareholders, with earnings per share of 27.4 sen, and return on equity at 7.3%. Our conservative capital management approach resulted in the Bank maintaining a robust capital position. In FY2020, the Bank recorded Common Equity Tier 1 (“CET 1”) ratio of 13.8%, Tier 1 ratio of 14.6%, and total capital ratio of 18.9%.

Considering the current COVID-19 pandemic, the Bank is prioritising capital conservation in order to support future business expansion. Therefore, the Board of Directors did not recommend a second interim dividend in the fourth quarter of FY2020. The Bank will consider future dividend payments once the full economic impact of the COVID-19 pandemic is clearer. For FY2020, total dividend for the Bank is 6.0 sen per share, with dividend payout ratio at 21.9%.



## STATEMENT BY CHAIRMAN OF ALLIANCE BANK MALAYSIA BERHAD (CONT'D)

### HELPING OUR SMEs AND COMMUNITIES

The restrictions in social movements due to the Movement Control Order have resulted in unprecedented challenges for many businesses, and led to reductions in household incomes, especially those from the bottom 40% household income ("B40") segment.

We have reached out to local businesses and communities to help them navigate the challenges of the COVID-19 pandemic. In April 2020, we launched our #SupportLokal initiative to help SMEs connect to e-commerce platforms, and reach out to a wider base of online customers.

Besides facilitating their entry into the e-commerce space, we provide them digital branding and marketing support. We also offer business owners funding support and business advice on how to take their e-venture to the next level. Since its launch, we have reached more than 3.6 million people on the Bank's Facebook, and generated over 51,000 click throughs to links for small businesses' websites or Facebook pages.

We have channelled our contributions to causes that help build the resilience of communities affected by the pandemic. We donated RM500,000 to MERCY Malaysia's COVID-19 Pandemic Fund, and contributed RM157,000 to Yayasan Kebajikan Negara to support the B40 segment.

Our Islamic banking arm, Alliance Islamic Bank Berhad ("AIS"), collaborated with the Association of Islamic Banking and Financial Institutions Malaysia ("AIBIM") to raise more than RM100,000<sup>1</sup> via the SocioBiz platform to purchase emergency relief for medical frontliners working at Hospital Kuala Lumpur, and other government hospitals.

AIS also has a programme called Social Enterprise Sustainability Initiative ("SESI") to help local social enterprises<sup>2</sup> remain sustainable during this challenging time. Under SESI, AIS has collaborated with several non-governmental organisations ("NGOs") to raise funds on the SocioBiz platform to help sustain 11 selected social enterprises. To-date, we have raised over RM180,000<sup>1</sup>. The funds have been used to help local communities such as the orang asli and B40s that were impacted by COVID-19 pandemic.

In addition, AIS recently signed a 3-year MoU with Yayasan Pembangunan Ekonomi Islam Malaysia ("YaPEIM") to enlist AIS' SME customers as suppliers under YaPEIM's Food Bank programme. This mutually-beneficial ecosystem offers YaPEIM an additional supplier resource to procure food and essential products at competitive rates to provide to

marginalised communities. For SMEs, the arrangement offers a new market opportunity to sell their products while helping communities-in-need. Both parties are also collaborating on additional initiatives such as e-bazaar Ramadan and CMASA.my, YaPEIM's online commerce platform where SMEs introduced by AIS are listed as sellers or suppliers.

### OUR STRATEGY

To navigate the challenges expected in the year ahead, we have identified four key focus areas for FY2021. We will provide our customers with financial and non-financial assistance to help sustain them through the economic downturn. We will also manage our credit risk by reducing our exposure in high-risk segments, and be more prudent in our new loan origination.

We continue to focus on ensuring healthy liquidity ratios and strong customer-based funding, as well as high cash availability at all our branches and ATMs nationwide. Public health concerns as a result of the pandemic has resulted in a shift in customer preferences for remote interactions. We are therefore accelerating our remote banking and branch transformation efforts.

Given the uncertain economic conditions, we expect FY2021 to be challenging. However, we are confident that our strategic actions above will help us manage risk and grow prudently in our target segments, leading to sustainable profitability.

### OUR GOVERNANCE

Effective 1 June 2020, the new Section 17A of the Malaysian Anti-Corruption Commission Act 2009 imposes corporate liability on a commercial organisation for corruption offences committed by persons associated with the organisation. Alliance Bank has established its Anti-Bribery and Corruption Policy which outlines the relevant guiding principles and mitigating controls.

Complementing our existing Code of Conduct, the Policy emphasises our zero tolerance stance against any acts of bribery and corruption, and underlines our commitment to act professionally and with integrity in all our business dealings and relationships. We also developed a Gifts and Entertainment Policy which sets out the key guidelines governing our conduct with our customers in relation to entertainment, and the receipt and giving of gifts.

<sup>1</sup> As at 30 June 2020.

<sup>2</sup> A Social Enterprise is a business that creates positive social or environmental impact in a financially sustainable manner.

In FY2020, we bid farewell to four of our Directors of the Bank Group. Mr Ou Shian Waei and Mr Kuah Hun Liang retired from the Board of Alliance Bank on 30 June 2019 and 8 December 2019 respectively after serving for nine years as Independent Directors.

Mr Kuah also retired from the Board of Alliance Investment Bank Berhad on 8 December 2019, along with fellow Board member Dato' Yeoh Beow Tit who retired on 16 May 2019.

At AIS, Tuan Haji Md Ali bin Md Sarif retired from the Board and the Shariah Committee on 22 March 2020 and 31 March 2020 respectively after serving the Board as an Independent Director and a member of the Shariah Committee for nine years. Taking his place, Tuan Haji Rustam bin Mohd Idris was appointed as a member of the Board and the Shariah Committee on 3 February 2020 and 1 April 2020 respectively.

On behalf of the Board, I wish to express our gratitude to Mr Ou, Mr Kuah, Dato' Yeoh, and Tuan Haji Md Ali for their contributions and exemplary efforts in discharging their duties as Independent Directors throughout their tenure. We wish them all the best in their future endeavours.

We welcome Mr Lum Piew who joined the Board of Alliance Bank as an Independent Director on 1 July 2020. He brings to the Board a wealth of knowledge and experience in Information Technology and Digital Transformation, which will help the Bank accelerate its digitisation priorities.

### 38TH ANNUAL GENERAL MEETING

For the first time, Alliance Bank will be hosting a virtual Annual General Meeting ("AGM") due to the COVID-19 pandemic. This is to ensure that our shareholders' health and safety are not compromised.

We wish to express our gratitude to Mr Thayaparan S. Sangarapillai who will be retiring from the Board at the upcoming 38th AGM of the Bank. Mr Thayaparan will not be seeking re-election due to his other commitments. We wish him all the best in his future endeavours.

### ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank our valued shareholders, customers and business partners for their continuous faith and support. I also extend our deepest appreciation to Bank Negara Malaysia, the Securities Commission Malaysia, Bursa Malaysia Securities Berhad, and other regulatory authorities for their support and guidance.

To my colleagues on the Board, I would like to thank them for their unwavering commitment to drive the Bank's transformation.

My sincere gratitude to the Bank's Senior Management for their leadership and management. To all our employees, my heartfelt appreciation for their commitment and hard work.

Last, but not least, our deepest gratitude to our customers and shareholders, for remaining with us on our journey of growth and value creation. Although the year ahead may hold many unprecedented challenges, we are confident that together we shall create sustainable long-term value for all.

Thank you.

#### AHMAD BIN MOHD DON

Chairman, Alliance Bank Malaysia Berhad

# MANAGEMENT DISCUSSION & ANALYSIS

Dear Shareholders,

For the financial year ended 31 March 2020 (“FY2020”), we made good progress in accelerating our core businesses, establishing new partnerships to expand customer acquisition, and digitising our processes and products. We remain committed in our mission of Building Alliances to Improve Lives, and focused on helping business owners and their stakeholders with their personal and business financial needs.

For FY2020, Alliance Bank Malaysia Berhad (the “Group”) recorded better pre-provision operating profit of 4.1% year-on-year (“YOY”) to RM882.3 million. Our revenue grew 4.1% YOY to RM1.69 billion, driven by improvement in non-interest income of 25.2%. We recorded a net interest margin of 2.4%, which is near the top of the industry. We continue to be one of the fastest growing banks in the SME segment, registering loans growth of 8% YOY.

**Joel Kornreich**  
Group Chief Executive Officer



## MARKET ENVIRONMENT

In the first three quarters, global trade tensions led to a decline in global manufacturing and investment activities. By the final quarter of FY2020, the COVID-19 pandemic had greatly disrupted the global and domestic economies as countries throughout the world implemented social movement and travel restrictions to contain the spread of the pandemic.

Malaysia's 2020 gross domestic product ("GDP") growth forecast has been revised to between -2% and 0.5%. To mitigate the economic impact of the COVID-19 pandemic, Bank Negara Malaysia ("BNM") has reduced the Overnight Policy Rate ("OPR") to 2%, the lowest in the past ten years. BNM has also announced an automatic six-month moratorium for Consumer and SME loans, and relaxed some prudential measures, for example, lowering the statutory reserve requirement.

## OUR FY2020 KEY PRIORITIES

### 1. Accelerate Core Businesses

During the year, we continued to accelerate the momentum of our core businesses of Consumer and SME banking.

#### a. Consumer Banking

##### Alliance ONE Account

Alliance ONE Account ("AOA"), our consumer loan consolidation proposition, maintained its strong growth trajectory, increasing by 53.1%



YOY to RM5.0 billion. AOA growth was primarily driven by acquisitions from the Partner-In-Sales and digital marketing channels, which together comprised 68% of AOA bookings.

#### Personal Loans

We launched our digital personal loans application in December 2019, enabling consumers to conveniently apply for financing anytime, anywhere, with approval-in-principle in as little as 10 minutes, and funds disbursed within 24 hours. In FY2020, personal loan balances grew by 10.6% to RM2.2 billion.

#### b. SME Banking

The Bank recorded SME loan growth of 8% YOY to RM9.4 billion. In November 2019, we piloted our enhanced Business CASA "1-day, 1-visit" account opening process which enables SMEs to open their Business CASA accounts within one day and with minimal documentation. This was complemented by the simplified BizSmart® online banking activation using a soft token, which was introduced in December 2019.

#### c. Alliance@Work

Alliance@Work provides payroll services to companies and banking services to their local and foreign employees. In FY2020, we added over 1,700 new payroll companies and 30,000 local employee CASA. Our CASA balances from local employees, foreign workers, and new Business CASA increased significantly by more than 250% to half a billion ringgit.



## MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

### 2. Ecosystem Partnerships

In January 2020, we signed a Memorandum of Understanding ("MoU") with Celcom Axiata Berhad ("Celcom") to collaboratively provide a combination of connectivity and banking solutions that will help SME business owners to grow and manage their businesses better. A key proposition we launched was the Celcom Business Suite™ for Retail, powered by the Alliance SME Express Financing package.

The package provides businesses with mobile and data connectivity, payment acceptance and a customer engagement platform. The competitive package offers business owners easier and faster financing from the Bank without the need for collateral, as well as better value on their telco plan.

We are also collaborating with Celcom to organise business seminars on relevant topics such as e-commerce and digital marketing for business owners. In addition, SME owners can access our BizSmart® Solution portal which offers exclusive business solutions such as accounting and logistics services.

### 3. Branch-in-a-Tablet/Streamlining

A key focus in FY2020 was the Branch-in-a-Tablet initiative to digitise and simplify the customer experience at the branch.

Today, individuals may open a Consumer CASA, activate their ATM card, and Internet and mobile banking services in as little as 15 minutes. Similarly, Business CASA can be activated through our "1-day, 1-visit" proposition, the fastest in the industry.

Our Branch-in-a-Tablet initiative received the "2019 Digital Transformation Award" at the Red Hat APAC Innovation Awards 2019. We were also listed as one of the "20 Best Banks for 2020 in Asia Pacific" by IDC Financial Insights.



More information on our Branch-in-a-Tablet initiative can be found in our Sustainability Statement on page 26 of this Annual Report.

### STRONG BUSINESS FUNDAMENTALS

#### Balance Sheet and Liquidity Management

In FY2020, net loans and advances grew moderately by 1.9% to RM43.1 billion, mainly from SME loans, AOA and personal financing. Customer-based funding increased by 6.5% YOY to RM48.9 billion, primarily from consumer deposits. The Bank maintained a high CASA ratio of 37.4% due to growth from Alliance SavePlus and Alliance@Work. Fixed deposits grew RM1.2 billion or 4.6% YOY.

We maintained a healthy funding position with liquidity coverage and loan to fund ratios of 156.7% and 83.6% respectively.

#### Credit Management

For FY2020, net credit costs stood at 72.1 bps, which includes the early COVID-19 impact of 8 bps from the revision in expected credit losses. This is in anticipation of weaker macroeconomic conditions.

The Bank's net credit cost was impacted by the full provision for a few significant corporate accounts and deterioration in our pre-June 2018 Alliance ONE Account and classic mortgage portfolios. The Bank has since intensified collection efforts in the consumer banking portfolio, tightened its underwriting, and initiated recovery actions on the affected corporate accounts.

Our bank's relationship managers have proactively engaged with our customers from key industry sectors affected by the COVID-19 pandemic and MCO situation to understand their challenges and offer the right solutions.

The Bank provided a six-month automatic moratorium to eligible Consumer and SME customers based on BNM's guidelines. We also offered loans restructuring and rescheduling, as well as facilitated applications for government economic support schemes such as the Special Relief Facility ("SRF"), All Economic Sector facility, and the Working Capital Guarantee Scheme by Syarikat Jaminan Pembiayaan Perniagaan. We have approved over RM580 million in SRF funding.

## PERFORMANCE HIGHLIGHTS FY2020

In FY2020, the Bank recorded revenue growth of 4.1% to RM1.69 billion. Our pre-provision operating profit grew by 4.1% YOY to RM882.3 million, while net profit after tax was lower by 21% YOY at RM424.3 million due to higher credit provisioning.

Total net interest income including the Islamic Banking segment was at RM1.3 billion. Excluding the impact of the three OPR cuts in FY2020, net interest income grew by 4.0% YOY.

We recorded strong growth in non-interest income of 25.2% YOY to RM365.8 million, driven by treasury and investment income, as well as wealth management income. In addition, the Bank received a business model fee from its exclusive general insurance partnership with Zurich Insurance.

Summarised Income Statement	FY2020 RM million	FY2019 RM million	Growth RM million	Growth %
Net Interest Income	980.8	998.1	(17.3)	(1.7)
Islamic Banking Income	377.9	359.1	18.8	5.2
Other Operating Income	330.6	265.0	65.6	24.8
Revenue	1,689.3	1,622.1	67.2	4.1
Other Operating Expenses	(807.0)	(774.9)	(32.1)	4.1
Pre-Provision Operating Profit	882.3	847.2	35.1	4.1
Allowance for Loans & Impairment	(314.5)	(139.2)	(175.3)	>100
Profit before Taxation	567.9	708.0	(140.1)	(19.8)
Taxation	(143.6)	(170.4)	26.8	(15.7)
Net Profit after Taxation	424.3	537.6	(113.3)	(21.1)

Summarised Balance Sheet	FY2020 RM million	FY2019 RM million	Growth RM million	Growth %
Net Loans, Advances and Financing	43,110.0	42,320.3	789.7	1.9
Investment and Dealing Securities	12,315.9	9,944.6	2,371.3	23.8
Total Assets	60,975.5	56,520.9	4,454.6	7.9
Deposits from Customers	48,425.9	45,017.6	3,408.2	7.6
of which: CASA	18,131.1	15,960.9	2,170.3	13.6
Shareholders' Funds	5,989.0	5,732.8	256.2	4.5

## Conservative Capital Retention

The Group continues to maintain strong capital levels, with Common Equity Tier-1 ("CET 1") ratio at 13.8%, Tier-1 Capital ratio at 14.6% and total capital ratio at 18.9%. Our net asset per share recorded a four-year Compound Annual Growth Rate ("CAGR") of 5.4% to RM3.87.

Considering the current COVID-19 pandemic, the Bank is prioritising capital conservation in order to support future business expansion. Therefore, the Board of Directors did

not recommend a second interim dividend in the fourth quarter of FY2020. The Bank will consider future dividend proposals once the full economic impact of the COVID-19 pandemic is clearer. For FY2020, the total dividend for the Bank is 6.0 sen per share, with dividend payout ratio at 21.9%.

We also have in place active capital programmes to issue Additional Tier 1 and Total Capital if required.



## MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

### PERFORMANCE BY BUSINESS SEGMENTS

#### Consumer Banking

In FY2020, the consumer banking segment recorded revenue growth of 8.1% or RM45.6 million YOY, primarily driven by higher fee income from the wealth management business. Consumer Banking contributed 26% to the Group's pre-provision operating profit. We regained our momentum in client-based fee income which increased by 20.5% due to our customer acquisition strategy that focused on more upscale segments and productivity improvements from our relationship managers ("RMs").

We recorded strong CASA growth of 22.6% YOY, ahead of industry growth of 6.7%, making our CASA ratio the highest in the industry. Our CASA growth was driven by the Branch-in-a-Tablet initiative which enables quicker account opening and strong take-up of our Alliance SavePlus account. The Alliance@Work proposition contributed more than 60% of total new CASA accounts.

We continued to grow our Alliance ONE Account portfolio to RM5.0 billion in loan balances while taking a more prudent approach. Over the past year, we tightened our credit policies and prioritised customer acquisition efforts on higher income earners.

For personal loans, we recorded strong growth of 10.6% during the year, through targeted digital acquisition campaigns and our Partner-In-Sales programme.

In the bancassurance business, we recorded significant growth of more than 200% during the year. This was achieved through an improved sales model and increased sales capacity.



#### FY2021 Outlook

For the year ahead, the Bank plans to expand its Branch-in-a-Tablet initiative to include additional products and services to enable our RMs to fulfil our customers' banking needs anytime, anywhere.

We will introduce fully digital customer account opening by leveraging on electronic Know Your Customer ("e-KYC") in line with BNM's latest guidelines. With the e-KYC solution, customers no longer need to go to a bank branch to open a current or savings account but can do so remotely.

We are also enhancing our digital personal loans process to make it even simpler for customers to apply online or via the mobile banking app. In addition, customers can also apply for loan restructuring solutions on the mobile banking app.

#### SME Banking

The SME Banking segment continues to outpace industry growth with a three-year CAGR that is 4x faster than the industry. SME Banking contributed 23% to the Group's pre-provision operating profit.

The Bank has the highest proportion of SME loans in the industry, at 27.4% of the total loan book. It recorded strong SME loans growth of 8% YOY. SME CASA grew more than 8.5% YOY, while total deposits grew 18.9% YOY.

In November 2019, we launched our "1-day, 1-visit" Business CASA opening, and successfully opened more than 130 business accounts via a tablet-based process during the pilot phase. We also enabled simplified BizSmart® activation via e-PIN and mobile tokens in December 2019.

The Alliance Way guides how our RMs engage with business owners to serve their business and personal financial needs. This year, we introduced a digital financial health check for SMEs which helps them identify opportunities to optimise their financials.

We had implemented the Alliance Origination System ("AOS") in FY2019, and used this to further enhance our digital propositions in FY2020. AOS is a digital loan





origination system which has data fields that are automatically populated by validated external sources, to simplify and speed up the loan application, approval, and disbursement process. Leveraging on AOS, we introduced SME digital lending, making available both self-serve and RM-assisted interactions.

We also enhanced our sales teams' effectiveness by rolling out an 8-Step SME Coaching Programme, which is a structured approach to account planning and management. This helps to improve the consistency of our customer experience. Our net promoter score in the SME segment continues to be one of the highest in the industry.



More information on The Alliance Way and our 8-Step SME Coaching Programme can be found in our Sustainability Statement on page 26 of this Annual Report.

### FY2021 Outlook

We will accelerate our digitisation efforts in the coming year. We will enhance our Business CASA account opening process using the e-KYC solution to enable customers to open a business current account securely without the need to visit a bank branch or be visited by a bank officer.

In addition, we will continue to improve our digital SME loan process to make it simpler and more convenient for our customers.

### ASSISTING SMEs DURING THE COVID-19 PANDEMIC

We know that business owners are struggling to sustain their business cash flows due to the on-going COVID-19 pandemic. We have extended financial assistance to those in need by providing moratoria on loan instalments, and restructuring or rescheduling of loans. Our RMs have been actively engaging with our customers to discuss, assess, and tailor the right solutions for our SME clients.

Since 1 March 2020, the Bank has made available special financing facilities to assist SMEs with prompt, collateral-free financing of up to RM1 million per company. This is to help address immediate working capital requirements and alleviate short-term cash flow difficulties. As at 6 May 2020, we have approved over RM580 million in SRF funding.

## MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

### Corporate, Commercial and Transaction Banking

In FY2020, the Corporate, Commercial and Transaction Banking division recorded revenue of RM313.1 million. There was a RM61 million increase in trade assets to RM4 billion, with overall trade line utilisation of 58.6%.

In March 2020, we launched the BizSmart® Mobile Approval Application to enable business owners to conveniently approve transactions on-the-go. We will pilot the Mobile BizSmart® app in June 2020, with a subsequent full launch in August 2020. The new mobile app provides the convenience of account management, payments, and collections.

#### FY2021 Outlook

The COVID-19 pandemic has redefined the way businesses operate amid restricted movement controls and disruptions in business supply chains. In response, we will accelerate digitisation to deliver fast and simple remote banking, such as the electronic Bankers' Acceptance ("e-BA"), which will be launched in the second half of FY2021. The e-BA solution allows business owners to conveniently submit Bankers' Acceptance or Trust Receipts via their mobile phones.

### GROUP FINANCIAL MARKETS

Group Financial Markets ("GFM") operates within four core areas comprising funding and investment, trading and market making, client-based servicing, and asset-liability management.

In FY2020, several unprecedented global macroeconomic and geopolitical events resulted in uncertainties in financial markets. Of note, the continuing trade war between the United States of America and China, and the monetary policy actions in response to the COVID-19 pandemic, heightened volatility across most key asset classes.

In Malaysia, challenging conditions weakened foreign investor sentiment, resulting in the net outflow of foreign funds from the local equity and bond markets. Coupled with declining oil prices, the Malaysian Ringgit has been under pressure.

In addition, the recent OPR cuts by the central bank, while crucial for the economy, has impacted our yield income. We have taken a more proactive approach to rebalancing our portfolio to gain non-interest income while yields remain low. By doing so, we were able to sustain and increase our revenue to RM301.6 million in FY2020, from RM289 million in FY2019.

### Liquidity and funding

The Group maintained a healthy liquidity position in FY2020. It consistently recorded liquidity ratios far above the regulatory threshold for Liquidity Coverage Ratio of 100%. Loan to Fund ratio remains below 88%.

#### FY2021 Outlook

With global interest rates declining, revenue will mainly be generated by non-interest income from interest rates trading and investment gains from the fixed income portfolio. We will take advantage of opportunities found in Consumer wealth management as high net-worth individuals seek higher returns via structured hedging instruments.

Overall, maintaining ample liquidity remains our key priority.

### INVESTMENT BANKING

The Group's investment banking arm, Alliance Investment Bank Berhad ("AIBB") provides stockbroking, corporate advisory, underwriting and placement of equity securities, corporate bonds and sukuk, loan syndication, as well as corporate banking and treasury services. We also offer equity research through AllianceDBS Research Sdn. Bhd, our 51%-owned joint venture with DBS Vickers Securities Pte Ltd.

In FY2020, AIBB's net interest income was RM41.5 million and Other Operating Income increased by 4.7% YOY to RM37.1 million. Cost to Income ratio improved by 1.6% YOY to 55.5%. AIBB's net profit before tax was RM13 million.

## Corporate Advisory

There were higher levels of fundraising activities in the Malaysian capital markets during the year. In 2019, a total of RM132.8 billion was raised in the corporate bond and sukuk market (2018: RM105.4 billion), while RM6.6 billion was raised in the equity markets (2018: RM9.2 billion)<sup>1</sup>. There were 30 new listings<sup>1</sup> with an aggregate Initial Public Offering (“IPO”) market capitalisation of RM2.0 billion.

AIBB’s Debt Capital Markets team completed two bond deals, and arranged a number of innovative structures in collaboration with Danajamin Nasional Berhad, such as Trinity Group’s first sukuk issuance (RM30 million Tranche 1 ICP of RM1.5 billion Sukuk Musharakah IMTN programme) in September 2019.

AIBB’s Corporate Finance team successfully completed two IPOs. These were Greotech Technology Berhad (GREATEC 0208) on 13 June 2019 with an IPO market capitalisation of RM381.86 million, and ACO Group Berhad (ACO 0218) on 18 March 2020 with an IPO market capitalisation of RM84.0 million. Both were listed on the Ace Market of Bursa Malaysia.

AIBB also completed four non-IPOs including two corporate sponsorships, one Merger and Acquisition, and one Acquisition. We also secured two additional IPO mandates in the same financial year.

## Stockbroking

For the Malaysian equity market, overall market capitalisation ended the year flat at RM1.71 trillion. Our stockbroking business was impacted by market headwinds caused by both global and domestic economic uncertainties such as the ongoing US-China trade tensions.

In FY2020, the trading value on Bursa Malaysia declined by 7.4% to RM1,090.7 billion while AIBB’s stockbroking revenue contracted by 5.6% YOY.



## ISLAMIC BANKING

Our Islamic Banking segment, Alliance Islamic Bank Berhad (“AIS”), has a portfolio of Shariah-compliant financing, deposits and transaction services to serve the needs of consumers and SMEs. AIS’ portfolio is fully compliant with the Islamic Financial Services Act 2013, BNM’s Shariah Governance Framework, and Shariah standards and regulations. 20% of AIS’ portfolio comprises SMEs that enjoy AIS’ Halal solutions and advisory.

In FY2020, AIS reported a revenue growth of 8.6% YOY driven by higher profit income (+6.6%) and other operating income (+29.8%). Financing grew 15.1% YOY, while CASA balances increased by 23.5% YOY. CASA ratio increased from 30.7% in FY2019, to 31.9% in FY2020. AIS also reported better performance in the non-financing business, driven by fees and charges, takaful, unit trusts, and treasury gains. Fee income from unit trusts and takaful improved from RM6.0 million to RM7.5 million in FY2020.

Profit before tax declined to RM99 million due to increased credit cost and higher cost of funds. Net credit cost was impacted by pre-June 2018 accounts in the Alliance ONE Account-i portfolio and a few isolated business financing cases.

<sup>1</sup> Annual Report 2019, Securities Commission Malaysia, Part 5: Capital Market Review and Outlook, page 97

## MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

### AIS as a Value-based Intermediation Practitioner

As part of its commitment to uphold Value-based Intermediation<sup>2</sup> practices, AIS launched SocioBiz in May 2019, a digital social crowdfunding platform that helps disadvantaged individuals start or expand a business, or learn a skill to earn a sustainable livelihood. SocioBiz is complemented by the Do-Good-As-You-Go (“DGAYG”) initiative, which was launched in December 2019. DGAYG provides our customers with the opportunity to channel the profit on their deposit accounts to the charity or cause of their choice. The SocioBiz platform uses the funds from the DGAYG initiative to support various causes. In FY2020, SocioBiz promoted 17 causes for a total of over RM110,000.

AIS also continues to support green business initiatives through the environmental-themed Eco-Biz Dream Project (“Eco-Biz”). In particular, AIS provided seed funding of RM200,000 to the FY2019 Eco-Biz winners from Universiti Malaysia Sarawak to implement a filter using oil palm waste (biochar) to help keep our rivers clean.

One key programme of AIS, Halal in One, was launched in January 2020 to help SMEs grow in the Halal market. It is designed specifically to assist businesses to get their halal certification, gain access to market opportunities, and obtain customised financing for certification cost, premises renovation or working capital. AIS partners with a Halal consultant to help SMEs gain their Halal certification. AIS also runs complimentary Halal awareness training programmes to help build SMEs’ knowledge and expertise in the Halal industry.

In FY2020, Cambridge IFA awarded AIS with the Islamic Retail Banking Award for “Champion in Social Entrepreneurship” for Eco-Biz and SocioBiz.

### Strengthening our Brand

The various programmes by AIS have helped to strengthen its brand positioning. Total brand awareness increased by 4%, while ethical branding and Halal business brand imagery improved by 12% and 10% respectively.

### Shariah Governance

In FY2020, AIS enhanced its Shariah compliance and governance within the Bank in line with BNM’s new Shariah Governance Framework. The Shariah Committee now reports directly to the Board of Directors. We have embedded new controls, and introduced new capabilities within the Group.

### FY2021 Outlook

AIS will continue to strengthen its Halal in One proposition by building a strong Halal ecosystem of strategic partners offering Halal-centric expertise to help SMEs expand their business in the Halal market. It plans to strengthen its Wealth Management segment by enhancing sales capacity and operational capabilities. AIS will also introduce new Wealth Management products, namely the Gold and Investment Accounts, in the year ahead.

### RISK & COMPLIANCE

We have a comprehensive and robust system of risk management and internal controls to manage the Group’s risks within an acceptable risk profile. We also have an on-going process to identify, evaluate and manage current and emerging risks faced by the Group.

We have put in place measures to ensure the strictest compliance with the new Section 17A of the Malaysian Anti-Corruption Commission Act 2009 which takes effect on 1 June 2020. Section 17A imposes corporate liability for corruption offences committed by persons associated with the organisation. The Group introduced the Anti-Bribery and Corruption Policy, which complements its existing Code of Conduct.

We have also implemented a Gifts and Entertainment Policy which sets out the key guidelines governing our conduct with our customers in relation to entertainment, and the receipt and giving of gifts. Our policies and Code of Conduct reinforce our zero tolerance stance against any acts of bribery and corruption, and our commitment to act professionally, fairly and with integrity in all our business dealings and relationships.



More information on our risks and mitigation actions can be found in the Risk Management Report on page 84, and Statement on Risk Management and Internal Control on page 82 of this Annual Report. Details of our governance enhancements can be found in the Corporate Governance Overview Statement on page 47 of this Annual Report.

<sup>2</sup> Value-based Intermediation is a BNM’s initiative to deliver intended outcomes of Shariah through practices, conduct and offerings that generate positive and sustainable impact to the economy, community and environment, consistent with the shareholders’ sustainable returns and long-term interests (Source: BNM)

## OUTLOOK & PROSPECTS

To ensure the Bank's long-term business growth and sustainability, we have identified four key areas for the year ahead.

First, we will focus on providing assistance to our customers. We know that business owners and individuals may be struggling financially due to the on-going COVID-19 pandemic. Our RMs will continue to proactively engage with our customers to offer the right solutions to meet their needs.

Second, we will be enhancing our credit risk management by reducing exposure to high-risk sectors, and stepping up our collection efforts. We maintain regular reviews of our loan policies to ensure onboarding of better quality customer segments. In addition, we will continue to facilitate applications for government relief funds such as the All Economic Sector facility and the Working Capital Guarantee Scheme on behalf of our customers.

Third, we will ensure healthy liquidity ratios and focus on growing customer deposits, as well as high cash availability at all our branches and ATMs nationwide.

Finally, we expect consumer behaviour to change during this time as they may prefer more remote interactions. We will therefore accelerate the digitisation of our products and services to enable our customers to interact with us anytime, anywhere.

## IN APPRECIATION

The Board, Management team and employees have been at the centre of our Transformation journey in FY2020. To our Management team and employees, thank you for your dedication and commitment.

To our Board, we are deeply grateful for your stewardship, valuable insights and guidance.

We extend our appreciation to the regulators, policymakers and corporate governance custodians for their continued support of our business activities. In particular, we thank Bank Negara Malaysia, the Securities Commission Malaysia, and Bursa Malaysia Securities Berhad for their assistance and co-operation.

On behalf of Alliance Bank, thank you to our customers and business partners for your sustained trust and faith in us over the years.

As we move into a new financial year, we reaffirm our commitment to improving lives by creating greater value for all our stakeholders.

Thank you.

### JOEL KORNREICH

Group Chief Executive Officer



## SUSTAINABILITY STATEMENT



AEIOU Challenge Season 5 Prize Giving Ceremony

**Alliance Bank incorporates Economic, Environmental and Social (“EES”) sustainability elements within its business strategies and operations, towards ensuring long-term business sustainability. The EES initiatives and programmes are aligned with its mission of Building Alliances to Improve Lives. We aim to create long-term value by improving the lives of our employees, customers, and the communities within which we operate.**

### SCOPE

This Sustainability Statement reports our EES initiatives and outcomes for the period of 1 April 2019 till 31 March 2020 (“FY2020”). The statement has been prepared in adherence to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) relating to Sustainability Statements in Annual Reports published in 2016, as well as the Second Edition of Bursa Malaysia’s Sustainability Reporting Guide published in 2018. Our Corporate Responsibility (“CR”) agenda is also aligned with Bank Negara Malaysia (“BNM”) requirements relating to financial institutions. The statement also reflects Alliance Bank as a constituent of the FTSE4Good Bursa Malaysia Index (“FTSE4Good”).

### OUR APPROACH TO SUSTAINABILITY

We aim to contribute to the financial and social empowerment, as well as the well-being of our stakeholders. In the longer term, we believe our contributions will lead to greater national socio-economic development. We have based our FY2020 Sustainability Statement on materiality assessments and stakeholder engagements conducted during the year. The Bank continues to adapt its existing initiatives, and initiate new programmes to address its stakeholders’ needs.



Signing Ceremony with Zurich Malaysia

## HOW WE GOVERN SUSTAINABILITY

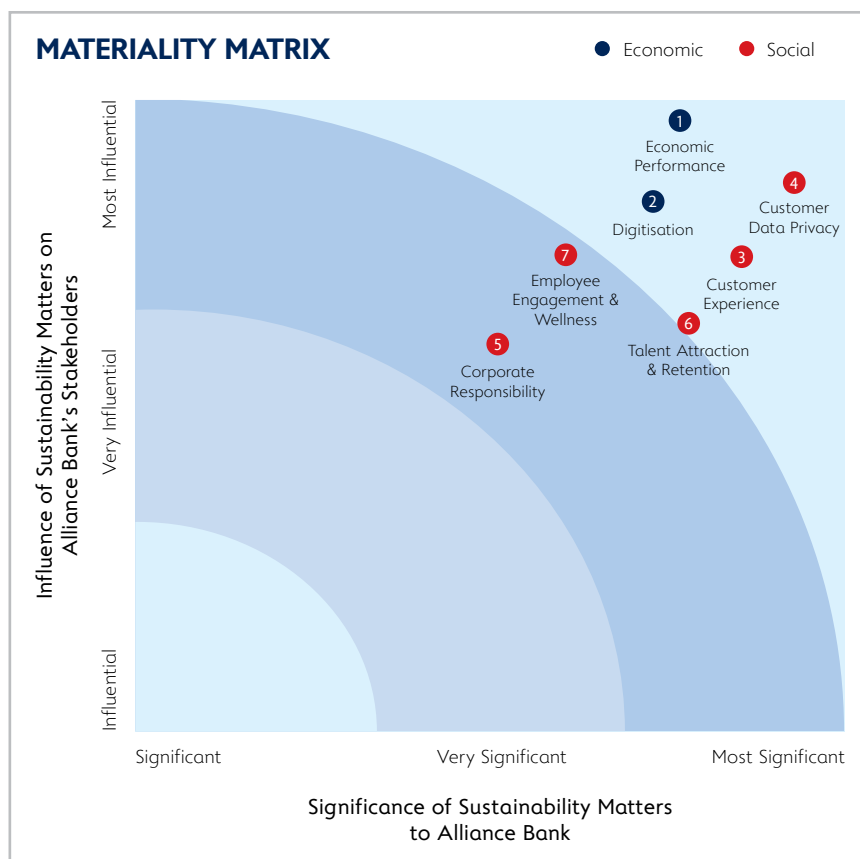
The Bank's Corporate Responsibility and Event Management ("CREM") unit plans, implements and manages our CR initiatives. The CREM unit reports to the Chief Executive Officer of Alliance Islamic Bank Berhad. Since FY2016, the Bank has focused on embedding the sustainability priorities within its Transformation initiatives. Products and services reflecting our sustainability commitment can be found in the Management Discussion and Analysis on page 16 of this Annual Report, with further elaborations in the relevant sections of this Sustainability Statement.

## MATERIALITY MATRIX

For FY2020, the following sustainability matters were identified as being the most relevant to the Bank and our stakeholders. The significance of these sustainability matters can be found in our Materiality Matrix as laid out in the chart.

## Our Sustainability Matters

1. Economic Performance
2. Digitisation
3. Customer Experience
4. Customer Data Privacy
5. Corporate Responsibility
6. Talent Attraction and Retention
7. Employee Engagement and Wellness





## SUSTAINABILITY STATEMENT (CONT'D)

### STAKEHOLDER ENGAGEMENT

The Bank continues to engage its stakeholders through various channels in order to obtain their views on matters that are important to them. We use the feedback to improve the Group's products and services. In FY2020, we conducted the following stakeholder engagements:

Stakeholder	Key Area of Focus	Platforms and Tools Utilised
Shareholders/ Bankers and Investors	Business direction of the Bank and key corporate developments, and relationship building	<ul style="list-style-type: none"> <li>Regular shareholder communications and announcements to Bursa Malaysia and on the Bank's corporate website</li> <li>Annual General Meeting</li> <li>Quarterly and annual financial statements</li> <li>Periodic engagements with equity analysts and fund managers</li> </ul>
Media	Business direction of the Bank and key corporate developments, and relationship building	<ul style="list-style-type: none"> <li>Quarterly financial results news release</li> <li>Bi-annual media briefings on financial results</li> <li>Press conferences on business direction, key corporate developments, and product or service launches, as well as Annual General Meeting</li> </ul>
Government/ Regulators and Policy Makers	Regulation, compliance and relationship building	<ul style="list-style-type: none"> <li>Frequent dialogues between BNM and Compliance Officers Networking Group to discuss issues related to regulations and new requirements</li> <li>Participation in BNM's Compliance Conference by Board of Directors, Senior Management and Group Chief Compliance Officer to keep abreast of latest developments, or emerging threats in the industry</li> <li>Frequent dialogues with BNM, Bursa Malaysia, Securities Commission, Personal Data Protection Commissioner, and Inland Revenue Board Malaysia by Senior Management and Compliance Officers via forums organised by The Association of Banks in Malaysia ("ABM"), Association of Islamic Banking Institutions Malaysia ("AIBIM"), Malaysian Investment Banking Association ("MIBA"), and Association of Stockbroking Companies Malaysia ("ASCM")</li> <li>Alliance Investment Bank Berhad ("AIBB") participated in the Annual Securities Commission Dialogue with Members of MIBA to discuss issues affecting the Capital Markets and Stockbroking industry</li> </ul>
Customers, Suppliers and Partners	Innovative products and services, business direction, knowledge sharing, business guidelines and relationship building	<ul style="list-style-type: none"> <li>Innovative customer-oriented solutions that are fast, simple and responsive; product or service-specific communications on the Bank and its subsidiaries' websites</li> <li>Carry out frequent independent concept and consumer testing with customers and non-customers to improve solutions prior to launch</li> <li>Quarterly market research to understand and act on customers' needs</li> <li>Consistently track our net promoter score ("NPS") across nine touch points</li> <li>Regular Customer Experience ("CX") Council meetings to share NPS results and discuss mitigation actions</li> <li>Customer or industry meetings, talks, exhibitions, tradeshows, roadshows, networking events and appreciation events</li> <li>Regulatory reminders highlighting anti-money laundering, personal data protection and procurement guidelines</li> </ul>
Employees	Human capital development, safety, governance, corporate developments and relationship building	<ul style="list-style-type: none"> <li>Regular communications to keep employees updated on various matters at the Bank through weekly Huddles, quarterly department meetings, annual Townhall, and via email as and when required</li> <li>Training and development initiatives such as Alliance Bank Leadership Excellence ("ABLE") Academy, Alliance Leaders' Programme, Alliance Impactful Managers Programme, Management Trainee Programme, Working with Strengths Programme, Alliance Islamic Banking Fundamentals ("ALIF"), Wealth Academy and Global Leaders Talkshop</li> <li>E-learning modules covering Anti-Money Laundering, Code of Conduct, Information Risk Management and Cyber Security, and Personal Data Protection Act 2010</li> <li>Social activities and work-life balance initiatives via the AFG Recreational and Sports Club and Fit@Alliance</li> <li>Rewards and recognition programmes</li> </ul>

Stakeholder	Key Area of Focus	Platforms and Tools Utilised
		<ul style="list-style-type: none"> <li>Voluntary participation in corporate responsibility programmes for the community</li> <li>Weekly and quarterly employee engagement activities, e.g. Huddles and department meetings</li> <li>Allies of Alliance microsite as a platform for employees to contribute and discuss new ideas to improve products and processes, as well as the work environment at the Bank</li> <li>Innovation Marvels, the employee innovation platform that empowers staff to conceptualise and implement innovative ideas</li> <li>inAlliance portal, an intranet channel that allows for sharing of information and knowledge between departments, and repository of manuals and procedures</li> <li>The Voice of Employee Survey is carried out every quarter to solicit feedback and measure employee engagement. Based on the feedback, specific employee engagement initiatives are carried out to meet employee expectations</li> </ul>
Local Communities	Education, and community-building initiatives	<ul style="list-style-type: none"> <li>Financial literacy outreach programmes, e.g. AEIOU Challenge, Buku Wang Saku</li> <li>Digital financial inclusion and empowerment initiatives such as the Cash2Home app</li> <li>Supporting the SME community through platforms such as Alliance BizSmart® Challenge, Halal in One Programme, Credit Guarantee Corporation ("CGC") scheme, BNM's Special Relief Facility ("SRF"), Danajamin Nasional Berhad's loan guarantee scheme, and the #SupportLokal initiative</li> <li>Advocating social enterprise initiatives that have a positive impact on communities via the Eco-Biz Dream Project and social crowdfunding platform, SocioBiz</li> </ul>

## THE THREE PILLARS OF SUSTAINABILITY

We have a comprehensive range of programmes that promote sustainable socio-economic development of our communities.

### A. Economic

Our economic sustainability efforts aim to bring about more equitable wealth creation and distribution in Malaysia. We have a number of programmes that help business owners and their stakeholders (i.e. family, employees, and customers) to be financially successful.

#### 1. Stable Financial Operations

We continue to contribute to the nation and our society through the taxes paid to the government, shareholder dividends, community investments, and employee salaries.

The Bank's lending and investment activities are at the core of its business portfolio. We ensure that we have adequate capital and liquidity to support our financing activities. In managing our capital and liquidity, the Bank is guided by BNM's Capital Adequacy Framework (Capital Components) and the Capital Adequacy Framework (Basel II – Risk Weighted Assets).

We maintain a capital base that meets regulatory requirements to support our business activities and sustain future growth. The capital management process is overseen and monitored by Senior Management and the Board of Directors ("Board").

We regularly conduct stress testing to assess the potential impact of both the current and emerging risks on our earnings, balance sheet, and capital. We have in place contingency plans based on the outcomes of our stress tests. We maintain our liquidity coverage ratio in compliance with BNM's Basel III requirements. The Group continues to ensure sufficient liquidity to fund daily operations and mitigate contingencies.

To ensure a strong balance sheet that optimises value for our shareholders, we conduct regular management reviews as follows:

- Weekly and monthly production management with all the Group's businesses with action plans to address gaps identified
- Monthly updates to the Board on business performance

## SUSTAINABILITY STATEMENT (CONT'D)

	FY2020 RM Million	FY2019 RM Million	FY2018 RM Million
<b>Direct Economic Value Generated: Revenue</b>	<b>1,622.1</b>	<b>1,622.1</b>	<b>1,572.0</b>
<b>Economic Value Distributed</b>			
Operating costs (excluding personnel expenses and community investments)	283.2	285.3*	289.6*
Employee wages and benefits	489.6	489.6	504.3
Payments to providers of capital – cash dividends paid to shareholders	236.9	236.9	247.7
Payments to Government – taxation and zakat	170.4	170.4	191.4
Community investments (administration expenses – donation)	2.6	0.4	0.2
Net bad debts	139.2	139.2	93.4
<b>Sub-total</b>	<b>1,321.8</b>	<b>1,321.8</b>	<b>1,326.5</b>
<b>Economic Value Retained</b>	<b>300.3</b>	<b>300.3</b>	<b>245.5</b>

\* These updated figures for FY2019 and FY2018 incorporate community programmes, which were not previously accounted for.

### 2. Procurement Policy & Procedures

The Bank's procurement activities adhere strictly to the Procurement Policy and Procedures, which provides clear guidance to ensure fairness, transparency, and accountability of purchase decisions. We aim to obtain the best value for all purchases, and ensure rigorous governance of suppliers. Our e-Procurement system enables supplier self-registration and includes an online tender platform.

### 3. Supporting the Growth of SMEs

SMEs and large family businesses with turnovers of more than RM300,000 per annum comprise 98% of the approximately 220,000 businesses in Malaysia. These businesses provide employment to over 70% of the working population, and contribute an estimated 60% to the national gross domestic product. The Bank helps these businesses grow through the following:

#### a. Business Funding

The Bank provides a range of funding solutions to help its business clients. One such example is the Credit Guarantee Corporation ("CGC") Scheme which began in FY2019. Through the Portfolio Guarantee Scheme, the Bank helps eligible SMEs that lack adequate collateral or credit track record obtain hassle-free, working capital financing to grow their businesses. This guarantee scheme has a cumulative portfolio size of RM650 million. To date, we have approved over RM580 million in loans to close to 1,350 SME businesses.



Signing with Credit Guarantee Corporation Malaysia Berhad

The Bank has been assisting SMEs affected by the COVID-19 pandemic by extending several financial relief programmes, loan moratoria, and loan restructuring and rescheduling.

Since 1 March 2020, the Bank has made available BNM's SRF to assist SMEs with prompt, collateral-free financing of up to RM1 million per company. This is to help address immediate working capital requirements and alleviate short-term cash flow difficulties. As at 6 May 2020, we have approved over RM580 million in SRF funding.



The Launch of Halal In One Programme

#### b. Halal in One Programme

To help SMEs venture into the fast-growing Halal market, Alliance Islamic Bank Berhad ("AIS") launched its Halal in One Programme on 7 January 2020. It is designed specifically to assist businesses to get their halal certification, gain access to market opportunities, and obtain customised financing for certification cost, premises renovation or working capital.

We partner with a Halal consultant to help SMEs gain Halal certification. SMEs also have complimentary access to Halal awareness training programmes that we run. These services are complemented by our other shariah-compliant banking solutions that include payroll solutions and enterprise Takaful.

#### c. Alliance Bank-EcoWorld BizSmart® Challenge

We have been improving our flagship programme, the Alliance Bank-EcoWorld BizSmart® Challenge (the "Challenge") every year since its launch in 2013.

Open to Malaysian SMEs that have been in operations between 18 months and 5 years, the Challenge provides participants with business training, coaching and mentoring from experienced business leaders.

The sixth iteration of the Challenge in FY2020 received the highest number of submissions to date. An innovative feature this year was the Instagram Story Business Pitch which allowed applicants to pitch their business plans via Instagram.

We have improved the Challenge by offering more than RM1.5 million in cash, product sponsorship and media coverage prizes. In addition, we are making available up to RM5 million in unsecured loans to the Top 20 finalists. An SME Banking Advisory Team has been set up to assist the Top 20 finalists with business advisory once the programme concludes.

### HOW WE HELP SMEs ACCESS THE HALAL MARKET

We offer SMEs integrated Halal solutions through these three key aspects:

#### 1. Halal certification support

- Providing gap analysis, site advisory, document review, pre-mock and surveillance audit, halal training, and human capacity development

#### 2. Business matching

- Providing access to both digital and physical Halal marketplaces

#### 3. Halal funding support

- Financial health check
- Financing for certification costs, premises renovation, and working capital

## SUSTAINABILITY STATEMENT (CONT'D)



The judges and mentors of BizSmart® Challenge

The Challenge has gained wide recognition within the SME community as it provides practical training and industry insights, as well as branding exposure for their business. The growing ranks of our alumni includes past winners such as Christy Ng Shoes, Biji-Biji Initiative, NutriBrown Rice, Chriszen Malaysia, Amazin' Graze, OhMostWanted, and Wirdora, among others.

This is the second year that the Challenge will be featured as a reality TV programme. It is scheduled to be aired on TV3 in the second half of FY2021.

### d. #SupportLokal

In April 2020, the Bank launched the #SupportLokal initiative to help small local businesses continue earning revenue or scale up their business digitally during the Movement Control Order ("MCO") period. The idea of #SupportLokal initiative came from the need to help small local businesses with their branding and marketing via Facebook marketing, and facilitate the use of digital as an alternative revenue channel.

The Bank provides digital branding and marketing support to help promote the products and services of local businesses. Aside from its own digital assets of social media and corporate website, the Bank is also

collaborating with several e-commerce platforms to help small local businesses widen their reach to more consumers digitally and tap into alternative revenue channels. The e-commerce commission fees are subsidised.

Under the #SupportLokal initiative, business owners also have access to advisory and training via webinars and videos to help them succeed in their new digital venture.

In the two months since its debut, the #SupportLokal initiative reached more than 3.6 million Malaysians on Facebook ("FB"), and generated over 51,000 link clicks<sup>1</sup> to the small local businesses' websites or FB page.



<sup>1</sup> Link clicks are the number of clicks on a link to choose a destination or experience, on or off the property owned by Facebook (Source: Facebook for Business)



## 4. Digitisation

### a. Digital Account Opening for Individuals and Businesses

In FY2020, we expanded our digital propositions by enabling digital individual and business account openings through our Branch-in-a-Tablet initiative. Individual account openings can now be completed in as little as 15 minutes, and business account openings within “1 day, 1 visit”. As at end FY2020, up to 90% of individual accounts were opened using a tablet at the branch.

Our digitisation initiatives received several accolades for being innovative and forward looking. These include the Red Hat APAC Innovation Awards 2019, and an Honourable Mention at the global 2020 Red Hat Innovation Awards.

The Bank continues to help employees of SMEs open a bank account at their workplace through Alliance@Work's Cash2Home and digital Local Employees Onboarding programmes. These two programmes offer their employees digital account opening, with immediate ATM/debit card and allianceonline Mobile activation. More than 33,000 employees opened their bank accounts through Alliance@Work in FY2020.

### b. Alliance Origination System

We had implemented the Alliance Origination System (“AOS”) in FY2019, and used this to further enhance our digital propositions in FY2020. AOS is a digital loan origination system for businesses which has data fields that are automatically populated by validated external sources, to simplify and speed up the loan application, approval, and

disbursement process. Leveraging on AOS, we introduced SME digital lending, making available both self-serve and RM-assisted interactions.

### c. Digital Loans

In FY2020, the Bank enabled fully digital for small ticket loans. For the consumer segment, we launched digital personal loans in December 2019, with approval-in-principle in as little as 10 minutes, and funds disbursed within 24 hours for loans amounting to not more than RM50,000.

During the year, we also initiated a pilot launch of our digital SME lending proposition. This digital solution provides SMEs the option to apply for loans online, and offers Approval-in-Principle for loans under RM50,000 within 24 hours. We will roll out our digital SME lending proposition nationwide in August 2020.

### d. Remote Banking

In December 2019, the Bank announced its collaboration with CTOS Data Systems Sdn Bhd (“CTOS”) to integrate their proprietary digital Know-Your-Customer (“eKYC”) solution to enable individuals to open and activate accounts conveniently and securely anywhere, anytime, without the need to visit a bank branch or be visited by a bank officer.

The solution features an advanced digital identity authentication solution that enables the Bank to analyse, verify, and authenticate the identity of individuals in real time using mobile and web-based solutions. The end result is speedier response times and a seamless digital experience for customers. The Bank plans to launch its eKYC-enabled deposits, personal loans/financing, and credit card solutions in the first half of FY2021.



Partnering with CTOS on Digital Solutions

## SUSTAINABILITY STATEMENT (CONT'D)

### e. BizSmart® Mobile

BizSmart® Mobile complements the Bank's Alliance BizSmart® online banking as it enables business owners access to banking services and transactions via their mobile phones. The app enables onboarding and activation in five simple steps, and allows users to approve transactions anywhere, anytime. Since December 2019, users can activate BizSmart® using a mobile token.

BizSmart® Mobile also allows for electronic trade transactions (Banker Acceptance/Trust Receipts) to be submitted through the mobile phone. Users can submit their application, and the auto-population of data enables approvals to be processed on the same day for transactions submitted before 12 noon. Notifications are then sent to customers upon approval, and they have access to real time status at all times.

## B. Environmental

We are focused on internal workplace initiatives aimed at reducing our carbon footprint.

### Internal Workplace Initiatives to Reduce Carbon Footprint

At our headquarters, offices, and branches nationwide, we have in place environmental management measures to minimise our environmental footprint. We continuously monitor these measures to ensure we remain on track with our objectives.

#### a. Energy Management

As all our premises are air conditioned, we are focused on managing our energy consumption efficiently by:

- Setting optimised temperatures for Computer Room Air-Conditioning ("CRAC")
  - We have reduced our energy consumption by 5% by adjusting the temperature setting on CRAC units by one degree Celsius.
  - This covers all CRAC units at our communications and server rooms, which are located at our headquarters, and at our satellite offices in Cyberjaya and Strateq.
- Using centralised air-conditioning units as much as possible, instead of split air-conditioning units
  - All new installations of split air-conditioning units require the prior approval of Heads of Businesses.
  - Exceptions are only made if failing to install split air-conditioning units would significantly impair operations.

Another source of electricity consumption is lighting at our premises. We have reduced our energy

consumption from lightings by 5%. To manage our electricity consumption, we are progressively fitting LED lights at all our new offices and branches.

#### b. Using Environmentally-Friendly Materials


We maintain the use of eco-friendly materials as much as possible. We achieve this by:

- Substituting refrigerant supplies for air-conditioning units with eco-friendlier alternatives.
- Progressively phasing out environmentally unfriendly materials by using eco-friendly materials in all office renovations. We use construction materials which comply with US-based Leadership in Energy and Environmental Design ("LEED"), UL Environment's GREENGUARD Green Certified products, Australian-based GECA standards or equivalent certifications.

#### c. Reducing Paper Use

Since launching our digitisation initiatives, we have been able to stabilise our paper consumption at the workplace. We continue to encourage our employees to only print necessary material. We monitor our employees' use of printing through password controls on paper copier machines and printers.

Monthly reports are generated on printing volumes which are then sent on to the respective business units to analyse. These businesses units are also encouraged to implement internal measures to reduce paper usage where possible.

 Amount of Copies Made			
FY2018	FY2019	FY2020	
<b>3.3</b> million copies	<b>2.8</b> million copies	<b>3.0</b> million copies	

During the financial year, there was an increase of 29% of customers who requested for the Bank's e-Combined Statement and e-Credit Card statement.

Description	Volume		
	March 2019	March 2020	Variance
e-Combined Statement	23,000	43,000	<b>+87%</b>
e-Credit Card Statement	63,000	68,000	<b>+8%</b>
Total	86,000	111,000	<b>+29%</b>



## C. Social

### 1. Employees

We continue to focus our efforts on equipping our people with the skills and capabilities to function as high performing teams. We place great importance on employee engagement and ensuring a conducive workplace to retain our talent.

#### a. Talent Attraction and Retention

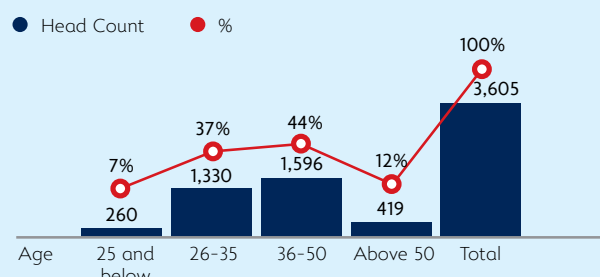
We focus on attracting, retaining and developing talent diversity, fostering social responsibility,

promoting a culture of recognition and appreciation, encouraging openness in communication, and instilling the organisation's core values into our internal engagement activities.

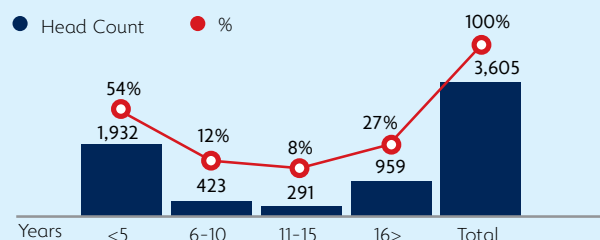
#### i. Employee Composition

The Bank believes in the importance of a diverse workforce, with a variety of skill sets and capabilities, to drive our business strategies and operations. As at end FY2020, we have a total of 3,605 employees of differing age groups and varying backgrounds.

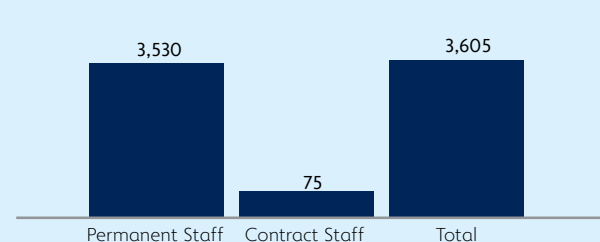
#### Employee Age Profile



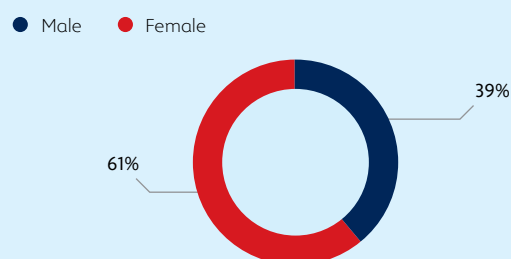
#### Years of Service



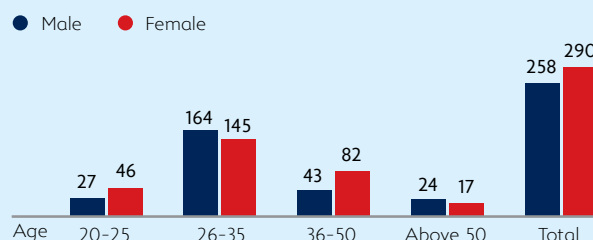
#### Employment Status



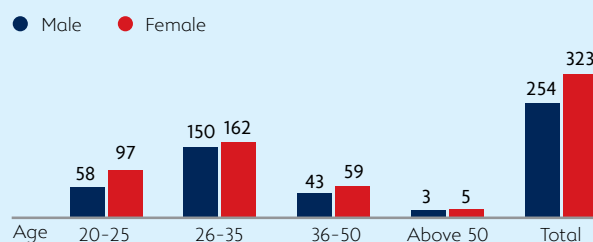
#### Gender Composition (As at 19 March 2020)



#### Turnover by Age & Gender (FY2020)



#### Recruitment by Age & Gender (FY2020)



## SUSTAINABILITY STATEMENT (CONT'D)

### ii. Career Break Option

We offer a “Career Break” option to exemplary performers in essential positions who wish, or need, to take an extended break from work for personal reasons. The option is exercised at the discretion of the Bank, with the view of retaining talent in the longer term. Employees who are on a career break are assured on the security of their job/position upon their return to the workforce.

### iii. Parental Leave

The Bank provides both maternity and paternity leave to its staff to cater to different familial responsibilities. Additionally, staff may also take days off to care for their family members who are seriously ill or hospitalised.

Parental Leave	Number of Applicants in FY2020
Maternity Leave	91
Paternity Leave	46
Family Hospitalisation Leave	434

### iv. Smart Casual Everyday

At the beginning of 2020, we rolled out the Smart Casual Everyday initiative in response to our employees’ feedback. The initiative reflects the Bank’s commitment to an open and flexible work culture.

### v. Career Development Paths

We provide multiple options to ensure the growth and development of our employees, including prioritising internal candidates for job vacancies, job rotations, promotion opportunities, and participation in stretch assignments and projects.

### vi. Workforce Diversity, Equal Opportunities and Barring Workplace Discrimination

In line with our belief of empowering our female employees, and promoting gender equality and workforce participation, 61% of our staff comprise women. Out of the total female workforce within the Group, 79% hold management positions (Senior Executives and above), while 20% are in Senior Management positions (Senior Vice President and above). This is an increase of 4% for women in senior management positions when compared to

FY2019. The representation of women on the Group’s Board of Directors in FY2020 remained at 12.5% from the previous year.

The Bank believes and promotes a culture of tolerance and mutual respect among our employees, as well as job candidates. Each candidate is assessed and evaluated fairly based on their merits. We completely reject discrimination based on gender, race, religion, age or sexual orientation.

This same approach is applied to how we manage our employees’ career advancement. Employees are assessed based on behavioural and professional criteria for career progression, and decisions on promotions and monetary compensation are made by a senior management committee. Complaints of discrimination of any kind are investigated thoroughly via the Bank’s disciplinary processes and consequence management is applied accordingly.

### vii. Addressing Bullying and/or Harassment

We have in place a Whistle Blower Policy to allow our employees to highlight potential practices that are contrary to the Bank’s ethics and code of conduct.

We continuously enhance and revise our Whistle Blower Policy with the most recent revision conducted in March 2020. In this revision, the Bank incorporated harassment and discrimination as a possible subject matter of whistle blower complaints, and provided examples to help our employees identify such situations.

The Bank’s Whistle Blower Policy and the “Speak Up Statement” highlights how we deal with instances of unethical conduct/harassment/discrimination and unreasonable behaviours by anyone, with recourse to internal and external reporting channels. We maintain the strictest confidentiality for complaints.

The Whistle Blower Policy is available to staff in the Bank’s inAlliance intranet portal, while the “Speak Up Statement” is available on the Bank’s corporate website. All employees are educated on the importance and usage of the Whistle Blower platform via staff induction programmes, staff communications, and Huddle letters. The Bank has also included a whistle blowing/complaints reporting clause in all third party contracts and agreements.

## b. Employee Engagement and Wellness

### i. Voice of Employee

Our annual employee engagement survey, the “Voice of Employee” (“VOE”), has been effective in obtaining honest and constructive feedback from our employees at various levels of the organisation. We review the feedback obtained, and use it to design specific employee engagement initiatives.

We have seen significant improvements in employee sentiment, especially in the areas of providing non-monetary employee recognition and in our employee’s perception of the Bank’s Image and Competitive Position. The former improved from 79% in FY2019 to 81% in FY2020, while the latter increased from 54% in FY2019 to 68% in FY2020.

The Sustainable Engagement Index measures how engaged, enabled and energised employees are. In FY2020, the Bank achieved a score of 87% for the Sustainable Engagement Index, which is above the Malaysia Bank average.

The NPS measures the percentage of staff who would positively recommend the Bank as a business and an employer. Since 2017, our scores have improved for both the business and employer NPS by 17 percentage points and 21 percentage points respectively.

In addition to the annual VOE, the Bank conducts quarterly VOE Surveys to gauge employee engagement on a regular basis. Skip Sessions are held to obtain employees’ feedback on gaps and opportunities for improvements.

### ii. Allies of Alliance Portal

The Allies of Alliance portal and its Ideas Bank were launched in FY2017 to promote the sharing of innovative ideas from employees at all levels. These include ideas for process simplification and product innovation, and system enhancements. This helps to instil a sense of ownership and teamwork among employees.

### iii. Fit@Alliance

Since 2017, the Fit@Alliance initiative has promoted physical, mental and financial wellness among our employees. In FY2020, the Fit@Alliance team organised a series of physical activities such as vertical challenges, body combat, yoga and the inaugural Divisional Tele-match to promote an active lifestyle and employee camaraderie. We also hosted educational talks on physical, mental and financial wellness.

The Bank once again participated in Perkeso’s Activ@Work Challenge 2019 with more than 600 staff involved. For the second consecutive year, the Bank secured third place as the Most Active Employer (large corporate category). One of our employees secured the seventh place in the “Top 10 Most Active Employees” nationwide.

### iv. Recreational and Sports Club

The Bank’s Recreational and Sports Club continues to inspire and engage employees with activities such as the Treasure Hunt, Family Day, The Inter-Bank Badminton Competition, Durian Fiesta, Movie Nights, and Futsal matches. These activities provide a platform for employees to engage and interact with others.

In FY2020, the Recreational and Sports Club introduced new events such as the e-Sports Tournament, hiking trips, and weekly kick-boxing classes.

### v. Leaders’ Conference/Annual Townhall

The Leaders’ Conference/Annual Townhall is designed to keep employees informed on the Bank’s performance, strategic direction and key initiatives. The conference offers the Senior Management team an avenue to share the Bank’s strategic plans and aspirations for the future.

## SUSTAINABILITY STATEMENT (CONT'D)

### vi. *Weekly Huddle Sessions*

Every Friday, we have been having weekly Huddle sessions across the Bank. These Huddle sessions provide an avenue for employees to get to know one another better through informal conversations and the sharing of ideas in a smaller group setting. A Huddle letter is published each week featuring a specific topic of interest. These may include updates on the Bank's products or services, partnerships, compliance matters, success stories and recognition, or contests and employee engagement activities. Led by Huddle leaders, the sessions offer employees the opportunity to voice their views.

### vii. *Employee Volunteerism*

The Bank is a strong advocate of Corporate Responsibility ("CR") and considers employee volunteerism as an important aspect of talent attraction and retention. It provides a way for our people to impact the lives of communities, including of the underserved and marginalised through programmes such as the AEIOU Financial Literacy Programme, the BizSmart® Challenge, Eco-Biz Dream Project, and SocioBiz.

### viii. *Other Engagement Initiatives*

Each year, the Bank allocates a budget of RM150 for every employee for Divisional Employee Engagement initiatives.

The Bank also acknowledges the importance of recognising employees' contributions.

#### • *ManCo Appreciates You*

This platform enables the Bank's senior leaders to show their appreciation to employees for their exemplary performance or behaviours that are aligned to our core values.

#### • *Alliance Heroes*

The "Alliance Heroes" initiative is a peer-to-peer recognition and appreciation platform that allows employees to award badges and send notes of appreciation to their fellow colleagues who exemplify the Bank's core values. "Alliance Heroes" is an extension of "ManCo Appreciates You". Since its introduction, more than 6,000 recognitions have been recorded.

#### • *Innovation Marvels*

Innovation Marvels ("IM") comprises of graduates under the Bank's Management Trainee Programme ("MTP"). These graduates are grouped into teams that identify, develop and implement viable innovation ideas that originate from employee feedback channels within the Bank such as the Huddles. Each IM team has a senior management project sponsor who provides guidance and direction in implementing innovative ideas.

### c. **Talent Development, Training & Mentoring Programmes**

Talent Development is a crucial component to drive the long-term success of a business. In FY2020, we spent more than RM11 million on employee training and development. Our employees spend an average of 38 learning hours per person per year. We have offered over 400 classroom-based development programmes and 19 e-Learning programmes.

#### i. *Internship Programme*

In FY2020, the Bank supported and facilitated 22 internships into various departments. The Decision Management Structured Internship Programme was newly introduced to provide students with insights into data management and analytics in the banking environment. A total of six interns took part in this programme.

#### ii. *The Alliance Way Programme*

The Alliance Way is our differentiated customer engagement approach that is empathetic and centred on addressing the needs of our customers. To ensure that all our employees consistently practise the Alliance Way, we structure our in-house training programmes such as the Alliance Customer Engagement ("ACE") and SME Alliance Way to equip our relationship managers with the required skills and tools. In FY2020, we conducted more than 30 classes for the two programmes and trained more than 900 employees.

#### iii. *Effective Project Management*

We help our employees to better anticipate customers' needs, enhance problem solving skills, and manage project deadlines through various programmes such as "Project Management" and "Creative Problem Solving and Decision Making". In FY2020, we organised 20 sessions involving more than 300 employees.

#### iv. *Driving Effective Change & Performance*

In FY2020, the Bank ran more than 30 training sessions across 13 programmes on driving change and performance. Key programmes such as Alliance Impactful Managers and Working with Strengths (“WWS”) help our employees enhance their interpersonal communication and managerial skills. WWS is complemented by the “Accelerated Strengths Coaching Certification” programme which trains managers to be better coaches at work. In FY2020, more than 250 staff attended this coaching programme.

#### v. *Regulatory & Compliance Training*

We also ensure that all employees comply with industry regulations to safeguard the Bank. Workshops on banking law, foreign exchange administration, and ethics-related programmes are held regularly. During the year, we ran more than 100 sessions across 17 programmes for over 2,000 employees.

#### vi. *Alliance Bank Leadership Excellence Academy*

The Alliance Bank Leadership Excellence (“ABLE”) Academy aims to create a strong workforce by nurturing leaders. It uses a blended learning approach that includes on-the-job learning, coaching, and mentoring, as well as structured long-term development programmes.

Our employees are provided training and development opportunities, participate in key strategic projects, and given the opportunity to fast-track their career in either a leadership or specialist role. Our structured long-term development programmes include the MTP and Alliance Leaders Programme (“ALP”).

##### Management Trainee Programme

Launched in FY2012, the MTP nurtures outstanding young graduates to be future banking leaders by providing on-the-job training, coaching, and mentoring. Graduates are given the opportunity to lead cross divisional innovation projects via the IM initiative. Now in our 8th year, we have trained over 200 executives under this programme.

##### Alliance Leaders Programme

The ALP aims to build successful leaders by providing them with a strong foundation of knowledge, skills, and experience. These include personal leadership development, strategic innovation, talent management, and mentorship to inculcate a culture of innovation and learning. To date, 15 graduates have completed the ALP and now lead various transformation projects.

#### d. **Continuous Learning**

##### i. *Global Leaders Talkshop*

We regularly invite global leaders to speak to our employees to help accelerate learning and gain insights. In FY2020, the Bank organised two Global Leaders Talkshop sessions with renowned speaker Manoj Menon on “Digital Transformation” and “Industrial 4.0 and The Future of the Bank”.

##### ii. *E-Learning Modules*

E-Learning enables greater flexibility and accessibility in meeting education and training objectives. To date, the Bank has launched six mandatory compliance modules and 13 product-related modules.

##### iii. *Alliance Islamic Banking Fundamentals*

Launched in April 2016, the Alliance Islamic Banking Fundamentals (“ALIF”) Programme helps our employees gain a better understanding of Islamic Banking products and services. The programme features the fundamentals of Islamic principles, contracts and concepts, product features and benefits, as well as Shariah requirements. To date, 13 classes have been conducted with a total participation of 176 employees.

## SUSTAINABILITY STATEMENT (CONT'D)

### e. Governance

The Bank recognises four national unions as being trade representatives for clerical, non-clerical, Special Grade staff and officers within the Bank. The Unions and the Bank play a collaborative role to ensure that our employees' interests are addressed, and that we maintain a conducive workplace. This is achieved through the Collective Agreement, which serves as a term of reference for each employee in the category of the workers represented on relevant matters.

The Bank, being a member of the Malayan Commercial Bank's Association ("MCBA"), Sabah Commercial Banks' Association and Sarawak Commercial Banks' Association, is party to four separate Collective Agreements.

One of the areas we have been enhancing is the way we are responding to customer enquiries and complaints in a timely manner through our Voice of Customers ("VOC") initiatives. This focuses on improving the speed of resolution of enquiries and complaints at first contact point.

We continue to enhance service levels at our key touchpoints via the Customer Experience ("CX") Council, which reviews and identifies action plans to close service gaps. Digitisation efforts such as the Branch-in-a-Tablet initiative helped to improve customer experience by offering quicker service. With the introduction of account openings using the tablet, we have simplified and reduced the time taken to open an individual savings account to as little as 15 minutes. This has positively impacted NPS and improved the score from 17 in FY2019 to 23 in FY2020.

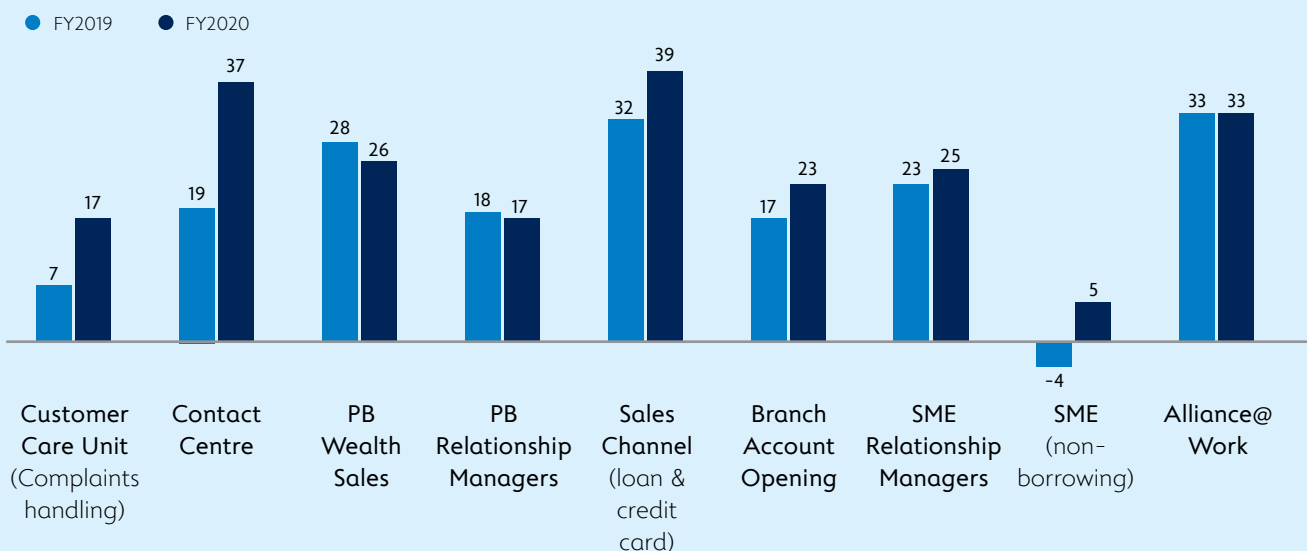
### 2. Customers

The NPS measures the willingness of customers to recommend our products and services to others. Since FY2018, we have been tracking our NPS across nine touch points on a monthly basis. We also have a Service Council where key stakeholders Bank-wide meet to share our NPS results for the month. Collaboratively, we then do a deep dive into the results, and identify areas for improvement. Improvement projects are then implemented. We closely track and monitor these projects to ensure that we continue to increase client satisfaction and engagement.

In 2019, the Central Bank carried out an independent customer satisfaction survey of 20 Malaysian banks. Alliance Bank had the highest NPS of 53 (industry: 43). The Bank also came in third among the 20 banks in customer satisfaction, scoring 87%.

As the Bank continues to focus on transforming key customer journeys through digitisation, and adopting an empathetic engagement approach via The Alliance Way, we expect our NPS to improve further.

### NET PROMOTER SCORES





### a. Customer Data Privacy

Our Privacy Policy lays out our commitment on the collection, use and management of our customers' personal data. We consistently maintain strict adherence to all relevant legislation, including the Personal Data Protection Act ("PDPA") 2010, Financial Services Act ("FSA") 2013 and the Islamic Financial Services Act ("IFSA") 2013.

We prioritise the continuous improvement of our cyber security (network) to protect our banking systems against cyber-attacks such as unauthorised access, security breaches, and information leaks.

We restrict access to customer data to authorised personnel only. The Bank's customer data is available either in print or digital format. Printed information is kept in locked cabinets in a secured storage area. Printed data which is no longer used is destroyed according to our established processes. As for digital data, system access is granted according to job function, with corresponding approval from the relevant authority.

We continue to build a cyber-aware culture throughout the Group, which emphasises the importance of protecting our customer data. Among the measures we have in place are requiring employees to lock their personal computers when they are not at their desk, and to treat customers' personal data with utmost care and diligence.

## THE ALLIANCE WAY

The Alliance Way is the Bank's differentiated customer engagement approach which focuses on empathetically understanding and acting on our customers' needs.

For business owners, we aim to help them with their business and personal financial goals. This means having the right conversation in the right context with our customers to gain a clear understanding of the challenges they face, and the goals they seek to achieve. We adopt a fast, simple and responsive approach in our engagements, to maximise value for our clients. Our desire to improve lives extends to their family, employees, business partners, and customers.

## 3. Community

### a. Financial Literacy Programmes

#### i. The AEIOU Programme

The Bank continues to promote financial literacy among schoolchildren ages 9 to 12 through our unique AEIOU Programme. Established in 2015, the AEIOU Programme is the Bank's corporate responsibility initiative comprising financial literacy education, and interactive challenges.

In FY2020, in addition to the AEIOU Financial Comic Strip Challenge ("Comic Challenge"), AEIOU 5 introduced a new digital element, the AEIOU Financial e-Game Challenge ("e-Game Challenge"). The e-Game Challenge gamifies financial lessons through an online competition to inculcate financial management knowledge.

In conjunction with the AEIOU Programme, the Bank held a series of roadshows that taught schoolchildren how to 'Save, Plan, and Spend' wisely through a variety of fun and interactive sessions.

The theme for the fifth cycle of the AEIOU Programme was "How Smart Spending Habits Help My Family Build Our Future". Student participation more than doubled from 15,000 in FY2019, to 32,000 in FY2020, in both the Comic Challenge and e-Game Challenge. We recorded 21,000 entries for the Comic



The new season of AEIOU Challenge Kick Off

## SUSTAINABILITY STATEMENT (CONT'D)



At the Press Conference for the Winners of AEIOU Challenge

Challenge, and 11,000 for the e-Game Challenge. More than 40 students from seven states qualified for the grand finale, to compete for the RM20,000 cash prize. The finale was attended by over 250 students, and 60 teachers and parents. Goh Sho Anne, 11, from Selangor, and Harrish Varma, 12, from Kuala Lumpur, were named winners of the Comic Challenge and e-Game Challenge respectively. The prize-giving ceremony was graced by Encik Suhaimi Sun bin Abdullah, Deputy Director of Sports, Co-Curricular and Arts Division, Ministry of Education.

A key component of the AEIOU Programme is the AEIOU Train-the-Trainers initiative which provides training and educational tools for school teachers, empowering them to champion financial literacy education in their respective schools. In FY2020, a total of 415 schools participated in the financial education training, and 16 sessions were held throughout the year.

In October 2019, the Bank was invited by BNM to deliver a talk on Empowering Consumers Through Financial Education at the BNM-

Alliance for Financial Inclusion: Building Capacities for Development conference. The delegates were inspired by the sharing sessions, especially on the overall management of the programme. During the question and answer session, many foreign delegates expressed their intention to replicate the AEIOU concept in their respective countries.



Delivering a talk on financial inclusion at the BNM-Alliance for Financial Inclusion: Building Capacities for Development conference

### ii. Buku Wang Saku Programme

The Bank continues to support BNM's *Buku Wang Saku* Programme which inculcates sound financial management skills in school children. The programme promotes the habit of saving, by creating greater awareness on smart financial management and planning. In FY2020, we helped more than 300 adopted schools nationwide through this programme.

### iii. Social Enterprises

The Bank continues to assist social entrepreneurs to make a difference to the communities within which they operate.

#### SocioBiz

AIS launched SocioBiz in May 2019, a digital social crowdfunding platform that helps disadvantaged individuals start or expand a business, or learn a skill to earn a sustainable livelihood. SocioBiz is complemented by the Do-Good-As-You-Go ("DGAYG") initiative, which was launched in December 2019. DGAYG provides our customers with the opportunity to channel the profit on their

deposit accounts to the charity or cause of their choice. The SocioBiz platform uses the funds from the DGAYG initiative to support the various causes. In FY2020, SocioBiz promoted 17 causes for a total of over RM110,000.

SocioBiz was set up in collaboration with FinTech company, Ethis Ventures. Other partners in this endeavour include Yayasan Kebajikan Negara ("YKN"), Yayasan Noor Al-Syakur ("YANAS") and Pertubuhan Kebajikan Islam Malaysia (PERKIM).



Signing the MoU with PERKIM and YANAS



Collaborating partners on Alliance Islamic SocioBiz



## SUSTAINABILITY STATEMENT (CONT'D)



AIS recognised as Champion in Social Entrepreneurship

### *Eco-Biz Dream Project*

AIS' signature environmental-themed competition, the Eco-Biz Dream Project, seeks to contribute to the development of environmentally-centred businesses. The competition focuses on sustainable business ideas which address current socio-economic and environmental concerns. The competition is open to public and private university students in Malaysia.

In FY2020, AIS set aside RM200,000 to help the winners of Eco-Biz Dream Project 3, the Green Team from Universiti Malaysia Sarawak, start their own business based on their winning idea. Their go-to-market product is a filter using oil palm waste (biochar) that can be used to clean polluted rivers. An Implementation Steering Committee is overseeing the implementation of the idea. The RM200,000 funding is being disbursed in tranches, based on performance-based milestones.

AIS was recognised as the "Champion in Social Entrepreneurship" by the International Retail Banking Award (IRBA) for its Eco-Biz Dream Project and SocioBiz initiatives.

### *iv. Partnership to Channel Zakat Contributions*

AIS maintained its zakat (Islamic tithes) contributions in accordance with Islamic principles and Shariah conventions. In FY2020, AIS contributed RM700,000 in zakat. Through its strategic partnership with YKN, AIS is channelling its zakat contributions to lower income households that require assistance to earn a sustainable livelihood. In particular, AIS is reaching out to single mothers seeking to kick start their own home businesses, but who lack the working capital and equipment to do so. YKN helps disburse funds to beneficiaries identified under this programme.

#### v. Community Centred Activities

In FY2020, the Bank conducted the following community activities:

- Contributed RM500,000 to MERCY Malaysia's COVID-19 Pandemic Fund towards supporting Malaysian healthcare services, and providing essential needs to underserved communities
- Donated provisions to the Sivananda Boy's Home, and introduced financial literacy to the children in the home
- Conducted a blood donation drive in collaboration with Huaren Resources, Lulu Hypermarket, and University Malaya Medical Centre
- Collaborated with Huaren Resources Sdn Bhd to hold a Book Charity Drive to raise funds for the Beautiful Gate Foundation (BGF) for the Disabled
- In conjunction with Earth Day 2019, the Bank collaborated with the Malaysian Nature Society (MNS) and Huaren Resources Sdn Bhd to increase public awareness on the importance of environmental sustainability



At a Book Charity Drive for BGF



At Earth Day Awareness Campaign

## CONCLUSION

The Bank's sustainability initiatives are centred on creating greater value for our stakeholders and customers in line with our mission of Building Alliances to Improve Lives.

We will continue to monitor and report on the progress of our sustainability programmes, in line with our commitment to provide transparent and accountable disclosures to our stakeholders and shareholders.

Our goal is to help our customers and communities achieve socio-economic progress.

# FINANCIAL CALENDAR

## for the financial year ended 31 March 2020

ACTIVITIES	DATE
<b>Announcement of Financial Results</b>	
- First Financial Quarter ended 30 June 2019	27 August 2019
- Second Financial Quarter ended 30 September 2019	27 November 2019
- Third Financial Quarter ended 31 December 2019	28 February 2020
- Fourth Financial Quarter ended 31 March 2020	25 June 2020
<b>Dividend</b>	
- First Interim Single Tier Dividend of 6.0 sen per share	
• Entitlement Date	13 December 2019
• Payment Date	30 December 2019
<b>General Meeting</b>	
- Notice of 38th Annual General Meeting	20 July 2020
- 38th Annual General Meeting	19 August 2020



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Alliance Bank Malaysia Berhad (“Alliance Bank” or the “Bank”) firmly believes that good corporate governance is the foundation of a well-managed institution. The Board is fully committed to integrity and fair dealing in all its activities, and has endeavoured to adopt the best practice of corporate governance in all areas of the Bank’s operations towards enhancing business prosperity and corporate accountability with the ultimate objective of safeguarding the interests of all stakeholders and enhancing shareholder value.

This corporate governance overview statement sets out a summary of the Bank’s corporate governance practices during the financial year ended 31 March 2020 (“FY2020”) with reference to the following three (3) key principles of good corporate governance, in accordance with paragraph 15.25(1) of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“MMLR”) and paragraph 3.1A, Practice Note 9 of Bursa Securities MMLR:

- (a) Board leadership and effectiveness;
- (b) Effective audit and risk management; and
- (c) Integrity in corporate reporting and meaningful relationship with stakeholders.

This overview statement serves to provide stakeholders with an understanding of the Bank’s commitment to corporate governance and how the Bank’s corporate governance practices support its ability to create long-term value for stakeholders. It is to be read in conjunction with the Corporate Governance Report which is available on the Bank’s corporate website at [www.alliancebank.com.my](http://www.alliancebank.com.my).

## BOARD LEADERSHIP AND EFFECTIVENESS

### The Board’s Roles and Responsibilities

The Board holds overall responsibility for promoting the sustainable growth and financial soundness of the Bank and for ensuring reasonable standards of fair dealing, without undue influence from any party. This includes a consideration of the long-term implications of the Board’s decisions on the Bank and its customers, officers and the general public.

The key responsibilities of the Board are set out below:

- (a) approve the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Bank’s risk profile;

- (b) oversee the selection, performance, remuneration and succession plans of the Group Chief Executive Officer (“CEO”), control function heads and other members of Senior Management, such that the Board is satisfied with the collective competence of Senior Management to effectively lead the operations of the Bank;
- (c) oversee the implementation of the Bank’s governance framework and internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Bank’s operations;
- (d) promote, together with Senior Management, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behaviour;
- (e) promote sustainability through appropriate environmental, social and governance considerations in the Bank’s business strategies;
- (f) oversee and approve the recovery and resolution as well as business continuity plans for the Bank to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress; and
- (g) promote timely and effective communication between the Bank and regulators on matters affecting or that may affect the safety and soundness of the Bank.

The Board has adopted a Board Charter that sets out the mandate, responsibilities and procedures of the Board and the Board Committees, including matters reserved for the Board’s decision. The Board Charter is reviewed by the Board every two (2) years, or as and when necessary, in line with evolving corporate governance requirements and practices to ensure its continued relevance.

The Board Charter was last reviewed and revised by the Board on 19 March 2019 and is available on the Bank’s corporate website at [www.alliancebank.com.my](http://www.alliancebank.com.my).

### Ethical Leadership by the Board

The Bank is guided by the Code of Conduct established by the Board which outlines the conduct required of Board members and individual employees to discharge their duties in a professional, honest and ethical manner.

In addition, the Board has set up a Conflict of Interest Policy for Directors to identify, disclose and manage any actual or potential conflicts of interest.

The Code of Conduct and Conflict of Interest Policy for Directors are available on the Bank’s corporate website at [www.alliancebank.com.my](http://www.alliancebank.com.my).

The Directors also adhere to the Code of Ethics for Company Directors established by the Companies Commission of Malaysia.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Leadership

#### Operation of the Board

The Board schedules a minimum of 10 meetings a year to review progress reports from the Management as well as to consider business and other proposals which require the Board's approval. All Directors are informed of these scheduled Board meetings before the start of each year. Ad-hoc Board meetings may be called to deliberate and consider issues that require the Board's immediate consideration/decision.

At each scheduled Board meeting, the Group CEO and Group Chief Financial Officer provide regular progress reports on the business and financial performance of the Bank while the Heads of Business Divisions apprise the Board on the performance, strategic developments, business plans and initiatives in their respective division throughout the year. The Board also receives regular updates on internal control, risk management, legal, compliance, internal audit, human resources, sustainability, governance and information technology related matters.

There is an annual schedule of rolling agenda items to ensure that all matters are given due consideration and reviewed at the appropriate point in the financial and regulatory cycle. The flexibility of the schedule enables pressing matters, to be dealt with in a timely manner, when they arise.

The Chairman and Group CEO maintain frequent contact (in person or otherwise) with each other and the other Board members throughout the year outside of the formal meetings.



#### The Board

Responsible for the overall conduct of the Bank's business including our long-term success; setting our values, standards and strategic objectives; reviewing our performance; and ensuring effective communication with stakeholders.

#### Chairman

- (a) Ensures that appropriate procedures are in place to govern the Board's processes;
- (b) Ensures that decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the Board, and that Directors receive the relevant information on a timely basis; and
- (c) Encourages healthy discussion and ensures the free expression and discussion of dissenting views.

#### Senior Independent Non-Executive Director

- (a) Acts as a sounding board to the Chairman;
- (b) Serves as an intermediary for other directors when necessary; and
- (c) Acts as the point of contact for shareholders and other stakeholders.

#### Non-Executive Directors

- (a) Contribute to developing our strategy;
- (b) Scrutinise and constructively challenge the performance of management in the execution of our strategy; and
- (c) Provide check and balance and ensure that high standards of corporate governance are applied.



#### Group CEO

- (a) Develops the strategic direction of the Bank;
- (b) Ensures that the Bank's strategies and corporate policies are effectively implemented;
- (c) Ensures that Board decisions are implemented and Board directions are responded to;
- (d) Provides directions in the implementation of short and long term business plans;
- (e) Provides strong leadership, i.e. effectively communicating a vision, management philosophy and business strategy to employees;
- (f) Keeps the Board fully informed on all important aspects of the Bank's operations and ensures that sufficient and adequate information is provided to Board members; and
- (g) Ensures the day-to-day business affairs of the Bank are effectively managed.



## Board Committees

The Board has established Board Committees to oversee implementation of strategies and policies; and maintaining effective governance in the following areas: business decisions, audit and risk, remuneration, Board composition, succession planning and corporate governance.

The Board has four (4) Board Committees that comprise solely of Non-Executive Directors, namely Executive Committee (“EXCO”), Group Audit Committee (“Group AC”), Group Nomination & Remuneration Committee (“Group NRC”) and Group Risk Management Committee (“Group RMC”). Among these Board Committees, the Group AC, Group NRC and Group RMC operate on a Group basis covering the Bank and its two (2) principal subsidiaries, namely Alliance Islamic Bank Berhad (“AIS”) and Alliance Investment Bank Berhad (“AIBB”) (collectively, the Group).

Each Board Committee has agreed to the Terms of Reference, which are approved by the Board and reviewed every two (2) years or as and when necessary. Any proposed changes to the Terms of Reference of the Board Committees are subject to the approval of the Board. The Terms of Reference of the Group AC, Group NRC, and Group RMC are available on the Bank’s website at [www.alliancebank.com.my](http://www.alliancebank.com.my).

The Chairman of each Board Committee reports to the Board on salient matters discussed at the respective Board Committee meetings.

### EXCO

The EXCO supports the Board in credit matters. It reviews/vetoes loan/financing applications with total group exposure that are above the defined threshold of the Group Management Credit Committee. It also reviews new/incremental AIS financing exceeding threshold of AIS Management Credit Committee, and make recommendation(s) to the AIS Board.

In addition, the EXCO reviews and approves credit transactions/exposures with connected parties classified under Bank Negara Malaysia (“BNM”) Guidelines on Credit Transactions and Exposures with Connected Parties (“BNM/GP6”).

The EXCO also reviews strategic investments or divestments as well as the Bank’s strategies and business plans for recommendation to the Board where applicable, and oversees their implementation.

### Group AC

The Group AC assists the Board in overseeing the Group’s financial and reporting processes. It monitors the integrity of the financial statements and supervises both the internal and external audit processes, and reports back to the Board. It reviews the effectiveness of the policies, procedures and systems in place that are related to, among others, operational risks, compliance, information technology and systems (including cyber security). It works closely with the Group RMC in connection with assessing the effectiveness of the risk management and internal control framework.

### Group NRC

The Group NRC supports the Board in carrying out its functions in the following matters concerning the Board, Shariah Committee, Senior Management and Group Company Secretary:

- Appointment and removals;
- Composition of the Board;
- Performance evaluation and development; and
- Fit and proper assessments.

The Group NRC also actively oversees the design and operation of the Bank’s remuneration system. It periodically reviews the remuneration of Directors on the Board, and on whether remuneration remains appropriate to each Director’s contributions, taking into account the level of expertise, commitment and responsibilities undertaken.

### Group RMC

The Group RMC oversees the Senior Management’s activities in managing credit, market, liquidity, operational, compliance, legal, information technology/cyber and other risks as well as to ensure that the risk strategy is sound and the risk management framework is in place and functioning effectively according to its purposes. It also actively promotes a consistent culture of compliance, risk awareness and risk management within the Group. The Group RMC is also the designated Board Committee responsible for supporting the Board in providing oversight over technology-related matters in compliance with BNM Policy Document on Risk Management in Technology (“RMiT”).

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Leadership

#### Board Size, Composition, Tenure and Independence

The Board has eight (8) members, comprising entirely Non-Executive Directors, six (6) of whom are Independent Directors.

The Board comprises high calibre individuals with diverse experience, whom collectively have the necessary skills, experience and qualifications to effectively manage the Bank and to discharge the responsibilities of the Board. The diverse business backgrounds of the Directors ensure good use of their different and wide-ranging skills, including regional as well as industry experience and other attributes.

The Board considers a strong element of independence among its members as vital for good corporate governance. Independent Non-Executive Directors of the Bank exercise independent judgement and participate in the deliberations of the Board objectively with no individual or small group of individuals dominating the Board's decision making process. The number of Independent Non-Executive Directors that made up of 75% of the Board is in compliance with BNM Policy Document on Corporate Governance to have a majority of Independent Directors at all times. It has well exceeded the requirement laid down in the MMLR to have at least two (2) directors or one-third of the Board consisting of Independent Directors.

The Board, through the Group NRC, assesses Independent Non-Executive Directors' independence annually. In the annual assessment of the Independent Non-Executive Directors of the Bank in FY2020, the Board was satisfied that each of the Independent Non-Executive Directors of the Bank continues to be independent and free from any business or other relationship that could interfere with the exercise of independent judgement or the ability to act in the best interest of the Bank, and that each of them continues to fulfil the criteria set out in BNM Policy Document on Corporate Governance, MMLR and the Malaysian Code of Corporate Governance 2017.

The Bank has adopted a nine (9)-year policy for tenure of Independent Non-Executive Directors and twelve (12)-year policy for tenure of Non-Independent Non-Executive Directors. As at the date of this Statement, none of the Bank's Independent Non-Executive Directors and Non-Independent Non-Executive Directors have served for a cumulative period of more than nine (9) years and twelve (12) years in the Group respectively.

#### Board Gender Diversity

The Board has adopted a Board Gender Diversity Policy which provides that women candidates will be given priority consideration in the selection and recruitment process of identifying suitable candidates towards achieving the gender diversity target of 30% women participation on the Board. While it is important to promote board gender diversity, the normal selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board remain a priority.

The Board, through the Group NRC, has taken steps to ensure that female candidates are given priority consideration in the selection and recruitment process for directors towards achieving the gender diversity target of 30% women participation. The Board has one (1) woman Director out of a total of eight (8) Directors. The Board will continue with its endeavour to meet the gender diversity target of 30% women participation on the Board.

## Leadership - Board of Directors



### TAN SRI DATO' AHMAD BIN MOHD DON

Chairman of the Board

Independent Non-Executive Director of Alliance Bank Malaysia Berhad

Member of Group Nomination & Remuneration Committee

#### Academic/Professional Qualifications:

- Graduate Degree Economics and Business (Summa cum laude), Aberystwyth University, United Kingdom
- Fellow of the Institute of Chartered Accountants in England and Wales
- Member of the Malaysian Institute of Certified Public Accountants

Tan Sri Dato' Ahmad bin Mohd Don is Chairman of Alliance Bank Malaysia Berhad. He has extensive experience in finance and banking. His work experience covers various capacities with Pemas Securities Sdn Bhd, Permodalan Nasional Berhad and Malayan Banking Berhad. He served as Group Managing Director and Chief Executive Officer of Malayan Banking Berhad from 1991 to 1994. Between May 1994 to August 1998, Tan Sri Dato' Ahmad was the Governor of Bank Negara Malaysia.

Tan Sri Dato' Ahmad is also the Chairman of Sunway REIT Management Sdn Bhd (manager of Sunway Real Estate Investment Trust listed on Bursa Malaysia) and Independent Non-Executive Director of United Malacca Berhad and Malaysian Genomics Resource Centre Berhad which are listed on Bursa Malaysia.

AGE	GENDER	NATIONALITY
72	Male	Malaysian

Date of Appointment to the Board of Alliance Bank Malaysia Berhad:  
1 February 2017



### LEE BOON HUAT

Senior Independent Non-Executive Director of Alliance Bank Malaysia Berhad

Chairman of Group Risk Management Committee

Member of Executive Committee

#### Academic/Professional Qualifications:

- Bachelor of Business (Accounting), Western Australia Institute of Technology, Australia

Mr Lee Boon Huat has extensive experience in the financial services industry. He has served with the Monetary Authority of Singapore, Hong Kong and Shanghai Banking Corporation, Canadian Imperial Bank of Commerce and Chemical Bank. He held several posts at Standard Chartered Bank including Head of Global Markets (South East Asia), Head of Global Markets (Middle East), and Chief Operating Officer (South East Asia) from 1998 to 2012.

Mr Lee serves on the Boards of British and Malayan Trustees Limited, British and Malayan Holdings Limited (listed on the Singapore Exchange), Technological and Commercial Joint-stock Bank (listed on the Ho Chi Minh City Stock Exchange), and several other private corporations.

AGE	GENDER	NATIONALITY
62	Male	Singaporean

Date of Appointment to the Board of Alliance Bank Malaysia Berhad:  
7 April 2015

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Leadership - Board of Directors



#### LEE AH BOON

Non-Independent Non-Executive Director of Alliance Bank Malaysia Berhad  
Chairman of Alliance Investment Bank Berhad  
Chairman of Executive Committee  
Member of Group Nomination & Remuneration Committee

##### Academic/Professional Qualifications:

- Bachelor of Accounting (Honours), National University of Singapore

Mr Lee Ah Boon joined Citibank Singapore in 1990 and held various Consumer Banking roles including that of Chief Financial Officer, Senior Operations Officer, Head of Credit Card business and Business Manager. In 2005, he started up Citibank's Consumer Business in China and returned to Singapore as Regional Operations Head of Citibank. He then moved to Barclays Bank in early 2009 as its International Technology Head for the Global Retail and Commercial Bank businesses.

In September 2010, Mr Lee left Barclays Bank and joined Fullerton Financial Holdings (International) Pte Ltd, a subsidiary of Temasek Holdings (Private) Limited, as its Chief Operating Officer. He remained for three (3) years until his retirement in November 2013.

Mr Lee is currently the Chairman of Alliance Investment Bank Berhad. He is also an Advisor of Fullerton Financial Holdings (International) Pte Ltd.

AGE	GENDER	NATIONALITY
69	Male	Singaporean

Date of Appointment to the Board of Alliance Bank Malaysia Berhad:  
18 April 2012



#### DATUK WAN AZHAR BIN WAN AHMAD

Independent Non-Executive Director of Alliance Bank Malaysia Berhad  
Chairman of Alliance Islamic Bank Berhad  
Member of Executive Committee  
Member of Group Audit Committee  
Member of Group Nomination & Remuneration Committee

##### Academic/Professional Qualifications:

- Bachelor in Business Administration (Finance), University of Pacific, Stockton, CA, USA
- Master in Business Administration (International Business), National University San Diego, CA, USA

Datuk Wan Azhar bin Wan Ahmad was the Chief Executive Officer of Credit Guarantee Corporation Malaysia Berhad ("CGC") from 1997 until his retirement in December 2014. He began his career in banking as a Loans Executive of Hong Leong Bank in 1985 and left the bank as Head of Branches Operations in 1993. He then joined CGC as Head of Credit. In 1995, he was promoted to Assistant General Manager and subsequently to Chief Executive Officer in 1997. In 2000, he was appointed to the Board of Directors and assumed the role of Managing Director.

One of the highlights of his career was the transformation of CGC from a traditional credit guarantee provider into a market-driven and financially sustainable SME-support institution. He was instrumental in the setting up of Credit Bureau Malaysia ("CBM") where he was the Chairman for six (6) years from 2008 to 2014. On the international front, he was also Chairman of the Association of Development Financial Institutions for Asia Pacific region ("ADFIAP") from 2012 to 2014.

Upon his retirement, he was appointed as Consultant to the World Bank from 2015 to 2016, undertaking projects relating to SME financing in the Middle East.

Datuk Wan Azhar is currently the Chairman of Alliance Islamic Bank Berhad. He serves on the Board of Trustees of NAMA Foundation and Board of Directors of I-Serve Holdings Limited. He is also the Chairman of the Small Debt Resolution Committee ("SDRC") at Bank Negara Malaysia.

AGE	GENDER	NATIONALITY
61	Male	Malaysian

Date of Appointment to the Board of Alliance Bank Malaysia Berhad:  
7 April 2015





## HO HON CHEONG

Non-Independent Non-Executive Director of Alliance Bank Malaysia Berhad  
Member of Group Audit Committee  
Member of Group Risk Management Committee

### Academic/Professional Qualifications:

- Bachelor of Engineering (Honours), University of Malaya
- Master of Business Administration in Finance and Accounting, McGill University, Canada

Mr Ho Hon Cheong began his banking career with Citibank Malaysia in 1981. Since then, he has held various senior positions with Citibank in Asia Pacific and the Middle East including Country Risk Officer of Citibank Malaysia, Pan Asia Corporate Head of Citibank Asia Pacific in Singapore, and Chief Executive Officer of Citibank Thailand. He also served as General Manager and Group Head of Corporate and Investment Banking with Saudi American Bank in Saudi Arabia.

In 2004, Mr Ho was appointed President Director and Chief Executive Officer of PT Bank International Indonesia Tbk. Thereafter he joined Temasek Holdings (Private) Limited in 2009. He returned to Indonesia in 2010 as the President Director and Chief Executive Officer of PT Bank Danamon Indonesia Tbk until his retirement in February 2015.

Mr Ho is a Director of AIA Singapore Pte Ltd and a Commissioner of PT Chandra Asri Petrochemical Tbk, which is listed on the Indonesia Stock Exchange. He is also the Non-Executive Chairman of Frasers Logistics and Industrial Trust, listed on the Singapore Exchange.

AGE	GENDER	NATIONALITY
65	Male	Malaysian

Date of Appointment to the Board  
of Alliance Bank Malaysia Berhad:  
26 August 2015



## THAYAPARAN S. SANGARAPILLAI

Independent Non-Executive Director of Alliance Bank Malaysia Berhad  
Chairman of Group Audit Committee

### Academic/Professional Qualifications:

- Fellow of the Institute of Chartered Accountants in England and Wales
- Member of the Malaysian Institute of Certified Public Accountants
- Member of the Malaysian Institute of Accountants

Mr Thayaparan S. Sangarapillai has over 30 years of experience in audit and business advisory services for a wide range of industries. His portfolio of clients included major public listed companies in the power, telecommunications, automotive, property development, plantation and manufacturing sectors. Mr Thaya also led cross border assignments. Other than statutory audits, Mr Thaya has led assignments on financial due diligences, mergers and acquisitions, initial public offerings, finance function effectiveness reviews and other advisory work.

Mr Thaya joined Price Waterhouse (now known as PricewaterhouseCoopers PLT) in Kuala Lumpur in 1983. He was a Partner in the Assurance Services division of PricewaterhouseCoopers Malaysia from 1994 until his retirement as a Senior Partner in 2015.

He serves as an Independent Non-Executive Director on the Boards of Sime Darby Berhad and Axiata Group Berhad which are listed on Bursa Malaysia. He also sits on the Boards of AIG Malaysia Insurance Berhad, edotco Group Sdn Bhd and Robi Axiata Limited.

AGE	GENDER	NATIONALITY
65	Male	Malaysian

Date of Appointment to the Board  
of Alliance Bank Malaysia Berhad:  
10 May 2016

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Leadership - Board of Directors



#### TAN CHIAN KHONG

Independent Non-Executive Director of Alliance Bank Malaysia Berhad  
Member of Executive Committee  
Member of Group Audit Committee

##### Academic/Professional Qualifications:

- Bachelor of Accountancy, National University of Singapore
- Master of Business Administration, University of South Australia
- Master of International Environmental Management, University of Adelaide, Australia
- Member of the American Institute of Certified Public Accountants
- Fellow of the Institute of Singapore Chartered Accountants and of CPA Australia

Mr Tan Chian Khong has 35 years of experience in the audit industry. He was a partner at Ernst & Young LLP from July 1996 till his retirement in June 2016.

Mr Tan currently holds directorships in a number of companies listed on the Singapore Exchange namely, CSE Global Limited, Hong Leong Asia Ltd and The Straits Trading Company Ltd. He also sits on the Board of Xinghua Port Holdings Ltd which is listed on the Hong Kong Stock Exchange. In 2019, he was appointed as a Non-Executive Director of SMRT Corporation Ltd.

Mr Tan is a Board member of the Casino Regulatory Authority of Singapore, a statutory board in Singapore. He is a member of Rules Change Panel of Energy Market Company Pte Ltd and volunteers as an Honorary Executive Director of Trailblazer Foundation Ltd.

AGE	GENDER	NATIONALITY
64	Male	Singaporean

Date of Appointment to the Board of Alliance Bank Malaysia Berhad:  
26 September 2017



#### SUSAN YUEN SU MIN

Independent Non-Executive Director of Alliance Bank Malaysia Berhad  
Chairwoman of Group Nomination & Remuneration Committee

##### Academic/Professional Qualifications:

- Bachelor of Computer Science (Honours), University of London, United Kingdom

Ms Susan Yuen Su Min has over 30 years of working experience in the banking industry. She has served in a number of banking establishments including Maybank and HSBC Malaysia. She was also previously attached to the National Bank of Abu Dhabi Malaysia Berhad ("NBAD") where she was the Regional CEO Asia and Country CEO Malaysia from 2014 to 2018. Prior to joining NBAD, she served as CEO of ANZ Banking Group in Hong Kong from 2009 to 2014.

Ms Susan serves as an Independent Non-Executive Director on the Boards of Press Metal Aluminium Holdings Berhad (listed on Bursa Malaysia) and Chubb Insurance Malaysia Berhad.

AGE	GENDER	NATIONALITY
60	Female	Malaysian

Date of Appointment to the Board of Alliance Bank Malaysia Berhad:  
15 October 2018



## LUM PIEW

Independent Non-Executive Director of Alliance Bank Malaysia Berhad  
Member of Group Risk Management Committee

### Academic/Professional Qualifications:

- Bachelor of Science (Computer Science), National University of Singapore

Mr Lum Piew has over 28 years of experience in the consulting and technology industry. He began his career as a consultant at Andersen Consulting (renamed to Accenture in 2001) in 1992. By 2004, he had risen through the ranks to become Managing Director in the Communications, Media and Technology industry group. His experience covers management consulting, systems integration, outsourcing, and digital transformation serving clients across telecommunications, media and internet companies. He held the position until his retirement in 2016.

Mr Lum is a Non-Independent Non-Executive Director of Cloudaron Group Berhad which is listed on Bursa Malaysia. He serves as Independent Director on the Boards of iCandy Interactive Limited (listed on the Australian Securities Exchange) and Technology Park Malaysia Corporation Sdn Bhd.

AGE	GENDER	NATIONALITY
51	Male	Malaysian

Date of Appointment to the Board  
of Alliance Bank Malaysia Berhad:  
1 July 2020



## MAZIDAH BINTI ABDUL MALIK

Independent Non-Executive Director of Alliance Investment Bank Berhad  
Member of Group Risk Management Committee

### Academic/Professional Qualifications:

- Bachelor in Business Administration, Ohio University, USA
- Master of Law Executive (Banking Law), International Islamic University Malaysia
- Certificate in Islamic Financial Planning, Islamic Banking and Finance Institute, Malaysia

Puan Mazidah binti Abdul Malik served for more than 30 years with Bank Negara Malaysia, with stints at the Representative Office in New York and London, Labuan Offshore Financial Services Authority and the International Centre for Education in Islamic Finance. She has experience in money market and investment operations, as well as exposure on issues relating to macroeconomic policy, risk management, communications and international relations.

Puan Mazidah serves as an Independent Director on the Board of Prudential BSN Takaful Berhad.

AGE	GENDER	NATIONALITY
61	Female	Malaysian

Date of Appointment to the Board  
of Alliance Investment Bank  
Berhad:  
18 January 2016

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Leadership - Board of Directors



#### DATIN OOI SWEE LIAN

Independent Non-Executive Director of Alliance Investment Bank Berhad

##### Academic/Professional Qualifications:

- Bachelor of Economics (Honours) in Business Administration, University of Malaya

Datin Ooi Swee Lian has over 30 years of working experience in the banking industry including seven (7) years overseas. She began her banking career in the Lending Division of Malayan Banking Berhad in 1983. In 1986, she went abroad and furthered her banking exposure with Llyods Bank, Hong Kong and Indover Asia Limited, Hong Kong.

Datin Ooi joined RHB Bank Berhad in 1994 and has held various senior positions in commercial/corporate and transaction banking. She was appointed as the Executive Vice President and Head of Group Business Banking and Transaction Banking in 2014, and held the position till December 2017.

AGE	GENDER	NATIONALITY
59	Female	Malaysian

Date of Appointment to the Board of Alliance Investment Bank Berhad:  
1 November 2018



#### TUAN HAJI IBRAHIM BIN HASSAN

Independent Non-Executive Director of Alliance Islamic Bank Berhad  
Member of Group Risk Management Committee

##### Academic/Professional Qualifications:

- Bachelor of Economics (Hons), University of Malaya

Tuan Haji Ibrahim bin Hassan has over 30 years of banking experience. He was the Managing Director/Chief Executive Officer of RHB Islamic Bank Berhad from 2 September 2013 to 1 August 2016.

He began his illustrious career in the banking industry in the dealing rooms of three (3) Maybank International Offices in Hong Kong, New York, and London for more than 10 years. Upon returning to Malaysia, he was instrumental in strengthening the treasury operations of the Maybank Group. He was subsequently appointed as the Chief Executive Officer of Maybank Discount from 1996 to 1998. Thereafter, he became the head of the market risk division where he developed the market risk management policies and model for the Maybank Group.

Tuan Haji Ibrahim was promoted as Head of International Banking in 2001 to oversee the operations of Maybank's international branches and subsidiaries in 14 countries. In 2007, he was reassigned to lead a team to de-merge the operations of Maybank's Islamic window operations into a separate full-fledged Islamic banking subsidiary of Maybank Group. He was appointed as Chief Executive Officer of Maybank Islamic when it began operations in January 2008. He was the President Director of Maybank Syariah Indonesia, previously known as Maybank Indocorp, which commenced operations in October 2010.

Tuan Haji Ibrahim serves on the Board of Bank Pertanian Malaysia Berhad.

AGE	GENDER	NATIONALITY
64	Male	Malaysian

Date of Appointment to the Board of Alliance Islamic Bank Berhad:  
1 September 2016



## DATO' AHMAD HISHAM BIN KAMARUDDIN

Independent Non-Executive Director of Alliance Islamic Bank Berhad

### Academic/Professional Qualifications:

- Bachelor of Laws (LLB), University of Malaya

Dato' Ahmad Hisham bin Kamaruddin was the founding and senior partner of Messrs Hisham & Associates. His career spans over 36 years in various areas of law including banking law, commercial agreements, corporate law and extensive experience in corporate banking and finance, loan and securities documentations as well as corporate matters. He focuses on complex joint-venture agreements between Malaysian entities and foreign investors. His other areas of expertise include cross-border estate planning, intellectual property and aviation law.

Dato' Ahmad Hisham previously served as Tribunal President for the Consumer Court in Malaysia, Council Member of the Malaysia Competition Commission and Council Member of the Malaysian Heritage Council.

He is a Notary Public.

AGE	GENDER	NATIONALITY
64	Male	Malaysian

Date of Appointment to the Board  
of Alliance Islamic Bank Berhad:  
15 February 2019



## TUAN HAJI RUSTAM BIN MOHD IDRIS

Independent Non-Executive Director of Alliance Islamic Bank Berhad  
Member of Shariah Committee

### Academic/Professional Qualifications:

- Bachelor of Business Administration, Universiti Kebangsaan Malaysia
- Certificate in Islamic Law, International Islamic University Malaysia

Tuan Haji Rustam bin Mohd Idris was the former Deputy Director of the Islamic Banking and Takaful Department, Bank Negara Malaysia ("BNM"). He joined BNM in 1986 after graduating from Universiti Kebangsaan Malaysia. Tuan Haji Rustam was part of the team responsible in the development of Islamic banking in BNM since the early 1990s until his retirement in 2018.

Given his strong affiliation and experience in Islamic finance, Tuan Haji Rustam has been regularly invited to share his experience, in particular on Islamic banking, at several international conferences, both in and outside Malaysia.

AGE	GENDER	NATIONALITY
57	Male	Malaysian

Date of Appointment to the Board  
of Alliance Islamic Bank Berhad:  
3 February 2020

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Leadership – Board of Directors

#### ADDITIONAL INFORMATION OF DIRECTORS OF ALLIANCE BANK MALAYSIA BERHAD

##### (i) Directors' Interest in the shares of the Bank as at 31 March 2020

Save as disclosed below, none of the other Directors have any interest in the shares of the Bank as at 31 March 2020:

Name	Number of Alliance Bank shares			
	Direct	%	Indirect	%
Ho Hon Cheong	-	-	1,000 <sup>^</sup>	*

**Notes:**

\* Negligible.

<sup>^</sup> Indirect interest in the Bank's shares by virtue of Section 59(11)(c) of the Companies Act 2016.

##### (ii) Family relationship

None of the Directors have any family relationship with other Directors and/or major shareholders of the Bank.

##### (iii) Conflict of interests

None of the Directors have any personal pecuniary interests which are in conflict with the Bank or its subsidiaries.

##### (iv) List of convictions for offences and public sanction or penalty

None of the Directors have been convicted of any offences within the past five (5) years (other than traffic offences) nor have they been imposed any public sanction or penalty by the relevant regulatory bodies during the FY2020.



## Leadership – Senior Management



AGE	GENDER	NATIONALITY
54	Male	Belgian

**Joined:**  
1 January 2015

**Appointment to Current Positions:**  
1 January 2015  
(Group Chief Executive Officer)  
10 October 2017  
(Director of Alliance Islamic Bank Berhad)

### Joel Kornreich

Group Chief Executive Officer  
Non-Independent Executive Director of Alliance Islamic Bank Berhad

#### Academic/Professional Qualifications:

- Masters of Science in Business Engineering, magna cum laude, Solvay Business School, Brussels, Belgium

Mr Kornreich has over 29 years of experience in the financial services industry. Before joining Alliance Bank, he spent 20 years with Citigroup in various roles around the world. His last position with Citigroup was as Country Business Manager of Citibank Global Consumer Group, South Korea. Previously, he had served as the Chief Executive Officer for Spain, Belgium and Greece, and managed Citigroup's Consumer Banking businesses in Indonesia and Russia. Prior to this, Mr Kornreich was Citigroup's Marketing Director, and Head of Mortgages and Liabilities for Asia Pacific, as well as Retail Banking Head for Singapore.

Earlier in his career, he was with ABN AMRO Bank's Consumer Banking business as Head of Sales and Distribution for Asia, and Consumer Banking business manager for Indonesia and Hong Kong.

In his role as Group Chief Executive Officer, Mr Kornreich is responsible for developing the strategic direction of the Bank, and to ensure that the Bank's strategies and corporate policies are effectively implemented.

He also ensures that the Board's directions are implemented, and together with the Board, promote a sound corporate culture which reinforces ethical, prudent and professional behaviour.



AGE	GENDER	NATIONALITY
56	Male	Malaysian

**Joined:**  
23 March 2016

**Appointment to Current Position:**  
23 March 2016

### Kong Kim Yihe

Group Chief Operating Officer

#### Academic/Professional Qualifications:

- Master of Business Administration, National University of Singapore
- Bachelor of Engineering (Hons), National University of Singapore
- Fellow, Life Management Institute, USA

Mr Kong has more than 30 years of experience in technology-related operations in the financial services industry. He previously served with CIMB Bank and Phileo Allied Bank. He has also worked in non-financial services sectors with a global IT company and a multinational insurance company. Prior to joining Alliance Bank, Mr Kong was the Group Chief Technology Officer of The Edge Media Group.

As Group Chief Operating Officer, Mr Kong oversees areas related to banking operations and information technology.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Leadership – Senior Management



#### Gan Pai Li

Head, Group Consumer Banking

##### Academic/Professional Qualifications:

- Master of Business Administration, University of Manchester, UK
- Bachelor of Education (TESL), Universiti Malaya

Ms Gan joined Alliance Bank on 1 August 2019 to build and drive the next phase of growth for the Consumer Banking business. She has more than 20 years of financial services experience in the areas of retail and wholesale banking, private wealth, private equity, and mergers and acquisitions.

Prior to joining Alliance Bank, Ms Gan was the Group Chief Strategy and Transformation Officer of RHB Bank Berhad where she was a key advisor to the Group Managing Director in formulating the organisation's strategic plans and execution of key initiatives in core business lines across various countries.

Before her tenure at RHB Bank, Ms Gan was the Senior Managing Director in Group Strategy and Strategic Investments at CIMB Investment Bank. At CIMB, she executed numerous mergers and acquisitions across Asia Pacific as part of the Group's franchise expansion exercise.

AGE	GENDER	NATIONALITY
47	Female	Malaysian

**Joined:**  
1 August 2019

**Appointment to Current Position:**  
1 August 2019



#### Ernest Kwong Kah Wah

Head, Group SME Banking

##### Academic/Professional Qualifications:

- Bachelor of Arts in Business Administration (Hons) majoring in Finance, Universiti Utara Malaysia

Mr Kwong joined Alliance Bank as Head of Remedial Management before moving on to several other roles within the business banking segment. He has over 23 years of experience in the SME and Commercial segments at both local and international financial institutions. Prior to his current appointment, Mr Kwong was the Head of Commercial Banking.

Mr Kwong was instrumental in revamping the Bank's financial programmes, leading a team to assess the viability and relevance of SME programmes at every business life stage. He has also worked in credit, recovery and sales roles. As Head of Group SME Banking, Mr Kwong oversees all SME Banking operations.

AGE	GENDER	NATIONALITY
46	Male	Malaysian

**Joined:**  
10 November 2006

**Appointment to Current Position:**  
12 November 2016



### Jeff Tham Kok Kuen

Head, Group Corporate, Commercial and Transactions

#### Academic/Professional Qualifications:

- Bachelor's Degree in Business (Distinction), Curtin University of Technology, Australia

Mr Tham has over 26 years of experience in the financial services industry. Prior to joining Alliance Bank, he was attached to HSBC Malaysia and UOB Malaysia. His previous experience covered various roles encompassing commercial and corporate banking, credit underwriting, trade services, and business management.

As Head of Group Corporate, Commercial and Transactions, Mr Tham is responsible for driving growth in the balance sheet and revenues of the Group Corporate, Commercial and Transactions Division.

AGE	GENDER	NATIONALITY
51	Male	Malaysian

Joined:  
6 July 2015

Appointment to Current Position:  
6 July 2015



### Tan Eng Kiang

Head, Group Financial Markets

#### Academic/Professional Qualifications:

- Professional Qualification, Chartered Institute of Management Accountants, UK
- Diploma in Commerce, Tunku Abdul Rahman College, Malaysia

Mr Tan has more than 28 years of experience in financial markets. He has served at several large banking groups and with an established regional bank performing various functions and roles including treasury operations, treasury sales, trading, investment and funding/liquidity management.

As Head of Group Financial Markets, Mr Tan oversees four core financial market activities, namely funding/liquidity management and investment, trading, treasury sales, and asset/liability management for the entire Bank. He is instrumental in redesigning the Bank's Fund Transfer Pricing Methodology shielding Business units from market risk hence enabling them to focus on customer relationship building and revenue growth.

During his tenure with the Bank, he has helped establish funding and capital programmes to ensure that the Group's liquidity is well funded and managed. In addition, the Group's capital is also managed by Financial Markets to optimise returns.

AGE	GENDER	NATIONALITY
56	Male	Malaysian

Joined:  
14 July 2014

Appointment to Current Position:  
25 November 2014

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Leadership – Senior Management



#### Michael Ng Chow Hon

Chief Executive Officer, Alliance Investment Bank Berhad

##### Academic/Professional Qualifications:

- Bachelor of Science majoring in Business Administration and Finance, University of Wisconsin, USA

Mr Ng joined Alliance Investment Bank Berhad as Head of Debt Capital Markets in March 2015 before he was appointed Chief Executive Officer in April 2020. He has over 30 years of experience in the banking industry, with core focus on debt capital markets in a number of investment banks. Prior to joining Alliance Bank, he was Director, Debt Capital Markets with RHB Investment Bank. He began his career at MUI Bank in the area of operations before joining the Corporate Banking unit of Affin Merchant Bank. He then moved into Investment Banking sector, which included stints at AmlInvestment Bank and OSK Investment Bank.

His achievements at Alliance Investment Bank Berhad include leading his team to win the Best Structured Finance Sukuk at the Asian Awards 2018, a first-of-its-kind deal in Malaysia which created brand presence for Alliance Investment Bank Berhad and elicited clients' interest in similar deals. As Chief Executive Officer, Mr Ng is responsible for the investment bank's business direction and priorities. This includes driving the execution of business and operational strategies, with effective control functions to achieve financial and corporate objectives.

AGE	GENDER	NATIONALITY
55	Male	Malaysian

Joined:  
4 March 2015

Appointment to Current Position:  
21 April 2020



#### Rizal IL-Ehzan Fadil Azim

Chief Executive Officer, Alliance Islamic Bank Berhad

##### Academic/Professional Qualifications:

- Bachelor of Science (Hons), University of Warwick, UK

Prior to his current role as Chief Executive Officer of Alliance Islamic Bank Berhad, En Rizal was the Deputy Chief Executive Officer and Senior Vice President, Strategy and Business Performance. He has over 25 years of experience in business advisory, banking and finance, including Islamic Banking. Before joining the bank, he served at Hong Leong Islamic Bank, EONCAP Islamic Bank, The Boston Consulting Group, and Bank Negara Malaysia.

As Chief Executive Officer, he is responsible to provide leadership to drive sustainable and profitable growth in the Group's Islamic Banking business. In recent years, he has looked into driving unique value through Halal and value-based intermediation propositions.

AGE	GENDER	NATIONALITY
48	Male	Malaysian

Joined:  
12 November 2012

Appointment to Current Position:  
1 August 2017



### Fozia Khan

Chief Business Development Officer

#### Academic/Professional Qualifications:

- Bachelor of Arts in Accounting and Finance, Humber University in Hull, UK
- Chartered Banker, Asian Institute of Chartered Bankers (AICB)
- Fellow Chartered Member, Chartered Institute of Islamic Finance Professionals (CIIF)

Puan Fozia initially joined Alliance Bank as the Chief Executive Officer of its subsidiary, Alliance Islamic Bank Berhad, before being appointed to her current position. She sits on the Board of AllianceDBS Research Sdn Bhd.

She has over 25 years of banking industry experience, covering Commercial, Corporate, Islamic, and Investment Banking. Prior to joining Alliance Bank, she was the Chief Executive Officer and Executive Director of another local Islamic bank.

As Chief Business Development Officer, she plays a crucial role in the Bank's transformation strategy. This includes building alliances with new strategic partners, and establishing eco-system partnerships to deliver a consolidated value to the customers and the Bank. Her role also includes bringing in new to bank customers for payroll management and optimising customer experience with mapped out customer journeys.

AGE	GENDER	NATIONALITY
52	Female	Malaysian

**Joined:**  
24 September 2012

**Appointment to Current Position:**  
1 August 2017



### Goh Chee Ho

Acting Group Chief Financial Officer

#### Academic/Professional Qualifications:

- Fellow, Association of Chartered Certified Accountants (FCCA)
- Member, Malaysian Institute of Accountants (MIA)

Mr Goh has more than 19 years of experience in the financial services and external audit sectors. Before joining Alliance Bank, he spent over nine years at AIA Bhd. holding various finance roles before becoming Head of Financial Reporting. He was appointed as Deputy Head of Group Finance at Alliance Bank on 1 August 2018, where he is responsible for the Financial Performance and Planning, and Regulatory Reporting.

As Acting Group Chief Financial Officer, Mr Goh oversees, manages and optimises the Bank's financial resources. This includes financial planning, forecasting and budgeting, management of financial liquidity and capital risks, accounting, as well as ensuring the integrity of the Bank's financial and regulatory reporting.

AGE	GENDER	NATIONALITY
44	Male	Malaysian

**Joined:**  
26 August 2013

**Appointment to Current Position:**  
12 December 2019

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Leadership – Senior Management



#### Dr Aaron Sum Wei Wern

Group Chief Strategy and Marketing Officer

##### Academic/Professional Qualifications:

- PhD in Engineering, University of Nottingham, UK
- Bachelor of Engineering, University of Manchester, UK

Dr Sum has more than 20 years of combined management consulting, research and industry experience. His key expertise is in business strategy, operating model design, customer experience transformation and process optimisation.

In his current role, Dr Sum is responsible for strategic planning, business performance management, decision management (business analytics), economic research, market insights (research), marketing and communications, and customer experience. He also oversees the execution of the Bank's key strategic initiatives.

AGE	GENDER	NATIONALITY
42	Male	Malaysian

##### Joined:

6 December 2010

##### Appointment to Current Position:

1 April 2015



#### Peter Fong Seow Loong

Group Chief Credit Officer

##### Academic/Professional Qualifications:

- Bachelor of Arts in Economics, University of Leicester, UK
- Chartered Banker, Chartered Banker Institute (UK)
- Chartered Banker, Asian Institute of Chartered Bankers (AICB)

Mr Fong initially joined Alliance Bank as Head, Group Corporate Credit. He has 30 years of experience in the local and regional banking industry. He began his career at HSBC Bank where he was involved in various banking functions including corporate risk, recovery, credit assessment, corporate policy and portfolio management. His stint at HSBC included two years at HSBC Hong Kong as Senior Manager, Asia Pacific Risk. Prior to joining Alliance Bank, Mr Fong was the Head of Wholesale Credit for a local financial institution, where he was responsible for its corporate, commercial and SME credit evaluation activities.

As Group Chief Credit Officer, Mr Fong oversees the areas of credit risk and approval. He is also responsible for early warning, remedial, collections and special assets for the Bank.

AGE	GENDER	NATIONALITY
53	Male	Malaysian

##### Joined:

10 February 2014

##### Appointment to Current Position:

1 October 2014





### Pang Choon Han

Group Chief Risk Officer

#### Academic/Professional Qualifications:

- Associate Member, Chartered Institute of Management Accountants, UK
- Associate Member, Asian Institute of Chartered Bankers (AICB)

Mr Pang has more than 29 years of experience in the banking industry. He started his career in the hotel industry before joining the banking sector. Prior to joining Alliance Bank, he had worked in a large Malaysian bank. His work background is in internal audit and risk management.

In his current role as Group Chief Risk Officer, Mr Pang is responsible for the Group's overall risk management functions covering the commercial bank, investment bank and Islamic bank. His areas of responsibility include establishing risk frameworks, policies and limits, as well as monitoring and reporting risk exposures for credit risk, operational risk, market risk and liquidity risk. In 2019, Mr Pang was the Chairman for the Chief Risk Officers Forum, organised by the Asian Institute of Chartered Bankers.

AGE	GENDER	NATIONALITY
55	Male	Malaysian

**Joined:**  
1 November 2006

**Appointment to Current Position:**  
27 October 2010



### Tan Pueh Khim

Head, Group Human Resource

#### Academic/Professional Qualifications:

- Master of Business Administration, Victoria University, Australia
- Bachelor of Arts in Communication, Universiti Kebangsaan Malaysia
- Certified Professional Coach, International Coach Federation (ICF) Trained

Ms Tan joined Alliance Bank on 11 September 2019 as the Head, Group Human Resource. She is responsible for building and driving a culture of growth and innovation that enables employees to achieve the organisation's strategic goals.

Ms Tan has over 25 years of experience in Human Capital Management, specialising in talent management, leadership development, and organisational effectiveness. She has held senior roles across the financial sector, international professional services, information technology, fast-moving consumer goods, and financial retailing.

In the course of her career, Ms Tan has served at local conglomerates and large multi-national companies including AIA Malaysia, British American Tobacco, PricewaterhouseCoopers, Maybank, and TA Enterprise.

AGE	GENDER	NATIONALITY
52	Female	Malaysian

**Joined:**  
11 September 2019

**Appointment to Current Position:**  
11 September 2019

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Leadership – Senior Management



#### Leong Sow Yoke

Group Chief Internal Auditor

##### Academic/Professional Qualifications:

- Chartered Accountant (CA)
- Fellow of the Association of Chartered Certified Accountants (FCCA)
- Certified Information Systems Auditor (CISA)
- Certified in Risk and Information Systems Control (CRISC)
- Chartered Banker, Chartered Banker Institute (UK)
- Chartered Banker, Asian Institute of Chartered Bankers (AICB)

AGE	GENDER	NATIONALITY
59	Female	Malaysian

##### Joined:

8 December 2010

##### Appointment to Current Position:

8 December 2010

Ms Leong has more than 35 years of external and internal audit experience in general and information systems audits. Before joining the banking sector, she worked at an audit firm and a large conglomerate. Prior to joining Alliance Bank, she was the Head of Internal Audit at UOB Malaysia Berhad.

As Group Chief Internal Auditor, Ms Leong is responsible for the internal audit function of the Group. She reports functionally to the Group Audit Committee and administratively to the Group Chief Executive Officer. In her role, Ms Leong leads the Group Internal Audit (GIA) to provide independent, objective assurance and consulting services that add value and improve the Group's operations. GIA's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.



#### James Teh Chye Seong

Group Chief Compliance Officer

##### Academic/Professional Qualifications:

- Bachelor of Jurisprudence (Hons), Universiti Malaya

AGE	GENDER	NATIONALITY
41	Male	Malaysian

##### Joined:

1 November 2018

##### Appointment to Current Position:

1 February 2019

Mr Teh initially joined Alliance Bank as the Head of Business Compliance and Control for Group Consumer Banking, where he managed the overall business compliance, risk and control, business efficiency and sales surveillance functions. He has over 15 years of experience spanning various compliance and supervisory roles at several financial institutions and at a regulatory organisation. Before Alliance Bank, Mr Teh was attached to a locally based foreign bank, where he was responsible for the development and implementation of the overall compliance strategy and framework including policies, process, programmes, tools, and controls.

Mr Teh heads the Group Compliance function, where he is responsible for the identification, assessment, monitoring, and reporting of compliance risk across the Group.



### Lee Wei Yen

Group Company Secretary

#### Academic/Professional Qualifications:

- Master of Business Administration in Finance, Universiti Putra Malaysia
- Master of Advanced Business Practice, University of South Australia
- Associate Member, Malaysian Institute of Chartered Secretaries and Administrators

With over 30 years of experience in the corporate secretarial function, Mr Lee has a strong background in corporate actions of public listed companies and wide exposure in the management and financial services industry.

Mr Lee's responsibilities as Group Company Secretary encompass providing counsel to the Board of Directors and Board Committees (Board) on governance matters. He ensures that the Group complies with the required corporate disclosure requirements, and that all decisions by the Board adhere to applicable rules and regulations.

He facilitates the annual Board performance assessment process and the effective flow of information between the Board and Senior Management. Mr Lee ensures that Board procedures are followed to support the effective function of the Board. He also facilitates the induction of new Directors, and the continuous training and development of Directors.

AGE	GENDER	NATIONALITY
55	Male	Malaysian

Joined:  
1 April 2004

Appointment to Current Position:  
1 December 2004

#### Notes:

None of the Bank's Senior Management Team has:

- any family relationship with any Directors and/or major shareholders of the Bank
- any personal pecuniary interests which are in conflict with the Bank or its subsidiaries
- any conviction of any offences within the past five (5) years (other than traffic offences) as at 31 March 2020
- any public sanction or penalty imposed upon him/her by the relevant regulatory bodies during the FY2020

Save as disclosed below, none of the other Senior Management has any interest in the shares of the Bank as at 31 March 2020:

Name	No. of Alliance Bank shares held as at 1 April 2019				No. of Alliance Bank shares held as at 31 March 2020			
	Direct	%	Indirect	%	Direct	%	Indirect	%
Aaron Sum Wei Wern	146,200	0.01	-	-	146,200	0.01	-	-
Ernest Kwong Kah Wah	122,300	0.01	-	-	122,300	0.01	-	-
Foziakhatoon binti Amanulla Khan	92,400	0.01	-	-	92,400	0.01	-	-
Goh Chee Ho	-	-	-	-	30,000	*	-	-
Lee Wei Yen	219,800	0.01	-	-	219,800	0.01	-	-
Leong Sow Yoke	303,500	0.02	-	-	303,500	0.02	-	-
Pang Choon Han	501,200	0.03	-	-	501,200	0.03	-	-
Peter Fong Seow Loong	69,500	*	-	-	69,500	*	-	-
Rizal IL-Ehzan Fadil Azim	47,500	*	-	-	47,500	*	-	-
Tan Eng Kiang	79,600	0.01	-	-	79,600	0.01	-	-

#### Note:

\* Negligible.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Effectiveness

#### New Appointment and Re-Appointment of Director

Any proposed appointment of new Directors or proposed re-appointment of Directors to the Board will be assessed by the Group NRC. The Group NRC is guided by the Group Board Succession Plan and the Board Gender Diversity Policy in identifying potential candidates for nomination as Directors. The Group Board Succession Plan entails the guiding principles for effective succession planning as well as the procedures in ensuring a smooth transition in the Board's succession process as existing Directors leave the Board and new ones come on board. The Group NRC identifies potential candidates for nomination as Directors from various sources, such as referrals from existing Directors or officers and Directors Register maintained by the Financial Institution Directors' Education ("FIDE") Forum and other leadership development and consulting organisations.

#### Assessment Criteria and Appointment Process for Board Candidates

The Group NRC takes into account the strategic directions of the Group when evaluating candidates to fill any Board vacancy. In assessing candidates for new Board appointment, the Group NRC looks for diversity of skills, knowledge, experience and gender of the candidates.

To ensure a candidate has the character, experience, integrity and competency to effectively discharge his/her role as a Director, the Group NRC will assess the candidates on the following criteria:

- (a) not be disqualified under section 59(1) of the Financial Services Act 2013;
- (b) comply with the fit and proper requirements of the Bank;
- (c) not have any competing time commitments that impair his/her ability to discharge his/her duties effectively;
- (d) not be an active politician;
- (e) not be a partner of a firm which has been appointed as the external auditors of the Bank or any of the firm's officers directly involved in the engagement until at least two (2) years after – (i) he/she ceases to be an officer or partner of that firm; or (ii) the firm last served as an auditor of the Bank; and
- (f) preferably at a minimum, holds a degree qualification and/or other equivalent qualification(s) and with at least five (5) years in a senior managerial position.

The Group NRC will, upon its assessment, submit its recommendation to the Board for approval. The final decision on the appointment of a candidate recommended by the Group NRC rests with the whole Board before the application is submitted to BNM for approval.

#### Board and Board Committee Meetings

Directors are required to attend at least 75% of all the Board/Board Committee meetings during each financial year. The attendance of Directors at a Board/Board Committee meeting, by way other than physical presence, remains the exception rather than the norm and is subject to appropriate safeguards to preserve the confidentiality of deliberation.

During the COVID-19 pandemic Movement Control Order ("MCO") period which started on 18 March 2020 and the subsequent Conditional MCO, Directors have attended Board/Board Committee meetings via video conferencing to limit face-to-face contact with each other to reduce the spread of the disease.

All Directors are supplied with information in a timely manner. The agenda for each Board/Board Committee meeting, together with detailed reports and proposal papers to be tabled, are circulated to the Directors for their prior reading well in advance of the date of the meeting. The Directors may request to be furnished with additional information for clarification. Relevant Senior Management Officers are invited to attend Board/Board Committee meetings to provide the Board/Board Committees with detailed explanations and clarifications on the proposals tabled to enable the Board/Board Committees in making informed decisions.

The Group has implemented paperless meetings where board materials are uploaded to a secured board portal for the Directors to access through their tablets or laptops. This initiative has made the process of creating, distributing and reviewing confidential Board materials more efficient and secure. It speeds up the process of the dissemination of the Board pack and removes the need for hard copy papers. This initiative is part of the Group's corporate responsibility to protect and improve the environment by reducing its paper consumption.

In total, the Board has met 14 times during FY2020, including two (2) offsite meetings on Group basis to review and approve Strategy and the Budget for the next financial year.

All Directors have demonstrated that they are able to allocate sufficient time to the Bank in discharging their duties and responsibilities, and their commitment is affirmed by their attendance at the Board and Board Committees meetings held during FY2020, as reflected below:

Directors	Designation	Alliance Bank Board	EXCO	Attendance Board Committee		
				Group AC	Group RMC	Group NRC
Tan Sri Dato' Ahmad bin Mohd	Chairman, Independent Non-Executive Director	13/14	-	-	-	13/13
Lee Boon Huat	Senior Independent Non-Executive Director	14/14	11/12	-	15/15	-
Lee Ah Boon	Non-Independent Non-Executive Director	13/14	12/12	-	-	13/13
Datuk Wan Azhar bin Wan Ahmad	Independent Non-Executive Director	14/14	12/12	11/11	-	13/13
Ho Hon Cheong	Non-Independent Non-Executive Director	13/14	-	11/11	15/15	-
Thayaparan S. Sangarapillai	Independent Non-Executive Director	14/14	-	11/11	15/15	-
Tan Chian Khong	Independent Non-Executive Director	14/14	11/12	11/11	-	-
Susan Yuen Su Min	Independent Non-Executive Director	13/14	-	-	-	12/13
Kuah Hun Liang <sup>(1)</sup>	Senior Independent Non-Executive Director	9/10	-	9/9	-	-
Ou Shian Waei <sup>(2)</sup>	Independent Non-Executive Director	3/4	3/3	-	-	5/5
Tuan Haji Ibrahim bin Hassan	Independent Non-Executive Director of Alliance Islamic Bank Berhad	-	-	-	13/15	-
Mazidah binti Abdul Malik	Independent Non-Executive Director of Alliance Investment Bank Berhad	-	-	-	15/15	-

**Notes:**

<sup>(1)</sup> Retired from the Board with effect from 9 December 2019

<sup>(2)</sup> Retired from the Board with effect from 1 July 2019

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Effectiveness

#### WHAT THE BOARD DID IN FY2020

Board activities are structured to develop the Group's strategy and to enable the Board to provide the necessary oversight and support executive management on the delivery of the Group's strategy within a transparent governance framework.

Key Activities of the Board During FY2020	
 <b>Strategy</b>	 <b>People</b>
<ul style="list-style-type: none"> <li>Reviewed and approved the strategies and business plans proposed by Management;</li> <li>Reviewed and approved Annual Budget and capital management plan;</li> <li>Reviewed and approved specific financial and non-financial objectives proposed by Management;</li> <li>Reviewed and approved Corporate Responsibility initiatives; and</li> <li>Reviewed measures and controls to mitigate the impact of COVID-19 pandemic.</li> </ul>	<ul style="list-style-type: none"> <li>Approved appointment/re-appointment to the Board;</li> <li>Reviewed and approved human capital policies and strategies, as well as Group Remuneration Policy for Employees;</li> <li>Received regular updates on recruitment and resignation of key Management staff;</li> <li>Reviewed and assessed the fitness and propriety of Key Responsible Persons;</li> <li>Reviewed and approved the compensation proposals, including Group Bonus Pool, Annual Salary Review for employees and compensation for the Group CEO;</li> <li>Reviewed and approved the Annual Board Development Plan; and</li> <li>Reviewed and approved revisions to the Group Remuneration Policy for Non-Executive Directors.</li> </ul>
 <b>Performance</b>	 <b>Governance</b>
<ul style="list-style-type: none"> <li>Reviewed business and financial performance against targets and objectives;</li> <li>Reviewed and approved quarterly financial results, Annual Audited Financial Statements and Internal Capital Adequacy and Assessment Process ("ICAAP") Reporting and Basel II Pillar 3 Report;</li> <li>Reviewed and approved dividend proposals;</li> <li>Reviewed and approved Group Corporate Scorecard and Group CEO Scorecard;</li> <li>Reviewed and approved the performance rating of the Group CEO; and</li> <li>Reviewed the results of the annual Board Effectiveness Assessment.</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed the Monthly Group Compliance Dashboard and the Monthly Integrated Risk Management Dashboard;</li> <li>Reviewed BNM Composite Risk Rating Action Plans, the reply to BNM and its quarterly progress updates;</li> <li>Reviewed governance related frameworks/policies;</li> <li>Reviewed and approved regulatory reporting; and</li> <li>Received update on identified thematic topics including sustainability awareness, risk management in technology, regulatory compliance risk, etc.</li> </ul>



## Key Activities of Board Committees During FY2020

### EXCO

- Reviewed/vetoed new/incremental loans/financing with total group exposures which are above the defined threshold of the Group Management Credit Committee and AIS Management Credit Committee;
- Reviewed and approved credit transactions/exposures with connected parties classified under BNM/GP6 Guidelines;
- Reviewed the implementation of the Bank's business plan and strategies;
- Reviewed early warning accounts and restructuring and rescheduling (performing and impaired) accounts;
- Reviewed recovery/restructuring plans as per limits in the Approval Authorities of Group Special Assets set by the Board;
- Approved non-credit expenditures as per limits in the Approval Authorities set by the Board;
- Reviewed quarterly updates on Group Information System, Key Strategic Projects and Voice of Customers;
- Reviewed and approved revisions to Terms of Reference of Group Project Investment Committee; and
- Reviewed and recommended to the Board the revisions to Terms of Reference of EXCO.

### Group AC

The Group AC's activities during FY2020 are summarised in the Group AC Report. More information can be found on pages 75 to 78.

### Group NRC

- Reviewed the composition of Board, Board Committees and principal subsidiaries' boards;
- Reviewed the Board succession plan to promote renewal and address Board vacancies;
- Reviewed the succession plan of the Shariah Committee;
- Assessed and recommended new appointment/re-appointment of Directors/Group CEO of the Bank and CEO of principal subsidiaries, and Shariah Committee members;
- Assessed and approved new appointment/remuneration of Senior Management staff;
- Reviewed and recommended to the Board the results of the annual Board Effectiveness Assessment of the Board and the annual assessment of the overall effectiveness of the Shariah Committee and the contribution of each individual Shariah Committee member;
- Annual Fit and Proper Assessment of Key Responsible Persons where Group NRC reviewed the fitness and propriety of Directors and the independence of Independent Directors;
- Reviewed and recommended to the Board revisions to the Group Remuneration Policy for Non-Executive Directors;
- Reviewed and recommended to the AIS Board revisions to the remuneration of Shariah Committee members;
- Assessed and recommended to the Board the performance score of the Group Corporate Scorecard;
- Reviewed and recommended to the Board the Annual Board Development Plan;
- Assessed and recommended to the Board the performance rating of the Group CEO;
- Reviewed and recommended to the Board compensation proposals, including Group Bonus Pool, Annual Salary Review for employees and compensation for Group CEO and CEOs of principal subsidiaries;
- Reviewed and approved the Senior Management Pay Mix Framework and compensation for Senior Management and other Material Risk Takers;
- Reviewed the Terms of Reference of Group NRC to ensure its relevancy in line with governance development;
- Reviewed and recommended to the Board for approval the Group Human Capital strategies, frameworks and policies;
- Reviewed Talent Management including succession planning process and talent pipeline for Senior Management and examined internal succession status readiness and development; and
- Reviewed whistle-blowing cases.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Effectiveness

#### Group RMC

- Reviewed and assessed Topmost and Material Risks for the Group;
- Reviewed and approved risk exposure parameters and risk management frameworks, policies, models, methodologies and product programmes;
- Reviewed and approved Independent Model Validation Reports;
- Reviewed and approved the Terms of Reference of management level risk committees;
- Reviewed and approved Basel II Pillar 3 Reports;
- Reviewed and approved stress test results;
- Reviewed and approved outsourcing policy, plan and arrangements;
- Reviewed and approved Group Risk Management and Group Compliance Review Plans and Sampling Methodologies;
- Reviewed and approved corrective action plans for BNM Composite Risk Rating/regulatory audit issues, regulatory breaches and regulatory gaps analysis;
- On-going monitoring of the Bank's health via Risk Management and Compliance Dashboards, Independent Credit Reviews, Regulatory Stress Tests and ICAAP;
- Reviewed and monitored the formulation of the Group's Anti-Bribery and Corruption measures to ensure compliance with Section 17A of Malaysian Anti-Corruption Commission Act 2009;
- Reviewed and approved the Group Compliance Framework, Compliance Policy, Compliance Culture and Code of Conduct;
- Reviewed and assessed the performance of the Group Chief Risk Officer and Group Chief Compliance Officer and approved their compensation; and
- Assessed and approved the fit and propriety of the Group Chief Risk Officer and Group Chief Compliance Officer.

### Board Effectiveness Assessment

The Board recognises that it needs to continuously assess and improve its performance. This is achieved through the annual Board Effectiveness Assessment and on-going Board development activities.

The Board has implemented an annual Board Effectiveness Assessment process carried out by the Group NRC to assess the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director.

#### Step 1: Completion of Comprehensive Questionnaire

##### I. Assessment of the Board by Board Members

Each Director evaluates the performance of the Board as a whole by way of a Self-Assessment Questionnaire by Individual Board Members.

The assessments are made against pre-established criteria in the following areas:

- Board Composition/Structure;
- Board Process;
- Board Governance;
- Major Responsibilities of the Board.

##### II. Individual Director Self-Assessment

For individual Directors' assessments, Self-Assessment Forms by Individual Directors are completed individually by every Director.

##### III. Peer Assessment of Individual Directors

The performance of each Board Member is also assessed by their fellow Board members based on similar criteria of the Individual Director Self-Assessment.

##### IV. Assessment of the Board Committees

Each Member of the Board Committees completes the Self-Assessment Form in respect of the Board Committees in which he/she is a member. The effectiveness of the Board Committees is assessed against pre-established criteria in the following areas:

- Committee Governance; and
- Accountability and Responsibilities.

## Step 2: Reporting and Discussion with the Group NRC and the Board

The results of the annual Board Effectiveness Assessment for the Board as a whole, Board Committees and the contribution of each individual Director are compiled for deliberation by the Group NRC, respective Board Committees and the Board for improvement, where necessary.

For FY2020, the Board was satisfied with the results of the annual Board Effectiveness Assessment and will take the necessary steps to address areas for improvement suggested by the Directors.

The Board also engages external consultants periodically to assist in and lend objectivity to the annual board assessment. For FY2018, an external consultant, the Institute of Corporate Directors Malaysia was engaged to undertake the Board Effectiveness Assessment and Individual Director Evaluation for the Bank.

### Fit and Proper Assessment

The Board, through the Group NRC, assessed the fitness and propriety of the Directors in accordance with the Group's Policy on Fit and Proper in conjunction with the annual Board Effectiveness Assessment exercise. All Directors are required to complete a Fit & Proper Declaration annually. The Fit & Proper Declarations by the Directors are verified against independent sources.

For FY2020, the Board was satisfied that each of the Directors had met the required standard of fitness and propriety.

### BOARD TRAINING AND DEVELOPMENT

The Board acknowledges the importance of continuous training for the Directors to gain insight and keep abreast of industry developments to further enhance their skills and knowledge in effectively discharging their roles and responsibilities. While the Directors are expected to have personal development skills to improve themselves, they are encouraged to attend a minimum of three (3) days of training programmes related to the relevant areas within the financial year taking into consideration emerging trends in the financial services industry. In addition, each Board Committee member is encouraged to attend a minimum of two (2) days of training programmes relevant to the respective areas of the Board Committees in each financial year to keep abreast of the latest industry developments.

The training needs of the Directors are assessed on a yearly basis by the Group NRC and a proposed Board development plan is recommended to the Board for approval. This is to ensure the Directors are accorded the appropriate training required.

The Bank has in place an In-house Directors' Orientation Programme for newly appointed Directors to familiarise themselves with the Bank's operations in addition to the regulatory mandatory training programmes such as the Mandatory Accreditation Programme of Bursa Securities and the Financial Institutions Directors' Education Core Programme. Upon appointment, a new Director will attend an in-house orientation programme within three (3) months of the appointment where he/she will be briefed on the operations and business strategies by the Senior Management to familiarise him/her with the Bank

and the Group. Directors also received guidance from the Group Company Secretary on the Bank's governance framework and associated policies, as well as their duties as Directors of the Bank.

The Directors are provided with the opportunity to attend relevant training programmes on an on-going basis in areas relating to Islamic banking, corporate governance, compliance, risk management, anti-money laundering, anti-bribery and corruption, climate change, strategic issues, cyber and emerging risks, sustainability and latest development, innovation and disruptive technology in the financial services industry to keep abreast of the latest industry developments. All Directors are also regularly updated on new requirements affecting their responsibility and are constantly reminded of their obligations.

In FY2020, the Directors have attended various training programmes. The list of training programmes attended by the Directors is disclosed under Section B of the Corporate Governance Report, which is available on our website at [www.alliancebank.com.my](http://www.alliancebank.com.my).

### REMUNERATION

#### Board of Directors

The Bank's Policy on Directors' remuneration is disclosed under Practice 6.1 of Section A of the Corporate Governance Report, which is available on our website at [www.alliancebank.com.my](http://www.alliancebank.com.my).

The details of remuneration of each Director of the Bank received/receivable from the Bank and the Group in respect of FY2020 are disclosed on pages 205 to 206 of the 2020 Annual Report.

The remuneration of the Non-Executive Directors will be tabled to the shareholders of the Bank for approval at the forthcoming Annual General Meeting to be held on 19 August 2020.

#### Senior Management

The Bank's Group Compensation Policy and employee performance management are disclosed under Section B of the Corporate Governance Report, which is available on our website at [www.alliancebank.com.my](http://www.alliancebank.com.my).

## **CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)**

### **Audit and Risk Management**

#### **DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION OF THE ANNUAL AUDITED FINANCIAL STATEMENTS**

Statements explaining the responsibilities of the Directors for the preparation of the Annual Audited Financial Statements for inclusion in the Annual Report can be found on page 94.

#### **RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK**

The Board is ultimately responsible for the Bank's risk management and internal control framework. The Board, which is assisted by the Group RMC and Group AC, confirms that it monitors the Bank's risk management and internal control systems and carries out a review of their effectiveness, at least annually. The monitoring and review covers all material controls, including financial, operational and compliance controls.

Since the Bank is the Group's largest business and operates in the complex financial services sector, its risk management framework and internal control processes are key to that of the Group.

Further details of the Bank's risk management framework and internal control system are explained in the Statement on Risk Management and Internal Control and Risk Management Report on pages 82 to 91.

#### **ANTI-BRIBERY AND CORRUPTION**

The Group adopts a zero tolerance stance against any acts of bribery and corruption, and is committed to act professionally, fairly and with integrity in all business dealings and relationships.

To complement the existing Code of Conduct, the Group has in May 2020 established the Anti-Bribery and Corruption Policy which outlines the key guiding principles and mitigating controls in place with regards to anti-bribery and corruption. The Policy is guided by the Guidelines on Adequate Procedures issued pursuant to Section 17A (5) of the Malaysian Anti-Corruption Commission Act 2009.

In line with the Group's commitment to this Anti-Bribery and Corruption Policy, the Group has also developed a Gifts and Entertainment Policy which sets out the key guidelines in regards to our conduct with our customers in relation to entertainment and the receipt and giving of gifts.

## GROUP AUDIT COMMITTEE REPORT

### CHAIRMAN

**Thayaparan S. Sangarapillai**

Independent Non-Executive Director

### MEMBERS

**Datuk Wan Azhar bin Wan Ahmad**

Independent Non-Executive Director

**Ho Hon Cheong**

Non-Independent Non-Executive Director

**Tan Chian Khong**

Independent Non-Executive Director

**Kuah Hun Liang**

Independent Non-Executive Director

(Ceased as a member of Group AC with effect from 9 December 2019 following his retirement from the Board)

## COMPOSITION AND TERMS OF REFERENCE

The Group AC which comprises three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director, is in compliance with Paragraph 15.09(1)(a) and (b) of the MMLR of Bursa Securities which states that the audit committee must be composed of no fewer than 3 members; and that all the audit committee members must be non-executive directors, with a majority of them being independent directors.

The Terms of Reference of the Group AC which deals with its authority and duties is made available on the Bank's corporate website at [www.alliancebank.com.my](http://www.alliancebank.com.my).

In the annual assessment of the effectiveness of Board Committees for FY2020, the Board was satisfied that the Group AC and its members have discharged their function, duties and responsibilities in accordance with the Group AC's Terms of Reference to provide independent oversight of the Bank's internal and external audit functions, internal controls and ensuring check and balance within the Bank.

During the FY2020, a total of 11 Group AC meetings were held.

The details of attendance of the Group AC members are as follows:

Name of Committee Members	Attendance	Percentage
Thayaparan S. Sangarapillai (Chairman)	11/11	100%
Datuk Wan Azhar bin Wan Ahmad	11/11	100%
Ho Hon Cheong	11/11	100%
Tan Chian Khong	11/11	100%
Kuah Hun Liang	9/9	100%

The Group AC meetings were also attended by the Group Chief Internal Auditor together with the Audit Department Heads, where necessary, while the attendance of other Management staff is by invitation depending on the matters deliberated by the Group AC.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Audit and Risk Management

#### SUMMARY OF GROUP AC'S WORKS

The Group AC is principally responsible to support the Board in ensuring that there is a reliable and transparent financial reporting process within the Bank and its principal subsidiaries. During FY2020, the Group AC carried out the following in discharging its functions, duties and responsibilities:

#### 1. Financial Reporting

- Reviewed and discussed the unaudited quarterly consolidated financial results and the annual audited consolidated financial statements of the Bank and its subsidiaries ("the Group") with the Management before recommending the same for approval by the Board. In reviewing the financial reporting of the Group, the Group AC discussed and made enquiries on, among others:
  - (i) changes in or implementation of major accounting policy changes;
  - (ii) significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed; and
  - (iii) compliance with accounting standards and other legal requirements.

#### 2. External Audit

- Reviewed the audit plan of the external auditors, which encompassed the detailed terms of the external auditors' responsibilities and affirmation of their independence as external auditors, audit strategy, the engagement team, risk assessment, areas of audit emphasis for the financial year and additional disclosures in the auditors' report in line with the new and amended international standards on auditing, including disclosure on Key Audit Matters.
- Reviewed with the external auditors, the results of their audit together with their recommendations and Management's responses as detailed in the following reports:
  - (i) Audit Report in respect of the Group Statutory Audit for Financial Year Ended 31 March 2019; and
  - (ii) Limited Review Report of the Group for the Half-Year Ended 30 September 2019.

- Met twice with the external auditors without the presence of Management for open discussions between the Group AC and external auditors on any issues of concern of the external auditors arising from their audits.
- Reviewed the non-audit services rendered by the external auditors and their proposed fees taking into consideration the fees threshold established under the Group's policy to ensure that the external auditors' independence and objectivity are not compromised.

The details of the statutory audit, audit related and non-audit fees paid/payable to the external auditors, PricewaterhouseCoopers PLT for FY2020 and its affiliates are set out below:

Description	RM'000	
	Bank	Group
Statutory audit and audit related services	1,773	2,451
Non-audit related services	387	466

The total non-audit fees incurred as a percentage of the total statutory audit and other audit related services fees for the Group in respect of FY2020 was 19%.

- Assessed and satisfied itself with the performance, effectiveness and independence of the external auditors based on the criteria set out in BNM's Policy Document on External Auditor and recommended to the Board for the re-appointment of the external auditors for the next financial year. Among the assessment criteria taken into account by the Group AC were:
  - (i) Qualification criteria;
  - (ii) Level of knowledge, capabilities, experience and quality of previous work;
  - (iii) Level of engagement with the Board and Group AC;
  - (iv) Ability to provide constructive observations, implications and recommendations in areas which require improvements;
  - (v) Appropriateness of audit approach and the effectiveness of audit planning;
  - (vi) Ability to perform the audit work within the agreed duration given;
  - (vii) Independence, objectivity and professional scepticism; and
  - (viii) Ability to demonstrate unbiased stance when interpreting the standards/policies adopted by the licensed institutions.



### 3. Internal Audit

- Reviewed with Group Internal Audit the internal audit plan to ensure adequacy of scope, coverage and resources required to perform audits for the identified auditable areas.
- Met with the Group Chief Internal Auditor on 24 April 2019 and 21 January 2020 without the presence of Management for open discussion between the Group AC and Group Chief Internal Auditor on any issues of concern arising from internal audits.
- Reviewed and assessed the half-yearly and full year performance of the Group Chief Internal Auditor.
- Performed fit and proper assessment of the Group Chief Internal Auditor to ensure that she satisfies the fitness and propriety criteria set out in the Group Policy on Fit and Proper for Key Responsible Persons on a continuous basis.

### 4. Related Party Transactions

- Reviewed related party transactions entered into by the Bank and its subsidiaries, covering the nature and amount of the transactions so as to ensure that related party transactions are undertaken on an arm's length basis, on normal commercial terms and on terms that are not more favourable to the related parties than those generally available to the non-related parties.
- Reviewed audit reports on recurrent related party transactions ("RRPTs") on a quarterly basis. The reports covered the aggregate consideration of RRPTs tracked against the limit of thresholds set to ensure proper reporting and disclosures in accordance with the requirements of the Bank's internal policy and the Bursa Securities MMLR.

### 5. Other Works

- Provided oversight over the preparation and implementation of the Malaysian Financial Reporting Standard 9 ("MFRS 9"), which is effective for the Group and the Bank for the financial year beginning on 1 April 2018, including the review of the gap analysis and the potential impact to the Group.
- Reviewed the Audit Committee Report and the Statement on Risk Management and Internal Control for the Board's approval to be included in the Annual Report.

### GROUP INTERNAL AUDIT FUNCTION

The Group Internal Audit's primary role is to assist the Group AC to discharge its duties and responsibilities by independently reviewing and reporting on the adequacy and effectiveness of the systems of internal controls and the overall control environment.

The Group Internal Audit provides reasonable assurance that the system of internal controls continue to operate satisfactorily and effectively. The audits cover the review of the adequacy of risk management, operational controls, compliance with established procedures, guidelines and statutory requirements, quality of assets, application systems and management efficiency, among others.

The Group Internal Audit is headed by Ms Leong Sow Yoke, the Group Chief Internal Auditor. She has more than 30 years of external and internal audit experience that includes general and information systems audit. Ms Leong is a Fellow of the Association of Chartered Certified Accountants ("FCCA"), a Chartered Accountant with the Malaysian Institute of Accountants, a Certified Information Systems Auditor ("CISA") and Certified in Risk and Information Systems Control ("CRISC"). In 2015, Ms Leong was conferred the title "Chartered Banker" by the Asian Institute of Chartered Banker and the Chartered Banker Institute (UK).

The Group Internal Audit function is guided by the Internal Audit Charter, which sets out its purpose, authority, scope, independence and responsibilities.

To maintain objectivity and independence, the Group Chief Internal Auditor is responsible to the Group AC and Board. The appointment, remuneration, performance appraisal, transfer and dismissal of the Group Chief Internal Auditor are to be decided by the Group AC. Group Internal Audit personnel do not have any authority or responsibility for the activities they audit. They are required to report to the Group Chief Internal Auditor any situation in which a conflict of interest or bias is present or may reasonably be inferred. Assignments are allocated so that potential and actual conflicts and bias are avoided.

The Group Internal Audit's processes and activities are governed by policies established by the Group AC and regulatory guidelines as well as the International Standards for the Professional Practices Framework (Standards) issued by the Institute of Internal Auditors ("IIA") Malaysia. In line with best practices, Group Internal Audit has adopted a risk-based approach that deploys audit resources to focus on significant risk areas which prioritises the audits to areas that have been assessed as having potentially higher risks.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Audit and Risk Management

Group Internal Audit also plays a consultative role in the development of major systems or projects to ensure that the necessary control features are incorporated. Group Internal Audit works collaboratively with Group Risk Management to evaluate the risk governance framework and risk management processes that are applied to ensure an acceptable level of risk exposure which is consistent with the risk management policy of the Group. Group Internal Audit also works with the external auditors to resolve any control issues raised by them to ensure that significant issues are duly acted upon by Management.

Group Internal Audit continues with its initiatives to optimise the use of technology and increase the usage of data analytics tools to achieve audit effectiveness and efficiency. The upskilling of internal auditors through continuous learning and development remains a key focus. This is achieved through structured and formalised training programmes on themed subject matters as well as on the job exposure via intra-department resource pooling programmes, aimed at expanding the breadth of knowledge and experiences of internal auditors as they build depth.

Group Internal Audit continues to host the Guest Auditor Programme where selected line managers and candidates are invited to join as guest auditors for audit assignments. During these short attachments to Group Internal Audit, guest auditors gain useful insights into the internal audit process and a deeper appreciation of the risks and controls while Group Internal Audit will benefit from their functional or business unit knowledge. This pooling of talents and experiences allows the sharing of best practices across the Group.

As at 31 March 2020, Group Internal Audit has 33 audit personnel. During FY2020, the Group Internal Audit function incurred costs amounting to RM8.58 million.

The activities undertaken by Group Internal Audit in FY2020 include:

1. Established the annual audit plan for FY2020, which included key focus areas and manpower requirements, using a risk-based approach and taking into consideration the Group's business strategic plans, regulatory requirements and Management's inputs.
2. Revised the audit plan during the half-year review of the plan to take into account changes in business environment, audit priorities and ad hoc requests from regulators.
3. Conducted audits as per the approved audit plan, as well as ad hoc reviews as requested by regulators or Management.
4. Enhanced the branch audit sampling methodology complemented with the use of exception reports for more effective coverage of the different types of risks at branches.
5. Attended meetings of the various management and working committees as a permanent invitee in a consultative capacity to provide independent feedback on internal control and governance aspects; such as Group Operational & Technology Risk Management Committee, Executive Risk Management Committee, Joint Review Committee, Product Review Group and Product Operational Readiness Team.
6. Monitored and validated the completion of management action plans to address audit findings, and reported to the Group AC the status of overdue management action plans.
7. Involved as observers in major functional testing of Business Continuity Plan and Disaster Recovery Plan to provide an independent evaluation of the testing preparation and exercise performance.

## SHARIAH COMMITTEE OF ALLIANCE ISLAMIC BANK BERHAD

### CHAIRMAN

**Associate Professor Dr. Badruddin bin Hj Ibrahim**

### MEMBERS

**Ustaz Ahmad Fauwaz bin Ali @ Fadzil**

**Tuan Haji Rustam bin Mohd Idris**

(appointed as Shariah Committee Member on 1 April 2020)

**Professor Dr. Muhamad Rahimi bin Osman**

(appointed as Shariah Committee Member on 1 April 2020)

**Dr. Tuan Badrul Hisyam bin Tuan Soh**

(appointed as Shariah Committee Member on 1 April 2020)

**Tuan Haji Md Ali bin Md Sarif**

(retired as Shariah Committee Member on 31 March 2020)

**Ustaz Zaharudin bin Muhammad**

(retired as Shariah Committee Member on 31 March 2020)

**Dr. Azrul Azlan bin Iskandar Mirza**

(retired as Shariah Committee Member on 31 March 2020)

## COMPOSITION AND TERMS OF REFERENCE

The Board of Alliance Islamic Bank Berhad (AIS) has established a Shariah Committee which comprises five (5) members who have the necessary qualifications, knowledge, expertise and experience in Islamic banking industry. Four (4) of the Shariah Committee members have the necessary qualification in Shariah law whilst one (1) member has the qualification in Business Administration and experience as a central banker.

The primary roles and responsibilities of the Shariah Committee are as follows:

- Advising the Board and Management on Shariah related matters;
- Reviewing and endorsing Shariah related policies and guidelines;
- Endorsing new products and services including contract, agreement or other legal documentation used for Islamic banking transactions;
- Endorsing and validating product guidelines, marketing advertisements, sales illustrations and brochures related to AIS products, services and activities;
- Reviewing the work carried out by Shariah Review and Shariah Audit as the AIS second line and third line of defense providing assurance on the state of the Bank's Shariah governance;
- Endorsing AIS zakat computation and distribution;
- Assisting and advising related parties such as AIS legal counsel, auditor or consultant on Shariah matters upon request;
- Advising AIS in consultation with the Shariah Advisory Council of BNM ("SAC") on any Shariah matters which have not been resolved or endorsed by the SAC;
- Monitoring AIS compliance with all SAC's decisions; and
- Reviewing the potential Shariah non-compliance events determined by the Qualified Shariah Officer whether or not they are actual Shariah related events.

During the FY2020, 14 meetings were held. The attendance of members of the Shariah Committee is as follows:

Shariah Committee Members	Attendance	Percentage
Associate Professor Dr. Badruddin bin Hj Ibrahim (Chairman)	13/14	93%
Tuan Haji Md Ali bin Md Sarif	14/14	100%
Ustaz Zaharudin bin Muhammad	14/14	100%
Dr. Azrul Azlan bin Iskandar Mirza	13/14	93%
Ustaz Ahmad Fauwaz bin Ali @ Fadzil	14/14	100%

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Shariah Committee

#### **ASSOCIATE PROFESSOR DR. BADRUDDIN BIN HJ IBRAHIM** **Chairman of Shariah Committee**

Associate Professor Dr. Badruddin bin Hj Ibrahim was appointed as a Shariah Committee member since 15 June 2009 and subsequently appointed as Chairman on 1 April 2015. He currently serves as a lecturer at Ahmad Ibrahim Kulliyah of Law, International Islamic University of Malaysia ("IIUM"). While he specialises in the Islamic Law of Trust, and Islamic Law of Property, he is also experienced in Islamic Jurisprudence, Islamic legal Maxim, Maqasid al-Shariah, Islamic Law of Transaction and Islamic Family Law, having taught such subjects in IIUM for over a decade.

As an academic in Shariah law, his main interest is in the area of Islamic wealth where he has embarked on many research activities under IIUM, his most recent research project being "Transaction Involving Unlawful Wealth Under Islamic Law". Much of his work has been presented publicly in academic institutions and conferences in Malaysia, the United Kingdom, Indonesia and Russia. In recent years, he has channelled his expertise and passion into organising a myriad of Islamic Law-related conferences, conventions, and seminars.

He possesses a PhD in Islamic Law of Trust, Islamic Law of Property from IIUM, Malaysia. He obtained his Masters and Degree in Shariah and Law from the International Islamic University of Islamabad, Pakistan.

#### **USTAZ AHMAD FAUWAZ BIN ALI @ FADZIL** **Member of Shariah Committee**

Ustaz Ahmad Fauwaz bin Ali @ Fadzil was appointed as a Shariah Committee member on 1 April 2018. He is currently a Shariah Consultant of Telaga Biru Sdn Bhd.

He holds a Bachelor of Shariah from Al-Azhar University, Egypt and Master of Shariah from University of Malaya. He also trained in fatwa methodology from Dar al-Ifta al-Misriyyah, Egypt.

He was attached to Telaga Biru Sdn Bhd as a Chief Editor of a religious magazine and author of contemporary fiqh books. One of his books entitled Fiqh Wanita (Islamic Jurisprudence for ladies) won the award for the best fiqh book by Yayasan Pembangunan Buku Negara. Given his forte in fatwa methodology, he has been giving training to Shariah officers at Islamic financial institutions as well as state religious authorities. He also gives talks in local radio and television stations.

Ustaz Fauwaz was attached with Kolej University Insaniah, Kedah prior to his involvement in publication.

He is a member of Jawatankuasa Teknikal Undang-undang Syarak dan Sivil, a committee established by Jabatan Kemajuan Islam Malaysia ("JAKIM") with a mandate to look at harmonizing civil and Shariah laws in Malaysia.

#### **TUAN HAJI RUSTAM BIN MOHD IDRIS** **Member of Shariah Committee**

Tuan Haji Rustam bin Mohd Idris was appointed as a Shariah Committee member on 1 April 2020 and he is also a Board member of AIS. He holds a Bachelor of Business Administration from University Kebangsaan Malaysia and a Certificate in Islamic Law from the International Islamic University Malaysia.

Tuan Haji Rustam was the former Deputy Director of the Islamic Banking and Takaful Department, Bank Negara Malaysia ("BNM"). He joined BNM in 1986 after graduating from Universiti Kebangsaan Malaysia. Tuan Haji Rustam was part of the team responsible in the development of Islamic banking policies in BNM since the early 1990s until his retirement from the central bank in 2018.

#### **PROFESSOR DR. MUHAMAD RAHIMI BIN OSMAN** **Member of Shariah Committee**

Professor Dr. Muhamad Rahimi bin Osman was appointed as a Shariah Committee member on 1 April 2020.

He holds a PhD (Law) from International Islamic University Malaysia ("IIUM"), Master of Arts (M.A. in Islamic Economics), University of Yarmouk, Jordan and a Bachelor of Arts (B.A. in Shariah) University of Malaya. As a senior member of academic staff in Universiti Teknologi MARA he held various leadership positions namely Dean of Academy of Contemporary Islamic Studies ("ACIS"), Director of the Centre for Islamic Thought and Understanding ("CITU"), Director of the Zakat Research Institute of Malaysia ("IKaZ"). His passion for knowledge led to him rendering his services as lecturer/professor at the same faculty after his retirement in late 2019.

Backed with his vast knowledge in Shariah he ventured into a Shariah advisory role for Islamic Finance Institutions where he renders his expertise to various institutions. He is currently the Chairman of the Shariah Advisory Body, Syarikat Takaful Malaysia Keluarga Berhad, Chairman, Shariah Advisory Body, Syarikat Takaful Malaysia Am Berhad, and Chairman, Shariah Committee, Co-opbank Pertama ("CBP"). Previously, he was a Shariah Committee member for Hong Leong Islamic Bank and Hong Leong Tokyo Marine Takaful. In Capital Market he is a registered Shariah Advisor, and is currently an advisor to a state fund management firm, Amanah Saham Darul Iman ("ASDI").

#### **DR. TUAN BADRUL HISYAM BIN TUAN SOH** **Member of Shariah Committee**

Dr. Tuan Badrul Hisyam bin Tuan Soh was appointed as a Shariah Committee member on 1 April 2020.

He holds a PhD (Law) from Newcastle University, the United Kingdom, and a Master of Laws (LL.M) majoring in Law of Islamic Banking & Finance from IIUM. He obtained his Bachelor of Arts (B.A.) in Shariah and Law from Umm Al-Qura University, Mecca. His interest in Islamic Finance led him to enrol for professional qualification where he obtained certification of Shariah Advisor And Auditor ("CSAA") AAOIFI Bahrain. His past experience as Shariah Officer at the Securities Commission, CIMB and Al-Rajhi acquainted him with the nuts and bolts of Islamic Finance which in turn would give him an advantage in effectively performing his role as Shariah Committee. His leadership in Shariah advisory goes beyond Islamic Finance where he is Shariah Advisor to MyEG Services Berhad a leading online platform connecting the general public to a wide range of government services.

Dr. Tuan Badrul is currently Shariah Consultant at ISRA Consulting, a leading Shariah consultancy and advisory firm under the auspices of BNM. He is also a Shariah legal counsel for Wilayah-wilayah Persekutuan.

## Relations with Shareholders

### INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

On-going engagement and communication with stakeholders builds trust and understanding between the Bank and our stakeholders. The Bank endeavours to maintain constant and effective communication with stakeholders through timely and comprehensive announcements.

The Board regards the Annual General Meeting (AGM) as an opportunity to communicate directly with shareholders and encourages attendance and participation. The notice of AGM is despatched to shareholders, together with explanatory notes on items of special business (if any), at least 28 clear days prior to the meeting date. At the forthcoming 38th AGM to be held on 19 August 2020, no substantive resolutions or resolutions on related party transactions will be put forth for shareholders' approval.

The Investor Relations team engages the financial community, stakeholders and other key constituencies of the Bank to provide consistent, accurate, transparent and timely information. Briefings for analysts are conducted every quarter in conjunction with the release of the quarterly financial results to facilitate consistent dialogue between the Bank's key Senior Management and the investment community. The Bank also participates in one-on-one and group meetings, conferences and roadshows to share the latest updates and pertinent information on the Bank's progress with the investment community.

These platforms enable the investment community to express their views on the Bank's performance and in turn, the Bank had the opportunity to manage investors' expectations and strengthen their understanding of the Bank.

Shareholders, potential investors and members of the public can access the Bank's corporate website at [www.alliancebank.com.my](http://www.alliancebank.com.my) for information on the Bank. There is a dedicated section for corporate governance on the Bank's corporate website where information such as the Board Charter, Code of Conduct, Annual Reports, Minutes of General Meetings, Constitution and Terms of Reference of the Board Committees are made available to the public. A corporate calendar on material events such as entitlement dates, ex-dividend dates and payment dates for dividend payment; all announcements made by the Bank to Bursa Securities including quarterly results and dividend information; and presentation slides for analyst briefings are also available on the Bank's corporate website under the Investor Relations section for the benefit of the investing public.

The investing public can contact the Head, Investor Relations, Mr Tan Hong Ian at 03-2604 3370 or [investor\\_relations@alliancefg.com](mailto:investor_relations@alliancefg.com), for any investor relations matters. Shareholders may also convey their concerns and enquiries to the Senior Independent Non-Executive Director, Mr Lee Boon Huat as an alternative to the formal channel of communication. All correspondence to the Senior

Independent Non-Executive Director can be sent via email to [sid@alliancefg.com](mailto:sid@alliancefg.com) or by mail to the registered office of the Bank at 3rd Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.

### Corporate Disclosure

The Board has established Corporate Disclosure Policies and Procedures ("CDPP") to ensure timely, consistent and fair disclosure of corporate information is provided to facilitate informed decision making by investors.

The objectives of the CDPP are:

- Raising awareness of Directors, Management and employees on disclosure requirements and practices;
- Providing guidance in disseminating corporate information to, and in dealing with investors, analysts, media representatives and the public; and
- Ensuring compliance with the disclosure obligations under the Bursa Securities MMLR and other applicable laws.

The Group Company Secretary being the Corporate Disclosure Manager, serves as the primary contact person for all material corporate-related matters referenced in the CDPP. He oversees and co-ordinates the disclosure of material information to Bursa Securities.

The Chairman of the Bank and the Group CEO are the primary authorised spokespersons responsible for communicating Group information to the investing public. These primary authorised spokespersons may, from time to time, designate other officers (designated officers) of the Bank to speak on behalf of the Group or to respond to specific inquiries, where doing so facilitate effective communication with the investing public.

The authorised spokespersons and designated officers are regularly reminded of their responsibility to exercise due diligence in making sure that the information to be disseminated to the investing public is accurate, clear, timely and complete, and that due care is observed when responding to analysts, the media and the investing public.

### KEY FOCUS AREAS AND FUTURE PRIORITIES

The Board will continue its efforts in raising the bar on the Bank's corporate governance standards and instil a culture that promotes ethical conduct, transparency and sustainable value creation with the ultimate objective of realising long term shareholder value while taking into account the interest of other stakeholders.

This Corporate Governance Overview Statement was approved by the Board of Directors on 25 June 2020.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## RESPONSIBILITY

The Board acknowledges its overall responsibility for the Group's system of risk management and internal controls, and for reviewing its adequacy and integrity. The system is designed to manage the Group's risks within an acceptable risk profile, rather than to totally avoid or eliminate the risks that are inherent to the Group's activities. It can therefore only provide a reasonable but not absolute assurance of effectiveness against material misstatement of financial/management information; or against financial losses and fraud. The preparation of this statement has been guided by the "Statement on Risk Management and Internal Controls: Guidelines for Directors of Listed Issuers" issued by Industry led Task Force.

The Board regularly receives and reviews reports on internal control; and is of the view that the system of internal controls that has been instituted throughout the Group is sound and adequate to safeguard the shareholders' investments and the Group's assets.

The Group has instituted an on-going process for identifying, evaluating and managing the significant risks faced by the Group. This process includes updating the system when there are changes to the business environment or regulatory guidelines. The process has been in place during the year under review and up to the date of approval of this statement; and is regularly reviewed by the Board. The role of Management is to implement the Board's policies, procedures and guidelines on risks and controls, to identify and evaluate the risks faced, and to design, operate and monitor a suitable system of internal controls to manage these risks.

The Board has extended the responsibilities of the Group Audit Committee ("GAC") to include the role of oversight on internal controls on behalf of the Board, including identifying risk areas and communicating critical risk issues to the Board. The GAC is supported by an independent Group Internal Audit function which reports directly to it. The internal auditors have performed their duties with impartiality, competency and due professional care.

## RISK MANAGEMENT FRAMEWORK

The Board, through its Group Risk Management Committee ("GRMC") provides oversight on risk management strategies, methodologies, policies and guidelines, risk tolerance and other risk related matters of the Group. Approval of risk policies by the Board is obtained where necessitated by regulatory requirements. In addition, the GRMC also oversees the functions of management committees such as the Executive Risk Management Committee, Group Assets and Liabilities Management Committee and Group Operational and Technology Risk Management Committee, which assume the responsibility of monitoring specific areas of risks pertaining to the Group's business activities and implement various risk management policies and procedures. For further information on the Group's risk management framework, please refer to the Risk Management report on pages 84 to 91 of this Annual Report.

Major risks arising from the Group's day-to-day activities in the financial services industry comprise credit risk, liquidity risk, market risk and operational risk (including technology risk). For more information on the risks and relevant guidelines and policies, please refer to Note 44 under the Financial Statement.

## SYSTEM OF INTERNAL CONTROLS

To ensure that a sound system of controls is in place, the Board has established primary processes in reviewing the adequacy and integrity of the system of internal controls. The primary processes include:

- Regular and comprehensive management reports are made available to the Board on a monthly basis, covering financial performance and key business indicators, which allow for effective monitoring of significant variances between actual performance against budgets and plans;
- Clearly defined delegation of responsibilities to committees of the Board and to Management including organisation structures and appropriate authority levels;
- An operational risk management framework, code of conduct, human resource policies and performance reward system to support business objectives, risk management and the system of internal control;
- An Information Technology Risk Management Framework and Data Management Policies and controls to manage information and cyber risks; supported by a Business Continuity Management Framework for contingencies;



## SYSTEM OF INTERNAL CONTROLS (CONT'D)

- Regular updates of internal policies and procedures, to adapt to changing risk profiles and address operational concerns;
- Regular reviews of the Group's activities to assess the adequacy and effectiveness of the risk management and internal control system;
- Documentation and periodic assessment of controls and processes by all business and support units for managing key risks; and
- Regular senior management meetings to review, identify, discuss and resolve strategic, operational, financial and key management issues.

## ASSESSMENT OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board, through the GRMC and GAC has assessed the adequacy and effectiveness of the risk management and internal control system. Based on the results of these reviews as well as the assurance it has received from the Group Chief Executive Officer and Group Chief Financial Officer, the Board is of the view that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

## RISK MANAGEMENT

The Board and Management of Alliance Bank are committed towards ensuring that the Bank's corporate objectives are supported by a sound risk strategy with an effective risk management framework that is appropriate to the nature, scale and complexity of the Bank's activities.

### BOARD RESPONSIBILITY

The Board is responsible for:

- a. Reviewing and approving the Bank's overall risk strategy, including the risk appetite and overseeing its implementation to support the sustainability of the Bank.
- b. Ensuring that the Bank establishes comprehensive risk management frameworks, policies, processes and infrastructure to manage risks arising from the Bank's business activities.

With these objectives, the Board has established specialized Committees to oversee and review major functional areas and ensure critical issues and relevant matters are appropriately addressed in a timely and strategic manner. While the Board has assigned these duties to these specialized Committees, the Board in the overall remains responsible and accountable for the policies and decisions recommended and approved by the Committees.

### ROLES AND RESPONSIBILITIES OF THE GROUP RISK MANAGEMENT COMMITTEE (GRMC)

The scope of the GRMC focuses on risk-related and compliance-related frameworks, strategies, policies and methodologies. In line with the above scope, the GRMC is responsible for overseeing the risk management and compliance related subjects, as follows:

- a. Reviewing risk management strategies, policies and risk tolerance and ensure these are in alignment and compliance of regulations and requirements from Bank Negara Malaysia, and all other relevant authorities.
- b. Reviewing and assessing the adequacy of risk management framework, policies and controls, including Information Technology (IT) risk management matters, with regard to identifying, measuring, evaluating, monitoring, controlling and reporting on the extent to which these are operating effectively, prudently and in compliance with regulatory guidelines.
- c. Ensuring that appropriate infrastructure, resources and systems are in place for risk management and compliance functions; and ensuring that the staff responsible for implementing risk management

and compliance systems perform those duties independently of the Bank's risk-taking activities.

- d. Reviewing periodic reports on risk exposures, risk portfolio composition and risk management activities to ensure that these risk reports facilitate understanding; and determination of appropriate risk responses.
- e. Ensuring that the effectiveness of the Bank's overall management of compliance risk is evaluated at least annually, and that adequate time and priority is provided in the agenda to deliberate compliance issues, to ensure that such issues are resolved effectively and expeditiously.
- f. Supporting the Board in meeting regulatory expectations on risk management, as set out under BNM's policy documents on Risk Governance, Compliance and Technology Risk.
- g. Assisting in the implementation of a sound remuneration framework that promotes a culture of prudent risk-taking, without prejudice to the tasks of the board remuneration committee.

To oversee the technology-related matters, which among other things include the following:

- a. Formulate long term strategic IT plans and ensure they support the Group's strategic business plans.
- b. Approve and monitor the performance of major IT initiatives and plans.
- c. Ensure the establishment of key performance indicators and service level agreements in measuring the performance of IT services delivered or received by the Group.

### MANAGEMENT RESPONSIBILITY

Key responsibilities of the management are as follows:

- a. Formulating and implementing risk framework, risk strategy, risk appetite and risk management policies.
- b. Ensuring that business operations are aligned with the Bank's strategies and risk strategy.
- c. Ensuring that all relevant material risks and emerging risks are adequately identified, assessed and subsequently reported to the Board.
- d. Ensuring that the Executive Risk Management Committee (ERMC) oversees and advises the Management on the risk-related matters including risk policies, to support the sustainability of the Bank.

## RISK MANAGEMENT FRAMEWORK

An efficient risk management framework is a prerequisite to establishing stakeholders' confidence in the Bank. The Bank's risk management framework recognises the diversity of the organisation's activities by balancing the Board's strong supervision with well-defined independent risk management functions within each business area. The Bank's Risk Management Framework is embedded in our respective business activities in order to integrate risk-taking and decision-making with prudent risk management principles. It provides a structured approach for the Bank to form a consolidated and aggregated view of all risks identified at entity, business segment and product levels; and to manage these risks in a holistic manner alongside business objectives and compliance requirements.

The Bank's Risk Management Framework is comprised of the following elements:



### Risk Governance and Organisation

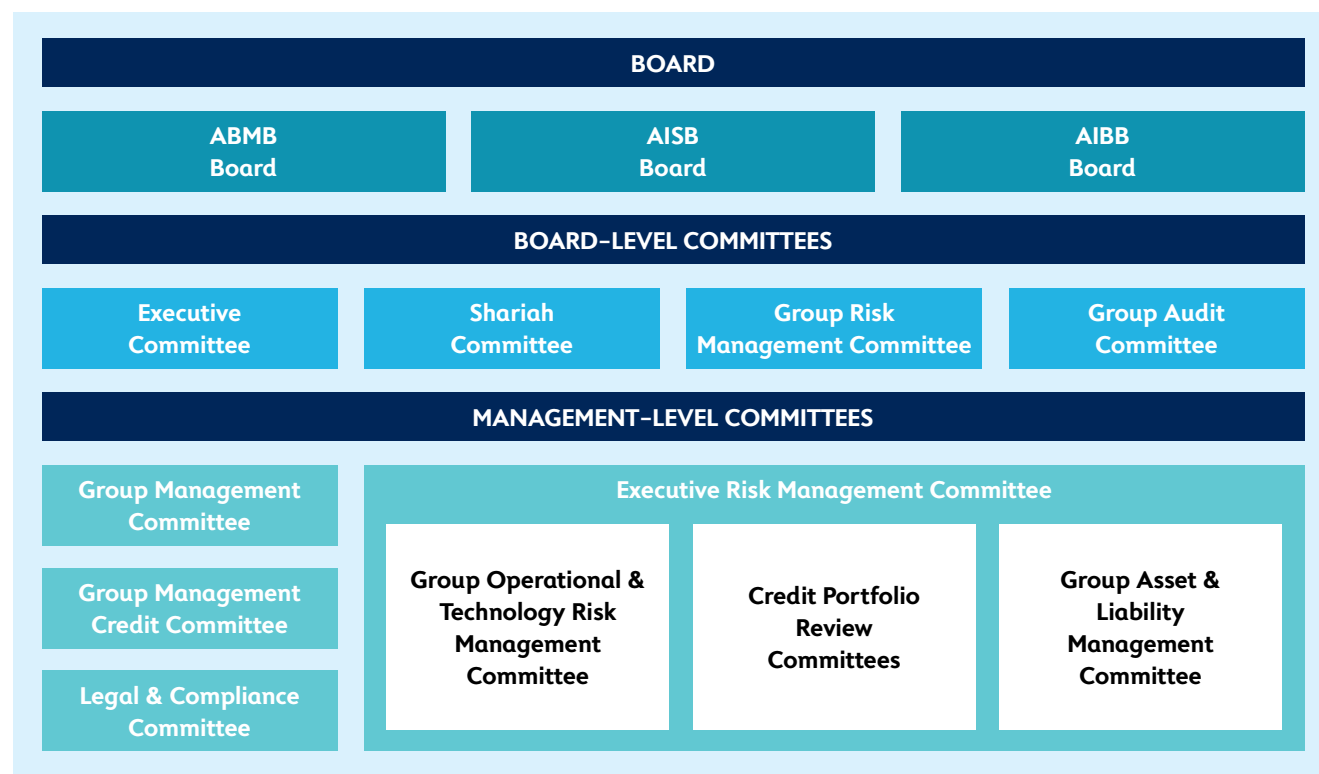
The Bank adopts the model of Three Lines of Defense in managing risks collectively based on their respective roles as reflected below:

Concept	Role	Functions
1 <sup>st</sup> Line of Defence	Risk-Taking	Business units are the primary owners of the risk, responsible for managing risks within the Bank's business activities, aided by Business Support functions.
2 <sup>nd</sup> Line of Defence	Risk Control	<p>The risk control functions are represented by independent Risk Control Units, i.e. Group Risk Management, Group Compliance (inclusive of the Shariah Review Team).</p> <p>Group Risk Management is responsible for formulating, implementing and reviewing Risk Management frameworks, as well as recommending risk policies, risk appetite parameters, risk methodologies and risk control measures.</p> <p>Group Compliance is responsible for developing and maintaining the Group Compliance Framework, compliance policies and procedures as well as reviewing the adequacy of the Bank's internal controls and mitigation to manage compliance risk.</p> <p>Shariah Review Team under Group Compliance conducts review on the operations of Alliance Islamic Bank Berhad to ensure the products offered are in compliance with Shariah principles. Review results and non-compliances, if any, are reported to Alliance Islamic Bank Berhad's Shariah Committee.</p>
3 <sup>rd</sup> Line of Defence	Risk Assurance	Group Internal Audit is responsible for conducting independent assessment and providing assurance on the adequacy and effectiveness of the Bank's internal controls related to processes, risks and governance functions.

## RISK MANAGEMENT (CONT'D)

### Governance Structure

The governance structure adopted within the Group provides a transparent and effective system that promotes active involvement from the Board and senior management in the risk management process to ensure a uniform view of risk across the Group. The chart below illustrates the governance structure and committees responsible for effective governance and supervision over risk-related functions:



The Bank places high priority on the risk management across our three banking entities. The Board is assisted by the Group Risk Management Committee (GRMC), to provide oversight on compliance and risk management policies, limits and parameters; as well as to ensure adequate infrastructure are in place for effective compliance and risk management practices.

The Board-level GRMC is assisted by the Management-level Executive Risk Management Committee (ERMC). The ERMC represents the central conduit for several other Management-level risk committees, as depicted above.

### Risk Strategy

The Bank establishes appropriate risk governance, processes and controls in order to pursue its strategic business objectives with confidence, to protect its Balance Sheet and stakeholders' interest; and to deliver sustainable profitability. While it may not be possible or feasible to eliminate all inherent risks within the Bank, a set of risk mitigation techniques have been established to reduce the impact of these risks.

The Bank seeks to accomplish its risk strategy by:

- ensuring that all identified material risks are adequately managed;
- establishing risk appetite parameters to manage Bank's risk-taking activities;
- identifying and allocating clear roles and responsibilities for the control of risks within the Bank;
- avoiding undesired risk concentrations;
- inculcating a prudent risk and compliance culture; and
- ensuring risk-based remuneration is applied to material risk-takers.

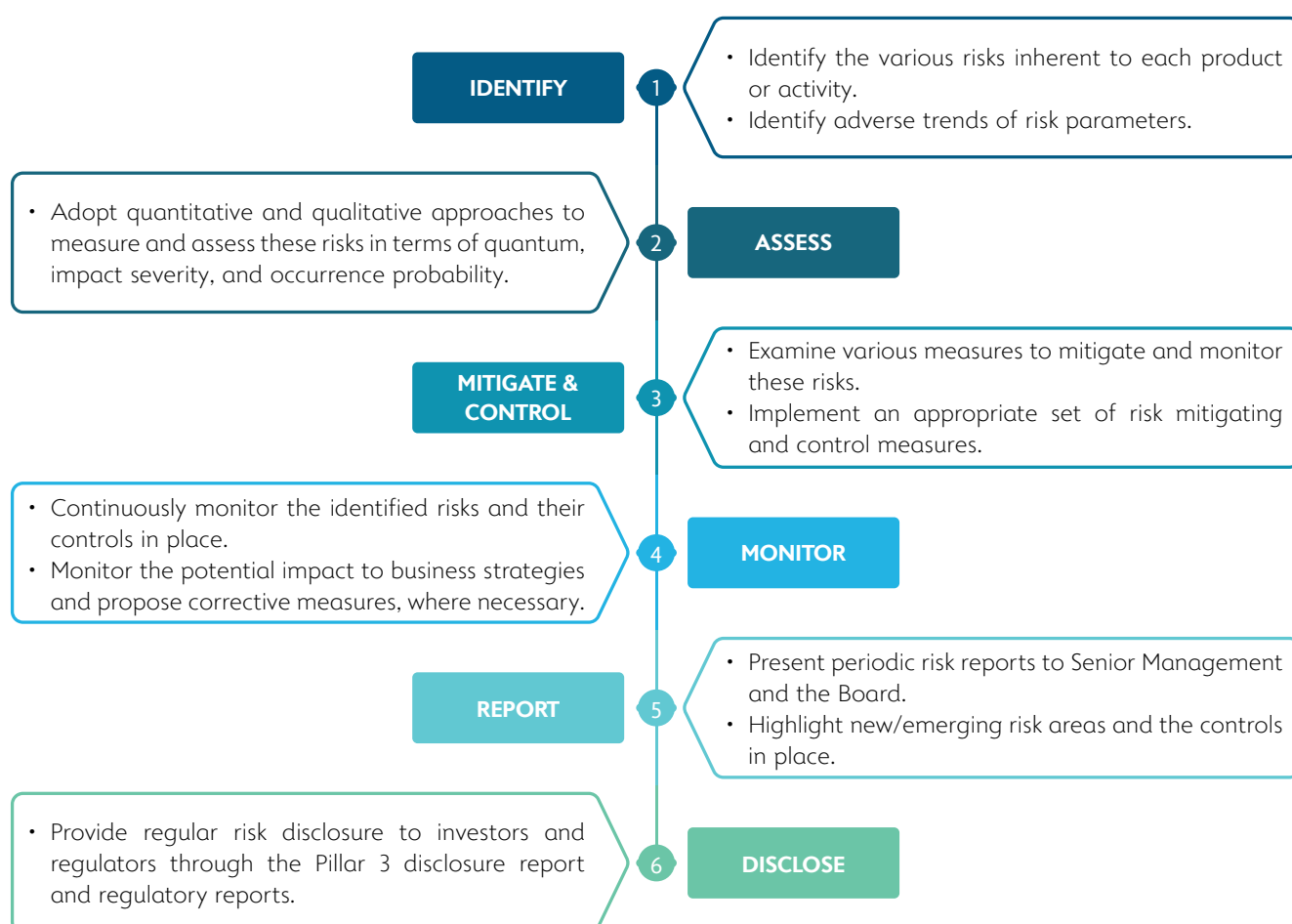
## Risk Appetite

Risk Appetite describes the high-level risk parameters and thresholds the Bank is willing to assume in pursuit of its strategic business objectives. These high level thresholds are then cascaded, where appropriate, into more granular limits and targets across the various portfolios and business units.

The Bank strives for a balanced, sustainable growth by performing business activities in accordance with approved strategic plans, policies and limits; balancing between risks and rewards; and protecting the interest of our various stakeholders. These are supported by ensuring strong risk management practices, active liquidity management and a healthy capital position.

## Risk Management Process

The Bank's risk management process embeds the Bank's culture and practices. It starts with risk identification, followed by risk assessment, risk mitigation and control, risk monitoring, risk reporting, escalation and disclosure, as illustrated below:



## Risk Culture & Staff Development

Risk management is not merely confined to inanimate policies, procedures, limits and risk models. Effective risk management also requires a strong risk culture. Risk culture comprises a set of values and behaviours within the Bank that shapes our day-to-day activities and interactions.

Our Board members, senior management and staff are all ambassadors of the Bank's risk culture. Hence, leadership, supervision, guidance, counselling and communication, represent key elements in shaping and cultivating a desirable risk culture. For example, the Bank convenes regular staff huddles, which serve as a reminder on the Bank's vision, strategy, key behaviours and brand attributes. For added training effect, both good and bad examples are highlighted in our case studies.

## RISK MANAGEMENT (CONT'D)

Adding to this, the Bank applies a variety of approaches, ranging from classroom sessions, external courses, on-the-job training and ad-hoc project-based assignments; to equip our staff with the right knowledge and skills to carry out their duties competently and professionally. Staff development is not merely confined to technical skills training; the Bank devotes much effort towards embedding risk culture and instilling our set of values in our employees, with emphasis on leadership, conduct/ethics and stakeholder-centricity.

Talent management and succession planning are also integral toward identifying and developing our next generation of supervisors and leaders. Additional leadership and skills competency training and development programmes have been designed; and applied to staff with potential.

The Bank employs a carrot-and-stick approach with regard to good vs. bad behaviour. For the former, we provide various benefits, rewards and incentives, whereas the latter is subject to the Bank's disciplinary and consequence management process.

### Compliance Culture

The compliance culture of the Bank is driven with a strong tone from the top to ingrain the expected values and principles of conduct that shape the behaviour and attitude of employees at all levels of businesses and activities across the Bank. Compliance culture goes beyond complying with laws; we expect all staff to conduct their commitments with integrity and business ethics.

The Bank has instilled a compliance culture where the Board, Senior Management and every employee of the Bank is committed to adhering to relevant regulatory standards. This commitment is clearly demonstrated through establishing strong compliance policies and guidelines to ensure that compliance risks are effectively managed.

The Bank noted a satisfactory level of increase in compliance awareness amongst staff. Key initiatives that have been implemented to promote compliance awareness are:

- Encouraging staff to report any situation that exposes the Bank to compliance risk;
- Raising compliance awareness through compliance training and regulatory-related awareness talks and briefings and various compliance culture initiatives;
- Ensuring robust compliance monitoring;
- Introduction of self-raise concept on risk, control and compliance issues that are tracked at management committee;
- Enhancement of staff performance scorecard (i.e. KPI) with emphasis on governance and risk control; and
- Compliance-related e-learning modules such as AML/CFT and PDPA.

The Bank strives to ensure compliance to regulatory requirements and business ethics to maintain a high standard of professionalism in business conduct at all times.

### Group Compliance Framework

The Framework is to ensure effective management of compliance risks in a structured manner with the aim of inculcating a stronger compliance culture and ensuring consistency in management of compliance risks across the Group.

The key principles outlined in the Framework are as follows:

- a. The Board and Senior Management are responsible to oversee and ensure the effective management of the Group's compliance risks;
- b. Compliance is the responsibility of all employees within the Group;
- c. The Group should hold itself to high standards in carrying on business, and at all times, observe both the spirit and the letter of the laws and regulations.



## Risk Management Techniques

The Risk Management Framework defines the Bank's key risk activities according to risk categories. To manage identified risks, Framework and Policies are put in place and various risk management techniques and tools are used. The table below provides examples of some of these techniques/tools:

Risk Category	Risk Definition	Risk Management Techniques/Tools
<b>Credit Risk</b>	The risk of loss due to failure by customers/counterparties to fulfil their financial or contractual obligations, when due.	<ul style="list-style-type: none"> <li>• Credit risk management framework, strategy, policies &amp; procedures</li> <li>• Risk Acceptance Criteria</li> <li>• Financing/product programs</li> <li>• Product/portfolio risk limits, triggers and parameters</li> <li>• Credit concentration limits</li> <li>• Credit ratings/scorecards</li> <li>• Credit authorization</li> <li>• Risk dashboards</li> <li>• Early Warning triggers and Watch Lists</li> <li>• Risk-based pricing</li> <li>• Stress tests</li> <li>• Thematic/portfolio reviews</li> <li>• Independent credit reviews</li> </ul>
<b>Market Risk</b>	The risk of loss arising from volatile changes in market variables such as interest rates, profit rates, foreign exchange rates, equity prices and commodity prices.	<ul style="list-style-type: none"> <li>• Market risk management framework and policies</li> <li>• Risk measurement/valuation tools</li> <li>• Product/portfolio risk limits</li> <li>• Risk Sensitivity limits and Value-at-Risk limits</li> <li>• Stress testing &amp; simulations</li> <li>• Risk dashboards</li> </ul>
<b>Liquidity Risk</b>	<ul style="list-style-type: none"> <li>• The risk of loss resulting from the Bank's inability to meet its financial obligations, when due.</li> <li>• Risk of incurring losses when attempting to liquidate assets, due to market disruptions and/or illiquid market situations.</li> </ul>	<ul style="list-style-type: none"> <li>• Liquidity risk management framework and policies</li> <li>• Liquidity risk limits and triggers</li> <li>• Liquidity stress testing &amp; simulations</li> <li>• Contingency funding plan</li> <li>• Deposit concentration monitoring &amp; reporting</li> </ul>
<b>Operational Risk</b>	The risk of loss resulting from failures of processes, people and systems; or from external events.	<ul style="list-style-type: none"> <li>• Operational risk management framework and policies</li> <li>• IT risk management framework and policies</li> <li>• Risk and Control Self-Assessment</li> <li>• Control Self-Assessment</li> <li>• Key Risk Indicators</li> <li>• Loss Event Data collection</li> <li>• Scenario Analysis</li> <li>• Business Continuity Plan/Drills</li> <li>• Risk dashboards</li> </ul>
<b>Regulatory Non-Compliance Risk</b>	The risk of loss or imposition of penalties, fines, or other liabilities arising from breaches of applicable laws, regulations, or contractual obligations.	<ul style="list-style-type: none"> <li>• Compliance framework, Legal manual and AML/CFT policy</li> <li>• Group-wide education and programme on compliance and risk awareness</li> </ul>
<b>Shariah Non-Compliance Risk</b>	The risk of loss arising from failure to comply with Shariah rules and principles.	<ul style="list-style-type: none"> <li>• Shariah governance framework</li> <li>• Shariah non-compliance monitoring and reporting</li> <li>• Independent Shariah compliance reviews</li> </ul>
<b>Strategic Risk</b>	The risk of loss arising from adopting the wrong business strategy, failure to properly execute business strategies, or failure to effectively respond to changes in the industry/economy.	<ul style="list-style-type: none"> <li>• Strategic risk management framework</li> <li>• Annual strategy and budget setting exercise</li> <li>• Capital management framework and initiatives</li> <li>• Stress tests/Reverse stress tests</li> <li>• Strategic project initiatives</li> <li>• Business reviews and production meetings</li> </ul>

## RISK MANAGEMENT (CONT'D)

Risk Category	Risk Definition	Risk Management Techniques/Tools
<b>Reputational Risk</b>	The risk of loss arising from negative perception by customers, counterparties, shareholders and other relevant key stakeholders.	<ul style="list-style-type: none"> <li>• Reputational Risk Management Framework</li> <li>• Code of Conduct guidelines</li> <li>• Corporate risk rating exercise</li> <li>• Managing investor relations</li> <li>• Corporate Social Responsibility programmes</li> </ul>
<b>Model Risk</b>	The risk of loss arising from inappropriate reliance on risk models.	<ul style="list-style-type: none"> <li>• Independent Model Validation Framework</li> <li>• Back-testing and independent model validation exercises</li> </ul>

## EMERGING RISK

The Bank identifies the emerging risks in order to assess risk trends that may have significant impact on the Bank's business strategies and earnings.

### Pandemic Risk

Economic headwinds largely attributable to geopolitical and economic developments, may negatively impact the Bank's earnings. The prevailing pandemic, COVID-19 has largely affected many countries including Malaysia, both economically and poses a threat to lives and livelihood. Climate change, lack of clean air, water and sanitation, urbanization, connectedness of people from different countries doing business with each other are all factors that contribute to fast spreading, catastrophic outbreaks.

Economically, the COVID-19 pandemic could lead to a severe global economic downturn as a result of lower real GDP growth, increasing significant business loans across multi sectors and potential bond defaults. Hence, the GDP growth for 2020 is expected to contract. On 3 April 2020, BNM projected Malaysia's 2020 GDP growth to be between -2.0% and +0.5%. Sectors which have been impacted are tourism, foreign direct investment (FDI), supply chain and commodities including palm oil and the oil and gas industry. At a macro level, the closure of businesses and services along with the travel and movement controls has significant negative impact on private consumption and business investments.

In Financial markets, bond yields and currencies against USD exhibited significant volatility. However, the impact to the Bank is minimal as our trading exposures are small. As of end March 2020, 77% of bonds held in our investment portfolio comprised of government, government guaranteed and Cagamas fixed income securities.

The Bank identifies sectors and customers who may be vulnerable to the economic impact brought about by the COVID-19 outbreak followed by the Movement Control Order. Customers who have been adversely impacted by the pandemic may seek recourse for relief in the form of deferment to loans repayment, restructuring, rescheduling, or a combination thereof. In line with the government's economic stimulus package, the Bank has put in place, timely relief programmes for SME's where necessary. The loans under the relief programme will be released in accordance with criteria set by BNM, to our customers whose businesses have been adversely affected by COVID-19. The Bank is committed to playing an effective role to help alleviate financial hard times faced by our customers where possible, during these crucial times.

Operationally, the Bank had implemented various safety and health measures such as work-from-home to reduce travelling and unwarranted contact in public places, distribution of face masks and sanitizers, travel advisory, staff communication on health awareness, temperature screening and regular sanitization of public areas. In respect of business continuity, the Bank had tested its business continuity plan and initiated split operations for essential/critical services in accordance to BNM's guidelines.

In our effort to safeguard our shareholders and depositors, the Bank continuously monitors the development of international and domestic economic conditions, reviews the health of our various financing portfolios in response to the economic developments both internationally and locally; and provides updates to Senior Management and the Board.

## Regulatory non-Compliance Risk

Banks operate under a highly regulated environment, with stringent regulatory and supervisory requirements, particularly in the areas of effective governance, risk management, liquidity management as well as technology risk. Failure to meet regulatory compliance would attract punitive action, including monetary fines. The Bank reviews policies, procedures and risk practices periodically to ensure effective compliance with the evolving regulatory landscape. Furthermore, the Bank monitors industry and regulatory developments in order to identify potential consequential impact to the Bank.

## Conduct Risk

In recent years, a greater emphasis has been placed on ensuring that customers are treated fairly. Banks are expected to embed a culture of customer-centricity; to reduce the risk of wrong-doing arising from conduct risk.

Examples of conduct risk, includes the following:

- Mis-selling unsuitable products to customers, potentially leading to bad customer experience.
- Pursuit of rapid growth/staff remuneration at the expense of customers' needs and fiduciary duties.
- Insider trading, information leakage and market abuse.

In our context, the Bank continues to emphasize on ethical business and compliance culture. We review our business conduct, activities and governing policies to ensure compliance with the "spirit of the law", beyond mere adherence to regulatory requirements.

## Technology Risk

Technology and Cybersecurity risk has come under increased scrutiny in the last few years and this has seen a rise in governance and oversight at the senior management and Board levels. There has also been greater cooperation within the banking community, particularly in combating cyber fraud. The introduction of the Risk Management in Technology (RMiT) policy document in 2019 by Bank Negara Malaysia further sets the tone and underscores the importance of managing Technology and Cybersecurity risk within the banking industry.

To this effect, Alliance Bank has put in place a formalized Technology Risk Management Framework that resonates with the RMiT. The framework drives our policies and procedures to ensure that risks arising from the use of technology are properly identified, assessed, managed and reported. Appropriate controls are put in place to ensure confidentiality, integrity and availability of information, which ultimately translates into a resilient and robust IT infrastructure to support business needs.

The Bank continuously performs risk assessments of its IT systems and infrastructure to assess the susceptibility to Cyber threats and attacks. These risk assessments include identifying potential issues arising from emerging risks relating to the threat of IT system failures that could disrupt the banking business operations, and to assess the resilience of the Bank's IT infrastructure.

Raising staff awareness on technology risk is carried out through our continuous education programmes, encompassing Information Risk and Cyber Security. The education programmes are conducted through classroom style trainings and via our e-Learning modules. The Bank has also conducted training and education on Cybersecurity for its Board members and senior management to facilitate awareness and ensure they are kept abreast of the latest techniques, threats, trends and case studies pertaining to technology risk. Additionally, reminders on Cyber threats and online banking safe practices are disseminated periodically to both customers and employees via various communication channels.

## Environmental and Social Risk

In pursuit of delivering business goals, banks are now put in the spotlight on the way businesses are run in tandem with the pursuit of financial goals, with greater attention focused on the impact to the environment and society at large. The underlying themes/principles shall focus on sustainable business practices, conservation of scarce resources and generating benefits to society and future generations.

The Bank is developing a robust framework to incorporate the principles of environmental and social responsibility plus good governance across our various activities.

## **ADDITIONAL COMPLIANCE INFORMATION**

### **POLICY AND PROCEDURES ON RELATED PARTY TRANSACTIONS AND RECURRENT RELATED PARTY TRANSACTIONS**

The Bank has established an internal policy and procedures on Related Party Transactions (RPTs) and Recurrent RPTs to ensure all RPTs and Recurrent RPTs are undertaken on an arm's length basis and on normal commercial terms not more favourable to the related parties than those generally available to the non-related parties.

Generally, a comparison of the terms offered by the related party with at least three non-related parties providing similar services/products will be made, taking into consideration stipulated criteria such as pricing/cost, quality of service/product, level of efficiency, etc. to establish whether the terms offered by the related party are fair and reasonable and in the commercial interests of the Bank and comparable with those offered by the non-related parties.

The Group Audit Committee assisted by Group Internal Audit reviews all RPTs and Recurrent RPTs where the amounts of consideration in aggregate for a 12-month period equal to or exceed the minimum threshold set by the Board before recommending to the Board for approval, if thought fit.

### **CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES POLICY**

Bank Negara Malaysia Guidelines on Credit Transactions and Exposures with Connected Parties (BNM Guidelines) outlines standards and guidelines for banking institutions to extend credit in the ordinary course of business to connected parties which are of good credit standing, while ensuring an appropriate level of prudence based on sound credit risk management practices.

The Bank has established an internal policy on credit transactions and exposures with connected parties to ensure the connected parties do not inappropriately benefit from such transactions to the detriment of the Bank, and in compliance with BNM Guidelines.

### **MATERIAL CONTRACTS INVOLVING DIRECTORS OR MAJOR SHAREHOLDERS**

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Bank and/or its subsidiaries involving the interests of the Directors, Group Chief Executive Officer and major shareholders, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.



# ALLIANCE BANK

**Alliance Bank Malaysia Berhad** 198201008390 (88103-W)

## FINANCIAL STATEMENTS

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More on this subject:

<https://www.alliancebank.com.my/annualreport2020>

## **STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES**

### **For preparation of the Annual Audited Financial Statements**

The Companies Act 2016 requires Directors to prepare financial statements for each financial year, which give a true and fair view of the financial position as at the end of the financial year and the financial performance for the financial year of the Group and the Bank.

In preparing the financial statements, the Directors are responsible for the adoption of suitable accounting policies that comply with the provisions of the Companies Act 2016, the Malaysian Financial Reporting Standards, and International Financial Reporting Standards. The Directors are also responsible to ensure their consistent use in the financial statements, supported where necessary by reasonable and prudent judgments.

The Directors hereby confirm that suitable accounting policies have been consistently applied in the preparation of the financial statements. The Directors also confirm that the Group and the Bank maintains adequate accounting records and an effective system of internal control to safeguard the assets of the Group and the Bank and prevent and detect fraud or any other irregularities.



# DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 March 2020.

## 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

	GROUP RM'000	BANK RM'000
Profit before taxation	567,854	504,609
Taxation	(143,591)	(115,471)
Net profit for the financial year	424,263	389,138

## 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 Group and the Bank since 31 March 2019 were as follows:

	RM'000
(i) A single tier second interim dividend of 8.2 sen per share, on 1,548,105,929 ordinary shares in respect of the financial year ended 31 March 2019, was paid on 27 June 2019.	126,945
(ii) A single tier first interim dividend of 6.0 sen per share, on 1,548,105,929 ordinary shares in respect of the financial year ending 31 March 2020, was paid on 30 December 2019.	92,886
	219,831

In light of the current COVID-19 pandemic, the full effects of which cannot be estimated reliably, the Directors do not recommend any further dividend for the financial year ended 31 March 2020.

## DIRECTORS' REPORT (CONT'D)

### BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2020

#### Profitability

The Group's net profit after taxation was recorded at RM424.3 million for the full year ending 31 March 2020. The decline of RM113.3 million or 21.1% year-on-year ("YOY") was due to credit losses stemming from the impairment of a few large accounts during 1QFY20 and increased credit costs from mortgage portfolio and the early effect of the COVID-19 pandemic.

Nevertheless, operating profit before allowance reported a growth of RM35.1 million, or 4.1% YOY. Net income rose by RM67.2 million or 4.1% to RM1.69 billion mainly contributed by an increase in other operating income. Net interest margin ("NIM") is recorded at 2.40%.

#### Steady Loans Growth

The Group continues to focus on loans from Small Medium Enterprise ("SME"), commercial and consumer unsecured lending, while undertaking a more prudent approach to the acquisition of Alliance ONE Account ("AOA") segments. Gross loans and advances grew by 2.2% YOY to RM43.7 billion. SME loans expanded by 7.8% YOY, while consumer unsecured loans grew by RM208 million or 10.6% YOY. AOA loan balances grew to RM5.0 billion from RM3.3 billion in the previous year.

#### Other Operating Income continues to improve

The Group recorded other operating income of RM330.6 million, up 24.8% YOY despite the challenging external environment, contributed by treasury and investment income, as well as customer based fee income growth due to the exclusive general insurance partnership with Zurich Insurance and the expansion of cross-selling efforts for our wealth management products.

#### Operating Expenses from Strategic Project Initiatives

Cost to income ratio ("CIR") was within expectations at 47.8%. The Group continues to invest in human capital and IT infrastructure to support the bank's initiatives and comply with regulatory requirements.

#### Asset Quality

The Group's net credit costs stood at 72.1 bps mainly due to provision for few large accounts and mortgage segments as well as weaker macroeconomic factors. The Group continues to intensify proactive credit management including refinement of credit policy, tightening of credit underwriting and increased collection efforts to control credit costs. Loan loss coverage (including Regulatory Reserve) was maintained at a stable ratio of 101.4%.

#### Healthy Funding and Liquidity Position

The Group's funding position remains healthy despite the intense market competition for deposits. Customer based funding rose by 6.5% YOY to 48.9 billion, mostly from consumer deposits. The Bank was able to maintain a high Current Account/Savings Account ("CASA") ratio of 37.4% due to pro-active efforts in Alliance SavePlus Account and Alliance@Work. Fixed deposits grew by RM1.2 billion or 4.6%.

The funding was used to grow our loans portfolios such as SME, AOA and personal financing. The Bank will continue to grow its CASA through Alliance SavePlus and Alliance@Work.

The Group's liquidity coverage and loans to funds ratios remain healthy at 156.7% and 83.6% respectively.

#### Proactive Capital Management

As part of our continuous proactive capital management to support future business expansion, we continue to maintain strong capital levels, with Common Equity Tier-I ("CET I") ratio at 13.8%, Tier-I Capital ratio at 14.6% and total capital ratio at 18.9%.

## BUSINESS REVIEW FOR FYE 31 MARCH 2020 (CONT'D)

### Performance by business segment

The Group's business segments comprise 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 segment's profit before tax stood at RM7.5 million. Net income increased by RM45.6 million or 8.1% YOY mainly due to higher net interest income contributed by loans growth, net income from Islamic Banking Business and wealth management. Operating expenses increased RM15.4 million or 4.2% YOY. Allowance for credit losses expanded by RM103.2 million. The segment's assets grew by RM2.0 billion or 8.9%.

The Business Banking segment, comprising corporate, commercial and SME banking, recorded a profit before tax of RM326.3 million, or 20.3% lower than the last corresponding period. Net income improved by RM13.4 million or 1.9% YOY stemming from higher net interest income as a result of loans growth especially in the SME and Commercial Banking segments. Operating expenses increased by RM19.5 million or 6.7% YOY. Allowance for credit losses expanded by RM77.3 million YOY, as a result of the impairment of a few business accounts. Segment assets registered a growth of RM5.1 billion or 24.8%.

Profit before tax in the Financial Markets segment increased by 5.7% or RM13.4 million YOY to RM246.1 million. Net income was higher by RM12.6 million or 4.4% YOY. Operating expenses decreased RM1.7 million or 3% YOY. Segment assets were recorded at RM12.2 billion.

The Investment Banking segment recorded a loss before tax of RM16.9 million YOY due to lower brokerage income and a goodwill impairment.

### ECONOMIC OUTLOOK AND PROSPECTS FOR FYE 31 MARCH 2021

For 2020, Bank Negara Malaysia (BNM) foresees Malaysia's gross domestic product (GDP) growth to be ranging between -2% and +0.5% year-on-year, compared to +4.3% in the preceding year. Signs of economic contractions are mainly attributed to the sharp decline in global economic and trade activities in the first quarter of 2020, as well as the unprecedented measures taken by various countries to combat the COVID-19 pandemic which have led to severe difficulties for businesses all over the world.

Malaysia's economy has also been affected by the Movement Control Order (MCO). According to an online survey done by the Department of Statistics (carried out from 23 to 31 March 2020), there are signs that the domestic private consumption (which makes up 59% of Malaysia's GDP) ahead will be weak as monthly household spending has fallen 55% from RM6,317 to RM2,813.

The survey also shows that apart from food staples, communications and education, all other consumption categories have recorded sharp decline due to travel restrictions and closures of non-essential businesses. Post MCO, the normalisation of consumer behaviour may be gradual as precautionary social distancing practices continue. As such, private consumption growth is expected to expand at a slower pace, while weaker global demand will continue to weigh on oil prices.

BNM is also expecting the COVID-19 pandemic to lower external demand drastically as global supply chains are disrupted due to prolonged factory closures in key industrial hubs worldwide. As a result, BNM is expecting Malaysia's exports and imports to fall 13.6% and 11.9% year-on-year respectively mainly due to a dampened domestic manufacturing sector.

## DIRECTORS' REPORT (CONT'D)

### BUSINESS OUTLOOK FOR NEXT FINANCIAL YEAR

Despite the uncertain outlook, we believe that banking will continue to play an important role in facilitating the recovery of businesses and serving the needs of customers.

Internally, we will be revamping the business model of our distribution to bring banking directly to our customers by going beyond the confines of a physical location. To do this, we will accelerate our development efforts of digital tools to enable banking to be done through mobile devices. Equipping our bankers with these tools and the requisite knowledge will thus enable the Group to quickly adapt to a post COVID-19 environment where customers are likely to shun gathering in enclosed places. Our eventual goal is to create universal bankers with sales and advisory skills to deliver consistent and excellent service to fulfil our customers' basic banking needs anytime and anywhere.

For SME banking, the Group will continue to expand our solutions-based approach through strategic ecosystem partnerships to address the customer journey. The Group's Halal-in-One programme, executed by Alliance Islamic Bank, is an example of this approach that aims to bridge the gaps for businesses that want to succeed in the halal market.

### Our Action Plan to address economic headwinds

As we move forward into 2020, effects of the COVID-19 pandemic, the collapse of oil price and weaker commodities price on the wider economy are likely to lead to slower overall loan growth and credit stress for the Bank. We have implemented new strategies to help mitigate the impact on the Bank and our stakeholders throughout this crisis.

- For our employees, we have activated operation in separate locations for critical departments and enforced work-from-home arrangements to ensure essential services continue with minimal interruption, while protecting everyone's health. In addition to this, we provided a one-off subsidy to lower income staff for incidental expenses.
- For our customers, we are committed to helping them manage the headwinds through the 6-month automatic loan moratorium announced by the Government. We have also designed restructuring and rescheduling options for all customers including but not limited to facilitating applications to the Special Relief Fund, Credit Guarantee Corporation and Danajamin.
- To support our communities, we contributed RM500,000 to MERCY Malaysia's COVID-19 Pandemic Fund. We have also launched the #SupportLokal initiative to help SMEs promote their products and services in our digital channels.

For the Group, we will be paying close attention to managing our credit and liquidity risks. We will also be working out the details of post-moratorium repayment arrangements with our customers. Addressing the needs of our customers at this juncture will help us strengthen our relationships for the long term success of both the Group and our clients. The Group continues to maintain ample liquidity coverage and loan to funds ratios for all entities under the Group, and we are ensuring cash levels at our branches and self-service terminals remain ample at all times.

We will also remain vigilant in managing our credit portfolios and conservative in our provisioning practices.

### RATING BY EXTERNAL RATING AGENCY

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

- P1 – Financial institutions in this category have superior capacities for timely payments of obligations.
- A1 – Financial institutions rated in this category are adjudged to offer adequate safety for timely payments of financial obligations. This level of rating indicates financial institutions with adequate credit profiles, but possess one or more problem areas, giving rise to the possibility of future riskiness. Financial institutions rated in this category have generally performed at industry average and are considered to be more vulnerable to changes in economic conditions than those rated in the higher categories.

## DIRECTORS

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

Tan Sri Dato' Ahmad Bin Mohd Don (Chairman)

Lee Ah Boon

Datuk Wan Azhar Bin Wan Ahmad

Lee Boon Huat

Ho Hon Cheong

Thayaparan S. Sangarapillai

Tan Chian Khong

Susan Yuen Su Min

Ou Shian Waei (retired with effect from 1 July 2019)

Kuah Hun Liang (retired with effect from 9 December 2019)

## DIRECTORS' REMUNERATION

Details of Directors' Remuneration are set out in Note 43 to the financial statements.

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements to which the Bank is a party, whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than benefits shown under Directors' Remuneration in Note 43 to the financial statements) by reason of a contract made by the Bank or its subsidiary with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

## DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors in office at the end of the financial year had any interest in shares of the Bank or its subsidiaries or its related corporations during the financial year, except as stated below:

	As at 1.4.2019	Number of Ordinary Shares		As at 31.3.2020
		Acquired	Sold	
Ho Hon Cheong	1,000*	–	–	1,000*

Note:

\* – Indirect interest in the Bank shares held by virtue of Section 59(11)(c) of the Companies Act 2016.

## ISSUE OF SHARES AND DEBENTURES

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

## DIRECTORS' REPORT (CONT'D)

### BAD AND DOUBTFUL DEBTS

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

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

### CURRENT ASSETS

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

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

### VALUATION METHOD

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

### CONTINGENT AND OTHER LIABILITIES

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

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

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

### CHANGE OF CIRCUMSTANCES

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

### ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

- (i) the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made other than those disclosed in Note 54 to the financial statements.



**SUBSIDIARIES**

Details of subsidiaries are set out in Note 13 to the financial statements.

**AUDITORS' REMUNERATION**

Details of auditors' remuneration are set out in Note 34 to the financial statements.

**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 events subsequent to the end of the financial reporting period are disclosed in Note 54 to the financial statements.

**AUDITORS**

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146), have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors.

**Ahmad Bin Mohd Don**

Kuala Lumpur, Malaysia  
26 June 2020

**Thayaparan S. Sangarapillai**

## STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

We, Ahmad Bin Mohd Don and Thayaparan S. Sangarapillai, 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 110 to 270 are drawn up so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2020 and financial performance of the Group and of the Bank for the financial year ended 31 March 2020 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the Directors.

**Ahmad Bin Mohd Don**

Kuala Lumpur, Malaysia  
26 June 2020

**Thayaparan S. Sangarapillai**

## STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act, 2016

I, Goh Chee Ho, 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 110 to 270 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 Goh Chee Ho  
at Kuala Lumpur in the Federal Territory on  
26 June 2020

**Goh Chee Ho**  
MIA Membership No. (CA 21531)

Before me,

**M. Sivanason**

Commissioner for Oaths

Kuala Lumpur, Malaysia  
26 June 2020

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

(Incorporated in Malaysia)

(Company No: 198201008390) (88103-W)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Alliance Bank Malaysia Berhad ("the Bank") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

### What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 March 2020 of the Group and of the Bank, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 110 to 270.

### Basis for opinion

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

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

### Independence and other ethical responsibilities

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

### Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Bank. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Bank, the accounting processes and controls, and the industry in which the Group and the Bank operate.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLIANCE BANK MALAYSIA BERHAD (CONT'D)

(Incorporated in Malaysia)

(Company No: 198201008390) (88103-W)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of Bank for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<b>Allowance for impairment on loans, advances and financing</b>	
<p>Refer to accounting policy 2(k)(i) and 2(a)(ii), Notes 10 and 35 of the Financial Statements of the Group and the Bank.</p> <p>MFRS 9 introduces an expected credit loss ("ECL") impairment model, which requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. This is a complex accounting standard which has required considerable judgement and estimates in its implementation.</p> <p>In particular, the significant judgements in applying the accounting requirements for measuring ECL include the following:</p> <ul style="list-style-type: none"> <li>• The models are inherently complex and judgement is applied in determining the appropriate construct of the model;</li> <li>• Identification of loans, advances and financing that have experienced a significant increase in credit risk; and</li> <li>• Assumptions used in the ECL models such as expected future cash flows, forward-looking macroeconomic factors and data sets to be used as inputs to the models.</li> </ul>	<p>We obtained an understanding and tested management's controls over identification of loans, advances and financing that have experienced significant increase in credit risk or objective evidence of impairment in accordance with the Group's policy and procedures, and the calculation of ECL provisions.</p> <p>We tested a sample of loans, advances and financing and assessed the reasonableness of management's judgement that there was no significant increase in credit risk or objective evidence of impairment for these loans.</p> <p>Where objective evidence of impairment was identified by the Group and impairment loss was individually calculated, we examined both the quantum and timing of future cash flows used by the Group in the impairment loss calculation, challenged the assumptions and compared the assumptions to external evidence where available. Calculations of the discounted cash flows were also re-performed.</p> <p>For staging and identification of exposures with significant increase in credit risk, we assessed and tested the reasonableness of the transfer criteria applied by the Group for different types of credit exposures. We evaluated if the transfer criteria are consistent with the Group's policy and credit risk management practices.</p>

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

### Key audit matters (cont'd)

Key audit matters	How our audit addressed the key audit matters
<b>Allowance for impairment on loans, advances and financing (cont'd)</b>	
<p>The impact of the COVID-19 pandemic remains uncertain and represents a material downside risk to the economy. The Group has incorporated estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic and the recent drop in oil price in the measurement of ECL. These are explained further in the critical accounting estimates and judgement in Note 2(a)(ii).</p> <p>In determining ECL, management judgement is applied, using objective, reasonable and supportable information about forecast economic conditions. Forward looking macro-economic information and assumptions relating to the COVID-19 pandemic have been considered in these scenarios, as explained further in Note 44(a)(iv)(d).</p>	<p>To determine the appropriateness of models implemented by the Group, we have:</p> <ul style="list-style-type: none"> <li>Assessed the methodologies inherent within the ECL models applied against the requirements of MFRS 9;</li> <li>Tested the design and operating effectiveness of the controls relating to: <ul style="list-style-type: none"> <li>Governance over ECL model and methodology;</li> <li>Data used to determine the allowances for credit losses; and</li> <li>Calculation, review and approval of the ECL calculation.</li> </ul> </li> <li>Assessed and tested the significant modelling assumptions;</li> <li>Assessed and considered reasonableness of forward-looking forecasts assumptions. In assessing the appropriateness of management's forecast economic conditions after taking into consideration the impacts of the COVID-19 pandemic and the drop in oil price, we have checked to independent sources to determine whether the macro-economic information is supportable and reasonable at the reporting date of the Group's financial statements. We have also checked the reasonableness of the probability weightage accorded to the economic scenarios;</li> <li>Checked the accuracy of data and calculation of the ECL amount, on a sample basis; and</li> <li>Assessed whether the disclosures in the financial statements appropriately reflect the Group's credit risk exposures.</li> </ul> <p>Based on the procedures performed, we did not find any material exceptions to the Group's assessment on impairment of loans, advances and financing.</p>

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLIANCE BANK MALAYSIA BERHAD (CONT'D)

(Incorporated in Malaysia)

(Company No: 198201008390) (88103-W)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

#### Key audit matters (cont'd)

Key audit matters	How our audit addressed the key audit matters
<b>Impairment testing of goodwill</b>	
<p>Refer to accounting policy 2(k)(ii)(a), and 2(a)(i), and Note 18 of the Financial Statements of the Group and the Bank.</p> <p>Management performed annual impairment assessment on goodwill.</p> <p>The recoverable amount of each cash generating units ("CGU") of which goodwill has been allocated was determined based on the value-in-use method. The value-in-use was determined using cash flow projections based on the financial budget and business plans approved by the Board of Directors, each of which is dependent on significant management judgement and can be influenced by management bias.</p> <p>As disclosed in Note 18(b), management has also considered the multiple probability weighted scenarios to include impact of the COVID-19 pandemic on the Group's future revenue and specifically to estimate the expected cash flows from the CGUs.</p> <p>Management performed sensitivity analysis over their cash flow forecast to factor in the impact of a decline in the global economy, the loan moratorium to customers and the potential reduction in overnight policy rate ("OPR").</p> <p>In particular, we focused on the following key assumptions that requires significant judgement, for each CGU:</p> <ul style="list-style-type: none"> <li>• The annual growth rates in the cash flow projections;</li> <li>• The terminal growth rate; and</li> <li>• The discount rate.</li> </ul>	<p>We tested management's impairment assessment of goodwill as follows:</p> <ul style="list-style-type: none"> <li>• Compared the cash flows projection of each CGU to approved budgets and business plans for each CGU.</li> <li>• Compared historical cash flows projections to actual results of each CGU to assess the reasonableness of forecasting.</li> <li>• Assessed the reasonableness of the annual growth rates used in the cash flow projections of each CGU.</li> <li>• Assessed the reasonableness of the applied discount rates by comparing to external and industry information. The applied discount rates reflect the specific risks relating to each CGU where the risk associated to each CGU is determined based on the CGU's business and operating model.</li> <li>• Assessed the reasonableness of the multiple probability weighted scenarios applied to the cash flow consumptions.</li> <li>• Evaluated reasonableness of terminal growth rates used by comparing to Malaysia's forecasted GDP rate.</li> <li>• Independently performed sensitivity analysis to assess the potential impact of a reasonable possible change of the key assumptions on the recoverable amount of each CGUs. In particular, we have stressed lower loan/financing growth, the timing of receipts of loan instalments from borrowers, additional OPR reduction and the Group's ability to take mitigating actions, if required.</li> <li>• Reviewed the adequacy of the Group's and the Bank's disclosures within the financial statements about these assumptions to which the outcome of the impairment test is most sensitive.</li> </ul> <p>Based on the evidence obtained, we found that the assumptions used by management in the value-in-use calculation were within a reasonable range.</p>



## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

### Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises:

- (i) Financial Highlights
- (ii) Statement by Chairman of Alliance Bank Group
- (iii) Management Discussion and Analysis
- (iv) Statement on Corporate Governance
- (v) Sustainability Statement
- (vi) Audit Committee Report
- (vii) Statement on Risk Management and Internal Control
- (viii) Risk Management
- (ix) Directors' Report
- (x) Basel II Pillar 3 Report Disclosure

but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

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

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

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

### Responsibilities of the Directors for the financial statements

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

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

### Auditors' responsibilities for the audit of the financial statements

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

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLIANCE BANK MALAYSIA BERHAD (CONT'D)**

(Incorporated in Malaysia)  
(Company No: 198201008390) (88103-W)

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)**

#### **Auditors' responsibilities for the audit of the financial statements (cont'd)**

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

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

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Bank for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**OTHER MATTERS**

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

**Pricewaterhousecoopers PLT**  
(No. LLP0014401-LCA & AF1146)  
Chartered Accountants

Kuala Lumpur  
26 June 2020

**Ong Ching Chuan**  
02907/11/2021 J  
Chartered Accountant

# STATEMENTS OF FINANCIAL POSITION

as at 31 March 2020

		GROUP		BANK	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>ASSETS</b>					
Cash and short-term funds	3	3,119,214	1,804,734	2,488,527	1,571,995
Deposits and placements with banks and other financial institutions	4	–	500	–	–
Amounts due from clients and brokers	5	51,165	77,008	–	–
Financial assets at fair value through profit or loss	6	650,114	230,440	585,722	169,656
Financial investments at fair value through other comprehensive income	7	11,544,507	9,478,462	8,426,778	6,852,866
Financial investments at amortised cost	8	121,299	235,720	170,405	311,930
Derivative financial assets	9	436,910	55,442	436,910	55,442
Loans, advances and financing	10	43,110,007	42,320,301	32,207,545	32,622,976
Other assets	11	262,622	199,138	266,770	320,794
Tax recoverable		70,834	20,282	38,789	5,501
Statutory deposits	12	949,049	1,521,592	700,355	1,142,108
Investments in subsidiaries	13	–	–	909,102	989,102
Investment in joint venture	14	903	802	–	–
Right-of-use assets	15	129,139	–	129,077	–
Property, plant and equipment	16	64,486	70,497	63,448	69,178
Deferred tax assets	17	28,125	72,972	14,074	50,116
Intangible assets	18	437,086	432,961	332,680	323,804
<b>TOTAL ASSETS</b>		<b>60,975,460</b>	56,520,851	<b>46,770,182</b>	44,485,468
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	19	48,425,852	45,017,632	36,702,989	34,982,862
Deposits and placements of banks and other financial institutions	20	1,543,646	858,708	733,564	344,835
Amounts due to clients and brokers	21	22,292	51,164	–	–
Financial liabilities designated at fair value through profit or loss	22	427,085	778,423	427,085	778,423
Obligations on securities sold under repurchase agreements	23	369,469	–	221,387	–
Derivative financial liabilities	9	348,877	57,545	348,877	57,545
Recourse obligations on loans and financing sold to Cagamas	24	800,695	800,669	300,053	300,076
Lease liabilities	25	130,223	–	130,150	–
Other liabilities	26	1,388,066	1,740,797	1,253,186	1,572,308
Provision for zakat		1,245	686	–	–
Deferred tax liabilities	17	8,379	2,163	–	–
Subordinated obligations	27	1,520,637	1,480,222	1,480,254	1,479,580
<b>TOTAL LIABILITIES</b>		<b>54,986,466</b>	50,788,009	<b>41,597,545</b>	39,515,629
Share capital	28	1,548,106	1,548,106	1,548,106	1,548,106
Reserves	29	4,440,888	4,184,736	3,624,531	3,421,733
<b>TOTAL EQUITY</b>		<b>5,988,994</b>	5,732,842	<b>5,172,637</b>	4,969,839
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>60,975,460</b>	56,520,851	<b>46,770,182</b>	44,485,468
<b>COMMITMENTS AND CONTINGENCIES</b>					
	47	36,971,704	24,181,704	34,144,629	21,570,720
Net assets per share attributable to equity holders of the Bank (RM)					
		3.87	3.70		

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

# STATEMENTS OF INCOME

for the financial year ended 31 March 2020

	Note	GROUP		BANK	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest income	30	<b>2,069,887</b>	2,010,662	<b>2,019,369</b>	1,982,830
Interest expense	31	<b>(1,089,053)</b>	(1,012,579)	<b>(1,046,424)</b>	(984,350)
Net interest income		<b>980,834</b>	998,083	<b>972,945</b>	998,480
Net income from Islamic banking business	32	<b>377,896</b>	359,057	–	–
		<b>1,358,730</b>	1,357,140	<b>972,945</b>	998,480
Fee and commission income		<b>283,272</b>	276,746	<b>248,493</b>	238,120
Fee and commission expense		<b>(87,118)</b>	(86,488)	<b>(78,700)</b>	(76,945)
Investment income		<b>87,565</b>	45,077	<b>126,885</b>	120,271
Other income		<b>46,871</b>	29,626	<b>48,012</b>	29,878
Other operating income	33	<b>330,590</b>	264,961	<b>344,690</b>	311,324
Net income		<b>1,689,320</b>	1,622,101	<b>1,317,635</b>	1,309,804
Other operating expenses	34	<b>(807,019)</b>	(774,947)	<b>(621,229)</b>	(601,771)
Operating profit before allowances		<b>882,301</b>	847,154	<b>696,406</b>	708,033
Allowance for expected credit losses on loans, advances and financing and other financial assets	35	<b>(273,234)</b>	(130,849)	<b>(168,495)</b>	(94,618)
(Allowance for)/write-back of expected credit losses on financial investments	36	<b>(36,997)</b>	201	<b>(22,996)</b>	449
(Allowance for)/write-back of impairment losses on non-financial assets	37	<b>(4,317)</b>	(8,592)	<b>(306)</b>	148
Operating profit after allowances		<b>567,753</b>	707,914	<b>504,609</b>	614,012
Share of results of joint venture	14	<b>101</b>	109	–	–
Profit before taxation		<b>567,854</b>	708,023	<b>504,609</b>	614,012
Taxation	38	<b>(143,591)</b>	(170,426)	<b>(115,471)</b>	(128,060)
Net profit for the financial year		<b>424,263</b>	537,597	<b>389,138</b>	485,952
Net profit for the financial year attributable to: Equity holders of the Bank		<b>424,263</b>	537,597	<b>389,138</b>	485,952
Earnings per share attributable to: Equity holders of the Bank	39				
- Basic (sen)		<b>27.4</b>	34.7		
- Diluted (sen)		<b>27.4</b>	34.7		

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

# STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 March 2020

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net profit for the financial year	<b>424,263</b>	537,597	<b>389,138</b>	485,952
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Revaluation reserve on financial investments at fair value through other comprehensive income				
- Net gain from change in fair values	<b>112,932</b>	84,754	<b>71,196</b>	38,489
- Realised gain transferred to statements of income on disposal	<b>(17,634)</b>	(2,684)	<b>(14,402)</b>	(2,119)
- Transfer to deferred tax	<b>(22,872)</b>	(19,697)	<b>(13,631)</b>	(8,729)
- Changes in expected credit losses	<b>(9,627)</b>	(783)	<b>(160)</b>	(624)
Other comprehensive income, net of tax	<b>62,799</b>	61,590	<b>43,003</b>	27,017
Total comprehensive income for the financial year	<b>487,062</b>	599,187	<b>432,141</b>	512,969
Total comprehensive income for the financial year attributable to:				
Equity holders of the Bank	<b>487,062</b>	599,187	<b>432,141</b>	512,969

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



# STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 March 2020

GROUP	Attributable to Equity holders of the Bank					
	Ordinary shares RM'000	Regulatory reserves RM'000	Capital reserves RM'000	FVOCI reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 April 2019						
As previously reported	1,548,106	178,397	100,150	78,513	3,827,676	5,732,842
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	–	–	–	–	(9,526)	(9,526)
As restated	1,548,106	178,397	100,150	78,513	3,818,150	5,723,316
Net profit for the financial year	–	–	–	–	424,263	424,263
Other comprehensive income	–	–	–	62,799	–	62,799
Total comprehensive income	–	–	–	62,799	424,263	487,062
Transfer to regulatory reserves	–	46,182	–	–	(46,182)	–
Liquidation of subsidiaries	–	–	–	–	(1,553)	(1,553)
Dividends paid to shareholders (Note 40)	–	–	–	–	(219,831)	(219,831)
At 31 March 2020	1,548,106	224,579	100,150	141,312	3,974,847	5,988,994

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

**STATEMENTS OF CHANGES IN EQUITY**

for the financial year ended 31 March 2020 (CONT'D)

GROUP	Attributable to Equity holders of the Bank						Total equity RM'000
	Ordinary shares RM'000	Regulatory reserves RM'000	Capital reserves RM'000	FVOCI reserves RM'000	Revaluation reserves RM'000	Retained profits RM'000	
At 1 April 2018							
As previously stated	1,548,106	186,064	100,150	–	114,987	3,510,283	5,459,590
Effects of adoption of MFRS 9	–	(17,330)	–	16,923	(114,987)	41,819	(73,575)
Effects of adoption of MFRS 15	–	–	–	–	–	(15,500)	(15,500)
As restated	1,548,106	168,734	100,150	16,923	–	3,536,602	5,370,515
Net profit for the financial year	–	–	–	–	–	537,597	537,597
Other comprehensive income	–	–	–	61,590	–	–	61,590
Total comprehensive income	–	–	–	61,590	–	537,597	599,187
Transfer to regulatory reserves	–	9,663	–	–	–	(9,663)	–
Dividends paid to shareholders (Note 40)	–	–	–	–	–	(236,860)	(236,860)
At 31 March 2019	1,548,106	178,397	100,150	78,513	–	3,827,676	5,732,842

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

BANK	Non-distributable reserves					Distributable reserves	
	Ordinary shares RM'000	Regulatory reserves RM'000	Capital reserve RM'000	FVOCI reserves RM'000	Revaluation reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 April 2019							
As previously reported	1,548,106	160,798	95,515	36,831	–	3,128,589	4,969,839
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	–	–	–	–	–	(9,512)	(9,512)
As restated	1,548,106	160,798	95,515	36,831	–	3,119,077	4,960,327
Net profit for the financial year	–	–	–	–	–	389,138	389,138
Other comprehensive income	–	–	–	43,003	–	–	43,003
Total comprehensive income	–	–	–	43,003	–	389,138	432,141
Transfer to regulatory reserves	–	21,494	–	–	–	(21,494)	–
Return of capital from a subsidiary	–	–	(80,000)	–	–	80,000	–
Dividends paid to shareholders (Note 40)	–	–	–	–	–	(219,831)	(219,831)
At 31 March 2020	1,548,106	182,292	15,515	79,834	–	3,346,890	5,172,637
At 1 April 2018							
As previously reported	1,548,106	160,029	95,515	–	74,907	2,866,142	4,744,699
Effects of adoption of MFRS 9	–	327	–	9,814	(74,907)	29,297	(35,469)
Effects of adoption of MFRS 15	–	–	–	–	–	(15,500)	(15,500)
As restated	1,548,106	160,356	95,515	9,814	–	2,879,939	4,693,730
Net profit for the financial year	–	–	–	–	–	485,952	485,952
Other comprehensive income	–	–	–	27,017	–	–	27,017
Total comprehensive income	–	–	–	27,017	–	485,952	512,969
Transfer to regulatory reserves	–	442	–	–	–	(442)	–
Dividends paid to shareholders (Note 40)	–	–	–	–	–	(236,860)	(236,860)
At 31 March 2019	1,548,106	160,798	95,515	36,831	–	3,128,589	4,969,839

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

# STATEMENTS OF CASH FLOWS

for the financial year ended 31 March 2020

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	567,854	708,023	504,609	614,012
Adjustments for:				
Accretion of discount less amortisation of premium of financial investments	(83,215)	(84,578)	(83,950)	(83,707)
Allowance for expected credit losses on loans, advances and financing	286,760	147,238	184,092	97,909
(Write-back of)/allowance for expected credit losses on commitments and contingencies	(8,076)	(11,377)	(8,599)	1,304
Allowance for/(write-back of) expected credit losses on financial investments	36,997	(201)	22,996	(449)
Allowance for/(write-back of) expected credit losses on amounts due from clients and brokers	3	(1)	–	–
Allowance for expected credit losses on other receivables	3,827	3,319	3,539	2,977
Write-back of expected credit losses on short term funds	(37)	(463)	(37)	(463)
Allowance for/(write-back of) impairment losses on non-financial assets	4,317	8,592	306	(148)
Amortisation of computer software	36,864	30,206	35,366	29,117
Depreciation of property, plant and equipment	22,661	23,333	22,110	22,674
Depreciation of right-of-use assets	24,259	–	24,213	–
Dividends from financial assets at fair value through profit or loss	(4,419)	(1,299)	(2,668)	(749)
Dividends from subsidiaries	–	–	(48,031)	(80,154)
Interest expense on lease liabilities	6,577	–	6,572	–
Interest expense on subordinated obligations	84,538	78,732	84,732	78,915
Interest expense on recourse obligation on loans and financing sold to Cagamas	13,627	25,182	13,627	25,182
Interest income from financial investments at amortised cost	(6,818)	(14,174)	(12,866)	(18,176)
Interest income from financial investments at fair value through other comprehensive income	(318,454)	(260,639)	(292,218)	(249,720)
Computer software written-off	4,399	1,822	4,399	1,724
Gain on disposal of property, plant and equipment	(5,319)	(8)	(5,319)	(8)
Property, plant and equipment written-off	174	42	104	43
Net gain from sale of financial assets at fair value through profit or loss	(15,481)	(3,378)	(15,361)	(3,377)
Net gain from sale of financial investments at fair value through other comprehensive income	(17,634)	(2,684)	(14,402)	(2,119)
Net gain from sale of other investments	(5)	–	(5)	–
Cash flow from operating activities carried forward	633,399	647,687	423,209	434,787

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)</b>				
Cash flow from operating activities brought forward	<b>633,399</b>	647,687	<b>423,209</b>	434,787
Unrealised gain arising from derivative instruments	<b>(63,991)</b>	(18,276)	<b>(63,991)</b>	(18,276)
Unrealised gain arising from financial assets at fair value through profit or loss	<b>(23,207)</b>	(12,092)	<b>(19,599)</b>	(8,248)
Unrealised loss arising from financial liabilities designated at fair value through profit or loss	<b>11,742</b>	12,809	<b>11,742</b>	12,809
Share of results of joint venture	<b>(101)</b>	(109)	–	–
Zakat	<b>655</b>	590	–	–
Cash flow from operating activities before working capital changes	<b>558,497</b>	630,609	<b>351,361</b>	421,072
Changes in working capital:				
Amounts due from clients and brokers	<b>(3,029)</b>	358	–	–
Deposits from customers	<b>3,408,220</b>	2,277,172	<b>1,720,127</b>	1,474,492
Deposits and placements of banks and other financial institutions	<b>684,938</b>	(15,163)	<b>388,729</b>	(94,403)
Deposits and placements with banks and other financial institutions	<b>500</b>	76,783	–	77,283
Financial assets at fair value through profit or loss	<b>(388,929)</b>	16,668	<b>(389,048)</b>	10,827
Financial liabilities designated at fair value through profit or loss	<b>(363,080)</b>	83,376	<b>(363,080)</b>	83,376
Loans, advances and financing	<b>(1,076,422)</b>	(2,801,062)	<b>231,340</b>	(1,400,892)
Other assets	<b>(68,945)</b>	(60,506)	<b>48,856</b>	(146,823)
Other liabilities	<b>(350,683)</b>	258,213	<b>(315,151)</b>	208,529
Obligations on securities sold under repurchase agreements	<b>369,469</b>	–	<b>221,387</b>	–
Statutory deposits	<b>572,543</b>	(113,276)	<b>441,753</b>	(49,542)
Cash generated from operating activities	<b>3,343,079</b>	353,172	<b>2,336,274</b>	583,919
Taxation paid	<b>(158,537)</b>	(219,123)	<b>(118,809)</b>	(167,520)
Zakat paid	<b>(95)</b>	(156)	–	–
Net cash generated from operating activities	<b>3,184,447</b>	133,893	<b>2,217,465</b>	416,399

**STATEMENTS OF CASH FLOWS**

for the financial year ended 31 March 2020 (CONT'D)

	<b>GROUP</b>		<b>BANK</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Dividends from subsidiaries	–	–	<b>48,031</b>	80,154
Dividends from financial assets at fair value through profit or loss	<b>4,419</b>	1,299	<b>2,668</b>	749
Interest received from financial assets at fair value through profit or loss	<b>7,943</b>	1,547	<b>7,943</b>	1,547
Interest received from financial investments at fair value through other comprehensive income	<b>312,289</b>	239,129	<b>285,523</b>	241,980
Interest received from financial investments at amortised costs	<b>8,311</b>	13,071	<b>14,645</b>	17,362
Net interest expense for derivative instruments	<b>(26,145)</b>	(49,852)	<b>(26,145)</b>	(49,852)
Capital returned from a subsidiary	–	–	<b>80,000</b>	–
Purchase of computer software	<b>(49,705)</b>	(64,327)	<b>(48,947)</b>	(61,664)
Purchase of property, plant and equipment	<b>(26,854)</b>	(24,560)	<b>(26,514)</b>	(24,122)
Proceeds from disposal of property, plant and equipment	<b>6,101</b>	69	<b>6,101</b>	69
Purchase of:				
– financial investments at FVOCI	<b>(5,056,202)</b>	(5,225,669)	<b>(4,213,537)</b>	(3,789,870)
– financial investments at amortised cost	<b>(100,000)</b>	(63,131)	<b>(20,000)</b>	(34,867)
Redemption/disposal of:				
– financial investments at FVOCI	<b>3,095,935</b>	4,184,445	<b>2,714,366</b>	3,263,177
– financial investments at amortised cost	<b>262,767</b>	431,922	<b>223,690</b>	336,993
Net cash used in investing activities	<b>(1,561,141)</b>	(556,057)	<b>(952,176)</b>	(18,344)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividends paid to shareholders of the company	<b>(219,831)</b>	(236,860)	<b>(219,831)</b>	(236,860)
Interest paid on subordinated obligations	<b>(84,123)</b>	(78,124)	<b>(84,058)</b>	(78,359)
Interest paid on recourse obligation on loans and financing sold to Cagamas	<b>(13,601)</b>	(26,872)	<b>(13,650)</b>	(26,791)
Repayment of lease liabilities	<b>(31,271)</b>	–	<b>(31,218)</b>	–
Proceeds from issuance of subordinated notes	<b>40,000</b>	100,000	–	100,000
Repayment of recourse obligations on loans and financing sold to Cagamas	–	(300,004)	–	(300,011)
Net cash used in financing activities	<b>(308,826)</b>	(541,860)	<b>(348,757)</b>	(542,021)
Net change in cash and cash equivalents	<b>1,314,480</b>	(964,024)	<b>916,532</b>	(143,966)
Cash and cash equivalents at beginning of financial year	<b>1,804,734</b>	2,768,758	<b>1,571,995</b>	1,715,961
Cash and cash equivalents at end of financial year	<b>3,119,214</b>	1,804,734	<b>2,488,527</b>	1,571,995
Cash and cash equivalents comprise the following:				
Cash and short-term funds (Note 3)	<b>3,119,214</b>	1,804,734	<b>2,488,527</b>	1,571,995

A reconciliation of liabilities from financing activities to the statements of financial position and statements of cash flows as follows:

	Recourse obligations on loans and financing sold to Cagamas RM'000	Subordinated obligations RM'000	Lease liabilities RM'000
<b>GROUP</b>			
As at 1 April 2018	1,102,363	1,379,614	–
Cash flow			
- (Redemption)/issuance	(300,004)	100,000	–
- Interest payment	(26,872)	(78,124)	–
Non cash changes			
- Interest accrued	25,182	78,732	–
As at 31 March/1 April 2019	<b>800,669</b>	<b>1,480,222</b>	<b>–</b>
Effects of adoption of MFRS 16	–	–	<b>144,571</b>
Cash flow			
- Issuance	–	<b>40,000</b>	–
- Interest payment	<b>(13,601)</b>	<b>(84,123)</b>	–
- Repayment of lease liabilities	–	–	<b>(31,271)</b>
Non cash changes			
- Interest accrued	<b>13,627</b>	<b>84,538</b>	<b>6,577</b>
- Additions, remeasurement and termination of contracts	–	–	<b>10,346</b>
As at 31 March 2020	<b>800,695</b>	<b>1,520,637</b>	<b>130,223</b>
	Recourse obligations on loans and financing sold to Cagamas RM'000	Subordinated obligations RM'000	Lease liabilities RM'000
<b>BANK</b>			
As at 1 April 2018	601,696	1,379,024	–
Cash flow			
- (Redemption)/issuance	(300,011)	100,000	–
- Interest payment	(26,791)	(78,359)	–
Non cash changes			
- Interest accrued	25,182	78,915	–
As at 31 March/1 April 2019	<b>300,076</b>	<b>1,479,580</b>	<b>–</b>
Effects of adoption of MFRS 16	–	–	<b>144,423</b>
Cash flow			
- Interest payment	<b>(13,650)</b>	<b>(84,058)</b>	–
- Repayment of lease liabilities	–	–	<b>(31,218)</b>
Non cash changes			
- Interest accrued	<b>13,627</b>	<b>84,732</b>	<b>6,572</b>
- Additions, remeasurement and termination of contracts	–	–	<b>10,373</b>
As at 31 March 2020	<b>300,053</b>	<b>1,480,254</b>	<b>130,150</b>



# NOTES TO THE FINANCIAL STATEMENTS

31 March 2020

## 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.

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 financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 June 2020.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

#### Malaysian Financial Reporting Standards ("MFRS") Framework

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

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

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

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

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

The areas involving a higher degree of judgement 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 the Board of Directors covering a 4-year period, estimated growth rates for cash flows beyond the fourth year are extrapolated in perpetuity and discount rates are applied to the cash flow projections. The sharp decline in economy and the impact of COVID-19 pandemic has been reflected in the cash flow projections. A sensitivity assessment has been performed by stressing of the estimated growth rates and discount rates by certain percentage.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of Preparation (cont'd)

#### Malaysian Financial Reporting Standards ("MFRS") Framework (cont'd)

- (ii) The measurement of allowance for expected credit losses ("ECL") for financial assets measured at amortised cost and at fair value through other comprehensive income is an area that requires the use of significant assumptions about future economic conditions and credit behaviour.

The allowance for ECL are recognised using forward-looking information including macroeconomic factors. By using forward-looking information will increase the level of judgement as to how changes in these macroeconomic factors will affect allowance for ECL. The Group and the Bank are of the view that it is difficult to incorporate the specific effects of COVID-19 and government relief measures on a reasonable and supportable basis as at 31 March 2020. However, the Group and the Bank have considered the impact of COVID-19 pandemic and sharp decline in economy in the macroeconomic scenarios applied and in their weightings. The methodology and assumptions including any forecasts of future economic conditions are continued to be monitored and reviewed as new information becomes available.

The sensitivity effect on the macroeconomic factor is further disclosed in Note 44(a)(vi).

Some of the areas of significant judgements involved in the measurement of ECL are detailed as follows:

- Significant increase in credit risk and further disclosure in Note 44(a)(iv)(a)
- Development of ECL models and assumption for the measurement of ECL
- Determining the number and relative weightings of forward-looking scenarios
- Establishing groups of similar financial assets for the purpose of measuring the ECL on collective basis

#### Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and the Bank for the financial year beginning on 1 April 2019 are as follows:

- MFRS 16 "Leases"
- Amendments to MFRS 9 "Prepayment Features with Negative Compensation"
- Amendments to MFRS 119 "Plan Amendment, curtailment or settlement"
- Amendments to MFRS 128 "Long-term Interests in Associates and Joint Ventures"
- IC Interpretation 23 "Uncertainty over Income Tax Treatments"
- Annual Improvements to MFRSs 2015 - 2017 Cycle

The adoption of the above standards, amendments to published standards and interpretation to existing standards did not have any significant impact on the financial statements of the Group and the Bank other than the adoption of MFRS 16.

The Group and the Bank have adopted MFRS 16 for the first time in the 31 March 2020 financial statements with the date of initial application ("DIA") of 1 April 2019 by applying the simplified retrospective transaction approach.

The practical expedients elected and the detailed impacts of the change in accounting policies on leases are disclosed below. The details of the accounting policies on leases are disclosed separately in Note 2(q).

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (a) Basis of Preparation (cont'd)

##### Change in Accounting Policies

#### (i) Adoption of MFRS 16 “Leases”

During the financial year, the Group and the Bank have adopted MFRS 16 “Leases”. The Group and the Bank have elected to use the simplified retrospective transition approach and to apply a number of practical expedients as provided in MFRS 16.

Under the simplified retrospective transition approach, the 31 March 2019 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group and the Bank is a lessee were recognised as an adjustment to the opening balance of retained profits as at 1 April 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 “Leases” and IC Int. 4 “Determining whether an Arrangement Contains a Lease”.

On adoption of MFRS 16, the Group and the Bank recognised lease liabilities in relation to leases which had previously been classified as operating leases. These liabilities were measured at the present value of the remaining lease payments, discounted by the Group’s and the Bank’s incremental borrowing rate as at 1 April 2019.

Right-of-use assets were measured on a retrospective basis as if the new rules had always been applied.

In applying MFRS 16 for the first time, the Group and the Bank have applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting of operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The adoption of MFRS 16 has resulted in a decrease of RM9,526,000 and RM9,512,000 for the Group’s and the Bank’s retained profits as at 1 April 2019.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of Preparation (cont'd)

#### Change in Accounting Policies (cont'd)

#### (ii) Financial Effect

- i. A reconciliation of the statements of financial position of the Group and the Bank upon adoption of MFRS 16 as at 1 April 2019 are as follows:

	As previously stated RM'000	Adoption of MFRS 16 RM'000	As restated RM'000
<b><u>GROUP</u></b>			
<b>Assets</b>			
Right-of-use assets	–	142,920	142,920
Deferred tax assets	72,972	3,008	75,980
Other assets	199,138	(1,635)	197,503
Property, plant and equipment	70,497	(9,248)	61,249
<b>Liabilities</b>			
Lease liabilities	–	144,571	144,571
<b>Equity</b>			
Retained profits	3,827,676	(9,526)	3,818,150
<b><u>BANK</u></b>			
<b>Assets</b>			
Right-of-use assets	–	142,786	142,786
Deferred tax assets	50,116	3,004	53,120
Other assets	320,794	(1,631)	319,163
Property, plant and equipment	69,178	(9,248)	59,930
<b>Liabilities</b>			
Lease liabilities	–	144,423	144,423
<b>Equity</b>			
Retained profits	3,128,589	(9,512)	3,119,077

The weighted average lease's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 5.34% – 5.55% per annum.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (a) Basis of Preparation (cont'd)

##### Change in Accounting Policies (cont'd)

#### (ii) Financial Effect (cont'd)

- ii. A reconciliation between operating lease commitments disclosed applying MFRS 117 at 31 March 2019, and the lease liabilities recognised in the statements of financial position at 1 April 2019.

	Group RM'000	Bank RM'000
Operating lease commitments as disclosed at 31 March 2019	79,214	76,006
<u>Add:</u>		
Adjustments as a result of a different treatment of extension and termination options	82,155	85,116
Finance lease liabilities recognised as at 31 March 2019	688	688
<u>Less:</u>		
Contracts reassessed as service agreements	(1,373)	(1,373)
Discounted using the incremental borrowing rate at 1 April 2019	(4,040)	(4,030)
Short-term leases recognised on a straight-line basis as expense	(12,073)	(11,984)
Lease liability recognised at 1 April 2019	144,571	144,423

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

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

Financial year beginning after 1 April 2020

#### (i) Amendments to MFRS 3 "Definition of a Business"

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

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

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

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

The amendments shall be applied prospectively.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of Preparation (cont'd)

#### **Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (cont'd)**

The Group and the Bank will apply the new standards, amendments to standards and interpretations in the following period: (cont'd)

- (ii) Amendments to MFRS 101 "Presentation of Financial Statements" and MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors"

The amendments to MFRS 101 "Presentation of Financial Statements" and MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors" which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in MFRS 101 about immaterial information.

In particular, the amendments clarify:

- That an entity assesses materiality in the context of the financial statements as a whole.
- That the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information and that an entity assesses materiality in the context of the financial statements as a whole, and
- The meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendments shall be applied prospectively.

- (iii) The MASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting;
- reinstating prudence as a component of neutrality;
- defining a reporting entity, which may be a legal entity, or a portion of an entity;
- revising the definitions of an asset and a liability;
- removing the probability threshold for recognition and adding guidance on derecognition;
- adding guidance on different measurement basis; and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

The amendments shall be applied prospectively.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (b) Economic Entities in the Group

##### (i) Subsidiaries

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

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

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

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

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 statements of income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in statements of income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

In a group reorganisation, the assets and liabilities of the acquired entity are included in the consolidated financial statements of the Group at their existing carrying amounts without fair value uplift. The difference between the consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) is recognised in equity. No goodwill is recognised. The acquired entity's assets and liabilities are incorporated in the consolidated financial statements of the Group as if the entity had always been, prior to the group reorganisation.

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



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) Economic Entities in the Group (cont'd)

#### (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 statements of income. 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 statements of income.

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

#### (iv) Associates

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (b) Economic Entities in the Group (cont'd)

##### (iv) Associates (cont'd)

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 statements of income. 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 statements of income.

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

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

##### (v) Joint Arrangements

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

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

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

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) Economic Entities in the Group (cont'd)

#### (v) Joint Arrangements (cont'd)

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 statements of 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 statements of income.

If the ownership interest in a 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 statements of income where appropriate.

### (c) Investments in Subsidiaries, Joint Ventures and Associates in separate financial statements

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

### (d) Intangible Assets

#### (i) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in statements of income.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at operating segments level. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (d) Intangible Assets (cont'd)

##### (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(k)(ii)(b).

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

#### (e) Property, Plant and Equipment and Depreciation

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

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

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

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

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

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (f) Financial Assets

#### (i) Classification

The Group and the Bank classify the financial assets in the following measurement categories:

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

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

(i) Financial assets at FVOCI comprise of:

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

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

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

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

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

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

#### (ii) Recognition and initial measurement

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (f) Financial Assets (cont'd)

##### (iii) Subsequent measurement

##### Debt instruments

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

##### (i) Amortised cost

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

##### (ii) FVOCI

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

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statements of income and recognised in other operating income. Interest/profit income from these financial assets is included in gross interest income using the effective interest. Foreign exchange gains and losses are presented in other operating income and impairment expenses are presented as separate line item in the statements of income and statements of comprehensive income.

##### (iii) FVTPL

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

##### Equity instruments

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (f) Financial Assets (cont'd)

#### (iv) De-recognition

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

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

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

### (g) Derivative Financial Instrument and Hedge Accounting

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 at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for at fair value through profit or loss. Changes in the fair value are recognised immediately in statements of income.

Derivatives that qualify for hedge accounting are designated as either:

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

The Group and the Bank document at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group and the Bank document its risk management objective and strategy for undertaking its hedge transactions.

#### (i) Fair value hedge

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

The Group applies fair value hedge accounting for hedging fixed interest risk on securities. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate securities is recognised in statements of income. The gain or loss relating to the ineffective portion is recognised in statements of income within the other operating income. Changes in the fair value of the hedge fixed rate securities attributable to interest rate risk are recognised in equity.

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 to amortised to statements of income over the period to maturity.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (g) Derivative Financial Instrument and Hedge Accounting (cont'd)

##### (ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges 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 statements of income.

Amounts accumulated in equity are reclassified to statements of income in the periods when the hedged item affects statements of income.

When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example property, plant and equipment), the gains or losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in depreciation of property, plant and equipment.

When a hedging instrument expires or is sold or terminated, 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 statements of changes in equity and is recognised in the periods when the hedged item affects statements of income. When hedged future cash flows or forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred cost of hedging that was reported in equity is immediately reclassified to statements of 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 statements of income.

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

#### (h) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

#### (i) Amounts Due From Clients and Brokers

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

#### (j) 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (k) Impairment of Assets

#### (i) Impairment of financial assets

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

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

#### (a) General 3-stage approach

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

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

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

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

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

Measurement of ECL is set out in Note 44.

#### (b) Simplified approach for other receivables

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

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

#### (c) Write-off

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (k) Impairment of Assets (cont'd)

##### (ii) Impairment of non-financial assets

###### (a) Goodwill/Intangible assets

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

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

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

###### (b) Other non-financial assets

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (l) Financial Liabilities

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

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

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

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

The component of fair value changes relating to the Group's and the Bank's own credit risk is recognised in OCI. Amounts recorded in OCI related to credit risk are not subject to recycling in statements of income, but are transferred to retained earnings when realised.

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

### (m) Repurchase Agreements

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

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

### (n) Bills and Acceptances Payable

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

### (o) Subordinated Obligations and Other Borrowings

The interest-bearing instruments are classified as liabilities in the statements of financial position as there is a contractual obligation by the Group and the Bank to make cash payments of either principal or interest or both to holders of the debt securities and the Group and the Bank 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 statements of income over the period of the borrowings on an effective interest/profit method.

### (p) Provisions

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (p) Provisions (cont'd)

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

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

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

#### (q) Leases

##### Accounting policies applicable with effective from 1 April 2019

##### **Lease in which the Group and the Bank are a Lessee**

Leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for used by the Group and the Bank (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Bank allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group and the Bank are a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

##### **(i) Lease Term**

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

The Group and the Bank reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Bank and affects whether the Group and the Bank are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

##### **(ii) Right-of-use Assets**

Right-of-use "ROU" assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss, if any. The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Bank are reasonably certain to exercise a purchase option, the ROU asset is depreciated on the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

ROU assets are presented as a separate line item in the statements of financial position.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (q) Leases (cont'd)

#### Accounting policies applicable with effective from 1 April 2019 (cont'd)

##### **Lease in which the Group and the Bank are a Lessee (cont'd)**

#### **(iii) Lease Liabilities**

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group and the Bank under residual value guarantees;
- The exercise price of a purchase and extension options if the Group and the Bank are reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Bank, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to statements of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group and the Bank present the lease liabilities as a separate line item in the statements of financial position. Interest expense on the lease liability is presented within the net interest income in statements of income.

#### **(iv) Short-term Leases and Leases of Low Value Assets**

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer equipment and small items of office equipment. Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line bases as an operating expense in statements of income.

##### **Lease in which the Bank is a Lessor**

As a lessor, the Bank determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (q) Leases (cont'd)

##### Accounting policies applicable with effective from 1 April 2019 (cont'd)

##### **Lease in which the Bank is a Lessor (cont'd)**

##### **(i) Finance Leases**

The Bank classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. The Bank derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investment is subject to MFRS 9 impairment. In addition, the Bank reviews regularly the estimated unguaranteed residual value. Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Bank revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

##### **(ii) Operating Leases**

The Bank classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. The Bank recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

##### **(iii) Sublease Classification**

For the financial year ended 31 March 2019, when the Bank was an intermediate lessor, the subleases were classified as finance or operating leases by reference to the underlying assets. From 1 April 2019, when the Bank is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU assets arising from the head lease, not with reference to the underlying assets. If a head lease is short-term lease to which the Bank applies the exemption described above, then it classifies the sublease as an operating lease.

##### **(iv) Separating Lease and Non-Lease Components**

If an arrangement contains lease and non-lease components, the Bank allocates the consideration in the contract to the lease and non-lease components based on the stand-alone selling prices in accordance with the principles in MFRS 15.

##### Accounting policies applicable prior to 1 April 2019

A lease is recognised as a finance lease if it transfers substantially to the Group and the Bank 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 statements 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.



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (q) Leases (cont'd)

#### Accounting policies applicable prior to 1 April 2019 (cont'd)

#### (i) Finance Leases (cont'd)

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 statements of income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

#### (ii) Operating Leases

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

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.

### (r) Share Capital

#### (i) Classification

Ordinary shares with discretionary dividends are classified as equity.

#### (ii) Share issue costs

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

#### (iii) Earnings per share

##### **Basic earnings per share**

Basic earnings per share is calculated by dividing:

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (r) Share Capital (cont'd)

##### (iii) Earnings per share (cont'd)

##### Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

#### (s) Revenue Recognition

##### (i) Recognition of Interest and Financing Income

Interest income and financing income are recognised using effective interest/profit rates, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the loans/financing or, where appropriate, a shorter period to the net carrying amount of the loan/financing. When calculating the effective interest/profit rate, the Group and the Bank estimate cash flows considering all contractual terms of the loans/financing 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 and financing income are recognised in the statements of income for all interest/profit-bearing assets on an accrual basis. Interest income and financing income include 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/financing where the value has been reduced as a result of impairment loss, interest/financing income continues to be accrued using the rate of interest/profit used to discount the future cash flows for the purposes of measuring the impairment.

##### (ii) Recognition of Fees and Other Income

Fee and commission income of the Group and the Bank are from a wide range of products and services provided to the customers. The income is recognised based on the contractual rates or amount, netted off against fee and commission expense which directly attributable to the income. When the performance obligation is fulfilled, where the products and services are delivered to the customer, fee and commission income will be recognised in statements of income.

For transaction-based fee and commission income, it is recognised on the completion of the transaction. Such fees include fees related to the completion of corporate advisory fees, brokerage income, loan arrangement fees and commissions, management and participation fees, underwriting commissions, service charges on credit cards and sale of unit trust funds. These fees constitute a single performance obligation.

For services that are provided over a period of time, fee and commission income is recognised on equal proportion basis over the period during which the related service is provided. This basis of recognition will reflect the nature of these services to the customers over time. Fees for these services can be billed periodically over time. Such fees include commitment, guarantee and portfolio management fees and bancassurance agreements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (s) Revenue Recognition (cont'd)

#### (ii) Recognition of Fees and Other Income (cont'd)

Net gain or loss from disposal of financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income are recognised in statements of income upon disposal of securities, as the difference between net disposal proceeds and the carrying amount of the securities.

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. Dividend that clearly represents a recovery of part of the cost of an investment is recognised in other comprehensive income if it relates to an investment in equity investment measured at financial investments at fair value through other comprehensive income.

### (t) Recognition of Interest and Financing Expenses

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

### (u) Foreign currencies

#### (i) Functional and presentation currency

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

#### (ii) Transactions and balances

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

Changes in the fair value of monetary securities denominated in foreign currency classified as debt instruments classified as FVOCI are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in statements of income, and other changes in carrying amount are recognised in other comprehensive income.

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

### (v) Current and Deferred Income Tax

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

Tax is recognised in the statements of income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (v) Current and Deferred Income Tax (cont'd)

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

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 statements of comprehensive income for the period, except when it arises from a transaction which is recognised directly in other comprehensive income or directly in equity, in which case the deferred tax is also charged or credited to other comprehensive income or to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

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

#### (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) Employee Benefits

##### (i) Short-term Employee Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Bank. 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 and the Bank pay 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 statements of comprehensive income as incurred. As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF").

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (z) Contingent Assets and Contingent Liabilities

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

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

### (aa) Financial Guarantee Contract

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

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

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

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

### (ab) 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 identified as the chief operating decision-maker.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 3. CASH AND SHORT-TERM FUNDS

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and balances with banks and other financial institutions	726,270	661,540	697,898	591,842
Money at call and deposit placements maturing within one month	2,392,945	1,143,232	1,790,630	980,191
	3,119,215	1,804,772	2,488,528	1,572,033
Less: Allowance for expected credit losses	(1)	(38)	(1)	(38)
	3,119,214	1,804,734	2,488,527	1,571,995

Included in the cash and short-term funds of the Group are accounts held-in-trust for remisers amounting to RM6,452,000 (2019: RM6,122,000).

Movements in allowance for expected credit losses are as follows:

GROUP/BANK	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Total RM'000
At 1 April 2019	38	–	38
New financial assets originated or purchased	59	–	59
Financial assets derecognised other than write-off	(95)	–	(95)
Changes due to change in credit risk	(1)	–	(1)
Total write-back from income statement	(37)	–	(37)
At 31 March 2020	1	–	1
At 1 April 2018			
As previously stated	–	–	–
Effects of adoption of MFRS 9	42	459	501
As restated	42	459	501
New financial assets originated or purchased	111	423	534
Financial assets derecognised other than write-off	(103)	(896)	(999)
Changes due to change in credit risk	(13)	–	(13)
Other adjustments	1	14	15
Total write-back from income statement	(4)	(459)	(463)
At 31 March 2019	38	–	38

### 4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Licensed banks	–	500	–	–

## 5. AMOUNTS DUE FROM CLIENTS AND BROKERS

	GROUP	
	2020 RM'000	2019 RM'000
Due from clients	51,168	77,182
Due from brokers	–	665
	51,168	77,847
Less: Allowance for expected credit losses	(3)	(839)
	51,165	77,008

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 two (2) market days in accordance with the Bursa Malaysia Securities Berhad’s (“Bursa”) Fixed Delivery and Settlement System (“FDSS”) trading rules.

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

	Lifetime ECL	
GROUP	2020 RM'000	2019 RM'000
At 1 April	839	840
Allowance for/(write-back) during the financial year	3	(1)
Write-off during the financial year	(839)	–
At 31 March	3	839

As at 31 March 2020, the Group’s and the Bank’s gross exposure of amounts due from clients and brokers that are credit impaired is RM20,000 (2019: RM1,186,000) and was collateralised.

## 6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (“FVTPL”)

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>At fair value</b>				
<u>Money market instrument:</u>				
Malaysian Government securities	281,147	–	281,147	–
Malaysian Government investment issues	156,782	41,002	156,782	41,002
	437,929	41,002	437,929	41,002
<u>Unquoted securities:</u>				
Shares	202,160	187,517	137,768	126,733
Corporate bonds and sukuk	10,025	1,921	10,025	1,921
	212,185	189,438	147,793	128,654
Total financial assets at FVTPL	650,114	230,440	585,722	169,656



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>At fair value – debt instruments</b>				
<u>Money market instruments:</u>				
Malaysian Government securities	2,629,580	2,137,524	2,423,247	1,914,515
Malaysian Government investment certificates	3,678,013	3,064,770	2,335,412	1,710,316
Negotiable instruments of deposits	–	–	505,225	732,211
Commercial papers	169,217	87,001	139,532	48,318
	6,476,810	5,289,295	5,403,416	4,405,360
<u>Quoted securities:</u>				
Shares	5	8	5	8
<u>Unquoted securities:</u>				
Corporate bonds and sukuk	5,067,692	4,189,159	3,023,357	2,447,498
	5,067,692	4,189,159	3,023,357	2,447,498
Total financial investments at FVOCI	11,544,507	9,478,462	8,426,778	6,852,866

Movements in allowance for expected credit losses are as follows:

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
<b>GROUP</b>				
At 1 April 2019	120	444	9,409	9,973
New financial investments originated or purchased	59	–	–	59
Financial investments derecognised other than write-off	(29)	–	–	(29)
Changes due to change in credit risk	(12)	(236)	–	(248)
Total charge to/(write-back from) income statement	18	(236)	–	(218)
Write-off	–	–	(9,409)	(9,409)
At 31 March 2020	138	208	–	346

## 7. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONT'D)

Movements in allowance for expected credit losses are as follows: (cont'd)

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
<b>GROUP</b>				
At 1 April 2018				
As previously stated	–	–	–	–
Effects of adoption of MFRS 9	241	1,106	9,409	10,756
As restated	241	1,106	9,409	10,756
New financial investments originated or purchased	20	–	–	20
Financial investments derecognised other than write-off	(61)	–	–	(61)
Changes due to change in credit risk	(80)	(662)	–	(742)
Total write-back from income statement	(121)	(662)	–	(783)
At 31 March 2019	120	444	9,409	9,973
<b>BANK</b>				
At 1 April 2019	55	327	–	382
New financial investments originated or purchased	43	–	–	43
Financial investments derecognised other than write-off	(25)	–	–	(25)
Changes due to change in credit risk	(2)	(176)	–	(178)
Total charge to/(write-back from) income statement	16	(176)	–	(160)
At 31 March 2020	71	151	–	222
At 1 April 2018				
As previously stated	–	–	–	–
Effects of adoption of MFRS 9	134	872	–	1,006
As restated	134	872	–	1,006
New financial investments originated or purchased	8	–	–	8
Financial investments derecognised other than write-off	(42)	–	–	(42)
Changes due to change in credit risk	(45)	(545)	–	(590)
Total write-back from income statement	(79)	(545)	–	(624)
At 31 March 2019	55	327	–	382

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 7. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONT'D)

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

	GROUP	
	2020 RM'000	2019 RM'000
At 1 April		
As previously stated	9,409	–
Effects of adoption of MFRS 9	–	9,409
As restated	9,409	9,409
Write-off during the financial year	(9,409)	–
At 31 March	–	9,409

### 8. FINANCIAL INVESTMENTS AT AMORTISED COST

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>At amortised cost</b>				
<u>Money market instruments:</u>				
Malaysian Government securities	–	121,789	–	101,446
Commercial papers	–	38,686	–	34,880
	–	160,475	–	136,326
<u>Unquoted securities:</u>				
Corporate bonds and sukuk	170,681	90,020	195,455	177,498
Allowance for expected credit losses	(49,382)	(14,775)	(25,050)	(1,894)
	121,299	75,245	170,405	175,604
Total financial investments at amortised cost	121,299	235,720	170,405	311,930

## 8. FINANCIAL INVESTMENTS AT AMORTISED COST (CONT'D)

Movements in allowance for expected credit losses are as follows:

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
<b>GROUP</b>				
At 1 April 2019	42	540	14,193	14,775
Transfer to Stage 3	–	(1,652)	50,000	48,348
New financial investments originated or purchased	131	–	–	131
Financial investments derecognised other than write-off	(26)	–	–	(26)
Changes due to change in credit risk	161	1,112	(12,511)	(11,238)
Total charge to/(write-back from) income statement	266	(540)	37,489	37,215
Write-off	–	–	(2,608)	(2,608)
At 31 March 2020	308	–	49,074	49,382
At 1 April 2018				
As previously stated	–	–	–	–
Effects of adoption of MFRS 9	–	–	14,193	14,193
As restated	–	–	14,193	14,193
New financial investments originated or purchased	42	540	–	582
Total charge to income statement	42	540	–	582
At 31 March 2019	42	540	14,193	14,775

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 8. FINANCIAL INVESTMENTS AT AMORTISED COST (CONT'D)

Movements in allowance for expected credit losses are as follows: (cont'd)

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
<b>BANK</b>				
At 1 April 2019	330	270	1,294	1,894
Transfer to Stage 3	–	(826)	25,000	24,174
New financial investments originated or purchased	23	–	–	23
Financial investments derecognised other than write-off	(23)	–	–	(23)
Changes due to change in credit risk	42	556	(1,616)	(1,018)
Total charge to/(write-back from) income statement	42	(270)	23,384	23,156
At 31 March 2020	372	–	24,678	25,050
At 1 April 2018				
As previously stated	–	–	–	–
Effects of adoption of MFRS 9	425	–	1,294	1,719
As restated	425	–	1,294	1,719
New financial investments originated or purchased	42	270	–	312
Changes due to change in credit risk	(137)	–	–	(137)
Total (write-back from)/charge to income statement	(95)	270	–	175
At 31 March 2019	330	270	1,294	1,894

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

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 April				
As previously stated	18,565	–	1,294	–
Effects of adoption of MFRS 9	–	18,565	–	1,294
As restated	18,565	18,565	1,294	1,294
Impaired during the financial year	50,000	–	25,000	–
Write-back during the financial year	(16,867)	–	(1,616)	–
Write-off during the financial year	(2,608)	–	–	–
At 31 March	49,090	18,565	24,678	1,294

## 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 Group and the Bank and the banking customers to transfer, modify or reduce their foreign exchange and interest rate risk via hedge relationships. The Group and the Bank 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 44.

The table below shows the Group's and the Bank'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.

GROUP/BANK	2020			2019		
	Contract/ Notional Amount RM'000	Fair Value		Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
<b>Trading Derivatives</b>						
<b>Foreign exchange contracts:</b>						
- Currency forwards	2,947,345	79,795	(16,168)	1,446,443	9,238	(14,131)
- Currency swaps	10,249,592	129,672	(121,419)	2,960,820	10,003	(10,326)
- Currency spots	40,337	146	(102)	190,594	246	(200)
- Currency options	170,504	302	(392)	133,034	420	(106)
<b>Interest rate related contracts:</b>						
- Interest rate swaps	8,973,080	101,352	(62,213)	5,352,961	24,198	(2,967)
- Interest rate options	150,000	1,441	–	965,048	10,291	(10,291)
<b>Equity related contracts:</b>						
- Options	952,938	124,202	(148,583)	109,768	1,046	(19,524)
<b>Total derivative assets/(liabilities)</b>	<b>23,483,796</b>	<b>436,910</b>	<b>(348,877)</b>	<b>11,158,668</b>	<b>55,442</b>	<b>(57,545)</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 10. LOANS, ADVANCES AND FINANCING

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>At amortised cost</b>				
Overdrafts	<b>4,310,148</b>	4,254,342	<b>2,611,587</b>	2,811,642
Term loans/financing				
- Housing loans/financing	<b>14,215,071</b>	14,169,222	<b>10,795,294</b>	11,220,949
- Syndicated term loans/financing	<b>387,090</b>	542,646	<b>344,603</b>	400,597
- Hire purchase receivables	<b>794,286</b>	997,023	<b>579,454</b>	700,548
- Other term loans/financing	<b>16,484,532</b>	15,144,370	<b>12,518,922</b>	11,726,939
Bills receivables	<b>544,009</b>	416,944	<b>494,913</b>	404,862
Trust receipts	<b>234,538</b>	238,682	<b>180,322</b>	199,118
Claims on customers under acceptance credits	<b>3,198,311</b>	3,262,886	<b>2,399,619</b>	2,492,765
Staff loans (Loans to Directors: RM Nil)	<b>20,799</b>	23,217	<b>4,893</b>	6,233
Credit/charge card receivables	<b>591,475</b>	628,329	<b>591,475</b>	628,329
Revolving credits	<b>1,914,081</b>	1,842,108	<b>1,216,715</b>	1,333,991
Share margin financing	<b>974,005</b>	1,210,678	<b>816,975</b>	957,244
Gross loans, advances and financing	<b>43,668,345</b>	42,730,447	<b>32,554,772</b>	32,883,217
Add: Sales commissions and handling fees	<b>100,930</b>	92,517	<b>112,016</b>	102,848
Less: Allowance for expected credit losses on loans, advances and financing	<b>(659,268)</b>	(502,663)	<b>(459,243)</b>	(363,089)
Total net loans, advances and financing	<b>43,110,007</b>	42,320,301	<b>32,207,545</b>	32,622,976

The Bank has entered into an arrangement on Commodity Murabahah Term Financing ("CMTF") with Alliance Islamic Bank Berhad ("AIS"), the Bank's wholly owned subsidiary. The contract is based on Wakalah principle where the Bank will provide the funds, while the assets are managed by AIS (as the Wakeel or agent). The risk and rewards of the underlying assets are recognised and borne by the Bank. Hence, the underlying assets and allowances for expected credit losses are recognised and accounted for by the Bank. The total loans, advances and financing for CMTF was at RM74,795,000 as at 31 March 2020 (2019: RM179,795,000).

(i) By maturity structure:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Within one year	<b>12,002,775</b>	11,948,217	<b>8,492,153</b>	8,882,437
One year to three years	<b>1,818,830</b>	2,028,957	<b>1,420,933</b>	1,596,836
Three years to five years	<b>2,566,390</b>	2,507,701	<b>1,839,745</b>	1,734,480
Over five years	<b>27,280,350</b>	26,245,572	<b>20,801,941</b>	20,669,464
Gross loans, advances and financing	<b>43,668,345</b>	42,730,447	<b>32,554,772</b>	32,883,217



## 10. LOANS, ADVANCES AND FINANCING (CONT'D)

(ii) By type of customer:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Domestic banking institutions	7	–	7	–
Domestic non-bank financial institutions	378,014	454,420	313,198	397,339
Domestic business enterprises				
– Small and medium enterprises	12,028,450	11,134,591	9,313,262	8,715,301
– Others	7,920,797	8,378,248	5,949,200	6,462,979
Government and statutory bodies	61,158	62,011	61,158	62,011
Individuals	22,586,345	21,940,809	16,329,172	16,586,050
Other domestic entities	28,176	18,154	1,955	2,087
Foreign entities	665,398	742,214	586,820	657,450
Gross loans, advances and financing	43,668,345	42,730,447	32,554,772	32,883,217

(iii) By interest/profit rate sensitivity:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fixed rate				
– Housing loans/financing	29,878	30,924	5,717	3,819
– Hire purchase receivables	779,425	975,868	564,614	679,421
– Other fixed rate loans/financing	6,491,640	6,680,657	4,348,004	4,632,043
Variable rate				
– Base lending rate plus	24,771,256	26,180,959	20,145,220	20,862,144
– Base rate plus	7,296,462	4,659,660	4,293,863	3,485,583
– Cost plus	4,299,684	4,202,379	3,197,354	3,220,207
Gross loans, advances and financing	43,668,345	42,730,447	32,554,772	32,883,217

(iv) By economic purposes:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Purchase of securities	1,075,829	1,204,373	918,799	950,940
Purchase of transport vehicles	591,753	777,449	403,320	496,279
Purchase of landed property	22,253,657	22,319,389	17,374,582	18,002,032
of which: – Residential	15,139,741	15,172,297	11,644,268	12,160,606
– Non-residential	7,113,916	7,147,092	5,730,314	5,841,426
Purchase of fixed assets excluding land and buildings	310,707	322,933	253,435	283,977
Personal use	5,596,799	4,624,412	2,992,022	2,575,790
Credit card	591,475	628,329	591,475	628,329
Construction	917,764	598,923	821,135	542,695
Working capital	9,834,498	9,673,428	7,304,339	7,455,372
Others	2,495,863	2,581,211	1,895,665	1,947,803
Gross loans, advances and financing	43,668,345	42,730,447	32,554,772	32,883,217

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 10. LOANS, ADVANCES AND FINANCING (CONT'D)

(v) By economic sectors:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Primary agriculture	<b>1,182,797</b>	1,196,302	<b>785,972</b>	833,028
Mining and quarrying	<b>217,775</b>	108,987	<b>170,095</b>	79,178
Manufacturing	<b>4,649,052</b>	4,362,547	<b>3,457,224</b>	3,335,652
Electricity, gas, and water	<b>64,751</b>	27,550	<b>64,102</b>	27,275
Construction	<b>1,450,390</b>	1,430,089	<b>1,119,984</b>	1,221,984
Wholesale, retail trade, restaurants and hotels	<b>7,205,291</b>	7,336,428	<b>5,704,536</b>	5,855,915
Transport, storage and communication	<b>734,344</b>	699,026	<b>558,353</b>	520,457
Financing, insurance, real estate and business services	<b>4,526,853</b>	4,458,400	<b>3,514,669</b>	3,486,142
Community, social and personal services	<b>365,025</b>	370,882	<b>248,597</b>	234,516
Household	<b>23,241,404</b>	22,663,015	<b>16,905,652</b>	17,223,493
Others	<b>30,663</b>	77,221	<b>25,588</b>	65,577
Gross loans, advances and financing	<b>43,668,345</b>	42,730,447	<b>32,554,772</b>	32,883,217

(vi) By geographical distribution:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Northern region	<b>3,201,596</b>	3,099,338	<b>2,213,240</b>	2,231,147
Central region	<b>31,069,178</b>	30,518,935	<b>23,443,133</b>	23,759,896
Southern region	<b>5,398,941</b>	5,273,067	<b>4,108,062</b>	3,989,423
Sabah region	<b>2,935,679</b>	2,867,868	<b>2,047,712</b>	2,174,295
Sarawak region	<b>1,062,951</b>	971,239	<b>742,625</b>	728,456
Gross loans, advances and financing	<b>43,668,345</b>	42,730,447	<b>32,554,772</b>	32,883,217

## 10. LOANS, ADVANCES AND FINANCING (CONT'D)

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

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 April				
As previously stated	<b>476,602</b>	577,519	<b>369,124</b>	470,646
Effects of adoption of MFRS 9	–	(16,386)	–	(15,008)
As restated	<b>476,602</b>	561,133	<b>369,124</b>	455,638
Impaired during the financial year	<b>1,170,873</b>	722,929	<b>839,485</b>	533,179
Recovered during the financial year	<b>(76,964)</b>	(100,684)	<b>(64,860)</b>	(75,340)
Reclassified as unimpaired during the financial year	<b>(441,903)</b>	(484,529)	<b>(336,748)</b>	(379,515)
Financial assets derecognised other than write-off during the financial year	<b>(100,252)</b>	(85,352)	<b>(64,291)</b>	(75,194)
Amount written-off	<b>(157,016)</b>	(136,895)	<b>(104,367)</b>	(89,644)
At 31 March	<b>871,340</b>	476,602	<b>638,343</b>	369,124
Gross impaired loans as % of gross loans, advances and financing	<b>2.00%</b>	1.12%	<b>1.96%</b>	1.12%

The Group and the Bank may write-off financial assets when relevant recovery actions have been exhausted or further recovery is not economically feasible or justifiable. The outstanding contractual amounts of such assets written-off during the year amounting to RM157,016,000 and RM104,367,000 (2019: RM136,895,000 and RM89,644,000) for the Group and the Bank respectively. The Group and the Bank still seek to recover amounts that is legally owed in full, but which have been partially or fully written-off and are still subject to enforcement activity.

(viii) Credit impaired loans analysed by economic purposes:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Purchase of transport vehicles	<b>24,748</b>	17,088	<b>18,904</b>	14,777
Purchase of landed property	<b>443,777</b>	234,412	<b>326,689</b>	184,647
of which: - Residential	<b>364,862</b>	153,789	<b>275,103</b>	129,916
- Non-residential	<b>78,915</b>	80,623	<b>51,586</b>	54,731
Purchase of fixed assets excluding land and buildings	<b>22,100</b>	21,220	<b>21,748</b>	20,579
Personal use	<b>194,075</b>	81,293	<b>112,748</b>	47,995
Credit card	<b>11,153</b>	9,045	<b>11,153</b>	9,045
Construction	<b>8,120</b>	8,429	<b>8,120</b>	8,429
Working capital	<b>131,961</b>	79,382	<b>106,223</b>	60,685
Others	<b>35,406</b>	25,733	<b>32,758</b>	22,967
Gross impaired loans	<b>871,340</b>	476,602	<b>638,343</b>	369,124

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 10. LOANS, ADVANCES AND FINANCING (CONT'D)

(ix) Credit impaired loans analysed by economic sectors:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Primary agriculture	1,706	2,385	578	1,272
Mining and quarrying	1,478	–	1,478	–
Manufacturing	76,982	47,582	69,081	30,372
Construction	48,823	27,517	34,653	21,788
Wholesale, retail trade, restaurants and hotels	112,821	105,193	81,132	82,487
Transport, storage and communication	6,138	3,392	4,090	3,026
Financing, insurance, real estate and business services	30,232	25,503	29,031	24,265
Community, social and personal services	3,101	8,634	3,101	8,634
Household	588,904	256,388	414,044	197,273
Others	1,155	8	1,155	7
Gross impaired loans	871,340	476,602	638,343	369,124

(x) Credit impaired loans by geographical distribution:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Northern region	85,202	49,667	60,317	39,874
Central region	623,066	326,982	449,333	246,940
Southern region	118,968	63,370	94,908	49,183
Sabah region	32,649	25,316	24,474	22,554
Sarawak region	11,455	11,267	9,311	10,573
Gross impaired loans	871,340	476,602	638,343	369,124

## 10. LOANS, ADVANCES AND FINANCING (CONT'D)

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

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
<b>GROUP</b>				
At 1 April 2019	72,679	212,519	217,465	502,663
Transfer to Stage 1	31,354	(165,725)	(4,458)	(138,829)
Transfer to Stage 2	(44,896)	286,244	(105,254)	136,094
Transfer to Stage 3	(98)	(135,779)	342,624	206,747
New financial assets originated or purchased	57,681	139,436	19,768	216,885
Financial assets derecognised other than write-off	(26,835)	(138,100)	(27,367)	(192,302)
Changes due to change in credit risk	6,655	71,828	(20,379)	58,104
Other adjustment	16	33	12	61
	23,877	57,937	204,946	286,760
Unwinding of discount	–	–	(9,410)	(9,410)
Total charge to income statement	23,877	57,937	195,536	277,350
Write-off	(3)	(1,169)	(119,573)	(120,745)
At 31 March 2020	96,553	269,287	293,428	659,268
At 1 April 2018				
As previously stated under MFRS139				372,449
Effects of adoption of MFRS 9				90,879
As restated	66,941	203,691	192,696	463,328
Transfer to Stage 1	24,268	(132,004)	(7,270)	(115,006)
Transfer to Stage 2	(40,020)	232,846	(103,159)	89,667
Transfer to Stage 3	(181)	(114,361)	254,377	139,835
New financial assets originated or purchased	70,774	154,861	15,818	241,453
Financial assets derecognised other than write-off	(39,199)	(152,890)	(19,415)	(211,504)
Changes due to change in credit risk	(9,934)	20,361	(7,814)	2,613
Other adjustment	30	150	–	180
	5,738	8,963	132,537	147,238
Unwinding of discount	–	–	(6,941)	(6,941)
Total charge to income statement	5,738	8,963	125,596	140,297
Write-off	–	(135)	(100,827)	(100,962)
At 31 March 2019	72,679	212,519	217,465	502,663

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 10. LOANS, ADVANCES AND FINANCING (CONT'D)

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

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
<b>BANK</b>				
At 1 April 2019	49,135	142,622	171,332	363,089
Transfer to Stage 1	21,575	(116,457)	(3,908)	(98,790)
Transfer to Stage 2	(29,604)	197,930	(75,350)	92,976
Transfer to Stage 3	(81)	(82,648)	238,931	156,202
New financial assets originated or purchased	35,395	113,212	12,829	161,436
Financial assets derecognised other than write-off	(17,721)	(114,040)	(18,108)	(149,869)
Changes due to change in credit risk	4,962	37,191	(20,077)	22,076
Other adjustment	16	33	12	61
	14,542	35,221	134,329	184,092
Unwinding of discount	–	–	(6,612)	(6,612)
Total charge to income statement	14,542	35,221	127,717	177,480
Write-off	–	(647)	(80,679)	(81,326)
At 31 March 2020	63,677	177,196	218,370	459,243
At 1 April 2018				
As previously stated under MFRS139				285,402
Effects of adoption of MFRS 9				52,797
As restated	43,894	137,652	156,653	338,199
Transfer to Stage 1	15,264	(90,649)	(5,930)	(81,315)
Transfer to Stage 2	(24,760)	154,042	(71,881)	57,401
Transfer to Stage 3	(148)	(65,538)	178,889	113,203
New financial assets originated or purchased	46,449	120,924	7,800	175,173
Financial assets derecognised other than write-off	(26,381)	(118,951)	(16,490)	(161,822)
Changes due to change in credit risk	(5,213)	5,001	(4,699)	(4,911)
Other adjustment	30	150	–	180
	5,241	4,979	87,689	97,909
Unwinding of discount	–	–	(5,408)	(5,408)
Total charge to income statement	5,241	4,979	82,281	92,501
Write-off	–	(9)	(67,602)	(67,611)
At 31 March 2019	49,135	142,622	171,332	363,089

## 10. LOANS, ADVANCES AND FINANCING (CONT'D)

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

### 2020

Stage 1 expected credit losses ("ECL") for the Group and the Bank increased by RM23.9 million and RM14.5 million during the financial year mainly due to:

- Newly originated gross carrying amounts ("GCA") for loans, advances and financing; and
- ECL for GCA transferred from Stage 2 and 3 to Stage 1.

Partly offset by

- ECL for GCA transferred from Stage 1 to Stage 2; and
- Derecognition of GCA for loans, advances and financing from full settlement.

Stage 2 ECL for the Group and the Bank increased by RM56.8 million and RM34.6 million mainly due to:

- ECL for GCA transferred from Stage 1 and 3 to Stage 2.

Partly offset by

- ECL for GCA transferred from Stage 2 to Stage 1 and 3; and
- Derecognition of GCA for loans, advances and financing from full settlement.

Stage 3 ECL for the Group and the Bank increased by RM76.0 million and RM47.0 million mainly due to:

- ECL for GCA transferred from Stage 1 and 2 to Stage 3.

Partly offset by

- ECL for GCA transferred from Stage 3 to Stage 2.

The GCA of the Group and the Bank were written-off by RM159.2 million and RM105.4 million resulted in the reduction of ECL for all stages.

Details of gross carrying amounts are disclosed in Note 44(a)(v).



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 10. LOANS, ADVANCES AND FINANCING (CONT'D)

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

#### 2019

Stage 1 expected credit losses ("ECL") for the Group and the Bank increased by RM5.7 million and RM5.2 million during the financial year mainly due to:

- Newly originated loans, advances and financing for the Group's and the Bank's amounting to RM23.2 billion and RM15.2 billion;
- Transfer of the Group's and the Bank's gross carrying amount from Stage 2 and 3 to Stage 1 by RM4.3 billion and RM3.4 billion;

Offset by

- Settlement of the Group's and the Bank's gross carrying amount of RM17.5 billion and RM11.9 billion; and
- Transfer of the Group's and the Bank's gross carrying amount from Stage 1 to Stage 2 by RM5.3 billion and RM4.1 billion.

Stage 2 ECL for the Group and the Bank increased by RM9.0 million and RM4.9 million mainly due to:

- Transfer of the Group's and the Bank's gross carrying amount from Stage 1 and 3 to Stage 2 by RM5.6 billion and RM4.3 billion;
- Newly originated loans, advances and financing for the Group's and the Bank's amounting to RM4.8 billion and RM3.2 billion;

Offset by

- Transfer of the Group's and the Bank's gross carrying amount from Stage 2 to Stage 1 and 3 by RM5.0 billion and RM3.8 billion; and
- Settlement of the Group's and the Bank's gross carrying amount of RM4.5 billion and RM3.2 billion.

Stage 3 ECL for the Group and the Bank increased by RM132.5 million and RM87.7 million mainly due to:

- Transfer of the Group's and the Bank's gross carrying amount from Stage 1 and 2 to Stage 3 by RM0.7 billion and RM0.5 billion;

Offset by

- Transfer of the Group's and the Bank's gross carrying amount from Stage 3 to Stage 2 by RM0.4 billion and RM0.3 billion.

The gross carrying amount of the Group and the Bank were written-off by RM137.3 million and RM89.6 million had resulted in the reduction of Stage 3 and 2.

## 11. OTHER ASSETS

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other receivables	65,827	86,513	50,114	72,185
Collateral pledged for derivative transactions	137,005	23,292	136,767	23,056
Settlement account	56,352	94,606	56,352	94,606
Deposits	8,984	8,775	8,330	8,122
Prepayment	32,495	20,038	29,361	18,573
Amounts due from subsidiaries [Note (a)]	–	–	18,680	133,557
Amount due from joint venture [Note (a)]	171	299	309	299
	300,834	233,523	299,913	350,398
Allowance for expected credit losses on other receivables [Note (b)]	(38,212)	(34,385)	(33,143)	(29,604)
	262,622	199,138	266,770	320,794

Note:

(a) Amounts due from subsidiaries and joint venture

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-interest bearing	171	299	18,989	133,856

The amounts due from subsidiaries and joint venture are unsecured, interest-free and repayable upon demand.

(b) Movements for allowance for expected credit losses on other receivables are as follows:

	GROUP		BANK	
Lifetime ECL	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 April				
As previously stated	34,385	32,017	29,604	27,578
Effects of adoption of MFRS 9	–	–	–	–
As restated	34,385	32,017	29,604	27,578
New financial assets originated or purchased	299	1,174	–	–
Financial assets derecognised other than write-off	(179)	(1,382)	–	–
Changes due to change in credit risk	3,707	3,527	3,539	2,977
Total charge to income statement	3,827	3,319	3,539	2,977
Write-off	–	(951)	–	(951)
At 31 March	38,212	34,385	33,143	29,604

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 12. STATUTORY DEPOSITS

- (a) Non-interest bearing statutory deposits for the Group and the Bank of RM948,949,000 and RM700,355,000 (2019: RM1,521,492,000 and RM1,142,108,000 respectively) 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.
- (b) Interest bearing statutory deposits of RM100,000 (2019: RM100,000) relating to a subsidiary, Alliance Trustee Berhad which is maintained with Accountant-General in compliance with Section 3(f) of the Trust Companies Act, 1949.

### 13. INVESTMENTS IN SUBSIDIARIES

	BANK	
	2020 RM'000	2019 RM'000
Unquoted shares, at cost		
At 1 April	989,102	989,102
Return of capital from a subsidiary	(80,000)	–
At 31 March	909,102	989,102

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

Name	Principal activities	Effective equity interest	
		2020 %	2019 %
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
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 Trustee Berhad [Note (a)]	Trustee services	100	100
Alliance Financial Group Berhad (under members' voluntary winding up)	Dormant	100	100

### 13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Name	Principal activities	Effective equity interest	
		2020 %	2019 %
Subsidiaries of Alliance Investment Bank Berhad			
ARSB Alliance Sdn. Bhd. (dissolved on 9 August 2019)	Liquidated	–	100
KLCS Sdn. Bhd. (dissolved on 9 August 2019)	Liquidated	–	100
Subsidiaries of Alliance Financial Group Berhad			
Kota Indrapura Development (under members’ voluntary winding up)	Dormant	100	100
Hijauan Setiu Sdn. Bhd. (dissolved on 9 August 2019)	Liquidated	–	100
Setiu Intergrated Resort Sdn. Bhd. (dissolved on 9 August 2019)	Liquidated	–	100

Note:

(a) Alliance Trustee Berhad is jointly held by the Bank and the following subsidiaries:

	Effective equity interest	
	2020 %	2019 %
Alliance Investment Bank Berhad	20	20
Alliance Direct Marketing Sdn. Bhd.	20	20
AllianceGroup Nominees (Asing) Sdn. Bhd.	20	20
AllianceGroup Nominees (Tempatan) Sdn. Bhd.	20	20

(b) The below wholly-owned subsidiaries of Alliance Investment Bank Berhad ("AIBB") and Alliance Financial Group Berhad ("AFG") respectively which in turn are wholly-owned subsidiaries of the Bank have been dissolved by way of members' voluntary winding-up pursuant to Section 459(5) of the Companies Act 2016 on 9 August 2019:

Wholly-owned subsidiaries of AIBB

- (i) KLCS Sdn. Bhd.
- (ii) ARSB Alliance Sdn. Bhd.

Wholly-owned subsidiaries of AFG

- (i) Hijauan Setiu Sdn. Bhd.
- (ii) Setiu Integrated Resort Sdn. Bhd.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 14. INVESTMENT IN JOINT VENTURE

	GROUP	
	2020 RM'000	2019 RM'000
Unquoted shares		
At 1 April	802	693
Share of results	101	109
At 31 March	903	802
Represented by:		
Share of net tangible assets	903	802

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

Name	Principal activities	Effective equity interest	
		2020 %	2019 %
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 net assets of the entity.

#### 14. INVESTMENTS IN JOINT VENTURE (CONT'D)

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

	GROUP	
	2020 RM'000	2019 RM'000
<b>Assets and Liabilities</b>		
<b>Current assets</b>		
Cash and short term funds	2,378	2,377
Other current assets	815	546
<b>Total current assets</b>	<b>3,193</b>	2,923
Non-current assets	430	509
<b>Total assets</b>	<b>3,623</b>	3,432
<b>Current liabilities</b>		
Other liabilities (non-trade)	1,774	1,860
<b>Total current liabilities</b>	<b>1,774</b>	1,860
Non-current liabilities	78	–
<b>Total liabilities</b>	<b>1,852</b>	1,860
<b>Net assets</b>	<b>1,771</b>	1,572
The summarised statement of comprehensive income is as follows:		
Revenue	6,096	6,585
Profit before tax for the financial year	264	284
Profit after tax for the financial year	199	213
The above profit includes the following:		
Depreciation and amortisation	(28)	(31)
Taxation	(66)	(71)
Reconciliation of summarised financial information:		
<u>Net assets</u>		
At 1 April	1,572	1,359
Profit for the financial year	199	213
At 31 March	1,771	1,572
Carrying value at 51% share of the equity interest of a joint venture	903	802

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 15. RIGHT-OF-USE ASSETS

GROUP	Premises RM'000	Leasehold land RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
<b>2020</b>						
<b>COST</b>						
At 1 April 2019						
As previously stated	–	–	–	–	–	–
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	187,342	13,523	2,957	5,663	–	209,485
As restated	187,342	13,523	2,957	5,663	–	209,485
Additions	18,426	–	–	–	796	19,222
Remeasurement	(6,272)	–	–	–	–	(6,272)
Termination of contracts	(3,090)	–	–	–	–	(3,090)
At 31 March 2020	196,406	13,523	2,957	5,663	796	219,345
<b>ACCUMULATED DEPRECIATION</b>						
At 1 April 2019						
As previously stated	–	–	–	–	–	–
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	61,373	4,238	–	917	–	66,528
As restated	61,373	4,238	–	917	–	66,528
Charge for the financial year	21,824	137	986	1,179	133	24,259
Termination of contracts	(618)	–	–	–	–	(618)
At 31 March 2020	82,579	4,375	986	2,096	133	90,169
<b>ACCUMULATED IMPAIRMENT LOSSES</b>						
At 1 April 2019						
As previously stated	–	–	–	–	–	–
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	–	37	–	–	–	37
As restated	–	37	–	–	–	37
At 31 March 2020	–	37	–	–	–	37
<b>NET CARRYING AMOUNT</b>	113,827	9,111	1,971	3,567	663	129,139



## 15. RIGHT-OF-USE ASSETS (CONT'D)

BANK	Premises RM'000	Leasehold land RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
<b>2020</b>						
<b>COST</b>						
At 1 April 2019						
As previously stated	–	–	–	–	–	–
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	187,112	13,523	2,957	5,663	–	209,255
As restated	187,112	13,523	2,957	5,663	–	209,255
Additions	18,425	–	–	–	796	19,221
Remeasurement	(6,245)	–	–	–	–	(6,245)
Termination of contracts	(3,090)	–	–	–	–	(3,090)
At 31 March 2020	196,202	13,523	2,957	5,663	796	219,141
<b>ACCUMULATED DEPRECIATION</b>						
At 1 April 2019						
As previously stated	–	–	–	–	–	–
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	61,277	4,238	–	917	–	66,432
As restated	61,277	4,238	–	917	–	66,432
Charge for the financial year	21,778	137	986	1,179	133	24,213
Termination of contracts	(618)	–	–	–	–	(618)
At 31 March 2020	82,437	4,375	986	2,096	133	90,027
<b>ACCUMULATED IMPAIRMENT LOSSES</b>						
At 1 April 2019						
As previously stated	–	–	–	–	–	–
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	–	37	–	–	–	37
As restated	–	37	–	–	–	37
At 31 March 2020	–	37	–	–	–	37
<b>NET CARRYING AMOUNT</b>	113,765	9,111	1,971	3,567	663	129,077

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 16. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land RM'000	← Leasehold land →			Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
		50 years or more RM'000	Less than 50 years RM'000	→						
<b>2020</b>										
<b>COST</b>										
At 1 April 2019										
As previously stated	1,953	11,673	1,850		30,332	125,784	56,755	77,435	870	306,652
Effects of adoption of MFRS 16 [Note 2(a)(iii)]	-	(11,673)	(1,850)		-	-	-	-	-	(13,523)
As restated	1,953	-	-		30,332	125,784	56,755	77,435	870	293,129
Additions	-	-	-		-	9,842	6,678	10,334	-	26,854
Disposals	-	-	-		(1,547)	-	-	(7)	(4)	(1,558)
Written-off	-	-	-		-	(5,206)	(5,001)	(34,233)	(10)	(44,450)
At 31 March 2020	1,953	-	-		28,785	130,420	58,432	53,529	856	273,975
<b>ACCUMULATED DEPRECIATION</b>										
At 1 April 2019										
As previously stated	-	3,195	1,043		12,919	118,925	40,408	59,395	208	236,093
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	-	(3,195)	(1,043)		-	-	-	-	-	(4,238)
As restated	-	-	-		12,919	118,925	40,408	59,395	208	231,855
Charge for the financial year	-	-	-		557	3,896	6,192	11,878	138	22,661
Disposals	-	-	-		(765)	-	-	(7)	(4)	(776)
Written-off	-	-	-		-	(5,093)	(4,944)	(34,229)	(10)	(44,276)
At 31 March 2020	-	-	-		12,711	117,728	41,656	37,037	332	209,464
<b>ACCUMULATED IMPAIRMENT LOSSES</b>										
At 1 April 2019										
As previously stated	-	37	-		25	-	-	-	-	62
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	-	(37)	-		-	-	-	-	-	(37)
As restated	-	-	-		25	-	-	-	-	25
At 31 March 2020	-	-	-		25	-	-	-	-	25
<b>NET CARRYING AMOUNT</b>	1,953	-	-		16,049	12,692	16,776	16,492	524	64,486

## 16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

GROUP	Freehold land RM'000	← Leasehold land →		Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
		50 years or more RM'000	Less than 50 years RM'000						
<b>2019</b>									
<b>COST</b>									
At 1 April 2018	1,953	11,673	1,850	30,332	124,220	56,296	62,070	870	289,264
Additions	-	-	-	-	1,951	5,876	16,733	-	24,560
Disposals	-	-	-	-	-	(1,352)	(57)	-	(1,409)
Written-off	-	-	-	-	(387)	(4,065)	(1,311)	-	(5,763)
At 31 March 2019	1,953	11,673	1,850	30,332	125,784	56,755	77,435	870	306,652
<b>ACCUMULATED DEPRECIATION</b>									
At 1 April 2018	-	3,077	1,024	12,332	113,209	38,922	51,195	70	219,829
Charge for the financial year	-	118	19	587	6,099	6,876	9,496	138	23,333
Disposals	-	-	-	-	-	(1,348)	-	-	(1,348)
Written-off	-	-	-	-	(383)	(4,042)	(1,296)	-	(5,721)
At 31 March 2019	-	3,195	1,043	12,919	118,925	40,408	59,395	208	236,093
<b>ACCUMULATED IMPAIRMENT LOSSES</b>									
At 1 April 2018/31 March 2019	-	37	-	25	-	-	-	-	62
<b>NET CARRYING AMOUNT</b>	1,953	8,441	807	17,388	6,859	16,347	18,040	662	70,497

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

BANK	Freehold land RM'000	Leasehold land →			Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
		50 years or more RM'000	Less than 50 years RM'000	→						
<b>2020</b>										
<b>COST</b>										
At 1 April 2019										
As previously stated	1,953	11,673	1,850		29,373	121,888	57,513	72,406	944	297,600
Effects of adoption of MFRS 16 [Note 2(a)(iii)]	-	(11,673)	(1,850)		-	-	-	-	-	(13,523)
As restated	1,953	-	-		29,373	121,888	57,513	72,406	944	284,077
Additions	-	-	-		-	9,577	6,670	10,267	-	26,514
Disposals	-	-	-		(1,547)	-	-	(7)	(4)	(1,558)
Written-off	-	-	-		-	(3,379)	(4,268)	(21,342)	(5)	(28,994)
At 31 March 2020	1,953	-	-		27,826	128,086	59,915	61,324	935	280,039
<b>ACCUMULATED DEPRECIATION</b>										
At 1 April 2019										
As previously stated	-	3,195	1,043		11,959	115,717	41,803	54,400	243	228,360
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	-	(3,195)	(1,043)		-	-	-	-	-	(4,238)
As restated	-	-	-		11,959	115,717	41,803	54,400	243	224,122
Charge for the financial year	-	-	-		557	3,593	6,032	11,790	138	22,110
Disposals	-	-	-		(765)	-	-	(7)	(4)	(776)
Written-off	-	-	-		-	(3,333)	(4,214)	(21,338)	(5)	(28,890)
At 31 March 2020	-	-	-		11,751	115,977	43,621	44,845	372	216,566
<b>ACCUMULATED IMPAIRMENT LOSSES</b>										
At 1 April 2019										
As previously stated	-	37	-		25	-	-	-	-	62
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	-	(37)	-		-	-	-	-	-	(37)
As restated	-	-	-		25	-	-	-	-	25
At 31 March 2020	-	-	-		25	-	-	-	-	25
<b>NET CARRYING AMOUNT</b>	1,953	-	-		16,050	12,109	16,294	16,479	563	63,448

## 16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

BANK	Freehold land RM'000	Leasehold land		Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
		50 years or more RM'000	Less than 50 years RM'000						
<b>2019</b>									
<b>COST</b>									
At 1 April 2018	1,953	11,673	1,850	29,373	120,683	57,080	57,095	944	280,651
Additions	-	-	-	-	1,592	5,851	16,679	-	24,122
Disposals	-	-	-	-	-	(1,352)	(57)	-	(1,409)
Written-off	-	-	-	-	(387)	(4,066)	(1,311)	-	(5,764)
At 31 March 2019	1,953	11,673	1,850	29,373	121,888	57,513	72,406	944	297,600
<b>ACCUMULATED DEPRECIATION</b>									
At 1 April 2018	-	3,077	1,024	11,372	110,406	40,483	46,288	105	212,755
Charge for the financial year	-	118	19	587	5,694	6,710	9,408	138	22,674
Disposals	-	-	-	-	-	(1,348)	-	-	(1,348)
Written-off	-	-	-	-	(383)	(4,042)	(1,296)	-	(5,721)
At 31 March 2019	-	3,195	1,043	11,959	115,717	41,803	54,400	243	228,360
<b>ACCUMULATED IMPAIRMENT LOSSES</b>									
At 1 April 2018/31 March 2019	-	37	-	25	-	-	-	-	62
<b>NET CARRYING AMOUNT</b>	1,953	8,441	807	17,389	6,171	15,710	18,006	701	69,178

Note:

Included in property, plant and equipment of the Group and the Bank are computer equipment under finance lease with a carrying amount of RM Nil (2019: RM688,000).

Details of the finance lease arrangement is disclosed in Note 26.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 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 statements of financial position after appropriate offsetting are as follows:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deferred tax assets, net	<b>28,125</b>	72,972	<b>14,074</b>	50,116
Deferred tax liabilities, net	<b>(8,379)</b>	(2,163)	–	–
	<b>19,746</b>	70,809	<b>14,074</b>	50,116

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 April				
As previously stated	<b>70,809</b>	10,757	<b>50,116</b>	9,223
Effects of adoption of MFRS 9	–	34,364	–	20,873
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	<b>3,008</b>	–	<b>3,004</b>	–
As restated	<b>73,817</b>	45,121	<b>53,120</b>	30,096
Recognised in statements of income	<b>(31,199)</b>	45,385	<b>(25,415)</b>	28,749
Recognised in equity	<b>(22,872)</b>	(19,697)	<b>(13,631)</b>	(8,729)
At 31 March	<b>19,746</b>	70,809	<b>14,074</b>	50,116

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

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deferred tax assets	<b>70,931</b>	95,872	<b>45,451</b>	64,586
Deferred tax liabilities	<b>(51,185)</b>	(25,063)	<b>(31,377)</b>	(14,470)
	<b>19,746</b>	70,809	<b>14,074</b>	50,116

## 17. DEFERRED TAX (CONT'D)

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

GROUP	Unabsorbed tax losses and capital allowances RM'000	Allowance for expected credit losses RM'000	Other liabilities RM'000	Leases RM'000	Financial investments available- for-sale RM'000	Financial investments at fair value through other comprehensive income RM'000	Property, plant and equipment RM'000	Total RM'000
<b>Deferred tax assets/ (liabilities)</b>								
At 1 April 2018								
As previously stated	-	-	49,645	-	(36,311)	-	(2,577)	10,757
Effects of adoption of MFRS 9	-	-	-	-	36,311	(1,947)	-	34,364
As restated	-	-	49,645	-	-	(1,947)	(2,577)	45,121
Recognised in statements of income	-	46,878	(651)	-	-	-	(842)	45,385
Recognised in equity	-	-	-	-	-	(19,697)	-	(19,697)
At 31 March 2019/ 1 April 2019	-	46,878	48,994	-	-	(21,644)	(3,419)	70,809
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	-	-	-	3,008	-	-	-	3,008
As restated	-	46,878	48,994	3,008	-	(21,644)	(3,419)	73,817
Recognised in statements of income	2	(31,144)	3,340	(147)	-	-	(3,250)	(31,199)
Recognised in equity	-	-	-	-	-	(22,872)	-	(22,872)
At 31 March 2020	2	15,734	52,334	2,861	-	(44,516)	(6,669)	19,746

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 17. DEFERRED TAX (CONT'D)

The components and movements of deferred tax assets and liabilities during the financial year are as follows: (cont'd)

BANK	Allowance for expected credit losses RM'000	Other liabilities RM'000	Leases RM'000	Financial investments available- for-sale RM'000	Financial investments at fair value through other comprehensive income RM'000	Property, plant and equipment RM'000	Total RM'000
<b>Deferred tax assets/ (liabilities)</b>							
At 1 April 2018							
As previously stated	-	35,236	-	(23,655)	-	(2,358)	9,223
Effects of adoption of MFRS 9	-	-	-	23,655	(2,782)	-	20,873
As restated	-	35,236	-	-	(2,782)	(2,358)	30,096
Recognised in statements of income	32,163	(2,813)	-	-	-	(601)	28,749
Recognised in equity	-	-	-	-	(8,729)	-	(8,729)
At 31 March 2019/ 1 April 2019	32,163	32,423	-	-	(11,511)	(2,959)	50,116
Effects of adoption of MFRS 16 [Note 2(a)(iii)]	-	-	3,004	-	-	-	3,004
As restated	32,163	32,423	3,004	-	(11,511)	(2,959)	53,120
Recognised in statements of income	(22,247)	245	(137)	-	-	(3,276)	(25,415)
Recognised in equity	-	-	-	-	(13,631)	-	(13,631)
At 31 March 2020	9,916	32,668	2,867	-	(25,142)	(6,235)	14,074

Note: Other liabilities include provisions and deferred income.



## 18. INTANGIBLE ASSETS

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Goodwill</u>				
<b>Cost:</b>				
At 1 April/ 31 March	301,997	301,997	186,272	186,272
<b>Impairment:</b>				
At 1 April	12,032	3,292	45	45
Impaired during the financial year	4,317	8,740	306	–
At 31 March	16,349	12,032	351	45
Net carrying amount	285,648	289,965	185,921	186,227
<u>Computer software</u>				
<b>Cost:</b>				
At 1 April	307,213	244,736	296,622	236,710
Additions	49,705	64,327	48,947	61,664
Written-off	(7,654)	(1,850)	(6,912)	(1,752)
At 31 March	349,264	307,213	338,657	296,622
<b>Accumulated amortisation:</b>				
At 1 April	164,217	134,039	159,045	129,956
Charge for the financial year	36,864	30,206	35,366	29,117
Written-off	(3,255)	(28)	(2,513)	(28)
At 31 March	197,826	164,217	191,898	159,045
Net carrying amount	151,438	142,996	146,759	137,577
Total carrying amount	437,086	432,961	332,680	323,804

Note: Computer software of the Group and the Bank includes work in progress of RM44,430,000 and RM43,979,000 (2019: RM35,819,000 and RM35,549,000 respectively) which is not amortised until ready for use.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 18. INTANGIBLE ASSETS (CONT'D)

#### (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:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Consumer banking	101,565	101,565	67,513	67,513
Business banking	100,822	100,822	81,448	81,448
Financial markets	83,261	83,261	36,960	36,960
Corporate finance and capital market	–	630	–	40
Stockbroking business	–	3,687	–	266
	<b>285,648</b>	289,965	<b>185,921</b>	186,227

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 uses pre-tax cash flow projections based on financial budget and business plans approved by the Board of Directors. The key assumptions for the computation of value-in-use include the discount rates, cash flow projection and growth rates applied are as follows:

#### (i) Discount rate

The discount rate used are pre-tax and reflect specific risks relating to the CGUs. The discount rate used in determining the recoverable amount are as follows:

	GROUP	
	2020 %	2019 %
Consumer banking	7.87	7.92
Business banking	7.91	7.93
Financial markets	5.51	6.47
Corporate finance and capital market	–	7.92
Stockbroking business	–	7.87

#### (ii) Cash flow projections and growth rate

Cash flow projections are based on four-year financial budget and business plans approved by the Board of Directors. The cash flow projections are derived based on multiple probability weighted scenarios considering a number of key factors including past performance and management's expectation of market developments. It has also taken consideration on the recent development on COVID-19 and economic slowdown where:

- Additional reduction of overnight policy rate by 50bps to 75bps for financial year 2021;
- Impact of a period of 6 months moratorium of loans and financing repayment; and
- Lower revenue ranging from 1% to 15% resulting from business disruption for Consumer Banking, Business Banking and Financial Market CGU.

Cash flows beyond the fourth year are extrapolated in perpetuity using terminal growth rate at 4.0% (2019: 4.6%), representing the forecasted GDP growth rate of the country for the CGUs.

## 18. INTANGIBLE ASSETS (CONT'D)

### (a) Impairment Test on Goodwill (cont'd)

#### (iii) Impairment

During the financial year, the Group and the Bank have recognised an impairment loss of RM4,317,000 and RM306,000 (2019: RM8,740,000 and RM Nil) in respect of the stockbroking business and corporate finance and capital market. The impairment loss is driven by lower projected cash flows resulting from the reassessment of expected future business performance in the light of current trading and economic condition.

### (b) Sensitivity to changes in assumptions

Management is of a view that any reasonable possible changes in the key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount of the CGUs other than the stockbroking business and corporate finance and capital market CGUs which was impaired during the year.

Sensitivity analysis was performed by stressing the terminal growth rates ranging between -7.1% to -11.7% or the discount rates ranging between 15.7% to 16.6% which resulted in a breakeven point between the carrying amount and recoverable amount for the CGUs.

## 19. DEPOSITS FROM CUSTOMERS

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Demand deposits	16,336,793	14,207,328	12,940,524	11,510,890
Savings deposits	1,794,343	1,753,526	1,455,337	1,432,970
Fixed/investment deposits	26,860,214	25,676,643	20,127,431	19,430,211
Money market deposits	3,091,717	2,917,200	1,848,021	2,206,407
Negotiable instruments of deposits	342,785	462,935	331,676	402,384
	48,425,852	45,017,632	36,702,989	34,982,862

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

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Due within six months	21,708,936	19,128,642	16,266,375	14,877,446
Six months to one year	7,853,476	8,833,425	5,868,205	6,994,821
One year to three years	619,982	730,686	165,879	157,981
Three years to five years	112,322	364,025	6,669	8,754
	30,294,716	29,056,778	22,307,128	22,039,002

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 19. DEPOSITS FROM CUSTOMERS (CONT'D)

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

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Domestic financial institutions	346,226	306,199	378,170	390,046
Domestic non-bank financial institutions	2,867,100	2,516,834	1,749,057	1,769,027
Government and statutory bodies	4,553,365	5,450,441	2,663,444	2,975,054
Business enterprises	17,528,515	16,909,336	13,143,178	12,894,883
Individuals	21,637,127	18,637,918	17,491,535	15,917,675
Foreign entities	813,970	630,733	712,076	559,770
Others	679,549	566,171	565,529	476,407
	48,425,852	45,017,632	36,702,989	34,982,862

### 20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Licensed banks	814,332	252,558	464,076	12,467
Licensed investment banks	250,137	30,051	–	–
Bank Negara Malaysia	479,177	576,099	269,488	332,368
	1,543,646	858,708	733,564	344,835

### 21. AMOUNTS DUE TO CLIENTS AND BROKERS

	GROUP	
	2020 RM'000	2019 RM'000
Due to clients	18,133	51,164
Due to brokers	4,159	–
	22,292	51,164

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

The Group's normal trade credit terms for non-margin clients is two (2) 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 statements 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 RM100,252,000 (2019: RM56,655,000) have been excluded accordingly.

## 22. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Structured investments designated at fair value for the Group and the Bank include investments with embedded equity linked options, interest rate index linked options and foreign currency options.

The Group and the Bank designated certain structured investments at fair value through profit or loss. The structured investments are recorded at fair value.

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

	GROUP/BANK	
	2020 RM'000	2019 RM'000
Structured investments	451,999	815,079
Fair value changes arising from designation at fair value through profit or loss	(24,914)	(36,656)
	427,085	778,423

The carrying amount of financial liabilities designated at fair value of the Group and the Bank at 31 March 2020 were lower than the contractual amount at maturity for the structured investments by RM24,914,000 (2019: RM36,656,000).

## 23. OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Amortised cost	369,469	–	221,387	–

## 24. RECOURSE OBLIGATIONS ON LOANS AND FINANCING SOLD TO CAGAMAS

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 25. LEASE LIABILITIES

	<b>GROUP 2020 RM'000</b>	<b>BANK 2020 RM'000</b>
At 1 April		
As previously stated	–	–
Effects of adoption of MFRS 16 [Note 2(a)(ii)]	<b>144,571</b>	144,423
As restated	<b>144,571</b>	144,423
Additions	<b>19,090</b>	19,090
Termination of contracts	<b>(2,472)</b>	(2,472)
Interest expense	<b>6,577</b>	6,572
Lease payment	<b>(31,271)</b>	(31,218)
Remeasurement	<b>(6,272)</b>	(6,245)
At 31 March	<b>130,223</b>	130,150

Note:

	<b>GROUP 2020 RM'000</b>	<b>BANK 2020 RM'000</b>
Interest expense	<b>6,577</b>	6,572
Expense related to short-term leases (included in establishment expense)	<b>3,317</b>	3,317
Income from subleasing ROU assets	<b>196</b>	2,316
Total cash outflow for leases	<b>31,271</b>	31,218

The Group and the Bank lease premises, office equipment and furniture, computer equipment and motor vehicles. Rental contracts are typically made for the periods range from 3 to 5 years but may have extension options.

Extension and termination options are included in a number of leases across the Group and the Bank. The Group and the Bank manage the leases and, accordingly, lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Extension and termination options are included, when possible, to provide a greater flexibility after the end of the agreement. The individual terms and conditions used vary across the Group and the Bank. The majority of extension and termination options held are exercisable only by the Group and the Bank and not by the respective lessors.

In cases in which the Group and the Bank are not reasonably certain to exercise an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

Potential future cash outflows of RM81,625,000 have not been included in the lease liabilities because it is not reasonably certain that the leases will be extended or not terminated.

## 26. OTHER LIABILITIES

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other payables	433,803	488,686	355,982	406,233
Collateral pledged for derivative transactions	82,766	8,456	82,766	8,456
Bills payable	118,840	175,095	113,128	166,622
Settlement account	15,226	80,059	15,226	80,059
Clearing account	97,244	224,575	73,638	174,407
Sundry deposits	51,136	40,962	46,615	35,705
Provision and accruals	127,500	129,763	115,285	117,929
Remisiers accounts	6,453	6,122	–	–
Finance lease liabilities [Note (a)]	–	688	–	688
Structured investments	430,759	553,627	430,759	553,627
Amount due to joint venture [Note (b)]	–	160	–	–
Allowance for expected credit losses on commitments and contingencies [Note (c)]	24,339	32,604	19,787	28,582
	1,388,066	1,740,797	1,253,186	1,572,308

Note:

(a) Finance lease liabilities of the Group and the Bank are as follows:

GROUP/BANK	Future minimum lease payments RM'000	Future finance charges RM'000	Present value of finance lease liabilities RM'000
<u>At 31 March 2020</u>			
Within one year	–	–	–
	–	–	–
<u>At 31 March 2019</u>			
Within one year	695	(7)	688
	695	(7)	688

The Group and the Bank lease computer equipment under finance lease. At the end of the lease term, the Group and the Bank have 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.

(b) The amounts due to joint venture are unsecured, interest-free, and repayable upon demand.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 26. OTHER LIABILITIES (CONT'D)

(c) Movements for allowance for expected credit losses on commitments and contingencies are as follows:

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
<b>GROUP</b>				
At 1 April 2019	6,833	16,664	9,107	32,604
Transfer to Stage 1	2,266	(19,976)	(81)	(17,791)
Transfer to Stage 2	(1,390)	15,583	(647)	13,546
Transfer to Stage 3	(1)	(399)	764	364
New financial assets originated or purchased	2,528	7,732	–	10,260
Financial assets derecognised other than write-off	(1,636)	(8,075)	(4,391)	(14,102)
Changes due to change in credit risk	(21)	(541)	198	(364)
Other adjustments	3	8	–	11
	1,749	(5,668)	(4,157)	(8,076)
Unwinding of discount	–	–	(189)	(189)
Total charge to/(write-back from) income statement	1,749	(5,668)	(4,346)	(8,265)
At 31 March 2020	8,582	10,996	4,761	24,339
At 1 April 2018				
As previously stated	–	–	–	–
Effects of adoption of MFRS 9	8,562	21,295	14,143	44,000
As restated	8,562	21,295	14,143	44,000
Transfer to Stage 1	1,023	(10,403)	–	(9,380)
Transfer to Stage 2	(1,396)	11,958	(401)	10,161
Transfer to Stage 3	–	(1,058)	7,298	6,240
New financial assets originated or purchased	5,696	5,704	73	11,473
Financial assets derecognised other than write-off	(3,728)	(8,063)	(12,148)	(23,939)
Changes due to change in credit risk	(3,330)	(2,786)	161	(5,955)
Other adjustments	6	17	–	23
	(1,729)	(4,631)	(5,017)	(11,377)
Unwinding of discount	–	–	(19)	(19)
Total write-back from income statement	(1,729)	(4,631)	(5,036)	(11,396)
At 31 March 2019	6,833	16,664	9,107	32,604



## 26. OTHER LIABILITIES (CONT'D)

(c) Movements for allowance for expected credit losses on commitments and contingencies are as follows: (cont'd)

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
<b>BANK</b>				
At 1 April 2019	6,097	13,483	9,002	28,582
Transfer to Stage 1	1,821	(16,370)	(80)	(14,629)
Transfer to Stage 2	(1,187)	12,910	(645)	11,078
Transfer to Stage 3	–	(399)	759	360
New financial assets originated or purchased	2,174	5,891	–	8,065
Financial assets derecognised other than write-off	(1,429)	(7,265)	(4,286)	(12,980)
Changes due to change in credit risk	(7)	(703)	207	(503)
Other adjustments	2	8	–	10
	1,374	(5,928)	(4,045)	(8,599)
Unwinding of discount	–	–	(196)	(196)
Total charge to/(write-back from) income statement	1,374	(5,928)	(4,241)	(8,795)
At 31 March 2020	7,471	7,555	4,761	19,787
At 1 April 2018				
As previously stated	–	–	–	–
Effects of adoption of MFRS 9	7,520	15,587	4,183	27,290
As restated	7,520	15,587	4,183	27,290
Transfer to Stage 1	867	(8,597)	–	(7,730)
Transfer to Stage 2	(1,257)	10,651	(395)	8,999
Transfer to Stage 3	–	(1,046)	7,069	6,023
New financial assets originated or purchased	5,120	4,157	73	9,350
Financial assets derecognised other than write-off	(3,148)	(6,291)	(2,454)	(11,893)
Changes due to change in credit risk	(3,011)	(987)	538	(3,460)
Other adjustments	6	9	–	15
	(1,423)	(2,104)	4,831	1,304
Unwinding of discount	–	–	(12)	(12)
Total (write-back from)/charge to income statement	(1,423)	(2,104)	4,819	1,292
At 31 March 2019	6,097	13,483	9,002	28,582

As at 31 March 2020, the Group's and the Bank's gross exposure of commitments and contingencies that are credit impaired was at RM8,829,000 and RM7,820,000 (2019: RM16,460,000 and RM14,481,000) respectively.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 27. SUBORDINATED OBLIGATIONS

	Note	GROUP		BANK	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Subordinated Medium Term Notes ("Sub-MTNs")/ Additional Tier I Capital Securities/ Additional Tier I Sukuk Wakalah</b>					
RM900 million Sub-MTNs	(a)	<b>921,805</b>	921,510	<b>921,748</b>	921,300
RM300 million Sub-MTNs	(b)	<b>304,876</b>	304,830	<b>304,823</b>	304,745
RM150 million Additional Tier I Capital Securities	(c)	<b>153,568</b>	153,491	<b>153,308</b>	153,144
RM100 million Additional Tier I Capital Securities	(d)	<b>100,375</b>	100,391	<b>100,375</b>	100,391
RM40 million Additional Tier I Sukuk Wakalah	(e)	<b>40,013</b>	–	–	–
		<b>1,520,637</b>	1,480,222	<b>1,480,254</b>	1,479,580

(a) RM900 million Sub-MTNs

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

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At cost	<b>900,000</b>	900,000	<b>900,000</b>	900,000
Accumulated unaccreted discount	<b>(171)</b>	(324)	<b>(228)</b>	(534)
Interest accrued	<b>21,976</b>	21,834	<b>21,976</b>	21,834
	<b>921,805</b>	921,510	<b>921,748</b>	921,300

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) Tenure 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 constitutes 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. SUBORDINATED OBLIGATIONS (CONT'D)

### (b) RM300 million Sub-MTNs

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

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At cost	300,000	300,000	300,000	300,000
Accumulated unaccreted discount	—	—	(53)	(85)
Interest accrued	4,876	4,830	4,876	4,830
	304,876	304,830	304,823	304,745

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) Tenure 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 constitutes 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 27. SUBORDINATED OBLIGATIONS (CONT'D)

- (c) RM150 million Additional Tier I Capital Securities

On 8 November 2017, the Bank issued RM150 million Additional Tier I Capital Securities under the RM1.0 billion Additional Tier I Capital Securities Programme.

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At cost	150,000	150,000	150,000	150,000
Accumulated unaccreted discount	(156)	(208)	(416)	(555)
Interest accrued	3,724	3,699	3,724	3,699
	153,568	153,491	153,308	153,144

Capital Securities have been assigned a long term rating of BBB1 by RAM Rating Services Berhad.

The coupon rate for the capital securities is fixed at 6.25% per annum, payable semi-annually throughout the entire tenure.

The main features of the capital securities are as follows:

- (i) Issue date: 8 November 2017
- (ii) Tenure of the facility/issue: Perpetual Non-callable five (5) years
- (iii) Interest rate/coupon: 6.25% per annum, payable semi-annually in arrears
- (iv) Call date: 8 November 2022 and thereafter on every coupon payment date
- (v) The Capital Securities constitutes direct and unsecured obligations of the issuer and are subordinated in right and priority of payment, to the extent and in the manner provided in the Capital Securities and the Transaction Documents, ranking pari passu among themselves.
- (vi) Upon the occurrence of any winding up proceeding, the amount payable on the Capital Securities will 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 with or junior to the Capital Securities.

## 27. SUBORDINATED OBLIGATIONS (CONT'D)

### (d) RM100 million Additional Tier I Capital Securities

On 8 March 2019, the Bank issued RM100 million Additional Tier I Capital Securities under the RM1.0 billion Additional Tier I Capital Securities Programme.

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At cost	<b>100,000</b>	100,000	<b>100,000</b>	100,000
Interest accrued	<b>375</b>	391	<b>375</b>	391
	<b>100,375</b>	100,391	<b>100,375</b>	100,391

Capital Securities have been assigned a long term rating of BBB1 by RAM Rating Services Berhad.

The coupon rate for the capital securities is fixed at 5.95% per annum, payable semi-annually throughout the entire tenure.

The main features of the capital securities are as follows:

- (i) Issue date: 8 March 2019
- (ii) Tenure of the facility/issue: Perpetual Non-callable five (5) years
- (iii) Interest rate/coupon: 5.95% per annum, payable semi-annually
- (iv) Call date: 8 March 2024 and thereafter on every distribution payment date
- (v) The Capital Securities constitutes direct and unsecured obligations of the issuer and are subordinated in right and priority of payment, to the extent and in the manner provided in the Capital Securities and the Transaction Documents, ranking pari passu among themselves.
- (vi) Upon the occurrence of any winding up proceeding, the amount payable on the Capital Securities will 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 with or junior to the Capital Securities.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 27. SUBORDINATED OBLIGATIONS (CONT'D)

- (e) RM40 million Additional Tier I Sukuk Wakalah

On 29 March 2019, Alliance Islamic Bank Berhad, a wholly-owned subsidiary of the Bank issued RM100.0 million Islamic Additional Tier I Sukuk Wakalah ("AT1 Sukuk") of RM100.0 million in nominal value ("AT1 Sukuk Issuance") pursuant to Alliance Islamic's Sukuk Programme.

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At cost	40,000	—	—	—
Interest accrued	13	—	—	—
	40,013	—	—	—

The main features of the capital securities are as follows:

- (i) Issue date: 29 March 2019
- (ii) Tenure of the facility/issue: Perpetual Non-callable five (5) years
- (iii) Maturity date: 29 March 2024
- (iv) Coupon rate: 5.95% per annum, payable semi-annually
- (iv) Call date: 29 March 2024 and thereafter on every distribution payment date
- (v) The AT1 Sukuk constitutes direct and unsecured obligations of the issuer and are subordinated to depositors, general creditors and other holders of subordinated debt of the issuer.
- (vi) Upon the occurrence of any winding up proceeding, the amount payable on the AT1 Sukuk will be subordinated in right of payment to the prior payment in full of all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which their terms rank equally with or junior to the AT1 Sukuk.

### 28. SHARE CAPITAL

	2020		2019	
	Number of ordinary shares '000	RM'000	Number of ordinary shares '000	RM'000
<b>GROUP</b>				
Ordinary shares issued and fully paid: At 1 April 2019/31 March 2020	1,548,106	1,548,106	1,548,106	1,548,106
<b>BANK</b>				
Ordinary shares issued and fully paid: At 1 April 2019/31 March 2020	1,548,106	1,548,106	1,548,106	1,548,106

## 29. RESERVES

		GROUP		BANK	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Non-distributable:</u>					
Regulatory reserves	(a)	<b>224,579</b>	178,397	<b>182,292</b>	160,798
Capital reserves	(b)	<b>100,150</b>	100,150	<b>15,515</b>	95,515
FVOCI reserves	(c)	<b>141,312</b>	78,513	<b>79,834</b>	36,831
		<b>466,041</b>	357,060	<b>277,641</b>	293,144
<u>Distributable:</u>					
Retained profits		<b>3,974,847</b>	3,827,676	<b>3,346,890</b>	3,128,589
		<b>4,440,888</b>	4,184,736	<b>3,624,531</b>	3,421,733

### Notes:

- (a) Regulatory reserves represent the Group's and the Bank's compliance with BNM Revised Policy Documents in Financial Reporting and Financial Reporting for Islamic Banking Institutions effective 1 April 2018 whereby the Bank and its banking subsidiaries must maintain in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.
- (b) Capital reserves are in respect of retained profits capitalised for a bonus issue by a subsidiary.
- (c) FVOCI reserves are the cumulative gains and losses arising on the revaluation of debt instruments measured at FVOCI, net off cumulative gains and losses transferred to statements of income upon disposal and the cumulative allowance for expected credit losses on these investments.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 30. INTEREST INCOME

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Loans, advances and financing	1,647,131	1,637,738	1,614,037	1,608,250
Money at call and deposit placements with financial institutions	13,905	12,782	15,934	22,226
Financial investments at fair value through other comprehensive income	318,454	260,639	292,218	249,720
Financial investments at amortised cost	6,818	14,174	12,866	18,176
Others	364	751	364	751
	1,986,672	1,926,084	1,935,419	1,899,123
Accretion of discount less amortisation of premium	83,215	84,578	83,950	83,707
	2,069,887	2,010,662	2,019,369	1,982,830

Included in interest income on loans, advances and financing for the current financial year is interest/profit accrued on impaired loans/financing of the Group and the Bank of RM7,055,000 (2019: RM5,465,000).

### 31. INTEREST EXPENSE

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deposits and placements of banks and other financial institutions	33,178	17,056	14,977	9,787
Deposits from customers	946,241	887,040	921,624	865,897
Recourse obligations on loans and financing sold to Cagamas	13,627	25,182	13,627	25,182
Subordinated obligations	84,538	78,732	84,732	78,915
Lease liabilities	6,577	–	6,572	–
Others	4,892	4,569	4,892	4,569
	1,089,053	1,012,579	1,046,424	984,350

### 32. NET INCOME FROM ISLAMIC BANKING BUSINESS

	GROUP	
	2020 RM'000	2019 RM'000
Income derived from investment of depositors' funds and others	647,244	593,548
Income derived from investment of Islamic Banking funds	64,966	60,588
Income attributable to the depositors and financial institutions	(334,314)	(295,079)
	377,896	359,057

#### Note:

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



## 33. OTHER OPERATING INCOME

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(a) <u>Fee and commission income:</u>				
Commissions	93,500	80,064	93,500	80,064
Service charges and fees	29,837	29,322	29,290	28,851
Corporate advisory fees	3,502	3,214	–	–
Underwriting commissions	2,205	520	–	–
Brokerage fees	26,558	30,178	–	–
Guarantee fees	14,704	15,131	14,678	14,696
Processing fees	9,604	10,962	7,710	7,407
Commitment fees	17,544	17,404	17,500	17,358
Cards related income	79,815	83,950	79,815	83,950
Other fee income	6,003	6,001	6,000	5,794
	283,272	276,746	248,493	238,120
(b) <u>Fee and commission expense:</u>				
Commissions expense	(5,223)	(1,398)	(5,634)	(1,398)
Service charges and fees expense	(1,025)	–	(1,025)	–
Brokerage fees expense	(8,859)	(9,552)	(30)	(9)
Guarantee fees expense	(4,405)	(225)	(4,405)	(225)
Cards related expense	(67,606)	(75,313)	(67,606)	(75,313)
	(87,118)	(86,488)	(78,700)	(76,945)
(c) <u>Investment income:</u>				
Realised gain/(loss) arising from sale/redemption of:				
- Financial assets at fair value through profit or loss	15,481	3,378	15,361	3,377
- Financial investments at fair value through other comprehensive income	17,634	2,684	14,402	2,119
- Derivative instruments	(25,430)	20,157	(25,430)	20,157
- Other investments	5	–	5	–
Marked-to-market revaluation gain/(loss):				
- Financial assets at fair value through profit or loss	23,207	12,092	19,599	8,248
- Derivative instruments	63,991	18,276	63,991	18,276
- Financial liabilities designated at fair value through profit or loss	(11,742)	(12,809)	(11,742)	(12,809)
Gross dividend income from:				
- Financial assets at fair value through profit or loss	4,419	1,299	2,668	749
- Subsidiaries	–	–	48,031	80,154
	87,565	45,077	126,885	120,271
(d) <u>Other income:</u>				
Foreign exchange gain	22,712	2,101	22,343	1,689
Rental income	196	–	2,316	711
Gain on disposal of property, plant and equipment	5,319	8	5,319	8
Others	18,644	27,517	18,034	27,470
	46,871	29,626	48,012	29,878
Total other operating income	330,590	264,961	344,690	311,324

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 34. OTHER OPERATING EXPENSES

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	398,200	380,786	302,135	292,799
- Contribution to EPF	64,472	60,223	49,103	46,439
- Others	53,402	48,625	41,224	38,904
	516,074	489,634	392,462	378,142
<u>Establishment costs</u>				
- Depreciation of property, plant and equipment	22,661	23,333	22,110	22,674
- Depreciation of right-of-use assets	24,259	–	24,213	–
- Amortisation of computer software	36,864	30,206	35,366	29,117
- Rental of premises	1,872	29,573	1,126	23,233
- Water and electricity	7,782	7,818	5,785	5,664
- Repairs and maintenance	9,969	9,747	7,868	7,384
- Information technology expenses	69,434	58,628	51,048	47,552
- Others	10,680	15,855	658	6,333
	183,521	175,160	148,174	141,957
<u>Marketing expenses</u>				
- Promotion and advertisement	11,489	12,518	9,339	10,796
- Branding and publicity	12,071	13,233	8,267	9,167
- Others	7,719	8,270	5,081	5,140
	31,279	34,021	22,687	25,103
<u>Administration and general expenses</u>				
- Communication expenses	10,835	11,601	8,113	8,609
- Printing and stationery	2,352	2,676	1,823	2,070
- Insurance	11,682	11,182	10,091	10,033
- Professional fees	27,472	23,485	20,666	18,392
- Others	23,804	27,188	17,213	17,465
	76,145	76,132	57,906	56,569
Total other operating expenses	807,019	774,947	621,229	601,771

Included in the other operating expenses are the following:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Auditors' remuneration				
- statutory audit fees	1,763	1,351	1,345	978
- audit related fees	678	726	428	458
- tax compliance fees	106	100	56	53
- tax related services	360	60	331	52
- non-audit related services	–	185	–	125
Hire of equipment	1,434	2,447	1,434	2,447
Property, plant and equipment written-off	174	42	104	43
Computer software written-off	4,399	1,822	4,399	1,724

### 35. ALLOWANCE FOR EXPECTED CREDIT LOSSES ON LOANS, ADVANCES AND FINANCING AND OTHER FINANCIAL ASSETS

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Allowance for expected credit losses on:				
(a) Loans, advances and financing				
- Allowance made during the financial year	286,760	147,238	184,092	97,909
(b) Credit impaired loans, advances and financing				
- Recovered	(46,063)	(44,304)	(32,889)	(29,192)
- Written-off	36,820	36,437	22,389	22,083
(c) Commitments and contingencies on loan, advances and financing				
- (Write-back of)/allowance made during the financial year	(8,076)	(11,377)	(8,599)	1,304
	269,441	127,994	164,993	92,104
Allowance for/(write-back of) expected credit losses on:				
- Amounts due from clients and brokers	3	(1)	-	-
- Other receivables	3,827	3,319	3,539	2,977
- Cash and short-term funds	(37)	(463)	(37)	(463)
	273,234	130,849	168,495	94,618

### 36. ALLOWANCE FOR/(WRITE-BACK OF) EXPECTED CREDIT LOSSES ON FINANCIAL INVESTMENTS

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(a) Financial investments at fair value through other comprehensive income				
- Write-back during the financial year	(218)	(783)	(160)	(624)
(b) Financial investments at amortised cost				
- Allowance made during the financial year	37,215	582	23,156	175
	36,997	(201)	22,996	(449)

### 37. ALLOWANCE FOR/(WRITE-BACK OF) IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Intangible assets - Goodwill	4,317	8,740	306	-
Commitments and contingencies	-	(148)	-	(148)
	4,317	8,592	306	(148)

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 38. TAXATION

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Income tax:				
Current financial year	159,856	222,893	122,548	163,354
Real property gain tax	183	–	183	–
Over provision in prior years	(47,647)	(7,082)	(32,675)	(6,545)
	112,392	215,811	90,056	156,809
Deferred tax (Note 17)				
Current financial year	(16,488)	(46,476)	(7,718)	(30,427)
Under provision in prior years	47,687	1,091	33,133	1,678
	31,199	(45,385)	25,415	(28,749)
	143,591	170,426	115,471	128,060

Income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) on 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 Group and of the Bank is as follows:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before taxation	567,854	708,023	504,609	614,012
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	136,285	169,926	121,106	147,363
Income not subject to tax	(6,621)	(3,028)	(16,838)	(21,407)
Expenses not deductible for tax purposes	13,704	9,519	10,562	6,971
Real property gain tax	183	–	183	–
Under/(Over) provision of tax expense in prior years	40	(5,991)	458	(4,867)
Tax expense for the financial year	143,591	170,426	115,471	128,060

### 39. EARNINGS PER SHARE

#### (a) Basic

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the financial year.

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit for the year attributable to equity holders of the Bank	424,263	537,597	389,138	485,952
	2020 '000	2019 '000	2020 '000	2019 '000
Weighted average numbers of ordinary shares in issue	1,548,106	1,548,106	1,548,106	1,548,106
	2020 sen	2019 sen	2020 sen	2019 sen
Basic earnings per share	27.4	34.7	25.1	31.4

#### (b) Diluted

For the purpose of calculating diluted earning per share, the profit for the year attributable to Equity holders of the Bank 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, (non-cumulative).

There were no dilutive potential ordinary shares outstanding as at 31 March 2020 and 31 March 2019 respectively. As a result, the dilutive earnings per share equal to basic earnings per share for financial year ended 31 March 2020 and 31 March 2019.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 40. DIVIDENDS

Dividends on Ordinary Shares:

	Dividend recognised during the financial year			
	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>First interim dividend</b>				
8.5 sen per share, on 1,548,105,929 ordinary shares, declared in financial year ending 31 March 2019, was paid on 28 December 2018 to the shareholders.	–	131,589	–	131,589
6.0 sen per share, on 1,548,105,929 ordinary shares, declared in financial year ending 31 March 2020, was paid on 30 December 2019 to the shareholders.	<b>92,886</b>	–	<b>92,886</b>	–
<b>Second interim dividend</b>				
6.8 sen per share, on 1,548,105,929 ordinary shares, declared in the financial year ended 31 March 2018, was paid on 28 June 2018 to the shareholders.	–	105,271	–	105,271
8.2 sen per share, on 1,548,105,929 ordinary shares, declared in financial year ending 31 March 2019, was paid on 27 June 2019 to the shareholders.	<b>126,945</b>	–	<b>126,945</b>	–
	<b>219,831</b>	236,860	<b>219,831</b>	236,860

In light of the current COVID-19 pandemic, the full effects of which cannot be estimated reliably, the Directors do not recommend any further dividend for the financial year ended 31 March 2020.

#### 41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

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

##### Relationship

##### Related parties

- |                            |  |
|----------------------------|--|
| - Key management personnel | Key management personnel refer to those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank, directly or indirectly, including Executive Directors and Non-Executive Directors of the Group and the Bank (including close members of their families). Other members of key management personnel of the Group and the Bank are the Business Support Heads who report directly to Group Chief Executive Officer or to the Board Committees (including close members of their families). |
| - Substantial shareholders | Substantial shareholders refer to those entities or persons having significant voting power in the Group and/or the Bank, directly or indirectly, resides with certain Directors of the Group and/or the Bank.   |
| - Subsidiaries             | Subsidiaries of the Bank as disclosed in Note 13.  |
| - Joint venture            | Joint venture of the Bank as disclosed in Note 14.   |

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

Significant related party transactions and balances as follows:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(a) <u>Transactions</u>				
Interest income				
- subsidiaries	–	–	<b>35,168</b>	46,607
- key management personnel	<b>43</b>	37	<b>19</b>	20
Dividend income				
- subsidiaries	–	–	<b>48,031</b>	80,154
Management fees				
- subsidiaries	–	–	<b>185</b>	154
Rental income				
- subsidiaries	–	–	<b>2,120</b>	717
- joint venture	<b>196</b>	–	<b>196</b>	–
Other income				
- subsidiaries	–	–	<b>17</b>	–
Other operating expenses recharged				
- subsidiaries	–	–	<b>124,833</b>	113,451
- joint venture	<b>149</b>	221	<b>149</b>	221
Interest expenses				
- subsidiaries	–	–	<b>(40)</b>	(42)
- joint venture	<b>(55)</b>	(39)	–	–
- key management personnel	<b>(627)</b>	(550)	<b>(525)</b>	(502)
- substantial shareholders	<b>(2)</b>	(2)	<b>(2)</b>	(2)
Rental expenses				
- joint venture	–	(1)	–	(1)
Other operating expenses				
- subsidiaries	–	–	<b>(507)</b>	(205)
- joint venture/other related company [Note (a)]	<b>(2,696)</b>	(3,011)	<b>(1,159)</b>	(1,198)
- substantial shareholders [Note (b)]	–	(260)	–	(260)
Commission paid				
- subsidiaries	–	–	<b>(20,322)</b>	(18,247)



#### 41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

Significant related party transactions and balances as follows: (cont'd)

(a) Transactions (cont'd)

Note:

As at 31 March 2020:

- (a) The Group and the Bank have paid RM2,614,000 and RM1,124,000 respectively (2019: RM2,895,000 and RM1,149,000) to the joint venture/other related company for the research services provided, where the joint venture/other related company was jointly held by Alliance Investment Bank Berhad and DBS Vickers Securities Pte. Ltd., a company incorporated in Singapore.
- (b) The Group and the Bank have paid RM Nil (2019: RM260,000) for staff secondment to an indirect shareholder, Fullerton Financial Holdings (International) Pte. Ltd., a company incorporated in Singapore.
- (c) Other than transactions with joint venture company and Fullerton Financial Holdings (International) Pte. Ltd., all intercompany transactions are conducted in Malaysia.

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(b) <u>Balances</u>				
Deposits from customers				
- subsidiaries	–	–	<b>(32,865)</b>	(34,831)
- joint venture	<b>(2,221)</b>	(2,377)	<b>(18)</b>	(375)
- key management personnel	<b>(12,837)</b>	(20,269)	<b>(9,739)</b>	(19,005)
- substantial shareholders	<b>(697)</b>	(645)	<b>(697)</b>	(645)
Financial investments at fair value through other comprehensive income				
- subsidiaries	–	–	<b>501,083</b>	745,432
Financial investments at amortised cost				
- subsidiaries	–	–	<b>130,039</b>	130,666
Loans, advances and financing				
- key management personnel	<b>2,122</b>	5,131	<b>691</b>	3,063
Money at call and deposit placements with financial institutions				
- subsidiaries	–	–	<b>92,286</b>	119,852
Other assets				
- subsidiaries	–	–	<b>18,680</b>	133,557
- joint venture	<b>171</b>	299	<b>309</b>	299
Other liabilities				
- subsidiaries	–	–	<b>300</b>	–
- joint venture	–	(160)	–	–

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

Significant related party transactions and balances as follows: (cont'd)

(c) Compensation of key management personnel

Remuneration of Chief Executive Officers ("CEO"), Non-executive Directors and other members of key management excluding past CEO and Directors for the financial year is as follows:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
CEO and other Key Management:				
- Salary and other remuneration	29,978	30,742	27,187	27,909
- Contribution to EPF	4,183	4,177	3,780	3,791
- Benefits-in-kind	291	309	247	266
	34,452	35,228	31,214	31,966
Non-executive Directors:				
- Fees payables	2,412	2,698	1,670	1,897
- Allowances	642	973	466	714
- Benefits-in-kind	31	31	31	31
	3,085	3,702	2,167	2,642
Included in the total key management personnel are:				
CEO and Directors' remuneration, excluding past non-executive Directors (Note 43)	12,581	14,305	8,425	9,983

**41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)**(c) Compensation of key management personnel (cont'd)

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

Group	Number	2020		Deferred RM'000	Number	2019		Deferred RM'000
		Unrestricted RM'000	Number			Unrestricted RM'000	Number	
<u>Fixed remuneration</u>								
Cash		25,711		–		25,709		–
		25,711		–		25,709		–
<u>Variable remuneration</u>								
Cash	22	6,652	19	5,174	19	8,663	19	4,558
		6,652		5,174		8,663		4,558
		32,363		5,174		34,372		4,558

Bank	Number	2020		Deferred RM'000	Number	2019		Deferred RM'000
		Unrestricted RM'000	Number			Unrestricted RM'000	Number	
<u>Fixed remuneration</u>								
Cash		22,456		–		22,463		–
		22,456		–		22,463		–
<u>Variable remuneration</u>								
Cash	20	6,103	17	4,822	17	7,938	17	4,207
		6,103		4,822		7,938		4,207
		28,559		4,822		30,401		4,207

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 42. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	BANK	
	2020 RM'000	2019 RM'000
Outstanding credit exposures with connected parties	11,378	43,641
of which:		
Total credit exposure which is impaired or in default	241	8
Total credit exposures	48,581,617	46,311,419
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	0.02%	0.09%
- which is impaired or in default	0.00%	0.00%

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.

### 43. CEOs AND DIRECTORS' REMUNERATION

Remuneration in aggregate for CEOs/Directors charged to the statements of income for the year is as follows:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Chief Executive Officers:				
- Salary and other remuneration	6,411	6,072	4,169	3,964
- Bonuses	1,772	3,175	1,223	2,449
- Contribution to EPF	1,163	1,201	760	815
- Benefits-in-kind	150	155	106	113
	9,496	10,603	6,258	7,341
Non-executive Directors:				
- Fees payables	2,412	2,698	1,670	1,897
- Allowances	642	973	466	714
- Benefits-in-kind	31	31	31	31
	3,085	3,702	2,167	2,642
	12,581	14,305	8,425	9,983
Past Non-executive Directors:				
- Salary and other remuneration, including meeting allowance	101	103	60	63
- Fees	381	357	158	143
- Benefits-in-kind	–	20	–	10
	482	480	218	216
	13,063	14,785	8,643	10,199
Total Directors' remuneration excluding benefits-in-kind	12,882	14,579	8,506	10,045

Notes:

- Other than Directors fees and allowances, there were no amount paid or payable for services rendered by any Directors of the Group and the Bank during the financial year.
- The Directors of the Group and the Bank are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as Directors of the Group and the Bank, provided that such Director has not acted negligently, fraudulently or dishonestly, or is in breach of his or her duty of trust. The total apportioned amount of insurance effected for Directors under the Group and the Bank was at RM92,000 and RM84,000 (2019: RM130,000 and RM118,000) respectively.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 43. CEOs AND DIRECTORS' REMUNERATION (CONT'D)

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

GROUP 2020	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees Payables RM'000	Allowances RM'000	Benefits- in-kind RM'000	Total RM'000
<u>Chief Executive Officers:</u>							
Joel Komreich	4,169	1,223	760	-	-	106	6,258
Mahesh s/o Shri Pranlal Rupawalla	1,522	352	269	-	-	43	2,186
Rizal IL-Ehzan Bin Fadil Azim	720	197	134	-	-	1	1,052
	6,411	1,772	1,163	-	-	150	9,496
<u>Non-executive Directors:</u>							
Tan Sri Dato' Ahmad Bin Mohd Don	-	-	-	285	44	31	360
Lee Ah Boon	-	-	-	323	83	-	406
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	405	101	-	506
Lee Boon Huat	-	-	-	205	59	-	264
Ho Hon Cheong	-	-	-	190	60	-	250
Thayaparan S Sangarapillai	-	-	-	205	62	-	267
Tan Chian Khong	-	-	-	190	57	-	247
Susan Yuen Su Min	-	-	-	165	41	-	206
Datin Ooi Swee Lian	-	-	-	90	24	-	114
Mazidah Binti Abdul Malik	-	-	-	125	47	-	172
Dato' Ahmad Hisham Bin Kamaruddin	-	-	-	90	24	-	114
Ibrahim Bin Hassan	-	-	-	125	38	-	163
Tuan Haji Rustam bin Mohd Idris	-	-	-	14	2	-	16
	-	-	-	2,412	642	31	3,085
<u>Past Non-executive Directors:</u>							
Dato' Yeoh Beow Tit	-	-	-	11	4	-	15
Hj Md Ali Bin Md Sarif	-	-	-	88	21	-	109
Kuah Hun Liang	-	-	-	231	51	-	282
Ou Shian Waei	-	-	-	51	25	-	76
	-	-	-	381	101	-	482
Total CEOs and Directors' remuneration	6,411	1,772	1,163	2,793	743	181	13,063

### 43. CEOs AND DIRECTORS' REMUNERATION (CONT'D)

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

GROUP 2019	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees Payables RM'000	Allowances RM'000	Benefits- in-kind RM'000	Total RM'000
<u>Chief Executive Officers:</u>							
Joel Kornreich	3,964	2,449	815	-	-	113	7,341
Mahesh s/o Shri Pranlal Rupawalla	1,464	390	251	-	-	42	2,147
Rizal IL-Ehzan Bin Fadil Azim	644	336	135	-	-	-	1,115
	6,072	3,175	1,201	-	-	155	10,603
<u>Non-executive Directors:</u>							
Tan Sri Dato' Ahmad Bin Mohd Don	-	-	-	285	53	31	369
Ou Shian Waei	-	-	-	205	70	-	275
Kuah Hun Liang	-	-	-	312	118	-	430
Lee Ah Boon	-	-	-	217	68	-	285
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	405	124	-	529
Lee Boon Huat	-	-	-	205	91	-	296
Ho Hon Cheong	-	-	-	190	95	-	285
Thayaparan S Sangarapillai	-	-	-	179	68	-	247
Tan Chian Khong	-	-	-	155	64	-	219
Susan Yuen Su Min	-	-	-	55	9	-	64
Datin Ooi Swee Lian	-	-	-	37	15	-	52
Mazidah Binti Abdul Malik	-	-	-	137	71	-	208
Dato' Yeoh Beow Tit	-	-	-	90	30	-	120
Hj Md Ali Bin Md Sarif	-	-	-	90	28	-	118
Dato' Ahmad Hisham Bin Kamaruddin	-	-	-	11	2	-	13
Ibrahim Bin Hassan	-	-	-	125	67	-	192
	-	-	-	2,698	973	31	3,702
<u>Past Non-executive Directors:</u>							
Dato' Majid Bin Mohamad	-	-	-	67	18	10	95
Kung Beng Hong	-	-	-	290	85	10	385
	-	-	-	357	103	20	480
Total CEOs and Directors' remuneration	6,072	3,175	1,201	3,055	1,076	206	14,785

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 43. CEOs AND DIRECTORS' REMUNERATION (CONT'D)

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

BANK 2020	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees Payables RM'000	Allowances RM'000	Benefits- in-kind RM'000	Total RM'000
Chief Executive Officer: Joel Komreich	4,169	1,223	760	-	-	106	6,258
	4,169	1,223	760	-	-	106	6,258
Non-executive Directors:							
Tan Sri Dato' Ahmad Bin Mohd Don	-	-	-	285	44	31	360
Lee Ah Boon	-	-	-	205	62	-	267
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	225	81	-	306
Lee Boon Huat	-	-	-	205	59	-	264
Ho Hon Cheong	-	-	-	190	60	-	250
Thayaparan S Sangarapillai	-	-	-	205	62	-	267
Tan Chian Khong	-	-	-	190	57	-	247
Susan Yuen Su Min	-	-	-	165	41	-	206
	-	-	-	1,670	466	31	2,167
Past Non-executive Director:							
Kuah Hun Liang	-	-	-	107	35	-	142
Ou Shian Waei	-	-	-	51	25	-	76
	-	-	-	158	60	-	218
Total CEO and Directors' remuneration	4,169	1,223	760	1,828	526	137	8,643



### 43. CEOs AND DIRECTORS' REMUNERATION (CONT'D)

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

<b>BANK 2019</b>	<b>Salary and other remuneration RM'000</b>	<b>Bonuses RM'000</b>	<b>Contribution to EPF RM'000</b>	<b>Fees Payables RM'000</b>	<b>Allowances RM'000</b>	<b>Benefits- in-kind RM'000</b>	<b>Total RM'000</b>
<u>Chief Executive Officer:</u>							
Joel Kornreich	3,964	2,449	815	-	-	113	7,341
	3,964	2,449	815	-	-	113	7,341
<u>Non-executive Directors:</u>							
Tan Sri Dato' Ahmad Bin Mohd Don	-	-	-	285	53	31	369
Ou Shian Waei	-	-	-	205	70	-	275
Kuah Hun Liang	-	-	-	193	91	-	284
Lee Ah Boon	-	-	-	205	68	-	273
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	225	105	-	330
Lee Boon Huat	-	-	-	205	91	-	296
Ho Hon Cheong	-	-	-	190	95	-	285
Thayaparan S Sangarapillai	-	-	-	179	68	-	247
Tan Chian Khong	-	-	-	155	64	-	219
Susan Yuen Su Min	-	-	-	55	9	-	64
	-	-	-	1,897	714	31	2,642
<u>Past Non-executive Directors:</u>							
Kung Beng Hong	-	-	-	143	63	10	216
<b>Total CEO and Directors' remuneration</b>	<b>3,964</b>	<b>2,449</b>	<b>815</b>	<b>2,040</b>	<b>777</b>	<b>154</b>	<b>10,199</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 44. FINANCIAL RISK MANAGEMENT POLICIES

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

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

The Group manages risk within clearly defined guidelines that are approved by the Board of 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 Group's borrowers or counterparties to fulfil their contractual obligations to repay their loans or settle commitments.

This 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.

Also, credit risk arises from financial transactions with counterparties (including interbank money 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.

#### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Credit Risk (cont'd)

##### (i) Maximum exposure to credit risk

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

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Credit risk exposure: on-balance sheet</b>				
Cash and short-term funds (exclude cash in hand)	2,585,762	1,549,624	1,955,075	1,316,885
Deposits and placements with banks and other financial institutions	–	500	–	–
Amounts due from clients and brokers	51,165	77,008	–	–
Financial assets at fair value through profit or loss (exclude equity securities)	447,954	42,923	447,954	42,923
Financial investments at fair value through other comprehensive income (exclude equity securities)	11,544,502	9,478,454	8,426,773	6,852,858
Financial investments at amortised cost	121,299	235,720	170,405	311,930
Derivative financial assets	436,910	55,442	436,910	55,442
Loans, advances and financing (exclude sales commissions and handling fees)	43,009,077	42,227,784	32,095,529	32,520,128
Statutory deposits	949,049	1,521,592	700,355	1,142,108
Other assets (exclude prepayment)	230,127	179,100	237,409	302,221
	59,375,845	55,368,147	44,470,410	42,544,495
<b>Credit risk exposure: off-balance sheet</b>				
Financial guarantees	939,774	721,500	728,140	518,066
Credit related commitments and contingencies	12,548,134	12,301,536	9,932,693	9,893,986
	13,487,908	13,023,036	10,660,833	10,412,052
Total maximum exposure	72,863,753	68,391,183	55,131,243	52,956,547

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

## (a) Credit Risk (cont'd)

## (ii) Credit risk concentrations

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

GROUP 2020	Financial,							Household RM'000	Others RM'000	Total RM'000
	Government and Central Bank RM'000	Insurance, Business Services and Real Estate RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000			
Cash and short-term funds (exclude cash in hand)	2,152,462	433,300	-	-	-	-	-	-	-	2,585,762
Amounts due from clients and brokers	-	-	-	-	-	-	-	-	51,165	51,165
Financial assets at fair value through profit or loss (exclude equity securities)	437,930	10,024	-	-	-	-	-	-	-	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	6,307,593	3,122,011	1,567,617	313,311	233,970	-	-	-	-	11,544,502
Financial investments at amortised cost	-	100,795	-	-	-	-	-	20,504	-	121,299
Derivative financial assets	33,426	199,579	-	-	-	-	-	203,905	-	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	-	4,495,024	723,651	13,106,086	1,392,669	22,899,938	391,709	-	-	43,009,077
Statutory deposits	949,049	-	-	-	-	-	-	-	-	949,049
Other assets (exclude prepayment)	-	171	-	-	-	-	-	229,956	-	230,127
	9,880,460	8,360,904	2,291,268	13,419,397	1,626,639	22,899,938	897,239	-	-	59,375,845
Financial guarantees	-	189,061	41,638	585,200	108,592	5,921	9,362	-	-	939,774
Credit related commitments and contingencies	-	1,185,375	117,653	5,217,530	1,567,808	4,336,335	123,433	-	-	12,548,134
	-	1,374,436	159,291	5,802,730	1,676,400	4,342,256	132,795	-	-	13,487,908
Total credit risk	9,880,460	9,735,340	2,450,559	19,222,127	3,303,039	27,242,194	1,030,034	-	-	72,863,753

#### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Credit Risk (cont'd)

##### (ii) Credit risk concentrations (cont'd)

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

GROUP 2019	Government and Central Bank RM'000	Financial, Insurance, Business Services and Real Estate RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	1,040,926	508,698	-	-	-	-	-	1,549,624
Deposits and placements with banks and other financial institutions	-	500	-	-	-	-	-	500
Amounts due from clients and brokers	-	665	-	-	-	-	76,343	77,008
Financial assets at fair value through profit or loss (exclude equity securities)	41,002	1,909	7	4	1	-	-	42,923
Financial investments at fair value through other comprehensive income (exclude equity securities)	5,293,442	2,520,795	1,149,358	245,233	269,626	-	-	9,478,454
Financial investments at amortised cost	121,789	43,404	-	50,015	-	-	20,512	235,720
Derivative financial assets	-	35,438	-	-	-	-	20,004	55,442
Loans, advances and financing (exclude sales commissions and handling fees)	-	4,435,835	688,241	12,844,254	1,391,351	22,425,539	442,564	42,227,784
Statutory deposits	1,521,592	-	-	-	-	-	-	1,521,592
Other assets (exclude prepayment)	-	299	-	-	-	-	178,801	179,100
	8,018,751	7,547,543	1,837,606	13,139,506	1,660,978	22,425,539	738,224	55,368,147
Financial guarantees	-	79,794	33,041	542,131	52,123	4,586	9,825	721,500
Credit related commitments and contingencies	141,985	1,540,262	125,463	5,141,861	1,611,172	3,356,111	384,682	12,301,536
	141,985	1,620,056	158,504	5,683,992	1,663,295	3,360,697	394,507	13,023,036
Total credit risk	8,160,736	9,167,599	1,996,110	18,823,498	3,324,273	25,786,236	1,132,731	68,391,183

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

## (a) Credit Risk (cont'd)

## (ii) Credit risk concentrations (cont'd)

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

	Bank RM'000	Government and Central Services and Real Estate RM'000	Insurance, Business Storage and Communication Services RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
<b>BANK 2020</b>									
Cash and short-term funds (exclude cash in hand)	1,437,791	517,284	-	-	-	-	-	-	1,955,075
Financial assets at fair value through profit or loss (exclude equity securities)	437,930	10,024	-	-	-	-	-	-	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	4,758,660	2,360,920	998,180	200,474	108,539	-	-	-	8,426,773
Financial investments at amortised cost	-	149,901	-	-	-	-	-	20,504	170,405
Derivative financial assets	33,426	199,579	-	-	-	-	-	203,905	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	-	3,488,626	550,438	10,003,972	1,078,147	16,702,924	271,422	-	32,095,529
Statutory deposits	700,355	-	-	-	-	-	-	-	700,355
Other assets (exclude prepayment)	-	18,989	-	-	-	-	218,420	-	237,409
	7,368,162	6,745,323	1,548,618	10,204,446	1,186,686	16,702,924	714,251	-	44,470,410
Financial guarantees	-	83,570	36,496	510,836	82,177	5,899	9,162	-	728,140
Credit related commitments and contingencies	-	905,733	105,348	3,916,916	1,414,135	3,479,637	110,924	-	9,932,693
	-	989,303	141,844	4,427,752	1,496,312	3,485,536	120,086	-	10,660,833
Total credit risk	7,368,162	7,734,626	1,690,462	14,632,198	2,682,998	20,188,460	834,337	-	55,131,243

#### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Credit Risk (cont'd)

##### (ii) Credit risk concentrations (cont'd)

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

	Bank RM'000	Government and Central Services and Real Estate RM'000	Financial Insurance, Business Services and Communication RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
<b>BANK 2019</b>									
Cash and short-term funds (exclude cash in hand)	692,477	624,408	-	-	-	-	-	-	1,316,885
Financial assets at fair value through profit or loss (exclude equity securities)	41,002	1,909	7	4	1	-	-	-	42,923
Financial investments at fair value through other comprehensive income (exclude equity securities)	3,705,868	2,098,405	743,892	173,009	131,684	-	-	-	6,852,858
Financial investments at amortised cost	101,446	164,961	-	25,011	-	-	-	20,512	311,930
Derivative financial assets	-	35,438	-	-	-	-	-	20,004	55,442
Loans, advances and financing (exclude sales commissions and handling fees)	-	3,467,388	511,905	9,975,830	1,189,899	17,079,817	295,289	-	32,520,128
Statutory deposits	1,142,108	-	-	-	-	-	-	-	1,142,108
Other assets (exclude prepayment)	-	133,856	-	-	-	-	168,365	-	302,221
	5,682,901	6,526,365	1,255,804	10,173,854	1,321,584	17,079,817	504,170	-	42,544,495
Financial guarantees	-	77,195	27,895	383,755	15,081	4,544	9,596	-	518,066
Credit related commitments and contingencies	141,985	1,285,169	120,734	4,014,944	1,448,995	2,536,013	346,146	-	9,893,986
	141,985	1,362,364	148,629	4,398,699	1,464,076	2,540,557	355,742	-	10,412,052
Total credit risk	5,824,886	7,888,729	1,404,433	14,572,553	2,785,660	19,620,374	859,912	-	52,956,547

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (a) Credit Risk (cont'd)

##### (iii) Collaterals

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

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

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Gross loans, advances and financing	43,668,345	42,730,447	32,554,772	32,883,217
Less: Allowance for expected credit losses	(659,268)	(502,663)	(459,243)	(363,089)
Net loans, advances and financing	43,009,077	42,227,784	32,095,529	32,520,128
Percentage of collateral held for loans, advances and financing	71.6%	70.9%	72.2%	71.8%

##### (iv) Credit risk measurement

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

##### (a) Definition of significant increase in credit risk

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

The following events are taken into consideration during the assessment:

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

##### (b) Definition of credit impaired financial assets

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

##### Quantitative criteria:

A financial asset is classified as credit impaired, when the counterparty fails to make contractual payment.



#### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Credit Risk (cont'd)

##### (iv) Credit risk measurement (cont'd)

##### (b) Definition of credit impaired financial assets (cont'd)

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

##### Qualitative criteria:

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

##### (c) Measurement of ECL

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

##### **Exposure at default ("EAD")**

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

EAD for retail portfolio is calculated based upon either:

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

##### **Probability at default ("PD")**

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (a) Credit Risk (cont'd)

##### (iv) Credit risk measurement (cont'd)

##### (c) Measurement of ECL (cont'd)

##### Loss given default ("LGD")

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

##### (d) Forward-looking information

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

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

The negative case has been assigned with a higher weightage for the ECL as compared to the positive case.

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

For forward looking estimates, analysis was carried out with the recent development of the COVID-19 pandemic and economic slow down to determine how the estimates were affected by macroeconomic trends. Factors such as GDP growth rate, unemployment rate, consumer price index, consumption credit and producer price index were analysed to identify the level of correlation with the observed trends. Given the statistically strong correlation, the estimates were adjusted to reflect the macroeconomic trends.

The forward looking estimates was adjusted as below to reflect the impact on COVID-19 pandemic and economic slowdown.

MEV	Weighted Average Forecast		
	2021 %	2020 %	2019 %
GDP Growth Rate	+1.00	<b>-2.50</b>	+2.80
Producer Price Index	+3.50	<b>-0.96</b>	-0.20
Consumer Price Index	+2.10	<b>+0.80</b>	+1.20
Credit Consumption	+1.70	<b>+1.40</b>	+1.70
Unemployment Rates	+4.10	<b>+3.90</b>	+3.90
House Price Index	+3.10	<b>+0.30</b>	+1.50

#### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Credit Risk (cont'd)

##### (iv) Credit risk measurement (cont'd)

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

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

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

##### (f) Modification of financial assets

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

When the modification is not substantial and so does not result in derecognition of the original loans, the Group and the Bank recalculate the gross carrying amount based on the revised cash flow of the financial asset and recognises a modification gain or loss in the statements of income. The new gross carrying amount is recalculated by discounting the modified cash flow at the original effective interest/profit rate. The Group and the Bank monitor the subsequent performance of modified assets. The risk of default of such loans after modification is assessed and compared with the risk under the original terms at initial recognition.

The Group and the Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (a) Credit Risk (cont'd)

##### (v) Credit quality

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

Credit Quality	Credit Grading		Definition
	Scorecard	Customer Rating	
Low	Low risk score	1 - 12 (AAA to BB)	Borrowers with good capacity to meet financial commitments.
Medium	Medium risk score	13 -16 (BB- to B-)	Borrower which is in a fairly acceptable capacity to meet financial commitments.
High	High risk score	17 - 19 (CC+ to CC-)	Borrower which is in an uncertain capacity to meet financial commitments but have not been impaired.
Unrated	Unrated	Unrated	Borrower which is unrated.
Credit Impaired	Credit Impaired	Credit Impaired	Defaulted, or judgmentally impaired due to lack of capacity to fulfil financial commitments.

Amounts due from clients and brokers and other assets are classified based on days-past-due (DPD) under simplified model approach.

Other financial assets are categorised in the following manner:

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

#### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Credit Risk (cont'd)

##### (v) Credit quality (cont'd)

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

GROUP 2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>Cash and short-term funds</u> <u>(exclude cash in hand)</u>				
Investment graded	424,930	–	–	424,930
Non-investment graded	69	–	–	69
Sovereign/Government backed	2,152,463	–	–	2,152,463
Unrated	8,301	–	–	8,301
Gross carrying amount	2,585,763	–	–	2,585,763
Expected credit losses	(1)	–	–	(1)
Net carrying amount	2,585,762	–	–	2,585,762
<u>Financial investments at fair value</u> <u>through other comprehensive income</u> <u>(exclude equity securities)</u>				
Investment graded	3,302,191	64,336	–	3,366,527
Sovereign/Government backed	8,177,975	–	–	8,177,975
Gross carrying amount	11,480,166	64,336	–	11,544,502
Expected credit losses (Note a)	(138)	(208)	–	(346)
<u>Financial investments at amortised cost</u>				
Unrated	121,591	–	–	121,591
Credit impaired	–	–	49,090	49,090
Gross carrying amount	121,591	–	49,090	170,681
Expected credit losses	(308)	–	(49,074)	(49,382)
Net carrying amount	121,283	–	16	121,299
<u>Loans, advances and financing</u>				
Low	26,248,690	462,144	–	26,710,834
Medium	10,085,760	2,127,946	–	12,213,706
High	1,319,047	1,720,295	–	3,039,342
Unrated	515,805	317,318	–	833,123
Credit impaired	–	–	871,340	871,340
Gross carrying amount	38,169,302	4,627,703	871,340	43,668,345
Expected credit losses	(96,553)	(269,287)	(293,428)	(659,268)
Net carrying amount	38,072,749	4,358,416	577,912	43,009,077

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (a) Credit Risk (cont'd)

##### (v) Credit quality (cont'd)

GROUP 2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>Statutory deposit</u>				
Sovereign/Government backed	949,049	–	–	949,049
Gross carrying amount	949,049	–	–	949,049
Expected credit losses	–	–	–	–
Net carrying amount	949,049	–	–	949,049
<u>Credit related commitments and contingencies</u>				
Low	9,578,284	234,297	–	9,812,581
Medium	2,411,888	481,134	–	2,893,022
High	172,084	44,313	–	216,397
Unrated	553,903	3,176	–	557,079
Credit impaired	–	–	8,829	8,829
Gross carrying amount	12,716,159	762,920	8,829	13,487,908
Expected credit losses	(8,582)	(10,996)	(4,761)	(24,339)
<b>Simplified Approach</b>	<b>Current to less than 16 days past due RM'000</b>	<b>16 days to 30 days past due RM'000</b>	<b>More than 30 days past due RM'000</b>	<b>Total RM'000</b>
<u>Amounts due from clients and brokers</u>				
Gross carrying amount	50,710	455	3	51,168
Expected credit losses	–	–	(3)	(3)
Net carrying amount	50,710	455	–	51,165
		<b>Current RM'000</b>	<b>More than 90 days past due RM'000</b>	<b>Total RM'000</b>
<u>Other assets (exclude prepayment)</u>				
Gross carrying amount		230,127	38,212	268,339
Expected credit losses		–	(38,212)	(38,212)
Net carrying amount		230,127	–	230,127

#### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Credit Risk (cont'd)

##### (v) Credit quality (cont'd)

GROUP 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>Cash and short-term funds</u>				
<u>(exclude cash in hand)</u>				
Investment graded	508,730	–	–	508,730
Non-investment graded	6	–	–	6
Sovereign/Government backed	1,040,926	–	–	1,040,926
Gross carrying amount	1,549,662	–	–	1,549,662
Expected credit losses	(38)	–	–	(38)
Net carrying amount	1,549,624	–	–	1,549,624
<u>Deposits and placements with</u>				
<u>banks and other financial institutions</u>				
Investment graded	500	–	–	500
Gross carrying amount	500	–	–	500
Expected credit losses	–	–	–	–
Net carrying amount	500	–	–	500
<u>Financial investments at fair value</u>				
<u>through other comprehensive income</u>				
<u>(exclude equity securities)</u>				
Investment graded	2,708,219	62,478	–	2,770,697
Sovereign/Government backed	6,698,348	–	–	6,698,348
Credit impaired	–	–	9,409	9,409
Gross carrying amount	9,406,567	62,478	9,409	9,478,454
Expected credit losses (Note a)	(120)	(444)	(9,409)	(9,973)
<u>Financial investments at amortised cost</u>				
Sovereign/Government backed	121,790	–	–	121,790
Unrated	59,586	50,554	–	110,140
Credit impaired	–	–	18,565	18,565
Gross carrying amount	181,376	50,554	18,565	250,495
Expected credit losses	(42)	(540)	(14,193)	(14,775)
Net carrying amount	181,334	50,014	4,372	235,720
<u>Loans, advances and financing</u>				
Low	26,899,181	650,501	–	27,549,682
Medium	7,396,792	2,855,264	–	10,252,056
High	1,836,349	1,681,048	–	3,517,397
Unrated	510,925	423,785	–	934,710
Credit impaired	–	–	476,602	476,602
Gross carrying amount	36,643,247	5,610,598	476,602	42,730,447
Expected credit losses	(72,679)	(212,519)	(217,465)	(502,663)
Net carrying amount	36,570,568	5,398,079	259,137	42,227,784

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (a) Credit Risk (cont'd)

##### (v) Credit quality (cont'd)

GROUP 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>Statutory deposit</u>				
Sovereign/Government backed	1,521,492	–	–	1,521,492
Unrated	100	–	–	100
Gross carrying amount	1,521,592	–	–	1,521,592
Expected credit losses	–	–	–	–
Net carrying amount	1,521,592	–	–	1,521,592
<u>Credit related commitments and contingencies</u>				
Low	9,031,633	268,268	–	9,299,901
Medium	1,583,967	923,861	–	2,507,828
High	356,419	83,720	–	440,139
Unrated	757,265	1,443	–	758,708
Credit impaired	–	–	16,460	16,460
Gross carrying amount	11,729,284	1,277,292	16,460	13,023,036
Expected credit losses	(6,833)	(16,664)	(9,107)	(32,604)
<u>Simplified Approach</u>				
	Current to less than 16 days past due RM'000	16 days to 30 days past due RM'000	More than 30 days past due RM'000	Total RM'000
<u>Amounts due from clients and brokers</u>				
Gross carrying amount	76,941	31	875	77,847
Expected credit losses	–	–	(839)	(839)
Net carrying amount	76,941	31	36	77,008
<u>Other assets (exclude prepayment)</u>				
		Current RM'000	More than 90 days past due RM'000	Total RM'000
Gross carrying amount		179,100	34,385	213,485
Expected credit losses		–	(34,385)	(34,385)
Net carrying amount		179,100	–	179,100



#### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Credit Risk (cont'd)

##### (v) Credit quality (cont'd)

<b>BANK 2020</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
<u>Cash and short-term funds</u> <u>(exclude cash in hand)</u>				
Investment graded	517,216	–	–	517,216
Non-investment graded	69	–	–	69
Sovereign/Government backed	1,437,791	–	–	1,437,791
Gross carrying amount	1,955,076	–	–	1,955,076
Expected credit losses	(1)	–	–	(1)
Net carrying amount	1,955,075	–	–	1,955,075
<u>Financial investments at fair value</u> <u>through other comprehensive income</u> <u>(exclude equity securities)</u>				
Investment graded	2,553,884	48,955	–	2,602,839
Sovereign/Government backed	5,823,934	–	–	5,823,934
Gross carrying amount	8,377,818	48,955	–	8,426,773
Expected credit losses (Note a)	(71)	(151)	–	(222)
<u>Financial investments at</u> <u>amortised cost</u>				
Investment graded	130,039	–	–	130,039
Unrated	40,738	–	–	40,738
Credit impaired	–	–	24,678	24,678
Gross carrying amount	170,777	–	24,678	195,455
Expected credit losses	(372)	–	(24,678)	(25,050)
Net carrying amount	170,405	–	–	170,405

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (a) Credit Risk (cont'd)

##### (v) Credit quality (cont'd)

<b>BANK 2020</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
<u>Loans, advances and financing</u>				
Low	20,372,711	337,604	–	20,710,315
Medium	6,807,069	1,704,632	–	8,511,701
High	947,695	1,287,828	–	2,235,523
Unrated	282,962	175,928	–	458,890
Credit impaired	–	–	638,343	638,343
Gross carrying amount	28,410,437	3,505,992	638,343	32,554,772
Expected credit losses	(63,677)	(177,196)	(218,370)	(459,243)
Net carrying amount	28,346,760	3,328,796	419,973	32,095,529
<u>Statutory deposit</u>				
Sovereign/Government backed	700,355	–	–	700,355
Gross carrying amount	700,355	–	–	700,355
Expected credit losses	–	–	–	–
Net carrying amount	700,355	–	–	700,355
<u>Credit related commitments and contingencies</u>				
Low	7,786,592	219,121	–	8,005,713
Medium	1,789,589	343,350	–	2,132,939
High	129,777	40,379	–	170,156
Unrated	341,529	2,676	–	344,205
Credit impaired	–	–	7,820	7,820
Gross carrying amount	10,047,487	605,526	7,820	10,660,833
Expected credit losses	(7,471)	(7,555)	(4,761)	(19,787)

<b>Simplified Approach</b>	<b>Current RM'000</b>	<b>More than 90 days past due RM'000</b>	<b>Total RM'000</b>
<u>Other assets (exclude prepayment)</u>			
Gross carrying amount	237,409	33,143	270,552
Expected credit losses	–	(33,143)	(33,143)
Net carrying amount	237,409	–	237,409

#### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Credit Risk (cont'd)

##### (v) Credit quality (cont'd)

<b>BANK 2019</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
<u>Cash and short-term funds</u> <u>(exclude cash in hand)</u>				
Investment graded	624,441	–	–	624,441
Non-investment graded	6	–	–	6
Sovereign/Government backed	692,476	–	–	692,476
Gross carrying amount	1,316,923	–	–	1,316,923
Expected credit losses	(38)	–	–	(38)
Net carrying amount	1,316,885	–	–	1,316,885
<u>Financial investments at fair value</u> <u>through other comprehensive income</u> <u>(exclude equity securities)</u>				
Investment graded	2,428,480	47,617	–	2,476,097
Sovereign/Government backed	4,376,761	–	–	4,376,761
Gross carrying amount	6,805,241	47,617	–	6,852,858
Expected credit losses (Note a)	(55)	(327)	–	(382)
<u>Financial investments at</u> <u>amortised cost</u>				
Investment graded	130,058	–	–	130,058
Sovereign/Government backed	101,446	–	–	101,446
Unrated	55,745	25,281	–	81,026
Credit impaired	–	–	1,294	1,294
Gross carrying amount	287,249	25,281	1,294	313,824
Expected credit losses	(330)	(270)	(1,294)	(1,894)
Net carrying amount	286,919	25,011	–	311,930

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (a) Credit Risk (cont'd)

#### (v) Credit quality (cont'd)

<b>BANK 2019</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
<u>Loans, advances and financing</u>				
Low	21,420,465	500,842	–	21,921,307
Medium	5,336,079	2,242,286	–	7,578,365
High	1,184,084	1,308,235	–	2,492,319
Unrated	390,699	131,403	–	522,102
Credit impaired	–	–	369,124	369,124
Gross carrying amount	28,331,327	4,182,766	369,124	32,883,217
Expected credit losses	(49,135)	(142,622)	(171,332)	(363,089)
Net carrying amount	28,282,192	4,040,144	197,792	32,520,128
<u>Statutory deposit</u>				
Sovereign/Government backed	1,142,008	–	–	1,142,008
Unrated	100	–	–	100
Gross carrying amount	1,142,108	–	–	1,142,108
Expected credit losses	–	–	–	–
Net carrying amount	1,142,108	–	–	1,142,108
<u>Credit related commitments and contingencies</u>				
Low	7,457,146	224,376	–	7,681,522
Medium	1,222,599	704,447	–	1,927,046
High	218,882	71,135	–	290,017
Unrated	497,553	1,433	–	498,986
Credit impaired	–	–	14,481	14,481
Gross carrying amount	9,396,180	1,001,391	14,481	10,412,052
Expected credit losses	(6,097)	(13,483)	(9,002)	(28,582)
<u>Simplified Approach</u>				
	<b>Current RM'000</b>	<b>More than 90 days past due RM'000</b>	<b>Total RM'000</b>	
<u>Other assets (exclude prepayment)</u>				
Gross carrying amount	302,221	29,604	331,825	
Expected credit losses	–	(29,604)	(29,604)	
Net carrying amount	302,221	–	302,221	

#### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Credit Risk (cont'd)

##### (vi) Sensitivity test

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

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

<b>GROUP</b>			+	-
<b>Measurement variables</b>	<b>MEV Change (%)</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2020</b>				
<b>Retail</b>				
House price index	9.8	(17,003)		30,744
Consumption credit	114.1	8,714		(8,614)
Consumer price index	4.2	5,346		(5,570)
Unemployment rate	7.5	4,238		(4,296)
<b>Non-retail</b>				
	<b>Percentage Point Change (%)</b>			
GDP growth	2.7	(6,669)		23,628
<b>Measurement variables</b>	<b>MEV Change (%)</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2019</b>				
<b>Retail</b>				
Consumption credit	3.3	6,382		(6,313)
House price index	7.1	(4,551)		6,241
Unemployment rate	0.2	3,564		(3,588)
<b>Non-retail</b>				
3 months KLIBOR	0.4	16,772		(9,963)
<b>BANK</b>			+	-
<b>Measurement variables</b>	<b>MEV Change (%)</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2020</b>				
<b>Retail</b>				
House price index	9.8	(11,414)		21,370
Consumption credit	114.1	6,955		(6,910)
Consumer price index	4.2	2,385		(2,592)
Unemployment rate	7.5	2,986		(3,018)
<b>Non-retail</b>				
	<b>Percentage Point Change (%)</b>			
GDP growth	2.7	(5,166)		18,212
<b>Measurement variables</b>	<b>MEV Change (%)</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2019</b>				
<b>Retail</b>				
Consumption credit	3.3	5,394		(5,353)
House price index	7.1	(3,582)		4,904
Unemployment rate	0.2	2,565		(2,582)
<b>Non-retail</b>				
3 months KLIBOR	0.4	13,936		(8,278)

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (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 their implied volatilities.

The Group has established a framework of risk policies, measurement methodologies and risk limits as approved by the Group Risk Management Committee ("GRMC") to manage market risk. Market risk arising from the trading activities is controlled via position limits, loss limits sensitivity limits and valuation via daily mark-to-market, 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 amount 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/profit rate risk refers to the volatility in net interest/profit income as a result of changes in interest/profit rate of return and shifts in the composition of the assets and liabilities. Interest rate/rate of return risk is managed through interest/profit rate sensitivity analysis. The sensitivity in net interest/profit income from interest/profit rate movement is monitored and reported to Management. In addition to pre-scheduled meetings, Group Assets and Liabilities Management Committee ("GALCO") will also deliberate on revising the Group's and the Bank's lending/financing and deposit rates in response to changes in the benchmark rates set by the central bank.

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

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of 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 outcomes 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.

## 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

## (b) Market Risk (cont'd)

## (i) Interest rate/profit rate risk (cont'd)

GROUP 2020	Non-trading book					Non-interest/ profit sensitive			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	2,414,521	-	-	-	-	-	704,693	-	-	3,119,214
Amounts due from clients and brokers	2,926	-	-	-	-	-	48,239	-	-	51,165
Financial assets at fair value through profit or loss	-	-	-	-	-	-	202,160	447,954	-	650,114
Financial investments at fair value through other comprehensive income	169,965	525,390	315,414	458,794	5,807,031	4,152,754	115,159	-	-	11,544,507
Financial investments at amortised cost	-	-	100,000	-	20,000	-	1,299	-	-	121,299
Derivative financial assets	-	-	-	-	-	-	-	436,910	-	436,910
Loans, advances and financing	37,468,588	1,557,664	542,875	116,624	1,768,321	1,358,748	297,187*	-	-	43,110,007
Other financial assets**	-	-	-	-	-	-	1,179,176	-	-	1,179,176
Total financial assets	40,056,000	2,083,054	958,289	575,418	7,595,352	5,511,502	2,547,913	884,864	60,212,392	

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

## (b) Market Risk (cont'd)

## (i) Interest rate/profit rate risk (cont'd)

GROUP 2020	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			
<b>Liabilities</b>								
Deposits from customers	15,720,132	5,474,085	6,243,931	7,801,674	12,717,934	468,096	-	48,425,852
Deposits and placements of banks and other financial institutions	874,477	219,828	41,315	97,015	307,225	2,436	-	1,543,646
Financial liabilities designated at fair value through profit or loss	4,172	2	13,141	32,644	9,155	3,320	-	427,085
Amounts due to clients and brokers	-	-	-	-	-	22,292	-	22,292
Obligation on securities sold under repurchase agreements	29,753	339,418	-	-	-	298	-	369,469
Derivative financial liabilities	-	-	-	-	-	-	348,877	348,877
Recourse obligations on loans and financing sold to Cagamas	-	-	-	150,012	650,032	651	-	800,695
Subordinated obligations	-	-	-	1,199,829	289,844	30,964	-	1,520,637
Lease liabilities	3,073	5,019	7,422	12,524	76,309	-	-	130,223
Other financial liabilities	61,696	-	-	224,860	141,324	832,686	-	1,260,566
Total financial liabilities	16,693,303	6,038,352	6,305,809	9,518,558	14,191,823	1,360,743	348,877	54,849,342
On-balance sheet interest sensitivity gap	23,362,697	(3,955,298)	(5,347,520)	(8,943,140)	(6,596,471)	1,187,170	535,987	5,363,050

Note:

\* Impaired loans/financing and expected credit losses of the Group and the Bank are classified under the non-interest/profit sensitive column.

\*\* Included statutory deposit and other assets.



## 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

## (b) Market Risk (cont'd)

## (i) Interest rate/profit rate risk (cont'd)

GROUP 2019	Non-trading book					Non-interest/ profit sensitive			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	1,208,638	-	-	-	-	-	596,096	-	-	1,804,734
Deposits and placements with banks and other financial institutions	500	-	-	-	-	-	-	-	-	500
Amounts due from clients and brokers	3,338	-	-	-	-	-	73,670	-	-	77,008
Financial assets at fair value through profit or loss	-	-	-	-	-	-	187,517	42,923	-	230,440
Financial investments at fair value through other comprehensive income	135,035	190,178	364,225	502,664	5,479,663	2,688,290	118,407	-	-	9,478,462
Financial investments at amortised cost	34,867	3,790	5,000	119,816	65,000	-	7,247	-	-	235,720
Derivative financial assets	-	-	-	-	-	-	-	55,442	-	55,442
Loans, advances and financing	35,649,421	1,557,935	701,796	1,190,989	1,899,093	1,347,128	(26,061)*	-	-	42,320,301
Other financial assets**	-	-	-	-	-	-	1,700,692	-	-	1,700,692
Total financial assets	37,031,799	1,751,903	1,071,021	1,813,469	7,443,756	4,035,418	2,657,568	98,365	-	55,903,299

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

## (b) Market Risk (cont'd)

## (i) Interest rate/profit rate risk (cont'd)

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		
2019		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Liabilities</b>									
Deposits from customers		15,031,482	5,304,178	4,449,081	8,687,077	11,152,336	–	393,478	–
Deposits and placements of banks and other financial institutions									45,017,632
Financial liabilities designated at fair value through profit or loss		274,173	22,342	17,922	67,071	474,929	–	2,271	–
Amounts due to clients and brokers									858,708
Derivative financial liabilities		5,862	10,894	25,242	30,375	574,847	126,102	5,101	–
Recourse obligations on loans and financing sold to Cagamas		–	–	–	–	–	–	51,164	–
Subordinated obligations		–	–	–	–	–	–	–	51,164
Other financial liabilities		77,313	36,410	695	–	382,720	54,670	1,059,226	–
Total financial liabilities		15,388,830	5,373,824	4,492,940	8,784,523	14,834,313	180,772	1,542,650	57,545
									50,655,397
On-balance sheet interest sensitivity gap		21,642,969	(3,621,921)	(3,421,919)	(6,971,054)	(7,390,557)	3,854,646	1,114,918	40,820
									5,247,902

Note:

\* Impaired loans/financing and expected credit losses of the Group and the Bank are classified under the non-interest/profit sensitive column.

\*\* Included statutory deposit and other assets.

## 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

## (b) Market Risk (cont'd)

## (i) Interest rate/profit rate risk (cont'd)

BANK 2020	Non-trading book					Non-interest/ profit sensitive			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				
<b>Assets</b>										
Cash and short-term funds	1,797,165	-	-	-	-	-	691,362	-	-	2,488,527
Financial assets at fair value through profit or loss	-	-	-	-	-	-	137,768	447,954	-	585,722
Financial investments at fair value through other comprehensive income	433,454	595,800	220,456	226,516	3,999,441	2,870,434	80,677	-	-	8,426,778
Financial investments at amortised cost	-	-	20,000	-	150,000	-	405	-	-	170,405
Derivative financial assets	-	-	-	-	-	-	-	436,910	-	436,910
Loans, advances and financing Other financial assets**	28,594,904	1,083,667	425,360	88,841	1,090,127	648,386	276,260*	-	-	32,207,545
	-	-	-	-	-	-	937,764	-	-	937,764
Total financial assets	30,825,523	1,679,467	665,816	315,357	5,239,568	3,518,820	2,124,236	884,864	-	45,253,651

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

## (b) Market Risk (cont'd)

## (i) Interest rate/profit rate risk (cont'd)

BANK 2020	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		
<b>Liabilities</b>								
Deposits from customers	12,081,242	3,764,614	5,013,733	5,834,048	9,750,122	-	259,230	36,702,989
Deposits and placements of banks and other financial institutions	469,096	14,357	26,245	66,022	155,229	1,350	1,265	733,564
Financial liabilities designated at fair value through profit or loss	4,172	2	13,141	32,644	9,155	364,651	3,320	427,085
Obligation on securities sold under repurchase agreements	29,753	191,435	-	-	-	-	199	221,387
Derivative financial liabilities	-	-	-	-	-	-	348,877	348,877
Recourse obligations on loans and financing sold to Cagamas	-	-	-	-	300,015	-	38	300,053
Subordinated obligations	-	-	-	1,199,719	249,584	-	30,951	1,480,254
Lease liabilities	3,068	5,008	7,407	12,497	76,292	25,878	-	130,150
Other financial liabilities	61,698	-	-	224,860	141,324	-	710,019	1,137,901
<b>Total financial liabilities</b>	<b>12,649,029</b>	<b>3,975,416</b>	<b>5,060,526</b>	<b>7,369,790</b>	<b>10,681,721</b>	<b>391,879</b>	<b>1,005,022</b>	<b>41,482,260</b>
On-balance sheet interest sensitivity gap	18,176,494	(2,295,949)	(4,394,710)	(7,054,433)	(5,442,153)	3,126,941	1,119,214	3,771,391

Note:

\* Impaired loans/financing and expected credit losses of the Group and the Bank are classified under the non-interest/profit sensitive column.

\*\* Included statutory deposit and other assets.

## 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

## (b) Market Risk (cont'd)

## (i) Interest rate/profit rate risk (cont'd)

BANK 2019	Non-trading book				Non-interest/ profit sensitive			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			
<b>Assets</b>									
Cash and short-term funds	1,004,644	-	-	-	-	-	567,351	-	1,571,995
Financial assets at fair value through profit or loss	-	-	-	-	-	-	126,733	42,923	169,656
Financial investments at fair value through other comprehensive income	25,009	175,169	309,189	488,643	4,377,370	1,403,500	73,986	-	6,852,866
Financial investments at amortised cost	34,868	-	2,500	99,770	172,500	-	2,292	-	311,930
Derivative financial assets	-	-	-	-	-	-	-	55,442	55,442
Loans, advances and financing	27,900,278	1,184,947	523,683	1,162,718	1,159,138	686,178	6,034*	-	32,622,976
Other financial assets**	-	-	-	-	-	-	1,444,329	-	1,444,329
Total financial assets	28,964,799	1,360,116	835,372	1,751,131	5,709,008	2,089,678	2,220,725	98,365	43,029,194

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

## (b) Market Risk (cont'd)

## (i) Interest rate/profit rate risk (cont'd)

BANK 2019	Non-trading book				Non-interest/ profit sensitive				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	Non-interest/ profit sensitive RM'000			
<b>Liabilities</b>										
Deposits from customers	11,467,121	4,114,342	3,408,976	6,957,497	8,801,724	-	233,202	-	-	34,982,862
Deposits and placements of banks and other financial institutions	3,223	15,674	8,151	45,671	270,889	-	1,227	-	-	344,835
Financial liabilities designated at fair value through profit or loss	5,862	10,894	25,242	30,375	574,847	126,102	5,101	-	-	778,423
Derivative financial liabilities	-	-	-	-	-	-	-	57,545	-	57,545
Recourse obligations on loans and financing sold to Cagamas	-	-	-	-	300,000	-	76	-	-	300,076
Subordinated obligations	-	-	-	-	1,448,826	-	30,754	-	-	1,479,580
Other financial liabilities	77,313	36,410	695	-	382,720	54,670	902,571	-	-	1,454,379
Total financial liabilities	11,553,519	4,177,320	3,443,064	7,033,543	11,779,006	180,772	1,172,931	57,545	-	39,397,700
On-balance sheet interest sensitivity gap	17,411,280	(2,817,204)	(2,607,692)	(5,282,412)	(6,069,998)	1,908,906	1,047,794	40,820	-	3,631,494

Note:

\* Impaired loans/financing and expected credit losses of the Group and the Bank are classified under the non-interest/profit sensitive column.

\*\* Included statutory deposit and other assets.

#### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (b) Market Risk (cont'd)

##### (ii) Foreign exchange risk

Foreign exchange risk refers to the risk that fair value or future cash flows of financial instruments will fluctuate because of the movements in the exchange rates for foreign exchange positions taken by the Group and the Bank from time to time.

Foreign currency exchange risk is managed via approved risk limits and open positions are regularly revalued against current exchange rates and reported to Management and Board.

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 and the Bank.

GROUP/BANK 2020	US Dollars RM'000	Pound Sterling RM'000	Euro Dollars RM'000	Australian Dollars RM'000	Singapore Dollars RM'000	Others RM'000	Total RM'000
<b>Assets</b>							
Cash and short-term funds	418,318	1,208	–	1,049	175	4,248	424,998
Loans, advances and financing	410,622	387	15,942	623	1,226	397	429,197
Other financial assets	43,377	15	–	2	–	1	43,395
Total financial assets	872,317	1,610	15,942	1,674	1,401	4,646	897,590
<b>Liabilities</b>							
Deposits from customers	595,379	36,789	31,522	193,151	69,561	19,576	945,978
Deposits and placements of banks and other financial institutions	5,112	5	6,210	–	7,214	5,272	23,813
Financial liabilities designated at fair value through profit or loss	5,609	–	–	–	–	–	5,609
Other financial liabilities	22,703	5,654	151	37,046	4,557	1,303	71,414
Total financial liabilities	628,803	42,448	37,883	230,197	81,332	26,151	1,046,814
On-balance sheet open position	243,514	(40,838)	(21,941)	(228,523)	(79,931)	(21,505)	(149,224)
Off-balance sheet open position	(301,657)	41,181	30,885	217,945	53,228	28,022	69,604
Net open position	(58,143)	343	8,944	(10,578)	(26,703)	6,517	(79,620)

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (b) Market Risk (cont'd)

##### (ii) Foreign exchange risk (cont'd)

GROUP/BANK 2019	US Dollars RM'000	Pound Sterling RM'000	Euro Dollars RM'000	Australian Dollars RM'000	Singapore Dollars RM'000	Others RM'000	Total RM'000
<b>Assets</b>							
Cash and short-term funds	290,207	908	–	1,170	2,585	9,180	304,050
Loans, advances and financing	287,023	94	26,098	–	1,204	306	314,725
Other financial assets	23,246	4	4	220	2	(7)	23,469
Total financial assets	600,476	1,006	26,102	1,390	3,791	9,479	642,244
<b>Liabilities</b>							
Deposits from customers	389,749	36,100	36,159	227,204	44,474	22,654	756,340
Deposits and placements of banks and other financial institutions	–	–	289	–	–	1,003	1,292
Other financial liabilities	16,336	1,649	2,039	40,830	63	2,306	63,223
Total financial liabilities	406,085	37,749	38,487	268,034	44,537	25,963	820,855
On-balance sheet open position	194,391	(36,743)	(12,385)	(266,644)	(40,746)	(16,484)	(178,611)
Off-balance sheet open position	(278,254)	34,755	10,360	252,142	18,716	28,059	65,778
Net open position	(83,863)	(1,988)	(2,025)	(14,502)	(22,030)	11,575	(112,833)



#### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (b) Market Risk (cont'd)

##### (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 and the Bank, VaR is computed based on the historical simulation approach with parameters in accordance with BNM and Basel requirements. Backtesting is performed daily to validate and reassess the accuracy of the VaR model. This involves the comparison of the daily VaR values against the hypothetical profit and loss over the corresponding period.

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

<b>GROUP 2020</b>	<b>Balance RM'000</b>	<b>Average for the year RM'000</b>	<b>Minimum RM'000</b>	<b>Maximum RM'000</b>
FX related derivatives	(616)	(517)	(156)	(966)
Government securities	(48,892)	(16,395)	(9,530)	(48,892)
Private debt securities	(17,520)	(6,458)	(4,270)	(17,520)
<b>BANK 2020</b>				
FX related derivatives	(616)	(517)	(156)	(966)
Government securities	(34,566)	(10,432)	(5,470)	(34,566)
Private debt securities	(11,635)	(4,205)	(2,828)	(11,635)
<b>GROUP 2019</b>				
FX related derivatives	(162)	(317)	(162)	(462)
Government securities	(10,364)	(8,148)	(6,705)	(10,364)
Private debt securities	(4,406)	(5,141)	(3,873)	(6,648)
<b>BANK 2019</b>				
FX related derivatives	(162)	(317)	(162)	(462)
Government securities	(5,826)	(4,467)	(3,114)	(5,826)
Private debt securities	(4,406)	(4,935)	(3,873)	(6,648)

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (b) Market Risk (cont'd)

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

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

	2020 GROUP		2020 BANK	
	- 100 bps Increase/(Decrease) RM'000	+ 100 bps Increase/(Decrease) RM'000	- 100 bps Increase/(Decrease) RM'000	+ 100 bps Increase/(Decrease) RM'000
Impact on net profit after tax	(92,381)	92,381	(74,680)	74,680
Impact on equity	341,414	(320,278)	234,503	(232,620)

	2019 GROUP		2019 BANK	
	- 100 bps Increase/(Decrease) RM'000	+ 100 bps Increase/(Decrease) RM'000	- 100 bps Increase/(Decrease) RM'000	+ 100 bps Increase/(Decrease) RM'000
Impact on net profit after tax	(90,574)	90,574	(74,614)	74,614
Impact on equity	267,440	(237,670)	161,525	(146,837)

Note:

- The foreign currency impact on net profit is considered insignificant as the individual exposure is less than 5% of the Banking Book's assets/liabilities.
- For every incremental increase or decrease by 25bps, the impact on Net Profit After Tax for the Group and the Bank increased or decreased by RM23,095,000 and RM18,670,000.
- For every incremental increase or decrease by 25bps, the impact on equity for the Group and the Bank decreased by RM80,752,000 and RM61,250,000 or increased by RM78,967,000 and RM55,438,000.

#### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (b) Market Risk (cont'd)

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

##### (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 and the Bank perform sensitivity analysis such as parallel shifts of interest/profit rates on its exposures, primarily on the banking and trading book positions.

##### (c) Liquidity Risk

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (c) Liquidity risk (cont'd)

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

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

GROUP 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
<b>Assets</b>						
Cash and short-term funds	3,119,214	–	–	–	–	3,119,214
Amounts due from clients and brokers	51,165	–	–	–	–	51,165
Financial assets at FVTPL	169	2,474	1,222	2	646,247	650,114
Financial investments at FVOCI	208,714	573,545	343,664	458,794	9,959,790	11,544,507
Financial investments at amortised cost	531	–	1,060	16	119,692	121,299
Loans, advances and financing	8,526,034	2,177,876	776,031	229,820	31,400,246	43,110,007
Other financial and non-financial assets	291,837	65,203	76,081	118,025	1,828,008	2,379,154
<b>Total assets</b>	<b>12,197,664</b>	<b>2,819,098</b>	<b>1,198,058</b>	<b>806,657</b>	<b>43,953,983</b>	<b>60,975,460</b>
<b>Liabilities</b>						
Deposits from customers	27,647,533	5,883,992	6,287,684	7,744,175	862,468	48,425,852
Deposits and placements of banks and other financial institutions	874,920	220,040	43,096	97,015	308,575	1,543,646
Financial liabilities designated at fair value through profit or loss	52	–	24	253	426,756	427,085
Amounts due to clients and brokers	22,292	–	–	–	–	22,292
Obligation on securities sold under repurchase agreements	29,781	339,688	–	–	–	369,469
Recourse obligations on loans and financing sold to Cagamas	–	651	–	150,012	650,032	800,695
Subordinated obligations	21,976	8,600	388	1,200,000	289,673	1,520,637
Lease liabilities	3,073	5,018	7,422	12,524	102,186	130,223
Other financial and non-financial liabilities	842,141	46,970	41,149	357,082	459,225	1,746,567
<b>Total liabilities</b>	<b>29,441,768</b>	<b>6,504,959</b>	<b>6,379,763</b>	<b>9,561,061</b>	<b>3,098,915</b>	<b>54,986,466</b>
<b>Net maturity mismatch</b>	<b>(17,244,104)</b>	<b>(3,685,861)</b>	<b>(5,181,705)</b>	<b>(8,754,404)</b>	<b>40,855,068</b>	<b>5,988,994</b>

#### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (c) Liquidity risk (cont'd)

##### (i) Liquidity risk for assets and liabilities based on remaining contractual maturities (cont'd)

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

GROUP 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
<b>Assets</b>						
Cash and short-term funds	1,804,734	–	–	–	–	1,804,734
Deposits and placements with banks and other financial institutions	500	–	–	–	–	500
Amounts due from clients and brokers	77,008	–	–	–	–	77,008
Financial assets at FVTPL	379	–	118	–	229,943	230,440
Financial investments at FVOCI	180,003	230,448	387,975	502,664	8,177,372	9,478,462
Financial investments at amortised cost	37,164	4,549	4,994	119,816	69,197	235,720
Loans, advances and financing	8,681,232	2,125,500	883,666	136,537	30,493,366	42,320,301
Other financial and non-financial assets	192,956	19,453	5,812	2,791	2,152,674	2,373,686
<b>Total assets</b>	<b>10,973,976</b>	<b>2,379,950</b>	<b>1,282,565</b>	<b>761,808</b>	<b>41,122,552</b>	<b>56,520,851</b>
<b>Liabilities</b>						
Deposits from customers	25,836,029	5,376,065	4,509,248	8,733,406	562,884	45,017,632
Deposits and placements of banks and other financial institutions	278,226	22,342	17,922	66,661	473,557	858,708
Financial liabilities designated at fair value through profit or loss	9,446	17,970	34,361	29,644	687,002	778,423
Amounts due to clients and brokers	51,164	–	–	–	–	51,164
Recourse obligations on loans and financing sold to Cagamas	–	656	–	–	800,013	800,669
Subordinated obligations	–	–	–	–	1,480,222	1,480,222
Other financial and non-financial liabilities	941,843	13,381	17,255	6,486	822,226	1,801,191
<b>Total liabilities</b>	<b>27,116,708</b>	<b>5,430,414</b>	<b>4,578,786</b>	<b>8,836,197</b>	<b>4,825,904</b>	<b>50,788,009</b>
<b>Net maturity mismatch</b>	<b>(16,142,732)</b>	<b>(3,050,464)</b>	<b>(3,296,221)</b>	<b>(8,074,389)</b>	<b>36,296,648</b>	<b>5,732,842</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (c) Liquidity risk (cont'd)

##### (i) Liquidity risk for assets and liabilities based on remaining contractual maturities (cont'd)

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

<b>BANK 2020</b>	<b>Up to 1 month RM'000</b>	<b>&gt;1-3 months RM'000</b>	<b>&gt;3-6 months RM'000</b>	<b>&gt;6-12 months RM'000</b>	<b>&gt;1 year RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>						
Cash and short-term funds	2,488,527	–	–	–	–	2,488,527
Financial assets at FVTPL	169	2,474	1,222	2	581,855	585,722
Financial investments at FVOCI	158,516	427,976	239,749	226,516	7,374,021	8,426,778
Financial investments at amortised cost	531	–	247	–	169,627	170,405
Loans, advances and financing	5,907,813	1,544,429	616,949	177,851	23,960,503	32,207,545
Other financial and non-financial assets	298,924	65,107	75,946	117,933	2,333,295	2,891,205
<b>Total assets</b>	<b>8,854,480</b>	<b>2,039,986</b>	<b>934,113</b>	<b>522,302</b>	<b>34,419,301</b>	<b>46,770,182</b>
<b>Liabilities</b>						
Deposits from customers	21,786,125	3,809,113	5,071,714	5,852,996	183,041	36,702,989
Deposits and placements of banks and other financial institutions	469,360	14,357	27,247	66,022	156,578	733,564
Financial liabilities designated at fair value through profit or loss	52	–	24	253	426,756	427,085
Obligation on securities sold under repurchase agreements	29,780	191,607	–	–	–	221,387
Recourse obligations on loans and financing sold to Cagamas	–	38	–	–	300,015	300,053
Subordinated obligations	21,976	8,600	375	1,199,719	249,584	1,480,254
Lease liabilities	3,068	5,008	7,408	12,497	102,169	130,150
Other financial and non-financial liabilities	787,351	46,556	40,967	355,823	371,366	1,602,063
<b>Total liabilities</b>	<b>23,097,712</b>	<b>4,075,279</b>	<b>5,147,735</b>	<b>7,487,310</b>	<b>1,789,509</b>	<b>41,597,545</b>
<b>Net maturity mismatch</b>	<b>(14,243,232)</b>	<b>(2,035,293)</b>	<b>(4,213,622)</b>	<b>(6,965,008)</b>	<b>32,629,792</b>	<b>5,172,637</b>

#### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (c) Liquidity risk (cont'd)

##### (i) Liquidity risk for assets and liabilities based on remaining contractual maturities (cont'd)

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

<b>BANK 2019</b>	<b>Up to 1 month RM'000</b>	<b>&gt;1-3 months RM'000</b>	<b>&gt;3-6 months RM'000</b>	<b>&gt;6-12 months RM'000</b>	<b>&gt;1 year RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>						
Cash and short-term funds	1,571,995	–	–	–	–	1,571,995
Financial assets at FVTPL	379	–	118	–	169,159	169,656
Financial investments at FVOCI	58,511	199,629	325,205	488,643	5,780,878	6,852,866
Financial investments at amortised cost	36,891	446	2,556	99,771	172,266	311,930
Loans, advances and financing	6,492,380	1,527,109	669,257	106,285	23,827,945	32,622,976
Other financial and non-financial assets	267,702	18,497	5,812	2,791	2,661,243	2,956,045
<b>Total assets</b>	<b>8,427,858</b>	<b>1,745,681</b>	<b>1,002,948</b>	<b>697,490</b>	<b>32,611,491</b>	<b>44,485,468</b>
<b>Liabilities</b>						
Deposits from customers	20,197,348	4,169,377	3,454,002	6,994,865	167,270	34,982,862
Deposits and placements of banks and other financial institutions	3,224	15,674	9,378	45,260	271,299	344,835
Financial liabilities designated at fair value through profit or loss	9,446	17,970	34,361	29,644	687,002	778,423
Recourse obligations on loans and financing sold to Cagamas	–	76	–	–	300,000	300,076
Subordinated obligations	21,835	8,919	–	–	1,448,826	1,479,580
Other financial and non-financial liabilities	549,997	49,614	16,871	5,795	1,007,576	1,629,853
<b>Total liabilities</b>	<b>20,781,850</b>	<b>4,261,630</b>	<b>3,514,612</b>	<b>7,075,564</b>	<b>3,881,973</b>	<b>39,515,629</b>
<b>Net maturity mismatch</b>	<b>(12,353,992)</b>	<b>(2,515,949)</b>	<b>(2,511,664)</b>	<b>(6,378,074)</b>	<b>28,729,518</b>	<b>4,969,839</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

## (c) Liquidity risk (cont'd)

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

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

GROUP 2020	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	Total RM'000
<b>Non derivative financial liabilities</b>							
Deposits from customers	28,007,680	5,580,417	6,418,449	8,028,543	764,474	-	48,799,563
Deposits and placements of banks and other financial institutions	876,909	220,957	41,315	97,015	307,225	1,350	1,544,771
Financial liabilities designated at fair value through profit or loss	31,109	2,023	23,401	51,225	47,038	373,957	528,753
Obligation on securities sold under repurchase agreements	29,781	339,688	-	-	-	-	369,469
Recurse obligations on loans and financing sold to Cagamas	-	8,853	8,890	167,681	692,830	-	878,254
Subordinated obligations	25,662	13,173	5,966	1,244,816	298,869	-	1,588,486
Lease liabilities	3,271	5,387	7,955	13,289	90,158	37,283	157,343
Other financial liabilities	779,216	5,123	206	247,496	356,027	-	1,388,068
	29,753,628	6,175,621	6,506,182	9,850,065	2,556,621	412,590	55,254,707
<b>Items not recognised in the statements of financial position</b>							
Financial guarantees	152,869	172,455	112,218	341,413	160,819	-	939,774
Credit related commitments and contingencies	10,680,219	73,317	84,950	83,296	1,614,788	11,564	12,548,134
	10,833,088	245,772	197,168	424,709	1,775,607	11,564	13,487,908
<b>Derivatives financial liabilities</b>							
Derivatives settled on a net basis	(635)	(2,183)	(2,694)	(4,531)	(16,816)	(80)	(26,939)
Interest rate derivatives and equity option							
Net outflow	(635)	(2,183)	(2,694)	(4,531)	(16,816)	(80)	(26,939)
Derivatives settled on a gross basis							
Outflow	2,365,455	1,321,519	1,011,248	119,535	478,788	-	5,296,545
Inflow	(2,314,989)	(1,279,958)	(979,749)	(116,415)	(466,854)	-	(5,157,965)
	50,466	41,561	31,499	3,120	11,934	-	138,580



## 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

## (c) Liquidity risk (cont'd)

## (ii) Contractual maturity of financial liabilities on an undiscounted basis (cont'd)

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

GROUP 2019	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	Total RM'000
<b>Non derivative financial liabilities</b>							
Deposits from customers	25,875,927	5,423,059	4,602,190	8,961,760	609,354	–	45,472,290
Deposits and placements of banks and other financial institutions	274,355	26,629	17,922	71,136	484,833	–	874,875
Financial liabilities designated at fair value through profit or loss	60,769	18,154	34,495	30,568	722,841	183,570	1,050,397
Recourse obligations on loans and financing sold to Cagamas	–	8,882	5,494	21,265	878,453	–	914,094
Subordinated obligations	25,875	12,938	3,125	41,938	1,894,050	281,263	2,259,189
Other financial liabilities	1,154,277	470	995	2,078	887,849	–	2,045,669
	27,391,203	5,490,132	4,664,221	9,128,745	5,477,380	464,833	52,616,514
<b>Items not recognised in the statements of financial position</b>							
Financial guarantees	130,379	134,969	89,245	266,040	89,882	10,985	721,500
Credit related commitments and contingencies	9,954,752	115,655	45,497	93,651	1,826,460	265,521	12,301,536
	10,085,131	250,624	134,742	359,691	1,916,342	276,506	13,023,036
<b>Derivatives financial liabilities</b>							
<b>Derivatives settled on a net basis</b>							
Interest rate derivatives and equity option	(461)	(301)	(777)	(1,031)	(1,431)	119	(3,882)
Net outflow	(461)	(301)	(777)	(1,031)	(1,431)	119	(3,882)
<b>Derivatives settled on a gross basis</b>							
Outflow	(1,190,844)	(730,886)	(693,948)	(72,416)	(135,742)	–	(2,823,836)
Inflow	1,187,151	723,433	687,341	70,461	130,687	–	2,799,073
	(3,693)	(7,453)	(6,607)	(1,955)	(5,055)	–	(24,763)

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

## (c) Liquidity risk (cont'd)

## (ii) Contractual maturity of financial liabilities on an undiscounted basis (cont'd)

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

BANK 2020	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	Total RM'000
<b>Non derivative financial liabilities</b>							
Deposits from customers	21,795,294	3,840,752	5,147,600	5,984,278	174,483	-	36,942,407
Deposits and placements of banks and other financial institutions	470,411	14,357	26,245	66,022	155,229	1,350	733,614
Financial liabilities designated at fair value through profit or loss	8,817	2,023	23,401	51,225	47,038	373,957	506,461
Obligation on securities sold under repurchase agreements	29,781	191,606	-	-	-	-	221,387
Recurse obligations on loans and financing sold to Cagamas	-	3,388	3,426	6,739	323,845	-	337,398
Subordinated obligations	25,662	13,173	2,983	1,241,865	286,175	-	1,569,858
Lease liabilities	3,149	5,144	7,700	13,204	90,097	37,283	156,577
Other financial liabilities	733,749	4,709	24	246,236	268,471	-	1,253,189
	23,066,863	4,075,152	5,211,379	7,609,569	1,345,338	412,590	41,720,891
<u>Items not recognised in the statements of financial position</u>							
Financial guarantees	130,679	154,884	99,299	204,066	139,212	-	728,140
Credit related commitments and contingencies	8,543,951	71,114	77,363	76,375	1,152,713	11,177	9,932,693
	8,674,630	225,998	176,662	280,441	1,291,925	11,177	10,660,833
<b>Derivatives financial liabilities</b>							
Derivatives settled on a net basis							
Interest rate derivatives and equity option	(635)	(2,183)	(2,694)	(4,531)	(16,816)	(80)	(26,939)
Net outflow	(635)	(2,183)	(2,694)	(4,531)	(16,816)	(80)	(26,939)
Derivatives settled on a gross basis							
Outflow	2,365,455	1,321,519	1,011,248	119,535	478,788	-	5,296,545
Inflow	(2,314,989)	(1,279,958)	(979,749)	(116,415)	(466,854)	-	(5,157,965)
	50,466	41,561	31,499	3,120	11,934	-	138,580

## 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

## (c) Liquidity risk (cont'd)

## (ii) Contractual maturity of financial liabilities on an undiscounted basis (cont'd)

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

BANK 2019	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	Total RM'000
<b>Non derivative financial liabilities</b>							
Deposits from customers	20,208,190	4,208,228	3,527,523	7,156,724	175,420	–	35,276,085
Deposits and placements of banks and other financial institutions	3,223	18,146	8,151	48,045	275,962	–	353,527
Financial liabilities designated at fair value through profit or loss	9,604	18,154	34,495	30,568	722,841	183,570	999,232
Recourse obligations on loans and financing sold to Cagamas	–	3,388	–	10,276	337,383	–	351,047
Subordinated obligations	25,875	12,938	3,125	41,938	1,785,500	461,313	2,330,689
Other financial liabilities	544,206	36,561	226	694	990,612	–	1,572,299
	20,791,098	4,297,415	3,573,520	7,288,245	4,287,718	644,883	40,882,879
<b>Items not recognised in the statements of financial position</b>							
Financial guarantees	108,481	96,364	78,426	160,654	74,141	–	518,066
Credit related commitments and contingencies	8,101,228	66,521	34,918	87,485	1,363,401	240,433	9,893,986
	8,209,709	162,885	113,344	248,139	1,437,542	240,433	10,412,052
<b>Derivatives financial liabilities</b>							
<u>Derivatives settled on a net basis</u>							
Interest rate derivatives and equity option	(461)	(301)	(777)	(1,031)	(1,431)	119	(3,882)
Net outflow	(461)	(301)	(777)	(1,031)	(1,431)	119	(3,882)
<u>Derivatives settled on a gross basis</u>							
Outflow	(1,190,844)	(730,886)	(693,948)	(72,416)	(135,742)	–	(2,823,836)
Inflow	1,187,151	723,433	687,341	70,461	130,687	–	2,799,073
	(3,693)	(7,453)	(6,607)	(1,955)	(5,055)	–	(24,763)

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 44. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (d) Operational and Shariah Compliance Risk

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

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

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

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

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

### 45. CAPITAL COMMITMENTS

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Capital expenditure:				
Authorised and contracted for	<b>34,828</b>	46,839	<b>33,693</b>	45,925
Authorised but not contracted for	<b>129,187</b>	123,701	<b>127,230</b>	121,441
	<b>164,015</b>	170,540	<b>160,923</b>	167,366

The capital commitments mainly consist of computer software and property, plant and equipment.

#### 46. LEASE COMMITMENTS

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

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Within one year	–	35,708	–	33,765
Between one to five years	–	43,506	–	42,241
	–	79,214	–	76,006

The operating leases of the Group's and the Bank's premises typically cover for an 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.

From 1 April 2019, the Group and the Bank recognised lease liabilities for these leases as per Note 25, except for short-term and low value lease.

#### 47. COMMITMENTS AND CONTINGENCIES

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

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

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Credit-related exposures				
Direct credit substitutes [Note a]	814,317	650,663	622,481	490,085
Transaction-related contingent items [Note a]	621,684	680,097	559,957	609,843
Short-term self-liquidating trade-related contingencies	130,924	179,994	110,898	133,405
Forward assets purchase	–	236,985	–	211,985
Obligations under an on-going underwriting agreement	51,150	46,154	–	–
Irrevocable commitments to extend credit:				
- maturity exceeding one year	1,239,933	1,319,483	871,143	904,181
- maturity not exceeding one year	9,273,334	8,308,840	7,139,788	6,461,733
Unutilised credit card lines	1,356,566	1,600,820	1,356,566	1,600,820
	13,487,908	13,023,036	10,660,833	10,412,052

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 47. COMMITMENTS AND CONTINGENCIES (CONT'D)

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Derivative financial instruments [Note b]</u>				
Foreign exchange related contracts:				
- one year or less	12,470,667	4,561,102	12,470,667	4,561,102
- over one year to three years	621,349	159,580	621,349	159,580
- over three years	315,762	10,209	315,762	10,209
Interest rate related contracts:				
- one year or less	3,505,421	2,034,786	3,505,421	2,034,786
- over one year to three years	3,386,675	1,779,255	3,386,675	1,779,255
- over three years	2,230,984	2,503,968	2,230,984	2,503,968
Equity related contracts:				
- one year or less	533,770	78,958	533,770	78,958
- over one year to three years	273,868	30,810	273,868	30,810
- over three years	145,300	–	145,300	–
	23,483,796	11,158,668	23,483,796	11,158,668
	36,971,704	24,181,704	34,144,629	21,570,720

Note:

- (a) Included in direct credit substitutes and transaction-related contingent item are financial guarantee contracts of RM939,774,000 and RM728,140,000 (2019: RM721,500,000 and RM518,066,000) for the Group and the Bank respectively, of which the fair value at the time of issuance is RM Nil.
- (b) These derivatives are valued on gross position basis and the unrealised gains or losses have been reflected in the statements of income and statements of financial position as derivatives financial assets and derivatives financial liabilities. The fair value of derivatives are disclosed under Note 9.

### 48. CAPITAL ADEQUACY

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

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

	GROUP		BANK	
	2020	2019	2020	2019
<u>Before deducting proposed dividends</u>				
CET I capital ratio	13.826%	13.736%	12.899%	12.061%
Tier I capital ratio	14.593%	14.423%	13.771%	12.940%
Total capital ratio	18.902%	18.856%	18.634%	17.841%
<u>After deducting proposed dividends</u>				
CET I capital ratio	13.826%	13.388%	12.899%	11.614%
Tier I capital ratio	14.593%	14.074%	13.771%	12.493%
Total capital ratio	18.902%	18.508%	18.634%	17.394%

#### 48. CAPITAL ADEQUACY (CONT'D)

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

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b><u>CET I Capital</u></b>				
Paid-up share capital	1,548,106	1,548,106	1,548,106	1,548,106
Retained profits	3,974,847	3,827,676	3,346,890	3,128,589
Regulatory reserves	224,579	178,397	182,292	160,798
FVOCI reserve	140,966	68,540	79,612	36,449
Capital reserves	100,150	100,150	15,515	95,515
	5,988,648	5,722,869	5,172,415	4,969,457
Less: Regulatory adjustments				
- Goodwill and other intangibles	(437,086)	(432,961)	(332,680)	(323,804)
- Deferred tax assets	(28,125)	(72,972)	(14,074)	(50,116)
- 55% of revaluation reserves	(77,531)	(37,697)	(43,787)	(20,047)
- Regulatory reserves	(224,579)	(178,397)	(182,292)	(160,798)
- Investment in subsidiaries, associate and joint venture	(903)	(802)	(909,102)	(989,102)
Total CET I Capital	5,220,424	5,000,040	3,690,480	3,425,590
Additional Tier I Capital Securities	289,844	249,792	249,584	249,445
Total Additional Tier I Capital	289,844	249,792	249,584	249,445
Total Tier I Capital	5,510,268	5,249,832	3,940,064	3,675,035
<b><u>Tier II Capital</u></b>				
Subordinated obligations	1,199,829	1,199,676	1,199,719	1,199,381
Expected credit losses and regulatory reserves	427,020	414,258	321,754	322,740
Less: Regulatory adjustments				
- Investment in Tier II capital instruments	—	—	(130,000)	(130,000)
Total Tier II Capital	1,626,849	1,613,934	1,391,473	1,392,121
<b>Total Capital</b>	<b>7,137,117</b>	<b>6,863,766</b>	<b>5,331,537</b>	<b>5,067,156</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 48. CAPITAL ADEQUACY (CONT'D)

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

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Credit risk	<b>34,161,647</b>	33,140,642	<b>25,740,333</b>	25,819,184
Market risk	<b>472,308</b>	274,942	<b>472,308</b>	274,942
Operational risk	<b>3,125,054</b>	2,984,529	<b>2,398,815</b>	2,307,070
Total RWA and capital requirements	<b>37,759,009</b>	36,400,113	<b>28,611,456</b>	28,401,196

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

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

	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
2020		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	<b>10.507%</b>	<b>98.737%</b>
Tier I capital ratio	<b>11.617%</b>	<b>98.737%</b>
Total capital ratio	<b>14.233%</b>	<b>99.682%</b>
<u>After deducting proposed dividends</u>		
CET I capital ratio	<b>10.507%</b>	<b>97.246%</b>
Tier I capital ratio	<b>11.617%</b>	<b>97.246%</b>
Total capital ratio	<b>14.233%</b>	<b>98.190%</b>
2019		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	11.690%	78.200%
Tier I capital ratio	12.950%	78.200%
Total capital ratio	15.762%	79.196%
<u>After deducting proposed dividends</u>		
CET I capital ratio	11.339%	78.200%
Tier I capital ratio	12.599%	78.200%
Total capital ratio	15.411%	79.196%



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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 50. FAIR VALUE MEASUREMENTS (CONT'D)

#### (a) Determination of fair value and the fair value hierarchy (cont'd)

##### (i) Financial instruments in Level 1

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

##### (ii) Financial instruments in Level 2

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

##### (iii) Financial instruments in Level 3

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

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

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

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

<b>GROUP 2020</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<u>Assets</u>				
Financial assets at FVTPL				
- Money market instruments	-	437,929	-	437,929
- Unquoted securities	-	10,025	202,160	212,185
Financial investments at FVOCI				
- Money market instruments	-	6,476,810	-	6,476,810
- Quoted securities in Malaysia	5	-	-	5
- Unquoted securities	-	5,067,692	-	5,067,692
Derivative financial assets	-	436,910	-	436,910
<u>Liabilities</u>				
Financial liabilities designated at fair value through profit or loss	-	427,085	-	427,085
Derivative financial liabilities	-	348,877	-	348,877

## 50. FAIR VALUE MEASUREMENTS (CONT'D)

### (b) Financial instruments measured at fair value and the fair value hierarchy (cont'd)

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

<b>GROUP 2019</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<u>Assets</u>				
Financial assets at FVTPL				
– Money market instruments	–	41,002	–	41,002
– Unquoted securities	–	1,921	187,517	189,438
Financial investments at FVOCI				
– Money market instruments	–	5,289,295	–	5,289,295
– Quoted securities in Malaysia	8	–	–	8
– Unquoted securities	–	4,189,159	–	4,189,159
Derivative financial assets	–	55,442	–	55,442
<u>Liabilities</u>				
Financial liabilities designated at fair value through profit or loss	–	778,423	–	778,423
Derivative financial liabilities	–	57,545	–	57,545
<b>BANK 2020</b>				
<u>Assets</u>				
Financial assets at FVTPL				
– Money market instruments	–	<b>437,929</b>	–	<b>437,929</b>
– Unquoted securities	–	<b>10,025</b>	<b>137,768</b>	<b>147,793</b>
Financial investments at FVOCI				
– Money market instruments	–	<b>5,403,416</b>	–	<b>5,403,416</b>
– Quoted securities in Malaysia	<b>5</b>	–	–	<b>5</b>
– Unquoted securities	–	<b>3,023,357</b>	–	<b>3,023,357</b>
Derivative financial assets	–	<b>436,910</b>	–	<b>436,910</b>
<u>Liabilities</u>				
Financial liabilities designated at fair value through profit or loss	–	<b>427,085</b>	–	<b>427,085</b>
Derivative financial liabilities	–	<b>348,877</b>	–	<b>348,877</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 50. FAIR VALUE MEASUREMENTS (CONT'D)

#### (b) Financial instruments measured at fair value and the fair value hierarchy (cont'd)

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

<b>BANK 2019</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<u>Assets</u>				
Financial assets at FVTPL				
- Money market instruments	–	41,002	–	41,002
- Unquoted securities	–	1,921	126,733	128,654
Financial investments at FVOCI				
- Money market instruments	–	4,405,360	–	4,405,360
- Quoted securities in Malaysia	8	–	–	8
- Unquoted securities	–	2,447,498	–	2,447,498
Derivative financial assets	–	55,442	–	55,442
<u>Liabilities</u>				
Financial liabilities designated at fair value through profit or loss	–	778,423	–	778,423
Derivative financial liabilities	–	57,545	–	57,545

There were no transfers between levels of the fair value hierarchy for the Group and the Bank during the financial year ended 31 March 2020 and 31 March 2019.

Reconciliation of movements in level 3 financial instruments:

	<b>GROUP</b>		<b>BANK</b>	
	<b>2020 RM'000</b>	<b>2019 RM'000</b>	<b>2020 RM'000</b>	<b>2019 RM'000</b>
At 1 April	<b>187,517</b>	178,846	<b>126,733</b>	121,634
Partial distribution on liquidity shares	<b>(106)</b>	(195)	<b>(106)</b>	(195)
Total gains recognised in:				
- Statements of income				
(i) Revaluation gain from financial assets at FVTPL	<b>14,749</b>	8,866	<b>11,141</b>	5,294
At 31 March	<b>202,160</b>	187,517	<b>137,768</b>	126,733

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

## 50. FAIR VALUE MEASUREMENTS (CONT'D)

### (b) Financial instruments measured at fair value and the fair value hierarchy (cont'd)

Qualitative information about the fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value assets		Valuation techniques	Unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
	2020 RM'000	2019 RM'000			
<u>GROUP</u>					
Financial assets at FVTPL					
Unquoted securities	<b>202,160</b>	187,517	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value
<u>BANK</u>					
Financial assets at FVTPL					
Unquoted securities	<b>137,768</b>	126,733	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 50. FAIR VALUE MEASUREMENTS (CONT'D)

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

The following table summarises the carrying amounts and the fair values of financial instruments of the Group and the Bank which are not carried at fair value in the statements 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.

GROUP 2020	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
<b>Financial assets</b>					
Financial investments at amortised cost	–	129,877	–	129,877	121,299
Loans, advances and financing	–	–	43,767,606	43,767,606	43,110,007
<b>Financial liabilities</b>					
Deposits from customers	–	48,434,373	–	48,434,373	48,425,852
Deposits and placements of banks and other financial institutions	–	1,511,244	–	1,511,244	1,543,646
Obligations on securities sold under repurchase agreements	–	369,469	–	369,469	369,469
Recourse obligations on loans and financing sold to Cagamas	–	858,516	–	858,516	800,695
Subordinated obligations	–	1,489,614	–	1,489,614	1,520,637

GROUP 2019	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
<b>Financial assets</b>					
Deposits and placements with banks and other financial institutions	–	485	–	485	500
Financial investments at amortised cost	–	200,268	–	200,268	235,720
Loans, advances and financing	–	–	42,861,780	42,861,780	42,320,301
<b>Financial liabilities</b>					
Deposits from customers	–	45,021,243	–	45,021,243	45,017,632
Deposits and placements of banks and other financial institutions	–	833,871	–	833,871	858,708
Recourse obligations on loans and financing sold to Cagamas	–	886,480	–	886,480	800,669
Subordinated obligations	–	1,449,360	–	1,449,360	1,480,222

## 50. FAIR VALUE MEASUREMENTS (CONT'D)

## (c) Fair values of financial instruments not carried at fair value (cont'd)

BANK 2020	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
<b>Financial assets</b>					
Financial investments at amortised cost	–	178,925	–	178,925	170,405
Loans, advances and financing	–	–	32,611,046	32,611,046	32,207,545
<b>Financial liabilities</b>					
Deposits from customers	–	36,704,170	–	36,704,170	36,702,989
Deposits and placements of banks and other financial institutions	–	726,128	–	726,128	733,564
Obligations on securities sold under repurchase agreements	–	221,387	–	221,387	221,387
Recourse obligations on loans and financing sold to Cagamas	–	317,690	–	317,690	300,053
Subordinated obligations	–	1,449,303	–	1,449,303	1,480,254

BANK 2019	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
<b>Financial assets</b>					
Financial investments at amortised cost	–	276,582	–	276,582	311,930
Loans, advances and financing	–	–	32,965,110	32,965,110	32,622,976
<b>Financial liabilities</b>					
Deposits from customers	–	34,983,732	–	34,983,732	34,982,862
Deposits and placements of banks and other financial institutions	–	342,774	–	342,774	344,835
Recourse obligations on loans and financing sold to Cagamas	–	323,433	–	323,433	300,076
Subordinated obligations	–	1,448,826	–	1,448,826	1,479,580

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 50. FAIR VALUE MEASUREMENTS (CONT'D)

#### (c) Fair values of financial instruments not carried at fair value (cont'd)

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

##### (i) Financial investments at amortised cost

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

##### (ii) Loans, advances and financing

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

##### (iii) Deposits from customers, deposits and placements of banks and other financial institutions

The fair values of deposit liabilities payable on demand (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) Obligations on securities sold under repurchase agreements

The estimated fair value of obligations on securities sold under repurchase agreements with maturities of less than six months approximate the carrying value.

##### (v) Recourse obligations on loans and financing sold to Cagamas

The fair values of recourse obligations on loans and financing sold 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.

##### (vi) 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 Group and the Bank report financial assets and financial liabilities on a net basis on the statement of financial position, only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangements on:

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

### (a) Financial assets

	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set off in the statements of financial position RM'000	Net amounts of financial assets presented in the statements of financial position RM'000	Related amounts not set off in the statements of financial position		Net Amount RM'000
				Financial Instruments RM'000	Cash collateral received RM'000	
<b>GROUP 2020</b>						
Derivative financial assets	436,910	–	436,910	(105,271)	(82,765)	248,874
Amounts due from clients and brokers	84,014	(32,849)	51,165	–	–	51,165
Total	520,924	(32,849)	488,075	(105,271)	(82,765)	300,039
<b>GROUP 2019</b>						
Derivative financial assets	55,442	–	55,442	(14,492)	(8,105)	32,845
Amounts due from clients and brokers	144,882	(67,874)	77,008	–	–	77,008
Total	200,324	(67,874)	132,450	(14,492)	(8,105)	109,853
<b>BANK 2020</b>						
Derivative financial assets	436,910	–	436,910	(105,271)	(82,765)	248,874
<b>BANK 2019</b>						
Derivative financial assets	55,442	–	55,442	(14,492)	(8,105)	32,845

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 51. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D)

#### (b) Financial liabilities

	Gross amounts of recognised financial liabilities RM'000	Gross amounts of recognised financial assets set off in the statements of financial position RM'000	Net amounts of financial liabilities presented in the statements of financial position RM'000	Related amounts not set off in the statements of financial position		Net Amount RM'000
				Financial Instruments RM'000	Cash collateral pledged RM'000	
<b>GROUP 2020</b>						
Derivative financial liabilities	348,877	–	348,877	(105,271)	(136,766)	106,840
Amounts due to clients and brokers	55,141	(32,849)	22,292	–	–	22,292
Total	404,018	(32,849)	371,169	(105,271)	(136,766)	129,132
<b>GROUP 2019</b>						
Derivative financial liabilities	57,545	–	57,545	(14,492)	(22,541)	20,512
Amounts due to clients and brokers	119,038	(67,874)	51,164	–	–	51,164
	176,583	(67,874)	108,709	(14,492)	(22,541)	71,676
<b>BANK 2020</b>						
Derivative financial liabilities	348,877	–	348,877	(105,271)	(136,766)	106,840
<b>BANK 2019</b>						
Derivative financial liabilities	57,545	–	57,545	(14,492)	(22,541)	20,512

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements, each agreement between the Group and the Bank 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 and provided to the chief operating decision-maker based on the Group's internal management reporting reflective of the organisation's management reporting structure.

Based on the results presented to chief operating decision-maker, 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's 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) Stockbroking and Corporate Advisory

Stockbroking and Corporate Advisory cover 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.



[illegible]

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 53. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

a. Bancassurance partnership

The Bank and its wholly-owned subsidiary, Alliance Islamic Bank Berhad had on 22 April 2019 entered into distribution agreements with Zurich General Insurance Malaysia Berhad and Zurich General Takaful Malaysia Berhad respectively, to establish general bancassurance and bancatakaful partnership in Malaysia.

b. Liquidation of subsidiaries

Details of liquidation of subsidiaries are disclosed in Note 13(b) to the financial statements.

### 54. SUBSEQUENT EVENTS

The global economy is expecting to slow down following disruption caused by COVID-19 pandemic and the collapse of crude oil prices. In order to mitigate the weaker economy outlook, the Malaysian government has implemented several relief measures to help stimulate the economy.

To alleviate the financial difficulties of the borrowers, the Government has announced a 6 months automatic moratorium on repayments of loans and financing from 1 April 2020 for eligible small and medium enterprises and individuals ("automatic moratorium"). As such, in order to help our consumers and businesses, the Group and the Bank have implemented the automatic moratorium and this will result in modification losses on these loans and financing as the contractual cash flow has been modified either from the loan tenure or the total repayment.

Overnight policy rate ("OPR") was reduced by 50bps in early May 2020 to help easing the financial burden of the borrowers and this would impact the Group's revenue. In addition, expected credit losses are expected to increase following the slowdown in economy resulted from COVID-19 pandemic and Movement Control Order ("MCO").

All these would have an adverse impact on the Group and the Bank earnings for financial year 2021 and the financial impact has yet to be quantified. However, the Group and the Bank will monitor the situation closely and continue to assess the impact.

Nevertheless, we are committed to help our customers navigate through the storm with loan restructuring solutions and fully support the government's economic stimulus initiatives.



# ALLIANCE BANK

**Alliance Bank Malaysia Berhad** 198201008390 (88103-W)

# BASEL II PILLAR 3 REPORT DISCLOSURE

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More on this subject:

<https://www.alliancebank.com.my/annualreport2020>

# BASEL II PILLAR 3 REPORT DISCLOSURE

## for the financial year ended 31 March 2020

### OVERVIEW

Bank Negara Malaysia's ("BNM") guidelines on capital adequacy require Alliance Bank Malaysia Berhad ("the Bank") and its subsidiaries ("the Group") to maintain an adequate level of capital to withstand potential losses arising from its operations. BNM's capital adequacy guidelines cover 3 main aspects:

- (a) Pillar 1 – covers the calculation of risk-weighted assets for credit risk, market risk and operational risk.
- (b) Pillar 2 – involves assessment of other risks (e.g. interest rate risk in the banking book, liquidity risk and concentration risk) not covered under Pillar 1. This promotes adoption of forward-looking approaches to capital management and stress testing/risk simulation techniques.
- (c) Pillar 3 – covers disclosure and external communication of risk and capital information by banks.

The Group maintains a strong capital base to support its current activities and future growth, to meet regulatory capital requirements at all times and to buffer against potential losses.

To ensure that risks and returns are appropriately balanced, the Group has implemented a Group-wide Integrated Risk Management Framework, with guidelines for identifying, measuring, and managing risks. This process includes quantifying and aggregating various risks in order to ensure the Group and each entity has sufficient capital to cushion unexpected losses and remain solvent.

In summary, the capital management process involves the following:

- (i) Monitoring of regulatory capital and ensuring that the minimum regulatory requirements and approved internal ratios are adhered to;
- (ii) Estimation of capital requirements based on ongoing forecasting and budgeting process; and
- (iii) Regular reporting of regulatory and internal capital ratios to senior management and the Board.

In addition, the Group's capital adequacy under extreme but plausible stress scenarios are periodically assessed via a Group-wide stress test exercise. The results of the stress tests are reported to senior management, to provide them with an assessment of the financial impact of such events on the Group's earnings and capital.

The Group's Pillar 3 Disclosure is governed by the Bank's Pillar 3 Disclosure. This policy outlines the minimum disclosure standards, approach for determining the appropriateness of information disclosed and the internal controls over the disclosure process.



## 1.0 SCOPE OF APPLICATION

The Pillar 3 Disclosure was prepared on a consolidated basis comprises information on Alliance Bank Malaysia Berhad ("the Bank"), its subsidiaries, associate companies and joint venture. The Group offers Conventional and Islamic banking services. The latter includes accepting deposits and providing financing under Shariah principles via the Bank's wholly-owned subsidiary, Alliance Islamic Bank Berhad.

The basis of consolidation for the use of regulatory capital purposes is similar to that for financial accounting purposes. Investments in subsidiaries, associate companies and joint venture are deducted from regulatory capital.

There were no significant restrictions or other major impediments on transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiaries of the Group as at the financial year end.

The capital adequacy information was computed in accordance with BNM's Capital Adequacy Framework. The Group has adopted the Standardised Approach for credit risk and market risk; and the Basic Indicator Approach for operational risk.

## 2.0 CAPITAL

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

- (i) To maintain sufficient capital to meet the regulatory capital requirements as set forth by BNM;
- (ii) To maintain sufficient capital to support the Group's risk appetite and facilitate future business growth; and
- (iii) 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 above the regulatory requirements, while balancing shareholders' desire for sustainable returns and prudential standards.

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 tests are to facilitate the formulation of contingency plan(s) where warranted. The results of the stress tests are tabled to the Group Risk Management Committee ("GRMC") for approval.

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

### 2.0 CAPITAL (CONT'D)

#### 2.1 Capital Adequacy Ratios

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

	GROUP		BANK	
	2020	2019	2020	2019
<u>Before deducting proposed dividends</u>				
CET I capital ratio	<b>13.826%</b>	13.736%	<b>12.899%</b>	12.061%
Tier I capital ratio	<b>14.593%</b>	14.423%	<b>13.771%</b>	12.940%
Total capital ratio	<b>18.902%</b>	18.856%	<b>18.634%</b>	17.841%
<u>After deducting proposed dividends</u>				
CET I capital ratio	<b>13.826%</b>	13.388%	<b>12.899%</b>	11.614%
Tier I capital ratio	<b>14.593%</b>	14.074%	<b>13.771%</b>	12.493%
Total capital ratio	<b>18.902%</b>	18.508%	<b>18.634%</b>	17.394%

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

	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
<b>2020</b>		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	<b>10.507%</b>	<b>98.737%</b>
Tier I capital ratio	<b>11.617%</b>	<b>98.737%</b>
Total capital ratio	<b>14.233%</b>	<b>99.682%</b>
<u>After deducting proposed dividends</u>		
CET I capital ratio	<b>10.507%</b>	<b>97.246%</b>
Tier I capital ratio	<b>11.617%</b>	<b>97.246%</b>
Total capital ratio	<b>14.233%</b>	<b>98.190%</b>
<b>2019</b>		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	11.690%	78.200%
Tier I capital ratio	12.950%	78.200%
Total capital ratio	15.762%	79.196%
<u>After deducting proposed dividends</u>		
CET I capital ratio	11.339%	78.200%
Tier I capital ratio	12.599%	78.200%
Total capital ratio	15.411%	79.196%

The Group's and the Bank's capital ratios comply with the prescribed capital adequacy ratios under BNM's Capital Adequacy Framework.

## 2.0 CAPITAL (CONT'D)

### 2.2 Capital Structure

The following tables present the components of Common Equity Tier I ("CET I"), Tier I and Tier II capital.

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b><u>CET I Capital/Tier I Capital</u></b>				
Paid-up share capital	<b>1,548,106</b>	1,548,106	<b>1,548,106</b>	1,548,106
Retained profits	<b>3,974,847</b>	3,827,676	<b>3,346,890</b>	3,128,589
Regulatory reserves	<b>224,579</b>	178,397	<b>182,292</b>	160,798
Financial investments at fair value through other comprehensive income (FVOCI) reserves	<b>140,966</b>	68,540	<b>79,612</b>	36,449
Capital reserves	<b>100,150</b>	100,150	<b>15,515</b>	95,515
	<b>5,988,648</b>	5,722,869	<b>5,172,415</b>	4,969,457
Less: Regulatory adjustments				
- Goodwill and other intangibles	<b>(437,086)</b>	(432,961)	<b>(332,680)</b>	(323,804)
- Deferred tax assets	<b>(28,125)</b>	(72,972)	<b>(14,074)</b>	(50,116)
- 55% of FVOCI reserves	<b>(77,531)</b>	(37,697)	<b>(43,787)</b>	(20,047)
- Regulatory reserves	<b>(224,579)</b>	(178,397)	<b>(182,292)</b>	(160,798)
- Investment in subsidiaries, associate and joint venture	<b>(903)</b>	(802)	<b>(909,102)</b>	(989,102)
Total CET I capital	<b>5,220,424</b>	5,000,040	<b>3,690,480</b>	3,425,590
Additional Tier I Capital Securities	<b>289,844</b>	249,792	<b>249,584</b>	249,445
Total Additional Tier I Capital	<b>289,844</b>	249,792	<b>249,584</b>	249,445
Total Tier I Capital	<b>5,510,268</b>	5,249,832	<b>3,940,064</b>	3,675,035
<b><u>Tier II Capital</u></b>				
Subordinated obligations	<b>1,199,829</b>	1,199,676	<b>1,199,719</b>	1,199,381
Expected credit losses* and regulatory reserves	<b>427,020</b>	414,258	<b>321,754</b>	322,740
Less: Regulatory adjustments				
- Investment in Tier II capital instruments	<b>—</b>	—	<b>(130,000)</b>	(130,000)
Total Tier II Capital	<b>1,626,849</b>	1,613,934	<b>1,391,473</b>	1,392,121
Total Capital	<b>7,137,117</b>	6,863,766	<b>5,331,537</b>	5,067,156

\* Expected credit losses for stage 1 and stage 2 only.

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

### 2.0 CAPITAL (CONT'D)

#### 2.3 Risk-Weighted Assets ("RWA") and Capital Requirements

##### Regulatory Capital Requirements

The following tables present the minimum regulatory capital requirements of the Group and the Bank:

GROUP 2020 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	9,409,103	9,409,103	–	–
Public sector entities	691,368	691,368	138,273	11,062
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks	620,046	620,046	128,440	10,275
Insurance companies, securities firms and fund managers	14,870	14,870	14,870	1,190
Corporates	20,583,524	19,156,000	15,246,603	1,219,728
Regulatory retail	9,933,347	9,324,614	7,398,375	591,870
Residential mortgages	16,789,019	16,779,130	6,520,758	521,661
Higher risk assets	5,672	5,668	8,501	680
Other assets	1,291,944	1,291,944	758,493	60,679
Equity exposures	–	–	–	–
Defaulted exposures	579,637	578,198	557,724	44,618
Total on-balance sheet exposures	59,918,530	57,870,941	30,772,037	2,461,763
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,918,895	3,405,404	2,999,358	239,949
Derivative financial instruments	829,742	829,742	389,154	31,132
Defaulted exposures	747	742	1,098	88
Total off-balance sheet exposures	4,749,384	4,235,888	3,389,610	271,169
Total on and off-balance sheet exposures	64,667,914	62,106,829	34,161,647	2,732,932
(ii) Market Risk (Note 4.0)				
	Long Position	Short Position		
Interest rate risk	24,637,343	(24,078,252)	374,470	29,958
Foreign currency risk	17,508	(97,129)	97,125	7,770
	24,654,851	(24,175,381)		
Option risk			713	57
Total			472,308	37,785
(iii) Operational Risk	–	–	3,125,054	250,004
Total	64,667,914	62,106,829	37,759,009	3,020,721

## 2.0 CAPITAL (CONT'D)

### 2.3 RWA and Capital Requirements (cont'd)

#### Regulatory Capital Requirements (cont'd)

The following tables present the minimum regulatory capital requirements of the Group and the Bank: (cont'd)

<b>BANK 2020 Exposure Class</b>	<b>Gross Exposures RM'000</b>	<b>Net Exposures RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	6,896,805	6,896,805	–	–
Public sector entities	239,371	239,371	47,874	3,830
Banks, DFIs and Multilateral Development Banks	1,182,409	1,182,409	390,093	31,207
Insurance companies, securities firms and fund managers	8,008	8,008	8,008	641
Corporates	15,113,912	13,985,139	11,499,187	919,935
Regulatory retail	7,424,239	6,892,810	5,366,560	429,325
Residential mortgages	12,180,706	12,171,122	4,560,056	364,804
Higher risk assets	5,451	5,446	8,170	654
Other assets	1,223,138	1,223,138	689,686	55,175
Equity exposures	–	–	–	–
Defaulted exposures	421,576	421,119	416,251	33,300
Total on-balance sheet exposures	44,695,615	43,025,367	22,985,885	1,838,871
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,055,715	2,639,204	2,364,494	189,160
Derivative financial instruments	829,742	829,742	389,154	31,132
Defaulted exposures	545	540	800	64
Total off-balance sheet exposures	3,886,002	3,469,486	2,754,448	220,356
Total on and off-balance sheet exposures	48,581,617	46,494,853	25,740,333	2,059,227
(ii) <u>Market Risk (Note 4.0)</u>				
	<b>Long Position</b>	<b>Short Position</b>		
Interest rate risk	24,637,343	(24,078,252)	374,470	29,958
Foreign currency risk	17,486	(97,129)	97,125	7,770
	24,654,829	(24,175,381)		
Option risk			713	57
Total			472,308	37,785
(iii) <u>Operational Risk</u>	–	–	2,398,815	191,905
Total	48,581,617	46,494,853	28,611,456	2,288,917

**BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)**

for the financial year ended 31 March 2020

**2.0 CAPITAL (CONT'D)****2.3 RWA and Capital Requirements (cont'd)****Regulatory Capital Requirements (cont'd)**

The following tables present the minimum regulatory capital requirements of the Group and the Bank: (cont'd)

<b>GROUP 2019 Exposure Class</b>	<b>Gross Exposures RM'000</b>	<b>Net Exposures RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	8,186,546	8,186,546	–	–
Public sector entities	196,261	196,261	39,253	3,140
Banks, DFIs and Multilateral Development Banks	829,576	829,576	164,010	13,121
Insurance companies, securities firms and fund managers	35,557	35,557	35,556	2,844
Corporates	19,580,592	17,950,144	14,854,259	1,188,340
Regulatory retail	9,999,499	9,245,382	7,256,654	580,532
Residential mortgages	16,073,138	16,062,759	6,981,541	558,523
Higher risk assets	11,086	11,080	16,621	1,330
Other assets	694,371	694,371	438,729	35,098
Equity exposures	187,525	187,525	187,525	15,002
Defaulted exposures	262,387	259,915	271,190	21,695
Total on-balance sheet exposures	56,056,537	53,659,116	30,245,338	2,419,627
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,920,784	3,400,266	2,783,856	222,708
Derivative financial instruments	239,854	239,854	109,148	8,732
Defaulted exposures	1,718	1,218	2,300	184
Total off-balance sheet exposures	4,162,356	3,641,339	2,895,304	231,624
Total on and off-balance sheet exposures	60,218,893	57,300,455	33,140,642	2,651,251
(ii) Market Risk (Note 4.0)				
	<b>Long Position</b>	<b>Short Position</b>		
Interest rate risk	5,598,049	(5,562,082)	149,542	11,963
Foreign currency risk	11,575	(124,410)	124,410	9,953
	5,609,624	(5,686,492)		
Option risk			990	79
Total			274,942	21,995
(iii) Operational Risk	–	–	2,984,529	238,762
Total	60,218,893	57,300,455	36,400,113	2,912,008

## 2.0 CAPITAL (CONT'D)

### 2.3 RWA and Capital Requirements (cont'd)

#### Regulatory Capital Requirements (cont'd)

The following tables present the minimum regulatory capital requirements of the Group and the Bank: (cont'd)

<b>BANK 2019 Exposure Class</b>	<b>Gross Exposures RM'000</b>	<b>Net Exposures RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	5,596,654	5,596,654	–	–
Public sector entities	69,280	69,280	13,856	1,108
Banks, DFIs and Multilateral Development Banks	1,715,604	1,715,604	568,061	45,445
Insurance companies, securities firms and fund managers	28,494	28,494	28,494	2,280
Corporates	14,760,638	13,523,216	11,591,934	927,355
Regulatory retail	7,519,108	6,845,343	5,286,525	422,922
Residential mortgages	12,335,936	12,326,574	5,320,900	425,672
Higher risk assets	9,472	9,466	14,200	1,136
Other assets	616,262	616,262	361,152	28,892
Equity exposures	126,741	126,741	126,743	10,139
Defaulted exposures	200,941	199,593	209,263	16,741
Total on-balance sheet exposures	42,979,130	41,057,227	23,521,128	1,881,690
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,091,073	2,647,418	2,187,138	174,971
Derivative financial instruments	239,854	239,854	109,148	8,732
Defaulted exposures	1,360	860	1,770	142
Total off-balance sheet exposures	3,332,287	2,888,132	2,298,056	183,845
Total on and off-balance sheet exposures	46,311,417	43,945,359	25,819,184	2,065,535
(ii) <u>Market Risk (Note 4.0)</u>				
	<b>Long Position</b>	<b>Short Position</b>		
Interest rate risk	5,598,049	(5,562,082)	149,542	11,963
Foreign currency risk	11,575	(124,410)	124,410	9,953
	5,609,624	(5,686,492)		
Option risk			990	79
Total			274,942	21,995
(iii) <u>Operational Risk</u>	–	–	2,307,070	184,566
Total	46,311,417	43,945,359	28,401,196	2,272,096

Note:

Under Islamic banking, the Group does not use Profit-sharing Investment Account (“PSIA”) as a risk absorbent mechanism.

The Group and the Bank do not have exposure to any Large Exposure Risk for equity holdings as specified under BNM’s Guidelines on Investment in Shares, Interest-in-Shares and Collective Investment Schemes.

## **BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)**

### **for the financial year ended 31 March 2020**

#### **3.0 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 to settle financial commitments.

##### ***Credit Risk Management***

The Board, via the GRMC, established a Credit Risk Management Framework ("CRMF") which outlines the broad principles for managing credit risk of the Group.

Credit approval is under the purview of the Executive Committee, Group Management Credit Committee and Credit Underwriters, depending on the size and complexity of the loans.

Retail loans are subject to portfolio reviews and corporate loans are subject to periodic individual borrower or group reviews. The Portfolio Review Committee for the respective lines of business, assisted by embedded risk units, helps to manage the portfolio quality. The process also ensures alignment of business strategy with the Bank's risk appetite.

Potential problem loans or issues on portfolio are identified through our Early Warning Framework and thematic reviews, where applicable. Recovery of impaired loans are carried out internally or through authorised agents.

The Portfolio Review Committees for the respective lines of business, assisted by embedded risk units, helps to manage the portfolio quality. Portfolio risk reports are reviewed and action plans are formulated to manage identified risks.

Entity level Risk Dashboards are escalated to the Executive Risk Management Committee (Senior Management Level), GRMC (Board Level) and the Board for deliberation and strategic direction.

Group Risk Management is responsible for assessing the adequacy and effectiveness of the risk management framework, policies and guidelines. Embedded risk units are responsible for monitoring business activities and ensuring that they are carried out within the approved policies and business models.

Stress testing is used to identify potential vulnerable risk areas of the Bank's portfolios to stress events and assess the impact to earnings and capital. Stress tests are performed using a variety of market and economic assumptions to assess possible vulnerability and to formulate effective mitigation actions when required. Sensitivity analysis are conducted to assess potential effect of individual risk factors.

Group Internal Audit reviews the Bank's credit processes regularly and recommends corrective measures or enhancements. These reviews provide senior management with assurance that the policies, processes and guidelines are adhered to.

##### ***Impaired Loans and Provisions***

Past due accounts are loan accounts with any payment of principal and/or interest due and not paid, but are not classified as impaired. Loans are classified as impaired if the mandatory impairment thresholds are exceeded or judgmentally impaired when there are reasonable grounds to believe that the borrower may not be able to repay the entire loan amount.

Provisions for expected credit losses are carried out based on the MFRS9 approach, loans with defined risk characteristics are transferred to Stage 2 and provisions are estimated based on potential losses for the remaining lifetime of the exposures. Impaired loans are classified as Stage 3 under MFRS9. Loans that are not classified as Stage 2 or 3 will remain in Stage 1 where provisions will be estimated based on probability of default over the next 12 months.

Please refer to Note 2(k)(i) of the audited financial statements for accounting policies on impairment of financial assets.



### 3.0 CREDIT RISK (CONT'D)

#### 3.1 Distribution of Credit Exposures

##### (a) Geographical Distribution

The following tables represent the Group's and the Bank's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the branch is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment, where appropriate.

GROUP 2020	Geographical region						Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Outside Malaysia RM'000	
Cash and short-term funds (exclude cash in hand)	-	2,579,019	-	-	-	6,743	2,585,762
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-
Amounts due from clients and brokers	10,906	36,558	3,701	-	-	-	51,165
Financial assets at fair value through profit or loss (exclude equity securities)	-	447,954	-	-	-	-	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	-	11,544,502	-	-	-	-	11,544,502
Financial investments at amortised cost	-	121,607	-	-	-	-	121,607
Derivative financial assets	-	436,910	-	-	-	-	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	3,161,881	30,874,283	5,351,408	2,929,864	1,057,482	-	43,374,918
Statutory deposits with Bank Negara Malaysia	-	949,049	-	-	-	-	949,049
<b>Total on-balance sheet</b>	<b>3,172,787</b>	<b>46,989,882</b>	<b>5,355,109</b>	<b>2,929,864</b>	<b>1,057,482</b>	<b>6,743</b>	<b>59,511,867</b>
Financial guarantees	72,649	758,620	59,333	33,802	15,370	-	939,774
Credit related commitments and contingencies	1,322,583	8,571,914	1,386,967	777,995	488,675	-	12,548,134
<b>Total off-balance sheet</b>	<b>1,395,232</b>	<b>9,330,534</b>	<b>1,446,300</b>	<b>811,797</b>	<b>504,045</b>	<b>-</b>	<b>13,487,908</b>
<b>Total credit exposure</b>	<b>4,568,019</b>	<b>56,320,416</b>	<b>6,801,409</b>	<b>3,741,661</b>	<b>1,561,527</b>	<b>6,743</b>	<b>72,999,775</b>

**BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)**

for the financial year ended 31 March 2020

**3.0 CREDIT RISK (CONT'D)****3.1 Distribution of Credit Exposures (cont'd)****(a) Geographical Distribution (cont'd)**

The following tables represent the Group's and the Bank's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the branch is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment, where appropriate: (cont'd)

BANK 2020	Geographical region						Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Outside Malaysia RM'000	
Cash and short-term funds (exclude cash in hand)	-	1,948,332	-	-	-	6,743	1,955,075
Financial assets at fair value through profit or loss (exclude equity securities)	-	447,954	-	-	-	-	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	-	8,426,773	-	-	-	-	8,426,773
Financial investments at amortised cost	-	170,777	-	-	-	-	170,777
Derivative financial assets	-	436,910	-	-	-	-	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	2,184,597	23,300,250	4,070,243	2,043,579	737,733	-	32,336,402
Statutory deposits with Bank Negara Malaysia	-	700,355	-	-	-	-	700,355
<b>Total on-balance sheet</b>	<b>2,184,597</b>	<b>35,431,351</b>	<b>4,070,243</b>	<b>2,043,579</b>	<b>737,733</b>	<b>6,743</b>	<b>44,474,246</b>
Financial guarantees	61,314	578,394	44,304	29,763	14,365	-	728,140
Credit related commitments and contingencies	842,369	7,107,777	998,372	614,085	370,090	-	9,932,693
<b>Total off-balance sheet</b>	<b>903,683</b>	<b>7,686,171</b>	<b>1,042,676</b>	<b>643,848</b>	<b>384,455</b>	<b>-</b>	<b>10,660,833</b>
<b>Total credit exposure</b>	<b>3,088,280</b>	<b>43,117,522</b>	<b>5,112,919</b>	<b>2,687,427</b>	<b>1,122,188</b>	<b>6,743</b>	<b>55,135,079</b>

### 3.0 CREDIT RISK (CONT'D)

#### 3.1 Distribution of Credit Exposures (cont'd)

##### (a) Geographical Distribution (cont'd)

The following tables represent the Group's and the Bank's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the branch is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment, where appropriate: (cont'd)

GROUP 2019	Geographical region						Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Outside Malaysia RM'000	
Cash and short-term funds (exclude cash in hand)	–	1,524,871	–	–	–	24,753	1,549,624
Deposits and placements with banks and other financial institutions	–	500	–	–	–	–	500
Amounts due from clients and brokers	11,527	55,322	10,159	–	–	–	77,008
Financial assets at fair value through profit or loss (exclude equity securities)	–	42,923	–	–	–	–	42,923
Financial investments at fair value through other comprehensive income (exclude equity securities)	–	9,478,454	–	–	–	–	9,478,454
Financial investments at amortised cost	–	235,720	–	–	–	–	235,720
Derivative financial assets	–	55,442	–	–	–	–	55,442
Loans, advances and financing (exclude sales commissions and handling fees)	3,071,510	30,376,554	5,240,640	2,859,102	965,175	–	42,512,982
Statutory deposits with Bank Negara Malaysia	–	1,521,592	–	–	–	–	1,521,592
<b>Total on-balance sheet</b>	<b>3,083,037</b>	<b>43,291,377</b>	<b>5,250,800</b>	<b>2,859,102</b>	<b>965,175</b>	<b>24,753</b>	<b>55,474,245</b>
Financial guarantees	80,179	519,451	57,431	52,646	11,793	–	721,500
Credit related commitments and contingencies	1,203,797	8,500,343	1,349,365	788,017	460,014	–	12,301,536
<b>Total off-balance sheet</b>	<b>1,283,976</b>	<b>9,019,794</b>	<b>1,406,796</b>	<b>840,663</b>	<b>471,807</b>	<b>–</b>	<b>13,023,036</b>
<b>Total credit exposure</b>	<b>4,367,013</b>	<b>52,311,172</b>	<b>6,657,596</b>	<b>3,699,765</b>	<b>1,436,982</b>	<b>24,753</b>	<b>68,497,280</b>

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

### 3.0 CREDIT RISK (CONT'D)

#### 3.1 Distribution of Credit Exposures (cont'd)

##### (a) Geographical Distribution (cont'd)

The following tables represent the Group's and the Bank's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the branch is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment, where appropriate: (cont'd)

BANK 2019	Geographical region						Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Outside Malaysia RM'000	
Cash and short-term funds (exclude cash in hand)	–	1,292,132	–	–	–	24,753	1,316,885
Financial assets at fair value through profit or loss (exclude equity securities)	–	42,923	–	–	–	–	42,923
Financial investments at fair value through other comprehensive income (exclude equity securities)	–	6,852,858	–	–	–	–	6,852,858
Financial investments at amortised cost	–	311,930	–	–	–	–	311,930
Derivative financial assets	–	55,442	–	–	–	–	55,442
Loans, advances and financing (exclude sales commissions and handling fees)	2,206,689	23,649,545	3,966,339	2,166,621	722,691	–	32,711,885
Statutory deposits with Bank Negara Malaysia	–	1,142,108	–	–	–	–	1,142,108
<b>Total on-balance sheet</b>	2,206,689	33,346,938	3,966,339	2,166,621	722,691	24,753	42,434,030
Financial guarantees	71,471	354,069	42,526	38,622	11,378	–	518,066
Credit related commitments and contingencies	853,568	7,096,695	1,013,416	624,008	306,300	–	9,893,986
<b>Total off-balance sheet</b>	925,039	7,450,763	1,055,942	662,630	317,677	–	10,412,052
<b>Total credit exposure</b>	3,131,728	40,797,701	5,022,281	2,829,251	1,040,368	24,753	52,846,082

### 3.0 CREDIT RISK (CONT'D)

#### 3.1 Distribution of Credit Exposures (cont'd)

##### (b) Industry Distribution

The following tables represent the Group's and the Bank's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged.

GROUP 2020	Government & Central Bank RM'000	Financial, Insurance, Business Services & Real Estate RM'000	Transport, Storage & Communication RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	2,152,462	433,300	-	-	-	-	-	2,585,762
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Amounts due from clients and brokers	-	-	-	-	-	-	51,165	51,165
Financial assets at fair value through profit or loss (exclude equity securities)	437,930	10,024	-	-	-	-	-	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	6,307,593	3,122,011	1,567,617	313,311	233,970	-	-	11,544,502
Financial investments at amortised cost	-	101,076	-	-	-	-	20,531	121,607
Derivative financial assets	33,426	199,579	-	-	-	-	203,905	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	-	4,517,619	729,312	13,224,820	1,412,148	23,097,057	393,962	43,374,918
Statutory deposits with Bank Negara Malaysia	949,049	-	-	-	-	-	-	949,049
<b>Total on-balance sheet</b>	<b>9,880,460</b>	<b>8,383,609</b>	<b>2,296,929</b>	<b>13,538,131</b>	<b>1,646,118</b>	<b>23,097,057</b>	<b>669,563</b>	<b>59,511,867</b>
Financial guarantees	-	189,061	41,638	585,200	108,592	5,921	9,362	939,774
Credit related commitments and contingencies	-	1,185,375	117,653	5,217,530	1,567,808	4,336,335	123,433	12,548,134
<b>Total off-balance sheet</b>	<b>-</b>	<b>1,374,436</b>	<b>159,291</b>	<b>5,802,730</b>	<b>1,676,400</b>	<b>4,342,256</b>	<b>132,795</b>	<b>13,487,908</b>
<b>Total credit risk</b>	<b>9,880,460</b>	<b>9,758,045</b>	<b>2,456,220</b>	<b>19,340,861</b>	<b>3,322,518</b>	<b>27,439,313</b>	<b>802,358</b>	<b>72,999,775</b>

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

### 3.0 CREDIT RISK (CONT'D)

#### 3.1 Distribution of Credit Exposures (cont'd)

##### (b) Industry Distribution (cont'd)

The following tables represent the Group's and the Bank's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged: (cont'd)

BANK 2020	Government & Central Bank RM'000	Financial, Insurance, Business Services & Real Estate RM'000	Transport, Storage & Communication RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	1,437,791	517,284	-	-	-	-	-	1,955,075
Financial assets at fair value through profit or loss (exclude equity securities)	437,930	10,024	-	-	-	-	-	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	4,758,660	2,360,920	998,180	200,474	108,539	-	-	8,426,773
Financial investments at amortised cost	-	150,246	-	-	-	-	20,531	170,777
Derivative financial assets	33,426	199,579	-	-	-	-	203,905	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	-	3,505,767	555,358	10,098,255	1,094,274	16,810,288	272,460	32,336,402
Statutory deposits with Bank Negara Malaysia	700,355	-	-	-	-	-	-	700,355
<b>Total on-balance sheet</b>	<b>7,368,162</b>	<b>6,743,820</b>	<b>1,553,538</b>	<b>10,298,729</b>	<b>1,202,813</b>	<b>16,810,288</b>	<b>496,896</b>	<b>44,474,246</b>
Financial guarantees	-	83,570	36,496	510,836	82,177	5,899	9,162	728,140
Credit related commitments and contingencies	-	905,733	105,348	3,916,916	1,414,135	3,479,637	110,924	9,932,693
<b>Total off-balance sheet</b>	<b>-</b>	<b>989,303</b>	<b>141,844</b>	<b>4,427,752</b>	<b>1,496,312</b>	<b>3,485,536</b>	<b>120,086</b>	<b>10,660,833</b>
<b>Total credit risk</b>	<b>7,368,162</b>	<b>7,733,123</b>	<b>1,695,382</b>	<b>14,726,481</b>	<b>2,699,125</b>	<b>20,295,824</b>	<b>616,982</b>	<b>55,135,079</b>

### 3.0 CREDIT RISK (CONT'D)

#### 3.1 Distribution of Credit Exposures (cont'd)

##### (b) Industry Distribution (cont'd)

The following tables represent the Group's and the Bank's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged: (cont'd)

GROUP 2019	Government & Central Bank RM'000	Financial, Insurance, Business Services & Real Estate RM'000	Transport, Storage & Communication RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	1,040,926	508,698	-	-	-	-	-	1,549,624
Deposits and placements with banks and other financial institutions	-	500	-	-	-	-	-	500
Amounts due from clients and brokers	-	665	-	-	-	-	76,343	77,008
Financial assets at fair value through profit or loss (exclude equity securities)	41,002	1,909	7	4	1	-	-	42,923
Financial investments at fair value through other comprehensive income (exclude equity securities)	5,293,442	2,520,795	1,149,358	245,233	269,626	-	-	9,478,454
Financial investments at amortised cost	121,789	43,404	-	50,015	-	-	20,512	235,720
Derivative financial assets	-	35,438	-	-	-	-	20,004	55,442
Loans, advances and financing (exclude sales commissions and handling fees)	-	4,451,999	695,780	12,952,982	1,406,180	22,560,416	445,625	42,512,982
Statutory deposits with Bank Negara Malaysia	1,521,592	-	-	-	-	-	-	1,521,592
<b>Total on-balance sheet</b>	<b>8,018,750</b>	<b>7,563,409</b>	<b>1,845,145</b>	<b>13,248,234</b>	<b>1,675,807</b>	<b>22,560,416</b>	<b>562,484</b>	<b>55,474,245</b>
Financial guarantees	-	79,794	33,041	542,131	52,123	4,586	9,825	721,500
Credit related commitments and contingencies	141,985	1,540,262	125,463	5,141,861	1,611,172	3,356,111	384,682	12,301,536
<b>Total off-balance sheet</b>	<b>141,985</b>	<b>1,620,056</b>	<b>158,504</b>	<b>5,683,992</b>	<b>1,663,295</b>	<b>3,360,697</b>	<b>394,507</b>	<b>13,023,036</b>
<b>Total credit risk</b>	<b>8,160,735</b>	<b>9,183,465</b>	<b>2,003,649</b>	<b>18,932,226</b>	<b>3,339,102</b>	<b>25,921,113</b>	<b>956,991</b>	<b>68,497,280</b>

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

### 3.0 CREDIT RISK (CONT'D)

#### 3.1 Distribution of Credit Exposures (cont'd)

##### (b) Industry Distribution (cont'd)

The following tables represent the Group's and the Bank's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged: (cont'd)

BANK 2019	Government & Central Bank RM'000	Financial, Insurance, Business Services & Real Estate RM'000	Transport, Storage & Communication RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	692,477	624,408	-	-	-	-	-	1,316,885
Financial assets at fair value through profit or loss (exclude equity securities)	41,002	1,909	7	4	1	-	-	42,923
Financial investments at fair value through other comprehensive income (exclude equity securities)	3,705,868	2,098,405	743,892	173,009	131,684	-	-	6,852,858
Financial investments at amortised cost	101,446	164,961	-	25,011	-	-	20,512	311,930
Derivative financial assets	-	35,438	-	-	-	-	20,004	55,442
Loans, advances and financing (exclude sales commissions and handling fees)	-	3,480,049	517,512	10,066,243	1,203,030	17,147,433	297,618	32,711,885
Statutory deposits with Bank Negara Malaysia	1,142,108	-	-	-	-	-	-	1,142,108
<b>Total on-balance sheet</b>	<b>5,682,900</b>	<b>6,405,171</b>	<b>1,261,411</b>	<b>10,264,267</b>	<b>1,334,715</b>	<b>17,147,433</b>	<b>338,134</b>	<b>42,434,030</b>
Financial guarantees	-	77,195	27,895	383,755	15,081	4,544	9,596	518,066
Credit related commitments and contingencies	141,985	1,285,169	120,734	4,014,944	1,448,995	2,536,013	346,146	9,893,986
<b>Total off-balance sheet</b>	<b>141,985</b>	<b>1,362,364</b>	<b>148,629</b>	<b>4,398,699</b>	<b>1,464,076</b>	<b>2,540,557</b>	<b>355,742</b>	<b>10,412,052</b>
<b>Total credit risk</b>	<b>5,824,885</b>	<b>7,767,534</b>	<b>1,410,040</b>	<b>14,662,966</b>	<b>2,798,791</b>	<b>19,687,990</b>	<b>693,875</b>	<b>52,846,082</b>



### 3.0 CREDIT RISK (CONT'D)

#### 3.1 Distribution of Credit Exposures (cont'd)

##### (c) Residual Contractual Maturity

The following tables represent the residual contractual maturity for major types of gross credit exposure for on-balance sheet financial assets of the Group and the Bank:

GROUP 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	2,585,762	–	–	–	–	2,585,762
Deposits and placements with banks and other financial institutions	–	–	–	–	–	–
Amounts due from clients and brokers	51,165	–	–	–	–	51,165
Financial assets at fair value through profit or loss (exclude equity securities)	–	–	–	2	447,952	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	172,324	532,002	317,104	464,092	10,058,980	11,544,502
Financial investments at amortised cost	–	–	–	16	121,591	121,607
Derivative financial assets	76,325	53,116	60,838	103,827	142,804	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	8,600,960	2,197,009	781,874	230,668	31,564,407	43,374,918
Statutory deposits with Bank Negara Malaysia	–	–	–	–	949,049	949,049
<b>Total on-balance sheet exposure</b>	<b>11,486,536</b>	<b>2,782,127</b>	<b>1,159,816</b>	<b>798,605</b>	<b>43,284,783</b>	<b>59,511,867</b>

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

### 3.0 CREDIT RISK (CONT'D)

#### 3.1 Distribution of Credit Exposures (cont'd)

##### (c) Residual Contractual Maturity (cont'd)

The following tables represent the residual contractual maturity for major types of gross credit exposure for on-balance sheet financial assets of the Group and the Bank: (cont'd)

<b>BANK 2020</b>	<b>Up to 1 month RM'000</b>	<b>&gt;1-3 months RM'000</b>	<b>&gt;3-6 months RM'000</b>	<b>&gt;6-12 months RM'000</b>	<b>&gt;1 year RM'000</b>	<b>Total RM'000</b>
Cash and short-term funds (exclude cash in hand)	1,955,075	–	–	–	–	1,955,075
Financial assets at fair value through profit or loss (exclude equity securities)	–	–	–	2	447,952	447,954
Financial investments at fair value through other comprehensive income(exclude equity securities)	131,528	399,860	221,729	230,243	7,443,413	8,426,773
Financial investments at amortised cost	–	–	–	–	170,777	170,777
Derivative financial assets	76,325	53,116	60,838	103,827	142,804	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	5,967,999	1,559,464	621,672	178,300	24,008,967	32,336,402
Statutory deposits with Bank Negara Malaysia	–	–	–	–	700,355	700,355
<b>Total on-balance sheet exposure</b>	<b>8,130,927</b>	<b>2,012,440</b>	<b>904,239</b>	<b>512,372</b>	<b>32,914,268</b>	<b>44,474,246</b>

### 3.0 CREDIT RISK (CONT'D)

#### 3.1 Distribution of Credit Exposures (cont'd)

##### (c) Residual Contractual Maturity (cont'd)

The following tables represent the residual contractual maturity for major types of gross credit exposure for on-balance sheet financial assets of the Group and the Bank: (cont'd)

GROUP 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	1,549,624	–	–	–	–	1,549,624
Deposits and placements with banks and other financial institutions	500	–	–	–	–	500
Amounts due from clients and brokers	77,008	–	–	–	–	77,008
Financial assets at fair value through profit or loss (exclude equity securities)	379	–	118	–	42,425	42,923
Financial investments at fair value through other comprehensive income (exclude equity securities)	180,003	230,448	387,975	502,664	8,177,363	9,478,454
Financial investments at amortised cost	37,164	4,549	4,994	119,816	69,196	235,720
Derivative financial assets	8,010	5,004	5,812	2,791	33,825	55,442
Loans, advances and financing (exclude sales commissions and handling fees)	8,755,066	2,146,717	892,728	135,785	30,582,686	42,512,982
Statutory deposits with Bank Negara Malaysia	–	–	–	–	1,521,592	1,521,592
<b>Total on-balance sheet exposure</b>	<b>10,607,754</b>	<b>2,386,718</b>	<b>1,291,628</b>	<b>761,056</b>	<b>40,427,087</b>	<b>55,474,245</b>

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

### 3.0 CREDIT RISK (CONT'D)

#### 3.1 Distribution of Credit Exposures (cont'd)

##### (c) Residual Contractual Maturity (cont'd)

The following tables represent the residual contractual maturity for major types of gross credit exposure for on-balance sheet financial assets of the Group and the Bank: (cont'd)

<b>BANK 2019</b>	<b>Up to 1 month RM'000</b>	<b>&gt;1-3 months RM'000</b>	<b>&gt;3-6 months RM'000</b>	<b>&gt;6-12 months RM'000</b>	<b>&gt;1 year RM'000</b>	<b>Total RM'000</b>
Cash and short-term funds (exclude cash in hand)	1,316,885	–	–	–	–	1,316,885
Financial assets at fair value through profit or loss (exclude equity securities)	379	–	118	–	42,425	42,923
Financial investments at fair value through other comprehensive income (exclude equity securities)	58,511	199,629	325,205	488,643	5,780,869	6,852,858
Financial investments at amortised cost	36,891	446	2,556	99,771	172,266	311,930
Derivative financial assets	8,010	5,003	5,812	2,791	33,826	55,442
Loans, advances and financing (exclude sales commissions and handling fees)	6,554,099	1,545,631	677,178	105,355	23,829,622	32,711,885
Statutory deposits with Bank Negara Malaysia	–	–	–	–	1,142,108	1,142,108
<b>Total on-balance sheet exposure</b>	<b>7,974,775</b>	<b>1,750,709</b>	<b>1,010,870</b>	<b>696,560</b>	<b>31,001,116</b>	<b>42,434,030</b>

### 3.0 CREDIT RISK (CONT'D)

#### 3.2 Past Due but Not Impaired Loans, Advances and Financing Analysis

Past due but not impaired loans, advances and financing are loans where the customers have failed to make a principal and/or interest payment when contractually due, and include loans which are due one or more days after the contractual due date but not more than 3 months. Under MFRS9, exposures more than 30 days past due are transferred to Stage 2. For loans that are structured to pay principal and/ or interest at quarterly interval or longer, a default of payment will trigger an impairment.

The following tables represent the past due but not impaired loans, advances and financing analysed by sector:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial, insurance & business services and real estate	158,176	77,853	129,408	66,885
Transport, storage & communication	37,851	30,506	33,643	23,510
Agriculture, manufacturing, wholesale & retail trade	1,345,067	522,877	1,075,631	380,443
Construction	335,890	224,120	245,883	214,987
Household	1,618,582	1,360,089	1,028,837	956,887
Others	38,168	28,584	13,783	3,192
	3,533,734	2,244,029	2,527,185	1,645,903

Past due but not impaired loans, advances and financing analysed by significant geographical areas:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Northern region	294,640	180,081	214,750	127,766
Central region	2,555,013	1,626,610	1,821,590	1,200,186
Southern region	430,123	256,933	303,884	177,217
Sabah region	192,336	148,531	133,145	113,043
Sarawak region	61,622	31,874	53,816	27,691
	3,533,734	2,244,029	2,527,185	1,645,903

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

### 3.0 CREDIT RISK (CONT'D)

#### 3.3 Impaired Loans, Advances and Financing and Allowance for Expected Credit Losses Analysis

Impaired loans, advances and financing are exposures where the customers have failed to make a principal and/or interest payment for more than 3 months. In addition, where customers are deemed incapable of continuing repayment obligations, the exposures will be judgmentally impaired. Where exposures are restructured or rescheduled due to increase in credit risk, the exposures are also classified as impaired.

Impaired loans, advances and financing analysed by sectors:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial, insurance & business services and real estate	<b>30,230</b>	25,503	<b>29,030</b>	24,264
Transport, storage & communication	<b>6,135</b>	3,394	<b>4,088</b>	3,027
Agriculture, manufacturing, wholesale & retail trade	<b>192,991</b>	155,162	<b>152,272</b>	114,135
Construction	<b>48,822</b>	27,515	<b>34,653</b>	21,786
Household	<b>588,904</b>	256,386	<b>414,043</b>	197,271
Others	<b>4,258</b>	8,643	<b>4,257</b>	8,641
	<b>871,340</b>	476,602	<b>638,343</b>	369,124

### 3.0 CREDIT RISK (CONT'D)

#### 3.3 Impaired Loans, Advances and Financing and Allowance for Expected Credit Losses Analysis (cont'd)

Allowance for expected credit losses on loans, advances and financing analysed by sectors:

<b>GROUP 2020</b>	<b>12 months ECL (Stage 1) RM'000</b>	<b>Lifetime ECL Not-credit impaired (Stage 2) RM'000</b>	<b>Lifetime ECL Credit impaired (Stage 3) RM'000</b>	<b>ECL charged/ (write-back) for the year (net) RM'000</b>	<b>Stage 3 write-off for the year RM'000</b>
Financial, insurance & business services and real estate	5,962	16,634	9,235	3,959	(1,028)
Transport, storage & communication	1,824	3,837	5,033	2,190	(383)
Agriculture, manufacturing, wholesale & retail trade	30,706	88,028	94,844	36,270	(16,132)
Construction	2,854	16,624	38,242	13,543	(417)
Household	54,415	142,702	144,348	149,145	(101,018)
Others	792	1,462	1,726	(161)	(595)
	96,553	269,287	293,428	204,946	(119,573)
<b>BANK 2020</b>					
Financial, insurance & business services and real estate	4,527	12,614	8,902	3,877	(1,023)
Transport, storage & communication	1,661	3,259	2,995	434	(363)
Agriculture, manufacturing, wholesale & retail trade	23,866	70,418	83,674	34,330	(13,738)
Construction	2,146	13,981	25,710	7,491	(290)
Household	30,921	76,442	95,364	88,358	(64,670)
Others	556	482	1,725	(161)	(595)
	63,677	177,196	218,370	134,329	(80,679)

**BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)**

for the financial year ended 31 March 2020

**3.0 CREDIT RISK (CONT'D)****3.3 Impaired Loans, Advances and Financing and Allowance for Expected Credit Losses Analysis (cont'd)**Allowance for expected credit losses on loans, advances and financing analysed by sectors: (cont'd)

<b>GROUP 2019</b>	<b>12 months ECL (Stage 1) RM'000</b>	<b>Lifetime ECL Not-credit impaired (Stage 2) RM'000</b>	<b>Lifetime ECL Credit impaired (Stage 3) RM'000</b>	<b>ECL charged/ (write-back) for the year (net) RM'000</b>	<b>Stage 3 write-off for the year RM'000</b>
Financial, insurance & business services and real estate	4,598	11,603	6,400	3,191	(647)
Transport, storage & communication	1,130	6,405	3,247	(1,095)	(469)
Agriculture, manufacturing, wholesale & retail trade	19,728	88,997	78,835	25,609	(24,586)
Construction	1,897	12,934	23,909	20,030	(262)
Household	44,317	90,524	102,598	84,607	(74,276)
Others	1,009	2,055	2,476	195	(587)
	72,679	212,519	217,465	132,537	(100,827)
<b>BANK 2019</b>					
Financial, insurance & business services and real estate	3,572	9,090	6,091	3,879	(619)
Transport, storage & communication	956	4,650	2,946	(457)	(469)
Agriculture, manufacturing, wholesale & retail trade	15,854	74,557	64,807	20,102	(24,079)
Construction	1,562	11,568	18,955	15,964	(236)
Household	26,543	41,073	76,059	48,007	(41,612)
Others	647	1,683	2,475	194	(587)
	49,135	142,622	171,332	87,689	(67,602)



### 3.0 CREDIT RISK (CONT'D)

#### 3.3 Impaired Loans, Advances and Financing and Allowance for Expected Credit Losses Analysis (cont'd)

Impaired loans, advances and financing and allowance for expected credit losses analysed by significant geographical areas:

<b>GROUP 2020</b>	<b>Impaired loans, advances and financing RM'000</b>	<b>12 months ECL (Stage 1) RM'000</b>	<b>Lifetime ECL Not-credit Impaired (Stage 2) RM'000</b>	<b>Lifetime ECL Credit Impaired (Stage 3) RM'000</b>
Northern region	85,202	9,813	22,862	39,715
Central region	623,066	70,575	192,653	194,895
Southern region	118,968	9,782	30,035	47,533
Sabah region	32,649	4,081	18,414	5,815
Sarawak region	11,455	2,302	5,323	5,470
	<b>871,340</b>	<b>96,553</b>	<b>269,287</b>	<b>293,428</b>
<b>BANK 2020</b>				
Northern region	60,317	5,833	15,713	28,643
Central region	449,333	46,695	127,073	142,883
Southern region	94,908	6,634	15,424	37,819
Sabah region	24,474	2,697	14,215	4,133
Sarawak region	9,311	1,818	4,771	4,892
	<b>638,343</b>	<b>63,677</b>	<b>177,196</b>	<b>218,370</b>
<b>GROUP 2019</b>				
Northern region	49,667	6,430	24,795	27,829
Central region	326,982	53,944	149,923	142,380
Southern region	63,370	7,688	19,785	32,427
Sabah region	25,316	3,039	10,403	8,766
Sarawak region	11,267	1,577	7,613	6,064
	<b>476,602</b>	<b>72,679</b>	<b>212,519</b>	<b>217,465</b>
<b>BANK 2019</b>				
Northern region	39,874	4,097	17,596	24,458
Central region	246,940	37,056	97,747	110,352
Southern region	49,183	4,531	12,249	23,082
Sabah region	22,554	2,110	8,326	7,673
Sarawak region	10,573	1,342	6,704	5,765
	<b>369,124</b>	<b>49,135</b>	<b>142,622</b>	<b>171,332</b>

**BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)**

for the financial year ended 31 March 2020

**3.0 CREDIT RISK (CONT'D)****3.3 Impaired Loans, Advances and Financing and Allowance for Expected Credit Losses Analysis (cont'd)**

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

	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
<b>GROUP</b>				
At 1 April 2019	72,679	212,519	217,465	502,663
Transfer to Stage 1	31,354	(165,725)	(4,458)	(138,829)
Transfer to Stage 2	(44,896)	286,244	(105,254)	136,094
Transfer to Stage 3	(98)	(135,779)	342,624	206,747
New financial assets originated or purchased	57,681	139,436	19,768	216,885
Financial assets derecognised other than write-off	(26,835)	(138,100)	(27,367)	(192,302)
Changes due to change in credit risk	6,655	71,828	(20,379)	58,104
Other adjustment	16	33	12	61
	23,877	57,937	204,946	286,760
Unwinding of discount	–	–	(9,410)	(9,410)
Total charge to income statement	23,877	57,937	195,536	277,350
Write-off	(3)	(1,169)	(119,573)	(120,745)
At 31 March 2020	96,553	269,287	293,428	659,268
<b>BANK</b>				
At 1 April 2019	49,135	142,622	171,332	363,089
Transfer to Stage 1	21,575	(116,457)	(3,908)	(98,790)
Transfer to Stage 2	(29,604)	197,930	(75,350)	92,976
Transfer to Stage 3	(81)	(82,648)	238,931	156,202
New financial assets originated or purchased	35,395	113,212	12,829	161,436
Financial assets derecognised other than write-off	(17,721)	(114,040)	(18,108)	(149,869)
Changes due to change in credit risk	4,962	37,191	(20,077)	22,076
Other adjustment	16	33	12	61
	14,542	35,221	134,329	184,092
Unwinding of discount	–	–	(6,612)	(6,612)
Total charge to income statement	14,542	35,221	127,717	177,480
Write-off	–	(647)	(80,679)	(81,326)
At 31 March 2020	63,677	177,196	218,370	459,243

### 3.0 CREDIT RISK (CONT'D)

#### 3.3 Impaired Loans, Advances and Financing and Allowance for Expected Credit Losses Analysis (cont'd)

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

	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
<b>GROUP</b>				
At 1 April 2018	66,941	203,691	192,696	463,328
Transfer to Stage 1	24,268	(132,004)	(7,270)	(115,006)
Transfer to Stage 2	(40,020)	232,846	(103,159)	89,667
Transfer to Stage 3	(181)	(114,361)	254,377	139,835
New financial assets originated or purchased	70,774	154,861	15,818	241,453
Financial assets derecognised other than write-off	(39,199)	(152,890)	(19,415)	(211,504)
Changes due to change in credit risk	(9,934)	20,361	(7,814)	2,613
Other adjustment	30	150	–	180
	5,738	8,963	132,537	147,238
Unwinding of discount	–	–	(6,941)	(6,941)
Total charge to income statement	5,738	8,963	125,596	140,297
Write-off	–	(135)	(100,827)	(100,962)
At 31 March 2019	72,679	212,519	217,465	502,663
<b>BANK</b>				
At 1 April 2018	43,894	137,652	156,653	338,199
Transfer to Stage 1	15,264	(90,649)	(5,930)	(81,315)
Transfer to Stage 2	(24,760)	154,042	(71,881)	57,401
Transfer to Stage 3	(148)	(65,538)	178,889	113,203
New financial assets originated or purchased	46,449	120,924	7,800	175,173
Financial assets derecognised other than write-off	(26,381)	(118,951)	(16,490)	(161,822)
Changes due to change in credit risk	(5,213)	5,001	(4,699)	(4,911)
Other adjustment	30	150	–	180
	5,241	4,979	87,689	97,909
Unwinding of discount	–	–	(5,408)	(5,408)
Total charge to income statement	5,241	4,979	82,281	92,501
Write-off	–	(9)	(67,602)	(67,611)
At 31 March 2019	49,135	142,622	171,332	363,089

### 3.0 CREDIT RISK (CONT'D)

### 3.3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach

The following tables represent the credit exposures by risk-weights and after credit risk mitigation:

[illegible]

[illegible]

### 3.0 CREDIT RISK (CONT'D)

### 3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd)

The following tables represent the credit exposures by risk-weights and after credit risk mitigation: (cont'd)

[illegible]



## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

### 3.0 CREDIT RISK (CONT'D)

#### 3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd)

For the purpose of determining counterparty risk-weights, the Group uses external credit assessments from Rating Agency Malaysia ("RAM"), Malaysian Rating Corporation ("MARC"), Standard and Poor's ("S&P"), Moody's, Fitch, and Rating and Investment ("R&I"). In the context of the Group's portfolio, external credit assessments are mainly applicable to banks/financial institutions and rated corporations. The Group follows the process prescribed under BNM's Capital Adequacy Framework to map the ratings to the relevant risk-weights. The ratings are monitored and updated regularly to ensure that the latest and most appropriate risk-weights are applied in the capital computation.

The following tables show the rated credit exposures according to ratings by approved Eligible Credit Assessment Institutions ("ECAIs"):

#### GROUP 2020

Exposure Class	Ratings by Approved ECAIs *						Total
	Moody's	Aaa to Aa3 /P-1	A1 to A3 /P-2	Baa1 to Ba3 /P-3	B1 to C/ Others	Unrated	
	S&P	AAA to AA- /A-1	A+ to A- /A-2	BBB+ to BB- /A-3	B+ to D/ Others	Unrated	
	Fitch	AAA to AA- /F1+, F1	A+ to A- /A-2	BBB+ to BB- /F3	B+ to D	Unrated	
	RAM	AAA to AA3 /P-1	A+ to A3 /P-2	BBB1+ to BB3 /P-3	B to D /NP	Unrated	
	MARC	AAA to AA- /MARC-1	A+ to A- /MARC-2	BBB+ to BB- /MARC-3	B+ to D /MARC-4	Unrated	
	R&I	AAA to AA- /a-1+, a-1	A+ to A- /a-2	BBB+ to BB- /a-3	B+ to D /b, c	Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off Balance-Sheet Exposures</u>							
<b>(i) Exposures risk-weighted using Sovereigns and Central Banks rating</b>							
Public Sector Entities		–	410,923	–	–	–	410,923
Sovereigns and Central Banks (See Note 1)		–	9,459,341	–	–	–	9,459,341
Corporates		–	1,459,459	–	–	–	1,459,459
Banks, DFIs and Multilateral Development Banks		–	–	–	–	–	–
		–	11,329,723	–	–	–	11,329,723
<b>(ii) Exposures risk-weighted using Banking Institutions long-term rating</b>							
Banks, DFIs and Multilateral Development Banks		615,927	349,354	487	–	75,770	1,041,538
<b>Exposures risk-weighted using Banking Institutions short-term rating</b>							
Banks, DFIs and Multilateral Development Banks		69,234	–	–	–	–	69,234
		685,161	349,354	487	–	75,770	1,110,772
<b>(iii) Exposures risk-weighted using Corporate long-term rating</b>							
Public Sector Entities		97,599	–	–	–	287,375	384,974
Corporates		2,922,229	64,336	–	–	18,902,026	21,888,591
Insurance Companies, Securities Firms & Fund Managers		–	–	–	–	15,726	15,726
<b>Exposures risk-weighted using Corporate short-term rating</b>							
Public Sector Entities		–	–	–	–	–	–
Corporates		99,983	–	–	–	–	99,983
Insurance Companies, Securities Firms & Fund Managers		–	–	–	–	–	–
		3,119,811	64,336	–	–	19,205,127	22,389,274



### 3.0 CREDIT RISK (CONT'D)

#### 3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd)

The following tables show the rated credit exposures according to ratings by approved ECAIs: (cont'd)

#### BANK 2020

Exposure Class	Ratings by Approved ECAIs *						Total
	Moody's	Aaa to Aa3 /P-1	A1 to A3 /P-2	Baa1 to Ba3 /P-3	B1 to C / Others	Unrated	
	S&P	AAA to AA- /A-1	A+ to A- /A-2	BBB+ to BB- /A-3	B+ to D / Others	Unrated	
	Fitch	AAA to AA- /F1+, F1	A+ to A- /A-2	BBB+ to BB- /F3	B+ to D	Unrated	
	RAM	AAA to AA3 /P-1	A+ to A3 /P-2	BBB1+ to BB3 /P-3	B to D /NP	Unrated	
	MARC	AAA to AA- /MARC-1	A+ to A- /MARC-2	BBB+ to BB- /MARC-3	B+ to D /MARC-4	Unrated	
	R&I	AAA to AA- /a-1+, a-1	A+ to A- /a-2	BBB+ to BB- /a-3	B+ to D /b, c	Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off Balance-Sheet Exposures</u>							
<b>(i) Exposures risk-weighted using Sovereigns and Central Banks rating</b>							
Public Sector Entities		–	108,114	–	–	–	108,114
Sovereigns and Central Banks (See Note 1)		–	6,947,043	–	–	–	6,947,043
Corporates		–	957,161	–	–	–	957,161
Banks, DFIs and Multilateral Development Banks		–	–	–	–	–	–
		–	8,012,318	–	–	–	8,012,318
<b>(ii) Exposures risk-weighted using Banking Institutions long-term rating</b>							
Banks, DFIs and Multilateral Development Banks		600,299	957,106	487	–	75,809	1,633,701
<b>Exposures risk-weighted using Banking Institutions short-term rating</b>							
Banks, DFIs and Multilateral Development Banks		39,549	–	–	–	–	39,549
		639,848	957,106	487	–	75,809	1,673,250
<b>(iii) Exposures risk-weighted using Corporate long-term rating</b>							
Public Sector Entities		30,897	–	–	–	200,890	231,787
Corporates		1,780,409	48,955	–	–	14,545,019	16,374,383
Insurance Companies, Securities Firms & Fund Managers		–	–	–	–	8,844	8,844
<b>Exposures risk-weighted using Corporate short-term rating</b>							
Public Sector Entities		–	–	–	–	–	–
Corporates		99,983	–	–	–	–	99,983
Insurance Companies, Securities Firms & Fund Managers		–	–	–	–	–	–
		1,911,289	48,955	–	–	14,754,753	16,714,997

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

### 3.0 CREDIT RISK (CONT'D)

#### 3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd)

The following tables show the rated credit exposures according to ratings by approved ECAs: (cont'd)

#### GROUP 2019

Exposure Class	Ratings by Approved ECAs *						Total
	Moody's	Aaa to Aa3 /P-1	A1 to A3 /P-2	Baa1 to Ba3 /P-3	B1 to C / Others	Unrated	
	S&P	AAA to AA- /A-1	A+ to A- /A-2	BBB+ to BB- /A-3	B+ to D / Others	Unrated	
	Fitch	AAA to AA- /F1+, F1	A+ to A- /A-2	BBB+ to BB- /F3	B+ to D	Unrated	
	RAM	AAA to AA3 /P-1	A+ to A3 /P-2	BBB1+ to BB3 /P-3	B to D /NP	Unrated	
	MARC	AAA to AA- /MARC-1	A+ to A- /MARC-2	BBB+ to BB- /MARC-3	B+ to D /MARC-4	Unrated	
	R&I	AAA to AA- /a-1+, a-1	A+ to A- /a-2	BBB+ to BB- /a-3	B+ to D /b, c	Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off Balance-Sheet Exposures</u>							
<b>(i) Exposures risk-weighted using Sovereigns and Central Banks rating</b>							
Sovereigns and Central Banks (See Note 1)		–	8,399,756	–	–	–	8,399,756
Corporates		–	1,175,891	–	–	–	1,175,891
Banks, DFIs and Multilateral Development Banks		–	45,217	–	–	–	45,217
		–	9,620,864	–	–	–	9,620,864
<b>(ii) Exposures risk-weighted using Banking Institutions long-term rating</b>							
Banks, DFIs and Multilateral Development Banks		427,124	222,121	13,482	–	213,397	876,124
<b>Exposures risk-weighted using Banking Institutions short-term rating</b>							
Banks, DFIs and Multilateral Development Banks		87,001	–	–	–	–	87,001
		514,125	222,121	13,482	–	213,397	963,125
<b>(iii) Exposures risk-weighted using Corporate long-term rating</b>							
Public Sector Entities		122,437	–	–	–	93,071	215,508
Corporates		2,392,195	62,478	–	–	18,442,901	20,897,574
Insurance Companies, Securities Firms & Fund Managers		–	–	–	–	36,468	36,468
<b>Exposures risk-weighted using Corporate short-term rating</b>							
Public Sector Entities		–	–	–	–	–	–
Corporates		–	–	–	–	–	–
Insurance Companies, Securities Firms & Fund Managers		–	–	–	–	–	–
		2,514,632	62,478	–	–	18,572,440	21,149,550

### 3.0 CREDIT RISK (CONT'D)

#### 3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd)

The following tables show the rated credit exposures according to ratings by approved ECAIs: (cont'd)

#### BANK 2019

Exposure Class	Ratings by Approved ECAIs *						Total
	Moody's	Aaa to Aa3 /P-1	A1 to A3 /P-2	Baa1 to Ba3 /P-3	B1 to C / Others	Unrated	
	S&P	AAA to AA- /A-1	A+ to A- /A-2	BBB+ to BB- /A-3	B+ to D / Others	Unrated	
	Fitch	AAA to AA- /F1+, F1	A+ to A- /A-2	BBB+ to BB- /F3	B+ to D	Unrated	
	RAM	AAA to AA3 /P-1	A+ to A3 /P-2	BBB1+ to BB3 /P-3	B to D /NP	Unrated	
	MARC	AAA to AA- /MARC-1	A+ to A- /MARC-2	BBB+ to BB- /MARC-3	B+ to D /MARC-4	Unrated	
	R&I	AAA to AA- /a-1+, a-1	A+ to A- /a-2	BBB+ to BB- /a-3	B+ to D /b, c	Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off Balance-Sheet Exposures</u>							
<b>(i) Exposures risk-weighted using Sovereigns and Central Banks rating</b>							
Sovereigns and Central Banks (See Note 1)		–	5,809,864	–	–	–	5,809,864
Corporates		–	711,113	–	–	–	711,113
Banks, DFIs and Multilateral Development Banks		–	5,024	–	–	–	5,024
		–	6,526,001	–	–	–	6,526,001
<b>(ii) Exposures risk-weighted using Banking Institutions long-term rating</b>							
Banks, DFIs and Multilateral Development Banks		410,209	1,204,056	13,482	–	213,397	1,841,144
<b>Exposures risk-weighted using Banking Institutions short-term rating</b>							
Banks, DFIs and Multilateral Development Banks		48,318	–	–	–	–	48,318
		458,527	1,204,056	13,482	–	213,397	1,889,462
<b>(iii) Exposures risk-weighted using Corporate long-term rating</b>							
Public Sector Entities		61,105	–	–	–	23,422	84,527
Corporates		1,495,449	47,617	–	–	14,484,498	16,027,564
Insurance Companies, Securities Firms & Fund Managers		–	–	–	–	29,354	29,354
<b>Exposures risk-weighted using Corporate short-term rating</b>							
Public Sector Entities		–	–	–	–	–	–
Corporates		–	–	–	–	–	–
Insurance Companies, Securities Firms & Fund Managers		–	–	–	–	–	–
		1,556,554	47,617	–	–	14,537,274	16,141,445

Note 1: The Federal Government and Central Bank of Malaysia are accorded 0% risk-weight as provided under the Capital Adequacy Framework.

\* Upper Range = Long Term Rating, Lower Range = Short Term Rating

#### Note:

There is no outstanding securitisation contract in the Bank that requires disclosure of ratings and short term rating of securitisation by approved ECAIs.

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

### 3.0 CREDIT RISK (CONT'D)

#### 3.5 Credit Risk Mitigation ("CRM")

As a practical approach towards mitigating credit risk, the Group accepts a wide range of collaterals. Main types of collateral acceptable to the Group include cash, guarantees, commercial and residential real estate, and physical collateral/financial collateral, e.g. motor vehicles or shares. Guarantees are accepted only when the financial standing of the guarantors have been ascertained.

However, for capital computation purposes, the BNM guidelines apply more restrictive rules on collaterals that qualify as credit risk mitigants. As a result, not all of the collaterals accepted by the Group can be used to reduce our capital adequacy requirement.

The following tables represent the Group's/Bank's credit exposure including off-balance sheet items under the standardised approach, the total exposure (after, where applicable, eligible netting benefits) that is covered by eligible guarantees and credit derivatives; and eligible collateral after haircuts, allowed under the Capital Adequacy Framework.

GROUP 2020 Exposure Class	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
<b><u>Credit Risk</u></b>				
On-balance sheet exposures:				
Sovereigns/Central banks	9,409,103	—	—	—
Public sector entities	691,368	—	—	—
Banks, DFIs and Multilateral Development Banks	620,046	—	—	—
Insurance companies, securities firms and fund managers	14,870	—	—	—
Corporates	20,583,524	—	1,427,524	—
Regulatory retail	9,933,347	—	608,733	—
Residential mortgages	16,789,019	—	9,889	—
Higher risk assets	5,672	—	4	—
Other assets	1,291,944	—	—	—
Equity exposures	—	—	—	—
Defaulted exposures	579,637	—	1,439	—
Total on-balance sheet exposures	59,918,530	—	2,047,589	—
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	4,748,637	—	513,491	—
Defaulted exposures	747	—	5	—
Total off-balance sheet exposures	4,749,384	—	513,496	—
Total on and off-balance sheet exposures	64,667,914	—	2,561,085	—

### 3.0 CREDIT RISK (CONT'D)

#### 3.5 Credit Risk Mitigation ("CRM") (cont'd)

<b>BANK 2020 Exposure Class</b>	<b>Exposures before CRM RM'000</b>	<b>Exposures covered by guarantees/ credit derivatives RM'000</b>	<b>Exposures covered by eligible financial collateral RM'000</b>	<b>Exposures covered by other eligible collateral RM'000</b>
<b><u>Credit Risk</u></b>				
On-balance sheet exposures:				
Sovereigns/Central banks	6,896,805	—	—	—
Public sector entities	239,371	—	—	—
Banks, DFIs and Multilateral Development Banks	1,182,409	—	—	—
Insurance companies, securities firms and fund managers	8,008	—	—	—
Corporates	15,113,912	—	1,128,773	—
Regulatory retail	7,424,239	—	531,429	—
Residential mortgages	12,180,706	—	9,584	—
Higher risk assets	5,451	—	5	—
Other assets	1,223,138	—	—	—
Equity exposures	—	—	—	—
Defaulted exposures	421,576	—	457	—
Total on-balance sheet exposures	44,695,615	—	1,670,248	—
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,885,457	—	416,511	—
Defaulted exposures	545	—	5	—
Total off-balance sheet exposures	3,886,002	—	416,516	—
Total on and off-balance sheet exposures	48,581,617	—	2,086,764	—

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

### 3.0 CREDIT RISK (CONT'D)

#### 3.5 Credit Risk Mitigation ("CRM") (cont'd)

GROUP 2019 Exposure Class	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
<b>Credit Risk</b>				
On-balance sheet exposures:				
Sovereigns/Central banks	8,186,546	–	–	–
Public sector entities	196,261	–	–	–
Banks, DFIs and Multilateral Development Banks	829,576	–	–	–
Insurance companies, securities firms and fund managers	35,557	–	–	–
Corporates	19,580,592	–	1,630,447	–
Regulatory retail	9,999,499	–	754,117	–
Residential mortgages	16,073,138	–	10,379	–
Higher risk assets	11,086	–	5	–
Other assets	694,371	–	–	–
Equity exposures	187,525	–	–	–
Defaulted exposures	262,387	–	2,470	–
Total on-balance sheet exposures	56,056,537	–	2,397,418	–
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	4,160,638	–	520,517	–
Defaulted exposures	1,718	–	500	–
Total off-balance sheet exposures	4,162,356	–	521,017	–
Total on and off-balance sheet exposures	60,218,893	–	2,918,435	–

### 3.0 CREDIT RISK (CONT'D)

#### 3.5 Credit Risk Mitigation ("CRM") (cont'd)

<b>BANK 2019 Exposure Class</b>	<b>Exposures before CRM RM'000</b>	<b>Exposures covered by guarantees/ credit derivatives RM'000</b>	<b>Exposures covered by eligible financial collateral RM'000</b>	<b>Exposures covered by other eligible collateral RM'000</b>
<b><u>Credit Risk</u></b>				
On-balance sheet exposures:				
Sovereigns/Central banks	5,596,654	—	—	—
Public sector entities	69,280	—	—	—
Banks, DFIs and Multilateral Development Banks	1,715,604	—	—	—
Insurance companies, securities firms and fund managers	28,494	—	—	—
Corporates	14,760,638	—	1,237,422	—
Regulatory retail	7,519,108	—	673,765	—
Residential mortgages	12,335,936	—	9,362	—
Higher risk assets	9,472	—	5	—
Other assets	616,262	—	—	—
Equity exposures	126,741	—	—	—
Defaulted exposures	200,941	—	1,347	—
Total on-balance sheet exposures	42,979,130	—	1,921,901	—
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,330,927	—	443,656	—
Defaulted exposures	1,360	—	500	—
Total off-balance sheet exposures	3,332,287	—	444,156	—
Total on and off-balance sheet exposures	46,311,417	—	2,366,057	—

## **BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)**

### for the financial year ended 31 March 2020

#### **3.0 CREDIT RISK (CONT'D)**

##### **3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk**

Counterparty Credit Risk ("CCR") is the risk that the counterparty to a transaction involving financial instruments such as foreign exchange and derivatives, defaults before the final settlement of the transaction's cash flows. Unlike a loan where the credit risk is unilateral i.e. only the lending bank faces the risk of loss, CCR on derivatives creates bilateral risk of loss. This means either party of the transaction can incur losses depending on the market value of the derivative, which can vary over time with the movement of underlying market factors.

For derivatives, the Group is not exposed to credit risk for the full face value of the contracts. The CCR is limited to the potential cost of replacing the cash-flow if the counterparty defaults. As such, the credit equivalent amount will depend, inter alia, on the maturity of the contract and on the volatility of the rates underlying that type of instrument.

Derivatives are mainly utilised for hedging purposes with minimal trading exposures. CCR arising from the derivatives is managed via counterparty limits, which is set based on the counterparty's size and credit rating. These limits are monitored daily by Group Risk Management.

CCR is further mitigated via netting agreements, e.g. under the International Swaps and Derivatives Association ("ISDA") master agreement. The ISDA agreement contractually binds both parties to apply close-out netting across all outstanding transactions covered by this agreement should either party default or other such predetermined credit events occur.

CCR is measured via the current exposure method whereby the credit equivalent exposure for derivatives is the sum of the positive mark-to-market exposure plus the potential future exposure which is equivalent to an add-on factor multiplied by the notional amount. The add-on factors are as stipulated by BNM.



### 3.0 CREDIT RISK (CONT'D)

#### 3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

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

<b>GROUP 2020</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk- Weighted Assets RM'000</b>
<u>Credit-related exposures</u>				
Direct credit substitutes	814,317	–	814,317	727,430
Transaction-related contingent items	621,684	–	308,011	219,703
Short-term self-liquidating trade-related contingencies	130,924	–	26,185	22,599
Forward asset purchase	–	–	–	–
Obligations under an on-going underwriting agreement	51,150	–	25,575	25,575
Irrevocable commitments to extend credit:				
• maturity exceeding 1 year	1,239,933	–	619,574	459,805
• maturity not exceeding 1 year	9,273,334	–	1,854,667	1,335,023
Unutilised credit card lines	1,356,566	–	271,313	210,321
	13,487,908	–	3,919,642	3,000,456
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
• 1 year or less	12,470,667	195,374	321,999	89,529
• over 1 year to 3 years	621,349	11,435	52,881	39,633
• over 3 years	315,762	3,106	33,001	21,621
Interest rate related contracts:				
• 1 year or less	3,505,421	6,113	10,496	2,460
• over 1 year to 3 years	3,386,675	43,874	93,269	28,991
• over 3 years	2,230,984	49,133	125,429	44,342
Equity related contracts:				
• 1 year or less	533,770	91,660	123,686	110,910
• over 1 year to 3 years	273,868	32,542	54,451	45,912
• over 3 years	145,300	–	14,530	5,756
	23,483,796	433,237	829,742	389,154
	36,971,704	433,237	4,749,384	3,389,610

**BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)**

for the financial year ended 31 March 2020

**3.0 CREDIT RISK (CONT'D)****3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)**

<b>BANK 2020</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk- Weighted Assets RM'000</b>
<u>Credit-related exposures</u>				
Direct credit substitutes	622,481	–	622,481	552,127
Transaction-related contingent items	559,957	–	277,147	200,759
Short-term self-liquidating trade-related contingencies	110,898	–	22,180	19,110
Forward asset purchase	–	–	–	–
Obligations under an on-going underwriting agreement	–	–	–	–
Irrevocable commitments to extend credit:				
• maturity exceeding 1 year	871,143	–	435,182	345,761
• maturity not exceeding 1 year	7,139,788	–	1,427,957	1,037,216
Unutilised credit card lines	1,356,566	–	271,313	210,321
	10,660,833	–	3,056,260	2,365,294
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
• 1 year or less	12,470,667	195,374	321,999	89,529
• over 1 year to 3 years	621,349	11,435	52,881	39,633
• over 3 years	315,762	3,106	33,001	21,621
Interest rate related contracts:				
• 1 year or less	3,505,421	6,113	10,496	2,460
• over 1 year to 3 years	3,386,675	43,874	93,269	28,991
• over 3 years	2,230,984	49,133	125,429	44,342
Equity related contracts:				
• 1 year or less	533,770	91,660	123,686	110,910
• over 1 year to 3 years	273,868	32,542	54,451	45,912
• over 3 years	145,300	–	14,530	5,756
	23,483,796	433,237	829,742	389,154
	34,144,629	433,237	3,886,002	2,754,448

### 3.0 CREDIT RISK (CONT'D)

#### 3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

GROUP 2019	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	650,663	–	650,588	561,367
Transaction-related contingent items	680,097	–	335,763	212,536
Short-term self-liquidating trade-related contingencies	179,994	–	35,999	31,609
Forward asset purchase	236,985	–	236,985	–
Obligations under an on-going underwriting agreement	46,154	–	23,077	23,077
Irrevocable commitments to extend credit:				
• maturity exceeding 1 year	1,319,483	–	658,158	509,949
• maturity not exceeding 1 year	8,308,840	–	1,661,768	1,200,570
Unutilised credit card lines	1,600,820	–	320,164	247,047
	13,023,036	–	3,922,502	2,786,156
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
• 1 year or less	4,561,102	19,668	68,441	29,095
• over 1 year to 3 years	159,580	239	9,852	8,022
• over 3 years	10,209	–	868	868
Interest rate related contracts:				
• 1 year or less	2,034,786	1,649	5,401	1,543
• over 1 year to 3 years	1,779,255	7,108	32,711	8,548
• over 3 years	2,503,968	25,341	114,912	57,257
Equity related contracts:				
• 1 year or less	78,958	97	4,835	2,397
• over 1 year to 3 years	30,810	847	2,835	1,418
	11,158,669	54,949	239,854	109,148
	24,181,704	54,949	4,162,356	2,895,304

**BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)**

for the financial year ended 31 March 2020

**3.0 CREDIT RISK (CONT'D)****3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)**

<b>BANK 2019</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk- Weighted Assets RM'000</b>
<u>Credit-related exposures</u>				
Direct credit substitutes	490,085	–	490,010	414,325
Transaction-related contingent items	609,843	–	300,635	189,732
Short-term self-liquidating trade-related contingencies	133,405	–	26,681	22,845
Forward asset purchase	211,985	–	211,985	–
Obligations under an on-going underwriting agreement	–	–	–	–
Irrevocable commitments to extend credit:				
• maturity exceeding 1 year	904,181	–	450,612	379,036
• maturity not exceeding 1 year	6,461,733	–	1,292,346	935,922
Unutilised credit card lines	1,600,820	–	320,164	247,048
	10,412,052	–	3,092,433	2,188,908
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
• 1 year or less	4,561,102	19,668	68,441	29,095
• over 1 year to 3 years	159,580	239	9,852	8,022
• over 3 years	10,209	–	868	868
Interest rate related contracts:				
• 1 year or less	2,034,786	1,649	5,401	1,543
• over 1 year to 3 years	1,779,255	7,108	32,711	8,548
• over 3 years	2,503,968	25,341	114,912	57,257
Equity related contracts:				
• 1 year or less	78,958	97	4,835	2,397
• over 1 year to 3 years	30,810	847	2,835	1,418
	11,158,669	54,949	239,854	109,148
	21,570,721	54,949	3,332,287	2,298,056

## 4.0 MARKET RISK

Market Risk is defined as the risk of losses in on-balance sheet and off-balance sheet positions arising from movements in market prices.

### **Market Risk Management**

The Board, via the Group Risk Management Committee (GRMC) provides oversight on market risk management activities. Its responsibilities include reviewing and approving risk management policies, risk exposures and limits whilst ensuring the necessary infrastructure and resources are in place.

At senior management level, the Group Assets and Liabilities Management Committee (“GALCO”) manages the Group’s market risk by reviewing and recommending market risk frameworks and policies; ensuring that market risk limits and parameters are within the approved thresholds; and aligning market risk management with business strategy and planning.

Organisationally, market risks are managed collectively via the Three Lines of Defence concept. Group Financial Markets, as the risk taking unit assumes ownership of the risk and manages the risk within the approved policies, risk limits and parameters as set by the GRMC or GALCO. The risk control function is undertaken by Group Risk Management which provides independent monitoring, valuation and reporting of the market exposures. This is supplemented by periodic review by Group Internal Audit.

For the Group, market risk is managed on an integrated approach which involves the following processes:

- (i) Identification of market risk in new products and changes in risk profiles of existing exposures.
- (ii) Assessment of the type and magnitude of market risks which takes into account the activity and market role undertaken.
- (iii) Adoption of various market risk measurement tools and techniques to quantify market risk exposures.
- (iv) Scheduled and exception reporting on market risk exposures.

Market risk exists in the Group’s activities in fixed income securities, foreign exchange and financial derivatives, which are transacted primarily by Group Financial Markets (treasury) department. Trading positions are held intentionally for short-term resale and with the intent of benefiting from actual or expected short-term price movements while banking book positions are held until maturity or as available-for-sale. Hence, these positions are susceptible to market movements.

These exposures are governed by approved policies, risk limits and parameters which are set vis-a-vis the Group’s risk appetite and strategy. Besides that, treasury activities are monitored and reported independently by Group Market Risk on a daily basis. Any limit breaches or exceptions are reported to GALCO and GRMC.

### **Hedging Policies and Strategies**

The Group had established a hedging policy which outlines the broad principles and policies governing hedging activities by the Group. Generally, the Group enters into hedges to manage or reduce risk exposures. All hedging strategies are approved by the GALCO and monitored independently by Group Market Risk Management. Further, all hedging strategies are designated upfront and recorded separately under the hedging portfolios. Hedging positions and effectiveness, if any, are monitored and reported monthly to senior management.

### **Market risk capital charge**

For the Group, the market risk charge is computed on the standardised approach and the capital charges are mainly on the fixed income securities, foreign exchange and financial derivatives portfolios if any.

**BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)**

for the financial year ended 31 March 2020

**4.0 MARKET RISK (CONT'D)****Regulatory capital requirements**

The risk-weighted assets and capital requirements for the various categories of risk under market risk are as follows:

	<b>GROUP</b>		<b>BANK</b>	
	<b>Risk- Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>
<b>2020</b>				
Interest rate risk				
• General interest rate risk	<b>364,445</b>	<b>29,156</b>	<b>364,445</b>	<b>29,156</b>
• Specific interest rate risk	<b>10,025</b>	<b>802</b>	<b>10,025</b>	<b>802</b>
	<b>374,470</b>	<b>29,958</b>	<b>374,470</b>	<b>29,958</b>
Foreign exchange risk	<b>97,125</b>	<b>7,770</b>	<b>97,125</b>	<b>7,770</b>
Option risk	<b>713</b>	<b>57</b>	<b>713</b>	<b>57</b>
	<b>472,308</b>	<b>37,785</b>	<b>472,308</b>	<b>37,785</b>
<b>2019</b>				
Interest rate risk				
• General interest rate risk	149,163	11,933	149,162	11,933
• Specific interest rate risk	379	30	379	30
	149,542	11,963	149,542	11,963
Foreign exchange risk	124,410	9,953	124,410	9,953
Option risk	990	79	990	79
	274,942	21,995	274,942	21,995

## 5.0 OPERATIONAL 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. It includes legal risk but excludes strategic and reputation risks.

### ***Operational Risk Management***

Management, escalation and reporting of operational risks are instituted through the Group Operational and Technology Risk Management Committee (GOTRC), Group Risk Management Committee (GRMC) as well as the Board.

The Board, via the GRMC provides oversight on operational risk management activities.

At senior management level, GOTRC manages the day-to-day operational risk exposures. The roles and responsibilities of GOTRC include:

- (i) Providing strategic guidance on operational issues and monitor implementation of Operational Risk Management (ORM) framework.
- (ii) Reviewing and monitoring operational risk issues, reports and action plans.
- (iii) Evaluating and agree on initiatives to strengthen operational processes or infrastructure.
- (iv) Promoting risk awareness and operational risk management culture.

The Group practices operational risk management as outlined in the Operational Risk Management (ORM) Framework, in accordance with Basel and regulatory guidelines. The Group applies operational risk tools and methodologies in the identification, assessment, measurement, control and monitoring of operational risks. Other efforts by the Group include the ORM awareness training which is given to all staff, and regular business continuity and disaster recovery plans.

The Group adopts the Basic Indicator Approach for computation of operational Risk-Weighted Asset (RWA).

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

### 6.0 EQUITY EXPOSURES IN BANKING BOOK

The Group and the Bank holds equity positions in the banking book as a result of debt to equity conversion, for social-economic purposes, or to maintain strategic relationships. All equities are held at fair value. For quoted equities, fair value is estimated based on quoted or observable market price at the end of the reporting period. For unquoted equities, the fair value is estimated using approved valuation techniques.

Any gains and losses arising from the returns and changes in fair value of these equities holdings are reflected in the Statement of Income.

The following table shows the equity exposures in banking book:

	GROUP		BANK	
	Gross credit exposures RM'000	Risk-weighted assets RM'000	Gross credit exposures RM'000	Risk-weighted assets RM'000
<b>2020</b>				
<b>Publicly traded</b>				
Holding of equity investments	5	5	5	5
<b>Privately held</b>				
For socio-economic purposes	202,157	202,157	137,765	137,765
Not for socio-economic purposes	3	4	3	4
	<b>202,165</b>	<b>202,166</b>	<b>137,773</b>	<b>137,774</b>
<b>2019</b>				
<b>Publicly traded</b>				
Holding of equity investments	8	8	8	8
<b>Privately held</b>				
For socio-economic purposes	187,514	187,514	126,730	126,730
Not for socio-economic purposes	3	4	3	4
	<b>187,525</b>	<b>187,526</b>	<b>126,741</b>	<b>126,742</b>

### Gains and losses on equity exposures in the banking book

The table below present the gains and losses on equity exposures in banking book:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unrealised (losses)/gains recognised in revaluation reserve				
• Publicly traded equity investments	(3)	(1)	(3)	(1)
• Privately held equity investments	14,749	8,866	11,141	5,294
	<b>14,746</b>	<b>8,865</b>	<b>11,138</b>	<b>5,293</b>



## 7.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK

Interest rate risk/rate of return risk in the banking book (“IRR/RORBB”) is the risk that occurs when movements in interest rates affect a banking organization’s earnings or economic value. Changes in interest rate/profit rate affects the Group’s earnings by altering interest rate-sensitive income and expenses, affecting its net interest income (NII). It also affects the underlying value of banking assets, liabilities and off-balance sheet instruments as the present value of future cash flows change when interest rate/profit rate change.

### **Risk Governance**

IRR/RORBB is managed collectively by GALCO, Group Financial Markets, Group Finance and Group Risk Management. Each of the above parties has clearly defined roles and responsibilities to provide oversight and manage IRR/RORBB within the defined framework and structure as approved by the GRMC/Board. GALCO assumes the overall responsibility in managing IRR/RORBB by setting the directions, strategy and risk limits/parameters for the Bank/Group. Group Financial Markets is tasked to execute the approved strategy by managing the assets/liabilities as well as the funding and liquidity needs of the Bank/Group. Group Finance and Group Risk Management provide support in respect of risk monitoring and reporting of the banking book exposures; and ensuring regulatory as well as accounting requirements are met.

### **IRR/RORBB Management**

The guiding principles in managing IRR/RORBB include:

- (i) Adopting a prudent approach to manage IRR/RORBB in ways that commensurate with the Group’s size and business activities. This is achieved via establishing robust IRR/RORBB policies, measures and strategies which is complemented by regular monitoring and reporting.
- (ii) Checking to ensure that IRR/RORBB are accurately measured and any mismatches identified, reviewed and reported monthly to GALCO.
- (iii) Setting of proper gapping limits and the limits monitored closely.
- (iv) Practicing comprehensive IRR/RORBB reporting and review process, with aggregated information and supporting details to facilitate assessment of the Group’s sensitivity to changes in market conditions.

The Bank uses a range of tools, including the following primary measures to quantify and monitor IRR/RORBB:

- (i) Repricing gap analysis to measure interest rate/profit rate from the earnings perspective i.e. impact of interest rate/profit rate changes to earnings in the short-term.
- (ii) Net interest income/profit income simulation to assess the impact of interest rate/profit rate changes on short term earnings volatility.
- (iii) Economic value (“EVE”) simulations which measures the asset-liability impact of adverse interest rate/profit rate movements on the economic value of the Bank’s capital.

Group Risk Management performs independent monitoring of the interest rate/profit rate benchmarks to ensure compliance. Any exceptions are reported and appropriate remedial actions are taken, where necessary. Schedule reporting via risk dashboards are provided to senior management, GRMC and Board. The risk dashboards provide a gauge on the IRR/RORBB of the Group.

The Group is guided by BNM’s guidelines and Basel standards on management of IRR/RORBB.

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

### 7.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (CONT'D)

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

2020	Group + 100 bps RM'000	Bank + 100 bps RM'000
<b>Impact on net interest income ("NII")</b>		
Ringgit Malaysia	121,554	98,263
<b>Impact on Economic Value ("EV")</b>		
Ringgit Malaysia	(230,134)	(137,755)
<b>2019</b>		
<b>Impact on net interest income ("NII")</b>		
Ringgit Malaysia	119,176	98,176
<b>Impact on Economic Value ("EV")</b>		
Ringgit Malaysia	(125,355)	(38,605)

Note:

The foreign currency impact on NII/EV are considered insignificant as the exposure is less than 5% of the respective total Banking Book assets and liabilities.

## 8.0 SHARIAH GOVERNANCE DISCLOSURES

Shariah Non-Compliance Risk arises from the risk of failure to comply with Shariah rules and principles as determined by Shariah Advisory Council of Bank Negara Malaysia and Alliance Islamic Bank's (AIS) Shariah Committee. To manage the risks, AIS has adopted the following guiding principles:

- (i) A sound Shariah Compliance Framework which governs the operations of AIS and outlines the roles of key functionalities within AIS, including but not limited to the Shariah risk management process. This is in line with the Shariah Governance Framework issued by BNM.
- (ii) The Board of Directors, assisted by the Shariah Committee and Senior Management, provides oversight on Shariah compliance aspects of AIS' overall operations. This amongst others include:
  - Oversight and implementation of the Shariah Compliance Framework.
  - Regular review of Shariah non-compliant income and issues.
  - Addressing Shariah non-compliance findings.
  - Ensuring compliance with regulatory and internal requirements including disclosures.
- (iii) Appointment of a qualified Shariah Committee member who also serves as AIS' Board member; serving as a 'bridge' between the Board and the Shariah Committee.
- (iv) Ongoing Shariah reviews and training to raise risk awareness and ensure compliance to Shariah rules and principles. This includes:
  - Regular assessment on Shariah compliance in the activities and operations of AIS. The findings of the review are reported to the Shariah Committee for deliberation and decision.
  - Performing research and studies on Shariah issues, including providing day-to-day Shariah advice and consultancy to relevant parties.
  - Conducting Shariah-related training and ongoing engagement with relevant parties to raise awareness on Shariah non-compliance risk.
- (v) Escalation and reporting processes of Shariah non-compliant income and issues governed through designated escalation channels, which include the Board and the Shariah Committee.
- (vi) Periodic engagement between the Board and the Shariah Committee to discuss on Shariah research, Shariah compliance and scholar's view on Islamic banking activities.

### **Shariah Non-Compliant Income And Events**

During the financial year, there were 3 Shariah non-compliance events detected from the ongoing reviews of the Bank's operational processes. Necessary efforts had been taken to rectify the Shariah non-compliance events, which were tracked and escalated to the Shariah Committee and the Board. The Shariah non-compliant income of RM2,044 had been disposed off in accordance with Shariah Committee's decision.

## LIST OF PROPERTIES

as at 31 March 2020

No	Location	Current Use	Year of Purchase <sup>1</sup>	Tenure	Remaining Lease Period (Expiry Year)	Age of Property (Years) <sup>2</sup>	Built-Up Area (Sq Ft) <sup>3</sup>	Net Book Value (RM'000) <sup>4</sup>
1.	1, Jalan Tembaga SD5/2A Bandar Sri Damansara 52100 Kepong, Kuala Lumpur	Alliance Bank's branch/office premises	1991	Freehold	-	27	9,179	658
2.	150 - 152, Jalan Cerdas Taman Connaught 56000 Kuala Lumpur	Alliance Bank's branch/office premises	1997	Leasehold 99 years	58 years 2078	41	11,704	2,110
3.	43 & 45, Jalan Bunga Tanjung 6A Taman Putra 68000 Ampang, Selangor	Alliance Bank's branch/office premises	1998	Leasehold 99 years	61 years 2081	38	8,120	1,056
4.	1960 E & F, Jalan Stadium 05100 Alor Setar, Kedah	Alliance Bank's branch/office premises	1979	Leasehold 60 years	19 years 2039	41	4,537	318
5.	Ground & Mezzanine Floor Wisma Malvest 20 & 20A Jalan Tun Dr Awang Sungai Nibong Kecil 11900 Bayan Lepas, Pulau Pinang	Alliance Bank's branch/office premises	1994	Freehold	-	26	6,103	1,486
6.	70 & 71, Block 10 Jalan Laksamana Cheng Ho 93200 Kuching, Sarawak	Alliance Bank's branch/office premises	2007	Leasehold 60 years	49 years 2069	14	9,405	1,904
7.	B-400, Jalan Beserah 25300 Kuantan, Pahang	Alliance Bank's branch/office premises	1996	Freehold	-	29	6,688	340
8.	LG134/LG135/G128/F89 Holiday Plaza Jalan Dato Sulaiman 80250 Johor Bharu, Johor	Alliance Bank's branch/office premises	1984	Freehold	-	36	5,414	741
9.	Lot 1 & 3, Jalan Permas Jaya 10/2 Bandar Baru Permas Jaya 81750 Johor Bahru, Johor	Alliance Bank's branch/office premises	1994	Freehold	-	27	24,334	1,315
10.	3 & 5, Jalan Bentara 1 Tun Aminah 81300 Johor Bahru, Johor	Alliance Bank's branch/office premises	1996	Freehold	-	37	5,412	791
11.	Unit 01-G & 01-1, Seremban City Jalan Tunku Munawir 70000 Seremban Negeri Sembilan	Alliance Bank's branch/office premises	1997	Freehold	-	21	7,277	1,361
12.	101 & 103, Jalan Melaka Raya 24 Taman Melaka Raya 75000 Melaka	Alliance Bank's branch/office premises	1995	Leasehold 99 years	74 years 2094	23	8,640	516
13.	Lot 7 & 9, Block D Nountun Industrial Estate 89350 Inanam Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1995	Leasehold 999 years	903 years 2923	20	7,495	844
14.	Lot 4-6, Block K Sinsuran Complex 88000 Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1980	Leasehold 99 years	51 years 2071	42	13,979	356

No	Location	Current Use	Year of Purchase <sup>1</sup>	Tenure	Remaining Lease Period (Expiry Year)	Age of Property (Years) <sup>2</sup>	Built-Up Area (Sq Ft) <sup>3</sup>	Net Book Value (RM'000) <sup>4</sup>
15.	Lot 1086, Jalan Utara W.D.T. 127 91009 Tawau, Sabah	Alliance Bank's branch/office premises	1981	Leasehold 99 years	40 years 2060	57	14,948	433
16.	Lot 8, Block A Beaufort Jaya Commercial Centre 89808 Beaufort, Sabah	Alliance Bank's branch/office premises	1984	Leasehold 999 years	881 years 2901	34	4,500	203
17.	Lot 1, Block C Mile 4 1/2 Jalan Utara Bandar Kim Fung 90307 Sandakan, Sabah	Alliance Bank's branch/office premises	1992	Leasehold 99 years	60 years 2080	35	4,800	355
18.	1 & 2, Block A, Jalan Jungkat Pangie Light Industrial Complex 89909 Tenom, Sabah	Alliance Bank's branch/office premises	1993	Leasehold 999 years	904 years 2924	26	7,085	266
19.	17, 19 & 21, Jalan USJ 9/5N, USJ 9 47620 Subang Jaya, Selangor	Alliance Bank's branch/office premises	1996	Freehold	-	24	12,864	2,036
20.	59-61, Jalan Tiga 90702 Sandakan, Sabah	Alliance Bank's branch/office premises	1963	Leasehold 999 years	869 years 2889	62	9,900	648
21.	MPWPL U 0072 & 0073 Jalan Merdeka 87008 Labuan	Alliance Bank's branch/office premises	1979	Leasehold 99 years	37, 43 years 2057, 2063	54 54	5,800	581
22.	Lot 84, Jalan Gaya 88000 Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1985	Leasehold 999 years	862 years 2882	62	10,040	1,645
23.	45, Jalan Sungai Besi Indah 1/21 43300 Balakong, Selangor	Alliance Bank's branch/office premises	2001	Leasehold 99 years	71 years 2091	19	9,706	1,209
24.	3, Jalan SS 15/2A, Wisma Projass (3 Alliance) 47500 Subang Jaya, Selangor	Alliance Bank's branch/office premises	2005	Freehold	-	35	35,926	5,945

**Notes:**

<sup>1</sup> The Year of Purchase is based on Sale & Purchase Agreement. In the event that Sale & Purchase Agreement is not available, it is based on the date of registration of ownership specified in the title document

<sup>2</sup> The Age of Property is based on Certificate of Fitness for Occupation. In the event that the Certificate of Fitness for Occupation is not available, it is based on the issuance date of the title document

<sup>3</sup> The Built-Up Area is based on the valuation report conducted in May 2019

<sup>4</sup> Net Book Value as at 31 March 2020 (information as provided by Group Finance)

## DIRECTORY



### ALLIANCE BANK

#### ALLIANCE BANK MALAYSIA BERHAD

##### HEAD OFFICE

3rd Floor, Menara Multi-Purpose  
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Fax : 03-2694 6200

[www.alliancebank.com.my](http://www.alliancebank.com.my)



### ALLIANCE ISLAMIC BANK

#### ALLIANCE ISLAMIC BANK BERHAD

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#### PERAK

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05-241 2346/8  
Fax : 05-241 2355

##### Sitiawan

23 & 24, Jalan Raja Omar  
Taman Selamat  
32000 Sitiawan, Perak  
Tel : 05-691 1212  
Fax : 05-691 7975

#### SELANGOR

##### Aman Suria Damansara

J-G-23 & J-G-25, Block J  
Jalan PJU 1/43, PJU1  
Aman Suria Damansara  
47301 Petaling Jaya, Selangor  
Tel : 03-7880 8842  
Fax : 03-7880 4299

##### Ampang Point

Ground & Mezzanine Floor  
65, Jalan Mamanda 9  
Ampang Point  
Taman Dato Ahmad Razali  
68000 Ampang, Selangor  
Tel : 03-5516 9988  
Fax : 03-4252 3877

##### Balakong

45, Jalan Sungai Besi Indah 1/21  
Taman Sungai Besi Indah  
43300 Seri Kembangan, Selangor  
Tel : 03-5516 9988  
Fax : 03-8948 9530

##### Bandar Bukit Tinggi

56, Lorong Batu Nilam 4B  
Bandar Bukit Tinggi  
41200 Klang, Selangor  
Tel : 03-5516 9988  
Fax : 03-3324 3311

##### Bandar Puteri Puchong

11 & 13, Jalan Puteri 2/1  
Bandar Puteri Puchong  
47100 Puchong, Selangor  
Tel : 03-5516 9988  
Fax : 03-8063 2711

#### BRANCHES

##### KEDAH

##### Alor Setar

1960 E & F, Jalan Stadium  
05100 Alor Setar, Kedah  
Tel : 04-731 0744  
Fax : 04-733 8055

##### Lunas, Kulim

888 & 889, Jalan Aman  
Taman Sejahtera  
09600 Lunas, Kulim, Kedah  
Tel : 04-484 3275/76/78  
Fax : 04-484 3277

##### Sejati Indah, Sungai Petani

Ground Floor, Wisma Uni-Green  
18, Jalan Permatang Gedong  
Taman Sejati Indah  
08000 Sungai Petani, Kedah  
Tel : 04-431 1673/81  
04-431 2139  
Fax : 04-431 1687

#### PULAU PINANG

##### Beach Street

Ground Floor, Bangunan Barkath  
21, Beach Street  
10300 Georgetown, Pulau Pinang  
Tel : 04-262 8100  
Fax : 04-261 3300

##### Bukit Mertajam

Ground & 1st Floor  
Wisma Ng Ah Yan  
42, Lebuhr Nangka 2  
Taman Mutiara  
14000 Bukit Mertajam, Pulau Pinang  
Tel : 04-530 3130  
Fax : 04-530 7433

##### Butterworth

4105-4107, Jalan Bagan Luar  
12000 Butterworth, Pulau Pinang  
Tel : 04-331 4863/64  
Fax : 04-323 2824

##### Sungai Nibong Kecil

Ground & Mezzanine Floor  
Wisma Malvest, 20 & 20A  
Jalan Tun Dr Awang  
Sungai Nibong Kecil  
11900 Bayan Lepas, Pulau Pinang  
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Fax : 04-642 5924

**SELANGOR (cont'd)****CP Tower, Petaling Jaya**

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Fax : 03-7660 9799

**Kajang**

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Off Jalan Bukit  
43000 Kajang, Selangor  
Tel : 03-5516 9988  
Fax : 03-8733 5414

**Klang**

Ground Floor  
1, Lorong Kasawari 4B  
Taman Eng Ann  
41150 Klang, Selangor  
Tel : 03-5516 9988  
Fax : 03-3345 3733

**Kota Damansara**

7-G & 9-G, Jalan PJU 5/20  
Pusat Perdagangan Kota Damansara  
PJU 5 Kota Damansara  
47810 Petaling Jaya, Selangor  
Tel : 03-5516 9988  
Fax : 03-6142 8732

**Pandan Indah**

Ground & Mezzanine Floor  
11 & 13, Jalan Pandan Indah 4/34  
Pandan Indah, 55100 Selangor  
Tel : 03-5516 9988  
Fax : 03-4296 4107

**Puchong Jaya**

11, Jalan Kenari 5  
Bandar Puchong Jaya  
47100 Puchong Jaya, Selangor  
Tel : 03-5516 9988  
Fax : 03-8075 9200

**Rawang**

71, Jalan Bandar Rawang 2  
Bandar Baru Rawang  
48000 Rawang, Selangor  
Tel : 03-5516 9988  
Fax : 03-6091 7922

**Seri Kembangan**

31-1 & 31-2  
Jalan Serdang Perdana 2/1  
Taman Serdang Perdana  
43300 Seri Kembangan, Selangor  
Tel : 03-5516 9988  
Fax : 03-8941 6620

**Shah Alam**

Ground & 1st Floor  
2, Jalan Murni 25/61  
Taman Sri Muda, Seksyen 25  
40400 Shah Alam, Selangor  
Tel : 03-5516 9988  
Fax : 03-5121 9373

**Sri Damansara**

1, Jalan Tembaga SD 5/2A  
Bandar Sri Damansara  
52100 Selangor  
Tel : 03-5516 9988  
Fax : 03-6272 1732

**SS2, Petaling Jaya**

55, Jalan SS2/55  
47300 Petaling Jaya, Selangor  
Tel : 03-5516 9988  
Fax : 03-7874 0973

**Subang Jaya**

3 Alliance  
3, Jalan SS15/2A  
47500 Subang Jaya, Selangor  
Tel : 03-5516 9988  
Fax : 03-5634 1128

**Taman Putra**

43-45, Jalan Bunga Tanjung 6A  
Taman Putra  
68000 Ampang, Selangor  
Tel : 03-5516 9988  
Fax : 03-4296 1250

**USJ, Subang Jaya**

Ground Floor  
17, 19 & 21, Jalan USJ 9/5N  
47620 UEP Subang Jaya, Selangor  
Tel : 03-5516 9988  
Fax : 03-8023 4379

**KUALA LUMPUR****Bangsar**

No. 1, Jalan Telawi 5  
Bangsar Baru  
59100 Kuala Lumpur  
Tel : 03-5516 9988  
Fax : 03-2284 9616

**Capital Square**

Ground Floor  
Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 03-5516 9988  
Fax : 03-2694 6867

**GTower, Jalan Tun Razak**

Lot No. G-06, Ground Floor  
GTower, No. 199, Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : 03-5516 9988  
Fax : 03-2168 8390

**Jalan Ipoh**

41 & 43, Jalan Sultan Azlan Shah  
51200 Kuala Lumpur  
Tel : 03-5516 9988  
Fax : 03-4041 3868

**Star Boulevard KLCC**

Unit SR3-G, Ground Floor  
No. 1, Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
Tel : 03-2070 8752  
Fax : 03-2070 4900

**Kepong**

Ground Floor, 52, Jalan Prima  
Vista Magna, Metro Prima Kepong  
52100 Kuala Lumpur  
Tel : 03-5516 9988  
Fax : 03-6257 9996

**Kuchai Entrepreneurs Park**

1, Jalan 1/116B  
Kuchai Entrepreneurs Park  
58200 Kuala Lumpur  
Tel : 03-5516 9988  
Fax : 03-7981 6486

**Mid Valley**

15-G & 15-1  
The Boulevard Offices  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel : 03-5516 9988  
Fax : 03-2282 4430

## DIRECTORY (CONT'D)

### KUALA LUMPUR (cont'd)

#### Mont'Kiara

Unit A-0G-02, Block A  
Plaza Mont'Kiara  
2, Jalan Kiara, Mont'Kiara  
50480 Kuala Lumpur  
Tel : 03-5516 9988  
Fax : 03-6201 2607

#### Segambut

Ground Floor  
22, Wisma Sin Hoh Huat  
Persiaran Segambut Tengah  
51200 Kuala Lumpur  
Tel : 03-5516 9988  
Fax : 03-6257 6186

#### Selayang

71 & 73, Jalan 2/3A  
Pusat Bandar Utara Selayang  
KM 12, Jalan Ipoh  
68100 Batu Caves, Kuala Lumpur  
Tel : 03-5516 9988  
Fax : 03-6135 1787

#### Setapak

No. D-1-2, D-2-2 & D-3-2  
StarParc Point  
Taman Danau Ibu Kota  
Jalan Genting Klang, Setapak  
53300 Kuala Lumpur  
Tel : 03-5516 9988  
Fax : 03-4143 9568

#### Taman Connaught

150-152, Jalan Cerdas  
Taman Connaught  
56000 Kuala Lumpur  
Tel : 03-5516 9988  
Fax : 03-9102 3740

#### Taman Maluri

254 & 254A, Jalan Mahkota  
Taman Maluri, Cheras  
55100 Kuala Lumpur  
Tel : 03-5516 9988  
Fax : 03-9283 1397

#### Taman Tun Dr Ismail

No. 6-3-0 & 6-3-1  
Sinaran TTDI  
Jalan Tun Mohd Fuad 3  
Taman Tun Dr Ismail  
60000 Kuala Lumpur  
Tel : 03-5516 9988  
Fax : 03-7729 8237

### PUTRAJAYA

#### Putrajaya

Ground Floor, Menara Ikhlas  
(Boulevard Plaza)  
No. 17, Persiaran Perdana  
Presint 3  
62100 Putrajaya  
Wilayah Persekutuan Putrajaya  
Tel : 03-5516 9988  
Fax : 03-8889 1799

### JOHOR

#### Batu Pahat

Ground, 1st & 2nd Floor  
2 & 4, Jalan Kundang 3  
Taman Bukit Pasir  
83000 Batu Pahat, Johor  
Tel : 07-431 4088  
Fax : 07-434 0033

#### Bukit Bakri, Muar

88, Jalan Tepi Pasar  
Bukit Bakri  
84200 Muar, Johor  
Tel : 06-986 7633  
Fax : 06-986 6721

#### Holiday Plaza, Johor Bahru

Unit G128, Holiday Plaza  
Jalan Dato Sulaiman  
Century Garden  
80250 Johor Bahru, Johor  
Tel : 07-331 1200  
Fax : 07-331 1207

#### Johor Jaya

50 & 52, Jalan Dedap 13  
Taman Johor Jaya  
81100 Johor Bahru, Johor  
Tel : 07-353 5388  
Fax : 07-355 7377

#### Kelapa Sawit, Kulai

16 & 17, Jalan Susur Satu  
26th Mile, Jalan Air Hitam  
Kelapa Sawit  
81030 Kulai, Johor  
Tel : 07-652 3704/5/7  
Fax : 07-652 3706

#### Kluang

No. 73, Ground Floor  
Jalan Rambutan  
86000 Kluang, Johor  
Tel : 07-772 9911  
Fax : 07-772 6611

#### Permas Jaya

1 & 3, Jalan Permas Jaya 10/2  
Bandar Baru Permas Jaya  
81750 Johor Bahru, Johor  
Tel : 07-386 2480  
Fax : 07-386 2478

#### Segamat

No. 109A & 109B  
Jalan Genuang  
85000 Segamat, Johor  
Tel : 07-931 1170  
Fax : 07-931 2727

#### Taman Molek

1 & 1-01, Jalan Molek 1/29  
Taman Molek  
81100 Johor Bahru, Johor  
Tel : 07-355 6577  
Fax : 07-355 4677

#### Taman Nusa Bestari

1-G & 1-01, Jalan Bestari 6/2  
Taman Nusa Bestari  
81300 Skudai, Johor  
Tel : 07-237 8301  
Fax : 07-237 8621

#### Taman Pelangi

Ground Floor, Shoplot Nos. 1 & 3  
Jalan Perang, Taman Pelangi  
80400 Johor Bahru, Johor  
Tel : 07-332 4050/1/4  
Fax : 07-333 7411

#### Tun Aminah

3 & 5, Jalan Bentara 1  
Taman Ungku Tun Aminah  
81300 Skudai, Johor  
Tel : 07-554 0031  
Fax : 07-554 2494

### MELAKA

#### Melaka

101 & 103  
Jalan Melaka Raya 24  
Taman Melaka Raya  
75000 Melaka  
Tel : 06-284 9249/  
06-281 1777  
Fax : 06-284 9248



**NEGERI SEMBILAN****Seremban**

1G & 1-1, Seremban City Centre  
Jalan Tuanku Munawir  
70000 Seremban, Negeri Sembilan  
Tel : 06-762 5610/21  
Fax : 06-762 5612

**PAHANG****Kuantan**

B400, Jalan Beserah  
25300 Kuantan, Pahang  
Tel : 03-5516 9988  
Fax : 09-567 9044

**TERENGGANU****Kuala Terengganu**

Ground & Mezzanine Floor  
Wisma Kam Choon  
101, Jalan Kampong Tiong  
20100 Kuala Terengganu, Terengganu  
Tel : 03-5516 9988  
Fax : 09-623 6379

**SABAH****Bandar Kim Fung, Sandakan**

Lot 1, Block C, Bandar Kim Fung  
Mile 4 1/2, Jalan Utara P.O. Box 163  
Post Office, Mile 1 1/2, Jalan Utara  
90307 Sandakan, Sabah  
Tel : 089-275 020/21  
Fax : 089-275 027

**Beaufort**

Lot B, Block A, Beaufort Jaya  
Commercial Centre, P.O. Box 220  
89808 Beaufort, Sabah  
Tel : 087-211 721  
Fax : 087-212 392

**Donggongan**

Wisma PPS  
Donggongan New Township  
W.D.T. No. 56  
80509 Penampang, Sabah  
Tel : 088-713 411/2  
088-718 980  
Fax : 088-718 634

**Federal House, Kingfisher's Park, KK (Service Centre)**

Aras 1, Blok A  
Kompleks Pentadbiran Kerajaan  
Persekutuan Sabah, Jalan UMS  
88400 Kota Kinabalu, Sabah  
Tel : 088-484 718  
Fax : 088-484 712

**Inanam, Kota Kinabalu**

Ground, 1st & 2nd Floor  
Lot 7 & 9, Block D  
Nountun Industrial Estate  
89350 Inanam, Kota Kinabalu, Sabah  
Tel : 088-435 761  
Fax : 088-435 770

**Jalan Gaya**

82 & 84, Jalan Gaya  
88000 Kota Kinabalu, Sabah  
Tel : 088-251 177  
Fax : 088-223 629

**Keningau**

Lot No. 1, Block B-8  
Jalan Arusap  
89000 Keningau, Sabah  
Tel : 087-330 301  
Fax : 087-330 294

**Kota Marudu**

Shoplot No. 8, Block E  
Sedco Shophouses  
P.O. Box 260  
89108 Kota Marudu, Sabah  
Tel : 088-661 104  
Fax : 088-661 106

**Kundasang**

Shoplot No. 6, Block B  
Sedco Shophouses  
P.O. Box 152  
89308 Ranau, Sabah  
Tel : 088-889 679  
Fax : 088-889 676

**Lahad Datu**

Lot 1 MDLD 4709  
Jalan Kastam Lama  
91100 Lahad Datu, Sabah  
Tel : 089-883 911/5  
Fax : 089-883 916

**Sandakan**

59-61 Block 20  
Jalan Tiga, Bandar Sandakan  
90000 Sandakan, Sabah  
Tel : 089-275 193  
Fax : 089-271 641

**Sinsuran**

Lot 4, 5 & 6, Block K  
Sinsuran Complex  
88000 Kota Kinabalu, Sabah  
Tel : 088-237 762/  
088-237 763  
Fax : 088-212 511

**Tambunan**

Lot 1, Block B  
Sedco Shophouses, W.D.T. 55  
89659 Tambunan, Sabah  
Tel : 087-771 171  
Fax : 087-771 157

**Tawau**

1086, Jalan Utara, W.D.T. 127  
91009 Tawau, Sabah  
Tel : 089-776 000  
Fax : 089-763 287

**Tenom**

Ground & Mezzanine Floor  
Shoplot Nos 1 & 2, Block A  
Pangie Light Industrial Complex  
Jalan Jungkat, Tenom New Township  
P.O. Box 379  
89909 Tenom, Sabah  
Tel : 087-737 757  
Fax : 087-737 762

**SARAWAK****Bintulu**

No. 24, Bintulu Parkcity Commerce  
Square  
Phase 1, Jalan Tun Ahmad Zaidi  
97000 Bintulu, Sarawak  
Tel : 086-318 626  
Fax : 086-318 621

**Kuching**

178, Jalan Chan Chin Ann  
93100 Kuching, Sarawak  
Tel : 082-258 960  
082-235 611  
Fax : 082-257 275

**Laksamana**

70 & 71, Block 10  
Jalan Laksamana Cheng Ho  
93200 Kuching, Sarawak  
Tel : 082-230 888  
Fax : 082-235 567

**Miri**

Ground & 1st Floor  
Lot 353, Block 7  
Miri Concession Land District  
(Pelita Commercial Centre)  
Jalan Miri Pujut  
98000 Miri, Sarawak  
Tel : 085-427 535  
Fax : 085-425 362

## DIRECTORY (CONT'D)

### SARAWAK (cont'd)

#### Sibu

Ground Floor  
32, Jalan Bako  
Brooke Drive 3  
96000 Sibu, Sarawak  
Tel : 084-317 628  
Fax : 084-317 148

### LABUAN

#### Labuan

MPWPL U 0072 & 0073  
Jalan Merdeka, P.O. Box 396  
87008 Labuan FT  
Tel : 087-412 826  
Fax : 087-415 446



## ALLIANCE INVESTMENT BANK

### ALLIANCE INVESTMENT BANK BERHAD

(A participating organisation of  
Bursa Malaysia Securities Berhad)

#### HEAD OFFICE

19th Floor, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 03-2604 3333  
Fax : 03-2692 8787

[www.allianceinvestmentbank.com.my](http://www.allianceinvestmentbank.com.my)

### BRANCHES

#### KEDAH

#### Alor Setar

Lot T-30, 2nd Floor  
Wisma PKNK  
Jalan Sultan Badlishah  
05000 Alor Setar, Kedah  
Tel : 04-731 7088  
Fax : 04-731 8428

### PULAU PINANG

#### Pulau Pinang

Ground & Mezzanine Floor  
Bangunan Barkath  
21, Lebuhr Pantai  
10300 Pulau Pinang  
Tel : 04-261 1688  
Fax : 04-261 6363

### KUALA LUMPUR

#### Kuala Lumpur

17th Floor, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 03-2604 3333  
Fax : 03-2697 2929

### JOHOR

#### Kluang

No. 73, Ground Floor  
Jalan Rambutan  
86000 Kluang, Johor  
Tel : 07-771 7922  
Fax : 07-777 1079

### PAHANG

#### Kuantan

Ground, Mezzanine & 1st Floor  
B-400, Jalan Beserah  
25300 Kuantan, Pahang  
Tel : 09-566 0800  
Fax : 09-566 0801

### TERENGGANU

#### Kuala Terengganu

Ground & Mezzanine Floor  
Wisma Kam Choon  
101, Jalan Kampong Tiong  
20100 Kuala Terengganu, Terengganu  
Tel : 09-631 7922  
Fax : 09-631 3255



## ALLIANCECEDBS RESEARCH

### ALLIANCECEDBS RESEARCH SDN BHD

#### HEAD OFFICE

19th Floor, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 03-2604 3333

[www.allianceinvestmentbank.com.my](http://www.allianceinvestmentbank.com.my)



## ALLIANCE TRUSTEE

### ALLIANCE TRUSTEE BERHAD

#### HEAD OFFICE

18th Floor, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 03-2604 3333  
Fax : 03-2698 0393

# ANALYSIS OF SHAREHOLDINGS

as at 15 June 2020

Class of securities : Ordinary shares  
 Issued and paid-up share capital : RM1,548,105,929  
 Voting rights : One vote per ordinary share

## Shareholdings Distribution Schedule

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Less than 100	2,049	8.33	37,206	*
100 – 1,000	5,287	21.48	3,956,198	0.26
1,001 – 10,000	12,750	51.81	57,277,338	3.70
10,001 – 100,000	3,960	16.09	120,157,688	7.76
100,001 – less than 5% of issued shares	563	2.29	747,755,884	48.30
5% and above of issued shares	2	*	618,921,615	39.98
<b>Total</b>	<b>24,611</b>	<b>100.00</b>	<b>1,548,105,929</b>	<b>100.00</b>

*Note:*

\* Negligible

## Thirty (30) Largest Shareholders

Name	No. of Shares Held	% of Issued Shares
1. CIMB Group Nominees (Tempatan) Sdn Bhd Exempt AN for DBS Bank Ltd (SFS)	449,857,775	29.06
2. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	169,063,840	10.92
3. Focus Asia Strategies Ltd	73,528,700	4.75
4. Medimetro (M) Sdn Bhd	56,000,000	3.62
5. Fields Equity Management Ltd	31,470,900	2.03
6. Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	29,791,900	1.92
7. Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for AIA Bhd	24,115,000	1.56
8. Global Success Network Sdn Bhd	22,902,100	1.48
9. Eden Engineering Sdn Bhd	19,700,000	1.27
10. HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	18,084,653	1.17
11. Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	17,266,700	1.12
12. Kumpulan Wang Persaraan (Diperbadankan)	15,704,500	1.01
13. Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	15,044,700	0.97
14. HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	14,999,117	0.97
15. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Affin-HWG)	14,985,600	0.97
16. Cartaban Nominees (Asing) Sdn Bhd BCSL Client AC P5 Cayman Clients	11,548,800	0.75

**ANALYSIS OF SHAREHOLDINGS (CONT'D)**

as at 15 June 2020

	<b>Name</b>	<b>No. of Shares Held</b>	<b>% of Issued Shares</b>
17.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	10,608,000	0.69
18.	Maybank Investment Bank Berhad IVT (16)	10,488,900	0.68
19.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Norges Bank (FI 17)	10,471,315	0.68
20.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Eastspring Investments Small-Cap Fund	10,297,200	0.67
21.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLTOD67)	9,814,300	0.63
22.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (AMUNDI)	9,608,100	0.62
23.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Bank Julius Baer & Co. Ltd. (Singapore BCH)	9,500,000	0.61
24.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Aberdeen)	7,978,300	0.51
25.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (Par 3)	7,663,500	0.49
26.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	7,614,000	0.49
27.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund WTAU for Wisdomtree Emerging Markets Smallcap Dividend Fund	7,353,647	0.47
28.	Permodalan Nasional Berhad	6,990,900	0.45
29.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	6,465,100	0.42
30.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank New York (Norges Bank 1)	6,038,925	0.39
	<b>Total</b>	<b>1,104,956,472</b>	<b>71.37</b>

## SUBSTANTIAL SHAREHOLDERS

as at 15 June 2020

Name of Substantial Shareholder	No. of Ordinary Shares					
	Direct Interest	% of Issued Shares	Indirect Interest	% of Issued Shares	Total	% of Issued Shares
Vertical Theme Sdn Bhd	449,857,775	29.06	-	-	449,857,775	29.06
Langkah Bahagia Sdn Bhd	-	-	449,857,775 <sup>1</sup>	29.06	449,857,775	29.06
Duxton Investments Pte Ltd	-	-	449,857,775 <sup>1</sup>	29.06	449,857,775	29.06
Ong Beng Seng	-	-	449,857,775 <sup>2</sup>	29.06	449,857,775	29.06
Ong Tiong Sin	-	-	449,857,775 <sup>2</sup>	29.06	449,857,775	29.06
Seow Lun Hoo	-	-	449,857,775 <sup>2</sup>	29.06	449,857,775	29.06
Fullerton Financial Holdings Pte Ltd	-	-	449,857,775 <sup>3</sup>	29.06	449,857,775	29.06
Fullerton Management Pte Ltd	-	-	449,857,775 <sup>4</sup>	29.06	449,857,775	29.06
Temasek Holdings (Private) Limited	-	-	449,857,775 <sup>5</sup>	29.06	449,857,775	29.06
Singapore Minister for Finance	-	-	449,857,775 <sup>6</sup>	29.06	449,857,775	29.06
Employees Provident Fund Board	212,481,740	13.73	-	-	212,481,740	13.73

### Notes:

<sup>1</sup> Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Vertical Theme Sdn Bhd.

<sup>2</sup> Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Langkah Bahagia Sdn Bhd.

<sup>3</sup> Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Duxton Investments Pte Ltd.

<sup>4</sup> Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Fullerton Financial Holdings Pte Ltd.

<sup>5</sup> Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Fullerton Management Pte Ltd.

<sup>6</sup> Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Temasek Holdings (Private) Limited.

## DIRECTORS' SHAREHOLDINGS

as at 15 June 2020

Save as disclosed below, none of the other Directors have any interest in the shares of the Bank or in any of the Bank's related corporations as at 15 June 2020:

Name	No. of Alliance Bank shares held			
	Direct	%	Indirect	%
Ho Hon Cheong	-	-	1,000 <sup>^</sup>	*

### Notes:

\* Negligible

<sup>^</sup> Indirect interest in the Bank shares by virtue of Section 59(1)(c) of the Companies Act 2016

## SENIOR MANAGEMENT'S SHAREHOLDINGS

as at 15 June 2020

Save as disclosed below, the Group Chief Executive Officer and none of the other Senior Management have any interest in the shares of the Bank or in any of the Bank's related corporations as at 15 June 2020:

Name	No. of Alliance Bank shares held			
	Direct	%	Indirect	%
Aaron Sum Wei Wern (Group Chief Strategy & Marketing Officer)	146,200	0.01	-	-
Ernest Kwong Kah Wah (Head, Group SME Banking)	122,300	0.01	-	-
Foziakhatoon Binti Amanulla Khan (Chief Business Development Officer)	92,400	0.01	-	-
Goh Chee Ho (Acting Group Chief Financial Officer)	30,000	*	-	-
Lee Wei Yen (Group Company Secretary)	219,800	0.01	-	-
Leong Sow Yoke (Group Chief Internal Auditor)	303,500	0.02	-	-
Pang Choon Han (Group Chief Risk Officer)	501,200	0.03	-	-
Peter Fong Seow Loong (Group Chief Credit Officer)	69,500	*	-	-
Rizal IL-Ehzan Fadil Azim (Chief Executive Officer, Alliance Islamic Bank Berhad)	47,500	*	-	-
Tan Eng Kiang (Head, Group Financial Markets)	79,600	0.01	-	-

Note:

\* Negligible

# NOTICE OF 38TH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the 38th Annual General Meeting (“AGM”) of Alliance Bank Malaysia Berhad (“the Bank”) will be held as a fully virtual meeting through live streaming and online remote voting from the broadcast venue at the Agate and Sapphire Room, 20th Floor, Menara Multi-Purpose, Capital Square, 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur on Wednesday, 19 August 2020 at 10.00 a.m. to transact the following businesses:

## AGENDA

### As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 March 2020 together with the Reports of the Directors and Auditors thereon.
2. To re-elect the following Directors who retire by rotation pursuant to Article 87 of the Bank’s Constitution:
  - (i) Datuk Wan Azhar bin Wan Ahmad **Ordinary Resolution 1**
  - (ii) Mr Lee Boon Huat **Ordinary Resolution 2**
3. To re-elect Mr Lum Piew who retires pursuant to Article 93 of the Bank’s Constitution. **Ordinary Resolution 3**
4. To approve the payment of Directors’ fees and Board Committees’ fees amounting to RM1,828,115 to the Non-Executive Directors for the financial year ended 31 March 2020. **Ordinary Resolution 4**
5. To approve the payment of Directors’ fees and Board Committees’ fees to the Non-Executive Directors from 1 April 2020 until the next AGM of the Bank. **Ordinary Resolution 5**
6. To approve the payment of Directors’ benefits (other than Directors’ fees and Board Committees’ fees) to eligible Non-Executive Directors up to an amount of RM1,200,000 from the 38th AGM until the next AGM of the Bank. **Ordinary Resolution 6**
7. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Bank and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**
8. To transact any other business for which due notice shall have been given in accordance with the Bank’s Constitution and/or the Companies Act 2016.

### BY ORDER OF THE BOARD

#### LEE WEI YEN

(MAICSA 7001798) (SSM PC No. 202008002080)

Group Company Secretary

Kuala Lumpur  
20 July 2020

## NOTICE OF 38TH ANNUAL GENERAL MEETING (CONT'D)

### Notes:

#### 1. Virtual AGM

- 1.1 As part of the measures of the Bank to curb the spread of COVID-19 and taking into consideration the paramount safety and well-being of our shareholders, the 38th AGM of the Bank will be conducted on a fully virtual basis through live streaming and online remote voting via the Remote Participation and Voting ("RPV") facilities **via Vote2U at <https://alliancebank.vote2u.app/>**. Please follow the procedures provided in the **Administrative Details** for the 38th AGM to register, participate and vote remotely via the RPV facilities.
- 1.2 The broadcast venue of the 38th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 and Article 66 of the Bank's Constitution which require the Chairman of the meeting to be present at the main venue of the meeting. **No shareholders and proxies from the public shall be physically present at the broadcast venue.**

#### 2. Proxy

- 2.1 A member entitled to attend, participate, speak and vote at the meeting is entitled to appoint a proxy or proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Bank.
- 2.2 A member who is an Exempt Authorised Nominee which holds ordinary shares in the Bank for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- 2.3 A member other than an Exempt Authorised Nominee shall be entitled to appoint not more than two (2) proxies to attend, participate, speak and vote at the same meeting.
- 2.4 Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
- 2.5 If the appointer is a corporation, the Form of Proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.
- 2.6 To be valid, the duly completed Form of Proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited at the office of our Share Registrar, ShareWorks Sdn Bhd at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur or lodged electronically via Vote2U at <https://alliancebank.vote2u.app/> (applicable to individual members only) not less than forty-eight (48) hours before the time set for holding the meeting.
- 2.7 By submitting the duly executed Form of Proxy, the member and his/her proxy(ies) consent to the Bank (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purposes of 38th AGM and any adjournment thereof.
- 2.8 A member whose name appears on the Record of Depositors as at 12 August 2020 shall be regarded as a member entitled to attend, participate, speak and vote at the meeting or appoint a proxy or proxies to attend, participate, speak and vote in his/her stead.

#### 3. Voting by Poll

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the 38th AGM of the Bank shall be put to the vote by way of a poll.

#### 4. Audited Financial Statements for the financial year ended 31 March 2020

This Agenda item is laid before the AGM pursuant to Section 340(1)(a) of the Companies Act 2016, and does not require a formal approval of the shareholders. As such, it is meant for discussion only and will not put forward for voting.

#### 5. Ordinary Resolutions 1, 2 and 3 – Re-election of Directors

Pursuant to Article 87 of the Bank's Constitution, Datuk Wan Azhar bin Wan Ahmad and Mr Lee Boon Huat retire by rotation and are eligible for re-election at the 38th AGM.

Both Datuk Wan Azhar bin Wan Ahmad and Mr Lee Boon Huat have offered themselves for re-election at the 38th AGM. Shareholders' approval is sought for the re-election of Datuk Wan Azhar bin Wan Ahmad and Mr Lee Boon Huat under Ordinary Resolution 1 and Ordinary Resolution 2 respectively.



Mr Thayaparan S. Sangarapillai who retires by rotation pursuant to Article 87 has expressed his intention not to seek re-election. Hence, he will retire as a Director of the Bank at the conclusion of the 38th AGM.

Mr Lum Piew who was appointed as a Director of the Bank on 1 July 2020, retires pursuant to Article 93 of the Bank's Constitution and being eligible, has offered himself for re-election. Shareholders' approval is sought for the re-election of Mr Lum Piew under Ordinary Resolution 3.

The profiles of Directors seeking re-election are set out in the Statement Accompanying Notice of 38th AGM.

## 6. Ordinary Resolutions 4, 5 and 6 – Non-Executive Directors' Fees and Benefits

### (i) Ordinary Resolution 4 – Payment of Directors' fees and Board Committees' fees for the financial year ended 31 March 2020

The proposed payment of Directors' fees and Board Committees' fees amounting to RM1,828,115 to Non-Executive Directors of the Bank for the financial year ended 31 March 2020 is based on the following current fee structure:

<u>Annual Directors' Fees</u>	
- Non-Executive Chairman	RM250,000
- Non-Executive Director	RM120,000
<u>Annual Board Committees' Fees</u>	
- Chairman	RM50,000
- Member	RM35,000

### (ii) Ordinary Resolution 5 – Payment of Directors' fees and Board Committees' fees from 1 April 2020 until the next AGM

Shareholders' approval is sought for the proposed payment of Directors' and Board Committees' fees to Non-Executive Directors of the Bank from 1 April 2020 until the next AGM based on the current fee structure. If the proposed Ordinary Resolution 5 is passed at the 38th AGM, the payment of Directors' and Board Committees' fees will be made to the Non-Executive Directors on a quarterly basis after they have rendered their services to the Bank throughout the relevant period.

### (iii) Ordinary Resolution 6 – Payment of Directors' benefits (other than Directors' fees and Board Committees' fees)

The Directors' benefits (other than Directors' fees and Board Committees' fees) comprise sitting allowances and other benefits for Non-Executive Directors, as set out below:

- (a) Sitting allowance – RM1,500 per meeting.
- (b) Other benefits include company car and driver allowance (for Chairman only), insurance coverage and other claimable benefits.

The total amount of Directors' benefits (other than Directors' fees and Board Committees' fees) payable to the Non-Executive Directors from the 38th AGM to the next AGM of the Bank is estimated based on various factors, including the estimated number of meetings for the Board and Board Committees.

## 7. Ordinary Resolution 7 – Re-appointment of Auditors

Group Audit Committee ("GAC") had, at its meeting held on 23 April 2020 assessed the performance and quality of audit services provided by PricewaterhouseCoopers PLT ("PwC") as well as its independence and objectivity taking into account Management's assessment on the criteria as prescribed by Bank Negara Malaysia Policy Document on External Auditor and was satisfied that PwC had met all the relevant criteria. Accordingly, the GAC had recommended the re-appointment of PwC as the external auditors of the Bank for the financial year ending 31 March 2021 for the Board's approval.

The Board of Directors had, at its meeting held on 29 April 2020 approved the GAC's recommendation for the re-appointment of PwC as external auditors of the Bank.

Shareholders' approval is sought under Ordinary Resolution 7 for the re-appointment of PwC and authorise the Directors to fix their remuneration.

# STATEMENT ACCOMPANYING NOTICE OF 38TH ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements)

- (i) No individual is seeking election as a Director at the 38th AGM of the Bank.
- (ii) The profiles of the Directors who are standing for re-election at the 38th AGM are set out below:

## (a) Profile of Datuk Wan Azhar bin Wan Ahmad

Independent Non-Executive Director  
Member of Executive Committee  
Member of Group Audit Committee  
Member of Group Nomination & Remuneration Committee  
Malaysian/Male/Aged 61

Datuk Wan Azhar was appointed to the Alliance Bank Board on 7 April 2015.

Datuk Wan Azhar holds a Bachelor in Business Administration (Finance) from University of Pacific, Stockton and a Master in Business Administration (International Business) from National University San Diego in CA, USA.

Datuk Wan Azhar was the Chief Executive Officer of Credit Guarantee Corporation Malaysia Berhad ("CGC") from 1997 until his retirement in December 2014. He began his career in banking as a Loans Executive of Hong Leong Bank in 1985 and left the bank as Head of Branches Operations in 1993. He then joined CGC as Head of Credit. In 1995, he was promoted to Assistant General Manager and subsequently to Chief Executive Officer in 1997. In 2000, he was appointed to the Board of Directors and assumed the role of Managing Director.

One of the highlights of his career was the transformation of CGC from a traditional credit guarantee provider into a market-driven and financially sustainable SME-support institution. He was instrumental in the setting up of Credit Bureau Malaysia ("CBM") where he was the Chairman for six (6) years from 2008 to 2014. On the international front, he was also the Chairman of the Association of Development Financial Institutions for Asia Pacific region ("ADFIAP") from 2012 to 2014.

Upon his retirement, he was appointed as Consultant to the World Bank from 2015 to 2016, undertaking projects relating to SME financing in the Middle East.

Datuk Wan Azhar is currently the Chairman of Alliance Islamic Bank Berhad. He serves on the Board of Trustees of NAMA Foundation and Board of Directors of I-Serve Holdings Limited. He is also the Chairman of the Small Debt Resolution Committee ("SDRC") at Bank Negara Malaysia.

## (b) Profile of Mr Lee Boon Huat

Senior Independent Non-Executive Director  
Chairman of Group Risk Management Committee  
Member of Executive Committee  
Singaporean/Male/Aged 62

Mr Lee Boon Huat was appointed to the Alliance Bank Board on 7 April 2015.

Mr Lee holds a Bachelor of Business (Accounting) from Western Australia Institute of Technology in Australia.

Mr Lee has extensive experience in the financial services industry. He has served with the Monetary Authority of Singapore, Hong Kong and Shanghai Banking Corporation, Canadian Imperial Bank of Commerce and Chemical Bank. He held several posts at Standard Chartered Bank including Head of Global Markets (South East Asia), Head of Global Markets (Middle East), and Chief Operating Officer (South East Asia) from 1998 to 2012.

Mr. Lee serves on the Boards of British and Malayan Trustees Limited, British and Malayan Holdings Limited (listed on the Singapore Exchange), Technological and Commercial Joint-stock Bank (listed on the Ho Chi Minh City Stock Exchange), and several other private corporations.

## (c) Profile of Mr Lum Piew

Independent Non-Executive Director  
Member of Group Risk Management Committee  
Malaysian/Male/Aged 51

Mr Lum Piew was appointed to the Alliance Bank Board on 1 July 2020.

Mr Lum holds a Bachelor of Science (Computer Science) from National University of Singapore.

Mr Lum has over 28 years of experience in the consulting and technology industry. He began his career as a consultant at Andersen Consulting (renamed to Accenture in 2001) in 1992. By 2004, he had risen through the ranks to become Managing Director in the Communications, Media and Technology industry group. His experience covers management consulting, systems integration, outsourcing, and digital transformation serving clients across telecommunications, media and internet companies. He held the position until his retirement in 2016.

Mr Lum is a Non-Independent Non-Executive Director of Cloudaron Group Berhad which is listed on Bursa Malaysia. He also serves as an Independent Director on the Boards of iCandy Interactive Limited (listed on the Australian Securities Exchange) and Technology Park Malaysia Corporation Sdn Bhd.



# ALLIANCE BANK

Alliance Bank Malaysia Berhad 198201008390 (88103-W)

## FORM OF PROXY

CDS Account No.	No. of Shares Held

I/We \_\_\_\_\_  
(Full name in block letters)

NRIC No./Passport No./Company Registration No. \_\_\_\_\_

of \_\_\_\_\_  
(Address in full)

telephone no. \_\_\_\_\_ email address \_\_\_\_\_

being a member of ALLIANCE BANK MALAYSIA BERHAD hereby appoint

Proxy 1 \_\_\_\_\_  
(Full name/NRIC No./Passport No.)

of \_\_\_\_\_  
(Address in full)

telephone no. \_\_\_\_\_ email address \_\_\_\_\_

and/or failing him/her,

Proxy 2 \_\_\_\_\_  
(Full name/NRIC No./Passport No.)

of \_\_\_\_\_  
(Address in full)

telephone no. \_\_\_\_\_ email address \_\_\_\_\_

as my/our proxy/proxies to vote for me/us on my/our behalf at the 38th Annual General Meeting ("AGM") of the Bank to be held as a fully virtual meeting through live streaming and online remote voting from the broadcast venue at the Agate and Sapphire Room, 20th Floor, Menara Multi-Purpose, Capital Square, 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur on Wednesday, 19 August 2020 at 10.00 a.m. and at any adjournment thereof.

NO	ORDINARY RESOLUTION	*FOR	*AGAINST
1.	Re-election of Datuk Wan Azhar bin Wan Ahmad as Director		
2.	Re-election of Mr Lee Boon Huat as Director		
3.	Re-election of Mr Lum Piew as Director		
4.	Payment of Directors' fees and Board Committees' fees for the financial year ended 31 March 2020		
5.	Payment of Directors' fees and Board Committees' fees from 1 April 2020 until the next AGM of the Bank		
6.	Payment of Directors' benefits (other than Directors' fees and Board Committees' fees) to eligible Non-Executive Directors from the 38th AGM until the next AGM of the Bank		
7.	Re-appointment of PricewaterhouseCoopers PLT as Auditors of the Bank and authority to the Directors to fix their remuneration		

\* Please indicate with an "X" on how you wish your vote to be cast. If no specific instruction is given, the proxy(ies) will vote or abstain at his/her discretion.

As witness my/our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

\_\_\_\_\_  
Signature of Member

	No. of shares to be represented
Proxy 1	
Proxy 2	
Total	

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**Notes:**

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Affix Stamp

Share Registrar  
**SHAREWORKS SDN BHD**  
No. 2-1, Jalan Sri Hartamas 8  
Sri Hartamas  
50480 Kuala Lumpur

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Alliance Bank Malaysia Berhad

**ALLIANCE BANK MALAYSIA BERHAD** 198201008390 (88103-W)

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